

31/08/2020

Pharus Asian Niches

Portfolio Update – July & August

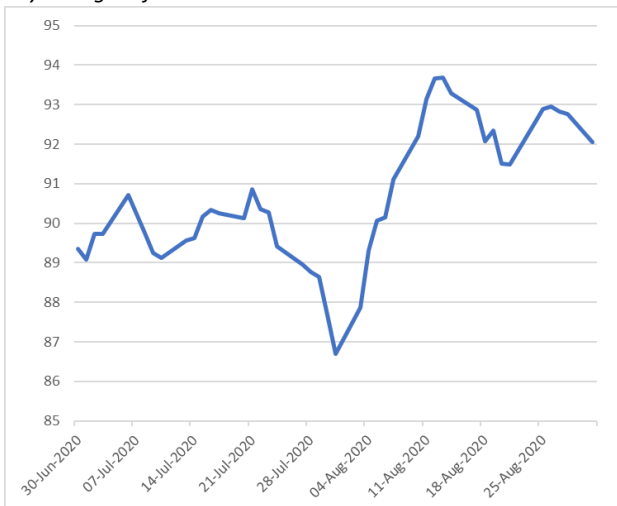


Launch date: 15.02.2019
Total Net Asset value 31.08.2020: € 14,739,219.94
Currency: EUR

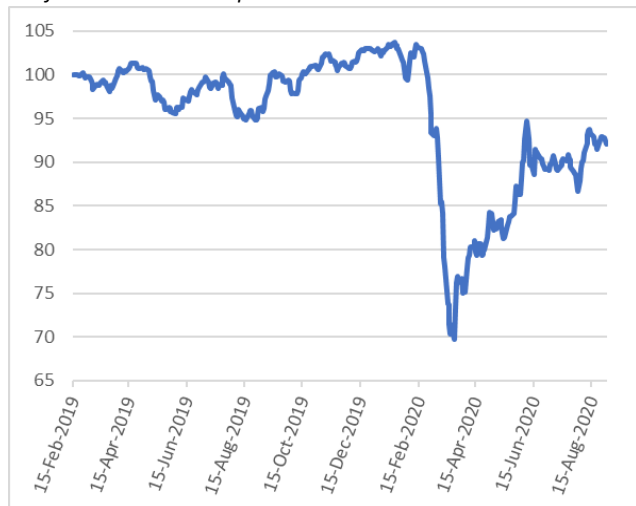
Net Asset Value per share	Classe A – Isin: LU1867072578	€ 90.94
As of 31.08.20:	Classe B – Isin: LU1867072651	€ 92.06
	Classe Q – Isin: LU1867072735	€ 92.01

Net asset value per share

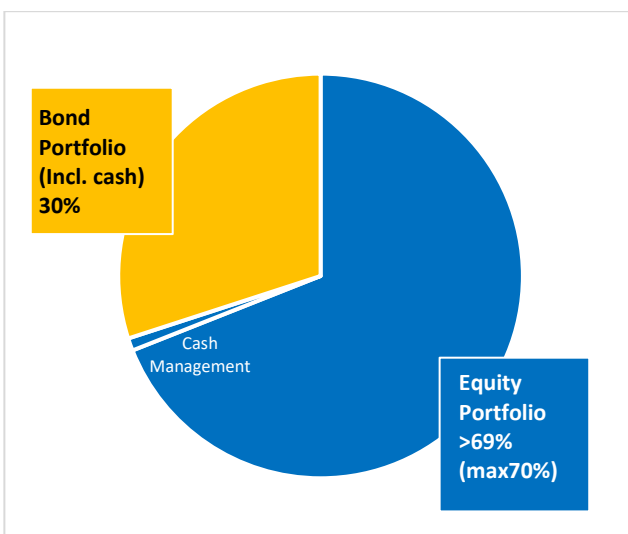
July & Aug Performance: +3.02%



Performance since inception: -7.94%



Portfolio breakdown by asset class



The fund can invest the **Equity Portfolio** up to 70% of its NAV. This would be the case if every Niche was fully invested. The difference between 70% and the real investment in equity is managed in the **Cash Management Portfolio**, through a combination of cash and safe short-term bonds.

The 30% of the NAV that makes up the rest of portfolio is managed in the **Bond Portfolio** that holds bonds and/or cash, with a total return goal and without any constraint.

Bi-Monthly comment

During the period the fund was up by 3%. Best Niches were “Steel&Plastic Substitution” (+9.9%), “Electric Mobility” (+8.8%) and “Close the Gap” (+8.4%). Worst were “Orphan Companies” (-3.8%), 5G (-1.5%) and “Small Caps Indonesia” (+0.3%).

While the period was (again) amazing for growth stocks, we are starting to observe a stabilization of the value stocks. Most of our Niches have already started or are about to start a trend of earnings recovery, after the shock of the COVID19 that brought a big part of the economy to a halt. While we understand the frustration in holding value stocks or value funds during the last few years, we must remind that markets tend to test the investors’ resolve to the limit. And today we are close to that limit. Many are those already whispering, “this time is different”, a reminder of many other equity orgies we have been through in the past. Well, it is not that different. Historically, apart from few exceptions like the middle age, technology progress has always been with us and the over-enthusiasm we witness today comes mostly from retail investors and quant strategies.

During the bimester the economy continued to recover, governments and people cynically learned to live with the pandemic and generous monetary and fiscal policies provided the needed backstop to relaunch the economic activities. There were some changes in the way people work and behave. Newspapers headlines and commentators raced to call a new world. In reality, some trends were already present and have just accelerated (ecommerce, remote working). Others will fade once the epidemic is over (eating in, decrease in travelling and socializing, over sanitization).

About 20% of the Fund is exposed to Korea, mostly through 3 Niches: “Korea reunification”, “Close the Gap” and “Electric Mobility”. Korea has turned the corner. During the crisis it has demonstrated economic resilience and political determination. This, combined with the many qualities of the country (healthy financials, technological leadership, productivity), could set the start of a long term trend that will close the discount at which it trades vs the other developed markets.

About 20% of the Fund is exposed to Japan. Japan looks like the Brazilian equity market in the early 2000. Completely stuck despite the many reasons to see it thriving. The saying “Brasil is the market of the future, and always will be..” could be applied to Japan. A rerating of the Japanese equity market is overdue, although it is difficult to see the trigger. The investments of Buffet could attract some interest. The change in political leadership too. Difficult to see another market with so many opportunities and significant upside. However, history has taught us that when Japanese equity moves up is better to be already invested as it will be fast. Very fast.

About 10% of the Fund is exposed to Indonesian small caps, a terrific asset class in terms of future growth and valuations. This Niche is the strongest argument against efficient markets theory. Hardly any other product can provide exposure to this beautiful asset class.

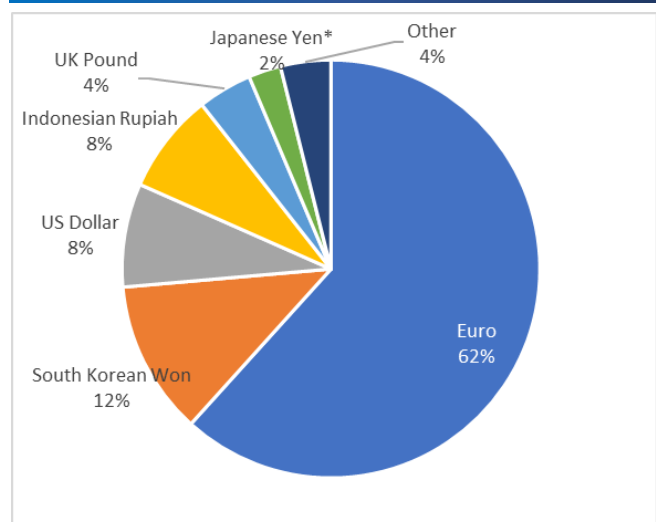
The rest of the equity of the Fund is spread between Asia, Europe, and USA, where it is possible to find incredible opportunities in a world craving for growth at any price.

In the next few pages, you will find the allocation details of each Niche and a brief comment.

Niches performance in July - August

NICHE	July - Aug
Electric Mobility	8.8%
5G	-1.5%
Internet Victims	3.0%
Small Cap Indonesia	0.3%
Korea Reunification	1.0%
Close the Gap	8.4%
Neglected Luxury	3.2%
Orphan Companies	-3.8%
Steel and Plastic Substitution	9.9%

Portfolio breakdown by currency



* net of JPY hedging

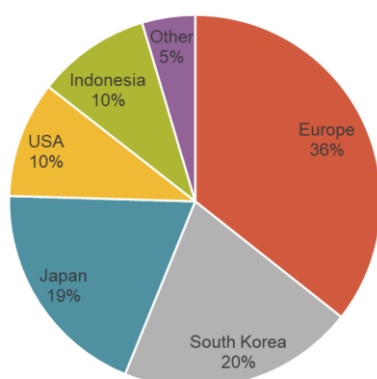
Top holdings

ISIN	Security	%	Portfolio
LU1867072222	Pharus Sicav - Electric Mobility Niches B	9.91	Electric Mobility
FI0009000681	Nokia	2.10	5G
XS1945271952	SGL Carbon SE 4.6250 19-24 30/09S	1.86	Bond
FR0013461274	Eramet 5.8750 19-25 21/05A	1.70	Cash Management
US48268K1016	KT	1.63	Close the Gap
US78440P1084	SK Telecom	1.60	Close the Gap
XS0543111768	Macquarie Bank Sub 6.00 10-20 21/09A	1.44	Cash Management
XS1109959467	Arcelik 3.875 14-21 16/09A	1.42	Bond
XS1619015719	Unicredit SPA Fl.R 17-49 03/12S	1.42	Bond
FR0011615699	Eramet SA 4.50 13-20 06/11A	1.41	Bond

Equity top holdings

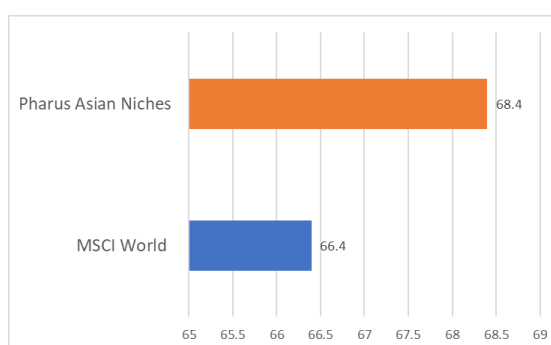
ISIN	Security	%	Niche	Sub-Niche
FI0009000681	Nokia	2.10	5G	Telecom Equipment
US48268K1016	KT	1.63	Close the Gap	Holding Companies
US78440P1084	SK Telecom	1.60	Close the Gap	Holding Companies
GB0030913577	BT Group	1.12	5G	Telecom Services
ES0178430E18	Telefonica	0.86	5G	Telecom Services
FR0000131906	Renault	0.79	Close the Gap	Holding Companies
FI0009005961	Stora Enso	0.78	Steel Substitution	Wood (Timber, CLT, Glulam)
US0138721065	Alcoa	0.75	Steel Substitution	Aluminium
ID1000103609	Bank Bukopin	0.72	Small Cap Indonesia	Banks
FR0000133308	Orange	0.67	5G	Telecom Services

Equity breakdown by geographical exposure



Source: Niche AM

Equity Portfolio ESG rating



Source: Niche AM – Thomson Reuters

ASIAN NICHES



Electric Mobility.....	5
5G.....	7
Internet Victims.....	9
Small Cap Indonesia.....	11
Korea Reunification.....	13
Close the Gap.....	15
Neglected Luxury.....	17
Orphan Companies.....	19
Steel and Plastic Substitution.....	21
Bond Portfolio.....	23

Electric Mobility

Getting ready for a seismic change



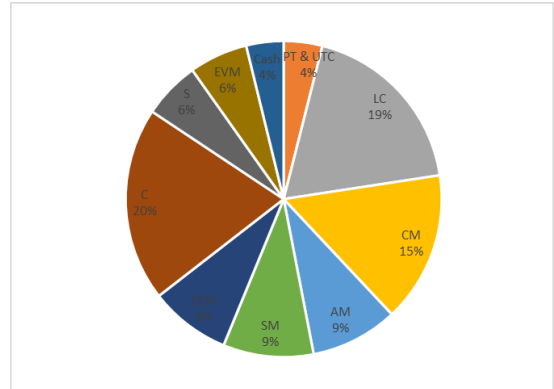
stocks: 22

Average Market Cap (mln €) 1,480

Median Market Cap (mln €): 2,031

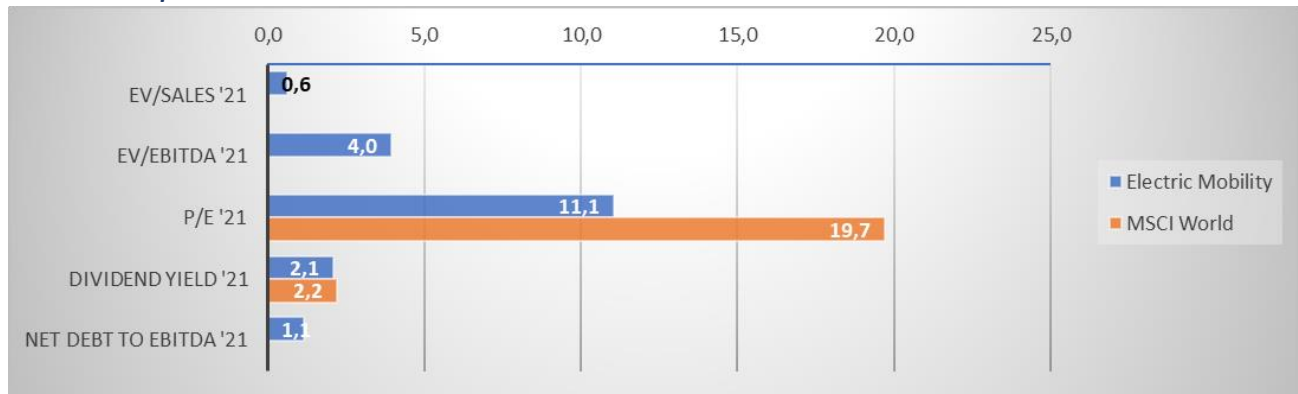
Electric Mobility – segment breakdown

		Asian Niches Fund	EM Niche
Commodities	C	3,0%	19,8%
Lithium Cells	LC	2,8%	18,7%
Cathode makers	CM	2,3%	15,4%
Separators makers	SM	1,4%	9,3%
Anode Makers	AM	1,3%	9,0%
Electrolytes and Elecfoils	EEM	1,2%	8,3%
EV Makers	EVM	0,9%	6,0%
Satellites	S	0,9%	5,9%
Power Train & Ultracapacitors	PT&UTC	0,6%	3,9%
Cash EMN	Cash	0,6%	3,8%
Total		15,0%	100,0%



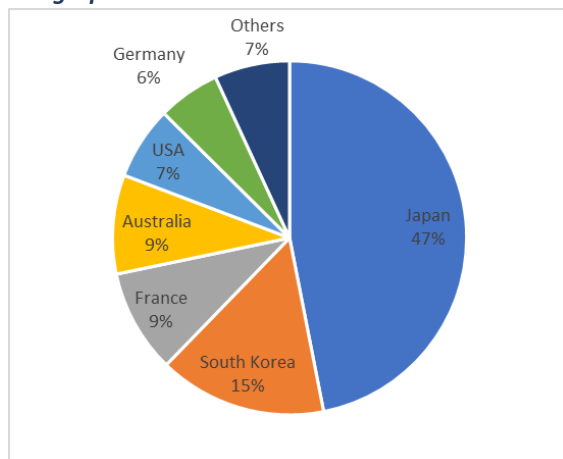
Source: Niche AM

Valuation snapshot



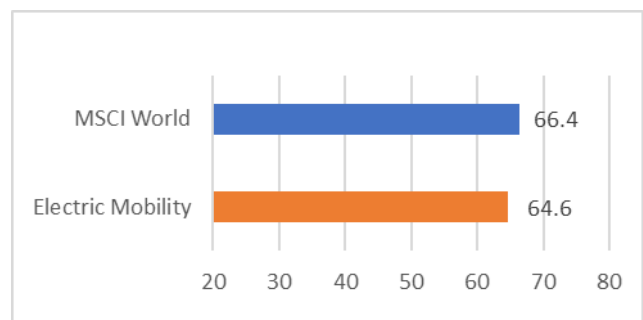
Source: Niche AM, Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM, Thomson Reuters

Electric Mobility

Getting ready for a seismic change



Bi-monthly comment

The Niche “Electric Mobility” did well in the period (+8.8%), helped by the increasing interest in lithium batteries, triggered by the amazing run of Tesla. The sub-Niche “Lithium Cells” was the outperformer together with the sub-Niche “Commodities”. The sub-Niche “Anodes” was the underperformer.

19% of the Niche is invested in the sub-Niche “Lithium Cells” where we hold some of the main producers of what represents the heart of the battery: the lithium cells. The companies we hold here boast a significant competitive edge and can be bought at reasonable valuations. In two years’ time the EVs batteries production capacity won’t be sufficient to fill all the EVs’ demand. The sub-Niche “Commodities” (20% of the Niche) holds undervalued players in nickel sulphate, graphite, lithium and copper, all basic materials that will benefit of the rocketing EVs penetration. This sub-Niche was held back during the bimester by nickel and graphite miners, despite the rise of nickel price in the period and the inclusion of graphite among the materials that the EU deemed strategic in the recent review. This inclusion will lead to investments in graphite mines outside China, where we do invest. Lithium miners did well, anticipating the need for batteries makers to close long term supply agreements. In the period we took benefit of the copper players on their powerful rebound and we added companies exposed to nickel sulphate. The sub-Niche “Anodes” holds some undervalued producers of anodes for Evs batteries or producers of its main components. Anodes are made of graphite (natural and/or synthetic) and a small part of silicon. Synthetic graphite is made from needle coke, a by-product of oil that just few companies in the world can make. During the period we increased Showa Denko and Posco, the parents respectively of Hitachi Chemical and Posco Chemical, two of the main EVs anodes producers.

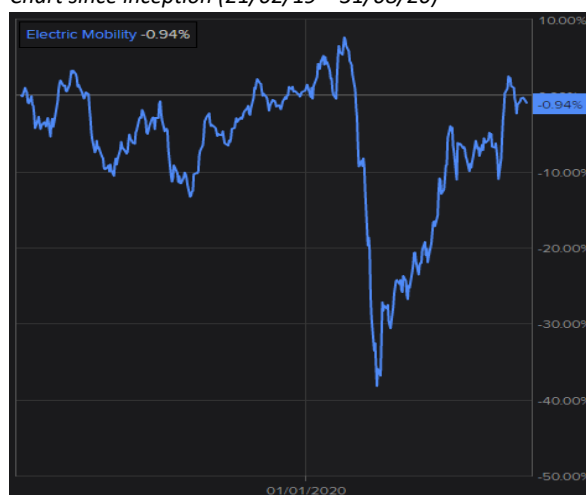
While we understand that the investors focusing on fundamentals could spot some froth in the electric mobility sector, we remind the reader that the Niche focuses on producers of components for EVs batteries, using a disciplined value approach. The Niche’s portfolio is trading at about 4x EV/Ebitda 2021, far away from the dangerous 58x for Tesla (company that nonetheless we admire), 67x of Li Auto (2022), 250x of Nio (2022), and the vagaries of Nikola (trading at 50x the “expected” sales 2023), just to give some examples. Most of our portfolio is made of reliable Japanese companies, with solid balance sheets and long-term expertise in the batteries’ chemistry. This Niche provides the Pharus Asian Niches investors with an unique value exposure to EVs batteries, to play this secular trend.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 - 31/08/20)



Niche description

Electric mobility will grow dramatically in the next few years, with a speed still unexpected by most and changing the world for good. The electric mobility will be pervasive, affecting land, air and water transportation. The batteries stocks, just a part of the broader electric mobility sector, will overcome the semiconductor sector by total sales in few years. We deem the sector a great opportunity for those who have a firm understanding of it, and potentially hazardous for those who do not. Niche Asset Management team boasts a long and successful experience in the electric mobility investing. Niche aims to give the investor exposure to this exciting sector through its value approach.

5G

Moving to the next Internet investment chapter



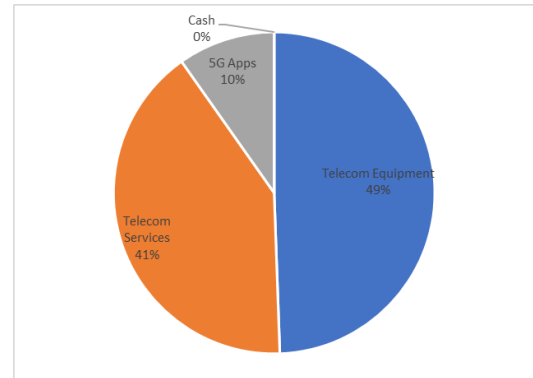
stocks: 21

Average Market Cap (mln €) 29,071

Median Market Cap (mln €): 11,607

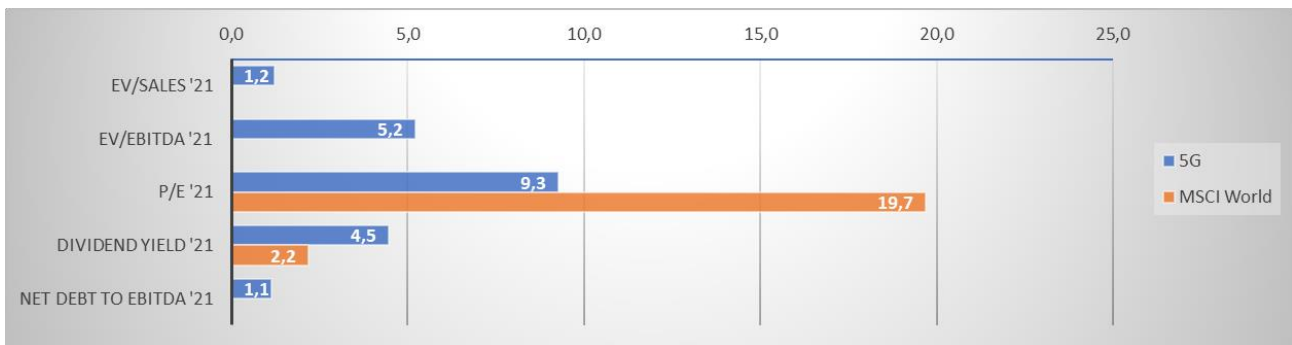
5G breakdown

	Asian Niches Fund	5G Niche
Telecom Equipment	4.9%	49.4%
Telecom Services	4.1%	40.8%
5G Apps	1.0%	9.8%
Cash 5G	0.0%	0.0%
Total	10.0%	100.0%



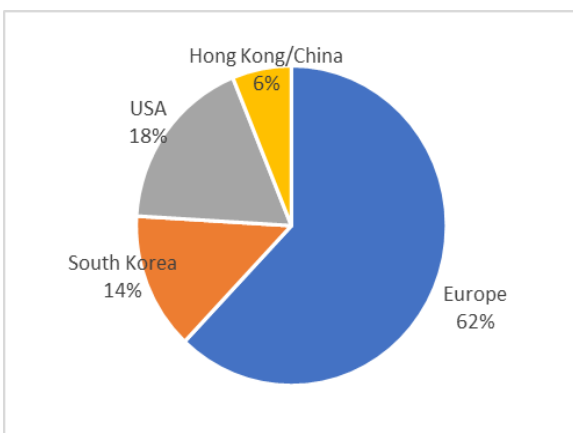
Source: Niche AM

Valuation Snapshot



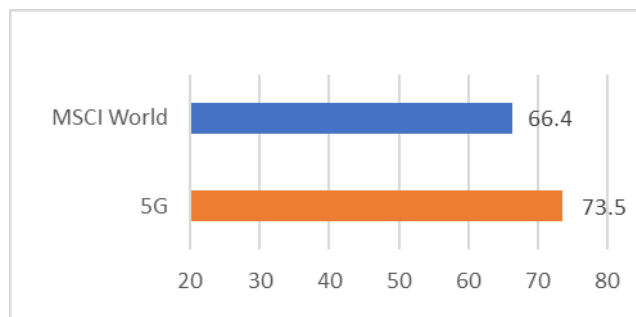
Source: Niche AM, Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM, Thomson Reuters

5G

Moving to the next Internet investment chapter



Bi-monthly comment

The Niche was down by 1.5% in the two months to the end of August. While the sub-Niche “Telecom Equipment” and “5G Apps” did decently, the sub-Niche “Telecom Operators” was deeply down. Being the telecom sector’s earnings able to withstand the economic weakness following the pandemic, it is difficult to understand its disappointing performance. Some were sold down because the fear on the debt (although debt is not an issue today), others for the unrelenting regulatory pressures, others for their exposure to weak emerging currencies. The sector stands to become one of the main beneficiaries of the 5G, through an increase in volumes and fees. The regulators are clearly softening their stance for fear to lead the sector to underinvest on such a strategic technology. Furthermore, the sector is preparing to grab part of the corporate investments needed to adapt the business models to the 5G network. Finally, several M&A deals involving the telecom network are making the huge, hidden value of the sector gradually emerge.

Chart July - August (30/06/20 - 31/08/20)

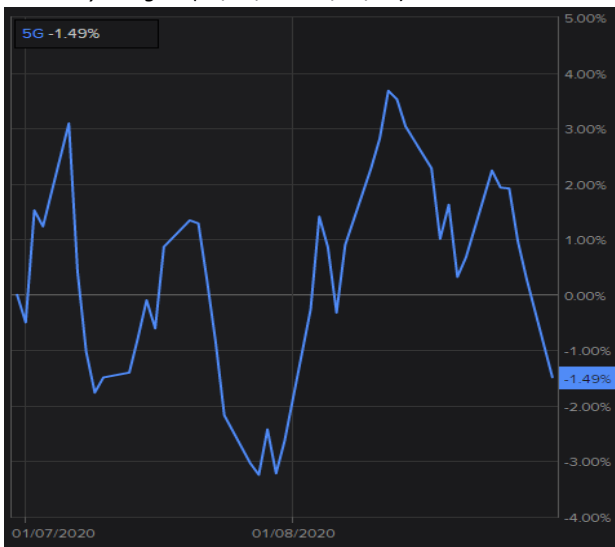
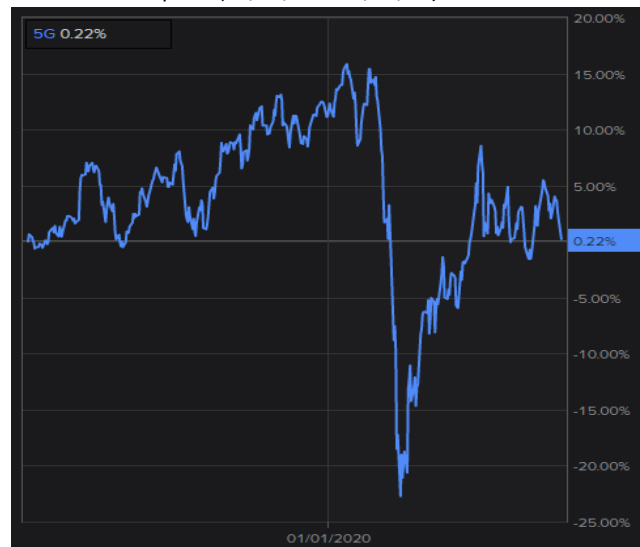


Chart since inception (21/02/19 – 31/08/20)



Source: Niche AM

Niche description

The 5G is coming

- This starts a 5 to 10 years journey leading to full 5G connectivity
- The 5G will shape this century and will change the way we live for good
- The 5G will open the gates to new business models, will greatly improve the productivity and will make the world smaller and safer

5G will make a broad and disruptive array of new technologies reality, IoT, AI, VR, AR, block chain, self-driving cars, smart living, smart homes, remote healthcare won't be possible without 5G. Nonetheless the companies that will make 5G possible are still neglected and offer great value,

The niche aims to give the investors an exposure to these 5G players

Internet Victims

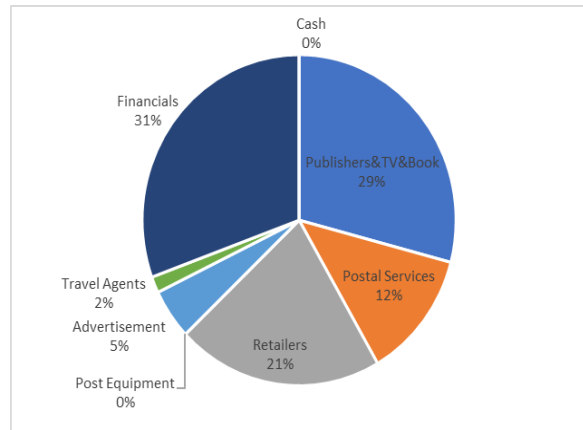
Chasing the survivors



stocks: 34 Average Market Cap (mln €) 10,094 Median Market Cap (mln €): 2,173

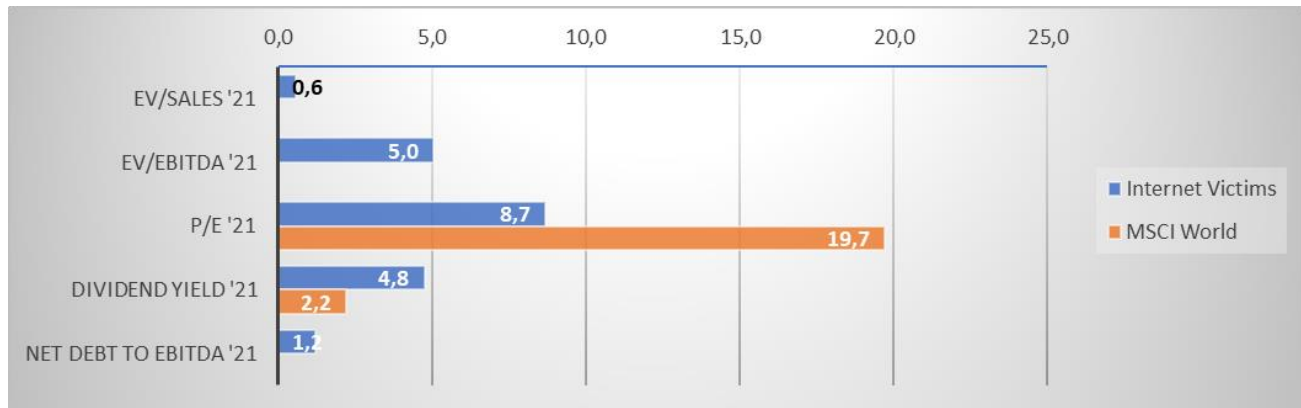
Internet Victims breakdown

	Asian Niches Fund	Internet Victims Niche
Publishers & TV & Book	2.9%	29.1%
Postal Services	1.3%	12.6%
Retailers	2.1%	21.2%
Post Equipment	0.0%	0.0%
Advertisement	0.5%	4.9%
Travel Agents	0.2%	1.6%
Financials	3.1%	30.6%
Cash Internet Victims	0.0%	0.0%
Total	10.0%	100.0%



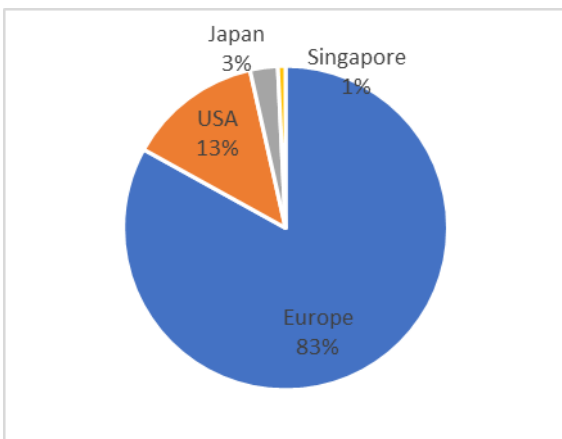
Source: Niche AM

Valuation Snapshot



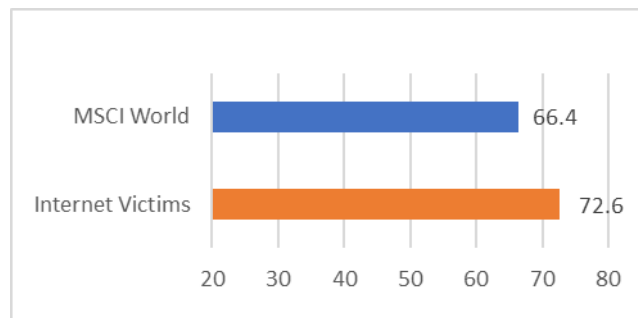
Source: Niche AM. Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM. Thomson Reuters

Internet Victims

Chasing the survivors



Bi-monthly comment

The Niche was up by 3% in the period. The best sub-Niche was “Postal Operators” that continued to perform well on the back of the increase volumes and margins of their freight divisions, boosted by the e-commerce acceleration. This is going to more than offset the secular decrease in regular mails, that are bound to disappear as subsidized Universal Service in 5 to 10 years. PostNL, Royal Mail, Fedex, Bpost and Deutsche Post all were up in the period. The sub-Niche “Broadcasters” was mixed, with Viacom (+15.5%), TF1 (+6.4%), M6 (+4.2%) positive and RTL (-2.4%), Atresmedia (-2.9%) and Mediaset Espana (-15.3%) negative. Also, the sub-Niche “Publishers” was mixed with respectively the Tribune (+7.9%) and SingaporePress (-17.3%) the best and the worst performers. While advertisement is a long-term growing business, the traditional channels must share the revenues with internet. According to a recent research from PWC, while the next few years growth in advertisement will mostly take place on internet, the decrease in advert revenues for the traditional channels is about to stop, mostly due to their digitalization (e-newspapers, streaming, outdoor building projections, etc). Today we have very popular broadcasters or publishers trading close to their liquidation value. This is due to the perfect storm brought in by the COVID that wiped out good part of the advert revenues for traditional channels, anticipating the last leg of the secular shift. This has also created an exceptional opportunity that will start to be clear once the pandemic is over.

Retailers were, all in all, positive, although few names did badly (Walgreen -14.8%, Macy’s -4.9%, Metro -1.5%). Here we hold solid names that can withstand the extreme financial stress the sector is now exposed to. Fragile retailers won’t outlive the pandemics and the ones left will be able to share a different and less competitive landscape, where bricks&mortar shops will offer experiences and/or services well beyond the items bought and many of them will work as marketing tools for their on-line divisions.

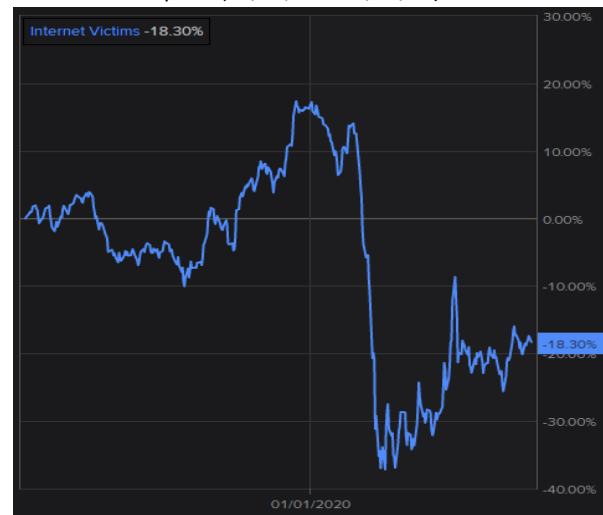
Finally, financials were weak across the board. This sector stands out as one of the most attractive, particularly in Asia and Europe. New fintech players lack the capital needed to replace the banking or the insurance traditional operators and, if they had such a capital, regulation makes the actual returns unattractive for those players and their investors. However, the traditional financial sector is trading at levels so depressed that once the investors will gain visibility on the Covid driven NPLs, the sector should recover, starting a long term trend that could see it doubling in less than 2 years.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 – 31/08/20)



Niche description

Every technology revolution, and the ongoing huge internet revolution is no exception, makes corporate victims; business models are replaced; many of the old players fail to adapt early, while new players are ushered in, thriving and gaining market share, This slow and cruel process is well known by investors, who, however, normally tend to be late in fully understanding the depth and the breath of the shift.

Once the trend is established most of the investors sell the old players and gain exposure to the new ones. The old players have to live through a prolonged period of restructuring and reinvention; valuations are squeezed, failures and consolidation are common. We call them the (internet revolution) VICTIMS. At the end of a technology revolution a new class of companies emerges; this class is composed by the old players which have learnt to live through the change, thriving in a less competitive environment and/or through an adapted business model. We call them the (internet revolution) SURVIVORS. Finding survivors can be even more rewarding than finding winners.

The niche aims to gain exposure to the survivors of the internet revolution.

Small Cap Indonesia

A tremendous opportunity



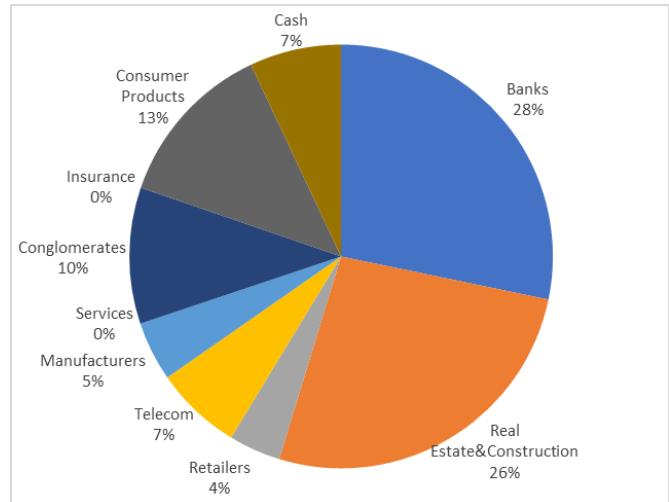
stocks: 17

Average Market Cap (mln €): 338

Median Market Cap (mln €): 345

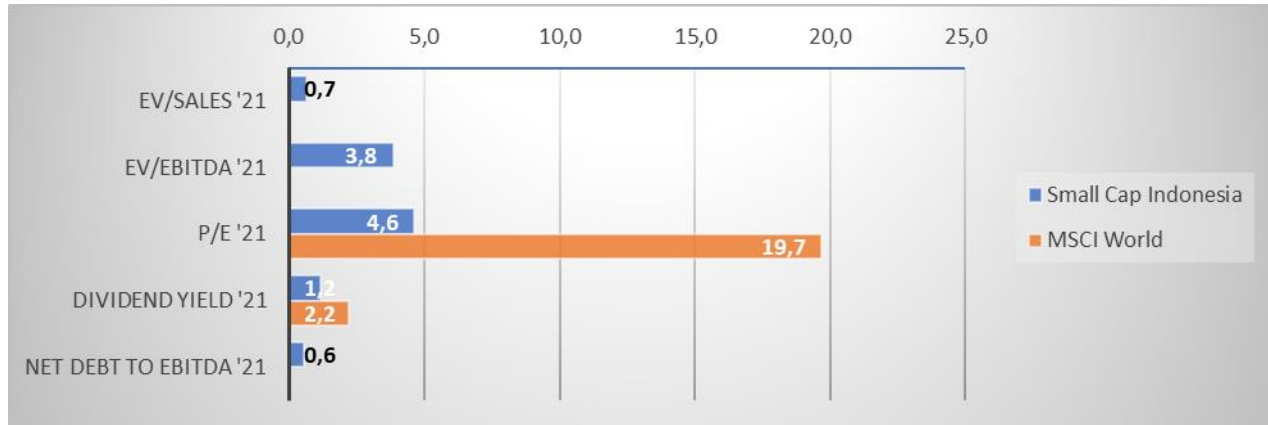
Small Cap Indonesia breakdown

	Asian Niches Fund	Small Cap Indonesia
Banks	2.8%	28%
Real Estate & construction	2.6%	26%
Retailers	0.4%	4%
Telecom	0.7%	7%
Manufacturers	0.5%	5%
Services	0.0%	0%
Conglomerates	1.0%	10%
Insurance	0.0%	0%
Consumer Products	1.3%	13%
Cash Small Cap Indonesia	0.7%	7%
Total	10,0%	100,0%



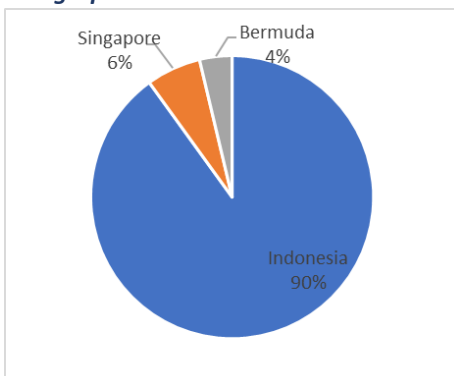
Source: Niche AM

Valuation Snapshot



Source: Niche AM, Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)

n.a.

Source: Niche AM, Thomson Reuters

Small Caps Indonesia

A tremendous opportunity



Bi-monthly comment

The Niche was almost unchanged in the bimester (+0.3%). The performance dispersion of the Niche was significant: most of banks were positive, on one side, and the companies exposed to the consumer were negative, on the other.

Although since mid-June 2020 the government has eased the social distancing restrictions, the market is still convinced that it will take time for consumption to return to pre-covid levels. Within the Niche, the worst performer was Matahari Department stores, whose dramatic decline in earnings – unsurprisingly – was due to the significant operational leverage that amplified the drop in sales. The stock trades now at less than 3x earnings recorded in 2019. The company has a decent balance sheet, a praised brand, and a good internet strategy.

The investors' sentiment on the banking sector was lifted by several initiatives introduced by the government and the regulator (loan restructuring, loan guarantees, interest rate subsidies) in order to make the growth of NPL manageable.

On the macroeconomic side, each month of hard social restrictions reduces headline GDP forecast by 0.3%. As a consequence, if the new cases continue to grow it is likely that the Bank of Indonesia will trim rate cuts further, below 4% threshold. Inflation is expected to stay below the central bank's target and imported price pressures are under control. We think we have passed the worst quarter and Indonesia should now recover quicker than other regional countries, given the domestic nature of the economy. The country's medium to long term growth drivers are still intact (demography led consumption, infrastructure revival, commodities, tourism), and the small caps should benefit the most of it, paving the way for a powerful rerating of this terrific asset class.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 - 31/08/20)



Niche description

Indonesia is a land with incredible potential. Its territory is huge, highly fertile, and beautiful. The weather is ideal for agriculture and tourism. There are plenty of natural resources. The population is tame and friendly, Corporate governance is decent by emerging markets standards. The Central Bank is independent and from a political perspective the democracy system is maturing rapidly, while corruption is decreasing. The public debt is very low, inflation under control and growth is healthy. While this is well reflected in the valuation of big caps, it is not in small caps. The discount of Indonesian small caps vs big caps is stunning, which is a legacy of the low visibility and reliability of those stocks in the past. Things have changed, and we expect a rapid catch up in the next few years, as it has happened in India.

Through this niche NAM aims to give the investor exposure to this resourceful country through an actively managed small caps portfolio that offers absolute low valuations and a huge discount versus the Indonesia big caps.

Korea Reunification

A free option on an already attractive market



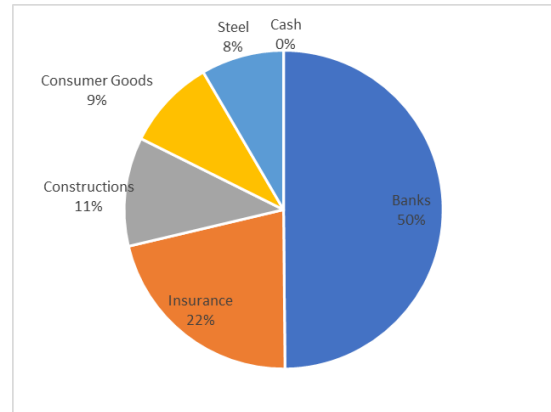
stocks: 16

Average Market Cap (mln €) 5,323

Median Market Cap (mln €): 2,374

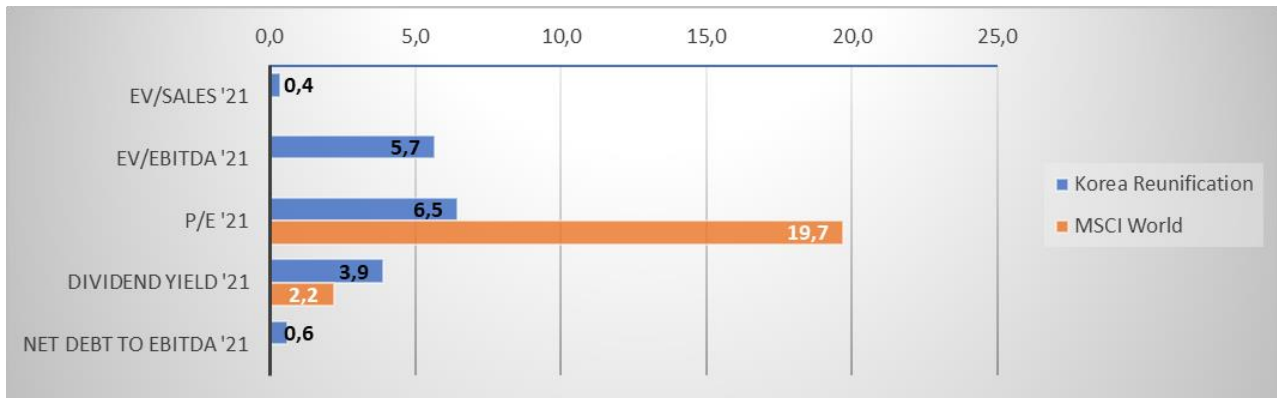
Korea Reunification breakdown

	Asian Niches Fund	Korea Reunification Niche
Banks	2.5%	49.9%
Insurance	1.1%	21.5%
Constructions	0.6%	11.1%
Consumer Goods	0.5%	9.2%
Telecom	0.4%	8.4%
Cash Korea Reunification	0.0%	0.0%
Total	5.0%	100.0%

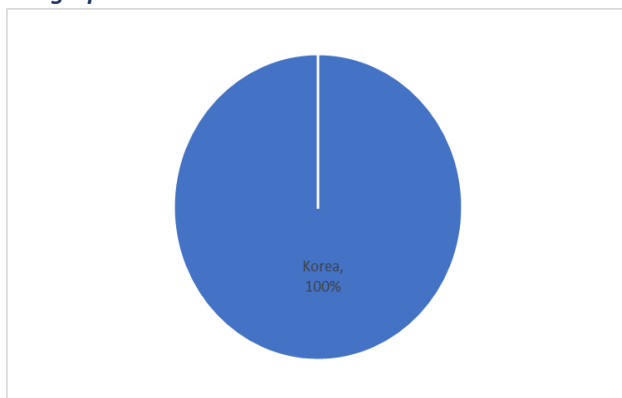


Source: Niche AM

Valuation Snapshot

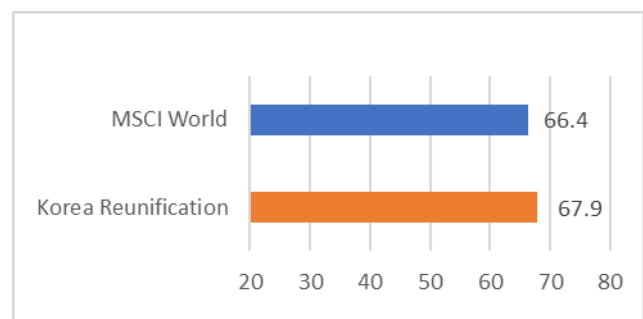


Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM. Thomson Reuters

Korea Reunification

A free option on an already attractive market



Bi-monthly comment

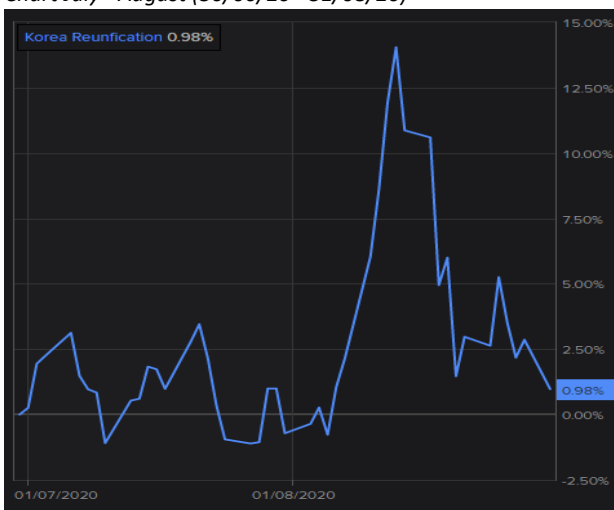
This Niche gained 1%, in the period. Banks and insurers were mixed. Banks trade at a fraction of their tangible book value (from 0.2x to 0.4x), despite their solid balance sheets and the good earnings capacity. The resilience of the labor market and the huge fiscal package (above 200bn USD) should sustain the economy and limit the credit losses. Their the second quarter results mostly bit consensus expectations, with healthy interest margins and low credit costs, more than offsetting general provisions in response to the epidemic. Thanks to sound capital position, the dividend policies were generally confirmed, supporting the investment case. Nonetheless, during the bimester the banks underperformed the market, sold by macro funds in anticipation of the credit cycle downturn, as happened in other geographies. We deem this sector in Korea ripe for a strong rerating once the pandemic is under control, as we expect the NPLs to be relatively tame considering the economic downturn.

Turning to insurers, Samsung Life did very well (+30%) as the investors started to realize that it is trading at 0.4x the tangible book and that its sole stake in Samsung Electronics is worth more than the company itself. On the other hand, Meritz F&M, a leading P&C insurer, was down 4% despite solid results and low multiples (P/TBV below 0.5x, P/E 2020 4.8x, dividend yield 6,8%), well below the sector average.

The industrial sector was also mixed, with Posco down on a very volatile August, while Doosan was up thanks to the positive newsflow. Posco is the most solid among the big, global steelmakers (fourth biggest global steelmaker, with the highest credit rating at BBB+ S&P). About 50% of the company operating profit comes from other activities, like EVs lithium batteries components, new energy, commodities trading, and housing. Despite this the stock trades below 0.4x the TBV and 0.3x the TBV if its listed subsidiary Posco Chem is considered. The upside of the company is significant and can be huge in case of rapprochement with North Korea.

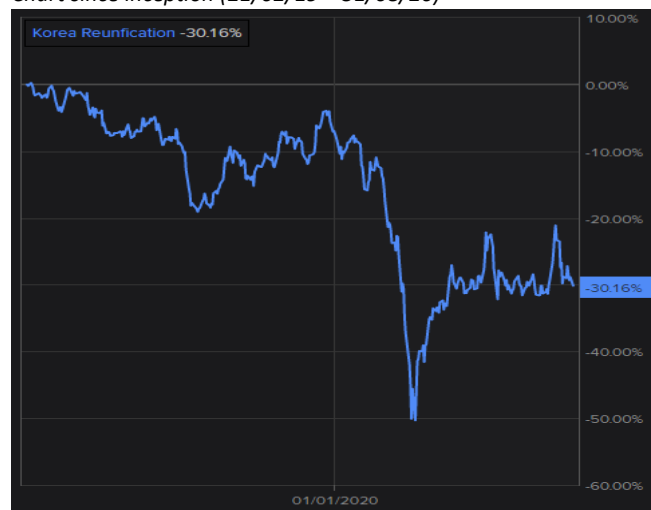
For what concerns the rapprochement between the two Koreas, the newsflow was mute. As already mentioned, we believe that the destruction of the politically symbolic liaison office occurred in June by North Koreans, is a signal of the difficult situation the regime sits in after the US and UN sanctions. Expectations are growing for the next Party Congress, that will be held in January 2021, during which the regime will outline the next five-year plan. China is growing tired to sustain economically the embarrassing rogue neighbor. Kim Jong-un recently admitted that the nation's economic policy has failed. This admission could open the doors to a new strategy, less focused on military power and more on economic growth, that could lead to a development like that of China or Vietnam. This change would open the door to a rapprochement with the South Korea that, at its turn, would accelerate the speed of this historical shift.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 - 31/08/20)



Niche description

South Korea is the ideal market to play through a value approach, as it is cheap, and its economy is growing healthy. Beside this, it has a terrific catalyst, this being a reunification or some form of rapprochement, with its half (North Korea). This event could be able to increase the long-term growth potential of the country and to free the market animal spirits. The Korea reunification is a way to add a free option to an already attractive market.

The niche aims to give the investor an exposure to the main beneficiaries of the reunification or of a rapprochement between the South and the North Korea.

Close the Gap

As simple as that ...



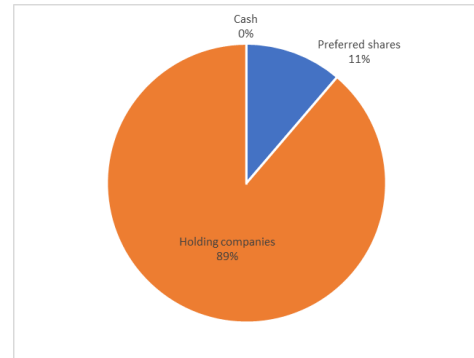
stocks: 8

Average Market Cap (mln €) 7,447

Median Market Cap (mln €): 6,584

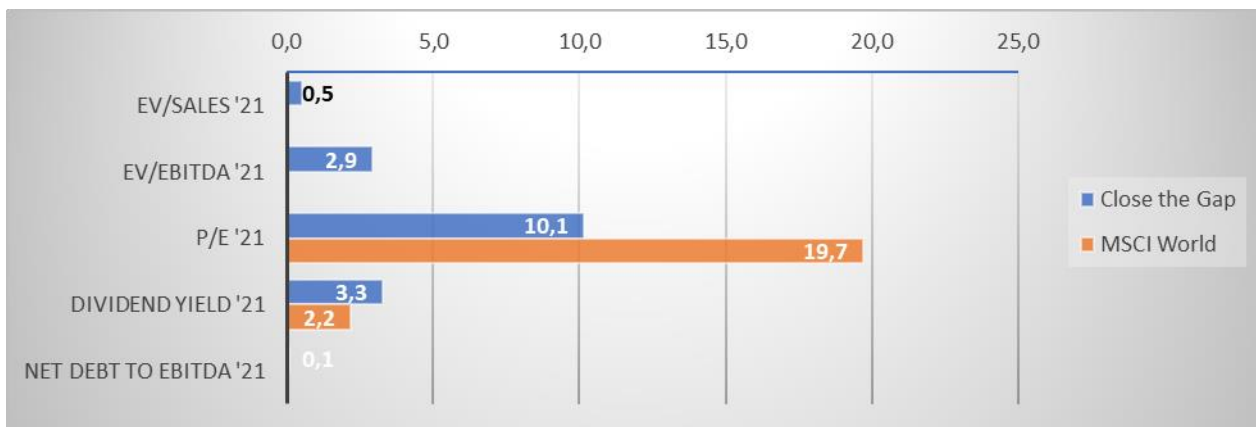
Close the Gap breakdown

	Asian Niches Fund	Close the Gap Niche
Preferred shares	0.6%	11.2%
Holding companies	4.4%	88.8%
Cash	0.0%	0.0%
Total	5.0%	100.0%



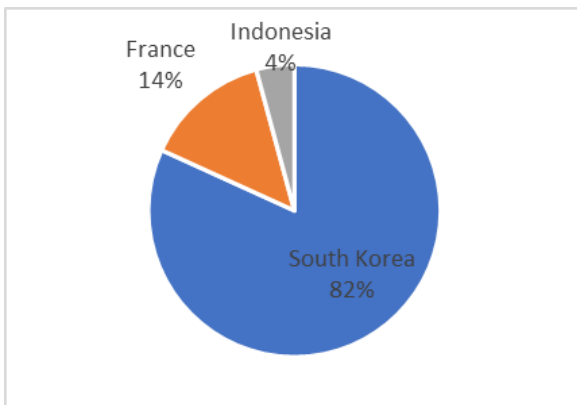
Source: Niche AM

Valuation Snapshot



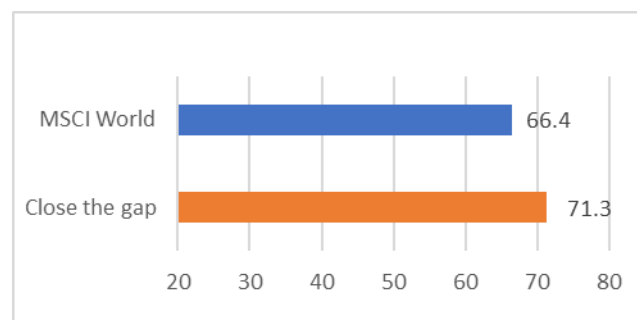
Source: Niche AM. Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM. Thomson Reuters

Close the Gap

As simple as that ...

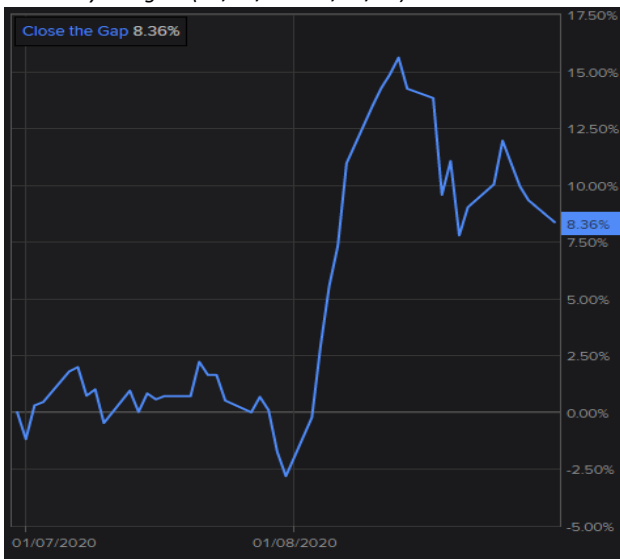


Bi-monthly comment

The Niche gained over 8% in the bimester, supported again by the strong performance of Korean preferred shares that continued to close the discount versus the ordinary shares. We took profit in some companies to add into the “Holding Companies” sub-Niche. The average discount has remained very attractive (-40% on average), leaving room for further compression.

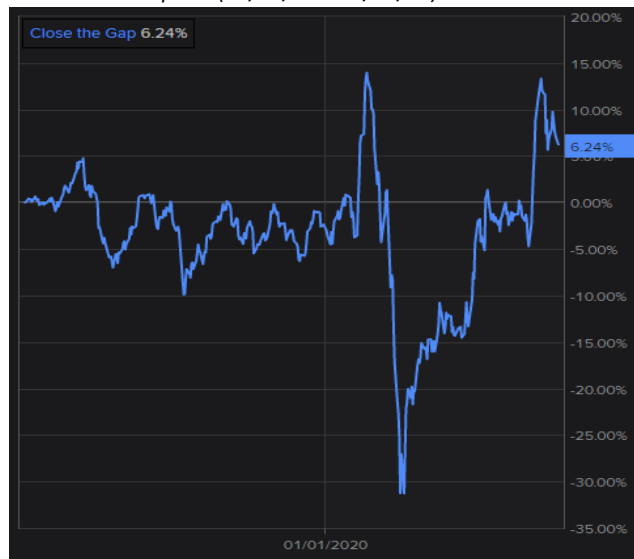
Within the sub-Niche “Holding Companies”, the discount grew wider during the bimester and YTD. Seronics, a Korean holding company, rebounded by 40% in the period, just short of its main subsidiary; if we look at the relative year-to-date performance, this holding underperformed its main asset, L&F, by 70% (L&F +98% Vs Seronics +24%). The same occurred with First Pacific (+26%), that underperformed the performance of its holdings, Indofood and PLDT. This company is now trading with a Net Asset Value discount of about 70%. We remind that for a holding company to be added to the Niche we need in first place to deem its holdings undervalued and then to be able to buy the holding company at a discount in excess of 30% over those (undervalued) holdings.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 – 31/08/20)



Niche description

There are some classes of shares, like saving/preferred, or some companies’ structures, like holdings or conglomerates, that can present huge discounts versus ordinary shares or the sum of the controlled companies. These discounts tend to close over time, Shares conversions, M&A, spin-offs, changes in dividend policies are normally the catalysts.

The niche aims to give investors an exposure to these shares’ classes or companies structures.

Neglected Luxury

Overlooked rarity



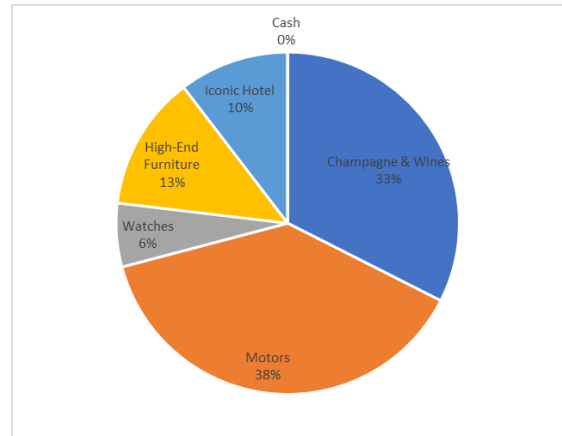
stocks: 14

Average Market Cap (mln €) 15,151

Median Market Cap (mln €): 5,696

Neglected Luxury breakdown

	Asian Niches Fund	Neglected Luxury Niche
Champagne & Wines	1.6%	32.5%
Motors	1.9%	38.4%
Watches	0.3%	6.0%
High-End Furniture	0.6%	12.7%
Iconic Hospitality	0.5%	10.4%
Cash Neglected Luxury	0.0%	0.0%
Total	5.0%	100.0%



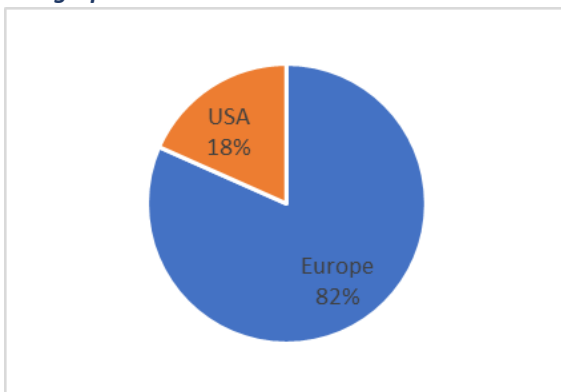
Source: Niche AM

Valuation Snapshot



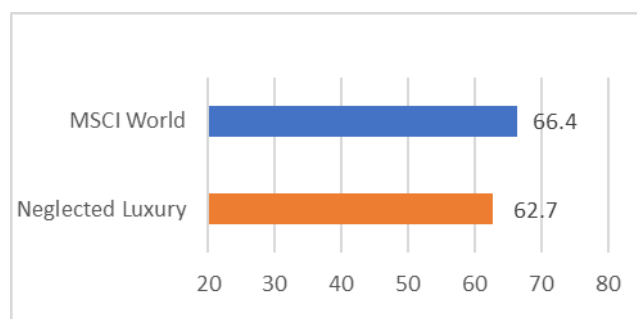
Source: Niche AM. Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM. Thomson Reuters

Neglected Luxury

Overlooked rarity



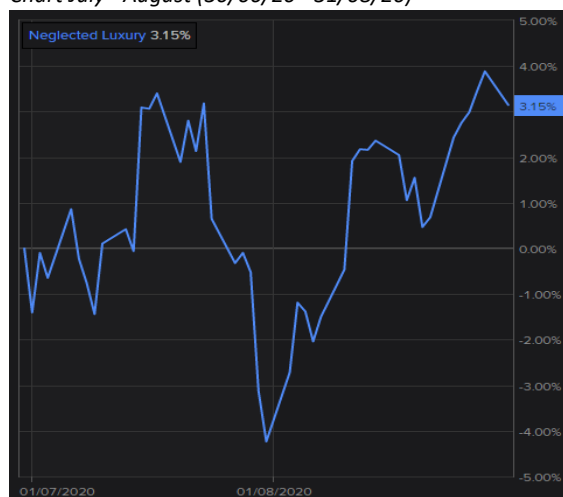
Bi-monthly comment

The Niche rose 3% in the July/August period, sustained by the continued recovery of the sub-Niche “Luxury Automakers”, which during the first half results came out with reassuringly healthy balance sheets, due to rapid production cuts and good working capital management. We expect the recovery trend to continue, led, in the short term, by pent-up demand and government subsidies, and in the long term, by restructuring and margin expansion. These companies’ market cap remains incredibly low, bearing in mind their NAV, their incredible brand, and the huge know-how. While this group is now threatened by the unique proposition of Tesla, it will not be long before they will be able to come out with competitive products.

The sub-Niche “Iconic Hospitality” was in positive territory, despite Covid outbreaks in several western countries during the summer period. We remind the reader that we hold here the most solid and iconic names. Once the vaccine is announced, we expect this group to recover fast.

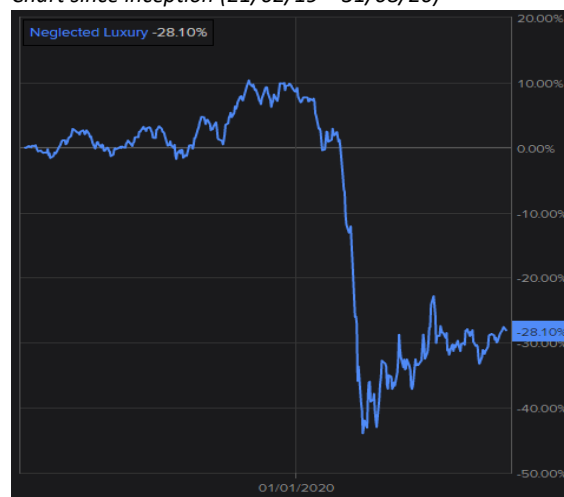
The champagne stocks were again the worst performers within the Niche (Lanson -16%, Laurent-Perrier -4.7%), apart from Vranken Pommery, that ended the period with low single digit gain. This sector has been disproportionately hit by the Covid. Several factors conspired: 1) new French regulation, tending to postpone further the sales towards the end of the year (France consumes more than 50% of all the champagne production); 2) ongoing fears of new tariffs set by the USA, an important end market; 3) Brexit foggy outcome creates uncertainty for the second champagne market; 4) the COVID led to restaurants and hotels lockdowns, where a big chunk of champagne is consumed – this was not offset by the domestic consumption due to the festive nature of champagne, that badly pairs with the pandemic mood. Global Champagne wine market volumes were down 29.4% during the first half of the year, but this period usually represents only one third of annual sales. Despite recovery in sales observed in the summer (and the excellent vintage), champagne producers have decided to cut production by 22% from the previous year. This decision will prevent an eventual steep price decline in case of a second wave of lockdown during the critical four quarter, supporting the luxury product status. Current stock prices at which these Maisons trade is just ridiculous. It represents a fraction (on average less than 30%) of the current market value of the land and inventories (net of debt), left alone the brand. A buy out of the minorities by the main shareholders is now highly likely. During the period we further accumulated those stocks.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 – 31/08/20)



Niche description

The luxury sector has been one of the winners of the last 2 decades. Globalisation, growing inequality, emerging markets and westernisation have been at the root of its growth. Luxury means not just quality, but also exclusivity and recognisability. Selling prices or supply constraints determine and warrant the rarity effect that encompass the concept of luxury. Although the market generously prices these luxury stocks, it sometimes does not recognise some companies as belonging to the luxury sector. There could be many reasons for this: low profitability; being part of a conglomerate; short term imbalance between supply and demand; corporate governance issues, etc.

The niche aims to give the patient investor the opportunity to gain exposure to these unique stock at valuations that are extremely attractive.

Orphan Companies

Thinking outside the box



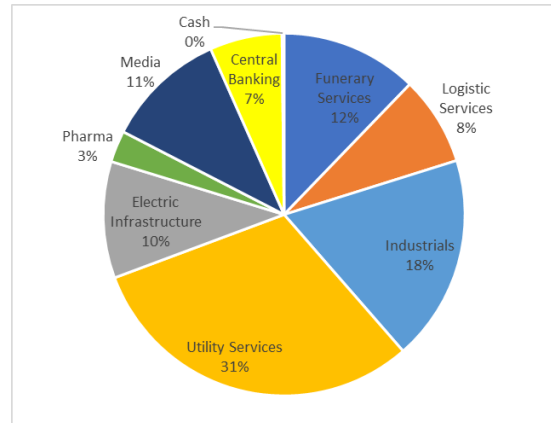
stocks: 14

Average Market Cap (mln €) 183

Median Market Cap (mln €): 179

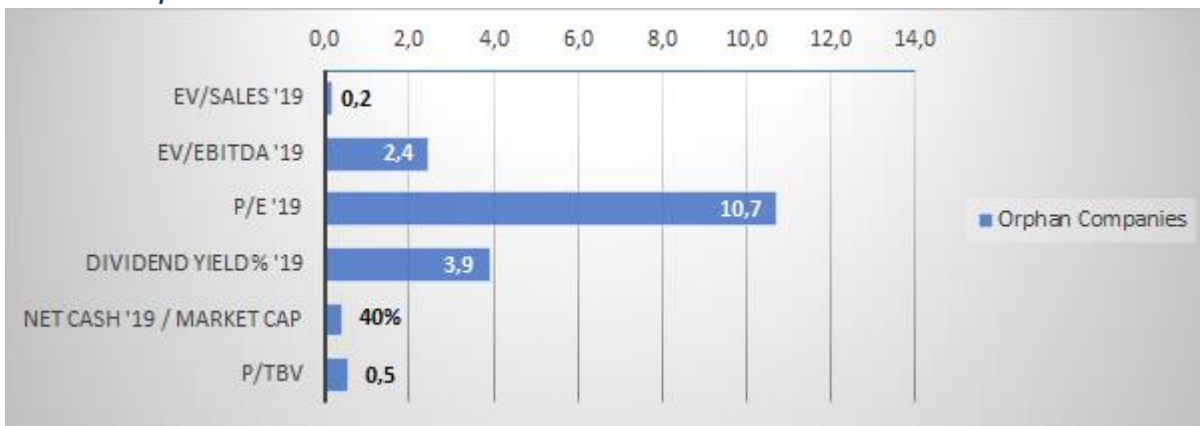
Orphan Companies breakdown

	Asian Niches Fund	Orphan Companies Niche
Funerary Services	0.6%	12.3%
Logistic Services	0.4%	8.0%
Industrials	0.9%	18.4%
Utility Services	1.5%	30.8%
Electric Infrastructure	0.5%	10.4%
Pharmaceuticals	0.1%	2.8%
Media	0.5%	10.8%
Central Banking	0.3%	6.5%
Cash Orphan Companies	0.0%	0.0%
Total	5.0%	100.0%



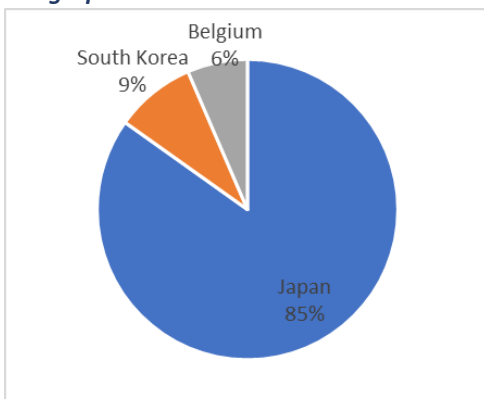
Source: Niche AM

Valuation Snapshot



Source: Niche AM. Thomson Reuters

Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)

n.a.

Orphan Companies

Thinking outside the box



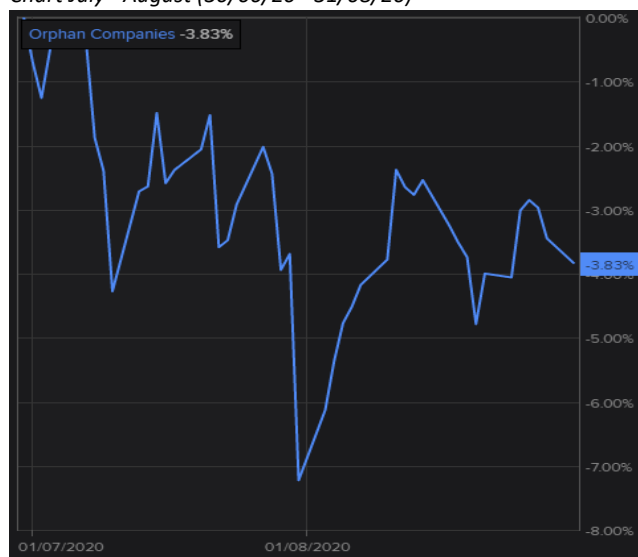
Bi-monthly comment

This Niche lost 3.8% during the bimester, confirming its decorrelation from the market as its performance depends on single stock news flow.

The worst performer was Asahi Broadcasting (-11%), because of feeble quarterly results on the advertising side and weak full year guidance. This group trades at 0.5 times its tangible book value despite its cash-rich balance sheet (70% of the market cap in cash and liquid investments), and the content production franchise. The company also seeds new content ventures (it recently coughed up 25 mln usd for a stake in Quibi, the famous US platform dedicated to short contents on smartphones).

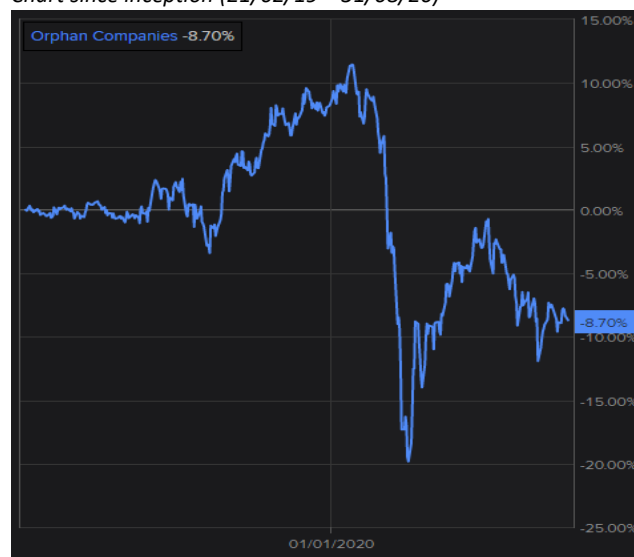
Heian Ceremony results were affected by Covid as well, penalizing the performance of the stock (-7,8%). This company operates funeral services, a countercyclical business in one of the world's fastest-ageing economy. However, the pandemic led to shorter and smaller ceremonies. Once the Covid will be gone, the ceremonies will return to their standard. Heian cash position is equal to 80% of its market cap, trades below 9x normalised earnings, 0.6x the TBV and pays a 3.4% dividend. This negative spell for the sector will be positive for the acquisitive strategy of Heian, that every year gobbles up micro competitors to create synergies and expand margins. The actual hardship will create more M&A opportunities. Funeral business in Japan amounts to approximately 17 bln USD but the industry is very fragmented, with more than 22k players. A normal funeral cost in Japan is very expensive, at about 20k usd; half of this amount goes to the priest and half to the company. While the Covid was a short-term shock for the business, the long-term trend indicates that the average cost for a funeral will gradually come down and will force many mom and pop companies out of business. This will help companies like Heian to grow and thrive. The average cost of a funeral in UK is below 6k usd and the market, even adjusting for the smaller size of the country, is much more concentrated (4k companies) and smaller (4bln usd per year spent on funerals). Dignity, one of the main funeral services players in UK, trade at 2.5x Ev/Sales and 11.5x EV/Ebitda. Heian trade at 0.25x Ev/Sales and 2x EV/Ebitda.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 – 31/08/20)



Niche description

Brokers coverage is essential when attracting investors interest, improving liquidity and valuations. However, there are many companies in Asia that don't have any coverage or are covered just by one local broker, we call them "orphan companies". Reason being coverage can be expensive, time demanding, brokers have cut the number of analysts and now focus on fewer companies, etc. As the result the uncovered or under-covered companies trade a huge discount versus their peers. Normally this undue discount will be closed by the restart of the broker coverage or by corporate action. Those are deep value opportunities; however, investor has to be patient to reap the reward.

The niche aims to give investors an exposure to deeply undervalued orphan companies.

Steel and Plastic Substitution

Anticipating a trend



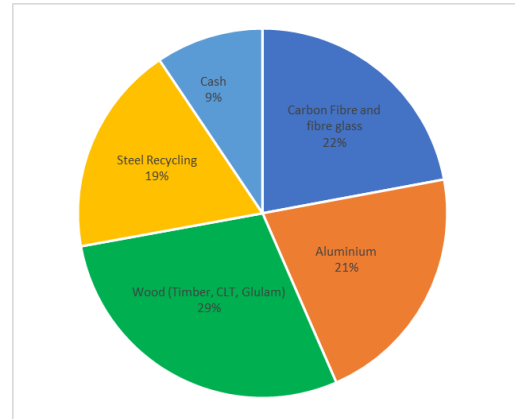
stocks: 11

Average Market Cap (mln €) 3,659

Median Market Cap (mln €): 2,543

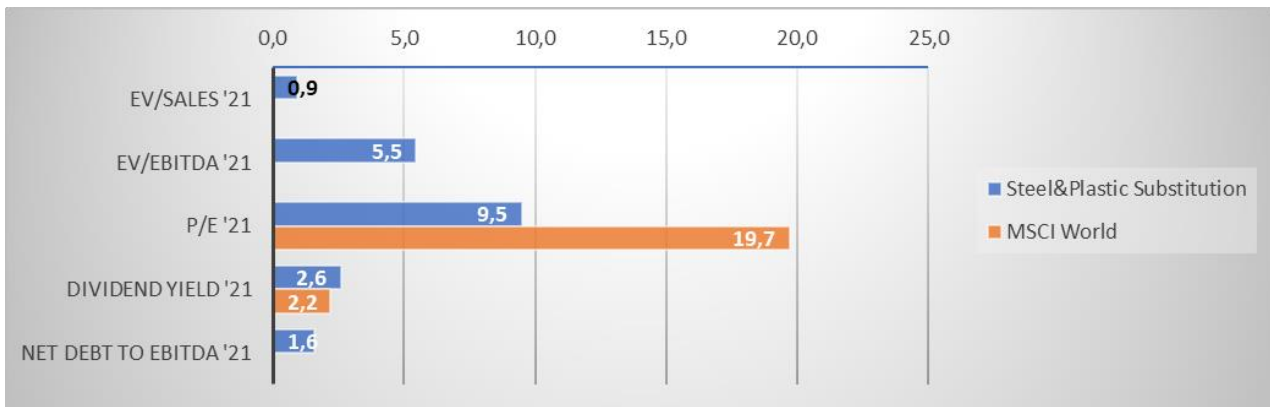
Steel and Plastic Substitution breakdown

	Asian Niches Fund	Steel and Plastic Substitution Niche
Carbon Fibre and fibre glass	1.1%	22.1%
Aluminium	1.1%	21.4%
Timber, Bioplastic, CLT, Glulam	1.4%	28.7%
Steel Recycling	0.9%	18.4%
Cash	0.5%	9.4%
Total	5.0%	100.0%

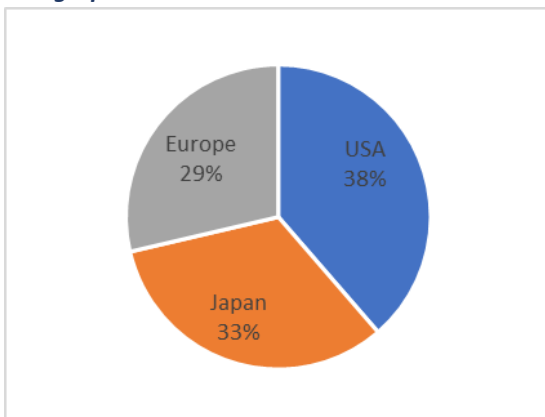


Source: Niche AM

Valuation Snapshot

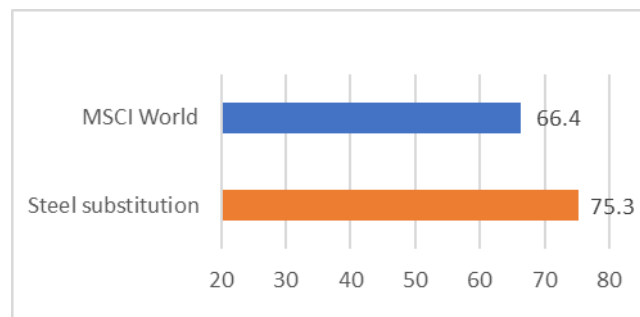


Geographical breakdown



Source: Niche AM

ESG rating (Thomson Reuters)



Source: Niche AM. Thomson Reuters

Steel and Plastic Substitution

Anticipating a trend



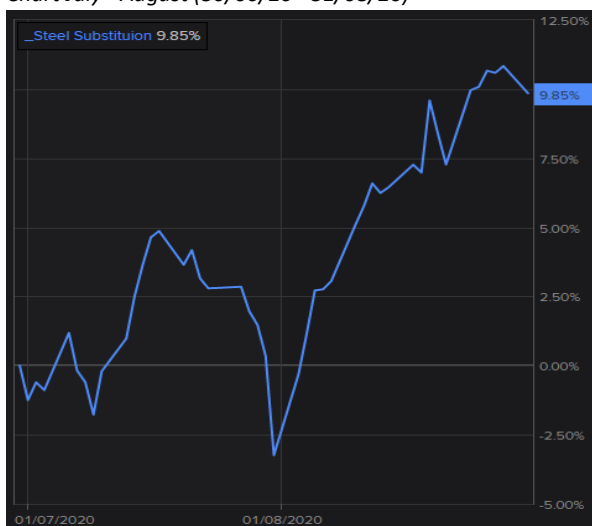
Bi-monthly comment

The Niche rose by approx. 10%, sustained by the strong performance of the stocks exposed to lumber. Lumber's prices climbed to an all-time high on US housing market V-shaped recovery, propelled by record low mortgage rates and a noticeable shift in housing demand towards suburbs area. Lumber prices soared also because mills shut down in April and May due to Covid spread and the surging demand caught the industry by surprise. Resolute Forest rose by 110% in the two-month period, Interfor climbed by 54% and Weyerhaeuser, the world biggest private forestry company, by 14%.

The performance of players exposed to aluminium was positive: demand has started to show signs of recovery for some key end-use sectors, particularly in China (automotive and construction). On the supply side, there had been some cuts globally and the pace of the inventory building slowed. Given these dynamics, aluminium prices increased near the level touched in January before the Covid, letting most of smelting and global refining capacity to turn back in cash-positive territory. The demand seems now supported by the recovery outside of China. Our holdings have a vertical business model and are rated among the first producers of Alumina and Bauxite, the aluminium raw materials. The EU has recently added bauxite to the "critical raw material list". This list is composed by 30 materials the EU wants to secure supply of, through exploration, investments, and improved recycling, considering their relevance to critical products. In this context, Alcoa, the world main producer of bauxite, continued its rebound (+22% in the period and +175% from March lows); despite this the company is still trading a very attractive multiples on a normalized scenario (less than 4 times earnings recorded in 2018).

The companies exposed to steel recycling sub-Niche underperformed, courtesy of negative sentiment towards the steel market amid the economic slowdown. However, assuming a progressive recovery scenario, the outlook for steel recycling continues to be very interesting thanks to acceleration of the switch to Electric Arc furnace steel in China. China's scrap-intensive electric furnace production was 103 million tonnes in 2019, 10.4% of country's total production, halfway towards 20% target by 2025 (EAF penetration in the rest of the world is well above 40%). We are exposed to this sub-Niche through players that produce graphite electrodes, an essential component of electric arc furnaces.

Chart July - August (30/06/20 - 31/08/20)



Source: Niche AM

Chart since inception (21/02/19 - 31/08/20)



Niche description

Our infrastructures, our vehicles and our many devices are made partially of iron and its derivatives. Although materials such as aluminium have partially replaced it in some applications, it still plays a dominant role in our system, its physical properties, the abundance of iron ores and its labour-intensive characteristic have kept its leadership solid and unchallenged. Up to a point though. Other materials are emerging with better qualities in terms of safety, resistance, weight and sustainability. As their prices will go down, steel will be gradually substituted and many of its mines and producing assets will go stranded.

At the same time the world needs to reduce the use of plastic that is highly toxic for the planet. There is a growing consensus around this issue that will lead to a small revolution in the materials we use in our society.

The Niche aims to provide the investors with the opportunity to gain exposure to the growing and positive trend of innovative and ecological materials.

Bond Portfolio

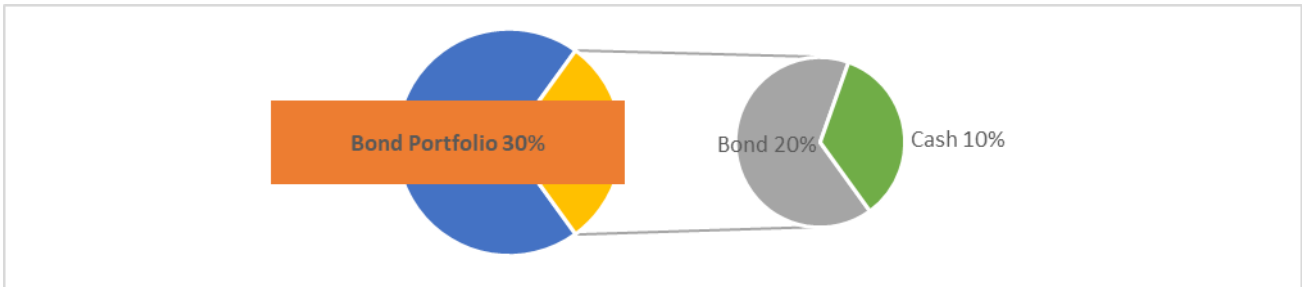
securities: 20 Average Yield to Maturity 6.90% Duration 2.1

Monthly Comment

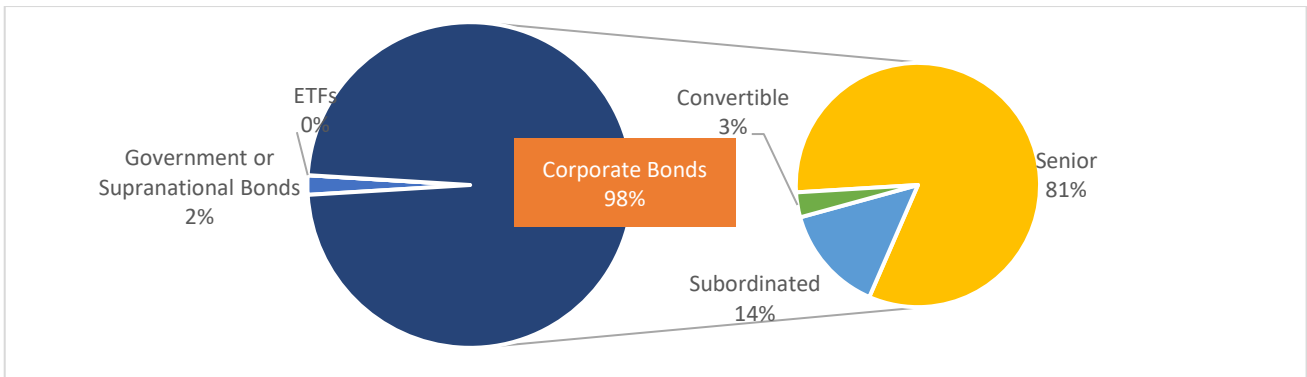
The bond portfolio returned +0.6% in July/August, slightly underperforming the high-yield corporate bonds, which accounts for most of the portfolio. We remind the readers that the bond portfolio strategy aims to return consistent income from a Barbell approach that put together high-yield and not rated securities together with cash, that can be used opportunistically.

The main positive contribution to the performance was made by SGL Carbon '24 note, that went up by approx. 15% thanks to 2nd quarter results slightly that turned out better than expectations, the good cash management and the company's guidance indicating a comfortable liquidity position expected for the end of the year. A positive performance was also achieved by the subordinated bonds of Deutsche Bank and Unicredit, amid strong risk appetite and thanks to the good visibility on these banks' capital position. The worst performer was Europcar on debt restructuring rumours.

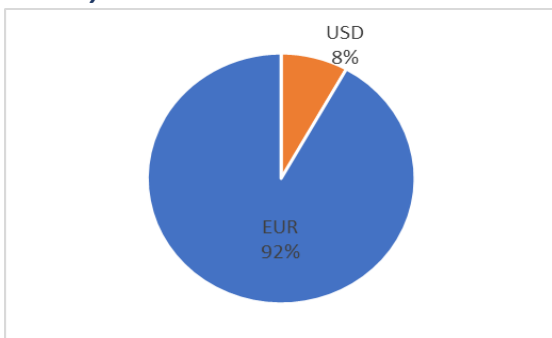
Bond Portfolio breakdown



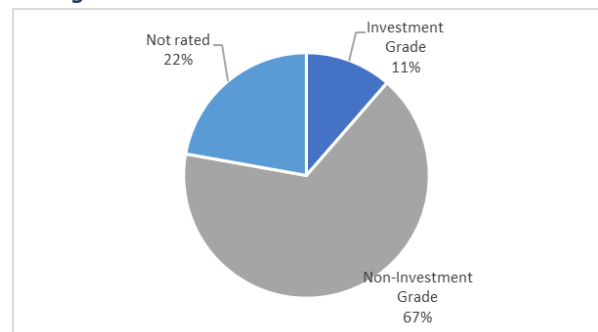
Bond allocation



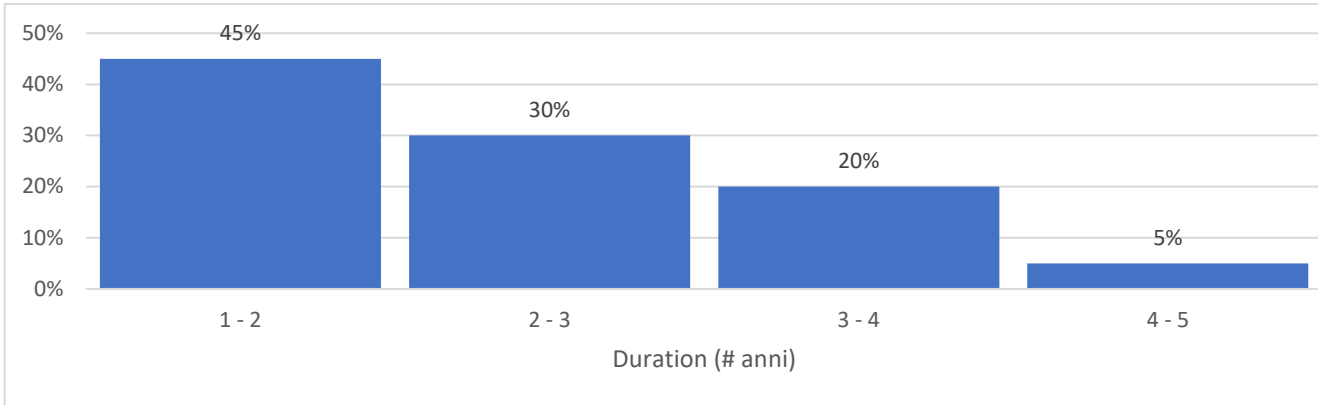
Currency Breakdown



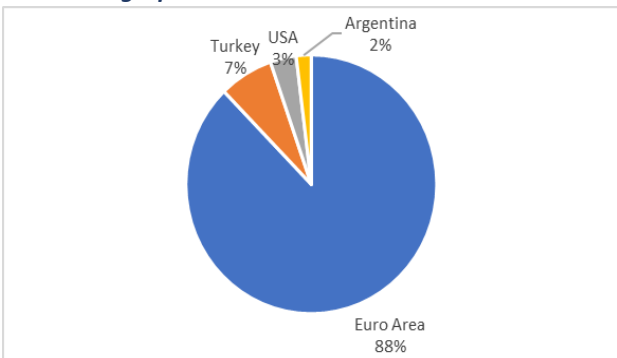
Rating Breakdown



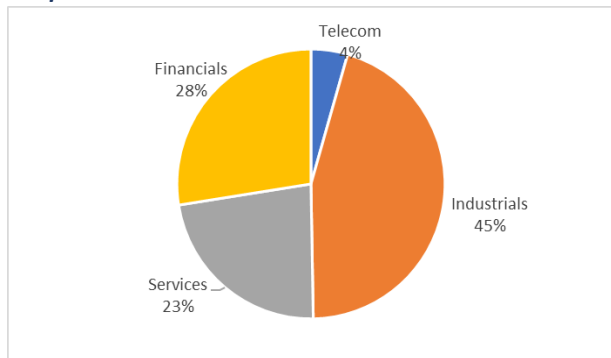
Bond Portfolio Duration



Bond Geographical Breakdown



Corporate Bond - Sector Breakdown



Cash Management

Cash management breakdown

At the moment we are fully invested on the equity side (70%); as a consequence, we don't have any bond in the cash management portfolio.

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