EQUAM Global Value Fund

Third quarter report for 2020

Good results reported by our companies.

The companies in our portfolio have reported what we consider a very solid set of results. Despite the economic activity staying hibernated for most of the first half, 91% of our portfolio has achieved positive ebitda* and 37% has even improved their operating profit over the previous year.

This positive evolution has reinforced our confidence in our portfolio, and we believe that in situations like the current one it is important to remain patient until the market settles down and recognizes the value of our investments.

Incometric Fund - EQUAM Global Value is a mutual fund managed with a value investing methodology. We intend to compound our capital through long-term investment in companies with solid businesses that we can acquire at a discount to their Intrinsic Value. We also seek to protect our capital investing only in situations where the risk of permanent capital loss is low. We do not aim to second-guess short term market movements but rather acquire interests in sound businesses at excellent prices.

The Fund has an unconstrained mandate that allows us to deploy capital in companies active in regions and sectors where we can find the best investment opportunities. However, we are currently focusing our idea generation efforts in the European Small & Mid Cap arena.

We, the General Partners have invested most of our net worth in the fund and our interests are entirely aligned with those of our partners and co-investors.

EQUAM Global Value is a UCITS IV vehicle and can be invested into throughout most leading financial intermediaries using AllFunds, Inversis, Fundsettle and other platforms.

* *Ebitda pre-IFRS16, calculated including lease expenses.*

First half results reported by our companies.

During the first half, more than 90% of our investments have reported a positive ebitda and 75% has generated operating cash flow.

The companies in our portfolio have reported their results for the first half. These results allow us to gauge their ability to sustain a severe and unexpected shock. The situation has been extremely negative during this period since the measures taken to stop Covid have kept most people at home for months and the negative economic impact has been severe. In most western economies, GDP has contracted at rates that had not been seen in peacetime.

We have always highlighted that one of our main criteria for the selection of stocks is the predictability and resilience of their revenue and income streams. We think this is the best way to reduce the risk of investing in listed equities. In an uncertain world, we try to look for stability and predictability.

The current scenario has been a good test bench for our portfolio. Though a small number of our investments have suffered significant stress and have needed to resort to the market, the great majority of our investments have had a strong performance, considering the current situation.

As first half results came in, our confidence in the quality of our portfolio and its ability to recover kept increasing. Now, after all companies have reported their results, we can summarize the following conclusions:

- 37% of our portfolio has increased their ebitda margin with respect to the previous year. We have been very positively surprised by the large number of companies improving their results over the past year. In our previous report we classified 49% of our investments as little or not affected by the current crisis but were not expecting such a big proportion of companies even improving their performance.

- 91% of our companies have achieved a positive ebitda during the first half of the year. We were also surprised by the high proportion of companies reporting an operating profit during the first half, because the crisis has been so sharp that that we expected several companies reporting losses. The help provided by

Governments has certainly helped cover the labor costs during the period in which people could not go to work, but what has been most remarkable is the companies capacity to adjust to the new situation, cutting unnecessary costs. The second derivative to this adjustment will become visible when the situation starts to recover, since our companies will improve their revenues with a lighter cost structure that will allow for a significant recovery in profitability over the past business cycle.

- Just 9% of our portfolio has reported negative ebitda over the first half; two oil services companies (KLXE and Franks), DFS Furniture and Rieter.
- The companies that we considered most affected in our previous report, DFS, Mitie, KLXE and Rolls Royce have all announced some kind of transaction to reinforce their position.

37% of our portfolio companies have improved their results during the lockdown months.

Despite the reduction in profitability of some of our companies, the leverage position of the portfolio remains at very moderate levels. Only three companies have more than 3x net debt to ebitda. Two of them (Mekonomen and Intertrust) were over that threshold before the pandemic due to recent acquisitions. Piaggio has increased its leverage ratio from 1.9x to just over 3x in June due to the reduction in profits, but since May the sale of motorcycles has improved very significantly and we this higher ratio will be temporary. The rest of our investments maintain very healthy leverage ratios.

We believe that the results reported by our companies are quite good, and we expect a swift recovery when the pandemic is under control. Our companies have just suffered a 4% average reduction of revenues and a 10% reduction in ebitda. Considering the exceptional situation we have been going through, we think these are very satisfactory results.

However, the price evolution of our companies has not been as good as we could have expected with this set of results. The fund's NAV has fallen by 24% year to date, which we think is not justified by the results of the portfolio. A 10% fall in profits during an exceptional semester does not imply that the value of an investment is 10% lower, and neither does it imply an even deeper 24% fall in value. Value is dependent on the capacity to generate profits in the coming years, and we believe that this capacity remains present in the companies of our

portfolio. Those of our companies that have seen their profitability reduced during these months will recover quickly once the pandemic is under control and the extraordinary measures taken have been relaxed, in part thanks to the cost cutting measures implemented by the companies.

The valuation discrepancies have been exacerbated with the pandemic.

As a result of the share price reduction over the year, the multiples at which our companies are trading are very depressed, with an average of around 6.5x last twelve month ebitda (therefore including the full impact of the pandemic). This valuation is excessively low for companies that are performing well, that have very low leverage and good growth prospects for the coming years. And this is especially true if we compare the figure to the more than 20x valuation at which the large European and American companies are trading. The following table, which we already presented in our previous report, shows the valuation disparity

Valuation disparities in the European Market

Megacaps EUR			Compañías Equam		
	EV Ebitda	FCFy19		EV Ebitda	FCFy19
SAP	21,2x	2,2%	RHI Magnesita	5,0x	13,8%
ASML	36,2x	1,9%	Navigator	9,5x	11,4%
LVMH	15,4x	3,1%	Cementir	5,9x	15,6%
Loreal	18,5x	3,1%	Mondadori	6,7x	18,9%
Air Liquide	12,5x	2,5%	Takkt	7,1x	17,3%
Experian	22,6x	2,5%	TI Fluids	5,1x	19,2%
Nestle	14,2x	3,6%	Neurones	5,4x	10,5%
Richemont	23,1x	3,1%	Prosegur Cash	6,8x	15,1%
Givaudan	26,8x	2,3%	Mekkonomen	7,9x	14,1%
	21,2x	**2,7%**		**6,6x**	**15,1%**

The good performance of most of our companies is supported by long term trends, rather than the short term impact of the pandemic.

For all these reasons we continue to think that this is a very good time to invest in a fund like Equam. We do not know how the recovery will take place, whether it will be quick when a vaccine is approved or the virus stops propagating, or it will be slow, due to the economic damaged derived from lockdowns. What we do know is that the best way to protect capital is to keep it invested in a portfolio like ours, which owns businesses that can grow, that have stable revenues and trade at low multiples.

We should also bear in mind that the main rescue tool used by Governments has been the unprecedented creation of new money. This has allowed to temporarily contain the short-term damage of lockdowns to families and businesses, but it will certainly dilute the purchasing power of the money which was

already in circulation. A good way to protect capital from the loss of purchasing power of money is to invest in sound listed companies.

Investments which had a positive evolution.

In the following paragraphs we will briefly highlight the results of those of our companies that have had the best performance in the first half.

Euronav, our oil tanker company, has multiplied its ebitda by a factor of 3.5x. The bottleneck in crude storage capacity led oil futures prices to negative levels but also sent vessel day-rates soaring, with the consequent increase in profits for these companies. In six months, Euronav has obtained an ebitda equivalent to 1/5 of its enterprise value. We think this high profitability will be temporary so we have sold more than half of our position.

Brodrene Hartmann, our Danish producer of moulded fiber egg and fruit packaging products has increased its ebida by 87% on the previous year. Demand for its products has increased by 20% due to both the increase in egg consumption and to other long-term trends like the conversion of oil-based plastic products towards molded fiber. Brodrene is also increasing capacity in its Missouri (US) and European factories. We believe that the long-term trends that benefit the industry together with the investments made by the company will sustain a high rate of growth and good profitability in the coming years.

Hornbach, our DIY company based in Germany has also benefited from a significant increase in demand, and its ebitda has grown by 60% over the past year. One of the unexpected consequences of lockdowns is that consumers have increased their expenditure in home maintenance, leading to an increase in demand for DIY products around the world. Additionaly, the company had been investing for several years in a new online delivery service which has been helpful during lockdowns.

Sarantis, our Greek company that produces and sells cosmetic and household products has also performed nicely, with a 36% increase in ebitda. Demand for cleaning products and

specifically for trash bags has increased during the pandemic. We expect the company to continue growing in the coming years after its increases in capacity and the acquisition of new businesses with particularly good potential.

Admiral, the UK motor insurance company, has increased its profit before tax by 28%. This is thanks to a lower loss ratio during lockdowns and to its international businesses, which have started to contribute with positive profits. The outlook for the insurance business is quite positive. We have seen several companies reporting a hardening of the insurance market.

Sol. As we expected, this industrial gas company based in Italy has had a good performance, with a 20% increase in ebitda. Not only has demand for certain gases increased during lockdowns, but also the home care division Vivisol, which provides oxygen home services, maintained its trend of structural growth.

Sesa, an Italian value added software reseller and system integrator, has also maintained the good profit growth rate which had started before the pandemic. Its ebitda has grown by 16%.

Portfolio companies that were most affected by the crisis.

In our first quarter report we made a preliminary analysis of the impact of the crisis on each of our companies. As we anticipated then, the most affected companies have been those related to aerospace, like Rolls Royce, and those that have exposure to oil or to retail commerce (like DFS Furniture).

In July we sold Rolls Royce to avoid a potential rights issue… which finally happened.

Rolls Royce, the UK manufacturer of engines for widebody aircrafts, invoices its clients, the airlines, based on the number of hours they fly their planes. Planes have been grounded for several months and Rolls Royce's revenues have fallen dramatically. We decided to sell our shares in the company in July, after their first half results. Rolls reported a significant consumption of cash and we foresaw a slow recovery for long haul flights, and thus believed that the company could be forced to do a rights issue to restore its balance sheet and obtain the necessary liquidity.

This rights issue has been announced recently and, as we expected, it has had a negative impact on the share price of the company (since we sold the price has fallen by 40%). Despite avoiding this recent fall, we have suffered a loss which represents around 2.5% of the fund's NAV this year. Rolls Royce was on a sound recovery path and its cash generation outlook for the coming years was particularly good, but its business has now been severely affected by the pandemic. It was impossible to predict an event like this would happen, but it once again highlights the importance of diversification.

DFS Funiture is the UK leader in the production and sale of sofas. With a market share of around 35% DFS achieves substantial economies of scale that make it the most profitable company in its sector. This position of dominance has not been enough to avoid losses during the first half of the year. DFS was not able to deliver sofas during lockdown so it could not invoice them either. In this situation the company decided to place new shares to obtain 64m£ and improve its liquidity. The placement was quite successful, with a 16% premium over the previous day closing price successful. We participated in this transaction with a lower share than our investment because the placement was oversubscribed, and we were not allocated all the shares we requested. After the opening of shops, the company has recovered very well and since June new orders are significantly above last year's. Additionally, some of its competitors are struggling after the lockdown, and this situation may help DFS reinforce its market share.

KLXE, the US based oil services company, burnt a small amount of cash during the second quarter (after no cash burn for the first quarter). At the current cash burn rate the company may be able to wait for one or two years for the sector to recover. To reinforce its position it has merged with Quintana Energy Services, a competitor that was debt free. KLXE represents a 0.6% of our portfolio.

We participated in DFS Furniture share placement and in the Mitie's rights issue.

We have also participated in the rights issue announced by Mitie. The results reported by the company were not especially bad, considering the impact of lockdowns. However, considering the reduction in profits, the team decided to raise funds both to restore its balance sheet and acquire its competitor Interserve.

After these transactions, the companies which were most affected have either restored their balance sheet or been sold.

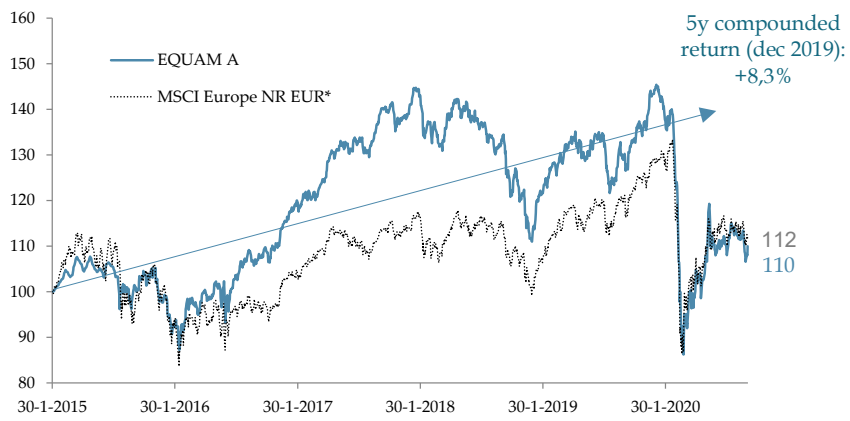
The rest of our companies have also taken measures to reduce costs and to adjust to this new situation. Some of these cost savings will remain over time, and when the economy finally recovers from the pandemic we expect to see a significant improvement of profitability. The technology revolution that is currently underway allows companies to substitute labor costs with automated processes which are much more efficient. The crisis has accelerated this transition in many of our companies and we believe that in the next business cycle or companies will obtain a higher profitability.

NAV evolution

As a consequence of the recent drop we have lost the overperformance versus our comparable indices, but we are convinced we will get back to our historical performance once the situation normalises..

During the third quarter, Equam has achieved a 1.3% return, which is slightly better than the MSCI Europe (+0.1%) and Eurostoxx (+0.6%). Year to date, however, our fund has underperformed the market (falling by -24% compared to -13% of the main indices) and we have lost the overperformance gap we had accumulated. At the end of 2019 we had achieved a healthy 8.3% compounded return, which is notably better than the indices. After this year's underperformance, our return is similar to indices – including dividends - at around 2% compounded return.

Equam NAV evolution since launch.



* *MSCI Europe Net Return in Euro, assuming reinvestment of dividends after withholding taxes.*

We think that our negative performance this year will be temporary, and that when the market settles down and has a better perspective over the economic outlook, we will recover the good evolution that we had been achieving until the end of last year.

Our portfolio is trading at a significant discount to the market and to multiples that our companies deserve. If our internal target price of each position were reached, the fund would produce a 114%, which is much higher than the 60% average upside potential since launch.

The funds potential is currently at máximum levels.

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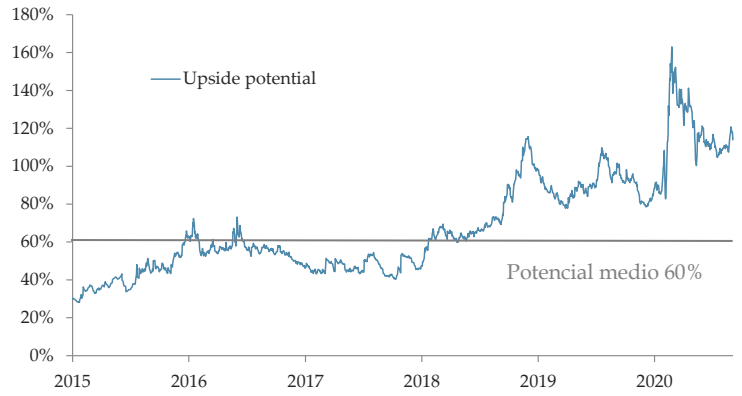
Equam upside potential

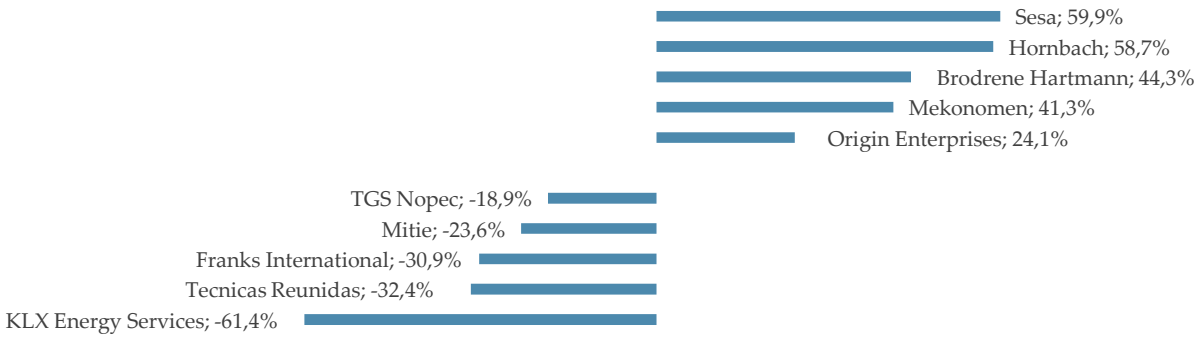


Portfolio highlights.

After our new investments and divestitures, we hold 39 positions in our portfolio and 1% liquidity, which is similar to previous quarters.

The following table shows the evolution of the best and worst performers during the third quarter. Oil related companies have clearly underperformed the rest. They have suffered a double impact, because at the same time demand fell at record rates due to lockdowns and production was increased in the market share war initiated by Russia and Saudi Arabia. We maintain a positive view on the sector and believe the underperformance is not justified.

Best and worst performers during the third quarter.



Apendix I: EQUAM portfolio.

Company	Country	Weight	Value Base Case
Arnoldo Mondadori	Italy	4.5%	Book publisher trading at a discount
Prosegur Cash	Spain	4.2%	Cash in transit present in Spain & Latam
TAKKT AG	Germany	4.1%	Factory and office materials wholesaler
TGS-NOPEC	Norway	4.1%	Countercyclical niche oil services player
Intern. Engelska Skolan	Sweden	4.1%	Stable and growing school company 8% FCFy
Smart Metering Systems	United Kingdom	4.0%	Profitable growth in smart metering market
RHI Magnesita	United Kingdom	3.9%	Turnaround in refractory materials
MITIE Group	United Kingdom	3.9%	Turnaround in UK facility management
TI Fluid Systems	United Kingdom	3.2%	Undervalued auto parts company
Neurones	France	3.2%	High growth, well managed IT company
DFS Furniture	United Kingdom	3.1%	Leading British manufacturer of furniture.
SOL	Italy	3.1%	Italian Industrial gases and home care.
Wilh. Wilhelmsen	Norway	3.0%	Norwegian shipping holding
Mekonomen	Sweden	2.9%	Auto part distribution in the Nordics.
Navigator	Portugal	2.9%	Lowest cost pulp and paper manufacturer at low valuation.
Total top 15		**54%**	
Total portfolio		**99%**	
Liquidity		**1%**	
Total fund		**99%**	

EQUAM Global Value, FCP

EQUAMVA LX
110.39€
30 September 2020

Description

EQUAM Global Value invests in a diversified portfolio of companies with clear business models and solid capital structure when they trade at a significant discount to their intrinsic value. We are patient, long term investors.

EQUAM Global Value is subject to strict risk management and diversification parameters to minimise the risk of permanent loss of capital. Our investment portfolio is the result of a thorough analysis, investing only in situations with quantifiable and limited downside and with asymmetric risk return profile, where upside potential exceeds significantly downside and stress test scenarii. In the absence of compelling investment opportunities, we are able to hold cash patiently.

EQUAM Global Value is a Luxembourg - domiciled UCITS fund. EQUAM Capital is the registered financial advisor to the Fund, and is devoted exclusively to the research and analysis of potential investments for the Fund.

Main holdings & performance

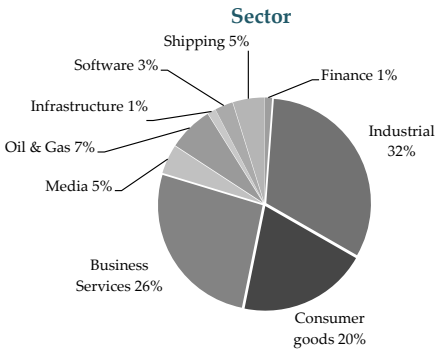
Company	Weight
Arnoldo Mondadori Editore S.p.A.	4.5%
Prosegur Cash SA	4.2%
TAKKT AG	4.1%
TGS-NOPEC Geophysical Company ASA	4.1%
Internationella Engelska Skolan i Sverige Holdi	4.1%
Smart Metering Systems PLC	4.0%
RHI Magnesita NV	3.9%
MITIE Group PLC	3.9%
TI Fluid Systems plc	3.2%
Neurones SA	3.2%
Total Top 10	**39.1%**
Total Equities	**99.5%**
Cash positions	**0.5%**

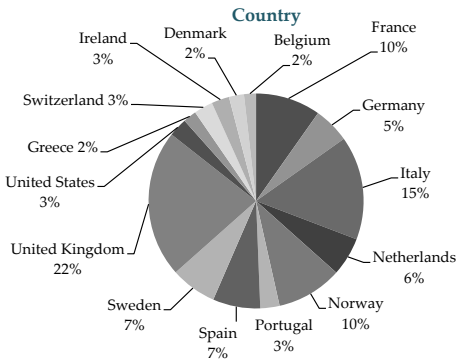
Fund upside potential	114%	Positions	39

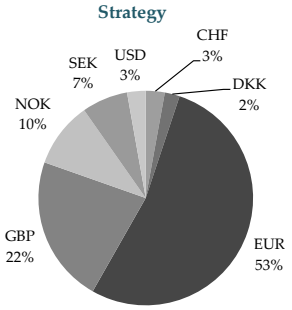
Performance vs indices	EQUAM A	MSCI Europe NR**	Stoxx 50 NR**	Equam vs MSCI
1 month	-2.0%	-1.4%	-1.6%	-0.5%
3 month	1.3%	0.1%	-2.3%	1.2%
2020 YTD	-24.1%	-12.7%	-12.7%	-11.4%
2019	27.2%	26.0%	27.4%	1.2%
2018	-18.8%	-10.6%	-10.2%	-8.2%
2017	21.7%	10.2%	9.2%	11.5%
2016	17.1%	2.6%	0.6%	14.5%
2015	-1.1%	0.9%	-0.3%	-2.0%
Inception	**10.0%**	**12.3%**	**9.5%**	**-2.3%**
Inception annual	**1.7%**	**2.1%**	**1.6%**	**-0.4%**

** Return since inception exclude initial 15 days in which the fund was not invested.*
*** NR indices assume dividend reinvestment after withholding tax.*

Portfolio summary

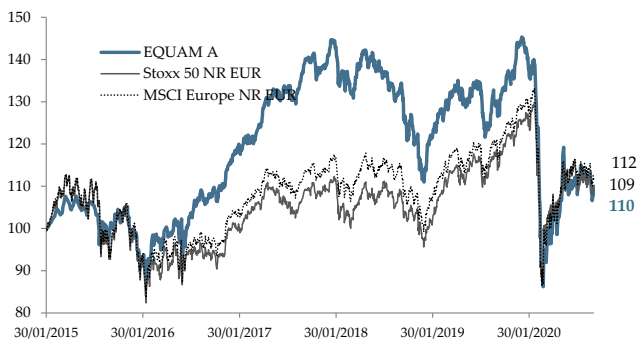




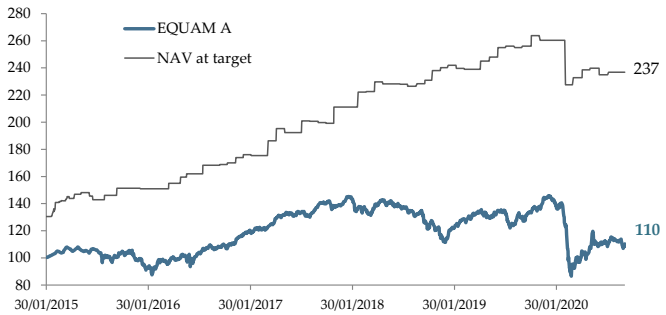


NAV evolution and portfolio data

EQUAM Global Value Class A (Rebased to 100)



EQUAM Global Value Class A vs NAV at target valuation



Incometric Fund - Equam Global Value

Bloomberg (Class A)	EQUAMVA LX
ISIN Class A	LU0933684101
ISIN Class D	LU1274584991

Registered in Spain	CNMV number 587
Fees Class A	1% NAV and 8% profit
Fees Class D	1.25% NAV (min 1 MEUR)

Fund Advisor	Equam Capital
Management Company	ADEPA (Lux)
Custodian	KBL (Lux)
Transfer Agent	European Fund Admin.