



LANDRY

QUARTERLY NEWSLETTER

JULY 2019

Is there light at the end of the factor drawdown tunnel?

Nobody can dispute the power of the momentum factor. It is one of the most powerful factors on a long-term basis and the best at outperforming during extended market trends – up or down. When markets go through a trend reversal, momentum is often an underperforming factor. An important fact to remember is that the value factor usually outperforms during the worst momentum trend reversals which is one of the biggest advantages of combining both factors.

The graphic below shows the value and momentum factors on the S&P 500 since the beginning of 2018. The market reversal we've seen in 2018 has brought the momentum factor to underperform for 11 months until it rebounded in May 2019. This is considerably longer than the average historical momentum drawdown, which is usually 4-8 months. The issue here was also that the value factor underperformed during the whole period therefore making the combination of both factors less beneficial than usual. But why?

Performance of Value & Momentum Factors 31 May 2018 = 100



We believe the market perception of the imminent recession at the end of 2018 is the main culprit behind the recent factor underperformance.

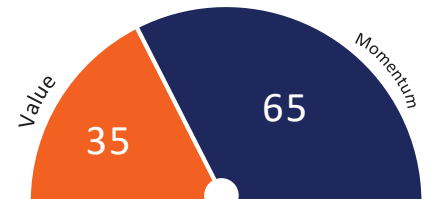
In that regard, we do not expect a recession since many of the advanced economic indicators are showing signs of a global reacceleration. Between China aggressively stimulating its economy and an accommodating Federal Reserve, we believe that we will have a soft landing such as in 1997-1998. If that is the case, the momentum factor will probably start to select stocks from the more growthy and cyclical sectors such as technology, biotech and industrial names which should help the portfolio outperform. The fact that the value factor is still underperforming further reiterates our belief that we are going through a soft landing. True value investors are contrarian and buy when the market is at the worst of a storm which is not the case right now. Therefore, deep value investors are not yet in buying mode. This last point, in our point of view, explains why the value factor has not yet shown its true potential. Given our view, we are starting the 3rd quarter of 2019 with a 35-65 value vs momentum split which is typical at the end of an economic cycle.

Please do not hesitate if you have any questions or comments!

Best Regards,

The Landry Investment Team

Current Valmo Allocation



Who is Landry?

Landry Investment Management is powered by intelligent quant investing. We bring together the discipline of systematic quantitative investing with the art of qualitative judgement by harnessing the power of **value** and **momentum** factors. Our proprietary multifactor process is designed to deliver strong results for our clients across a diversified range of traditional long only and alternative multi-factor strategies.

Why Landry?

- ✓ Strong track record of performance
- ✓ Dynamic, adaptive approach to factor-based investing
- ✓ Intelligent, proprietary models paired with human judgement
- ✓ Active, systematic rebalancing
- ✓ Deep dive country-by-country analysis
- ✓ Top down macroeconomic overlay



FUND INFORMATION (June 30th, 2019)

	Global Equity Fund	International Equity Strategy*	Canadian Equity Fund	US Equity Fund	Global Equity LS Market Neutral Fund
Number of Securities	175-225	100-150	50-90	75-120	130-220
Strategy AUM	\$66MUSD	\$34MUSD	\$31MCAD	\$18MUSD	\$37MCAD
Market Cap	Large Cap	Large Cap	Large Cap	Large Cap	Large Cap
Portfolio Turnover	~175%	~200%	~150%	~150%	~200%
Active Risk	2.3%	3.8%	2.7%	2.9%	-
Standard Deviation	10.5%	10.9%	5.2%	11.9%	5.2%
Downside Deviation	6.7%	6.9%	6.9%	8.4%	3.7%
Sharpe	0.96	0.78	0.85	1.07	0.79
Information Ratio	0.62	0.82	0.12	0.04	-
Upside Capture Ratio	105%	95%	88%	101%	16%
Downside Capture Ratio	91%	72%	75%	101%	-5%
Dividend yield	2.3%	3.2%	2.6%	1.4%	2.7%
Forward P/E	14.5	13.0	14.3	17.8	13.4
FCF Yield	6.8%	6.2%	5.9%	5.8%	7.7%
Debt/Equity	1.32	1.45	1.20	1.25	1.70
Beta	0.95	0.88	0.99	1.02	0.12

ANNUAL RETURNS (%) BEFORE FEES (June 30th, 2019)

	3 mths	YTD	2018	2017	2016	2015	2014	2013	2012
Global Equity Fund (USD)	2.07	13.90	-12.46	26.95	9.50	5.43	7.42	28.22	15.80
MSCI World TR (USD)	4.00	16.98	-8.71	22.40	7.51	-0.87	4.94	26.68	15.83
Added Value	-1.93	-3.08	-3.75	4.55	1.99	6.30	2.48	1.54	-0.03
International Equity Strategy* (USD)	1.63	12.17	-15.07	30.35	4.80	7.65	3.81	20.33	8.73
MSCI EAFE TR (USD)	3.68	14.03	-13.79	25.03	1.00	-0.81	-4.90	22.78	17.32
Added Value	-2.05	-1.86	-1.28	5.32	3.80	8.46	8.71	-2.45	-8.59
US Equity Fund (USD)	2.50	15.63	-9.89	23.65	14.52	3.37	11.05	36.16	33.51
S&P 500 TR (USD)	4.30	18.54	-4.39	21.80	11.93	1.38	13.65	32.36	15.99
Added Value	-1.80	-2.91	-5.50	1.84	2.59	1.99	-2.60	3.80	17.52
Canadian Equity Fund	1.01	13.82	-8.32	5.07	20.67	-5.16	8.23	23.14	9.19
S&P/TSX Composite TR	2.59	16.22	-8.89	9.10	21.08	-8.32	10.55	12.99	7.19
Added Value	-1.58	-2.40	0.57	-4.03	-0.41	3.16	-2.32	10.15	2.00
Global Equity Long Short Fund	0.53	-0.44	-5.24	5.49	4.57	1.69	5.53	17.43	0.23
HFRI Equity Market Neutral	-0.50	0.87	-0.98	4.88	2.23	4.27	3.06	6.46	2.98
Added Value	1.03	-1.31	-4.26	0.61	2.34	-2.58	2.47	10.97	-2.75

* Carveout of the Global Equity Fund



INVESTMENT TEAM



Benoit Brillon, CFA

Chief Investment Officer & Lead Portfolio Manager

Benoit Brillon has over 20 years of experience in the investment management industry. He started his career in 1997 as the Chief Economist and Asset Mix Specialist for Natcan Investment Management. In 1999, he was invited to join the Canadian Equity team (6 B\$ AUM), quickly rose through the ranks and in 2004 was promoted to VP and Partner. At the end of 2007, Benoit and two other partners of Natcan founded Selexia Investment Management with 2.5 B\$ of AUM. In 2012 Benoit joined Landry Investment Management as Chief Investment Officer, Lead Portfolio Manager and Senior Partner.

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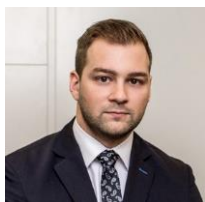
info@landryinvest.com



Jason Laliberté, CFA

Assistant Portfolio Manager

Jason has 10 years of experience in the investment industry. His areas of expertise include global equities, fundamental research and trading. He started his career at Landry in 2010 after completing his master's at the University of Sherbrooke. In 2018, Jason was promoted to Assistant Portfolio Manager and Partner of the firm. He is a CFA charterholder since 2013.



Philippe Girard

Analyst

Philippe joined Landry in 2017 after completing his Master of Science and including a major in finance at the University of Sherbrooke. Philippe has rapidly taken on additional responsibilities including the quantitative analysis and research at the firm as well as trading activities. He has passed all three levels of the CFA Program.

BUSINESS DEVELOPMENT



Charles Lemay

VP of Business Development & CFO

Charles has 15 years of experience in Financial industry in Sales and Operations. Charles spent close to 9 years at Goldman Sachs attaining the role of Vice President while working in Emerging Markets Cross Asset Sales. Prior to joining Landry in 2018, Charles spent 4 years on the buy-side working in Business Development and Operations.

Institutional Queries:

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DISCLAIMER:

An investment in the Landry Funds may result in brokerage commissions, trailing commissions, management fees and other charges. Please read the offering documents before investing. Unless otherwise stated, the indicated rates of return of the Landry Funds are the historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. The rates of return shown are used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the Value, Momentum or VALMO factors or returns on investment in Landry Funds. Landry Funds are not guaranteed, their values change frequently and past performance is not indicative of future performance. The Landry Funds are only available to "accredited investors" as defined in Regulation 45-106 respecting Prospectus Exemptions and to investors who have a discretionary investment management agreement with Landry Investment Management. This document must not be construed as a public offering to sell securities in any jurisdiction. More information may be obtained by contacting Landry Investment Management.