EQUAM Global Value Fund

Fourth quarter 2022 report

Investing in an inflationary environment

The year 2022 has confirmed that the inflation that started in 2021 is here to stay and that central banks will respond with tighter monetary policy. This situation favours our companies, which have already demonstrated throughout the year their ability to protect us from inflation by passing on cost increases to their selling prices and maintaining low debt, which is appropriate for higher interest rates. In addition, their businesses are low cyclical and will not be greatly affected by a possible recession.

The portfolio trades at exceptionally low valuation ratios, so we believe that investing in the fund currently is a very good opportunity.

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.

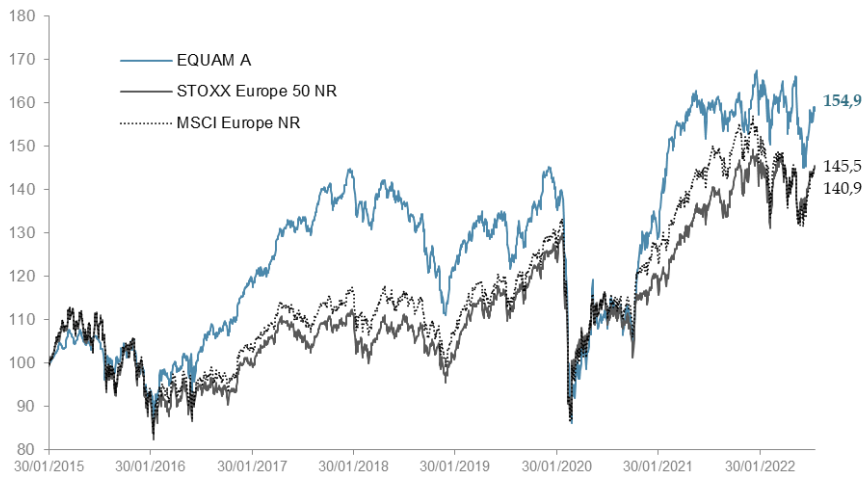
Equam recent evolution.

The year 2022 was marked by a sharp correction in a large number of investment assets, the consolidation of inflation and the start of interest rate normalisation.

In 2022, the main stock markets experienced significant falls. Global markets (MSCI World Index) fell by more than 17%, European indices fell by around 10%, the S&P500 fell by around 20% and the NASDAQ by around 33%. Fixed income markets also performed very negatively, with very large declines because of the rise in interest rates. Against this backdrop, our fund closed 2022 with a more moderate fall of 3.7% thanks to the return of value investing to investor focus.

Taking a longer-term perspective, the fund's average annual return since inception is 5.7%, outperforming our comparable indices including dividends by 1.3% per annum.

Equam performance vs. Comparable Indices



We believe that inflation is here to stay and that it will not be as easy to control as we were initially led to believe.

We look to the future with optimism despite all the current uncertainties. We are invested in companies that are not dependent on inflated expectations of future growth and profitability, which have been the norm in recent years for many of the quoted companies because of artificially manipulated low interest rates by central banks. The companies in our portfolio are currently large cash generators trading at very attractive valuations and we are therefore convinced that share prices will reflect this value sooner or later.

Current economic situation.

2022 has been a year marked by two issues, firstly, the confirmation that the inflation that started in 2021 was not going to be temporary as central banks initially tried to make us believe, and secondly, the start of the normalisation of monetary policy to combat this inflation, which arose precisely as a consequence of the lax monetary and fiscal policies maintained over the last few years, both by central banks and governments.

There is currently a debate as to whether central banks will be able to control inflation quickly and we could see interest rate cuts again in 2023 or early 2024. We are sceptical about this possibility. History shows that inflation, once triggered, like toothpaste coming out of a tube, is difficult to control. On the other hand, neither the fiscal policies pursued by Western governments, nor the aggressive imposition of an accelerated energy transition help to this goal.

We have already commented in the past on the pernicious effect these policies have had on the valuation of different assets, producing, in our view, certain valuation bubbles that will inevitably adjust as interest rates normalise. For this reason, we believe that, although it is true that the normalisation of interest rates could generate a temporary recession in the world economy in the short term, this is positive from a longer-term perspective, since if it really consolidates, it will put an end to the artificial distortion in the valuation of different types of assets and to the unproductive investments that occur in an environment of practically free money.

Equam's portfolio.

In recent quarters we have seen companies report good results, ahead of 2019 for the most part....

Over the last three years we have experienced extraordinary events that have had a major impact on society and the economy, including a pandemic, logistical problems, a return to inflation after a long period of relatively stable prices, the war in Ukraine, the increase in interest rates after many years of extraordinarily low interest rates etc. .... This combination of elements could lead us to maintain a negative perception regarding investments and to think that the impact on the results of listed companies has been negative and, therefore, that there has been a loss of value for these companies. However, if we look at the performance of the results of the main companies in the portfolio, we can see that the reality is far from this negative perception.

As we can see in the following table, most of the companies in the portfolio have managed to adapt to all these different adversities and will in many cases achieve results that are superior (and in several cases significantly superior) to those achieved in the last fiscal year prior to the pandemic. This contrasts with the behaviour of share prices in the market during the same period, where almost all experienced significant falls. On the other hand, in those companies that have not yet managed to recover their results, share price declines have been excessively large, out of proportion to any fair value of the businesses.

Financial Results vs Share Price 2019-22

Weight	Company	Increase/Drop EBITDA '19-'22	Variation share p° '19-'22
5.5%	MONDADORI	29.0%	-11.7%
5.3%	Applus	6.20%	-45.6%
4.7%	TGS	18.2%	-58.1%
4.5%	EXPRO	-3.20%	-48.8%
4.4%	PROSEGUR CASH	-12.7%	-56.6%
4.2%	RHI MAGNESITA	-4.10%	-42.9%
4.2%	TI Fluid Systems plc	-17.2%	-51.5%
4.1%	elecnor	15.8%	-1.80%
4.1%	DOLCO	69.4%	8.6%
4.1%	DALATA HOTEL GROUP PLC	12.3%	-37.3%
3.1%	AcadeMedia	33.2%	-19.7%
3.1%	Wilhelmsen	17.8%	55.2%
2.9%	smsplc	45.1%	40.5%

(1) EBITDAs corresponding to the financial year 2019 and estimate for 2022.
(2) Change in share price from 31/12/2019 to 31/12/2022.

... and yet prices have undergone a sharp correction in the period, leaving the portfolio at a very attractive valuation.

This combination of good results and sharp falls in share prices has led to the valuation level of the companies being at historically low levels. The table below shows the FCF yield (cash generated by the business divided by the market capitalisation of the business) for the main portfolio companies. The average level of the fund's share price measured as FCF yield is currently 12.6% (equivalent to a P/CF of 7.9x).

Valuation of Equam companies

Weight	Company	Description	FCF yield
5.5%	MONDADORI	Italian oligopoly in book distribution.	15.5%
5.3%	Applus	Technical and vehicle inspection services.	12.5%
4.7%	TGS	Intangible assets for oil exploration. Net cash.	12.5%
4.5%	EXPRO	Exploration and production services. Net cash.	12.0%
4.4%	PROSEGUR CASH	Cash transport oligopoly in Spain and Latin America.	15.3%
4.2%	RHI MAGNESITA	Thermal protection of furnaces. Exposure to raw materials.	17.0%
4.2%	TI Fluid Systems plc	Leading manufacturer of automotive fluid hoses.	15.0%
4.1%	elecnor	Energy concessions and maintenance services.	10.5%
4.1%	DONCO	Catering for airlines in recovery phase.	10.0%
4.1%	DALATA HOTEL GROUP PLC	Irish hotel group in turnaround.	14.5%
3.4%	Vopak	Chemical warehousing.	9.0%
3.1%	AcadeMedia	Swedish education sector. Cyclical. political situation.	13.5%
Portfolio averge			12.5%

It is true that if the economy were to slow down because of interest rate hikes, these results could temporarily deteriorate, but we believe that this scenario is more than discounted given the current share price, especially given the low cyclicality of our businesses.

On the other hand, thanks to the good performance of their businesses and their strong balance sheets, our companies are generating very high cash levels that are allowing them to distribute extraordinary payments in the form of dividends or share buybacks. In this regard, many portfolio companies have announced plans for share buybacks or extraordinary dividends in addition to those already made at the end of 2021 and the beginning of 2022.

Extraordinary shareholder remuneration plans 2022

	Initial plan	Additional plan	Yield*	% fund
dfs	80m programme (£25m treasury stock purchase. £25m extra dividend £25m ordinary dividend £30m).	New share buyback of £10m	19.30%	2.5%
Origin Enterprises PLC	40m purchase of treasury shares and €40m ordinary dividend of €14m.	New share buy-back of €20m	14.50%	1.7%
Applus+	First 5% capital purchase programme and €17m ordinary dividend.	New share buyback (5% capital)	14.00%	5.3%
headlam group plc	Purchase of treasury shares £15m. Extraordinary dividend £15m and ordinary dividend €14m.		13.40%	0.7%
The Navigator Company	Extraordinary dividend of 100m€ and ordinary dividend of 50m€.	Extraordinary distribution of reserves for €150m	12.00%	2.2%
TAKKT AG	Extraordinary DPA of 0.5€ and ordinary of 0.6€.	Share repurchase of 3% of share capital	10.20%	1.6%
mitie	Share buy-back of £50mn and dividend of £20mn		7.50%	1.8%
Admiral	Dividend per share £1.87		7.30%	1.8%
Prosegur Cash	Share buyback of €15m	New share buy-back of €10m	7.20%	4.4%
Neurones	Extraordinary DPA of €2 for a total of €48.5m and stable ordinary dividend for the next few years		5.60%	1.7%
cellularline	€2mn share buy-back		4.80%	1.7%
all for one Group	Share buyback of €5.5m		4.50%	1.5%
Mondadori	Reintroduction of dividend (ordinary DPA €0.085)		4.40%	5.5%

We have a portfolio that is well protected against inflation and a potential recession and ...

In the context we have been describing, we believe there are three key elements to consider when deciding which companies to invest in:

- Inflation. It is essential to analyse the ability of companies to pass on the cost increases they are experiencing to their selling prices.

- Risk of a possible recession or slowdown in the economy. Look for companies that are relatively non-cyclical orhave more than discounted the potential impact on results of a possible economic slowdown.

- Interest rates. The rise in interest rates by central banks will have a greater impact on companies with higher leverage and a worse debt structure with variable rates and short duration.

Regarding the inflation and cyclicality of the portfolio, we believe that overall, we are invested in companies with a high

ability to pass on prices to their customers and with a relatively low level of cyclicality as we can see in the table below:

Equam portfolio exposure to inflation / recession

Weight	Company	Bussines description	Inflation protection	Recession resilience
5.5%	MONDADORI	Publication of books and magazines		
5.3%	Applus	Technical and vehicle inspection services		
4.7%	TGS	Seismic exploration for the petroleum sector		
4.5%	EXPRO	Exploration and production services. Net cash		
4.4%	PROSEGUR CASH	Cash transport oligopoly in Spain and LATAM		
4.2%	RHI MAGNESITA	Manufacture of refractory products		
4.2%	TI Fluid Systems plc	Leading manufacturer of fluid hoses for the automotive industry		
4.1%	elecnor	Energy concessions and maintenance services		
4.1%	DO&CO	Catering services		
4.1%	DALATA HOTEL GROUP PLC	Irish hotel network		

... with a financial structure appropriate to the current situation of rising interest rates.

From the point of view of debt, the level of leverage is low, with some of them maintaining a level of net cash. In the current context, in addition to the level of debt, it is important to analyse the debt structure, checking the amortisation schedule and whether the interest rate structure is fixed or variable to reduce risks in an environment of rising interest rates. As we can see in the table, our companies maintain a low level of leverage, with a large part of their debt at fixed interest rates and a sufficiently long amortisation schedule. Only in the case of Applus, the percentage of variable interest rate debt is somewhat higher, but in this case, it is a company with a high cash generation capacity and therefore with the possibility of deleveraging quickly.

Debt structure Equam portfolio companies

Weight	Company	% variable debt	Net debt /EBITDA	*Covenant*	Av. Interest rate	Av. maturity
5.5%	MONDADORI	30.00%	0.98x	3.25x	0.78%	4 years
5.3%	Applus	61.00%	2.7x	4.0x	1.79%	4 years
4.7%				Net cash		
4.5%	EXPRO			Net cash		
4.4%	PROSEGUR CASH	29.60%	2.1x	3.5x	2.25%	4 years
4.2%	RHI MAGNESITA	30.00%	2.7x	3.5x	2.25%	4 years
4.2%	TI Fluid Systems plc	46.60%	2.1x	No	3.50%	5 years
4.1%	DALATA HOTEL GROUP PLC	34.20%	1.9x	4.0x	3.55%	3.5 years
4.1%	DOLCO	33.00%	2.1x	3.5x	2.25%	4 years
3.4%	Vopak	31.00%	2.93x	3.75x	2.83%	5 years
3.1%	academedia	100%	0.7x	3.75x	2.50%	5 years
2.2%	THE NAVIGATOR COMPANY	7.00%	0.56x	3.5x	1.50%	3.2 years
1.9%	ABInBev	6.00%	3.3x	No	4.00%	16 years

Value and Price.

Applus, the second position in our portfolio, is another clear example of the strong divergence between share price and intrinsic business value that has occurred in recent years.

In a previous quarterly report, we tried to show the divergence that occurs in the market between the quoted price of companies and the real value of the businesses through the example of the main investment in our portfolio, the Italian book publishing group Mondadori. We return to the same idea, commenting on the case of our second portfolio company, the Spanish company Applus.

Applus offers inspection, certification, and laboratory services with operations worldwide through four divisions: industry and energy (52% of sales), vehicle inspection (25%), vehicle homologation - Idiada (13%) and laboratories (9%). It is a relatively stable business, with recurring revenues secured by

long-term contracts and strong cash generation due to low capital expenditure needs. After a few quarters of declining activity during the lock-down due to the Covid pandemic, the company has gradually recovered its revenues and profitability and 2022 results should already be above the 2019 ones. In addition, the company has managed to reduce its exposure to the oil sector in recent years, reducing the weight from 51% in 2016 to 25% today.

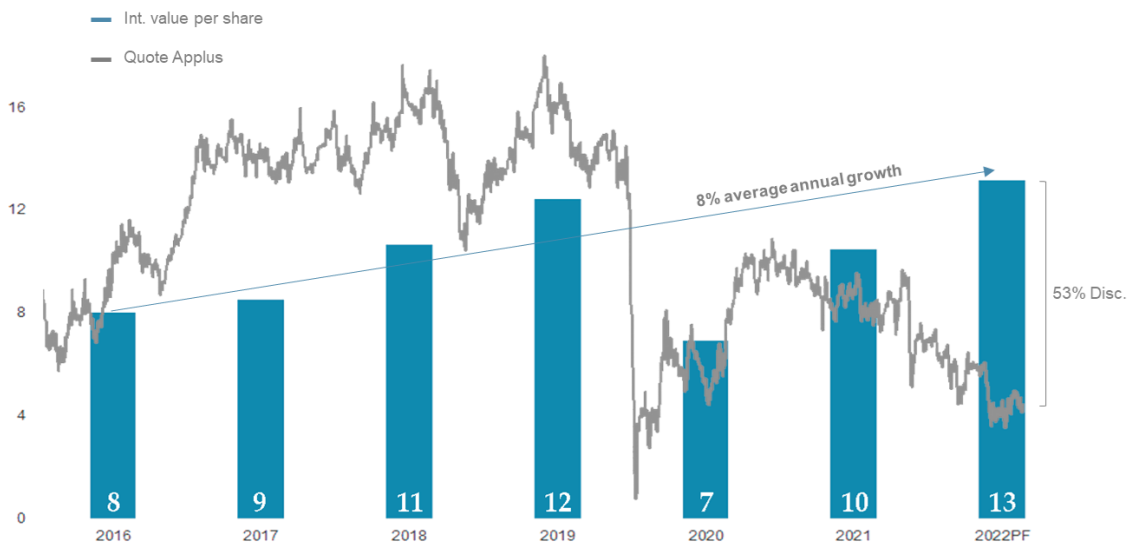
Applus financial performance

euros k	2016	2017	2018	2019	2020	2021	2022E
Sales	1.587	1.583	1.676	1.778	1.558	1.777	2.100
EBITDA	187.9	187.3	218.0	240.9	165.4	225.7	265.7
margin EBITDA	*11.8%*	*11.8%*	*13.0%*	*13.5%*	*10.6%*	*12.7%*	*12.7%*
Net debt	602.2	523.0	509.9	474.0	544.1	607.5	650
Net debt /EBITDA	*3.20x*	*2.79x*	*2.34x*	*1.97x*	*3.29x*	*2.69x*	*2.45x*

Against this backdrop, the company's share price has been erratic and the company has gone from trading at levels of 10/11x EV/EBITDA in 2016/17 to the current levels of 5.5x EV/EBITDA. This current ebitda multiple represents a discount of almost 50% to the multiples at which comparable companies in the sector are trading (above 10x EV/EBITDA). And all this for a company that has a much better business profile than 6 years ago and a lower level of debt.

The following chart shows the evolution of the share price versus the evolution of an estimated value per share of the company over the last six years (based on a very conservative multiple of 8x EV/EBITDA). According to this analysis we estimate that the company is currently trading at a discount of more than 50% of what would be a conservative valuation of the business.

Price per share vs. Applus Intrinsic Value



	2016	2017	2018	2019	2020	2021	2022PF
EV/EBITDA implied	*10.23x*	*11.00x*	*8.39x*	*8.41x*	*10.69x*	*7.58x*	*5.49x*
Price premium (discount) vs. intrinsic value	21.2%	32.3%	-9.1%	-8.4%	29.7%	-22.6%	-53.5%

Changes in the portfolio.

Over the course of 2022 we have made few changes to the portfolio. We have preferred to stay invested in companies that we know well and that remain highly undervalued.

During 2022 we have made few changes to the portfolio. As we have seen, the companies are trading at very attractive valuations, and they are quality businesses with strong balance sheets that we know well because we have been following them for several years. Therefore, although we have analysed many companies that could become part of the portfolio at any time, we have preferred to be patient and not make any major changes.

Thus, during 2022 we have only made one new investment in the chemical and energy storage company Vopak and sold Orsero (a fruit and vegetable distribution company) and Euronav (oil transport) as the share price had reached our valuation level. What we have done is to adapt the weighting of the different companies in the portfolio according to the variation in the share price, taking advantage of the volatility of the market throughout the year.

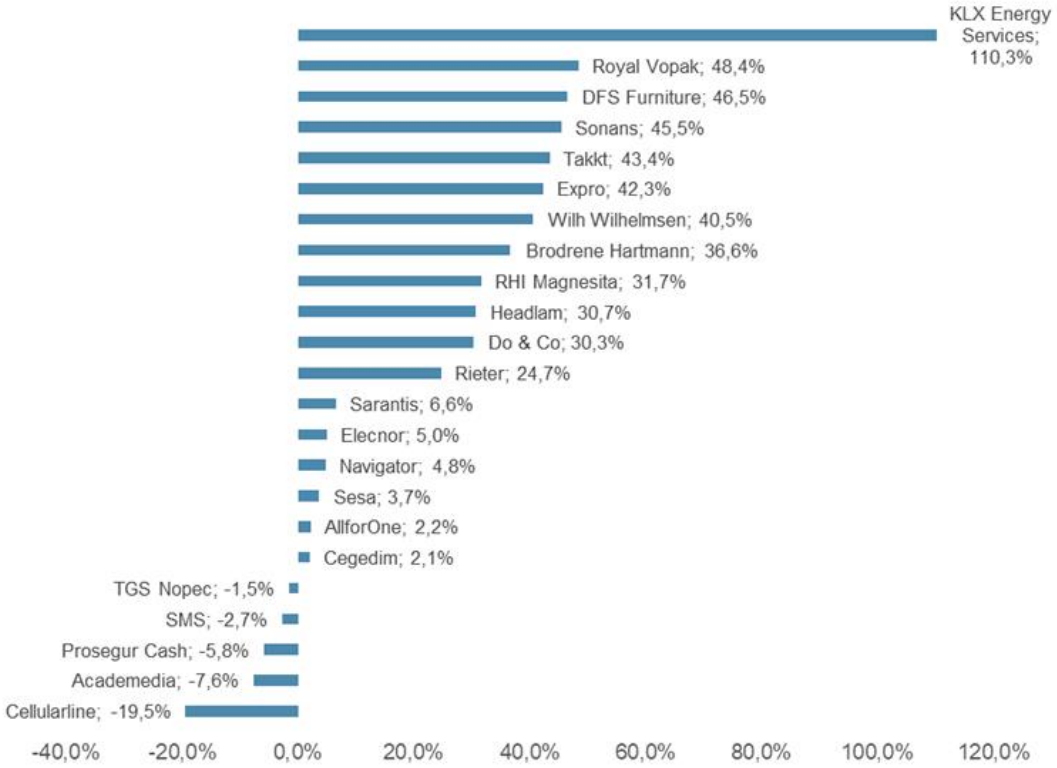
We continue to be invested in service companies in the oil sector. After several quarters in which oil producers have benefited significantly from high oil prices, which has allowed them to generate significant cash flow, we believe that the level of investment in exploration and production activities will progressively increase in the coming years, which will benefit the service companies in which we are invested. We have three investments in this sector (TGS, Expro and KLX) with a portfolio weight of 10.6%.

Portfolio evolution.

After the movements we have made during 2022, we have 40 companies in our portfolio. The fund's liquidity remains as in previous quarters at a low level of around 3%.

The following table shows the evolution of the best and worst companies in the portfolio in the quarter:

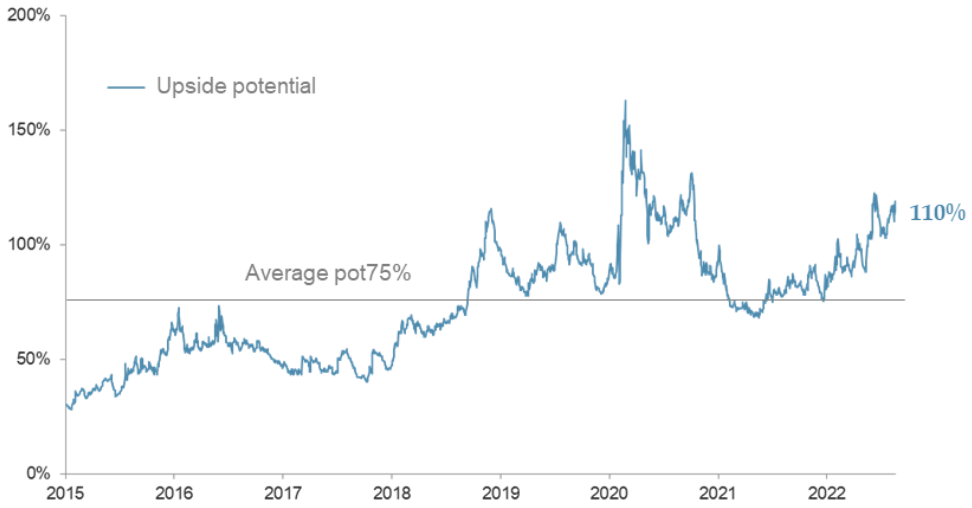
Best and worst performing companies in the fourth quarter.



Equam Upside Potential

After the recent falls and the changes made to the portfolio, the fund's potential has returned to peak levels, standing at 110% at the end of the year compared to an average potential since inception of 75%.

The fund's upside potential remains at a record high of around 110%.



Appendix I: Largest portfolio positions

Company	Country	Weight	Bussines description
Mondadori	Italy	5,5%	Italian book distribution.
APPLUS	Spain	5,3%	Technical and vehicle inspection services.
TGS	Norway	4,7%	Intangible assets for oil exploration. Net cash.
Expro Group	USA	4,5%	Exploration and production services. Net cash.
Prosegur Cash	Spain	4,4%	Cash transport oligopoly in Spain and LATAM.
RHI Magnesita	UK	4,2%	Thermal protection of furnaces. Exposure to commodities.
TI Fluid	UK	4,2%	Leading manufacturer of automotive fluid hoses.
Elecnor	Spain	4,1%	Energy concessions and maintenance services.
DO & CO	Austria	4,1%	Catering for airlines in recovery phase.
Dalata	Ireland	4,1%	Irish hotel group in turnaround.
Vopak	Netherlands	3,4%	Chemical warehousing.
AcadeMedia	Sweden	3,1%	Swedish education sector. Cyclical, political situation.
Wilh. Wilhelmsen	Norway	3,1%	Norwegian shipping holding company.
SMS	UK	2,9%	Installation and management of smart meters.
DFS	UK	2,5%	Leading UK sofa sales.
Total top 15		**60,2%**	
Total porfolio		**97,2%**	
Liquidity		**2,8%**	
Total		**100%**	

EQUAM Global Value, FCP

EQUAMVA LX
155,43€
30 December 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 110% Positions 40

Company	Weight
Arnoldo Mondadori Editore S.p.A.	5,5%
APPLUS SERVICES S.A.	5,3%
TGS ASA	4,7%
Expro Group Holdings N.V.	4,5%
Prosegur Cash SA	4,4%
RHI Magnesita NV	4,2%
TI Fluid Systems plc	4,2%
Elecnor S.A.	4,1%
DO & CO Aktiengesellschaft	4,1%
Dalata Hotel Group Plc	4,1%
Total Top 10	**45,1%**
Total Equities	**97,2%**
Cash positions	**2,8%**

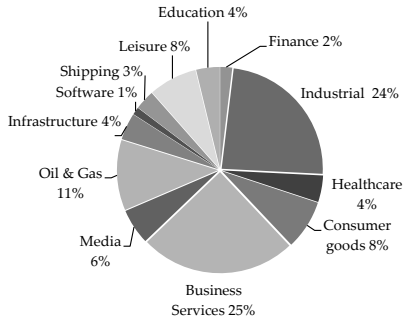
Performance vs indices	EQUAM A	MSCI Europe NR**	Stoxx 50 NR**	Equam vs MSCI
1 month	-0,9%	-3,5%	-3,7%	2,6%
3 month	15,1%	9,5%	9,8%	5,6%
2022 YTD	-3,7%	-9,5%	-1,8%	5,8%
2021	23,6%	25,1%	26,1%	-1,5%
2020	-10,4%	-3,3%	-6,3%	-7,1%
2019	27,2%	26,0%	27,4%	1,2%
2018	-19,2%	-10,6%	-10,2%	-8,6%
2017	21,7%	10,2%	9,2%	11,5%
2016	17,0%	2,6%	0,6%	14,4%
2015	-1,1%	0,9%	-0,3%	-2,0%
Inception	**54,9%**	**40,9%**	**45,5%**	**14,0%**
Inception annual	**5,7%**	**4,4%**	**4,9%**	**1,3%**

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

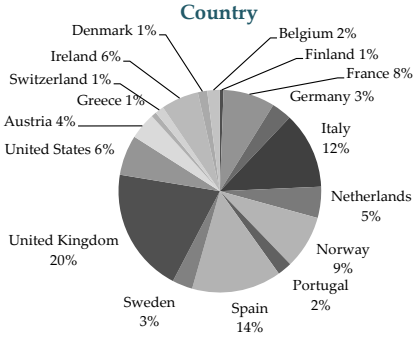
*** NR indices assume dividend reinvestment after withholding tax.*

Portfolio summary

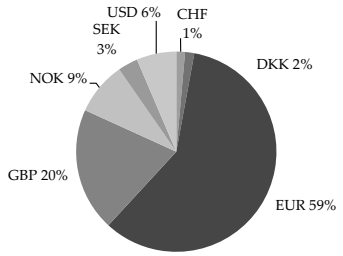
Sector



Country

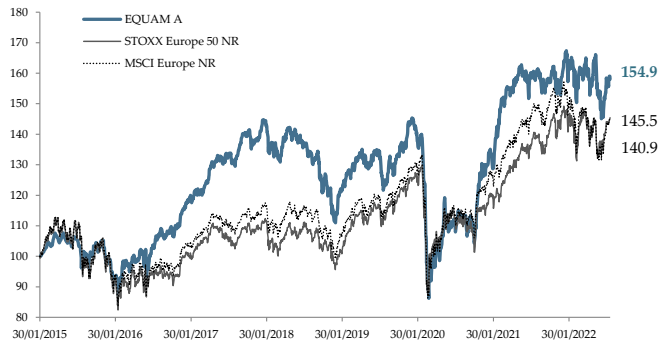


Strategy

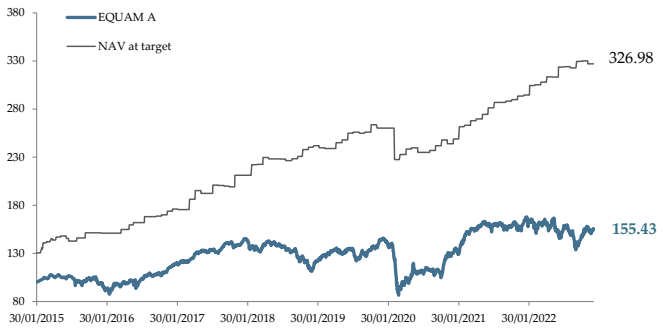


NAV evolution and portfolio data

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.

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