

# Pelargos Capital

## Pelargos Japan Alpha Fund

### Firm Overview

Pelargos Capital was established in March 2008 to manage absolute return portfolios focused on Asian equities. Since its inception, Pelargos Capital has built an institutional investment and operations platform supported by the long term capital commitment of cornerstone investor AEGON, from which the core of the team emanates. The investment team are based in the Netherlands, supported by local analysts both on the ground in Tokyo and at HQ. Pelargos believe that fundamental value based strategies are the best means to unlocking value in the region.

### Fund Information

Firm Assets	\$ 279 mm (Sep 2017)
Fund Assets	\$ 109 mm (Sep 2017)
Fund Inception	July 2008
Strategy	Long / Short Equities
Geographical Focus	Japan
Office Location(s)	The Hague (The Netherlands), Tokyo (Japan)
Onshore / Offshore	Onshore: Pelargos Japan Alpha Fund; Offshore fund information available upon request
Fund Domicile:	Onshore: tax exempt FGR structure - The Netherlands;
Lock-up:	No lock-up;
Redemptions:	All Classes: Monthly with 15 Business Days Notice
Management Fee:	Class A: 1.5%, Class B: 1.0%, Class C: 0.5% (€25mln capacity limit applies for Class C)
Performance Fee:	Class A: 20%, Class B: 15%, Class C: 15%

### Fund Overview

The Pelargos Japan Alpha Fund is a Fundamental Value strategy that takes long and short positions in Japanese securities. We aim to achieve double digit, uncorrelated returns, with single digit volatility. Concurrent with the Value investment philosophy goes our belief that capital preservation comes before capital appreciation and as such risk management is integrated into all aspects of the investment process.

### Investment Strategy

Pelargos' investment philosophy is based on what we believe is a disciplined Value strategy. We have a systematic, bottom-up investment process, which we feel optimizes the generation of an investable universe of cheap stocks consisting of high-quality franchises with strong balance sheets. From this universe of investment candidates (but not limited to it), we use fundamental analysis to evaluate each company's business model, the upside to intrinsic value and the catalysts for re-rating. We aim for our short book to be biased towards overvalued companies with business models that cannot cover their cost of capital and have weak balance sheets. We believe in the mean reversion of earnings and valuations in the medium to long-run and look for asymmetric risk/reward payoffs. We define risk as the permanent loss of capital. We are convinced that our systematic approach allows us to apply detailed risk management at an individual stock level as well as at the portfolio level. Implementation of our views is primarily via cash equities, with limited use of derivatives. Since its inception in July 2008, the Pelargos Japan Strategy typically has had between 60-80 positions in its core Value book, the gross exposure ranged between 100% - 180% and net exposure between -20% and 60%.

## Performance Pelargos Japan Alpha Fund

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2017	0.56%	-0.92%	-1.63%	-0.57%	0.23%	1.32%	1.18%	0.46%	0.99%				1.59%
2016	1.27%	0.92%	1.18%	-0.19%	-1.06%	-4.33%	2.12%	-1.05%	-0.29%	2.38%	0.88%	0.39%	2.07%
2015	-1.24%	4.89%	-0.27%	3.25%	2.57%	-1.67%	-2.94%	-3.01%	2.46%	1.88%	2.06%	1.42%	6.36%
2014	-3.16%	-0.60%	-0.56%	-0.99%	-2.24%	1.44%	0.23%	0.60%	2.06%	-1.89%	-1.24%	0.96%	-6.52%
2013	5.35%	-0.58%	6.98%	6.48%	-1.07%	-0.78%	0.31%	-0.92%	1.18%	-0.80%	1.46%	1.73%	20.57%
2012	-1.38%	3.81%	1.35%	-1.21%	-3.83%	1.76%	0.84%	0.93%	1.32%	0.58%	2.50%	4.06%	10.95%
2011	0.93%	-0.03%	-1.55%	0.14%	-0.14%	0.42%	0.03%	-3.63%	0.69%	-0.38%	-2.60%	1.68%	-4.48%
2010	0.73%	-0.23%	3.52%	3.39%	-2.83%	-1.31%	1.23%	-0.37%	0.91%	1.13%	1.40%	1.89%	9.67%
2009	2.07%	1.67%	-0.73%	-0.67%	1.34%	1.13%	-1.93%	2.24%	-1.68%	-0.39%	-2.99%	2.84%	2.75%
2008							0.96%	-1.35%	1.40%	3.44%	0.52%	1.39%	6.46%

Fund performance is net of fees, audited and for Class B. Class A was launched January 2009. Presented returns are based on official NAVs. Since inception NAVs are calculated by independent administrator BNY Mellon Fund Service. Financial statements of the fund and NAV procedures are audited by PriceWaterhouseCoopers, latest audit December 31 2016.

## Investment Professionals

### Richard Dingemans, CEO, Senior Portfolio Manager Japanese Equities

Richard Dingemans (Dutch, 1971) started his career in 1996 in the investment management department of AXA Life Assurance. In 1998, upon the establishment of AXA Investment Managers, he took on the role of quantitative analyst and portfolio manager Balanced Mandates. From 2001 he was based in AXA's London office in the post of investment manager global equities. In 2003 he joined AEGON as portfolio manager Japanese equities. Over 2005 the AEAM Japan Equity Fund received an S&P Cash Fund Award nomination for the best Japanese equity fund.

Richard graduated in 1995 from Delft University of Technology with a MSc in Chemical Engineering. Richard has been a CEFA charter holder since 2000 and is registered with the Dutch Securities Institute. Since 2011 he is a Chartered Market Technician.

### Michael Kretschmer, CIO, Senior Portfolio Manager Japanese Equities

Michael Kretschmer (Austrian, 1974) started in 2001 as portfolio manager at Robeco. After having been responsible for various sectors and regions Michael was given sole responsibility for the Global Industrials Fund in January 2005. In 2007 Michael managed his fund out of the Robeco Boston office. He joined Pelargos Capital as a senior portfolio manager in April 2008. In 2011 Michael assumed the role of head of research in order to determine and manage research projects supporting the alpha generating and risk management process. With the support of two analysts the team developed a proprietary quant model and market exposure model.

Michael has a background in Plastics Engineering and graduated in 2000 from the University of Economics in Vienna. His majors were Financial Markets and Econometrics. During his masters year Michael conducted research at the Erasmus University in Rotterdam and wrote his final thesis in cooperation with the VU University in Amsterdam and ING Barings. In 2005 Michael received his CFA charter and since 2011 he is a Chartered Market Technician. Michael is registered with the Dutch Securities Institute.

\*Fund Information as of: Sep30<sup>th</sup> 2017

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