GAY-LUSSAC GESTION

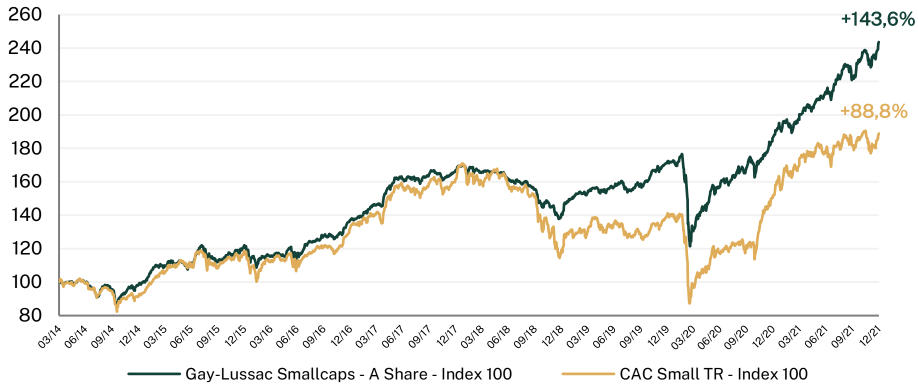
Gay-Lussac Smallcaps
December 2021

GENERAL INFORMATIONS

Custodian	Société Générale
Cut off	Subscriptions/redemptions
Code ISIN (A Share)	FR0011759299
Code ISIN (I Share)	FR0013228327
Valuation	Daily
Management fees A Share	2,20% of Net assets
Management fees I Share	1,10% of Net assets
Performance fees	None
Entry fees	2% maximum
Exit fees (UCITS acquired)	None
NAV (A Share)	**365,40€**
NAV (I Share)	**187 941,36€**
Inception date (A Share)	31-mar-14
Inception date (I Share)	30-dec-16
Net assets	**36,19 M€**

3 years values (Bloomberg data)	Gay-Lussac Smallcaps	MSCI MICRO
Volatilité 3Y	15,51%	21,99%
Max Drawdown 3Y	-31,30%	-38,30%
Beta	0,77	---
Sharpe Ratio 3Y	1,28	---
Tracking Error	5,70%	---

Performances and statistics on the 31 of december 2021



	YTD	2021	2020	2019	2018	2017	2016	2015	2014	Inception
A Share	4,9%	**30,5%**	8,8%	21,7%	-15,5%	21,8%	16,8%	14,7%	6,0%	**143,6%**
CAC Small	5,8%	**22,9%**	7,2%	15,2%	-26,8%	21,1%	10,7%	14,5%	0,9%	**71,5%**
CAC Small TR	5,8%	**24,3%**	8,5%	17,2%	-26,0%	22,1%	12,7%	16,4%	2,5%	**88,8%**
I Share	5,0%	**32,0%**	10,0%	23,1%	-14,5%	23,1%				**87,9%**
CAC Small	5,8%	**22,9%**	7,2%	15,2%	-26,8%	21,1%				**34,5%**
CAC Small TR	5,8%	**24,3%**	8,5%	17,2%	-26,0%	22,1%				**42,9%**

PORTFOLIO EXTRA-FINANCIAL ANALYSIS

Grade average E*	6,12/10
Grade average S*	6,13/10
Grade average G*	6,39/10
Portfolio grade overall ESG**	6,59/10

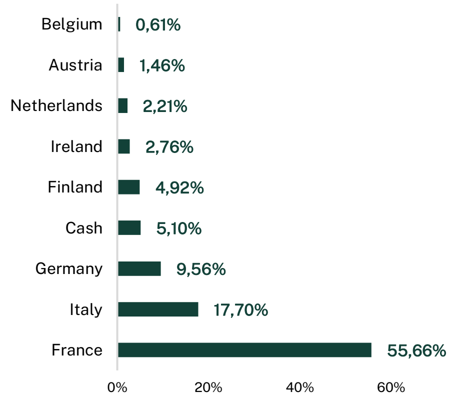
**proportion of the fund's investments for which non-financial data are available and used to complement fondamental analysis.
** MSCI coverage rate: 45% / Internal coverage rate: 53% / Total coverage rate: 98%.

PRI Principles for Responsible Investment — **Gay-Lussac Gestion** is a signatory of the **United Nations Principles for Responsible Investment (UN-PRI) since 2020.**

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES — **Gay-Lussac Gestion** is a supporter of the **Task Force on Climate-related Financial Disclosures (TCFD) since 2021.**

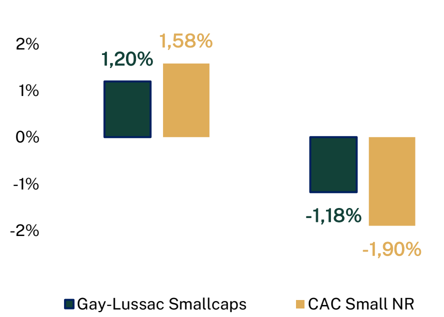
labelRelance — The **Gay-Lussac Smallcaps** fund obtained the **label Relance** on the **2/17/2020.**

COUNTRY BREAKDOWN

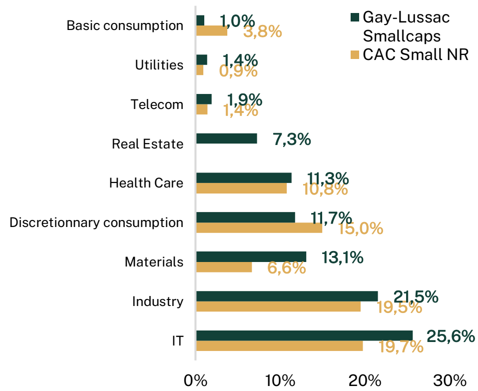


THE FUND'S WEEKLY AVERAGE ON ↗ AND ↘*

*since inception



INDUSTRY BREAKDOWN (on total invested)



INVESTMENT PROCESS

- Two defensive criteria, **Low Volatility** and **Low Beta** and one performance criterion, **Momentum** to quantitatively filter the investment universe.
- Selection of 3 to 4 major structural and/or cyclical themes by a quarterly Macroeconomic Committee bringing together economists, strategists, fund managers and financial analysts.
- Definition of the investable universe through the selection of stocks in line with the themes selected and validated by the fundamental analysis of the companies.
- Construction and follow-up of the portfolio in risk budget.

INVESTMENT OBJECTIVE

The objective is to benefit from the development of Small and Medium Enterprises, in countries of the Eurozone, while seeking to limit the volatility of the portfolio, over a recommended investment period of 5 years.

MANAGEMENT TEAM


Louis de FELS


Daphné PARANT


Hugo VOILLAUME, CFA


Paul EDON


Guillaume BUHOURS


Thibaut MAISSIN

RISK EXPOSURE

Low risk
Performance
Potentially lower

1 2 3 4 **5** 6 7

High risk
Performance
Potentially higher

Macroeconomic review

Despite the rapid spread of the Omicron variant and faster than expected monetary policy tightening, global indices performed very well in December, with European indices outperforming: CAC 40 TR 6.46%, S&P500 TR 4.45%, STOXX 600 TR 5.42%.

In Europe, COVID-related issues returned to the forefront in December. Although the Omicron variant is spreading, it seems to be much less dangerous than its Delta counterpart. Nevertheless, the surge in infections observed in December is pushing companies into more troublesome situations, which could sustain the imbalance between supply and demand and thus, a slowdown in economic growth. On the other hand, the ECB must deal with sustainable inflationary pressures. A reduction in monetary support now seems inevitable. Nevertheless, the caution that has characterized the ECB this year is still in order and fiscal stimulus measures at the European level should limit short-term tensions. The surge in energy prices continues to be a concern, in a scenario of reduced state aid. Only a restoration of supply would allow for a lasting stabilization of a situation that remains strongly linked to political discussions between the United States and Russia on the Ukrainian front. On the monetary policy side, the ECB has confirmed the end of the PEPP in March 2022, but also an increase in the traditional APP from €20 million to €40 million initially, followed by a gradual reduction from the third quarter of 2022. The objective remains the same for the ECB: reducing the asset purchase programs before a first increase in key rates, which, in accordance with Christine Lagarde's speech in November, should not take place in 2022.

In the United States, the first published economic indicators suggest that the Omicron variant has not had as much of an impact on the US economy as anticipated. The University of Michigan's consumer confidence survey has been revised significantly upwards from the initial estimates of early December. Nevertheless, the U.S. economy will remain in a vulnerable position until the vaccine campaigns accelerate and the new stimulus package is voted. Indeed, the vote on the "Build Back Better" package, to which the bipartisan infrastructure bill is attached, is now blocked by one man, Senator Joe Manchin. The bill can only pass the Senate if all 50 Democratic senators vote in favor for it, knowing that no Republican will. Despite Joe Biden's reassuring speeches, the political and administrative delays could very well slow down economic growth and the rise in long-term interest rates in the United States. Caught between higher than initially expected inflation and a reassuring labor market, the FED seems to have prioritized the fight against inflation, deciding to accelerate its reduction of asset purchases by $30 billion per month, compared to $15 billion per month previously. The FED also announced three rate hikes per year in 2022 and 2023, a much more aggressive schedule than anticipated by the September dot-plots. This announcement did not create risk aversion in December. Despite a rise in rates over the last two days of the month, US sovereign rates remained broadly stable (10-year rate at 1.5%)..

KEY RATIOS

Investment rate (direct lines)	94,88%
Number of lines	49
Monthly performance A Share	4,89%
Monthly performance I Share	4,99%
PER median 2021	23,55
VE/CA median 2021	1,98
VE/EBIT median 2021	16,82

TOP FIVE POSITIONS

Name	% net asset
SALCEF SPA	5,46%
STEF	4,51%
ROBERTET SA	4,18%
VETOQUINOL SA	4,10%
NEURONES	4,01%

BREAKDOWN BY MARKET CAPS

Name	% net asset
More than 800M€	62,64%
From 400 to 800M€	26,51%
Less than 400M€	10,83%
Average Capitalisation (M€)	1312,47
Median Capitalisation (M€)	1124,45

Management review

During the month, our **Gay-Lussac Smallcaps** fund continued to perform well. We took profits in a few companies such as **Guerbet SA**, **Corbion NV** and **Quadient SA**. We reduced our exposure to **Guerbet** after the price increase linked to the announced partnership with Bracco Imaging for the R&D and manufacturing of Gadopiclenol®. We have reduced our exposure to **Corbion** in this context of continued pressure on profitability, which should still be present in 2022 in view of the non-renewed objective of restoring an EBITDA margin above 15%. Regarding **Quadient**, our reduction is partly explained by management's announcement of more conservative medium-term objectives than expected.
On the buy side, we had strengthened our position in **Piovan SpA** ahead of the IPEG acquisition announcement. We continued to build our position in **JDC Group**, the German leader in IT and administrative services in the insurance market, which should benefit from a clear acceleration in its penetration of the German market in 2022. Finally, we strengthened our position in **LU-VE SpA**, the designer of cooling equipment and climate control systems, which benefits from a significant growth opportunity and a clear potential for margins improvements which are still mispriced by the market.

MAIN MOVEMENTS OF THE MONTH

Buy	Sell
Piovan SpA	Corbion
JDC Group	Quadient
LU-VE SpA	

STOCK OF THE MONTH

Founded in 1934 by the grandfather of the current president and first shareholder, **Piovan SpA** designs and assembles automation solutions and auxiliary equipment for production lines. In concrete terms, this consists of all the equipment that can be added to the initial machine in order to personalize it. The whole solution represents 10% of the cost of the production line and is integrated into a software platform that monitors the whole thing. Their value proposition is quite unique and the group benefits from strong competitive advantages around numerous patents, notable expertise on increasingly stringent regulations and excellent customer retention due to the customized solutions. The group is in a net cash position, has good operating leverage potential and its business model allows it to generate attractive returns on capital employed. **Piovan** is also a leader in a growing market that is fragmented around local players with limited product lines. Their ambition is to position themselves as the consolidator in this sector.

With this in mind, in mid-December **Piovan** announced an important acquisition in the United States with the purchase of IPEG, a player in industrial automation solutions with significant exposure to high growth markets such as India and Mexico. This transaction will allow **Piovan** to increase its revenues by more than 70% and to record an accretive effect on earnings of nearly 30% (excluding synergies). We are confident that the value creation that will result from this transaction will allow **Piovan** to enter a new dimension while continuing to consolidate its market in the years to come.