"INVESTING IN GROWTH LOCALLY" ★★★★★

DNCA Finance presents DNCA Invest Europe Growth, its European equity fund that focuses on growth stocks and is eligible for French PEA equity savings plans, which has just been awarded five stars by Morningstar as the fund marks its three-year anniversary.

DNCA Invest Europe Growth is an investment fund that invests in European growth stocks regardless of their market cap. The fund aims to outperform European equity markets over the recommended investment timeframe. The STOXX EUROPE 600 Net Return EUR benchmark index, with reinvestment of dividends, acts as a post-performance comparison.

The fund is based on an active and fundamental portfolio management style, with the use of eight quantitative and qualitative criteria guiding stock-picking, including first and foremost the company's projected organic revenue growth, which must equal or exceed 5% per year over the long term. The fund therefore has a naturally strong sector focus, with a major presence on the healthcare, business services and automotive parts sectors, while the finance, commodities and utilities sectors are virtually absent from the portfolio.

Conviction-based fund management approach…
The fund focuses on around forty companies, and the main ten portfolio positions currently account for 50% of the fund's net assets. The fund is not dictated by a benchmark index or a top-down approach, and so the investment manager has free rein to select stocks. Right since the fund was set up, the portfolio has always been 95-99% invested, while the investment management approach is straightforward and transparent, and founded on corporate valuations and strong convictions, in keeping with DNCA Finance's management philosophy.

…with little influence from economic cycles
"Most of the companies where we invest carry little or no correlation with the economic cycle, as they are guided by their independent growth trends. The growth approach is a solid investment theme, which is fairly immune to market trends and provides steady recurring performances, as shown by our track record: +22.95% in 2013, +11.70% in 2014, +23.36% in 2015" explains Carl Auffret, CFA, manager of the fund.
The fund is exposed to the following main risks: equity risk, risk associated with discretionary management, risk of loss of capital. Past performances are not a reliable indicator of future performances.

This investment strategy does not promote volatility in the fund. In fact, three-year volatility for DNCA Invest Europe Growth is in the top quarter for its category (General Europe).

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Volatility is therefore kept under control, which is fitting when we look at the high quality and solidity of the companies selected, which often display defensive characteristics.

Highly specific areas of investment

The fund manager identifies structural investment themes, such as the healthcare sector, which is buoyed by an ageing population, innovation in medical research into new indications, implementation of social security systems in emerging countries and the global spread of certain diseases and conditions e.g. diabetes. These companies are usually highly profitable and their operations are relatively unaffected by macroeconomic trends. Examples in our portfolio include Korian, European leader in nursing homes, and Sartorius Stedim, leader in the production of equipment for the biopharmaceutical industry.

The low cost theme is also particularly attractive. This economic trend is becoming increasingly widespread in developed countries as consumers more frequently seek lower-priced products and services e.g. Ryanair in air transport or Premier Inn in the hospitality sector. The trend towards increased outsourcing is also worth noting. Governments and companies are increasingly looking for service providers that can deliver in a more efficient and less costly manner. One example is the UK company Babcock International Plc, which carries out maintenance on the British Ministry of Defence's (MOD) strategic equipment. In France, our stock pick in this segment is Teleperformance, world leader in telephone call centers.

2015 performance in line with the quality of stock picks

"Overall organic revenue growth for companies in our portfolio came out at between 7% and 9% over the first three quarters of the year. Strong company profits naturally led to a significant rise in their share prices" Carl explains. Added to this are three external factors that are particularly favorable to the growth of European companies: the positive effect of EUR/USD exchange trends, the current favorable commodities trends, and low interest rate levels, enabling companies to carry out acquisitions at attractive financing conditions.

"EPS growth for our selected stocks comes out at 20% as a result of the combination of these positive internal and external factors. If we add to this the net yield of the fund via dividends paid out (2% of the fund), we obtain growth in net asset value of around 20%", the fund manager states.

Looking beyond this data, it is also worth noting the fund's investment in two mid cap stocks during their initial public offerings. Firstly, it invested in McCarthy & Stone (property developer for retirement homes in the UK) at the beginning of November, and the share price has already rallied close to 30%, and secondly, it took positions in Attendo (leader in retirement homes in Sweden and Finland) at the end of November, and the share rallied more than 40% in the two days following the IPO. "Our free rein when it comes to new investments, both in terms of market cap and geographically, means that we can take new opportunities and hence unveil little known growth companies in very specific fields" adds Carl.

Continuing positive outlook for 2016

Earnings growth for companies in our selection looks set to continue, as a result of positive cyclical factors: ongoing favorable exchange rates and continued low interest rates and commodity prices.

"Our 2015 performance has been strong and will be difficult to replicate, but our foundations remain strong and our portfolio is highly diversified. We therefore kick off 2016 on a confident note, despite the current macroeconomic and geopolitical risks. Our fund management strategy continues to be based on stringent company valuations, in order to avoid the risk of disappointments", stresses Carl.

This focus will also allow us to take advantage of fresh opportunities from new stockmarket listings or takeovers, such as AB InBev's takeover of SABMiller this year, and from spin-offs. The fund's flexibility in terms of geographical location, sector and market cap gives it a winning edge.

The fund's past performance reflects our solid growth expertise: +19.15% annual performance, with volatility of 13.24% since the launch of the fund (data for the period from 12/28/2012 to 12/31/2015, source: Europerformance). DNCA Invest Europe Growth offers growth at a reasonable price and boasts a promising start that has attracted many investors, rounding out DNCA's Value range.

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Data at 12/31/2015 on Class B (ISIN: LU0870553459).
Sources: Europerformance and DNCA Finance.
Rating at 12/31/2015. For more information, visit our website or the Morningstar website.

Risks
Risk associated with discretionary management
Equity risk
Exchange rate risk
Credit risk
Liquidity risk
This fund carries a loss of capital risk
Risk profile: 6/7

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