

## Value Investing

“Back to the roots of a proven value investing approach”

### WHO WE ARE

European Capital Partners (ECP) is a strong entrepreneurial asset management boutique. ECP was founded in 2010 by Luxembourgish entrepreneurs Patrick Hansen and Knut Reinertz who are the founding partners of Edison Group, the holding company at the center of various successful entities such as Luxaviation and Saphir Capital Partners.

In 2014 Chief Investment Officer Léon Kirch joined ECP as partner and brought his expertise in investment management, more precisely in the management of a “Value” oriented portfolio.

European Capital Partners has a long term commitment to aligning the interests of shareholders and employees.

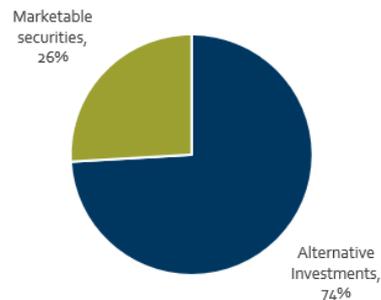
Shareholders have invested their own savings in ECP’s strategies. The structure is built in the following way:



### ASSET MANAGEMENT “MADE IN LUXEMBOURG”

ECP has two central areas of expertise. It offers investment management services focusing on an entrepreneurial value investing approach (such as investment funds and segregated mandates) and also offers third party management company services as a Super Manco for UCITS and AIFMD funds (CSSF regulated).

Total AUM: EUR 460.18mn



### INVESTMENT PHILOSOPHY

ECP is based on the original approach of Entrepreneurial Value Investing which consists of investing in marketable securities with a private equity mindset.

**Entrepreneurial:** *Think and act as an entrepreneur.* Companies must be analysed from the perspective of an entrepreneur who intends to purchase the whole company. As a result, the risk of a company does not lie in its stock price but in its **fundamentals**. The team applies a key **golden rule** in order to understand the companies’ business. Their fundamentals will then translate into the firms’ **intrinsic value**.

**Value:** *margin of safety concept.* The team’s assessment of “Value” is based on the **Earnings Power** of the business and its **capacity to generate free cash flow** over an entire business cycle. Earnings Power is the cash that could be extracted from a business year after year without jeopardizing its maintenance and production capacities. Before buying any stock, the team defines its intrinsic value and focuses on companies that are trading at a **min. 40% discount to this estimated intrinsic**

**Investing:** *Patience will be rewarded.* It takes time for financial markets to recognise the Earnings Power Value of a company and thus for the underlying margin of safety to close. The investment team adopts a **long-term investment horizon** of 4 to 5 years resulting in a low portfolio turnover. The final portfolio is concentrated and built around the **key convictions** of the Investment team (typically 30 to 40 individual names).

« The underlying principles of sound investment should not alter from decade to decade, but the application of these principles must be adapted to significant changes in the financial mechanisms and climate »

Benjamin Graham

## Why Value Investing?

### Value Investing

Value investors do not believe in the strict form of the efficient-market hypothesis, which says that stock prices reflect all company information. Value investors believe that sometimes companies are underpriced relative to their fair value and exploit the mispricing.

### Value Stocks

A quality company bought at a discount is always more attractive than a fairly valued quality company. In the long run valuations matter as the stock price will reflect the present value of cash flow generated.

### A proven philosophy

An investment strategy that has proven its efficiency over decades and that is designed to be successful in the medium to long term even under pressure to achieve short term results.

## Why with us?

### Our Objective

To offer long-term performing investment solutions based on value investing (and asset allocation), and to generate growth with a high degree of client diversification.

### Our Strengths

A small, privately owned, independent, and flexible firm which has a strong alignment of interests with our clients. We are co-investors of the funds we manage and we are invested in our own products.

### Our Conviction

Any entrepreneurial project requires conviction in the sustainability of the project and in the professionalism and expertise of the teams involved. This power of conviction acts as an engine for the development of the company.

## Why invest now?

### Value is coming back

Valuations are starting to matter again. Value historically performed best when the valuation gap between growth and value was the highest: **this is happening now**. Growth now trades at a 70% premium compared to value in terms of price earning ratio and at 2.8 times higher book value than value: the highest gap on these measures since 2005.

### EU Equities will Return

Though representing an unloved asset class, European companies have been growing their earnings since January of 2018. Investors have fled the markets leaving ample opportunities for Value Investors.

**The health of the European corporate sector is favourable despite the high political noise level.**

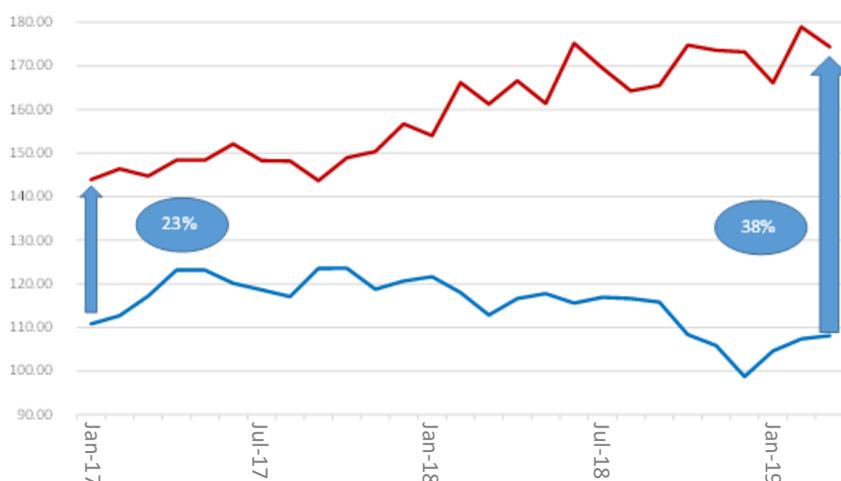


### It does not take much to move the needle

Markets have already improved since the beginning of the year. Previously disregarded companies with low valuations but strong balance sheets provide an suitable time to build a portfolio.

### Margin of Safety

The Margin of Safety of our European Value portfolio is at a historical high.



Share Class	ISIN	Focus	Inception Date	Management Fees	Min Subscription	Risk Scale	Registered in
A EUR	LU1169207518	Retail	08/08/2015	1,5%	-	6 out of 7	LU, DE, CH, SE, FR, NL
I EUR	LU1277321912	Institutional	28/08/2015	0,8%	EUR 1 mn		

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