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2018: A TOUGH YEAR BUT WE ARE READY FOR THE CHALLENGE

It was the 2012 summer when Draghi pronounced the emblematic “whatever it takes” speech. He got straight to the point by saying the ECB would have implemented all necessary measures to save the Euro-zone. As a result, and after reaching important minimum levels, European markets rebounded significantly generating a positive trend that extended up to 2018.

However, the time has passed and after six years of expansionary policies, last week Mr. Draghi illustrated the street towards the end of the Quantitative Easing (QE), which has been working as fuel for boosting economy.

In the last months, markets have been anticipating with fear this retreat of monetary policy, giving space to a period of *choppy* markets, characterized by fast directional movements and unexpected volatility’s variations (the most evident was observed last February, when Dax Volatility Index jumped from 15 to 40 points within a week).

Other risk factors have been added to the QE’s considerations: a) the USA interest rates increases, which has continued in line with last year FED’s program. b) Trumps’ declarations about trade barriers with EU and China, c) Sanctions imposed to Russia, d) Italian political elections (“Lega” and “5 Stelle” leading the pool with implicit anti-European connotations and the consequent Milan Stock Exchange’s adjustments and the BTP’s fall).

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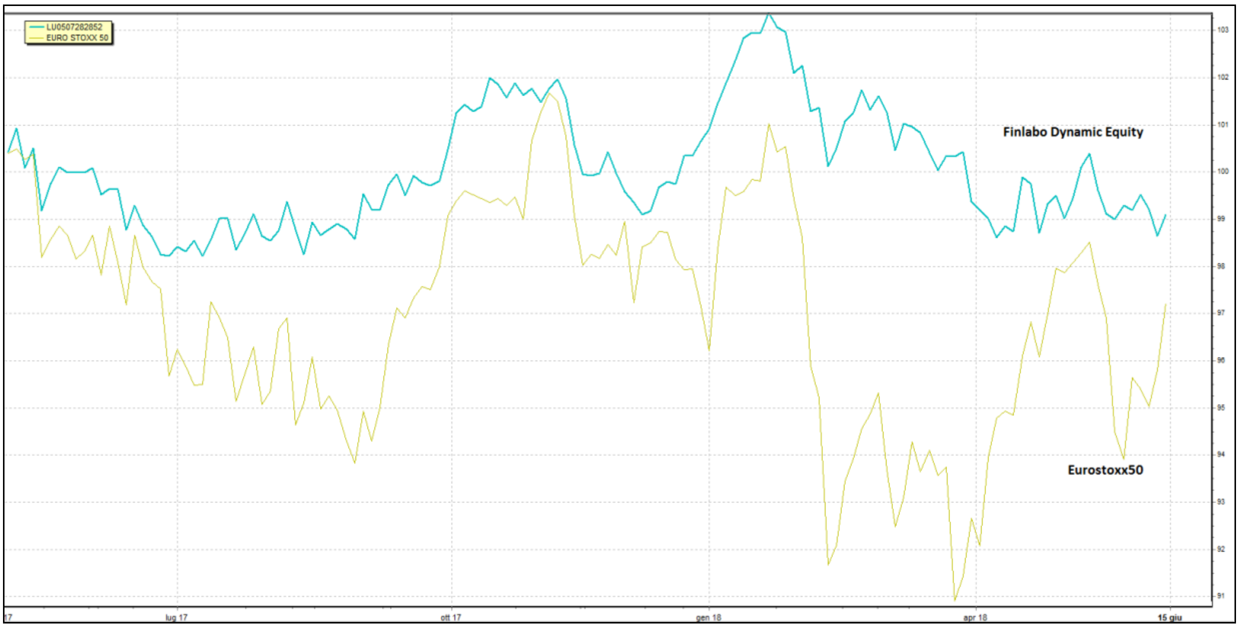
In this scenario, European stock markets have been following a highly volatile and lateral trend. The 1yr-performance figure of the Eurostoxx50 is actually negative: -4.16% for the period May 2017-May 2018.

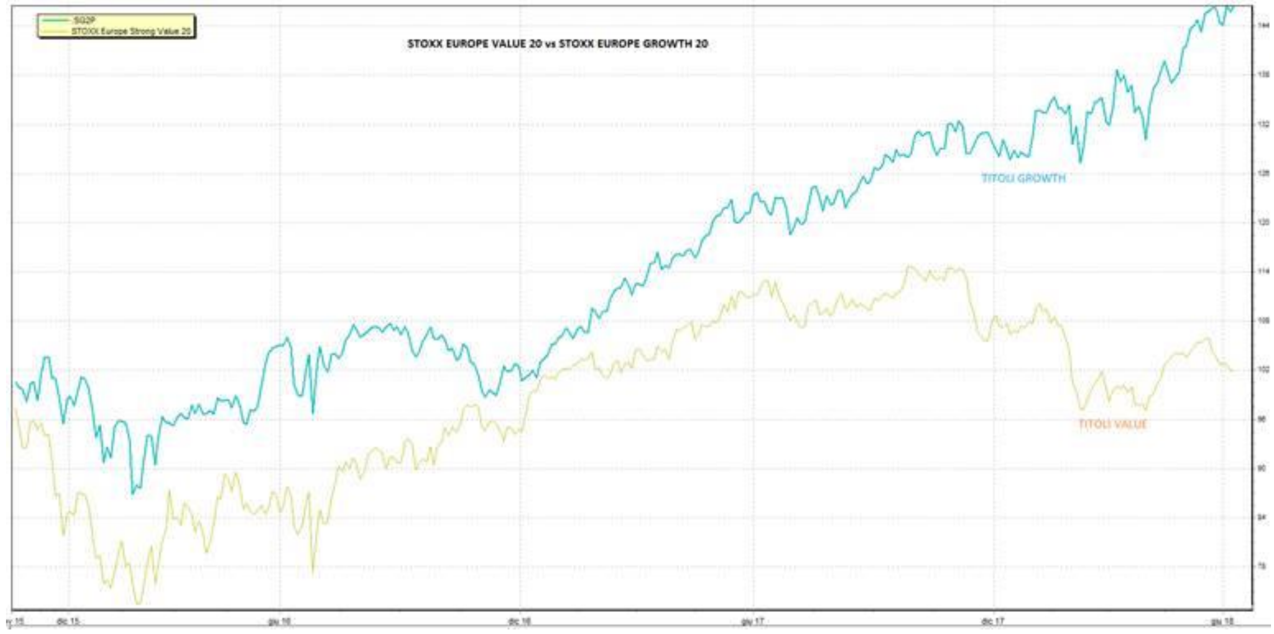
During the same period, our flagship fund (Finlabo Dynamic Equity) managed to outperform the Eurostoxx50, registering a marginal loss of 0.46% (please refer to the graph below). This result is a reflection of our fund strategic premises: defending the portfolio during markets' downturns and minimizing volatility. (the volatility of the fund has been around 5% in the reference period).



The result of the fund should be considered as positive also from a portfolio's composition perspective as currently the fund is more *value-focused* compared with the Eurostoxx in a scenario in which "growth" stocks have been leading the upside trends.

Dynamic Equity's stock portfolio shows in fact an average P/E of 12, against the Eurostoxx50's average P/E of 15,3. With an average value of 1.6 against the Eurostoxx50's 1.9, the ratio between capitalization and net asset further highlights the Dynamic Equity's *value* trait.

Growth stocks outperformance against the *value* ones is a trend that born in the USA some years ago, but is now expanding to European markets as well. As in the case of the US, in which was evident an upward trend on Nasdaq's tech-giants (the so called "*FAANG":* Facebook, Amazon, Apple, Netflix, Google), also in Europe the gap of appreciations between "growth" stocks and "value" stocks has been increasing at an unprecedented rhythm.



We believe in the medium-term this gap will decrease, re-sizing itself back to its average levels and this would indeed bring benefits to the Dynamic Equity's stock portfolio. Moreover, a "more value portfolio" is proportionally more defensive during market's downside reversals;

this is equivalent to say that – together with the hedge position – being value-focused will inevitably benefit us in case of stock exchange adjustments. Markets' weakness seems indeed to prelude an even more significant turmoil that may come across during the summer time, which is usually characterized by marked volatility.

Our convictions are explained not only by the risk factors discussed above, but also by some other critical factors, such as the credit market's tension and the consequent High Yield and emerging bonds undermining.

We are ready to face up the summer time with a portfolio that has a high intrinsic value to be exploit and with a 70% of equity hedging (at current date). Our approach will stay dynamic and flexible, ready to adapt to market conditions. We believe that – as it happened in the past – Finlabo Dynamic Equity will hold firmly during market adjustment, while exploiting incoming opportunities (that we are already observing over some good assets that have been losing value excessively).

We advise our clients to observe our fund's performance not only as a function of market's conditions (that we have indeed outperformed), but also – and mainly – in the light of its investment time horizon, which ranges between 3 and 5 years. Furthermore, is always nice to remember that our fund – since inception– has an average annual performance of +5.2%, against -0.5% of the Eurostoxx50. We have learnt with time that for us, the downside trends of the market represent indeed a great opportunity to exploit rather than a danger to avoid.

	Annualized return	Standard deviation	Sharpe Index	Perf. since 25 Lug 06	Perf. Year To Date
Dyn. Equity	5,2%	7,9%	0,56	84,8%	-1,47%
Eurostoxx50	-0,5%	22,1%	-0,06	-6,2%	-2,78%

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