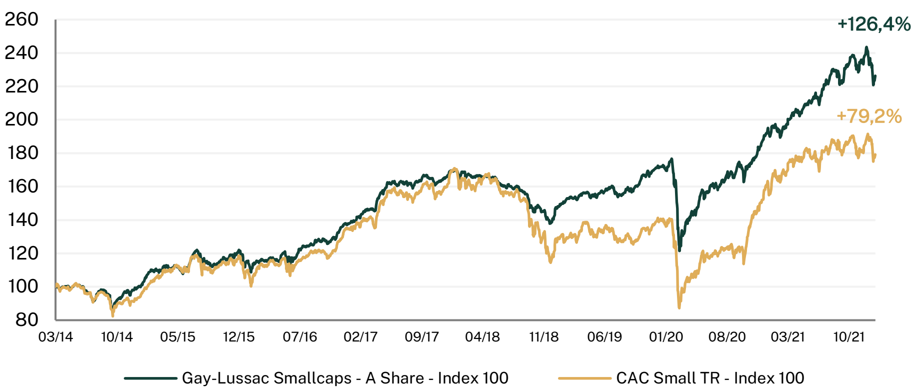
GAY-LUSSAC GESTION

Gay-Lussac Smallcaps
January 2022

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)	**339,56€**
NAV (I Share)	**174 815,81€**
Inception date (A Share)	31-mar-14
Inception date (I Share)	30-dec-16
Net assets	**31,92 M€**

Performances and statistics on the 31 of january 2022



3 years values (Bloomberg data)	Gay-Lussac Smallcaps	MSCI MICRO
Volatilité 3Y	15,63%	21,56%
Max Drawdown 3Y	-31,30%	-38,30%
Beta	0,78	---
Sharpe Ratio 3Y	1,28	---
Tracking Error	6,40%	---

	YTD	2021	2020	2019	2018	2017	2016	2015	2014	Inception
A Share	-7,1%	**30,5%**	8,8%	21,7%	-15,5%	21,8%	16,8%	14,7%	6,0%	**126,4%**
CAC Small	-5,1%	**22,9%**	7,2%	15,2%	-26,8%	21,1%	10,7%	14,5%	0,9%	**62,7%**
CAC Small TR	-5,1%	**24,3%**	8,5%	17,2%	-26,0%	22,1%	12,7%	16,4%	2,5%	**79,2%**
I Share	-7,0%	**32,0%**	10,0%	23,1%	-14,5%	23,1%				**74,8%**
CAC Small	-5,1%	**22,9%**	7,2%	15,2%	-26,8%	21,1%				**27,6%**
CAC Small TR	-5,1%	**24,3%**	8,5%	17,2%	-26,0%	22,1%				**35,6%**

PORTFOLIO EXTRA-FINANCIAL ANALYSIS

Grade average E*	6,05/10
Grade average S*	6,35/10
Grade average G*	6,45/10
Portfolio grade overall ESG**	6,72/10

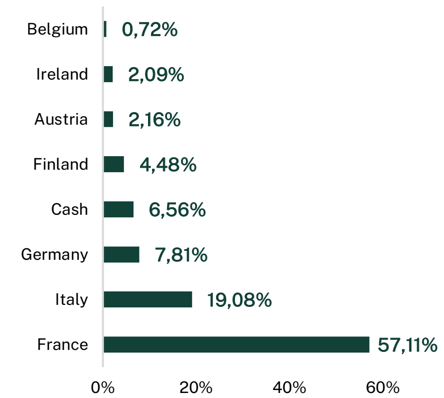
**proportion of the fund's investments for which non-financial data are available and used to complement fondamental analysis.
** MSCI coverage rate: 36% / Internal coverage rate: 64% / Total coverage rate: 100%.

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.**

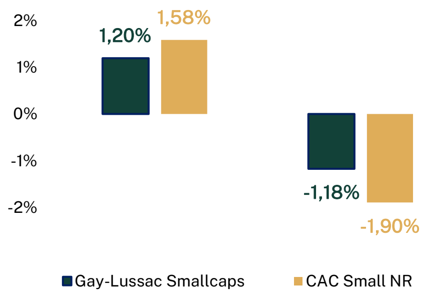
labelRelance — The **Gay-Lussac Smallcaps** fund obtained the **label Relance** on the **2/17/2020.**

COUNTRY BREAKDOWN

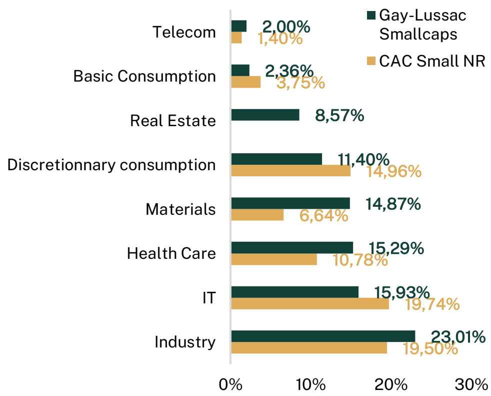


THE FUND'S WEEKLY AVERAGE ON ↗ AND ↘*

*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


Hugo VOILLAUME, CFA


Guillaume BUHOURS


Daphné PARANT


Paul EDON


Thibaut MAISSIN


Arthur BERNASCONI

RISK EXPOSURE

Low risk Performance Potentially lower — 1 2 3 4 **5** 6 7 — High risk Performance Potentially higher

Macroeconomic review

January was marked by the return of risk aversion on the markets, particularly towards "growth" stocks after the FED's paradigm shift. Main indices were down for the month: S&P 500 -5.17%, CAC 40 -2.04%, STOXX 600 -3.81%.

European economic growth has returned to its pre-crisis level (+5.2%), driven by positive dynamics in France (+7%) and Spain. In Germany, the situation is a bit more complex, with deceleration of inflation remaining on a weaker pace (+4.9%) than expected (+4.4%). On the political front, the results of the Italian and Portuguese elections gave us some stability. In Italy, President Sergio Mattarella was re-elected President, allowing Mario Draghi to remain at the head of the government despite disagreements within the coalition. The next major political event will be the French presidential election in April. It is at the monetary level that the discussions were animated in January. The ECB's central scenario remains the same as at the end of 2021: no rate hike before 2023, provided that inflation stabilizes at the 2% target in the medium term. However, this is not the opinion of investors. Indeed, according to swap contracts, the market is expecting a 25 basis point rate hike by the end of 2022, which is a slightly more aggressive scenario than the ECB's message. The market seems to be wondering about the difference in reactions between the ECB and the FED. However, it is important to understand that the difference in monetary policies between the ECB and the FED is primarily due to the disproportionality of gas prices in European inflation, while US inflation is more structural. Tightening monetary policy in response to the energy shock would be reminiscent of the bitter experience of the ECB in 2011. Faced with this exogenous shock, the ECB has no control and discussions remain open between Moscow and Washington. For us, the geopolitical issue will remain a factor of uncertainty until we can be convinced that the conflict will not degenerate.

In the United States, the publication of GDP growth for the fourth quarter of 2021 clearly demonstrated the vigorous rebound of American growth (+6.9%). U.S. growth continues to rest on solid foundations, as evidenced by a notable increase in household consumption and business investment. The labor market remains well oriented, a point that is helping to encourage the FED to accelerate the increase in its key rates. Nevertheless, recent indicators point to less vigorous activity at the beginning of 2022, marked by the return of COVID cases, persistent inflation and a smaller fiscal stimulus. On this point, the statistics to be released on the labor market and inflation in the coming weeks should provide more clarity regarding the pace of the Fed's exit. FOMC members continued to tighten their stance, to which the market reacted, now expecting 5 rate hikes of 25bps in 2022 compared to 3 at the beginning of the month. Nevertheless, the risk aversion at the end of the month came from the speech of some FOMC members who envisaged a reduction of the FED's balance sheet rather quickly, potentially as early as this summer. While waiting for more clarity, the members of the FED continue their balancing act in order to "test" the markets' reaction to the various tools at the disposal of the central bank. Against this backdrop, the US 10-year yield rose sharply by c.18% in January, ending the month at 1.78%.

KEY RATIOS

Investment rate (direct lines)	93,44%
Number of lines	41
Monthly performance A Share	-7,07%
Monthly performance I Share	-6,98%
PER median 2021	19,41
VE/CA median 2021	1,76
VE/EBIT median 2021	14,30

TOP FIVE POSITIONS

Name	% net asset
STEF	6,50%
SALCEF SPA	6,01%
VETOQUINOL SA	5,69%
SAMSE SA	4,40%
ARGAN	4,28%

BREAKDOWN BY MARKET CAPS

Name	% net asset
More than 800M€	48,90%
From 400 to 800M€	35,34%
Less than 400M€	15,76%
Average Capitalisation (M€)	1 074,11
Median Capitalisation (M€)	892,48

Management review

For the first month of 2022, in line with our risk management process, we continued to reduce our high-duration stocks in the tightening monetary policy environment. As a result, we sold our lines in **Esker SA** and **Axway Software** during the first half of the month while reducing our position in **ID Logistics** given the already demanding valuations ahead of this rise in risk-free rate. The result is now a median portfolio P/E of 18.9x compared with 23.6x at the end of December 2021. For several weeks now, we have been focusing on quality companies that are undervalued, decorrelated and in special situations.

For example, we have reinforced lines such as **Boiron**, **LU-VE** and **STEF**. **Boiron**, a decorrelated company that had suffered from the delisting of homeopathy in France, was able to go through major restructuring and launch new products, enabling it to restart with an optimized cost structure and a healthy balance sheet. **LU-VE**, a quality industrial company with a growing position in climate control equipment, has good prospects for both organic and external growth, as well as a good capacity to replicate cost increases among its customers thanks to its innovative expertise. Lastly, **STEF**, the European specialist in temperature-controlled product logistics, is benefiting from strong operational momentum while enjoying an attractive valuation partly linked to its real estate assets, which are not yet fully valued by the market.

MAIN MOVEMENTS OF THE MONTH

Buy	Sell
Boiron	Esker SA
LU-VE SpA	Axway Software
STEF	ID Logistics

STOCK OF THE MONTH

The homeopathic medicine specialist, **Boiron** (+13.01%), announced the sale of new products amounting to €50M, part of which came from the sale of COVID-19 tests mainly in France and Belgium.

Despite a complicated year following the de-reimbursement of homeopathic medicine since January 1 2021 in France and the absence of winter pathologies, the market seems to appreciate the laboratory's ability to withstand this difficult context. **Boiron** reported revenues down 10.6% at constant rates over the year while revenues rose 2.9% in the fourth quarter. With this increase in sales at the end of the year, the 2021 operating result is estimated to be up from last year's increase of €38.2M.

As external growth is an integral part of the strategy, **Boiron** announced that it had taken a 70% stake in ABBI, a start-up specialized in individualized and tailor-made cosmetics. The acquisition price (€1.75 million, to which may be added price supplements), is low compared to the group's net cash position (over €200 million).

We think that the toughest part is now behind us with respect to **Boiron**, which benefits from a fresh start with an optimised cost structure and a healthy balance sheet.