



GauthierNagai

Monthly Report

06/20/2017 – 01/08/2018

Legal name: **Gauthier Nagai Asset**
 Registered domicile: **Tokyo-to, Minato-ku, Shibaura 3-2-16**
 Fund Type: **Quantitative Systematic Trading**
 Risk tolerance: **Low**
 Inception date: **June 20, 2017**
 Maturity date: **March 31, 2018**
 Fund managers: **Akihiro Nagai, Theo Gauthier**
 Administrative manager: **Akihiro Nagai**
 Investment analyst: **Theo Gauthier**
 Sponsor: **Intrigue Co., Ltd.**
 Target annual return: **5%**
 Open to new investors: **Yes**



Gauthier N...
 Stock Picker
 ★★★★★
 Ranked #3,449 out of 27,426
 Nasdaq's Investors

About The Fund

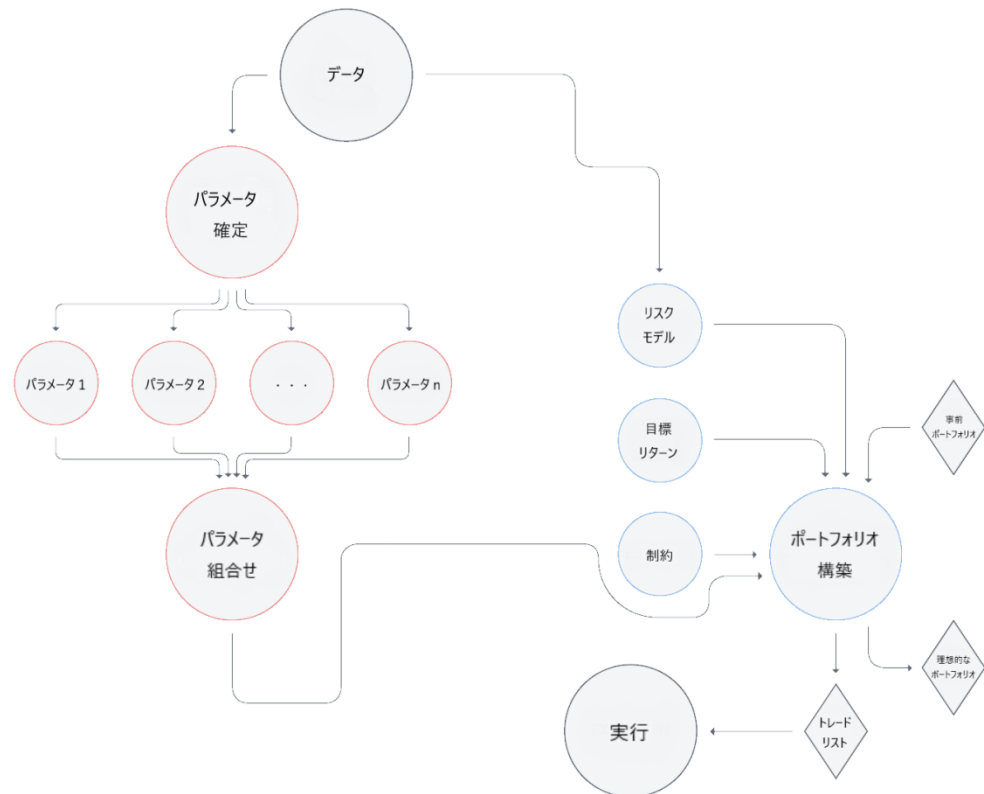
Launched in June 2017, the Fund aims to provide a growth portfolio with reduced risk by using quantitative analysis and seeks to achieve an attractive financial return of 5% for investors.

The Fund is organized as an open-ended fund with two Managers for Administration and Investment. This organizational arrangement enables the Fund Managers to maintain freedom of action, each with its own objectives, target markets, and risk profiles.

Investment Approach

The Fund invests directly in equities and in financial institutions that have a track record, have gone through the first phase of rapid growth and are financially sustainable. The Fund may also invest in ETFs in a near future.

Since August, the Fund has invested about \$20,000 in Cryptocurrencies as well as in Blockchain technology since we believe that in a near future, this technology will become mainstream.



Buying Criteria

These are the general guidelines (basic parameters) to review to see if something is worthy of adding to the portfolio or whether adding to an existing position:

- Being a member of the CCC list, obviously a longer streak is preferred.
- No one individual holding should be weighted >7% of the portfolio's total cost or weighted >7% of the portfolio's total dividend income.
- Investment grade holdings >BBB+ should generate 95% of the portfolio's dividend income.
- Want to see steady earnings growth over time; this will generally remove commodity-based companies.
- Good cash cows. Good profit margins (> 10%) are appreciated, though not required, if the company has a wide moat due to its business.
- Shareholder-friendly management, a healthy and rising dividend and willingness to buy back shares, though in practice, the buybacks aren't always done at opportune times.
- Though a small part of my portfolio, we would buy some non-dividend paying stocks like Facebook (FB), Google (GOOG) and Amazon (AMZN), even though too expensive for now.
- Perhaps most importantly, the valuation needs to be right per F.A.S.T. Graphs. The stock should be trading at fair value or better for an appropriate timeline (12+ years if possible).

In Depth Parameters

- Value:
Is the stock undervalued based on future cash flows and its price relative to the stock market?
 1. INTRINSIC VALUE BASED ON FUTURE CASH FLOWS
 2. PRICE RELATIVE TO MARKET
- Future Performance:
How is the stock expected to perform in the next 1 to 3 years?
 1. 1 & 3 YEAR ESTIMATED GROWTH IN EARNINGS
 2. PAST AND FUTURE EARNINGS PER SHARE
 3. ANALYSTS GROWTH EXPECTATIONS
 4. PERFORMANCE IN 3 YEARS
- Past Performance:
How has the stock performed over the past 5 years?
 1. PAST EARNINGS GROWTH ANALYSIS
 2. PROFIT HISTORY
 3. PERFORMANCE LAST YEAR
- Health:
How is the stock's financial position?
 1. NET WORTH
 2. BALANCE SHEET
 - a) ASSETS
 - b) LIABILITIES AND SHARES
 3. HISTORICAL DEBT
 4. BANK ANALYSIS
- Dividends:
What is the stock's current dividend yield, its reliability and sustainability?
 1. ANNUAL DIVIDEND INCOME
 2. HISTORICAL DIVIDEND YIELD
 3. CURRENT PAYOUT TO SHAREHOLDERS
 4. FUTURE PAYOUT TO SHAREHOLDERS

Performance

Rationale

While the Fund is relatively new, having been launched in 2017, results to date have been encouraging despite a host of political, competitive, credit, and capital market related challenges. Much of the credit for the positive performance is due to the quantitative analysis and good expense controls. Since the fund is still relatively young it has yet to achieve its intended target size of \$1M.

Strengths

- + Positive operating results since June 2017 launch
- + Strong diversity in the portfolio
- + Quantitative analysis working well

Weaknesses

- Some recent deterioration due to a tech companies recession
- Foreign exchange/equity investment earnings volatility

FINANCIAL RESULTS

Since its inception in June 2017, the Fund has posted returns oscillating between -1.8% and +27.86%; returns on Energy and Information Technology are, respectively, a strong 27.10% and 23.28% as the Fund benefitted from significant unrealized gains on its equity investments.

Overall, those first months performance aren't indicative of the Fund's performance potential, particularly if the Fund's equity investments continue to perform well. Hence, overall, the results thus far are encouraging.

- Over the mid to long term (approximately 2-5 years) targeted annual asset returns are 5%. Assuming continued solid portfolio performance, this target appear to be achievable.
- Hopefully the Fund will grow rapidly since inception. It was \$200,000 as of June 20, 2017, and is aiming to grow to \$1M+ by April 2018.

- This level of asset inflows should support continued positive returns as well as the achievement of targeted rates, provided the growth does not significantly diminish portfolio quality.

Figure 1: Financial Highlights

	June 20, 2017	October 31, 2017
Total assets value (\$)	\$200,197.39	\$210,945.17
Portfolio (\$)	\$199,335.97	\$210,586.42
Cost of positions (\$)	\$199,285.30	\$180,154.17
Cash (\$) – \$19,500 Gone in crypto*	\$50.67	\$1,340.67
Total liabilities (\$)	\$861.42	\$0
Available for purchase (\$)	\$0	\$358.75
Total equity (\$)	\$199,335.97	\$180,154.17
Net income (\$)	\$0	\$29,091.58

*The crypto portfolio is not available to public

Figure 2: Monthly Return

口座ステータス	Active
デイトレード回数 (直近4営業日内)	0
パターンデイトレーダー判定	いいえ
デイトレード可能口座	はい
オプション取引権限	0
入金予定額	0.00
当日開始時点の口座状況	
未受渡金	0.00
お預り資産評価額	209,840.08
お預り金	1,340.67
オプション評価額	0.00
当日開始時点買付可能額	1,340.67
オプション取引余力	1,340.67
当日開始時点買付可能額	1,340.67
リアルタイム口座状況	
お預り資産評価額	210,588.34
お預り金	1,340.67
オプション評価額	0.00
日計り信用余力	1,340.67
オプション取引余力	0.00
リアルタイム買付可能額	1,340.67
約定金額合計(保有分)	180,154.17
評価損益	29,091.58
当日取引損益	0.00

Figure 3: Performance Compared to Benchmark

口座ステータス	Active
デイトレード回数 (直近4営業日内)	0
パターンデイトレーダー判定	いいえ
デイトレード可能口座	はい
オプション取引権限	0
入金予定額	0.00
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Financials:

Gauthier Nagai Asset: **+19.99%**
 Benchmark (S&P 500): **+13.32%**

Utilities:

Gauthier Nagai Asset: **-5.34%**
 Benchmark (S&P 500): **-0.27%**

Industrials:

Gauthier Nagai Asset: **+14.71%**
 Benchmark (S&P 500): **+12.93%**

Health Care:

Gauthier Nagai Asset: **+13.58%**
 Benchmark (S&P 500): **+6.76%**

Consumer

Discretionary:

Gauthier Nagai Asset: **+16.43%**
 Benchmark (S&P 500): **+13.95%**

Consumer

Staples:

Gauthier Nagai Asset: **-0.03%**
 Benchmark (S&P 500): **+3.79%**

Telecommunication

Services:

Gauthier Nagai Asset: **+5.67%**
 Benchmark (S&P 500): **+2.13%**

Information

Technology:

Gauthier Nagai Asset: **+23.28%**
 Benchmark (S&P 500): **+20.81%**

Energy:

Gauthier Nagai Asset: **+27.10%**
 Benchmark (S&P 500): **+15.64%**

GNA's portfolio beats the S&P 500 in 7 out of 9 sectors.

TOTAL GROWTH* (in \$): +27.86%

TOTAL GROWTH (in ¥): +29.32%

*with crypto portfolio

Figure 4: Performance Summary

	YTD	1 year	3 years	5 years	10 years	Since inception
Return (%)	+27.86					+27.86

Figure 5: Earnings Indicators

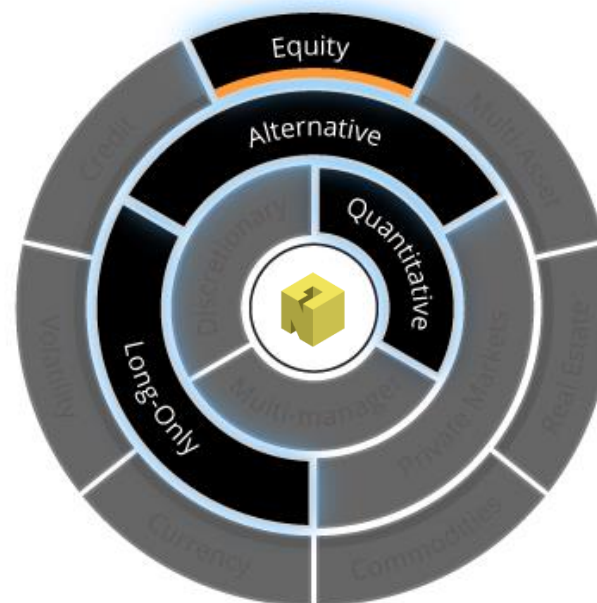
	Jun 2017	Jul 2017	Aug 2017	Sep 2017	Oct 2017	Nov 2017	Dec 2017
Portfolio income (%)	+0.29	+1.03	-0.64	+2.20	+2.99	+7.62	+14.37

EARNINGS QUALITY

The Fund has experienced positive, but varied results since inception. Earnings were supported by \$29,091.58, after rebalancing, in unrealized gains on equity investments – a sign the Fund is off to a good start. MicroRate notes however that equity investments can be a volatile earnings source.

- The Fund’s “core” 2017 profitability is of 17.59% (based solely on the interest earnings generated by the Fund’s investments net of operating expenses, as a percentage of total assets).
- As the Fund’s plans call for continued growth in assets under management (the Fund is only 20% of the way to its target size of \$1M), this growth trend should continue to improve over the near term.
- The Fund has experienced moderate losses relating to Utilities companies investment. The decision to realize some gains on existing equity contracts is an indication that the Fund may have decided to reduce the overall level of Utilities stock hedging (perhaps due to continued strengthening of emerging market currencies against the U.S. dollar and the euro).

Figure 6: Business Model



Risk

Rationale

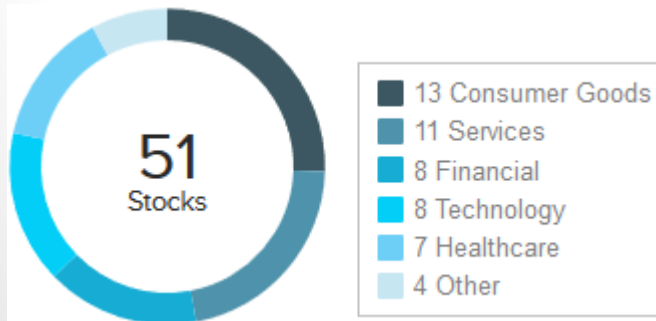
The Fund benefits from lower than average risk, an absence of debt, and good liquidity. On the other hand, the fund is subject to redemption risk and has the ability to incur significant open local currency risk. Overall, this equates to an above average risk score.

Strengths

- + Lower overall risk compared to peers
- + Payment performance track record (zero defaults to date)
- + Good liquidity position
- + Absence of short/long term debt gives Fund investment flexibility

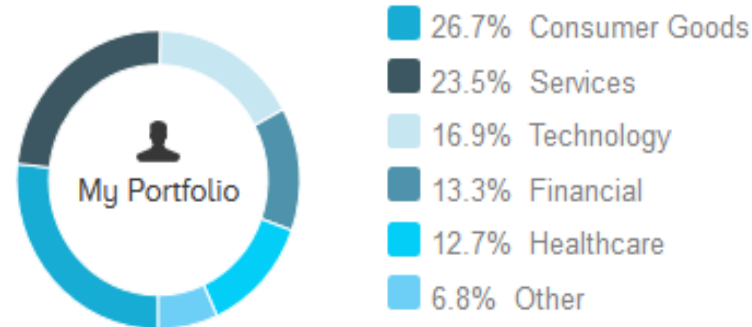
Weaknesses

- Redemption risk
- Potential local currency risk

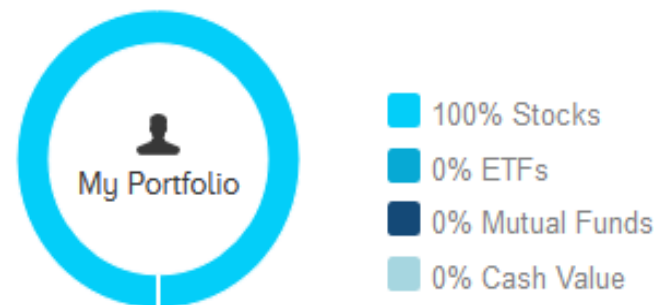


PORTFOLIO COMPOSITION

Stock Allocation (Stock Distribution by Sector)



Asset Allocation (Stocks, ETFs & Mutual Funds)



PORTFOLIO RISK

The Fund primarily targets larger, well established institutions with successful track records as commercial funders.

- The weighted average financial strength rating (FSR) of the Fund's MFI stocks is β , which indicates moderate institutional credit risk.

0.98

My Portfolio Risk (Beta)



0.98


 My Portfolio Risk

Most Volatile Stocks

Beta

1. Ameriprise Financial (AMP)	1.51
2. Prudential Financial Inc (PRU)	1.48
3. Seagate Tech (STX)	1.47

1.05

 Nasdaq Average Portfolio Risk

Most Volatile Stocks

Beta

1. Advanced Micro Devices (AMD)	1.51
2. Bank of America (BAC)	1.46
3. Netflix (NFLX)	1.43

LEVERAGE

To date, the Fund has not employed the use of leverage. As an open-end fund with no debt or unfunded commitments and positive earnings to date, the Fund maintains a strong capital position (accumulated net subscriptions and retained earnings).

Nasdaq Average Portfolio

44.16

23.72

My Portfolio

0 100