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Stock Picking at work

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“Consensus: noun, [usually in singular] a general agreement”. For 2014 specifically, it reads "after two years of solid gains, European equities will continue to perform well. They will be driven by earnings growth. Bonds will struggle because of the economic recovery underway. Central banks will tighten but only progressively. At the same time Governments will do enough to start correcting their structural imbalances".

As far as Memnon is concerned 2013 was satisfactory with 7.5% outperformance. The year started with growth outperforming value until the end of the first quarter. The rest of the year was dominated by "recovery" situations, predominantly Euro centric ones. Memnon handled such a rotation well which meant alpha was well spread over the year. In terms of volatility, while continuing to display its usual concentration (25 holdings maximum), the tracking error of the portfolio reached a level below 5pct for the year. Alpha was also quite diversified with a hit ratio of 56pct, and no single investment yielding or costing more than 220 bps.

Our largest contributors to outperformance this year were Zon Multimedia (+180 bps), Catalana Occidente (+160 bps and one of the few stocks held since the fund inception) and Zodiac (+140 bps), which are a mixture of special situation, value and secular growth stories. On the other side, CGG Veritas (-220 bps including -70 bps last month), Rio Tinto (-150 bps) dominated the scoreboard, a gentle yet expensive reminder that commodities are not Memnon's cup of tea. Somewhat surprisingly, France which was 31pct of Memnon's exposure on average had a negative contribution (-110 bps) while Spain and Germany were our biggest contributors.

New additions last month include Eutelsat and SKF. Both stocks have been disappointing of late. As far as Eutelsat is concerned, the recent topline slowdown has triggered a spectacular derating (from 17x ebit at peak to 12x now) into which we are happy to invest. SKF for its part is struggling to mirror the improving macro signals with significant top line acceleration. Our historical analysis suggests this should happen in the second half of 2014 and it will be amplified by the significant efficiency program the company is going through.

So what about 2014? We could not say farewell to 2013 without citing Baroness Thatcher on consensus: "It is something in which no one believes and to which no one objects". So let's be prepared to be surprised and make sure Memnon remains determined, agile, thoughtful and enthusiastic. Best wishes for 2014!

As of 31/12/2013

NAV per Share:

Class I EUR (LU0578133935)	136.27
Class R EUR (LU0578134230)	134.43
Class I USD (LU0578134073)	137.23
Class R USD (LU0578134313)	134.93
Class I GBP (LU0578134156)	102.78
Class R GBP (LU0578134404)	134.04

Fund AUMs

339 M EUR

Strategy AUMs

451 M EUR

Firm AUMs

777 M EUR

Inception Date

01/02/2011

UCITS Fund

Yes

Liquidity

Daily (3 PM CET)

Auditor:

PWC

Custodian/Administrator:

BPERE

Management Fee

1.25% (I) - 1.75% (R)

Reference Index

MSCI Europe Ex UK TRI Net

Performance Fee

15% of Outperformance above High Water Mark

MEMNON FUND

European Equities

Concentrated portfolio of best ideas only, with sector, country and thematic diversification

OBJECTIVE

To outperform the Equity market every year and by 5 to 10% on average over the long term.

Performance (Class I EUR)			
Period	Memnon	Index	Outperformance
December 2013	1.3%	0.8%	0.5%
2013	29.7%	22.1%	7.5%
2012	25.4%	19.4%	6.0%
2011 (Feb to Dec)	-16.2%	-15.9%	-0.4%
Since Inception	36.3%	22.7%	13.5%

Exposure	
Equities	100.0%
Cash	0.0%
Investments	25
Top 10	52%
Beta	0.96

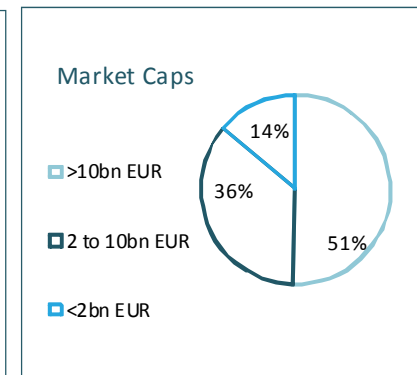
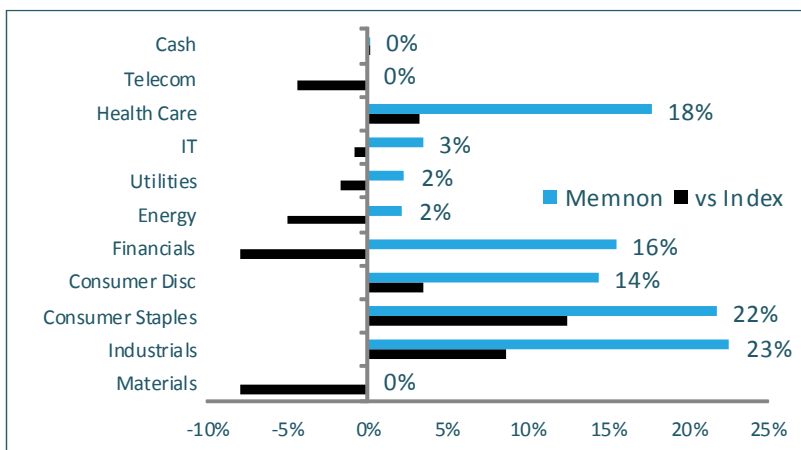
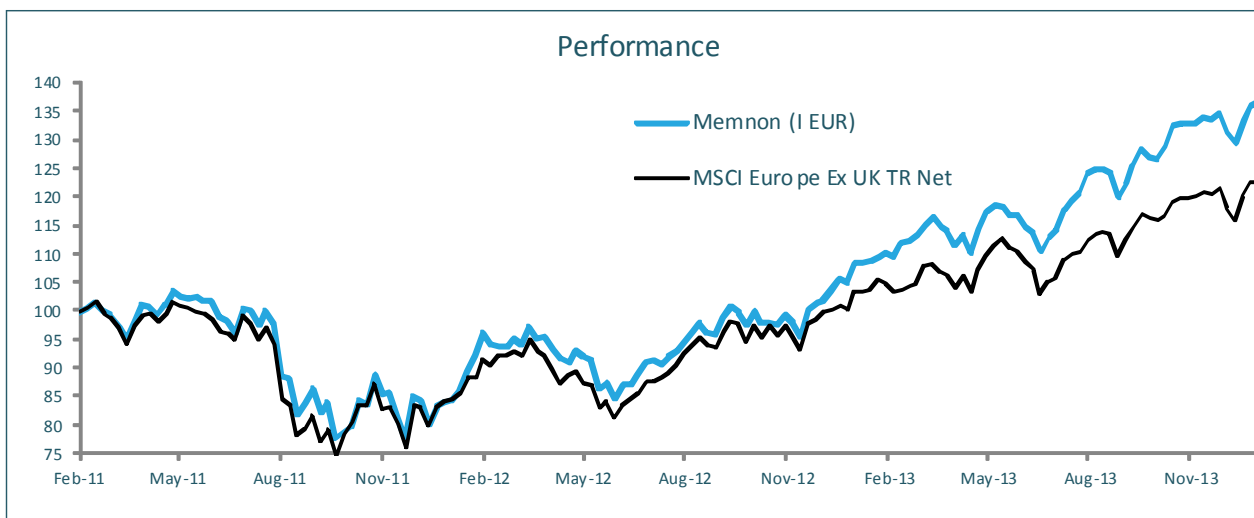
Main Contributions (relative)	
Positive	%
Faurecia	0.50
AB Foods	0.40
Mapfre	0.30

Negative	%
CGG	-0.70
Kering	-0.30
Metro	-0.20

Countries Exposures		
Country	Expo	vs Index
Benelux	7%	-3%
Nordic	12%	-4%
France	39%	19%
Germany	16%	-2%
UK & Ireland	7%	5%
Italy	0%	-5%
Spain	16%	9%
Switzerland	0%	-19%
Rest of EU	3%	1%
US & Canada	0%	0%
Others	0%	0%
Cash	0%	0%

Valuation (12 mth fwd)	
P/E	14.6
Dividend Yield	2.9%
P/BV	1.7

Largest Holdings	
AB Foods	7.2%
Grifols	6.8%
Schneider	6.0%
Carlsberg	4.9%
Mapfre	4.8%



Note: Memnon Fund is only registered for sale in Luxembourg, France, Switzerland and the United Kingdom. For other countries, local regulations are applicable.

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