



Asset Management Area

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Summary:

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I. Portfolio Overview – Recap

Our Portfolio is composed of two components:

- a) **Active Component:** This part of the portfolio is based on a long-short factor investing strategy and has zero exposure (sum of weights equal to zero). We selected the US Stock Market and the European Stock Market, picking a total of 40 stocks. We are long on 10 stocks and short on 10 stocks of both the S&P 500 and EUROSTOXX 600. The factors and the steps used to build this component will be exhaustively explained later. Because of the nature of factor investing, we cannot use an optimization methodology based on mean variance or other approaches, because otherwise we would alter the factors identity and the result would be a truly unbalanced and inconsistent portfolio. For this reason, we must adopt an equal weight strategy, that as we mentioned before, will be upgraded following the suggestions of the equity research team. This means that we will switch from a $1/n$ weight to a $2/n$, $3/n$, $0.5/n$ weight, say. Active means that, apart from changing the weights according to companies' analysis, factors updating will probably cause some of the previously held stocks to leave the portfolio, leaving the space to new ones fitting our parameters.
- b) **Passive Component:** This part of the portfolio is a well-diversified component across different asset classes and markets. We picked many indexes able to represent a good portion of the investable universe. Since nowadays most indexes are well replicated by Exchange-Traded-Funds (ETF), we chose an ETF for each index, focusing on their cost structure and trying to choose the ETF with the lowest Total Expense Ratio (TER). However, it is worth to mention that, although a high TER is not, in any way, a signal of a good asset manager, and it is by the way the main cause of bad total performances for expensive funds, it seems that in some cases we must accept a higher TER to have a longer history of performances. In fact, many cheap ETFs are relatively young and do not provide us with enough data to perform an historical analysis on expected returns and standard deviations, which are fundamental in a Mean-Variance context.

II. Active Component

Factors selection:

In order to avoid extreme exposure to one single family of indicators, we decided to pick factors of different types. Accordingly, Momentum portfolios have recently performed better than Value Strategies. However, considering the permanent very high stock market values (especially for the US Market) we do not feel safe getting 100% exposed to this index. These factors' behavior represents a well-known phenomenon commonly referred by literature as "Factor Cyclicity". While in the long run this argument supports the idea and the empirical confirmation that factor indexes' risk adjusted returns outperform their capitalization-weighted benchmark's returns, in the short run significant cyclicity and periods of underperformance can be observed. There are three main strategies to overcome this problem: 1) Set appropriately long-time horizons; 2) Establish an explicit timing mechanism for the initial investment; 3) Adopt a multiple factor approach and employ factors that, due to their low correlation, can diversify the overall exposure of the portfolio. The latter is the most straightforward and widespread option and it seems to be effective since periods of underperformance for different factors have not coincided historically. We provide a proof of this last statement looking at the MSCI Factor Indexes, in particular at the MSCI Europe Value Index and MSCI Europe Momentum Index since 2008.

The previous portfolio has been improved through the introduction of two more factors (volatility and market capitalization), beneficial for a better choice of the asset allocation, whose final scores, after the triple Winsorization process, have been equally weighted with the scores of the old five factors.



1. Existing Factors

1.1 Value Factors (*Buy cheap, Sell expensive*)

-P/BV: A higher P/BV represents a selling signal because it shows that the company equity is very expensive compared to the underlying book-value.

-EV/EBITDA: A higher EV/EBITDA represents a selling signal because it shows that the company assets are very expensive compared to operating results before depreciation. We picked this factor instead of the P/E mainly because of data availability. In fact, since it is more likely to have a positive EBITDA rather than a positive Net Income, there were available much more data on EV/EBITDA compared to P/E.

1.2 Momentum Factors (*Buy recently best performing stocks, Sell worst performing stocks*)

+MOM: A higher MOM (computed as the compounded monthly return over the previous 13 months excluding the last one) represents a buy signal since we are assuming the market will not invert its trend soon.

1.3 Quality Factors: (*Buy high quality stocks, Sell low quality stocks*)

+(FW 12m EPS – Trailing EPS): A higher factor represents a buy signal. We introduced this factor that is not a widespread one to capture analysts' views (Analysts' Revisions). It is in fact built as the difference between the 12 months forecast of EPS made by analysts and the trailing EPS recorded (Last 12 months EPS). This means that for companies with an EPS forecasts that highly positively differ from the last recorded, we assume an increase in the stock price in the future that would mirror earnings behavior.

+ ROE: A higher ROE, normalized for Industry influence, w.r.t other constituents of the Index, represents a buy signal. Thus, we are assuming that investors' profitability will maintain its trend in the future and that it is a reliable driver of future increases of stock prices.

2. New Factors

2.1 Volatility Factor (*Buy low volatility, Sell high volatility*)

-Standard deviation: higher standard deviation represents a selling signal since it reveals a riskier situation where returns are less stable and consequently, less predictable.

2.2 Size Factor (*Buy small cap, Sell large cap*)

-Market capitalization: lower market cap is assumed to be a buy signal because small cap stocks have historically shown higher growth and better performance rather than large cap stocks.

Output:

New portfolio, calculated with the two extra factors

NEW PORTFOLIO							
S&P 500	Industry	Score	Weight	EUROSTOXX 600	Industry	Score	Weight
LOCKHEED MARTIN	Industrials	1,145499312	1/n	SOFINA	Financials	1,093045491	1/n
AUTOZONE	Consumer Services	0,954057477	1/n	GLAXOSMITHKLINE	Health Care	1,05887055	1/n
LAMB WESTON HOLDINGS	Consumer Goods	0,941516032	1/n	NEXT	Consumer Services	1,041997002	1/n
ASSURANT	Financials	0,695810601	1/n	BRITISH AMERICAN TOBACCO	Consumer Goods	0,936347992	1/n
HUMANA	Health Care	0,63244709	1/n	ROLLS-ROYCE HOLDINGS	Industrials	0,915665583	1/n
HOLLYFRONTIER	Oil & Gas	0,627719622	1/n	EVRAZ	Basic Materials	0,555968536	1/n
AUTODESK	Technology	0,621240232	1/n	GEMALTO	Technology	0,545247945	1/n
MOSAIC	Basic Materials	0,471210632	1/n	NESTE	Oil & Gas	0,532337644	1/n
VERIZON COMMUNICATION	Telecommunications	0,377859645	1/n	SUNRISE COMMUNICATIONS	Telecommunications	0,493982218	1/n
EVERGY	Utilities	0,342165619	1/n	EDP ENERGIAS DE PORTUGAL	Utilities	0,372712147	1/n
CENTURYLINK	Telecommunications	-0,346816048	1/n	WOOD GROUP (JOHN)	Oil & Gas	-0,519922404	1/n
CABOT OIL & GAS 'A'	Oil & Gas	-0,577861463	1/n	EMS-CHEMIE 'N'	Basic Materials	-0,547412758	1/n
SCANA	Utilities	-0,611198354	1/n	ORSTED	Utilities	-0,591693661	1/n
NETFLIX	Consumer Services	-0,707469941	1/n	1&1 DRILLISCH	Telecommunications	-0,625029965	1/n
QUALCOMM	Technology	-0,722658524	1/n	AMS	Technology	-0,66433263	1/n
UNDER ARMOUR A	Consumer Goods	-0,761171653	1/n	AIR FRANCE-KLM	Consumer Services	-0,746623742	1/n
BANK OF AMERICA	Financials	-0,785209496	1/n	EVOTEC (XET)	Health Care	-0,785577206	1/n
DOWDUPONT	Basic Materials	-0,810919624	1/n	MELROSE INDUSTRIES	Industrials	-0,885567285	1/n
NEKTAR THERAPEUTICS	Health Care	-0,916139948	1/n	BANKIA	Financials	-0,892492522	1/n
GENERAL ELECTRIC	Industrials	-1,190507292	1/n	CD PROJECT RED	Consumer Goods	-0,963031155	1/n

Here is the revised portfolio, after having applied the Winsorization technique and the data normalization procedure, including values related to the new two factors (for the details related to the procedure, please refer to the previous report).

Comparing the new portfolio with the previous one, updated to 26.11.2018, it appears that in the S&P 500 part 8 stocks in total have been replaced (3 long and 5 short), while in the new EUROSTOXX 600 part 11 stocks of the old portfolio have been replaced (4 long and 7 short).

The newly introduced stocks in which the portfolio is long are Assurant, Humana and Evergy for the S&P 500 and Sofina, Gemalto, Neste and EDP Energias de Portugal for the EUROSTOXX 600. The new stocks in which the portfolio is short, instead, are Cabot Oil & Gas 'A', Netflix, Under Armour A, Bank of America, Dowdupont for the S&P 500 and Orsted, 1&1 Drillisch, AMS, Air France-KLM, Evotec (XET), Melrose Industries and Bankia for the EUROSTOXX 600.

The stock with the highest final score among the S&P 500 constituents is still Lockheed Martin, as in the old portfolio, but with a value slightly lower than before due to a negative size score.

Regarding the EUROSTOXX 600 index, the highest score has been registered by the new entered Sofina, characterized by a strongly below-average volatility.

On the other hand, we are decisively short on General Electric in the S&P 500 and on CD Project Red in the EUROSTOXX 600, but the stocks that have registered the biggest decrease in their final score are Dowdupont for the S&P 500, being highly capitalized, and Bankia for the EUROSTOXX 600 that instead proved to be a very volatile investment.

However, we decided to increase the size of our new active multifactor portfolio by almost doubling the number of stocks we are investing in. Indeed, we currently invests in 78 stocks overall: 38 deriving from the S&P 500 universe and the remaining 40 stocks have been chosen from the STOXX 600 index. The rationale behind this decision is twofold: on one hand we wanted to reduce the idiosyncratic risk we were exposed to, i.e. we wanted to avoid that a big single stock drop could jeopardize the performance of the rest of the portfolio. Moreover, in this way, we are able to reach a higher diversification level of our portfolio. On the other hand, we decided to increase the level of implementation of each factor by enlarging the number of

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stocks belonging to each of the factors chosen. Hence, this choice will allow us to reach two important goals: first we will reduce the total level of risk of our portfolio and, secondly, we will be more consistent with the multifactor investing strategy.

Here below we provide a screenshot of the stocks we added to the portfolio.

New Portfolio (Additions)							
S&P 500	Industry	Score	Weight	EUROSTOXX 600	Industry	Score	Weight
KEYSIGHT TECHNOLOGIES	Industrials	0.698126109	1/n	JARDINE LLOYD THOMPSON	Financials	1.029993555	1/n
MCDONALDS	Consumer Services	0.668367203	1/n	EDENRED	Industrials	0.909803452	1/n
CLOROX	Consumer Goods	0.631783838	1/n	RECKITT BENCKISER GROUP	Consumer Goods	0.787731506	1/n
MOTOROLA SOLUTIONS	Technology	0.618571001	1/n	WHITBREAD	Consumer Services	0.710594959	1/n
VALERO ENERGY	Oil & Gas	0.616238315	1/n	ARGENX	Health Care	0.545681743	1/n
WELLCARE HEALTH PLANS	Health Care	0.599568793	1/n	JOHNSON MATTHEY	Basic Materials	0.498571328	1/n
TRAVELERS COS.	Financials	0.581313435	1/n	TGS-NOPEC GEOPHS.	Oil & Gas	0.487042585	1/n
EASTMAN CHEMICAL	Basic Materials	0.458715472	1/n	ALTEN	Technology	0.407311154	1/n
PINNACLE WEST CAP.	Utilities	0.298583509	1/n	ELISA	Telecommunications	0.371811431	1/n
				PENNON GROUP	Utilities	0.282003828	1/n
FIRSTENERGY	Utilities	-0.426612982	1/n	RUBIS	Utilities	-0.271319022	1/n
HOME DEPOT	Consumer Services	-0.445362501	1/n	TULLOW OIL	Oil & Gas	-0.471615243	1/n
FMC	Basic Materials	-0.498854524	1/n	NORSK HYDRO	Basic Materials	-0.523726912	1/n
NOBLE ENERGY	Oil & Gas	-0.571724768	1/n	CELLNEX TELECOM	Telecommunications	-0.616348656	1/n
IPG PHOTONICS	Industrials	-0.614300909	1/n	ANHEUSER-BUSCH INBEV	Consumer Goods	-0.618806663	1/n
COCA COLA	Consumer Goods	-0.624427466	1/n	TEMENOS N	Technology	-0.662032299	1/n
ADVANCED MICRO DEVICES	Technology	-0.7125139	1/n	AMBU B	Health Care	-0.70781619	1/n
VERTEX PHARMS.	Health Care	-0.739916746	1/n	WILLIAM HILL	Consumer Services	-0.717624979	1/n
CITIGROUP	Financials	-0.759917988	1/n	LAFARGEHOLCIM	Industrials	-0.742402866	1/n
				INDUSTRIVARDEN A	Financials	-0.851749003	1/n

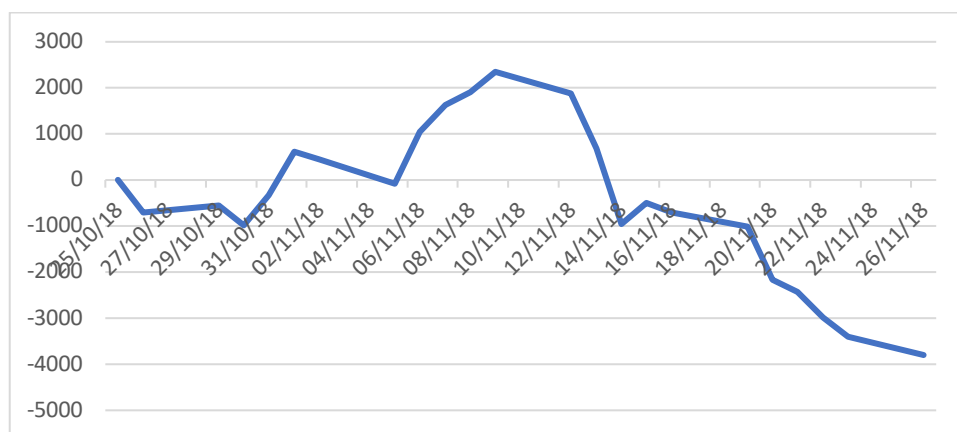
Old portfolio, with data updated to 26.11.2018

OLD PORTFOLIO							
S&P 500	Industry	Score	Weight	EUROSTOXX 600	Industry	Score	Weight
MOSAIC	Basic Material	0,70202791	1/n	EVRAZ	Basic Material	1,26213758	1/n
LAMB WESTON HOLDINGS	Consumer Goods	1,2187154	1/n	BRITISH AMERICAN TOBACCO	Consumer Goods	1,22821481	1/n
AUTOZONE	Consumer Services	1,07788082	1/n	NEXT	Consumer Services	1,40425794	1/n
SVB FINANCIAL GROUP	Financials	1,05053452	1/n	JARDINE LLOYD THOMPSON	Financials	1,13953315	1/n
WELLCARE HEALTH PLANS	Health Care	0,96757247	1/n	GLAXOSMITHKLINE	Health Care	1,36718525	1/n
LOCKHEED MARTIN	Industrials	1,72032595	1/n	ROLLS-ROYCE HOLDINGS	Industrials	1,41057433	1/n
HOLLYFRONTIER	Oil & Gas	0,94904799	1/n	LUNDIN PETROLEUM	Oil & Gas	0,73267361	1/n
AUTODESK	Technology	0,90005798	1/n	ERICSSON B	Technology	0,74150031	1/n
VERIZON COMMUNICATIONS	Telecommunications	0,56820204	1/n	SUNRISE COMMUNICATIONS	Telecommunications	0,56465113	1/n
NRG ENERGY	Utilities	0,6	1/n	EDF	Utilities	0,85726409	1/n
FMC	Basic Material	-0,7227851	-1/n	EMS-CHEMIE 'N'	Basic Material	-1,0010017	-1/n
MOHAWK INDUSTRIES	Consumer Goods	-0,818788	-1/n	CD PROJECT RED	Consumer Goods	-0,8504065	-1/n
NEWS 'A'	Consumer Services	-0,9438622	-1/n	WILLIAM HILL	Consumer Services	-1,0635826	-1/n
ALEXANDRIA RLST.EQTIES.	Financials	-0,8886905	-1/n	INDUSTRIVARDEN A	Financials	-1,122936	-1/n
NEKTAR THERAPEUTICS	Health Care	-0,8646142	-1/n	UDG HEALTHCARE PUBLIC	Health Care	-0,7158199	-1/n
GENERAL ELECTRIC	Industrials	-1,3549108	-1/n	LAFARGEHOLCIM	Industrials	-0,970725	-1/n
NOBLE ENERGY	Oil & Gas	-0,8886793	-1/n	WOOD GROUP (JOHN)	Oil & Gas	-0,8803873	-1/n
QUALCOMM	Technology	-1,1973596	-1/n	TEMENOS N	Technology	-0,6755514	-1/n
CENTURYLINK	Telecommunications	-0,4861216	-1/n	CELLNEX TELECOM	Telecommunications	-0,9842566	-1/n
SCANA	Utilities	-0,9686023	-1/n	RUBIS	Utilities	-0,4813404	-1/n

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Performance:

Regarding the performance valuation of the active component, portfolio daily returns between 26.10.2018 and 26.11.2018 have been calculated from daily prices, adopting weights of 5% and -5% for long and short stocks respectively. The graph below shows what is obtained on a daily basis by holding a long position for 100.000€ and a short position for 100.000€ in the portfolio. It is evident how negative returns have been shown repeatedly from 12.11, decreasing the value of the investment.



News – Performance explanation

LONG POSITIONS

British American Tobacco

November 12, 2018-**BAT shares drop on threat of US menthol cigarette ban** (*Financial Times*)

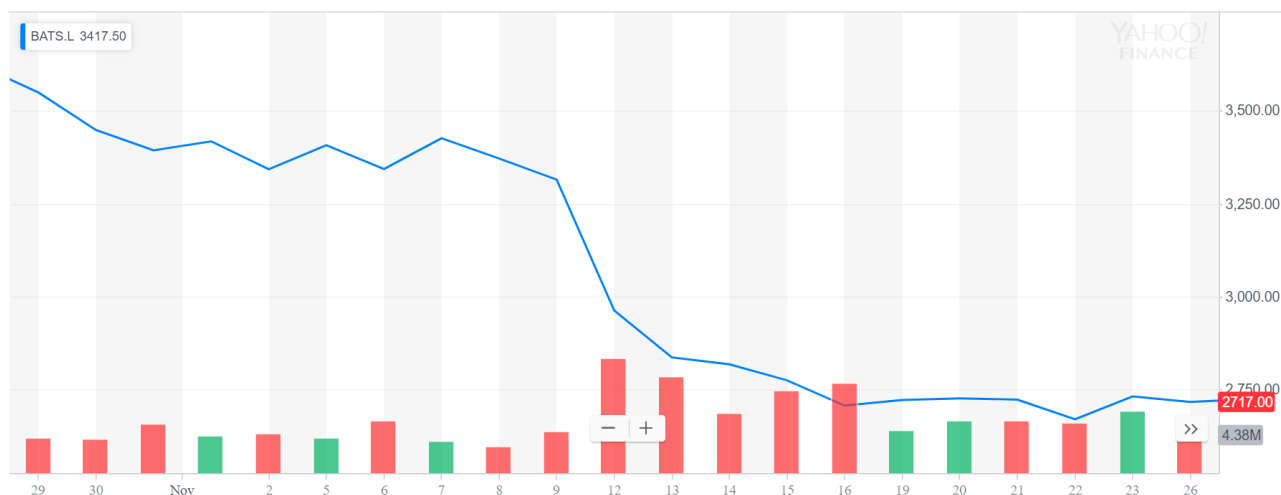
November 12, 2018- **BAT/menthol cigarettes: puff baddy** (*Financial Times*)

November 15, 2018-**FDA seeks menthol-flavoured cigarettes: US regulator also confirms plan to restrict sales of flavoured ecigarette products** (*Financial Times*)

It has been a tough period for British American Tobacco, whose stock price decreased by 23.44% over the last month. The main reasons of this catastrophic (from our point of view) drop has to be imputed to the announcement from the head of the Food and Drug Administration, Scott Gottlieb, who said he planned to ban menthol and flavoured cigars. Financial markets reacted sharply at the proposals, losing \$40bn from the value of the world's biggest tobacco companies.

British American Tobacco was the worst hit in its sector, dropping about 19% in the week between 12 and 17 November. Indeed, the bad scenario added further pressure on the company's stock price, which was already down 33 percent during the year because of the low expectations the market had regarding the investments BAT recently undertook into the smoking alternative products, such as the vaping brand Vype as well as oral tobacco and tobacco-free nicotine pouches. Among these investments, there was the 2017 acquisition of Reynolds American, producer of the biggest-selling US menthol cigarette brand Newport, that saw BAT return to the US market.

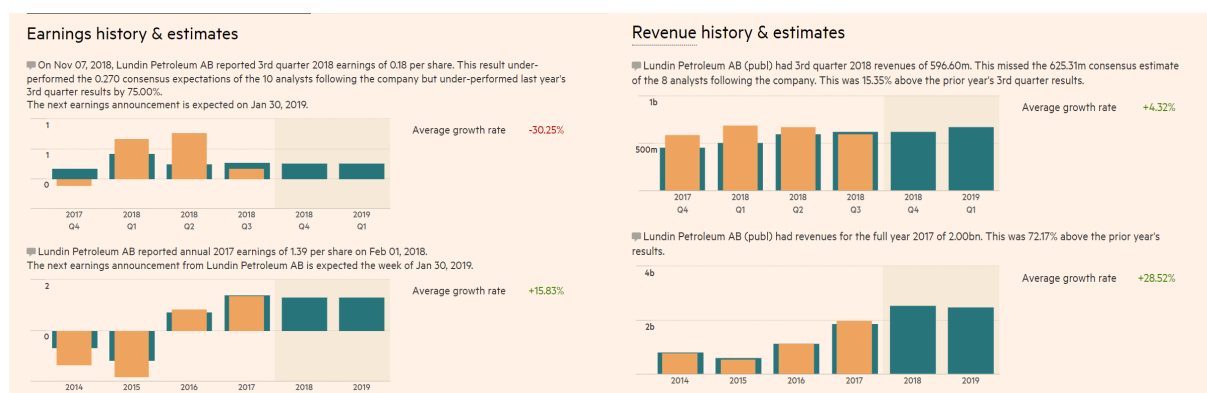
Analysts warned the US clampdown could threaten the dividend of British American Tobacco, to which, after the Reynolds deal, menthol cigarettes provide about a quarter of the group profit. However, as the same analysts pointed out, any legislation would take about five years to implement, which would give BAT enough time to rebase debt to match its reduced earnings. Furthermore, we should also consider that, together with the proposed menthol cigarettes ban (which is unlikely to be a complete ban), the FDA is preparing a crackdown on e-cigarettes too. The crackdown on e-cigarette flavours is expected to hit Juul in particular, which has grabbed about 70 per cent of the US e-cigarette market since its launch in 2015. Earlier this year, the FDA raided its offices for information including about its marketing practices amid concerns about rising youth usage. Juul products are currently available in the markets BAT operates in. The proposed plans should significantly impact Juul's operations and profitability which could be good news for big tobacco companies as BAT and an opportunity to retake market share.



Lundin Petroleum

November 7, 2018- Lundin Petroleum reports Q3 results

On November 7, 2018 Lundin Petroleum reported its 3rd quarter earnings, underperforming the consensus expectations as well as last year's 3rd quarter results.

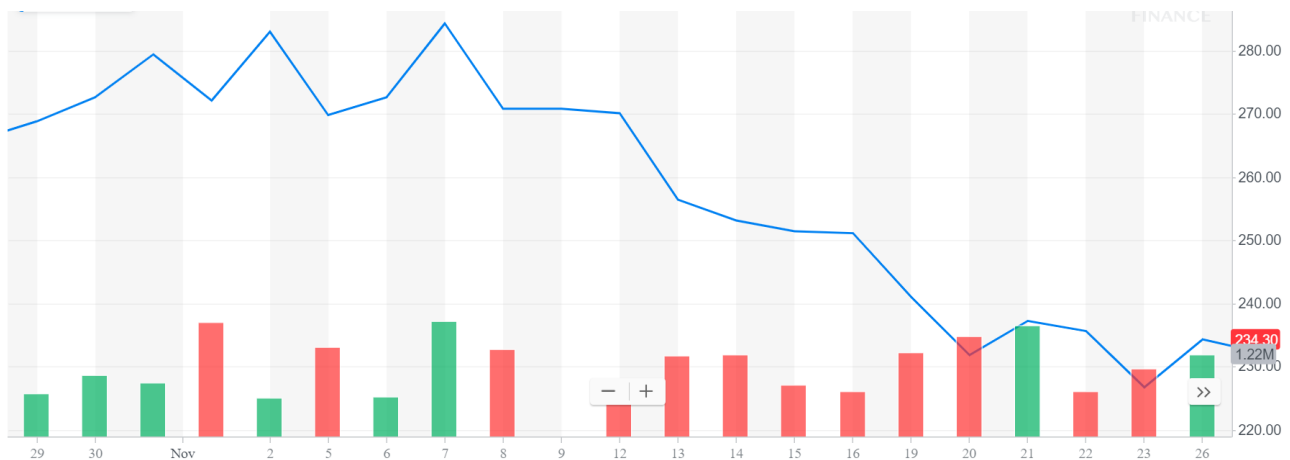


Source: *Financial Times*

As we can see from the below graph, during the period considered, the stock price moved against us. This has been probably due to the lower than expected results reported on 7 November, but we believe the turmoil in

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the oil market that there has been over the last month to be the main reason that explains the weak performance we have observed so far.



Source: Yahoo Finance

For this reason, we have decided to report the main news related to the Oil & Gas sector as a whole, **which we believe to be the most relevant factor to monitor for companies like Lundin Petroleum:**

November 2, 2018- Oil price falls as US, Russia and Saudi output soars (Energy Reporters)

“Oil fell to the lowest levels in more than six months on reports that the US may not go that hard on sanctions on Iran oil exports as they kick in on November 4,” UOB reported. In particular, Platts Analytics estimates China and India will each import at least 300,000 bpd of Iranian crude this month, compared with April-May volumes averaging 690,000 bpd for India and 684,000 bpd for China. The two Asian countries are indeed seeking waivers to US imposed sanctions, and as explained by Clayton Allen of Height Securities, it is very likely that Trump will agree to China importing some volumes, similar to the treatment that India and South Korea receive.” The 15-member OPEC (Organisation of the Petroleum Exporting Countries) boosted oil production in October to the highest level since 2016 at 33.3 million barrels per day (bpd), Reuters reported. “Year-on-year growth in US crude oil production has averaged almost 1.5 million barrels per day in the first eight months of the year... with output from many key producing regions reaching new all-time highs,” Barclays Bank reported. Russian oil production has also risen to a post-Soviet record of 11.41 million bpd in October, up from 11.36 million bpd the preceding month.

November 7, 2018- Trump on falling oil prices: ‘That’s because of me’ (CNBC)

The president did not clearly elaborate on why he deserves credit for the pullback in oil markets, but he linked falling prices to his disdain for the 15-nation OPEC cartel and his administration’s Iran policy. The Trump administration also announced it would grant sanctions waivers to eight countries, which allow them to continue importing Iranian crude for 180 days without fear of reprisal from the United States.

November 23, 2018- Oil price plummets to low not seen since October 2017: Brent crude hits \$59.26 a barrel following price plunge of 30% amid concerns of oversupply (The Guardian)

The recent fall follows US waivers for eight countries to import oil despite sanctions on Iran, high output and markets worried about a drop in demand. Jefferies bank said: “The market is currently oversupplied.”

Regarding Lundin Petroleum in particular, the company has recently notified a potential fine related to its earlier activities in Sudan:

November 1, 2018- Lundin Petroleum receives information regarding a potential corporate fine and forfeiture of economic benefits in relation to past operations in Sudan (globenswire.com)

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Lundin Petroleum notified of potential Sudan related fine (Reuters)

“Lundin Petroleum said that Swedish prosecutors have said it may be liable to forfeit 3.28 billion crowns (\$362 million) and pay a 3 million crown fine in connection with a probe into its earlier activities in Sudan. The Swedish Prosecution Authority began an investigation in 2010 into alleged complicity in violations of international humanitarian law in Sudan between 1997 and 2003”. [Reuters]

GlaxoSmithKline PLC

October 29, 2018- **GlaxoSmithKline HIV study shows 'positive' result** (see also **Is GlaxoSmithKline a screaming buy after this news?** <https://uk.finance.yahoo.com/news/glaxosmithkline-screaming-buy-news-100040137.html>)

On 29th October, ViiV Healthcare (whose majority (75% of shares) is owned by GlaxoSmithKline) announced the results of a trial for a landmark treatment designed to help improve the lives of people living with HIV. “ViiV Healthcare said a phase 2 trial of a two-drug regimen to treat HIV showed positive results. The phase III First Long-Acting Injectable Regimen trial, or FLAIR for short, was designed to establish if adults infected with type-1 HIV would see a similar improvement in health by taking a once-a-month injectable drug regime, rather than a daily oral medication (Triumeq). The study found that the injections had a similar effect to Triumeq over a 48-week period, in effect, reducing the number of days a person receives treatment from 365, to just 12”. [<https://uk.finance.yahoo.com/news/glaxosmithkline-screaming-buy-news-100040137.html>]. The positive results from the FLAIR trial represents a big profit opportunity for Glaxo. If approved for sale by regulators, the new treatment could help the company take market share from rivals in the \$20bn-a-year global HIV market. “Analysts have speculated that income from ViiV could account for around 50% of group operating profit by 2020”. [<https://uk.finance.yahoo.com/news/glaxosmithkline-screaming-buy-news-100040137.html>]. Still, other divisions, such as the group’s vaccines business, are also performing well. Vaccines sales were up 17% CER (GSK’s Q3 Earnings conference call), thanks to rising sales of Glaxo’s shingles medication.

October 31, 2018-GlaxoSmithKline reports Q3 results

On 31st October GlaxoSmithKline reported its 3rd quarter 2018 earnings, exceeding the consensus estimates as well as last year’s 3rd quarter results.

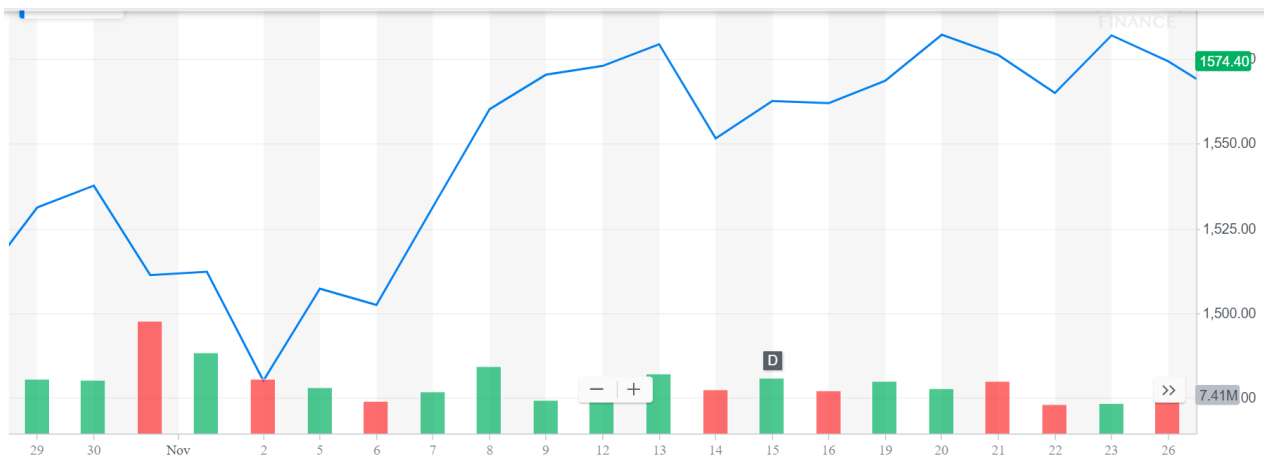
GlaxoSmithKline (NYSE:[GSK](#)): Q3 Non-GAAP EPS of 35.5p; GAAP EPS of 28.8p.

Revenue of £8.09Bn (+3.2% Y/Y)



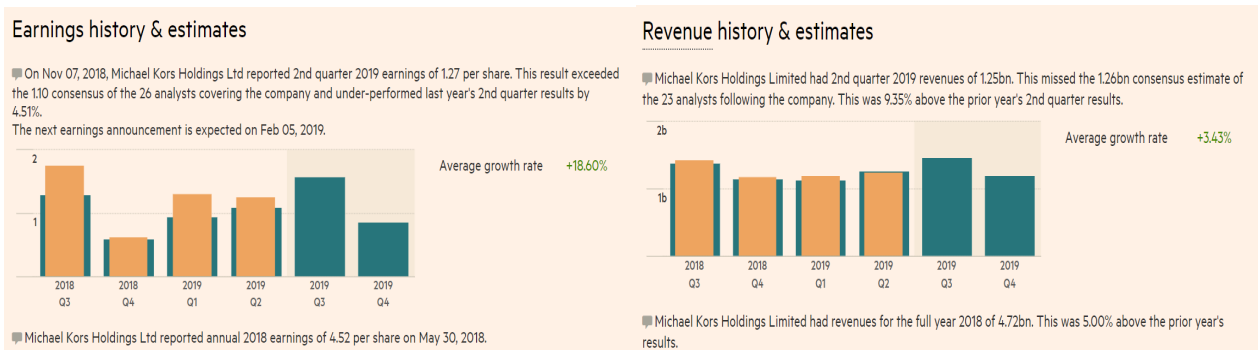
(Source: Financial Times)

November 19, 2018- **GlaxoSmithKline looks to expand Nucala in US**
 GlaxoSmithKline PLC said that it is looking to expand the indication for its Nucala medicine--an add-on treatment for severe eosinophilic asthma--to include children aged six to 11 in the U.S.



Michael Kors

On 7th November the company reported its 3rd quarter performance, showing discouraging evidence about its progresses during the year. Financial markets reacted badly to the news as reported in the following article.



November 7, 2018- Michael Kors shares slide to year's low as earnings tumble (*Financial Times*)

“Shares in Michael Kors slumped 14 per cent on Wednesday as the US accessories designer said its earnings dropped by a third, six weeks after it disclosed plans to buy luxury European fashion company Versace. Investors knocked \$1.2bn off the New York-listed company’s market capitalisation and sent the shares to a new low for the year as analysts raised concerns about falling like-for-like sales and a weaker than forecast profits target. Sales generated by Jimmy Choo, the London shoemaker bought for \$1.35bn last year, helped total revenue rise 9.3 per cent from a year ago to \$1.25bn in the three months to the end of September, the second quarter of its financial year. On a like-for-like basis, however, sales at Michael Kors’ own-brand stores — based in locations including Beverly Hills, Manhattan’s Soho and Regent Street in London — declined 1.3 per cent on a constant currency basis. [...] Revenue growth in Michael Kors’ retail and wholesale operations in the Americas and Asia was offset by declines in Europe. Across the group, net income dropped a third from a year ago to \$137.1m, including a \$33m hit from foreign exchange movements. That equated to diluted earnings per share of 91 cents, down from \$1.32 last time.” [*Financial Times*].

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SHORT POSITIONS

General Electric Corporation

October 30, 2018- **General Electric, asset write-offs trigger a maxi-loss of 23 bn** (*Repubblica*)

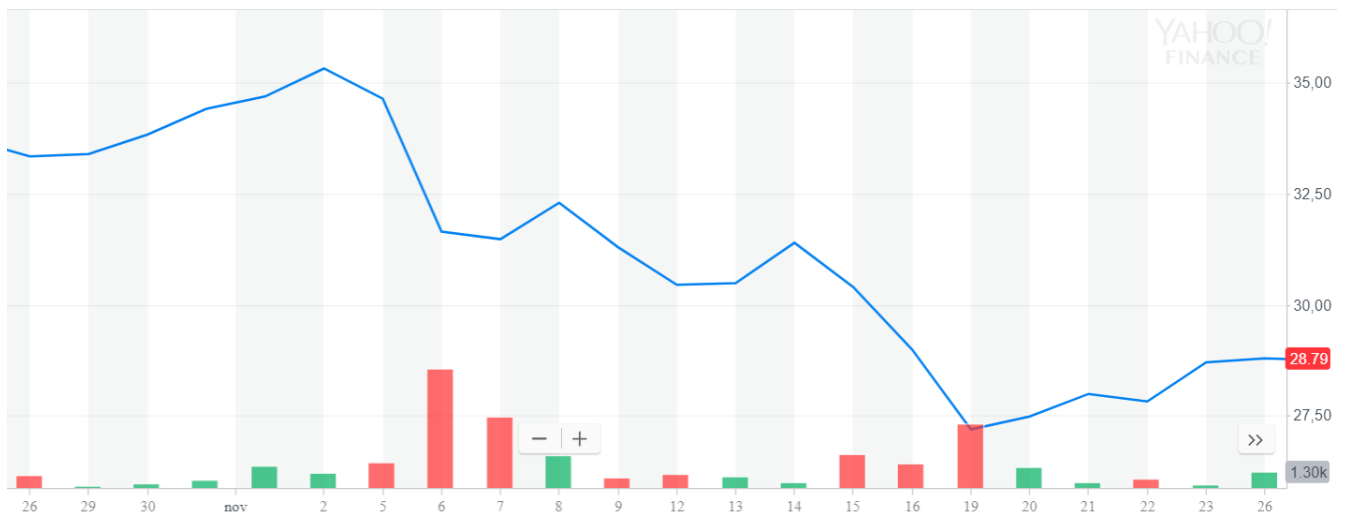
November 19, 2018- **Will \$40bn of asset sales be enough to fix GE?** (*Financial Times*)

November 26, 2018- **Learning the lessons of GE's steepening decline** (*Financial Times*)

General Electric is going through a deep strategic and leadership crisis that still seems far from being resolved. The "downgrade" from A to BBB + by S & P and the observation of Moody's are not positive signs. The reason is soon explained: debts for almost 120 billion dollars but above all inability to keep up the pace of technological innovations imposed by the markets. Analysts claim that the GE model has failed, after decades of glory. There was a collapse from the € 31.6 of the quotation at the beginning of 2017, which brought the stock to 17.4 \$ starting 2018 and finally to 7.57. Values reached only in the 90s and not very far from the 6.66 touched in the financial storm of 2009.

Zalando

November 6, 2018 – **Zalando's shares dropped by 10 per cent after the company revealed a 39€m loss for the third quarter.** Throughout that period, its revenues rose 11.7 per cent which is significantly below the growth rate made known in previous periods. Zalando said that the downward trend was largely due to this year's long and hot summer, which caused the delay purchases of jackets and coats. Regarding the fourth quarter, Zalando claimed that it expected a revenue growth between 20-25% (*Financial Times*)

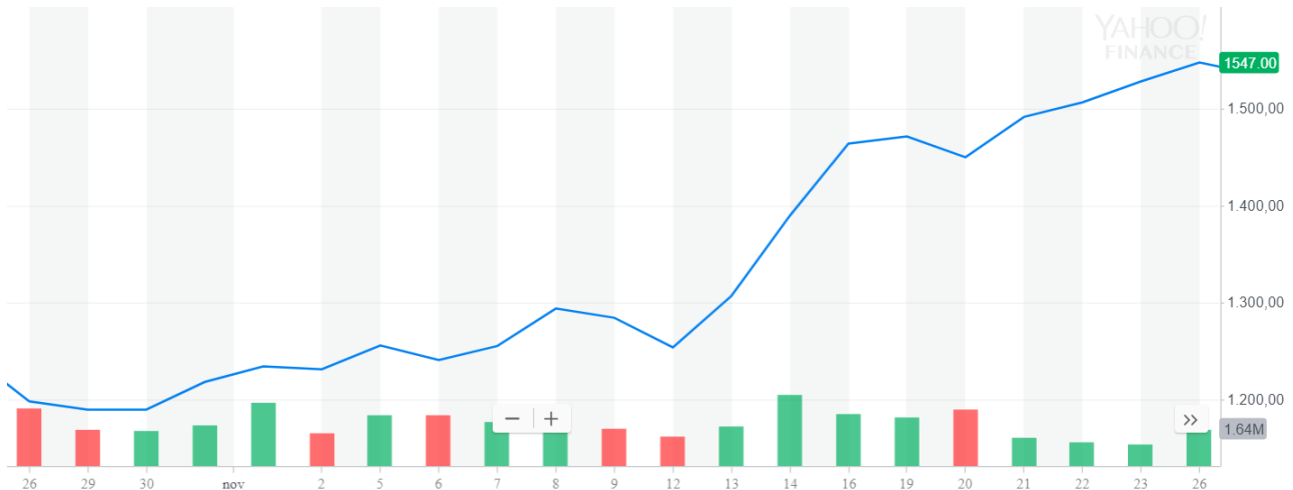


Micro Focus International

Warning

November 5, 2018- **ITV hires Chris Kennedy, the chief financial officer of Micro Focus** (*Financial Times*)

November 5, 2018- Micro Focus is an IT group with a greedy business strategy, but one that would rather prioritize cost cutting and shareholder returns than revenue growth. By the way, after struggling to absorb the latest acquisition, investors stepped back, and Micro Focus said it is willing to extend its share buyback program. Its stock has nearly halved so far during this year because of the integration of Hewlett Packard Enterprise's software business (HPES), which was bought for \$8.8bn just over a year ago (*Financial Times*)



News related to the remaining stocks composing the active portfolio are shown in the appendix.

III. Passive Component

Performances

The performances of the passive component of the portfolio have been calculated between 26.10.2018 and 26.11.2018, considering 100.000€ of invested capital and the weights indicated in the following table.

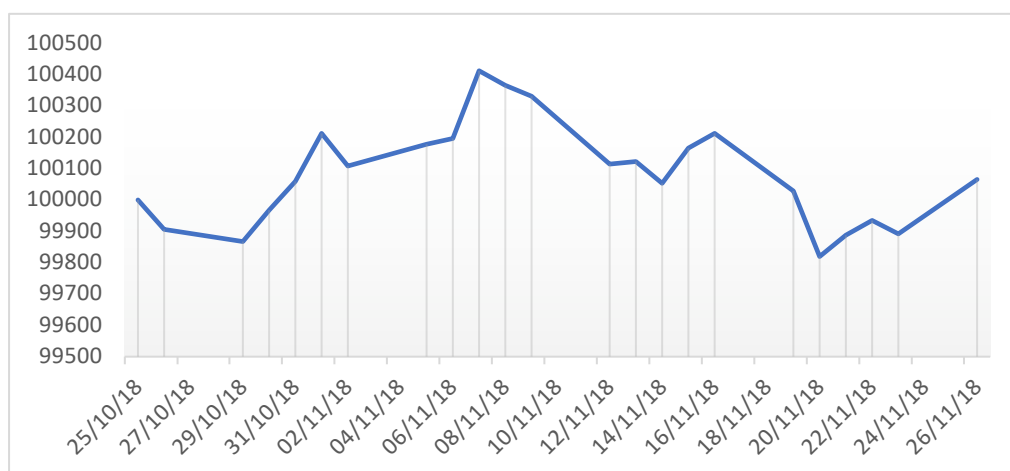
The weighted average of the ETFs performance registered a 0,066% positive return, being negatively influenced mostly because of the negative performances of iShares € Govt Bond 1-3yr UCITS ETF EUR (Acc), iShares € Govt Bond 7-10yr UCITS ETF and iShares € High Yield Corp Bond UCITS ETF. The latter registered the most negative return (-1,422%).

PASSIVE	ETF	Weight	Performance
	iShares Core S&P 500 ETF	10%	0,766756%
iShares 1-3 Year Treasury Bond ETF	58%	0,180497%	
iShares € Govt Bond 1-3yr UCITS ETF EUR (Acc)	16%	-0,060508%	
iShares € Govt Bond 7-10yr UCITS ETF	9%	-0,062464%	
iShares € High Yield Corp Bond UCITS ETF	7%	-1,422497%	
Total Weight = 100%, Capital Invested = 100,000 €		Total monthly return	0,066486%

For the iShares Core S&P 500 ETF, the iShares € Govt Bond 7-10yr UCITS ETF and the iShares € High Yield Corp Bond UCITS ETF, the performance has been calculated through the percentage growth of the NAV within the period considered.

For the iShares 1-3 Year Treasury Bond ETF the NAV Total return has been calculated considering the ex-dividends of 0,15 at 01.11.2018, while the iShares € Govt Bond 1-3yr UCITS ETF performance has been assumed as the percentage growth of the fund return.

For the performance valuation of the passive component, portfolio daily returns between 26.10.2018 and 26.11.2018 have been calculated from the daily prices of ETFs and, afterwards, applied to the 100.000€ initial capital through a daily compounding. The graph below shows the trend of the value of the investment, that has recovered from the losses of the latest week ending with a price just above the one invested.



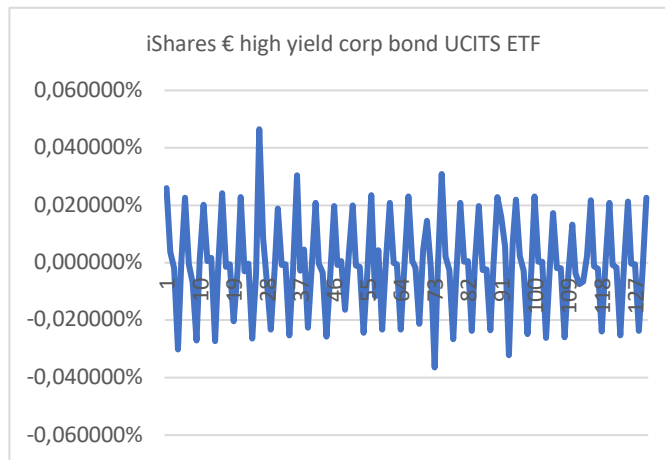
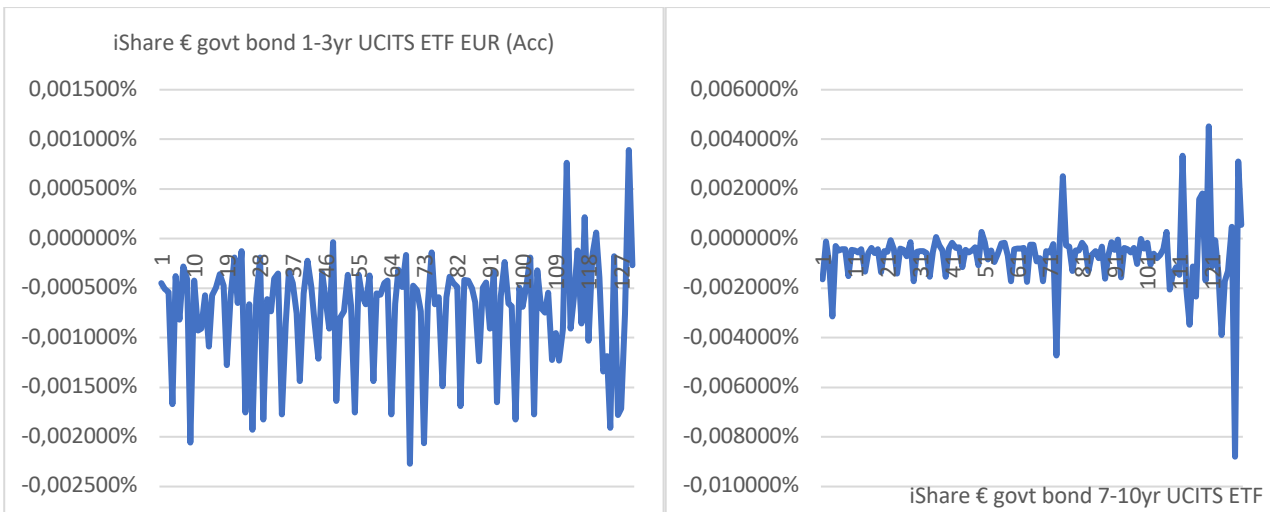
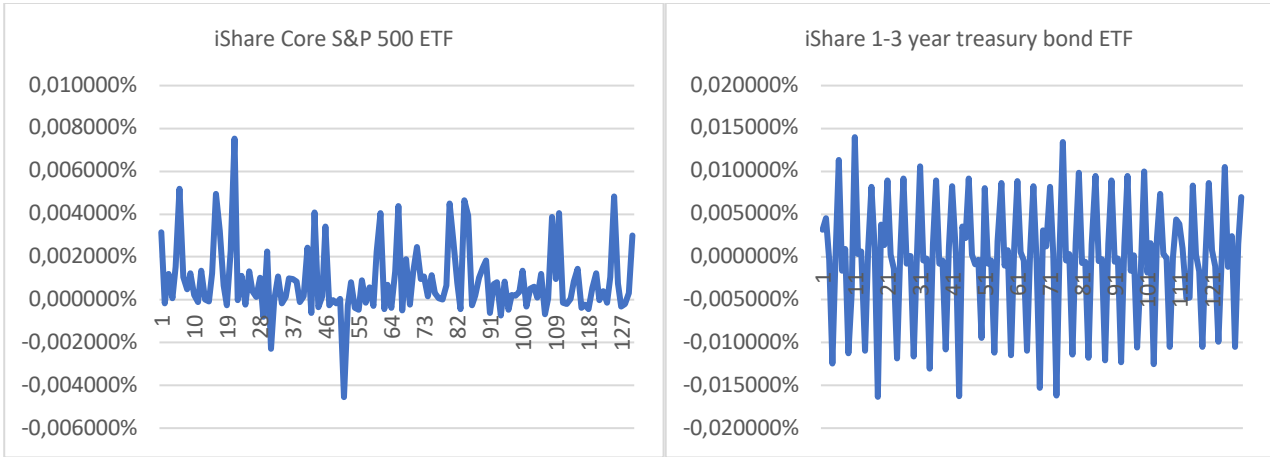
The tracking error volatility for each ETF, that is volatility of the funds extra-return over the predetermined benchmark, has been calculated taking data from 11.06.2018 to 06.12.2018, as well as the information ratio, measuring the quality of the investment in obtaining returns higher than the benchmark.

	iShare Core S&P 500 ETF	iShare 1-3 year treasury bond ETF	iShare € govt bond 1-3yr UCITS ETF EUR (Acc)	iShare € govt bond 7-10yr UCITS ETF	iShares € high yield corp bond UCITS ETF
mean tracking error	0,0008720%	-0,0003253%	-0,0007403%	-0,0006807%	-0,0005121%
tracking error volatility	0,0016048%	0,0069289%	0,0005609%	0,0013133%	0,0157365%
informatio ratio	0,543345975527	-0,046950898481	-1,319777404326	-0,518337201401	-0,032541722777

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The graphs below illustrate the daily trend of the tracking error measured for each fund in the last six months. The fund with the most volatile tracking error appears to be the iShares € High Yield Corp Bond UCITS ETF, while iShares € Govt Bond 1-3yr UCITS ETF EUR (Acc) registered the lowest TEV.



Warning

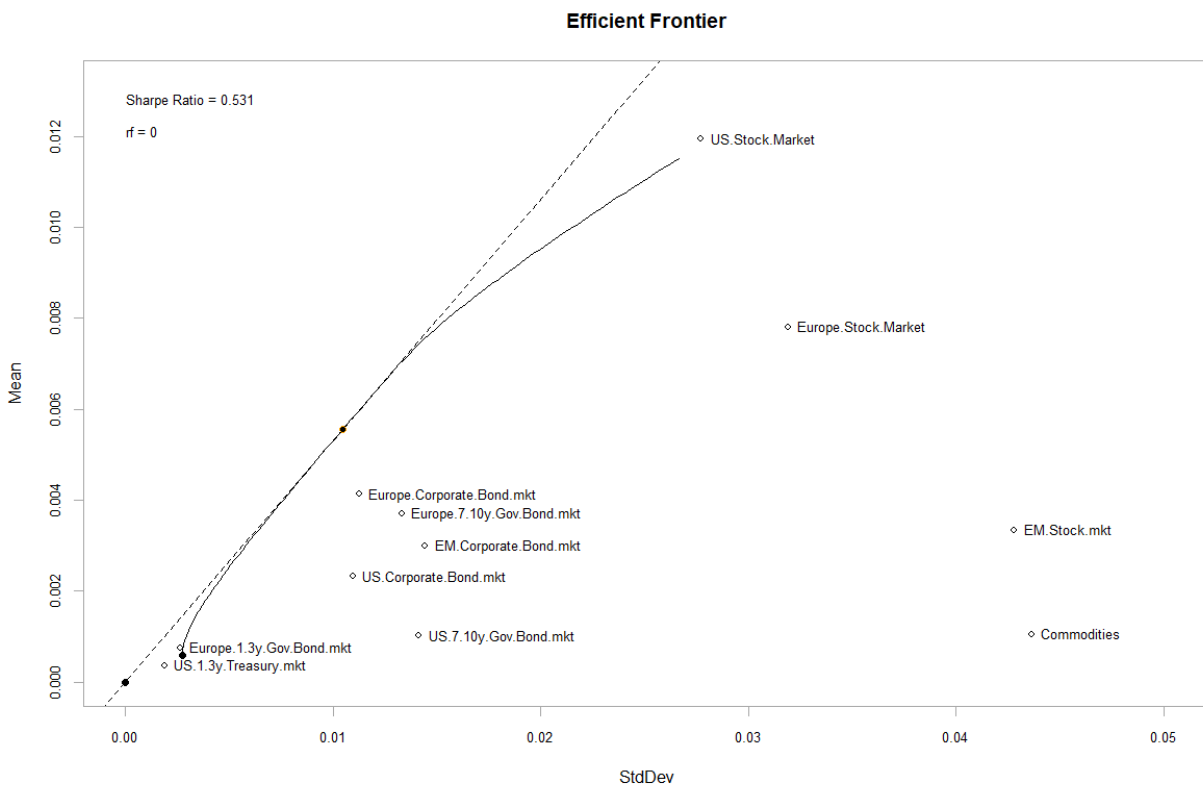
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Inclusion of commodities:

The Passive component has been rebalanced using a new data point and it has been implemented including a new asset class (Invesco Optimum Yield Diversified Commodity Strategy No K-1 ETF - Commodities). For the analysis of the above-mentioned fund, please refer to the report published by the Fixed and Alternatives team.

Since we cannot include views implementing the Mean-Variance Approach, this new asset class would not be included in the final portfolio using optimization. In fact, its historical performances have not been satisfying compared to those of the other asset classes. However, according to the Macro and Technical analysis performed by the F&A team, we are expecting future positive returns coming from this fund. For this reason, we used weight constraints for commodities. Alternatively, we should have implemented the Black-Litterman approach to include views, but we will wait for views coming from other teams related to the whole set of asset classes, to avoid an extreme tilt toward commodities that would not be compensated by views on the other ETFs.

In the following pictures we show the resulting efficient frontier and the efficient weights characterizing the efficient frontier.



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	US Stocks	US 1-3y Treasury	Europe 7-10y Gov	Europe Corp Bond	Commodities
Orange (Tangent)	30.00%	18.53%	41.18%	5.29%	5%

ER	0.55%
St.Dev	1.05%

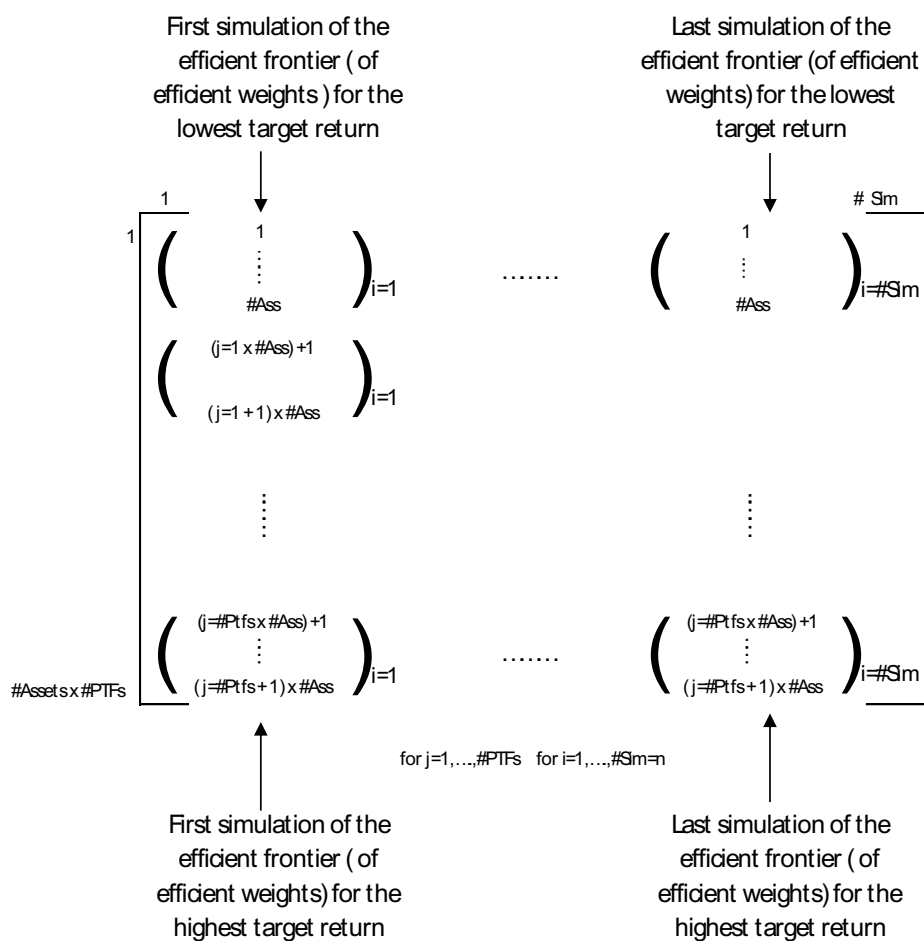
We notice that, despite the efficient weights chart has remained similar to the previous one (expect for commodities), our tangent portfolio has moved to the right of the efficient frontier. Our portfolio is now more tilted toward the US Stock market and has both higher Expected return and St.Dev. This result is due to the optimization procedure and to weights variability rather than to the impact of the last data point. To reduce the effect of rebalancing we could choose to invest in a portfolio placed on the left of the tangent one, say.

Warning

Portfolio Resampling

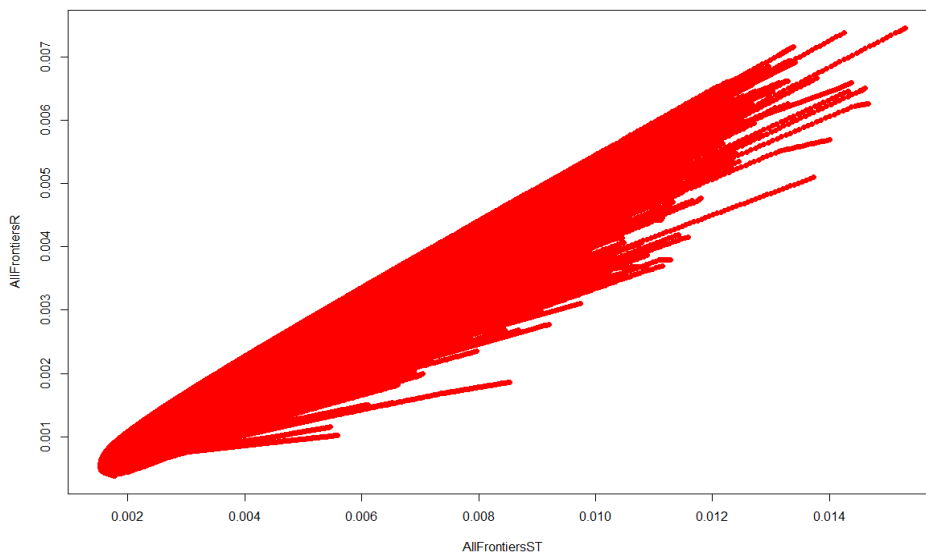
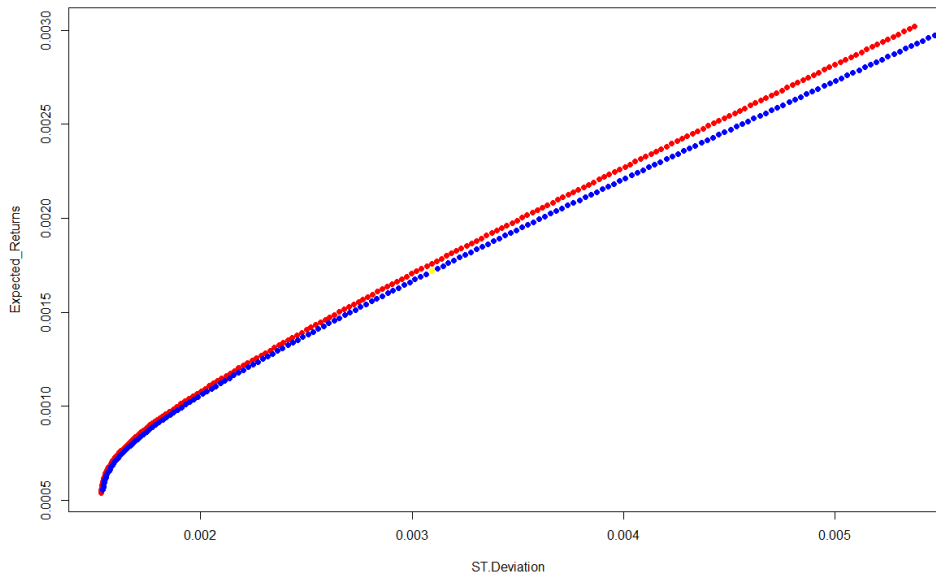
One of the main drawbacks entailed in the Mean-Variance approach is that it ignores estimation risk. This procedure tends to systematically overweight assets with highest estimation errors and so overstate the true efficiency of the optimal portfolio. Optimal weights are unstable because of estimation errors and so they are very reactive to expected return changes. As a result, the gain from optimal diversification is more than offset by estimation errors. To face this issue, we have chosen to use a heuristic approach, focusing on the adjustment of the optimization process and so we implemented a Parametric Portfolio Resampling procedure (*Michaud*), without weights constraints, to investigate the variability characterizing our portfolio weights. This procedure entails the implementation of Montecarlo Simulations. Time series of returns for each Asset Class are characterized by their expected return and standard deviation. Assuming normality each Asset Class return is simulated many times as the length of the original dataset, and an efficient frontier is drawn using these simulated data. This procedure is repeated 10000 times so that we will have 10K efficient frontiers. The resampled efficient frontier will have the weights equal to the average of the weights characterizing the 10K efficient frontiers.

We now present a matrix showing how the Loop for Resampling was structured in R. Considering 200 portfolios along the efficient frontier, each column of this matrix will have 200x12 values, representing the weights of the 200 portfolios characterizing the frontier. The number of columns will be equal to the number of simulations (10K). The resampled frontier weights, for each of the 200 portfolios, will then be simply equal to the row-average of this matrix.



Warning

Below it is shown the plot of the Efficient frontier (red line) compared to the Resampled Frontier (blue line) with the yellow point representing the tangent portfolio, along with the plot of all the simulated frontiers.



Looking at the plot, we notice a high variability of weights. We now illustrate a summary table which contains the results of this analysis. Weights seem to be similar to the ones coming from the Mean-Variance Analysis. However, we record positive but very small weights for previously not included asset classes, as well as small changes for those asset classes already included in the previous portfolio.

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	Tangent MV (First Portfolio)	Tangent Resampling	Change
US Stocks	10%	7.35%	2.65%
US 1-3Y Treasury	58%	56.20%	1.80%
US 7-10Y Treasury	0%	0.40%	-0.40%
US Corporate Bond	0%	0.30%	-0.30%
Europe Stock Market	0%	0.30%	-0.30%
Europe 1-3Y Gov	16%	24.10%	-8.10%
Europe 7-10Y Gov Bond	9%	6.22%	2.78%
Europe Corporate	7%	4.53%	2.47%
EM Stock mkt	0%	0.01%	-0.01%
EM Gov Bond	0%	0.01%	-0.01%
EM Corporate Bond	0%	0.1%	-0.1%
Commodities	0%	0.59%	-0.59%

IV. Conclusions

As a result of our analysis we are now invested in two different portfolios. Since the passive portfolio we obtained using weight constraints on commodities is tilted towards US stock market and, as such, it is riskier, we combine it with our new active portfolio which includes a wider range of factors. We expect the overall portfolio to be less exposed to cyclicity and more diversified. On the other hand, we combine the passive component, resulting from portfolio resampling, with our initial portfolio with updated data. Results are shown in the following page.

OLD PORTFOLIO (data at 26/11/2018, old factors)						
	S&P 500	Industry	Weight	STOXX 600	Industry	Weight
	Active Component	MOSAIC	Basic Materials	1/n	EVRAZ	Basic Materials
LAMB WESTON HOLDINGS		Consumer Goods	1/n	BRITISH AMERICAN TOBACCO	Consumer Goods	1/n
AUTOZONE		Consumer Services	1/n	NEXT	Consumer Services	1/n
SVB FINANCIAL GROUP		Financials	1/n	JARDINE LLOYD THOMPSON	Financials	1/n
WELLCARE HEALTH PLANS		Health Care	1/n	GLAXOSMITHKLINE	Health Care	1/n
LOCKHEED MARTIN		Industrials	1/n	ROLLS-ROYCE HOLDINGS	Industrials	1/n
HOLLYFRONTIER		Oil & Gas	1/n	LUNDIN PETROLEUM	Oil & Gas	1/n
AUTODESK		Technology	1/n	ERICSSON B	Technology	1/n
VERIZON COMMUNICATIONS		Telecommunications	1/n	SUNRISE COMMUNICATIONS	Telecommunications	1/n
NRG ENERGY		Utilities	1/n	EDF	Utilities	1/n
FMC		Basic Materials	-1/n	EMS-CHEMIE 'N'	Basic Materials	-1/n
MOHAWK INDUSTRIES		Consumer Goods	-1/n	CD PROJECT RED	Consumer Goods	-1/n
NEWS 'A'		Consumer Services	-1/n	WILLIAM HILL	Consumer Services	-1/n
ALEXANDRIA RLST.EQTIES.		Financials	-1/n	INDUSTRIVARDEN A	Financials	-1/n
NEKTAR THERAPEUTICS		Health Care	-1/n	UDG HEALTHCARE PUBLIC	Health Care	-1/n
GENERAL ELECTRIC		Industrials	-1/n	LAFARGEHOLCIM	Industrials	-1/n
NOBLE ENERGY		Oil & Gas	-1/n	WOOD GROUP (JOHN)	Oil & Gas	-1/n
QUALCOMM		Technology	-1/n	TEMENOS N	Technology	-1/n
CENTURYLINK		Telecommunications	-1/n	CELLNEX TELECOM	Telecommunications	-1/n
SCANA		Utilities	-1/n	RUBIS	Utilities	-1/n
Passive Component	iShares Core S&P 500 ETF		7.35%	Invested Capital (Active - Long)	€	100,000.00
	iShares 1-3 Year Treasury Bond ETF		56.20%	Invested Capital (Active - Short)	€	(100,000.00)
	iShares 7-10 Year Treasury Bond ETF		0.40%	# stocks		40
	iShares Broad USD Investment Grade Corporate Bond ETF		0.30%	1/n	€	5,000.00
	iShares MSCI Europe UCITS ETF EUR (Acc)		0.30%	Invested Capital (Passive - Long)	€	100,000.00
	iShares € Govt Bond 1-3yr UCITS ETF EUR (Acc)		24.10%			
	iShares € Govt Bond 7-10yr UCITS ETF		6.22%			
	iShares € High Yield Corp Bond UCITS ETF		4.53%			
Invesco Optimum Yield Diversified Commodity Strategy No K-1		0.60%				

Warning

NEW PORTFOLIO (data at 26/11/2018 and two new factors: volatility and size)							
	S&P 500			STOXX 600			
	Industry	Weight		Industry	Weight		
Active Component	LOCKHEED MARTIN	Industrials	1/n	SOFINA	Financials	1/n	
	AUTOZONE	Consumer Services	1/n	GLAXOSMITHKLINE	Health Care	1/n	
	LAMB WESTON HOLDINGS	Consumer Goods	1/n	NEXT	Consumer Services	1/n	
	KEYSIGHT TECHNOLOGIES	Industrials	1/n	JARDINE LLOYD THOMPSON	Financials	1/n	
	ASSURANT	Financials	1/n	BRITISH AMERICAN TOBACCO	Consumer Goods	1/n	
	MCDONALDS	Consumer Services	1/n	ROLLS-ROYCE HOLDINGS	Industrials	1/n	
	HUMANA	Health Care	1/n	EDENRED	Industrials	1/n	
	CLOROX	Consumer Goods	1/n	RECKITT BENCKISER GROUP	Consumer Goods	1/n	
	HOLLYFRONTIER	Oil & Gas	1/n	WHITBREAD	Consumer Services	1/n	
	AUTODESK	Technology	1/n	EVRAZ	Basic Materials	1/n	
	MOTOROLA SOLUTIONS	Technology	1/n	ARGENX	Health Care	1/n	
	VALERO ENERGY	Oil & Gas	1/n	GEMALTO	Technology	1/n	
	WELLCARE HEALTH PLANS	Health Care	1/n	NESTE	Oil & Gas	1/n	
	TRAVELERS COS.	Financials	1/n	JOHNSON MATTHEY	Basic Materials	1/n	
	MOSAIC	Basic Materials	1/n	SUNRISE COMMUNICATIONS	Telecommunications	1/n	
	EASTMAN CHEMICAL	Basic Materials	1/n	TGS-NOPEC GEOPHS.	Oil & Gas	1/n	
	VERIZON COMMUNICATIONS	Telecommunications	1/n	ALTEN	Technology	1/n	
	EVERGY	Utilities	1/n	EDP ENERGIAS DE PORTUGAL	Utilities	1/n	
	PINNACLE WEST CAP.	Utilities	1/n	ELISA	Telecommunications	1/n	
				PENNON GROUP	Utilities	1/n	
		CENTURYLINK	Telecommunications	1/n	RUBIS	Utilities	1/n
		FIRSTENERGY	Utilities	1/n	TULLOW OIL	Oil & Gas	1/n
		HOME DEPOT	Consumer Services	1/n	WOOD GROUP (JOHN)	Oil & Gas	1/n
		FMC	Basic Materials	1/n	NORSK HYDRO	Basic Materials	1/n
		NOBLE ENERGY	Oil & Gas	1/n	EMS-CHEMIE 'N'	Basic Materials	1/n
		CABOT OIL & GAS 'A'	Oil & Gas	1/n	ORSTED	Utilities	1/n
		SCANA	Utilities	1/n	CELLNEX TELECOM	Telecommunications	1/n
		IPG PHOTONICS	Industrials	1/n	ANHEUSER-BUSCH INBEV	Consumer Goods	1/n
		COCA COLA	Consumer Goods	1/n	1&1 DRILLISCH	Telecommunications	1/n
		NETFLIX	Consumer Services	1/n	TEMENOS N	Technology	1/n
		ADVANCED MICRO DEVICES	Technology	1/n	AMS	Technology	1/n
		QUALCOMM	Technology	1/n	AMBU B	Health Care	1/n
		VERTEX PHARMS.	Health Care	1/n	WILLIAM HILL	Consumer Services	1/n
		CITIGROUP	Financials	1/n	LAFARGEHOLCIM	Industrials	1/n
	UNDER ARMOUR A	Consumer Goods	1/n	AIR FRANCE-KLM	Consumer Services	1/n	
	BANK OF AMERICA	Financials	1/n	EVOTEC (XET)	Health Care	1/n	
	DOWDUPONT	Basic Materials	1/n	INDUSTRIVARDEN A	Financials	1/n	
	NEKTAR THERAPEUTICS	Health Care	1/n	MELROSE INDUSTRIES	Industrials	1/n	
	GENERAL ELECTRIC	Industrials	1/n	BANKIA	Financials	1/n	
				CD PROJECT RED	Consumer Goods	1/n	
Passive Component	iShares Core S&P 500 ETF		30.00%	Invested Capital (Active - Long)	€	100,000.00	
	iShares 1-3 Year Treasury Bond ETF		18.53%	Invested Capital (Active - Short)	€	(100,000.00)	
	iShares € Govt Bond 7-10yr UCITS ETF		41.18%	# stocks		78	
	iShares € High Yield Corp Bond UCITS ETF		5.29%	1/n	€	2,564.10	
	Invesco Optimum Yield Diversified Commodity Strategie		5.00%	Invested Capital (Passive - Long)	€	100,000.00	

Both portfolios have been implemented on Interactive Brokers, a notorious trading platform that we recommend for academic purposes.

(Inception date: 7/12/2018)

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V. Appendix

LONG POSITIONS

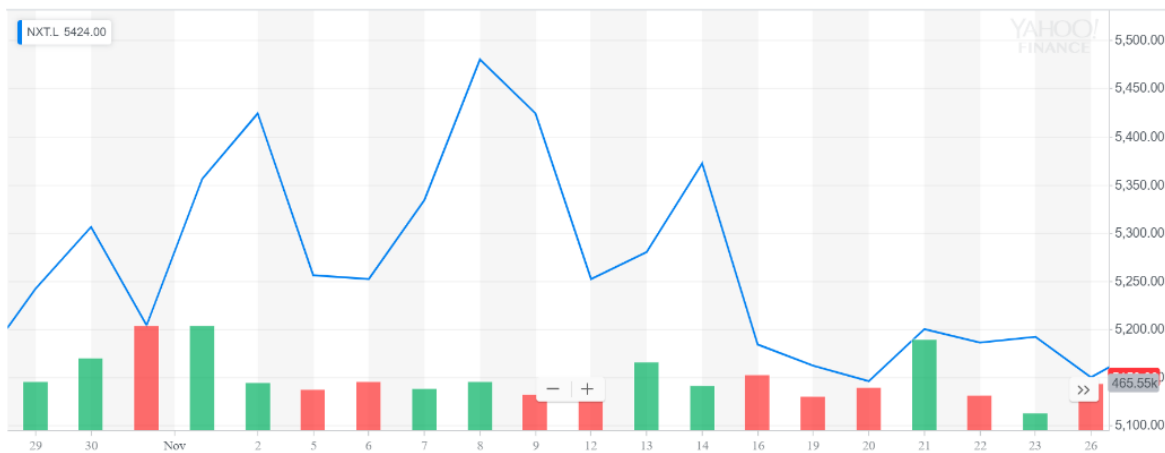
NEXT plc

October 31, 2018- **Next Q3 trading update** (*Bloomberg*)

October 31, 2018- **Next shares fall on store weakness despite web growth** (*Bloomberg*)

October 31, 2018- **Next shares slip as sales at retail stores fall further in third quarter** (*Proactiveinvestors*)

As reported by Bloomberg, “shares of U.K. apparel chain Next Plc fell as its third-quarter retail sales missed estimates, though growth in its online business helped it to maintain its full-year profit guidance. Retail sales were down 8 percent, compared with the 6.1 percent decline projected in a consensus compiled by Bloomberg. Online sales rose 13 percent, beating estimates but slowing from the year-to-date pace”. However, it is also true that “Next’s decade of steady growth in online sales, now nearly equal to in-store sales, has made it a bright spot in an often-bleak British retail sector”. If we extend our forecasts over a longer horizon, the scenario for the company appears to be quite uncertain as well. The Brexit looms indeed large on retailers like Next, that sources items from the European Union and its tariff-free trading partners. “Chief Executive Officer Simon Wolfson said prices could go up by 0.5 percent when the U.K. leaves the EU, depending on the terms of the departure”. [*Bloomberg*] ***This is why we have to carefully monitor the evolution of the Brexit negotiations over the next periods.***



(Source: *Yahoo Finance*)

EVRAZ

We do not signal any relevant news specifically related to the company. However, it is worth to notice the drop in US’ steel imports through the first 10 months of the year, which were down 11% compared with the first 10 months of 2017 [*agmetalmminer.com*]. Moreover, there is talk of a potential merger between two Chinese steelmakers whose combined annual capacity would exceed that of the U.S. as a whole [**Exclusive: China steel giant Baowu in talks to take over rival Magang**, September 25, 2018, *Reuters*]. This would add further competitive pressure on EVRAZ, in a sector which already saw a huge decline over the last year, mainly because of the steel tariffs imposed by Trump in the United States.

Ashtead

November 9, 2018- **Ashtead non-exec buys on weakness** (*Financial Times*)

November 19, 2018- **The London Report: Housebuilders take shelter on price fears: Rightmove's property index showed a year-on-year decline for the first time since 2011** (*Financial Times*)

“Ashtead, the tool hire specialist, led the FTSE 100 lower after a US National Association of Home Builders survey showed the sharpest deterioration in confidence in more than four years. Rightmove's house price index for November showed a year-on-year decline for the first time since 2011” [*Financial Times*]. This drop was probably triggered by concerns that US Federal Reserve will raise interest rates too quickly, accidentally taking the US into a recession. Equipment rental companies are indeed highly cyclical, making them vulnerable to large share price shocks when the cycle changes. However, we also have to keep in mind that “business cycles are difficult to predict, too, which makes these companies particularly vulnerable to “herding” — when investors react to the behaviour of other investors, rather than market fundamentals” (remember that the pre-tax profits for Ashtead were up by close to a quarter in the three months to July). The recent purchase of roughly £ 250,000 worth of shares from the non-executive director Ian Sutcliffe could be seen as good news for us in this sense.

EDF

It has been a good month for EDF, which signed several strategic partnerships, expanding its presence particularly in Africa:

October 29, 2018- **EDF takes 50% stake in BBOXX Togo** [*pv-magazine*]

“French energy giant EDF has acquired a 50% stake in off-grid developer BBOXX's operation in Togo. The two will work together to boost access to electricity in the West African country, according to EDF, and the partnership is the first step, with plans to extend cooperation to more countries in Africa”. “By teaming up with BBOXX in Togo, the EDF Group has embarked on a new stage of development of its off-grid activities in Africa,” said Valerie Levkov, EDF's Senior Vice-President in charge of Africa and Middle East. “We are proud to work with a partner like BBOXX, which shares our commitment to low carbon energies. The partnership that has just been set up fits in with the EDF strategy CAP 2030, whose main purpose is to triple our activities outside Europe.”

October 30, 2018- **EDF closes the disposal of its stake in Dunkerque LNG** (*GlobeNewswire*)

“Having obtained the requisite regulatory approvals, the EDF Group today sold its stake in the Dunkirk LNG terminal. The modalities set out in the press release published on 29 June remain unchanged, the transaction having been made on the basis of an average enterprise value of €2.4 billion for the Dunkerque LNG company. The disposal will contribute to the reduction of the EDF Group's net financial debt, by €1.5 billion. With the transaction, the Group has now realised €9.6 billion of its targeted €10 billion asset disposal plan. The objective of finalising the plan by the end of 2018 is confirmed”.

EDF also reported first 9-months revenues of 49,592bn euros, overperforming its 9-months revenues of the preceding year by 7.2% (AdnKronos, November 13, 2018). Moreover, there are rumors of a possible partnership with Saipem for the planning of an eolic farm in Scotland [*Milano Finanza*, November 23, 2018].

November 9, 2018- **EDF signs deal for \$1.36 billion hydropower plant in Cameroon** (*CNBC*)

The expected cost of the development is \$1.36 billion, according to EDF. It is set to be commissioned in 2023 and will have an annual power output of almost 3 terawatt hours.



The International Energy Agency has described hydropower as the "largest source of renewable electricity in the world." It adds that hydropower generates roughly 16 percent of the planet's electricity from more than 1,200 gigawatts of installed capacity.

The project in Cameroon will involve the design, construction and operation of the facility for 35 years, EDF said. A 50-kilometer power transmission line will also be built. It will be owned and operated by the Nachtigal Hydro Power Company, which is 40 percent owned by EDF. The IFC and Republic of Cameroon own 30 percent each.

EDF added that Nachtigal's expected power generation would meet 30 percent of Cameroon's electricity demand and amount to an annual power output of almost 3 terawatt hours. Construction is to start by the end of 2018, with the dam set to be commissioned in 2023.

November 21, 2018- Sizewell C: EDF Energy to reveal infrastructure plans for new nuclear plant (BBC)

Detailed plans for a new nuclear power plant including road improvements, park and ride sites and worker accommodation will be put to the public next year. EDF Energy has announced the third consultation on its plans for Sizewell C on the Suffolk coast will start on 4 January. The £16bn plant would be built next to the existing Sizewell B reactor.

November 22, 2018- EDF, UAE's Nawah sign deal on operating Barakah nuclear plant (Reuters)

"French energy group EDF and Nawah Energy have signed a deal to operate and maintain the delayed Barakah power plant, which will be the first nuclear energy plant in the Arab world. The \$24.4 billion Barakah power plant in the United Arab Emirates is the world's largest nuclear project under construction but has been marred by delays related to training issues". [Reuters] "With this agreement, EDF will be strengthening its position in the UAE's low-carbon energy sector, thereby reasserting the goal of its 'CAP 2030' strategy which is to triple its business volumes outside of Europe by 2030," said EDF senior executive vice president Dominique Miniere.

Moreover, the Board of Directors met on 6th November and decided to pay an interim cash dividend of € 0.15 per share for 2018 fiscal year. This interim dividend will have an ex date on 6 December 2018 and a payment date on 10 December 2018.

November 6, 2018- EDF : Payment of an interim cash dividend of €0.15 per share for 2018 fiscal year (EDF)

The main concerns for the company come from its Hunterston reactor in Britain, upon which it had to adopt a conservative policy:

November 22, 2018- EDF extends outage at British reactor where cracks found (Reuters)

November 22, 2018- Nuclear expert warns of Chernobyl-like disaster at Hunterston (Reddit)

"EDF Energy has extended an outage at its Hunterston B-7 nuclear reactor in Britain, offline since March when cracks were found in its core, until Feb. 21, it said in a market update. The cracks were found at the reactor, which can produce enough electricity to power more than 800,000 homes, during a routine inspection. Hunterston B-7 was initially scheduled to return to service on Nov. 17, later pushed back until Dec. 18. EDF Energy said it had extended the outage to prepare a safety case needed for Britain's nuclear regulator to allow the unit to restart". However, there are still big debates about the possibility for the company to restart operating the reactor in the future. "EDF does not have a good handle on the ageing mechanisms inside the reactor. This

means that reactor three should definitely not be restarted” said Dr Ian Fairlie, a consultant on radiation in the environment and former member of the three-person secretariat to Britain’s Committee Examining the Radiation Risks of Internal Emitters.

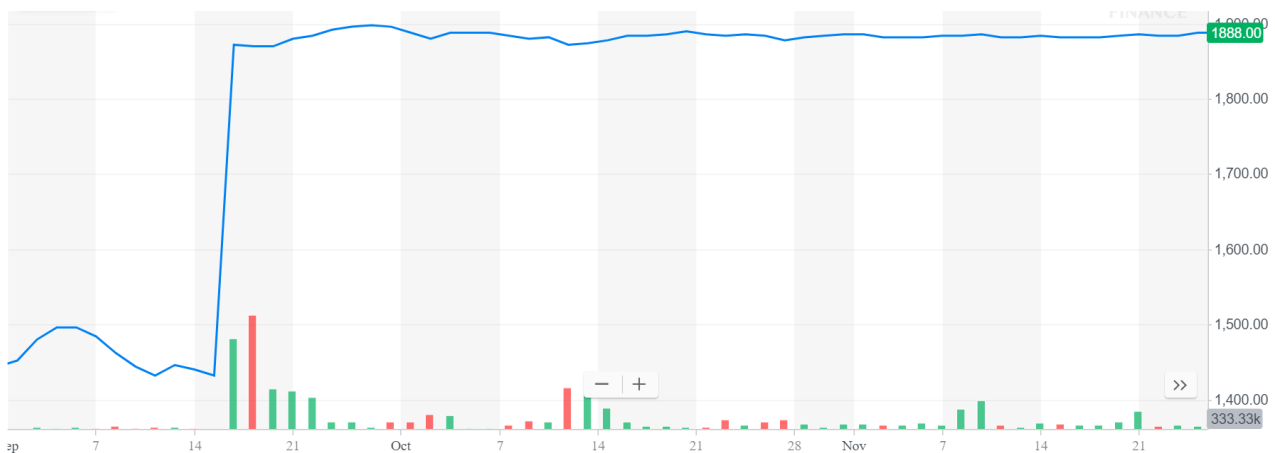
Jardine Lloyd Thompson Group PLC

The main news about JLT is related to the recent shareholders’ approval of the merger between the company and Marsh & McLennan. This announcement makes us optimistic about the fact that the increased likelihood of the operation, that led to the climb of the share price observed in September (see the graph below), when Marsh & McLennan announced the \$ 5.7 billion purchase of JLT, will continue to add momentum to the share price:

November 8, 2018- **JLT shareholders approve merger with Marsh & McLennan** (*canadianunderwriter*)

“A US\$6-billion deal that could form the world’s largest commercial brokerage is one step closer to reality. Britain’s Jardine Lloyd Thompson Group plc announced Wednesday that 99.9% of its shareholders voted in favour of having JLT acquired by Marsh & McLennan Companies Inc. Both firms have several commercial brokerage offices across Canada. The merger is still subject to regulatory approval but the shareholder approval “is an important milestone,” Dan Glaser, president and CEO of New York City-based Marsh & McLennan, said in a release”.

The deal has been blessed by competition authorities in the United States, Marsh & McLennan announced Oct. 15. It still requires approval of British authorities, the company noted Nov. 7”.



Source: *Yahoo Finance*

November 20, 2018- **JLT’s Howard named vice chairman of Guy Carpenter** (*businessinsurance.com*)

“Jardine Lloyd Thompson Group PLC reinsurance executive, Ross Howard, will become vice chairman of Guy Carpenter & Co. LLC, the Marsh & McLennan Cos. Inc. unit announced Tuesday.

Currently, London-based Mr. Howard is chairman of JLT Re. His new role will become effective on the closing of Marsh & McLennan’s purchase of JLT, Guy Carpenter said in a statement”.

Telia Company

November 10, 2018- **Einride, Ericsson, Telia launch self-driving electric truck powered by 5G** [*IoT.Business.News*]

“The Swedish transport company Einride’s T-pod – an all-electric, **autonomous truck** – is now being used at a major storage facility in Jönköping. A co-operation between Einride, Telia Company and Ericsson using 5G technology has made the commissioning of the trucks, possible.

5G technology, with high capacity and low latency, will be a key building block in the future transport system. Einride claims that, in the long run, their T-pod and autonomous transport system could replace more than 60 percent of today’s transports with competitive and sustainable alternatives”. We believe that the expanding business of 5G technology will lead to provide Telia big growth opportunities for the next future. Moreover, the company has recently announced the acquisition of the Finnish ICT firm Ainacom as reported in the article below:

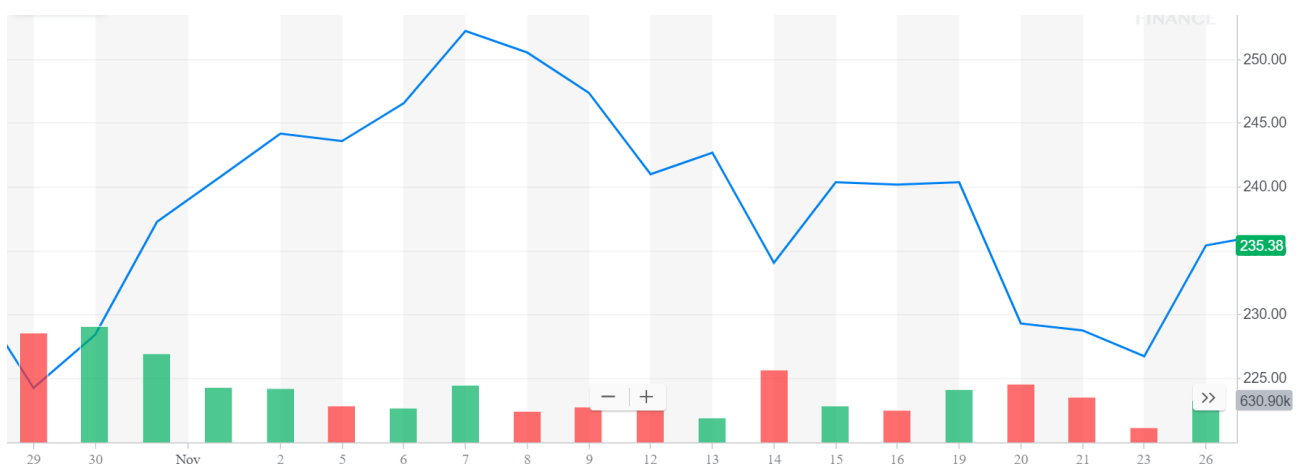
November 18, 2018- **Telia Company acquires Finnish ICT firm Ainacom** (*teliacompany.com*)
 “Telia Company acquires AinaCom, a Finnish provider of ICT services to enterprise customers. (18 novembre)
 The acquisition will further strengthen Telia Company’s position as a leading national partner for ICT services in Finland. AinaCom Oy provides business customers with voice, mobile, network and IT solutions, including connections and has approximately 60 employees. In 2017 AinaCom reported net sales of EUR 15.5 million and an adjusted EBITDA of minus EUR 0.4 million. Telia Company expects to complete the transaction on December 3, 2018.” [*teliacompany.com*].

SVB Financials Group

November 16, 2018- **SVB Financial To Acquire Leerink Partners For Life Science Financial Services** (*seekingalpha*)

“SVB Financial Group has agreed to acquire Leerink Partners for up to \$340 million in total consideration. Leerink provides a range of capital formation, advisory, trading, and asset management services to growing life science and healthcare companies.

For SIVB, the deal provides significant complementary capabilities that will enhance its financial service offerings in the life science and healthcare innovation space” [*seekingalpha*].



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HollyFrontier

November 14, 2018- **HollyFrontier to buy Sonneborn for \$655m** (*Reuters*)

“U.S. oil refiner HollyFrontier Corp said on Tuesday it would buy privately held specialty hydrocarbons maker Sonneborn for \$655 million in cash.

Sonneborn, which supplies white oils, waxes and petrolatums to the cosmetic, food processing and pharmaceutical industries, will help bolster HollyFrontier’s lubricants and specialty products business”.
[*Reuters*]

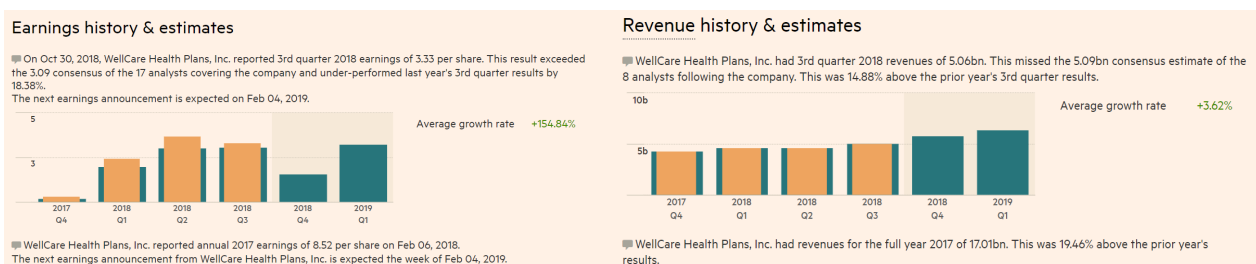
WellCare Health Plans

23-10-2018 _ **WellCare Health Plans, Inc. and Care1st Health Plan Arizona to Open Regional Hub in Phoenix**

WellCare Health Plans, Inc. and Care1st Health Plan Arizona will establish a regional hub in Phoenix to better serve Medicaid members in Arizona, augment the company's clinical and operational functions in Tampa, and support the organization's long-term growth. Care1st Health Plan Arizona was awarded a new Medicaid contract from Arizona's Medicaid agency, the Arizona Health Care Cost Containment System (AHCCCS) on March 5, 2018. Under the contract, the health plan provides physical and behavioral health services to Medicaid members in Maricopa, Gila, Pinal, Mohave, Coconino, Apache, Navajo and Yavapai counties effective Oct. 1, 2018. To support the new state contract and the company's long-term growth, WellCare will establish a new regional hub and increase hiring efforts in Phoenix. Currently, WellCare has approximately 300 employees in Arizona, and over the next 12 months, intends to hire more than 250 new employees to support its population health services, pharmacy, IT, operations and public affairs departments. The regional hub will be located at the Phoenix Gateway Center at 432 N. 44th Street, Phoenix, Arizona, 85008. The health plan will occupy floors one through three of the Two Gateway building.

October 30, 2018- **WellCare Health Plans, Inc. reports unaudited consolidated earnings results for the third quarter and nine months ended September 30, 2018** (*Bloomberg*)

WellCare Health Plans, Inc. reported unaudited consolidated earnings results for the third quarter and nine months ended September 30, 2018. For the quarter, the company reported total revenues of \$5,058.1 million against \$4,402.9 million a year ago. Income from operations was \$208.6 million compared to \$211.9 million a year ago. Income before income taxes and equity in losses of unconsolidated subsidiaries was \$208.6 million compared to \$211.9 million a year ago. Income before income taxes was \$215.2 million compared to \$235.1 million a year ago.



November 18, 2018- **WellCare Health Plans, Inc. names Naim Munir as Senior Medical Director for its Kentucky Operations** (*prnewswire.com*)

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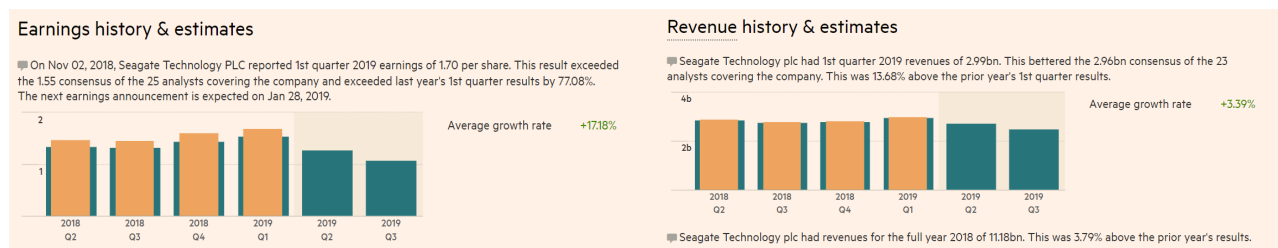
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Seagate Technology

November 2, 2018- **Seagate Technology plc Approves a Quarterly Cash Dividend, Payable on January 2, 2019** (*seagate.com*)

On 2nd November, Seagate reported outstanding earnings for the 3rd quarter of the year.

Following these results, “the Board of Directors of the Company (the “Board”) has approved a quarterly cash dividend of \$0.63 per share, which will be payable on January 2, 2019 to shareholders of record as of the close of business on December 19, 2018. The payment of any future quarterly dividends will be at the discretion of the Board and will be dependent upon Seagate’s financial position, results of operations, available cash, cash flow, capital requirements and other factors deemed relevant by the Board” [*seagate.com*].



CF Industries Holdings

October 31, 2018- **CF Industries Holdings, Inc. reports third quarter 2018 net earnings of \$ 30 million, EBITDA of \$ 308 million** (*Financial Times*)

On 31st October CF Industries Holdings reported its third quarter earnings, exceeding analysts’ forecasts.



However, in mid-November the share price started to decline.

As reported by *seekingalpha.com*, on the 14th November **Nitrogen stocks slumped as Indian urea price surprises market**.

“Nitrogen companies led by CF Industries (CF -8.2%) tumble after India’s latest urea tender price of \$335/metric ton fell short of expectations.

RBC analyst Andrew Wongsaid says the Indian tender results suggest there is significant surplus supply spot availability and that Iranian sanctions have barely affected the market”.

Verizon Communication

November 5, 2018- Verizon is reorganizing its business into three new segments (*CNBC*)

“Verizon Communications said on Monday it will reorganize its business segments into Consumer, Business

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and Verizon Media Group/Oath to focus on the types of customers it serves. The reorganization under Chief Executive Officer Hans Vestberg, who was named to the top job on Aug. 1, is a shift from the previous operating structure split between wireless and wireline and included the largest U.S. wireless carrier's Fios internet and video products.

The company said the new Verizon Media Group/Oath segment will include media, advertising and technology, and be led by Guru Gowrappan, who had been appointed CEO of Oath, the digital media umbrella that includes Yahoo and AOL. The changes are effective on Jan. 1, 2019, and Verizon said it expects to begin reporting its financials under the new structure in the second quarter of 2019” [CNBC]

SHORT POSITIONS

SL Green Realty

November 1, 2018- **SL Green Realty (SLG) downgraded by JPMorgan Chase & Co.** (*theenterpriselider.com*)

November 12, 2018- **What did SL Green Realty Corp’s CEO take home last year?** (*simplywall.st*)

November 26, 2018- **Rhumblin Advisers Sold 8731 Shares of SL Green Realty Corp (SLG)** (*fairfieldcurrent.com*)

The evaluation of various rating agencies is contrasting about the quality of SL Green. However, it is a fact that the company has shown a return of -9.58% since the beginning of the year. The latest quarterly earnings data show a value below estimates, which is clearly not in favor of the company. If we take into account the expectations on the profits of the Wall Street analysts, these indicate earnings growth of -62.60% for this year and -48.69% for the next year. An element to be evaluated is also the consideration of the shareholders. In the last 3 years, these have lost almost 11%, compared to a 5% increase in the remuneration of the company's CEO compared to last year. CEO today receives 17 million per year. It would therefore seem that SL Green Realty Corp pays to Marc Holliday more than the remuneration of the average CEO for companies of a similar size, in the same market, despite the last three years SL Green Realty Corp has reduced its earnings per share by an average of 5.6% year. Its revenues have fallen by 11% compared to last year. This clearly does not generate positive emotions for shareholders. This is probably an indicator that society will not have a very prosperous future

Baker Hughes

October 30, 2018- **Baker Hughes misses profit and revenue estimates** (*marketwatch.com*)

November 25, 2018- **Time to throw in the towel on Baker Hughes?** (*seekingalpha.com*)

The company's CEO is really worried about a slowdown in the global economy. The main concern is linked to the fact that an oil glut exists, and demand could wane if the economy turns down. The forecasts for the future are therefore not particularly positive for the company

Campbell Soup Co.

November 26, 2018- **The battle is over: Campbell Soup and activist investor reach agreement** (*CNN*)

For months, activist investor Daniel Loeb's hedge fund Third Point has been attempting to overhaul the soup company's board and install its own directors. The non-brilliant results of the company are therefore partly due

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to problems of leadership and bad strategy. The parties, however, have managed to reach an agreement, and a growth phase in earnings for the coming quarters is expected for Western.

SCANA Corporation

November 20, 2018- **Dominion-SCANA merger approved by North Carolina regulator** (*seekingalpha.com*)

The proposed merger between Dominion Energy and SCANA is approved by the North Carolina Utilities Commission, the sixth of seven endorsements needed to close the deal.

The deal remains contingent upon approval from South Carolina's Public Service Commission, where a decision is expected by Dec. 21 after holding evidentiary hearings since Nov. 1.

If completed, the combined company would deliver energy to ~6.5M regulated customer accounts and have an electric generating portfolio of 33K MW and 93.6K miles of electric transmission and distribution lines.

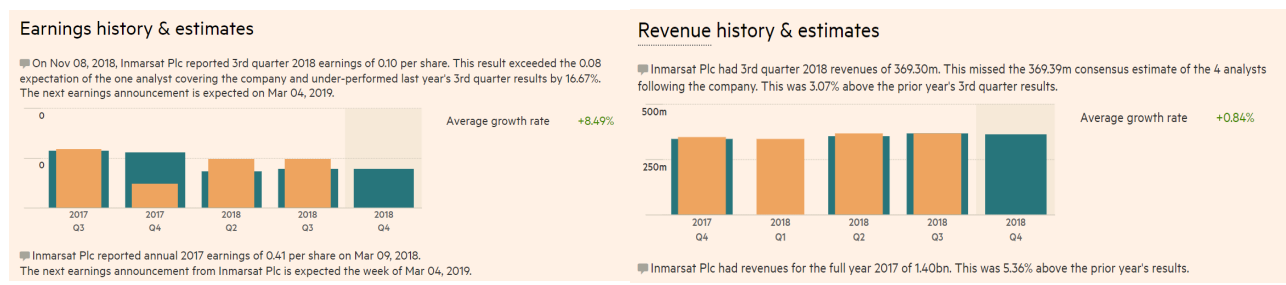
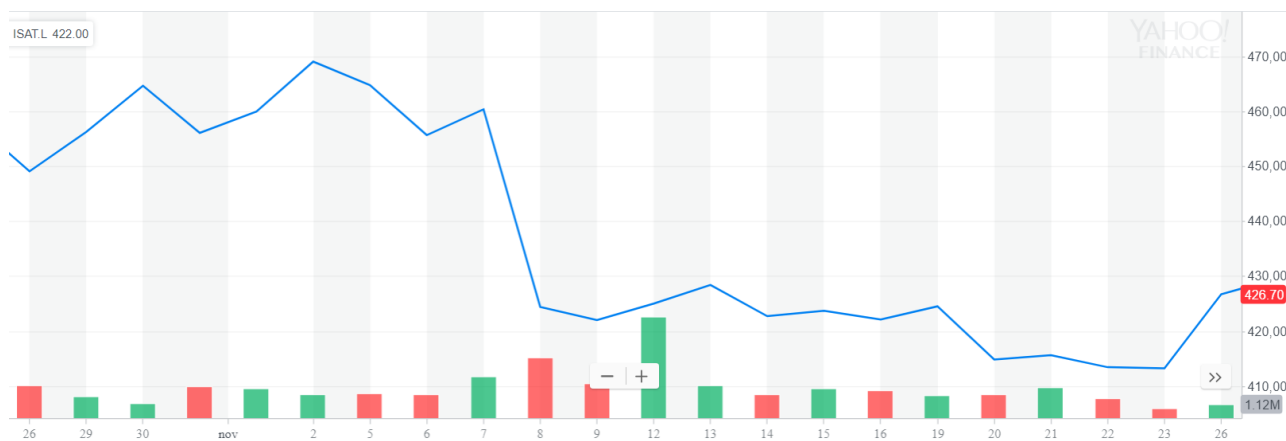
AT & T

November 12, 2018- **AT&T confident it will overcome DoJ appeal in Time Warner deal** (*Financial Times*)

Much of the company's future performance will depend on the outcome of the Justice Department's appeal against AT & T's acquisition of Time Warner, which is due to be heard in December. The judge said that the merger could be a blow to the antitrust division of the Justice Department. In any case, the company is very confident of overcoming opposition.

Inmarsat

November 8, 2018– **Inmarsat shares dropped by 7.6 per cent although a solid performance in the third quarter.** On one hand the company's aviation revenue rose 34 per cent, on the other hand the revenues of its maritime segment, which is the largest, shrank 5.7 per cent in a challenging market (*Financial Times*).

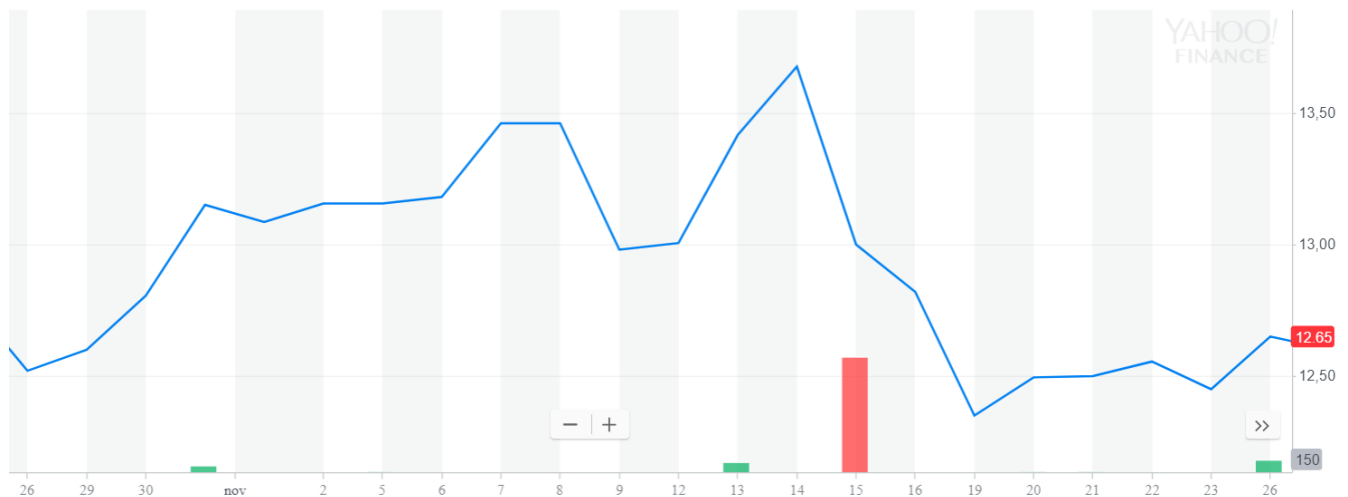


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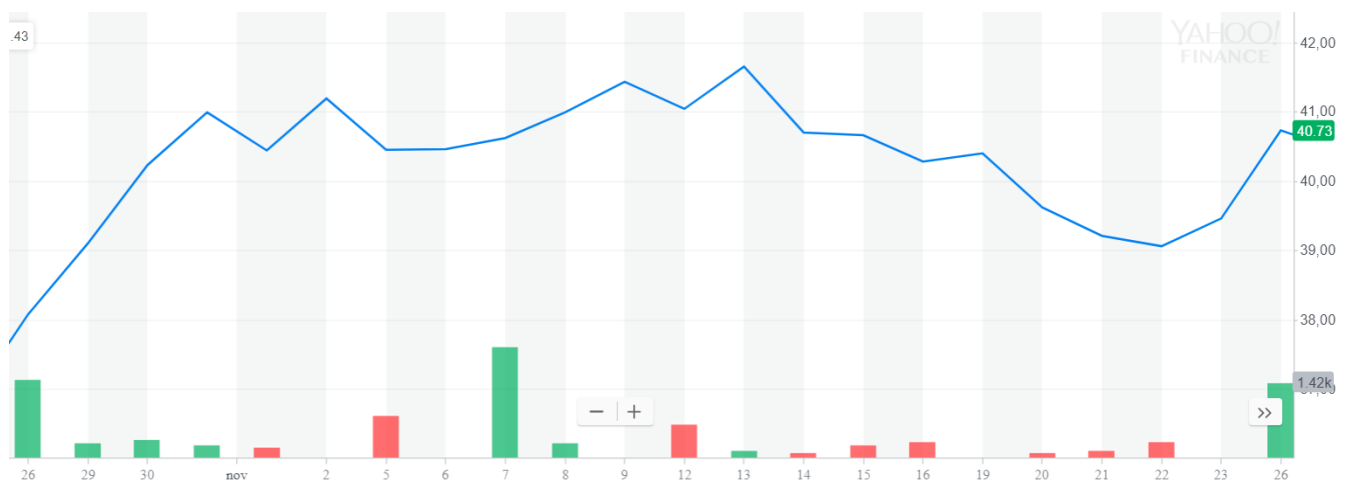
SSE

November 14, 2018– **SSE admitted there is some doubts about the potential merger with Npower**, one among its principal competitors, after the companies decided to return to the negotiating table over the terms of the deal. The both energy retailer, which have spent the past year planning a merger to create a new London-listed provider, announced they needed to procrastinate the arrangement, blaming the UK government that introduced a price cap on specific household energy bills (*Financial Times*)



LaFargeHolcim

November 12, 2018– **LaFargeHolcim announced the sale of its Indonesian subsidiaries**. It reached a deal with Semen Indonesian for the disposal of 80.6 per cent in Holcim Indonesia (*Financial Times*).



Remy Cointreau

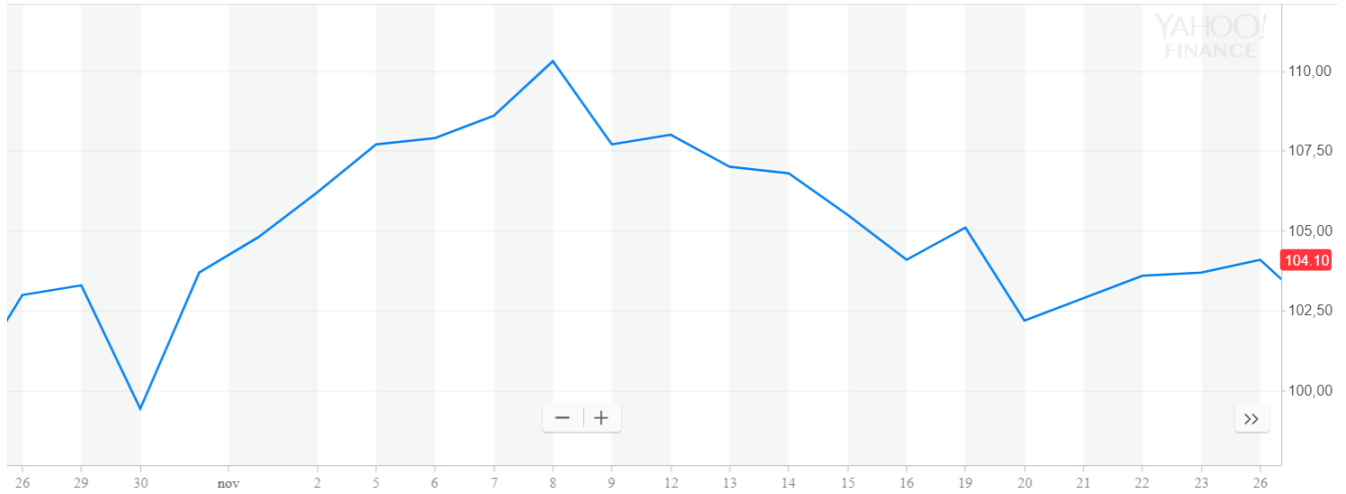
November 22, 2018- **Remy Cointreau Earnings Beat Estimate on Shift to Higher-End** (*Bloomberg*)

Remy Cointreau SA earnings beat analysts' estimates. Current operating profit rose 10 percent on an organic basis to 138 million euros (\$157 million) in the first half, beating the 132 million-euro analyst estimate. While it's a headline beat, there are a lot of moving parts. The gross margin widened by almost 1 percentage point thanks to sales momentum and cost control, though currency shifts eroded those gains when you get

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down to the operating margin. Improvements in profitability are down to Chief Executive Officer Valerie Chapoulaud-Floquet's focus on high-end products. The company has shifted away from cheap brands such as Passoa passion fruit liqueur, which sells for about \$15 a bottle, to prioritize cognacs and other drinks selling for \$50 a bottle or more.



Bankia

November 7, 2018 – **The taxes on Spanish mortgages will be borne by the citizens.** The Spanish Supreme Court, in fact, annulled the previous sentence of Oct 18th, which assigned to the banks the payment of taxes on loans for the purchase of houses. The cost for the Spanish banks had been estimated for a figure that was around 5 billion euros and the day after the previous ruling the Iberian institutions had seen a collapse on the stock market with 6 billion capitalization went up in smoke in a single day (*investing.com*)

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