EQUAM Global Value Fund

Quarterly Report September 2022

Good results, falling prices.

During the third quarter the companies in our portfolio reported very good results. Most of them have raised selling prices to compensate for inflation and have improved their revenues and profits. However, both the market in general and our investments have suffered a sharp drop in share prices due to the tightening of monetary policy.

This divergence between portfolio value, which is rising, and market prices, which have fallen, offers an outstanding investment opportunity that will protect against inflation and provide very good returns for patient investors.

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.

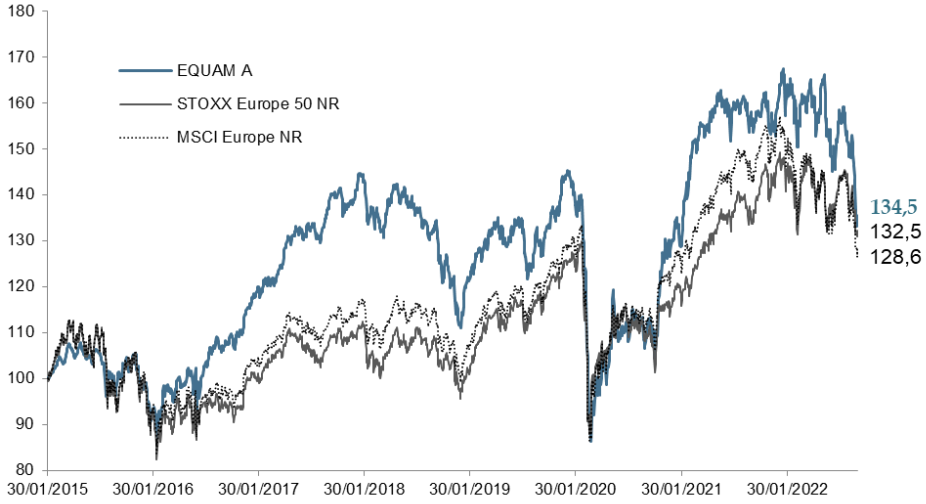
EQUAM Global Value is a UCITS IV vehicle and can be invested into throughout most leading financial intermediaries using AllFunds, Inversis, Fundsettle and other platforms.

Recent performance of the Fund.

Market corrections intensified during the third quarter as central banks raised interest

During the third quarter the fund's NAV performed negatively, and is down by 9%, worse than the MSCI European index, which fell by 4%. Since Equam's launch in 2015 we continue to outperform comparable indices with dividends by 6%. Our outperformance in the long run has been achieved despite the underperformance of European mid-cap value stocks over the past years, where we focus most of our investments.

Equam Performance vs. Comparable Index



** Source: Factset. MSCI Europe Net Return in Euros, assuming dividend reinvestment, net of withholding taxes..*

As we will see throughout the report, the FED has embarked on a somewhat tighter monetary policy and markets have responded negatively.

When monetary policy tightens, especially after so many years of extreme laxity, markets always react with drops. Monetary tightening leads to lower available liquidity, so those players whose liquidity dries out must sell whatever they can sell. They don't sell what they should but what is liquid and so the market falls without discrimination.

Despite these drops, as we explain below, the results of our companies during the first half of the year were generally very good. Companies are demonstrating their ability to raise selling

prices to offset rising costs and volumes continue to grow as well.

The portfolio's strong performance and falling share prices offer an excellent investment opportunity to protect against the

With lower prices and better results, companies have become even cheaper. There is obviously a risk that the impact of interest rate normalization and the sharp rise in prices may have a negative impact on the economy and on the demand for products and services. We think there may be some slowdown in demand for some quarters, but we believe that i) our portfolio has a relatively low degree of exposure to the cycle and ii) in no case does this potential temporary recession justify such excessively low valuation levels.

Macroeconomic and price cycles.

Our Equam team has long decided that the best asset to invest in, if you have patience and a long-term horizon, are equities. It is the asset that best protects savings in all scenarios, despite its volatility and erratic short-term movements. It also offers the best real return, discounting inflation. Over the last 122 years, global equities have offered an average annual real return of 5.3%, plus inflation. This return is higher than any other liquid asset.

Unfortunately, this return is not linear. There are good years when the market is up and bad years when the market falls, and only those who remain patient throughout the full cycle can gain access these superior returns.

As we anticipated in previous quarterly reports, after almost 15 years of injecting liquidity into the economy, inflation is here to stay.

Precisely this year there has been a very significant change in the investment environment, in the economic and monetary cycle, and this year is bad for the stock market. After almost 15 years in which tens of trillions (10^{12}) of euros, dollars, pounds, and yen have been injected into the economy, created out of thin air in "Quantitative Easing" programs, inflation has finally arrived. The spark that has set everything off, the war in Ukraine and its consequences on energy prices and logistics costs, is the catalyst, but the ultimate cause of inflation is the creation of money by central banks.

That is why the FED has begun a cycle of rate hikes not seen in living memory. It has raised rates by 0.75% at each of its recent meetings, reaching 3.25% in September, and has commented that rates will reach 4.6% within a year and that it no longer sees a drop in inflation as possible without a recession. The market response has been, expected, very negative and there has been a generalized fall in stock markets and fixed income.

Inflation in the European Union is even higher than in the US, reaching 10.1%. However, the ECB has kept rates at negative or zero until this past summer, when it raised rates twice in July and September, leaving rates at 1.25%, far below US levels in any case.

The difference in real rates between the US and Europe has caused the dollar to rise from 1.14 €/$ to 0.96 €/$ in the first nine months of the year. This will have a further negative impact on inflation in the Euro zone, because Europe will have to add to more expensive imports due to the inflation the impact of buying in a more expensive currency.

With inflation, rising rates and abrupt changes in exchange rates, it is not surprising that stock markets have undergone a sharp correction. The Fed is going to raise rates until inflation is contained, and we believe this is the right thing to do, but in return we are suffering a temporary decline in asset prices and will most likely experience a contraction in economic activity in the coming months.

We believe that despite being painful in the short term and arriving too late, rate normalization is desirable and healthy from a medium/long term perspective, as it will progressively eliminate the various distortions created in the economy and in the markets and will avoid prolonging a situation that as time goes by will become increasingly unsustainable.

In this context, it is true that this rate normalization will most likely increase volatility in the market for a period, but we believe that it will be a good catalyst to end the valuation divergence that currently exists between the different types of

assets (value vs. growth or fixed income). In fact, this normalization process has already started, although for now mainly on the side of stronger falls in the share price of growth companies and not so much on the revaluation of value companies, which are still trading at an excessively low valuation level.

On the other hand, the possible recession derived from the normalization of monetary policy will be just one more and will pass, as the previous ones have. The economy will recover, and stocks will rise strongly since, as we mentioned, the share price of many of the companies already reflect very negative scenarios. The companies in our portfolio have been selected to withstand a recession and come our of it stronger.

What a wise investor should do.

In this scenario, with inflation hovering at around 10% and the prospect of a recession, some investors sell their equities and prefer to keep their savings in the bank or in fixed income, to avoid temporary price falls. At Equam we are convinced that investors should keep their savings invested in real assets. If investors needs those assets to be liquid, then equities are the only option. Disinvesting and moving savings to deposits or fixed income, for fear of falls, is very risky in this environment. Likewise, those who have liquidity at this time should design an investment plan in equities to protect themselves from inflation.

Equities have historically demonstrated their ability to better protect wealth in inflationary environments such as the one we are currently experiencing.

History is full of examples in which the savings of families and companies, invested in public debt or deposits, were consumed by inflation with no possibility of recovery. On the other hand, throughout history, stocks have at least allowed the saver's purchasing power to be maintained.

The following charts show the performance of the ETF that replicates the MSCI Argentina in local currency and in dollars. Inflation in Argentina has been above 40% per year for the last 5 years. The performance of this ETF gives us an idea of the

ability of equities to preserve purchasing power. As the chart on the left shows, the stock market in local currency, in Pesos, has performed spectacularly, with an average annual increase of 47% per year, and has been able to offset the negative effect of inflation. The graph on the right shows the performance of the same ETF in dollars and represents the investor's real return. During this period, the investor has been able to obtain an annual return of 4.4% in dollars, which is higher than inflation in that currency.

We believe that a hyperinflation scenario such as the one in Argentina is not likely in the US or Europe. With these charts we only intend to show the capacity of equities to compensate for inflation and obtain real returns in the long term.

All this, knowing that in short periods of time the stock market falls, and the sense of loss is greater than in fixed income. But equities recover. The loss of purchasing power of fixed income does not recover.

MSCI Argentina ETF in Pesos

ETF MSCI Argentina in Dollars

Equam's portfolio offers an exceptional investment opportunity to protect from inflation and achieve an adequate real return. Our companies have been selected because their business model or market position gives them the ability to capture rising prices, because their debt is low and they can withstand a rate hike, and because they are very cheap.

After the good half-year results and the market declines, our portfolio has never been so cheap. We think the last quarter of the year will offer exceptional opportunities to invest in our fund.

Our portfolio as the optimal alternative.

During the third quarter, portfolio companies have been reporting their results for the first half of the year and we have seen how our predictions about their ability to pass cost increases to selling prices have materialized.

During the first half of the year, our companies have demonstrated their ability to raise prices and most of them have presented very positive results.

In previous reports we grouped our investments according to how we thought they could protect us against inflation:

- **Commodity companies** whose selling prices are directly linked to inflation.
- **Companies with a dominant position** in a niche market, able to pass on prices due to a good competitive position in their industry or companies that have long-term contracts linked to inflation.

The results presented by our companies have confirmed our analysis. In a first half of the year in which inflation has been above 10%, logistical problems have directly affected production and energy and raw material costs have risen sharply, our companies have been able to raise selling prices to compensate for cost inflation and thus maintain and even improve margins. In many cases, business volumes have improved despite the significant price increases. Our companies are showing their ability to increase prices, which reinforces our confidence in a portfolio that will protect us from

inflation if it persists over time. Below, we summarize the performance and evolution of the main companies in each category. The companies included in the following comments represent more than 50% of the portfolio.

Commodity-related companies.

We have seen a very significant increase in cash generation from commodity-related companies. **TGS,** which offers seismic services for oil exploration, has quadrupled sales of its image libraries (late sales) and almost doubled its ebitda to $300m in the first half alone. Despite these exceptional results, it accumulated a 5% drop in the second quarter.

Navigator, the world leader in the sale of UWF paper, also reported record results, with sales up 60% and ebitda more than doubling compared to the previous year, reaching €345m in the first half. With high cash generation, it has further reduced its debt to a ratio of 0.95x ebitda. With FCF of around €340m over the last twelve months and a market capitalization of €2,500m, Navigator offers a free cash flow yield (FCFy) of 13.6% and yet its share price fell by 11.5% in the second quarter.

Similarly, **Cementir**, which specializes in white cement and has a relevant presence in Scandinavia, the US and Turkey, reported sales growth of 22% thanks to the price increases it has implemented. EBITDA also grew by 15.9%, more than recovering the increase in energy and logistics costs. After investments, the company generated €92m in cash in the last twelve months, which, with a capitalization of €845m, represents an FCFy of 10.9%. Despite its excellent performance and attractive valuation, it has also fallen this quarter by more than 15%.

Other companies related to raw materials such as **Origin**, whose revenues and operating profit have grown by 41% and 96% respectively, and which trades at 25% FCFy, or **RHI Magnesita**, which has presented sales and ebitda growth of more than 30%, have also fallen in the stock market.

It is worth noting the exponential growth in revenues at **Expro and KLXE**, which are oil services companies for offshore and shale production respectively. These two companies are taking advantage of an unprecedented increase in demand due to the need to produce oil and gas in the USA to cover what Europe will not be buying from Russia. It is foreseeable that demand for US produced oil and gas will continue to grow, especially after the sabotage of the Nordstream, which linked Russia to northern Europe.

Companies with Dominance on their niche or indexed contracts.

This group of companies also presented exceptional results for the first half of the year.

Prosegur Cash, a company that is a net beneficiary of the inflationary process, because the demand for cash transport has increases with higher prices, has presented a 28% growth in sales and an improvement in ebitda of 33%. Finally, in Latin America, its largest market, business volumes are growing, and local currencies are rising simultaneously, which has a very favourable impact. The company trades at 9% FCFy (on current earnings, which are still in a clear recovery phase, as evidenced by the performance of the last few quarters).

Mondadori, the Italian book publisher, has also improved its revenues by 6% and its ebitda by 32%. It has a stable business, with market shares of over 25% in the various niches in which it operates. Despite the quality of the business, its excellent performance in the first half of the year and the fact that it trades at an FCFy of 14%, it has fallen by more than 11% in the last three months.

Takkt. This German company, which distributes consumables for other companies, has performed exceptionally well in the first half of the year. Its sales rose by 18%, or 13% excluding acquisitions, mainly due to price increases. EBITDA grew by 30%, with a margin improvement of 0.9 points from 9.3% to

10.2%. Excluding working capital movements, which are very volatile in this company, the company generates €70m of free cash flow and its capitalization is €610m, a FCFy of 11%. Despite this excellent performance and its very low valuation, Takkt's share price fell by almost 40% in the first half of the year.

Applus, the Spanish ITV and certification company, also reported sales growth of 17%, of which 8.6% was organic. Operating profit grew by 21% and its margin improved from 9.5% to 9.8%. With such good results, Applus has fallen by 30% in the quarter. After generating more than €80m in the last 12 months, including working cash outflows, it offers a return of more than 10% on a capitalization of €800m. Excluding the extraordinary working capital impact of this period, which is justified by the recovery of the business after the Covid period, the FCF yield is close to 14%.

The Italian industrial gases company **SOL Spa** reported sales growth of 22% in the first half, up 19.5% organically. Operating profit grew by 14%, despite the sharp rise in electricity and transportation costs, which are its main expense items. Excluding the cash outflow due to the increase in working capital and the capex for growth in the calculation, Sol has generated more than €120m in the last twelve months, which with a capitalization of €1,400m represents 8.5% of FCFy (and more than 12% if we exclude growth investments), which is extraordinary for a company of this quality.

For its part, **SMS**, the British company that installs and rents electricity smart meters, reported a recovery in the volume of new installations and sales growth of 21%. This growth is due to new installations and the start of a new battery peak power management business, which is proving to be more profitable than the company expected. We think that revenue growth is set to accelerate further when rent update clauses come into effect in April 2023, as inflation in the UK is in the region of 10%.

Similarly, **Neurones**, the IT services company, reported sales and operating profit growth of 13% and 22% respectively. It generated ebit of €69m in the last twelve months and still has

€232m in cash, with a capitalization of €770m. Despite its acceleration in growth, Neurones fell 11% in the third quarter, trading at 7.7x EV/EBIT, an abnormally low level considering the quality of the business and its historically strong financial performance.

Companies that have disappointed with their results.

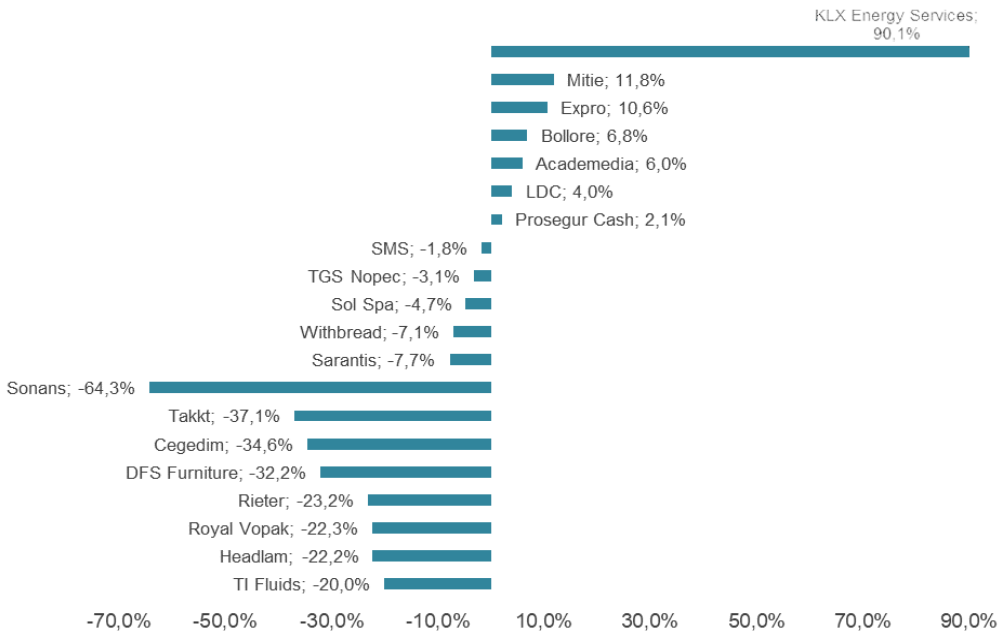
The results of **Lumi,** a Norwegian company dedicated to university and high school education, have shown disappointing results. Demand for university education has fallen this year due to the full employment situation in Norway. In addition, students' preference for online learning after the pandemic has led to a further drop in the number of face-to-face students, and their campuses have suffered low occupancy rates. Although revenue from online services grew by 35%, it was not enough to offset the loss of face-to-face revenue, so operating profit fell by 23%. The share price has fallen 60% in the last month, which seems disproportionate but understandable, considering that other companies that have presented exceptional results have fallen at double-digit rates. This company has a 0.4% weight in the portfolio, and we think it will recover over time.

Cegedim has also disappointed the market. In this case, its intensive investment in R&D projects has contributed to reducing the margin from 4.5% to 2.5%. The company has suffered a 28% fall in its share price since publication, but we think that when it completes its R&D projects, profitability will recover, and the share price will rise. The company has increased capital in its French medical software division (Cegedim Santé), bringing in two health insurance companies and raising €65m in exchange for an 18% stake. This transaction values Cegedim's stake in this division alone (which represents only 15% of the company's sales) at €296m and the company's capitalization is €200m.

Portfolio situation and fund potential.

After the transactions we have made during the year 2022, we have 40 companies in our portfolio.
In the first half of the year, we sold our positions in **Euronav** and **Orsero** as they had reached our internal price target, with a revaluation since the first purchase of 131% and 68% respectively. As a result of these divestments, the level of liquidity has increased compared to previous quarters to around 4%.
The following table shows the performance of the best and worst companies in the portfolio during the quarter.

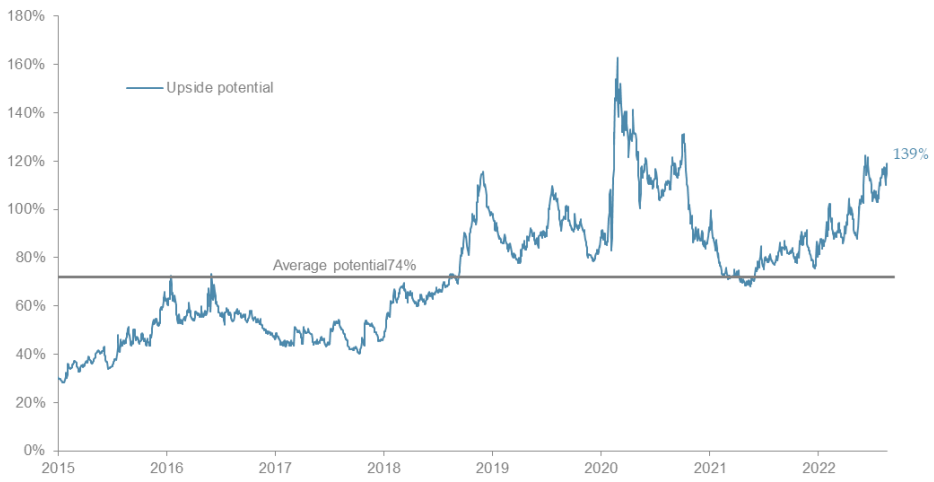
Best and worst performing companies in the second quarter



After the recent falls and the changes made to the portfolio, the fund's potential has returned to peak levels, standing at 139% at the end of the half year, compared to an average potential

since launch of 74%.

Fund potential



Appendix I: Largest portfolio positions

Company	Country	Weight	Description
TGS ASA	Norway	5.5%	Intangible assets for oil exploration. Net cash.
Mondadori	Italy	5.4%	Italian oligopoly in book distribution.
Prosegur Cash	Spain	5.3%	Cash transport oligopoly in Spain and Latin America.
APPLUS SERVICES	Spain	5.1%	Technical and vehicle inspection services.
DO & CO	Austria	4.6%	Catering for airlines in recovery phase.
Elecnor	Spain	4.2%	Energy concessions and maintenance services.
Expro Group	EE. UU.	4.0%	Exploration and production services. Net cash.
Dalata	Ireland	3.7%	Irish hotel group in turnaround.
TI Fluid Systems	UK	3.7%	Leading manufacturer of automotive fluid hoses.
AcadeMedia	Sweden	3.6%	Swedish education sector. Cyclical, political situation.
RHI Magnesita	UK	3.4%	Thermal protection of furnaces. Exposure to raw materials.
Navigator	Portugal	2.8%	Lowest cost paper producer in the industry.
SMS	UK	2.8%	Installation and management of smart meters.
SOL	Italy	2.7%	Storage and distribution of industrial and medical gases.
Royal Vopak	Netherlands	2.7%	Chemical storage.
Total top 15		**59.4%**	
Total porfolio		**96.1%**	
Liquidity		**3.9%**	
Total		**100%**	

EQUAM Global Value, FCP

EQUAMVA LX
135.02€
30 September 2022

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

Fund upside potential 139% Positions 40

Company	Weight
TGS ASA	5.5%
Arnoldo Mondadori Editore S.p.A.	5.4%
Prosegur Cash SA	5.3%
APPLUS SERVICES S.A.	5.1%
DO & CO Aktiengesellschaft	4.6%
Elecnor S.A.	4.2%
Expro Group Holdings N.V.	4.0%
Dalata Hotel Group Plc	3.7%
TI Fluid Systems plc	3.7%
AcadeMedia AB	3.6%
Total Top 10	**45.0%**
Total Equities	**96.1%**
Cash positions	**3.9%**

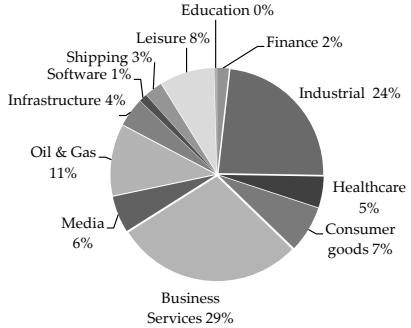
Performance vs indices	EQUAM A	MSCI Europe NR**	Stoxx 50 NR**	Equam vs MSCI
1 month	-10.5%	-6.3%	-4.7%	-4.2%
3 month	-9.4%	-4.1%	-2.9%	-5.2%
2022 YTD	-16.4%	-17.4%	-10.6%	1.0%
2021	23.6%	25.1%	26.1%	-1.5%
2020	-10.4%	-3.3%	-6.3%	-7.1%
2019	27.2%	26.0%	27.4%	1.2%
2018	-19.2%	-10.6%	-10.2%	-8.6%
2017	21.7%	10.2%	9.2%	11.5%
2016	17.0%	2.6%	0.6%	14.4%
2015	-1.1%	0.9%	-0.3%	-2.0%
Inception	34.5%	28.6%	32.5%	5.9%
Inception annual	3.9%	3.3%	3.7%	0.6%

** Return since inception exclude initial 15 days in which the fund was not invested.*

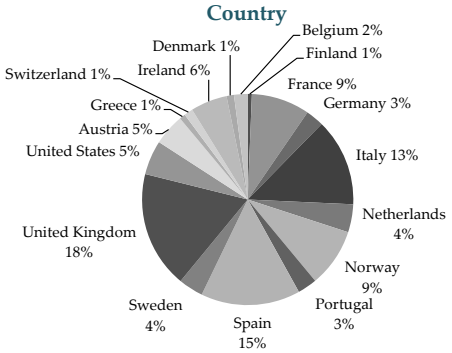
*** NR indices assume dividend reinvestment after withholding tax.*

Portfolio summary

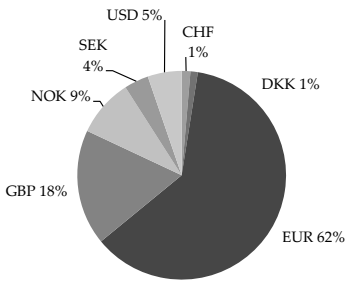
Sector



Country

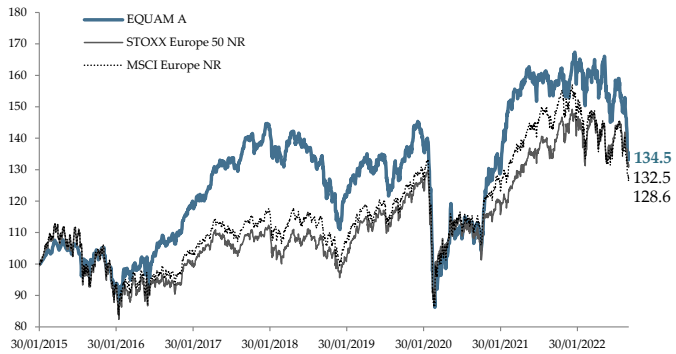


Strategy

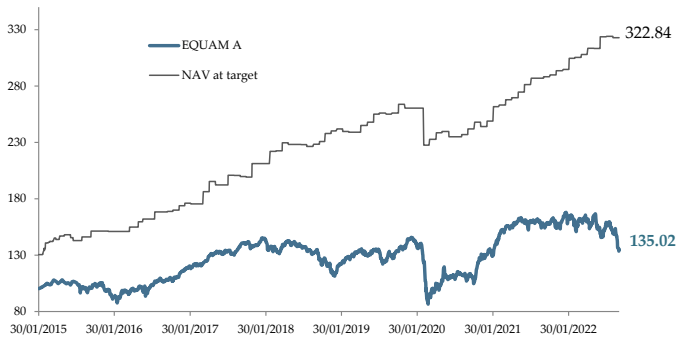


NAV evolution and portfolio data

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 B	LU0933684283
ISIN Class D	LU1274584991

Registered in Spain	CNMV number 587
Fees Class A	1% NAV + 8% profit
Fees Class B	1.85% NAV
Fees Class D	1.25% NAV (min 1 MEUR)

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