

Augustus Capital AM



Cervino Global Equities
Global Investment in Value and Momentum

January 2021

DISCLAIMER

This document and the information, opinions, estimations and recommendations contained herein have been prepared by Augustus Capital AM in order to provide to its clients with general information regarding the date of issue of the report. Augustus Capital AM reserves the right to update, modify or remove this information. Neither this document nor its content constitutes an offer, invitation or purchase request or subscription of securities. Neither constitutes a deal or investment cancellation, and it can not be used as the basis of any contract, commitment or any kind of decision. The investor who has access to this document should be aware that the securities, instruments or investments referred could be not be suitable for their specific investments, financial position or risk profile, which have not been taken into consideration for the preparation of this report. Therefore, investors should make their own investment decisions considering these circumstances and obtaining the necessary specialized advice. Furthermore, Augustus Capital AM may not be held responsible for the truthfulness, integrity or validity of this information. Investors should note that past returns do not guarantee future returns. The price of the securities, instruments or the results of the investments could fluctuate against the investors' interests and even result in a loss of the initial investment. Therefore, before closing any transaction with these kind of instruments, investors should be aware of their operating mode, the rights, the obligations and the risks involved, as well as be aware of the rights and obligations of the underlying values. It could not exist secondary market for these instruments. Augustus Capital AM or any other entity of the group, as well as its directors or employees may have a position in any of the securities that this document refers to, directly or indirectly, or in any other related, previous to the publication or after, to the extent allowed by the applicable Law. Employees of Augustus Capital AM or other entity of the Group may provide market comments, orally or by writing, or investment strategies to its clients even if those opinions are contrary to the opinions expressed in this document. Augustus Capital AM or any other entity of the Group also may adopt their own investment decisions even if they are inconsistent with the recommendations expressed in this document. Any part of this document may be (i) copied, photocopied or duplicated by any other form (ii) redistributed or (iii) quoted, without the previous written permission of Augustus Capital AM. Any part of this presentation may be reproduced, taken or transmitted to those countries (or persons or entities) where distribution may be forbidden by law. The failure to comply these restrictions may involve breaking the laws of the relevant jurisdiction.



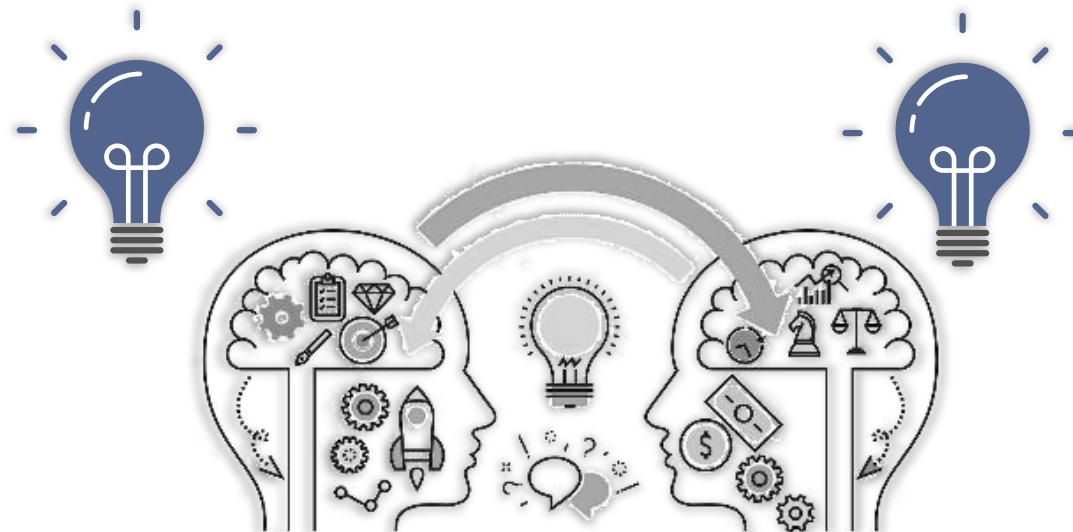
INDEX

1. Cervino History
2. Cervino vs. MSCI World Net Total Return
3. Return and Risk Data
4. Cervino Method
 - 4.1. Investment Universe
 - 4.2. DCF Valuation
 - 4.3. Portfolio Construction
 - 4.4. Portfolio Example
5. General Information
6. Team



1. CERVINO HISTORY

- Since 2005, Cervino's valuation method has been continuously improved.
- The basis of Cervino's portfolio started at Preon Capital (2017): Jari Ovaskainen's individual family office, one of the most successful European business angel investors.
- Since inception, Cervino outperforms the Index MSCI World Net Total Return.

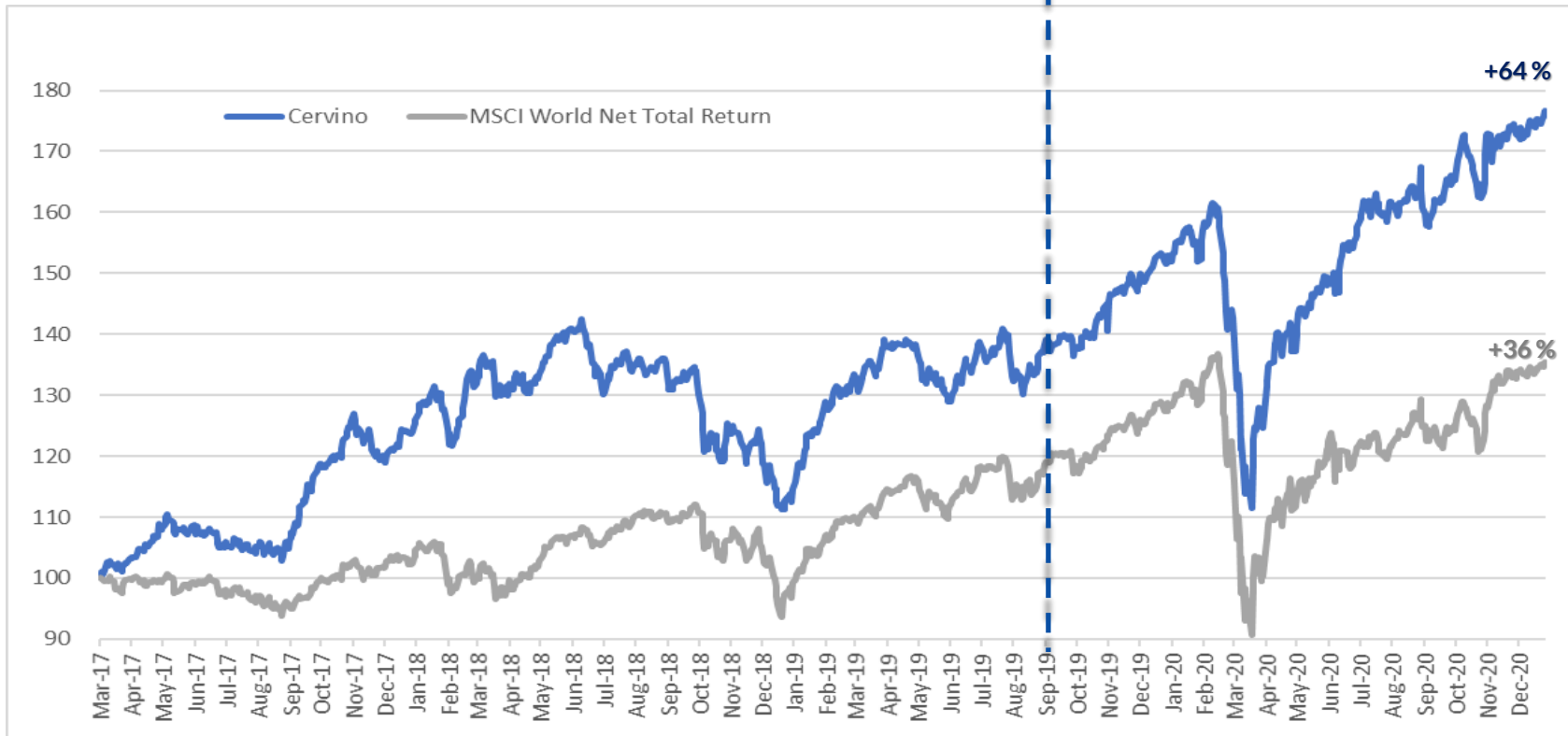


2. CERVINO vs. MSCI WORLD NET RETURN

Preon Capital (real trades)*

Cervino (virtual)**

TOTAL RETURN (base 100)



TOTAL RETURN 64% (14.4% average)

* % Adjusted return by 1.68% annual (management and depository fees)

** % Adjusted return by 3.00% annual (management, depository and brokerage fees)

Source: Bloomberg. Data as of 31/12/2020

3. MONTHLY RETURN

CERVINO: 14.4% ANNUAL AVERAGE

Year	January	February	March	April	May	June	July	August	Sept.	October	Nov.	Dec.	Annual
2017			2.1%	3.9%	0.9%	-3.3%	-0.8%	0.8%	10.0%	6.3%	-4.8%	3.2%	18.9%
2018	2.8%	4.3%	-2.2%	0.6%	5.6%	-4.6%	-0.1%	0.2%	-1.4%	-9.1%	-0.5%	-7.2%	-11.8%
2019	11.4%	4.1%	4.8%	0.0%	-5.2%	4.9%	2.3%	-2.7%	2.2%	3.8%	2.7%	2.3%	34.1%
2020	1.2%	-8.3%	-11.3%	10.0%	9.0%	4.0%	1.9%	3.1%	1.6%	-2.2%	7.4%	1.2%	16.4%

MSCI WORLD NET TOTAL RETURN: 8.6% ANNUAL AVERAGE

Year	January	February	March	April	May	June	July	August	Sept.	October	Nov.	Dec.	Annual
2017			-0.3%	-0.4%	-0.3%	-1.8%	-0.6%	-0.6%	2.4%	3.9%	-0.6%	0.5%	2.2%
2018	1.4%	-3.1%	-1.9%	3.6%	4.4%	-0.9%	3.0%	1.7%	1.2%	-5.1%	0.9%	-8.5%	-4.1%
2019	7.5%	4.2%	3.5%	1.8%	-4.6%	5.6%	1.6%	-1.0%	2.0%	2.1%	3.3%	1.2%	30.0%
2020	2.4%	-9.2%	-16.1%	11.8%	6.9%	1.2%	-0.6%	6.0%	-1.5%	-2.9%	10.3%	1.5%	6.3%

CERVINO vs. MSCI WORLD NET TOTAL RETURN DIFFERENCE: 5.2% ANNUAL AVERAGE

Year	January	February	March	April	May	June	July	August	Sept.	October	Nov.	Dec.	Annual
2017			2.4%	4.3%	1.2%	-1.5%	-0.2%	1.4%	7.6%	2.4%	-4.2%	2.7%	16.7%
2018	1.4%	7.4%	-0.3%	-3.0%	1.2%	-3.7%	-2.9%	-1.5%	-2.6%	-4.0%	-1.4%	1.3%	-7.7%
2019	3.9%	-0.1%	1.3%	-1.8%	-0.6%	-0.7%	0.7%	-1.7%	0.2%	1.7%	-0.6%	1.1%	4.1%
2020	-1.2%	0.9%	4.8%	-1.8%	2.1%	2.8%	2.5%	-2.9%	3.1%	0.7%	-2.9%	-0.3%	10.1%



3. RETURN AND RISK DATA



LOWER RISK
vs. Indices



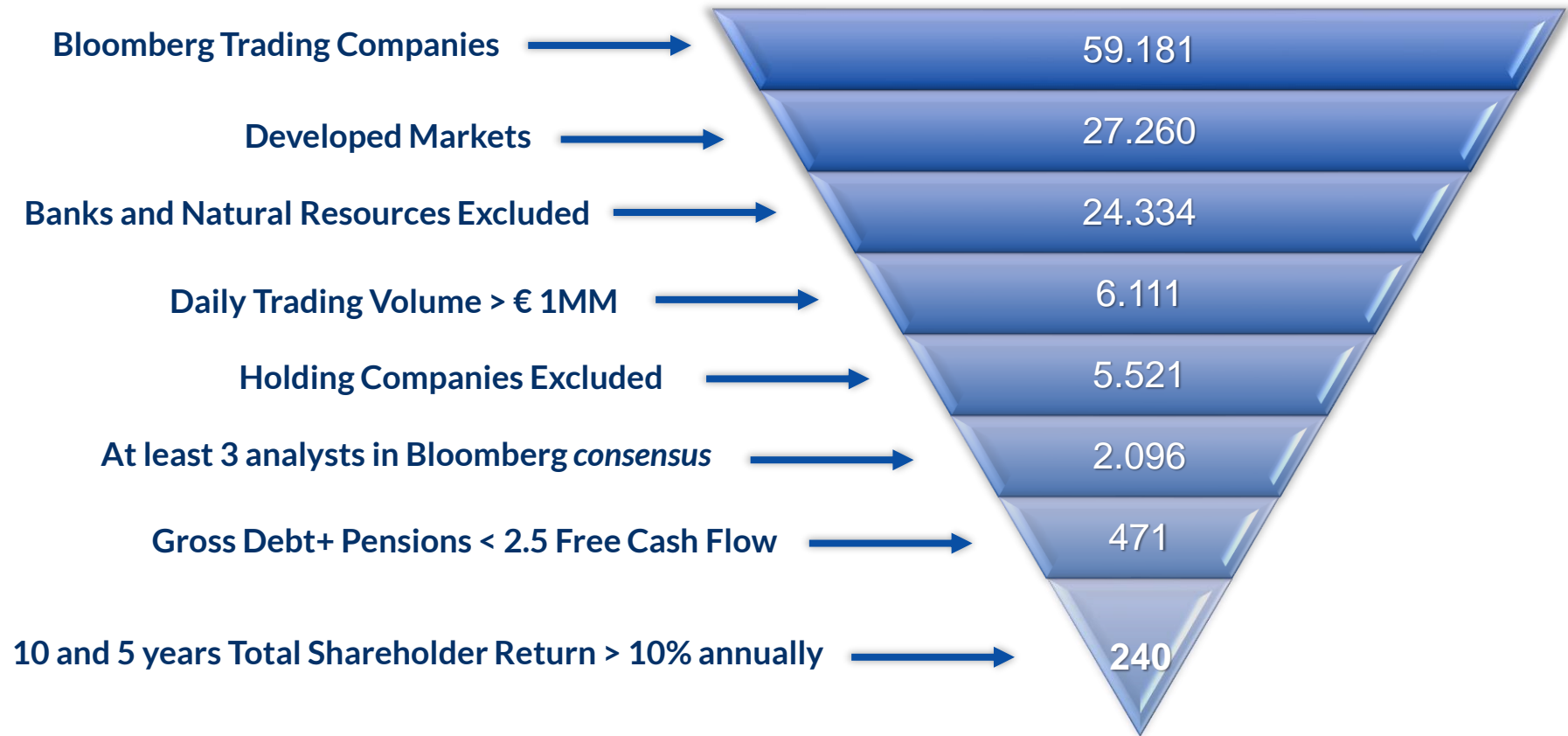
**Lower Market
Volatility**

SINCE INCEPTION	CERVINO	MSCI WORLD NET TOTAL RETURN
Alpha	7.8%	0.0%
Sharpe Ratio	0.86	0.47
Beta	0.70	1.00
Volatilidad	16.0%	17.6%
12 MONTHS	CERVINO	MSCI WORLD NET TOTAL RETURN
Alfa	10.8%	0.0%
Sharpe Ratio	0.76	0.23
Beta	0.69	1.00
Volatilidad	22.5%	29.1%



4.1. CERVINO METHOD: Investment Universe

Cervino Screening Criteria



4.2. CERVINO METHOD: Equity DCF & Adjusted IRR

Equity DCF Method

- Equity DCF Method (Discounted Cash Flow)
- IRR (Internal Rate of Return) calculated for each company in the last of the screening criteria
- According to CAPM* Model
 - If $IRR > K_e$ (cost of equity)
 - Then Value > Price
- $K_e = \text{Risk free} + \text{Beta} \times \text{Risk Premium}$ where:
 - Risk free: risk free interest rate
 - Company's Beta vs. MSCI World Net Total Return
 - Risk premium: market risk premium

Adjusted IRR

- Risk Premium = Constant Market Value
- Adjusted IRR for each company:
 - Country Risk: risk free of the company's country
 - Volatility Risk: company's index Beta
- Adjusted IRR Cervino Model
 - = $(\text{CAPM IRR} - \text{Risk free}) / \text{Beta}$
- Adjusted IRR > Risk Premium : Value Signal

Upside Value Signal: Adjusted IRR/Risk Premium > 1



4.3. CERVINO METHOD: Portfolio Construction

VALUE SIGNAL

- Equity DCF Model per company
- Value Signal: Adjusted IRR/Risk Premium
- Ex.: 7% Adjusted IRR vs. 5% Risk Premium =>
Upside Value Signal = 1,40
- Optimal Range Value Signal (historical data base)



MOMENTUM SIGNAL

- Momentum: 12 months investor return (%) in euros
- Ex.: +30% 12 months momentum
- Upside Momentum Signal = 1,30
- Optimal Range Momentum Signal (historical data base)

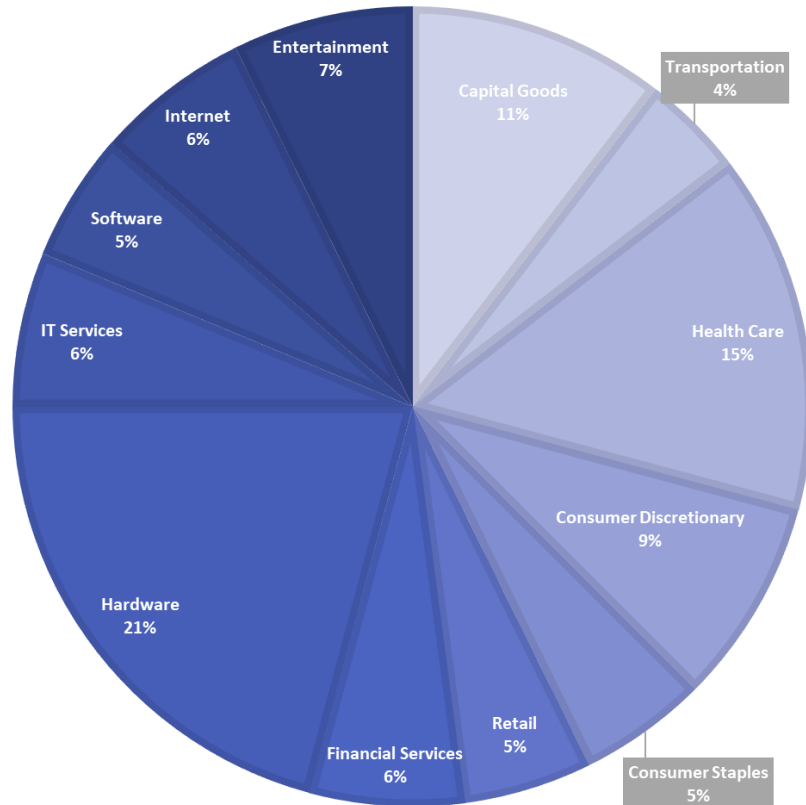
CERVINO PORTFOLIO CONSTRUCTION

Value Signal x Momentum Signal

- Value Signal x Momentum Signal > 1,0
- Geographic diversification (USA, Western Europe, Japan, Australia, Hong Kong)
- Equal weight per company
- The algorithm determines the number of companies in the portfolio between 50 and 100

4.4. CERVINO METHOD: Portfolio Example

Sector Distribution



EUROPE (16)

888 Holdings
Asm International
Coloplast
Cranswick
Dsv Panalpina
Future PLC
Genmab
Jumbo
Kone
ROVI
Logitech
London Stock Exchange
Marel HF
Melexis
Partners Group
Persimmon

UNITED STATES (41)

Activision Blizzard
Advanced Micro
Alphabet
Amazon
Applied Materials
Best Buy
BlackRock
Boston Beer Company
Church & Dwight
Cisco Systems
Costco
Deckers Outdoors
Electronic Arts
Fortinet
General Holdings
GLU Mobile
Hunt JB Transport
Johnson & Johnson
KLA Corporation
Lam Research
Landstar System
Microsoft
Mks Instruments
Molina Healthcare
National Beverage
Neurocrine Biosciences
Nvidia
Old Dominion
Overstock
Pool Corp
Procter & Gamble
Synopsis
T Rowe Price
Take Two Interactive
Teradyne
Texas Instruments
Ttec Holdings
Turtle Beach
United Health
Vertex Pharmaceuticals
Zebra Technologies

ASIA (39)

Alibaba Health
Anritsu Corp
Anta Sports
Breville
Capcom
Comsys
Cosmos Pharmaceutical
Cspc Pharmaceutical
Daifuku
Elecom
Frencken
Fuji Corp/Aichi
Fujitsu
Goldwin
Haitian International
Hong Kong Exchanges
Hub24
Internet Initiative Japan
Itochu Techno Solutions
Japan Lifeline
Kingsoft
Konami
Makita Corp
Murata Manufacturing
Net One
Nihon Unisys
Nitori Holdings
Otsuka Corp
Polynovo Ltd
Shin-Etsu Chemical
Sinotruk
Sunny Optical
Technology ONE
Tencent
Tis Inc
Tokyo Ohka
Venture Corp
Welcia Holdings
Zozo Inc



5. General Information

Inception Date	06/11/2020
AUM	EUR 1.8 million
CNMV Registration	5484
Liquidity	Daily
Fees	Management Fee 1.60% (annual) Depositary Fee 0.08% (annual)
Asset Manager	Augustus Capital AM
Custodian	BNP Paribas
Administration	Grupo RD Sistemas
Auditor	Deloitte
Currency	EUR
ISIN Code	ES0118591009
Bloomberg Ticker	CERVING SM EQUITY



6. Team



**Juan Uguet
de Resayre,**

FOUNDER & PORTFOLIO MANAGER

Juan Juan began his career at Beta Capital Fortis where he worked for 8 years. He was Head of the Analysis Team before being appointed CIO in 1998. From 2000 - 2007, he worked as CIO at Ibercaja Gestión, managing over EUR9.500MM AUM. Later, he joined BBVA & Partners, where he became Partner in 2007. During this period, Juan managed Augustus Equity Fund and Augustus Neutral Plus, Total Return. Juan holds a bachelor's degree in Economics and Business Administration by the University of Zaragoza (Spain) and was awarded with an MBA Degree by the University of San Francisco (California).



**Francisco
Tajada,**

FUND MANAGER

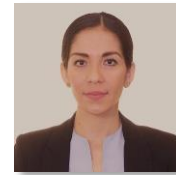
Before joining Augustus Capital AM, Francisco was Partner at Preon Capital. Chairman of Investivity S.A., an innovative Swiss regulated investment manager, specialised in providing sophisticated portfolio solutions to protect and increase assets over the long term, using state-of-the-art technology. Francisco was formerly a partner at ONEtoONE Corporate Finance. From 2008 to 2011, he was a buy-side analyst for Strategic Investment Advisors in Geneva. Francisco holds an MSc degree in Mechanical Engineering by the University of Zaragoza and an MBA by IESE in Barcelona.



**Daniel
Porte,**

ANALYST

Prior to joining Augustus Capital AM, Daniel began his career as junior analyst at GAR Investment Advisors EAFI where he worked for 1 year. Daniel holds a bachelor's degree in Economics and Business Administration from CEU Abad Oliba University of Barcelona.



**María Elena
Morales,**

BUSINESS DEVELOPMENT & INVESTOR RELATIONS

In 2002, Maria Elena began her career in the auditing industry working for KPMG (USA) and Deloitte (Mexico). In 2008, she moved to the finance industry, working as Data Analyst for Bloomberg (Mexico) and later in 2010 as Relationship Manager for HSBC Private Banking. Before joining Augustus Capital AM, Maria Elena was part of the Wells Fargo Advisors' team (USA). Maria Elena holds a Bachelor's degree in Accounting and Finance by ITESM (Mexico) and a Master's degree in Finance and Banking by Universidad de Alcala de Henares (Spain).



**Alicia
Casasús,**

INTERNAL CONTROL

Before joining Augustus Capital AM, Alicia worked in the accounting department of Aramon, Montañas de Aragon.

Before that, she was part of the finance team at Schindler Supply Chain Europe AG.

After college, Alicia started her career in a small company as head of accounting and finance.

Alicia holds a Bachelor's degree in Economics and Master's degree in Accounting and Finance by Universidad de Zaragoza.

