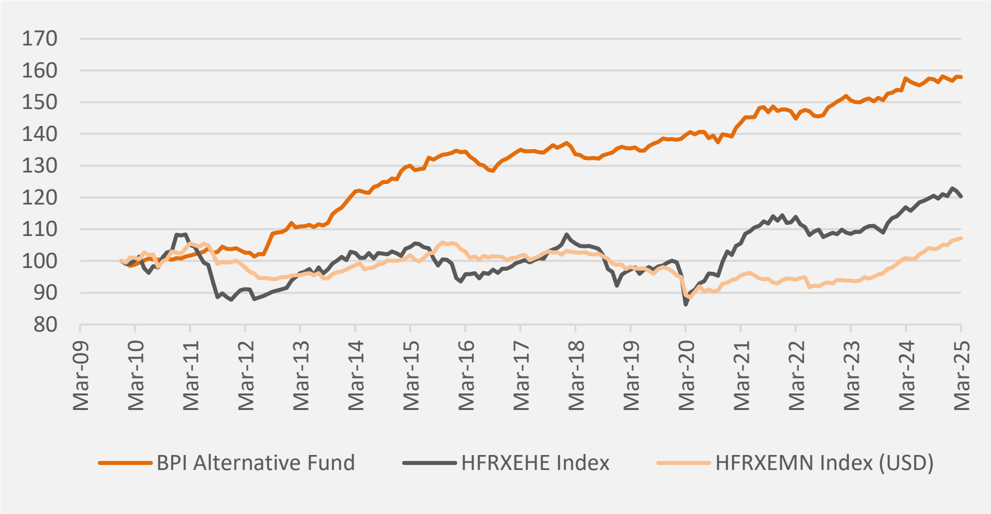
QUARTERLY FUND REVIEW – MARCH 2025

BPI ALTERNATIVE FUND

IBERIAN EQUITIES LONG/SHORT

PERFORMANCE REVIEW



In the first quarter of 2025, BPI Alternative went up 36bps.

The main contributor of the quarter came from the Financials sector with +68bps. The performance was positive both in global banks and domestic banks segment, which were helped by a small positive net exposure as the sector performed strongly in the quarter. In globals, our long in Santander did slightly better than our in short BBVA/Sabadell. Santander presented 4Q24 results which came 13% above consensus at net income level with beats across the board specially in Spain, UK and Brazil. For 2025, it guided for a ROTE pre-AT1 at 17% which means bottom line growth vs 2024. Santander expects to return €10bn to shareholders through share buybacks (SBB) in 2025-2026, which means an additional €3.5bn vs ordinary payout that already includes a SBB component. BBVA also presented 4Q24 results ahead of expectations, but it may have been hurt with instability in Turkey after the arrestment of Istanbul mayor and uncertainty in Mexico with US tariffs.

The second main contributor was the Telcos sector with 65bps due to the outperformance of our long in NOS vs short in Telefonica. NOS presented another excellent set of results with telcos top line growing by 7.2% with the step up supported by the strong evolution of business segment. EBITDA after leases accelerated growth rate from c.6% in 9M24 to c.11% in the 4Q24. The company maintained the €0.35/share recurrent dividend and announced an extraordinary DPS of €0.05, meaning a >10% dividend yield (share price reference day prior to earnings release).

It's also worth highlight the performance of the cyclical stocks with +43bps mainly due to the good performance our long in Indra. The company went up with the strong news flow around Europe's necessity to increase its investments in defense. More specifically, the European Commission proposed a plan to invest €800bn in Defense including the suspension of fiscal rules to allow countries to raise defense spending by 1.5% of GDP. Additionally, in Germany it was approved a historic package to boost defense and infrastructures spending.

FUND INFORMATION

Manager:
Pedro Maruny

Fund AUM (€):
344.6 Million

Share Class:
Class I

Minimum Investment:
No Minimum Subscription Amount

Inception Date:
January 2010

Fee Structure:
Management Fee: 1.5%
Performance Fee: 20% annual above high watermark from €STR

Bloomberg Code:
BPAIELI LX Equity

ISIN Code:
LU0784437740

The main detractor was the Utilities sector with -96bps, entirely justified by the underperformance of our longs in EDPR and Acciona Energia vs the short in their holding companies, EDP and Acciona. EDPR presented worse than expected 4Q24 results and didn't give a guidance for 2025. EDP results were a touch better mainly on net debt. At EDP's conf call, the management which is the same of EDPR was forced to provide a guidance for EDPR, due to a strong share price meltdown. On Acciona, the results from the construction division were strong and confirmed a better outlook for infrastructures vs renewable's energy.

The second worst performance came from air exposed stocks with -44bps as our longs in HBX, recently IPOed, and in IAG underperformed our short in Amadeus. We participated in HBX Group IPO that is an IT company exposed to travel business through hotels intermediation, which we believe was listed at an interesting valuation. Nevertheless, the stock price was not able to hold the IPO price with some news of potential slowdown in travelling. For example, some American airlines revised downwards its 2025 expectations on the back of softness in domestic segment. At the end of the month, Virgin Atlantic Airways stated that it was seeing some signs of weakness for transatlantic flights. This news, particularly the latter, strongly affected IAG that drop by more than 26% just in March.

As for changes in the quarter, besides the new long position in HBX, we reverted our position in Unicaja to short and in BCP to long. Unicaja's share price had a strong performance with the 2025-2027 strategic plan where the bank guided for cumulative net income of €1.6bn in the period and an yearly payout >85% (60% dividends and >25% in buybacks) and we thought that risk reward was then more compelling in BCP.

We reverted Logista to short after the company revised downwards its 2025 guidance from mid-single digit to "in line" vs 2024.

We reverted our long position in Puig to short and to balance that bought shares in a basket of consumer discretionary exposed stocks. A German beauty retailer issued a profit warning due to a marked slowdown particularly in Germany and France, which together with signs of consumption weakness already witnessed in the US led us to change this position. Historic data shows data fragrances, Puig's main business, have a more cyclical profile vs another beauty segments.

INVESTMENT CASE

JERÓNIMO MARTINS

In the 2Q23, we presented a short case on Jeronimo Martins as back then we believed that the stock price has rallied too high considering that some of the drivers leading the climb were not sustainable. In Poland, the company's main geography, inflation had sky-rocketed with supply chain constrains and the invasion of Ukraine which was helping LfL sales but started to strongly hit volumes from 1Q23 onwards.

Not without some pain, our case proved to be right and between the end of 2Q23 and October 2024, when we reverted this position to long, Jeronimo Martins share price dropped by around 30%. Food inflation in Poland has strongly reverted from >15% in 2023 to c1.5% in 2024 (adjusted for VAT decrease on basic products) and at the same time, Lidl, one of Jeronimo's main competitor, started an aggressive marketing and pricing strategy with the aim of gaining market share. Biedronka, Jeronimo's brand in Poland, responded assertively with the aim of maintaining market perception on being the cheapest retailer in the country and dropped prices by more than the overall market which has put its basket inflation on negative ground. Simultaneously, the overall inflation, mainly wages inflation continued to put opex under pressure which meant an EBITDA margin contraction of 100bps.

In October 2024, ahead of 3Q24 results we believed that the share price dropped has been excessive and that some signs of stabilization were being seen, mainly with Polish food inflation trend reverting from -0.5% in 2Q24 to +1.5% in 3Q24 (VAT adj). Also, in the 2H24, the drop in Biedronka's EBITDA margin stabilized and was more or less in line the 1H24, despite some fears that it could have been worst.

In the 1Q25, the company will face a difficult comparable basis mainly due to the calendar effect as in 2024 with had a leap year and easter was in March, which is particularly relevant in Poland. For the rest of the year, comparable basis will be much easier on volumes and recent food inflation data shows a reacceleration of prices. As a reminder, Biedronka has been adding new space in Poland every year which has been contributing to sales growth of around 3/4% per year and intends to open new 130/150 stores in 2025. In this scenario, with LfL returning to positive figures and space growth contribution, we think that despite the company's more prudent message, EBITDA margin could remain stable in 2025 and that we will see again absolute EBITDA growing in Poland, reaching new all-time highs.

As for other geographies, we believe it's worth highlight Colombia that continues to face a difficult macro environment that is hurting LfL evolution but in which Jeronimo has been able to stop the bleeding at EBITDA level that turned positive in 2024. Ara, Jeronimo's banner, has repositioned itself to fit better with consumer's purchasing power which continues to give a strong future optionality in case that Colombia's economy starts to revive.

Jeronimo Martins continues to have a solid balance sheet with a net cash position of around €700mn. With operational and financials setting to improve throughout the year and trading at around 18x 2025 earnings with decent growth, we believe that it's worth to be invested in this quality company.

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- The KIID(s) in French language can be obtained free of charge on request from the French centralizing agent

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- The German information agent and paying agent is BNP Paribas Securities Services S.C.A. Frankfurt branch, Europa-Allee 12, 60327 Frankfurt, Germany
- The prospectus, the annual and semi-annual reports and the management regulations in English language can be obtained free of charge on request from the German information agent
- The KIID(s) in German language can be obtained free of charge on request from the German information agent

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