

Objectives: 7% Perf (by Mar 27, 2015), Max DD < 10%, Max Exp 200%
Investment Universe: EuroStoxx50 components
3 steps Approach: Quantitative, Fundamental and Technical analysis

Weekly comment

Lion Equities Fund was launched 5 weeks ago on Tuesday January 20th. With EUR 100M in AUM, we strive at combining a quantitative investment approach with a fundamental and technical analysis over European stocks.

Lion Equities ended its 5th week of trading with a performance of -1.01% (performance since inception is 5.58%), mainly due to our long position on Orange SA. With improved techniques learnt this week, we have complemented our Technical Analysis procedures and have run it all over again on our investment universe of 50 stocks to find the best opportunities existing in the market. Following this, we have increased our positions to benefit from the Greek debt deal being reached on Friday with its optimistic effect on the stock market.

Unsurprisingly, the Greece-Eurogroup negotiations over the debt deal of the Hellenic country have been weighing heavily on the market this week. On Monday, Yanis Varoufakis (the Greek Finance Minister), at a meeting with the Eurogroup, rejected a proposal by the EU, which he called “absurd” and “unacceptable”. This put pressure on the market as the bailout expired on February 28th. Nevertheless, a bailout extension of 4 months was reached on Friday between the Greek government and its creditors, ending weeks of uncertainty that threatened a Greek bank run and the bankruptcy of the country. Still, the Greek government has to submit a plan of action on Monday, which then needs to be approved on Tuesday by the IMF and the EU institutions to actually ratify the extension. We will monitor closely those two events next week although we believe that markets are calmer now setting its potential to come back on its bull trend more peacefully. Breaking also this week, oil prices are still very volatile while Russia’s sovereign debt has been demoted to junk by Moody’s on Friday, the rationale behind this decision being the crisis in Ukraine paired with the oil price drop.

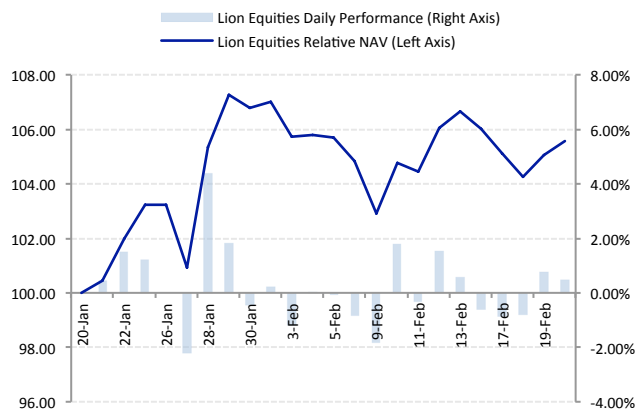
Characteristics

NAV	I Shares: 105,58 EUR
Inception	Jan 20, 2015
AUM	EUR 100 M
UCITS IV	Yes
ISIN	I Shares : IR203203203
Bloomberg Ticker	(I) LFEQIR Equity
Domicile	Ireland
Manager	Lion Partners Ltd.
Liquidity	Daily
Min initial subscription	I Share : 1 000 000€
Cut off	By D-1, 5:00 p.m.
Rebalances	Weekly
Custodian	RBC Investor Services (France)
Administrator	
Management fees (including admin fees)	1.7% per year
Incentive fees	20% of the outperformance (Cf. prospectus)
Contact	lionfund203@gmail.com

Week Performance:

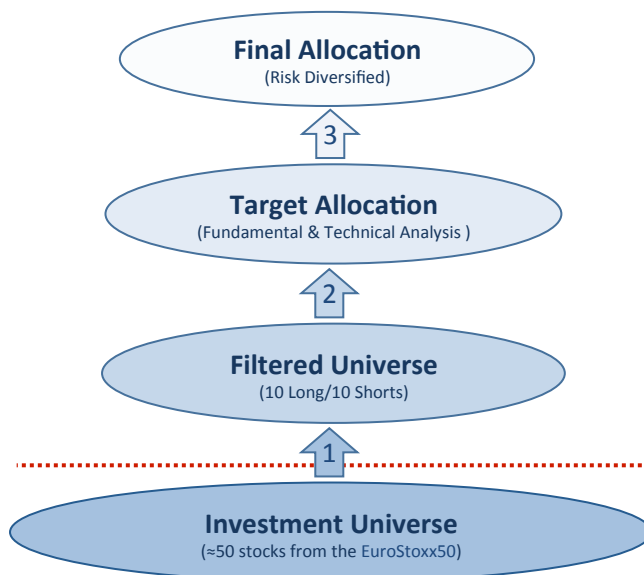
- 1,01%

Performance



Investment Approach

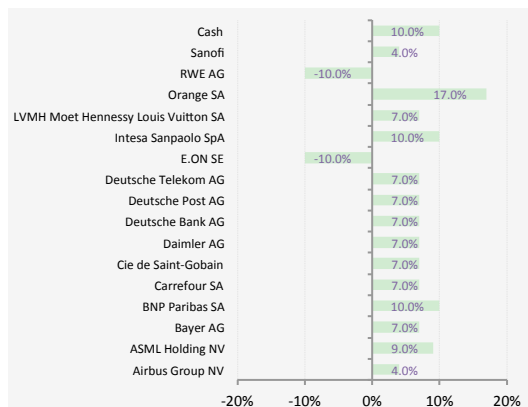
1. Long term Quant Approach. We first rank the EuroStoxx50’s components with their respective adjusted Sharpe ratios computed over the past 2 years (risk adjusted). We then cross these results with a CAPM regression between each stock and their benchmark ranking Alphas and Betas. We end up with Max 10 “Best” Stocks and Max 10 “Worst” stocks based on these indicators. These stocks stand as our Filtered Universe.
2. Short term Fundamental and Technical approach.
3. Final allocation based on a risk minimization (min VaR).



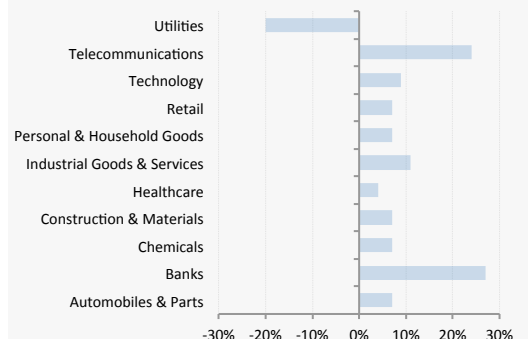
Last Week's Breakdown

Stock Names	Position (Long/Short)	Entered Price (€)	Last Quote	Stop Loss	Performance contribution
ASML Holding NV	Long	90,64	90,88	2%	0,03%
Banco Santander SA	Short	6,14	6,26	2%	-0,20%
Bayer AG	Long	126,45	124,5	2%	-0,15%
BNP Paribas SA	Short	48,41	51,29	2%	-0,59%
Daimler AG	Long	80,74	82,33	2%	0,20%
Deutsche Bank AG	Long	28,35	29,17	2%	0,43%
Deutsche Post AG	Long	28,95	29,64	2%	0,24%
Deutsche Telekom AG	Long	15,94	15,91	2%	-0,03%
E.ON SE	Short	13,36	13,34	2%	0,01%
Intesa Sanpaolo SpA	Long	2,82	2,83	2%	0,05%
Orange SA	Long	16,19	15,29	2%	-1,11%
RWE AG	Short	23,7	23,33	2%	0,08%
Sanofi	Long	86,73	87,39	2%	0,04%

New Exposures



Sector Exposures



Since Inception	Lion Equities	SX5E
Return*	+ 5,58%	+ 7,57%
Ann Volatility*	22,57%	13,68%
Sharpe Ratio*	0,73	1,67
MaxDD*	4,07%	1,98%

*Data based on Daily Historical NAVs since Jan 20, 2015

Fundamental Analysis

As we had anticipated last week, a deal was finally reached between Greece and the "Troika", calming down the nerves of the European markets. We do think that the bailout extension was already priced in the market but now, the market is more optimistic and can get back on track of a bull trend, backed by the soon to come, and much talked about, ECB Quantitative Easing. Thus, this led us to increase our positions, selecting new stocks based on our analyses, while still taking advantage of the relative discounted prices compared to the potential increase of the EuroStoxx 50 stocks prices. Nonetheless, we are paying a lot of attention on the evolution of the submitted action plan by Greece on Monday as well as the approval or rejection of its creditors on Tuesday. But, at this point, we are confident that none of the counterparties would want the extension to fail after such vehement negotiations. All weights have been optimized with our proprietary risk-aversion model.

Technical Analysis

The European market has stopped its bull trend entering a pattern, first due to doubts after the election of Alexis Tsipras, second due to Ukraine's situation and last, due to the Greek debt issue. However, thanks to the cease-fire in Ukraine and the Greek debt deal being reached, we now trust that the EuroStoxx 50 will pick up where it left off its upward trend. Based on our existing tools used in our proprietary Technical Analysis approach (MAS of prices, RSI, Support & Resistance levels, Volumes & their MAS), complemented with the newest methods learnt in class, particularly the Bollinger & Keltner Bands with also a look at a possible squeeze effect (i.e. when the BBs are squeezed between the KBs), we conducted a new analysis on our whole investment universe to pick the best stocks available and to test our current holdings. According to our analysis, we have changed our portfolio in the following ways: we have taken several new Long positions (Saint-Gobain, LVMH, Airbus, Carrefour & Danone), we have covered our Short positions in Banco Santander & BNP Paribas while entering a Buy position for BNP Paribas due to strong technicals suggesting a bull trend. This new allocation is more diversified than before, which should lower the volatility at the same time than bringing more returns due to strong technicals on those new positions.

Risks Indicators*

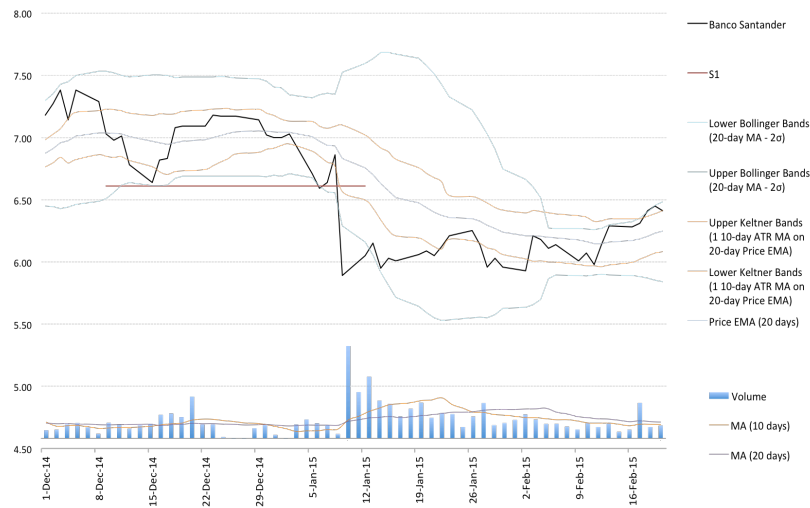
- To determine the optimal weights to implement, we have minimized the variance of the portfolio with constraints on the weights and a minimal return target for the portfolio, using the returns of the stocks and their variance covariance matrix.
- Market Risk: we are exposed to reversals in our selected stocks' prices, limited to a 2% loss (stop-loss).

Since Inception	Lion Equities	SX5E
VaR-95% 1 day	-2,09%	-1,10%
CVaR-95% 1 day	-2,93%	-1,78%
CVaR-99% 1 day	-3,79%	-2,30%

*Data based on Daily Historical NAVs since Jan 20, 2015

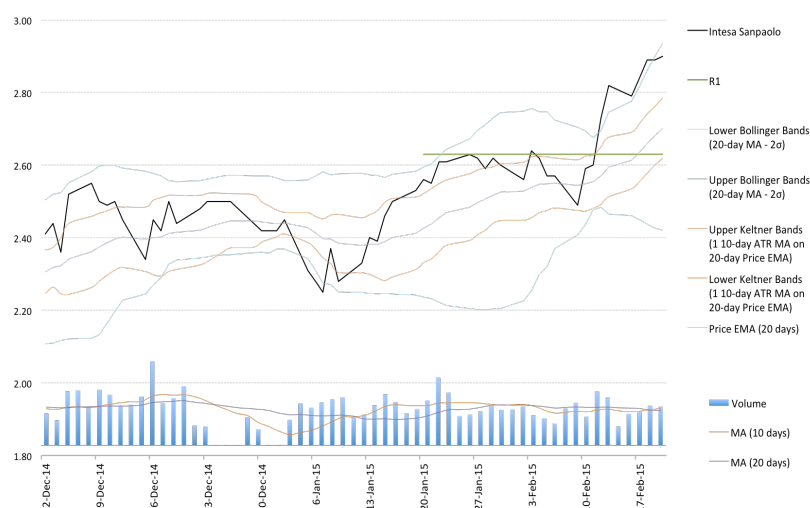
Technical Analysis

Comments



Banco Santander SA

Monitoring our current positions during our weekly analysis of our holdings, we realized that a reversal trend had started for Banco Santander. In fact, even if the MA 30 days is still below its MAs counterparts of 50 and 200 days, the volume piled up and is getting close to its MAs 10 and 20 days, the jaw of the Bollinger Bands is opening revealing a possible bull trend as the price crossed upward the Bollinger Bands. Furthermore, we have observed recently that the upward Bollinger Band had been squeezed between the Keltner Bands and the downward Bollinger Band got very closed to a squeeze too, suggesting a decrease of volatility that is usually followed by the start of an imminent trend, bullish in our case. Consequently, we decided to cover our Short position of 10% while monitoring the evolution of Banco Santander's stock price, especially if it is coming closer to its previous support level of EUR 6.61, which would suggest us to enter into a Long position.

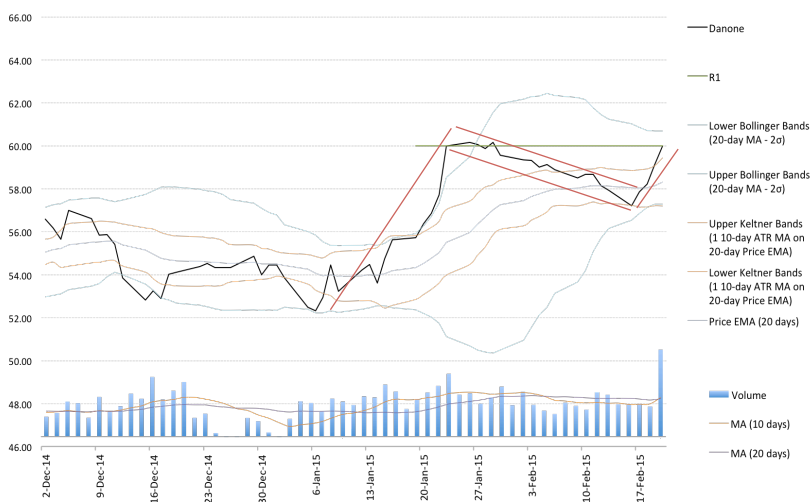


Intesa Sanpaolo SpA

As mentioned last week, Intesa has broken up its previous resistance level of EUR 2.63 but has not reached the objective yet. The MA 30 days is still greater than the MAs 50 and 200 days. The volume is piling up lately and has crossed both the MAs 10 and 20 days.

The jaw of the Bollinger Bands is opening and we believe a bull trend has been unfolded as the price increased above both the Bollinger and Keltner Bands.

Those technical indicators are reassuring us in our Long position and make us keep it at 10%.

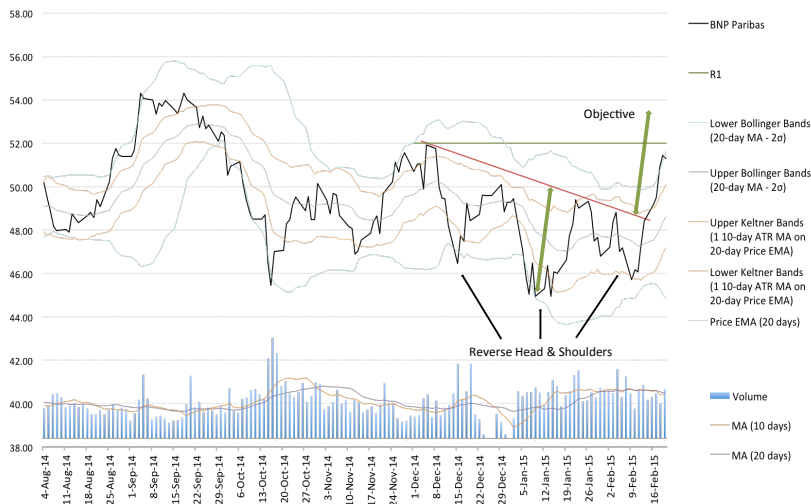


Danone SA

Danone is coming back to its resistance level of EUR 60.16 for a possible breakout. The MA 30 days just crossed the MA 50 days and is also above the MA 200 days. The volume just crossed the MAs 10 & 20 days suggesting volumes are piling up. The price broke the Keltner Bands upward and is flirting with the upward Bollinger Band. We can also observe a bull flag with small fluctuations inside the flag. We know that we should usually buy Danone on its support level and not on a breakout and we are careful regarding its poor earnings report last Friday but the fact that it has not been close to its support level lately and all the positive technical indicators lead us to watch closely the behaviour of its stock price for a possible entrance in a Long position on Monday.

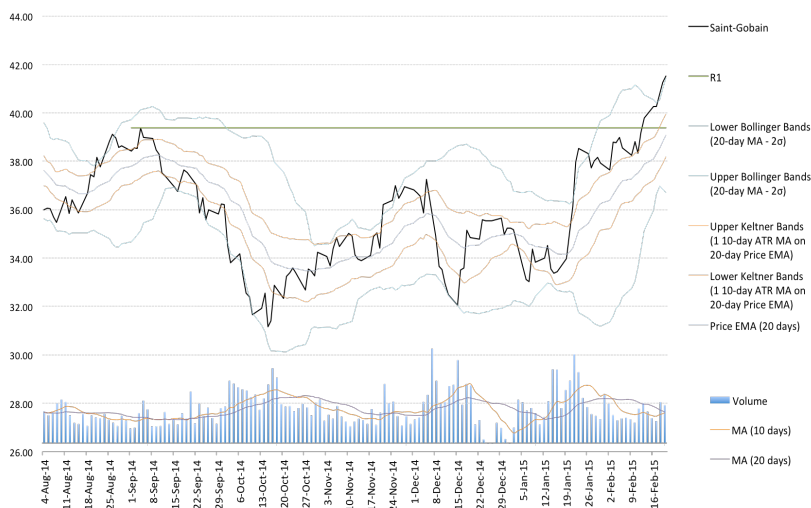
Technical Analyses

Comments



BNP Paribas SA

BNP is coming close to its latest resistance level of EUR 51.92 of December, 5 2014. The MA 30 days is very close to the MA 50 days and about to cross it. The volume has been piling up and crossed the MAs 10 and 20 days. On the medium run, we can observe a Reverse Head & Shoulders whose neckline has already been broken, which is signaling an upward move of the price. This is confirmed by the fact that the price crossed upward both the Bollinger and Keltner Bands, it is also supported by the opening of the jaw of the Bollinger Bands. This analysis led us to cover our Short position of 10% of BNP and enter in a Long position of 10%.



Cie de Saint-Gobain

This stock just crossed its resistance level of EUR 39.38 while the MA 30 days that was already above the MA 50 days crossed upward the MA 200 days. Volume is increasing and is higher than the MAs 10 and 20 days.

The jaw of the Bollinger Bands opened and the price crossed the Bollinger and Keltner bands unfolding a bull trend in our opinion.

Those technicals, supporting a good market timing for a Buy, led us to enter in this Long position.

Orange SA

Orange has been our worst loser last week causing to Lion Equities a negative performance of 1.11% on its own. However, the MA 30 days is still higher than the MAs 50 and 200 days. More importantly, the telecommunications sector has been doing great lately and Orange in particular. Furthermore, The stock price is still in the upward trend channel that we highlighted last week. We are confident that this is only a consolidation period for Orange before getting back to its bull trend, thus we are keeping our Long position on it.

Airbus Group

Airbus has broken at the beginning of last week its resistance level of EUR 49.74. This resistance break has been confirmed throughout the whole week. The MACD is positive and above the signal line. Recently, the price broke upward the Bollinger Band.

These are long positions signals.

However, this long position will be monitored on the following days given that since a few days the volumes have been decreasing.

Carrefour SA

Carrefour has just broken its previous resistance level of EUR 28.64. The MA 30 days is above the MAs 50 and 200 days. The volume is close to its MAs 10 and 20 days and the volume has been piling up lately. The jaw of the Bollinger Bands is opening so a trend is likely to unfold. We have observed very recently that the downward Bollinger Band has been squeezed inside the Keltner Bands meaning that the volatility has decreased and this situation cannot last very long, we believe we are at the start of an imminent bull trend as the price recently crossed the upward Bollinger Band.