EQUAM Global Value Fund

Fourth quarter 2021 report

Seventh anniversary of Equam

Last January Equam reached its seventh anniversary. Even though value investing and mid cap companies have been out of the radar for investors in the last few years, we have achieved an annual return of 7.1%, beating our comparable indices with dividends. Our portfolio continues to trade at a very attractive valuation and we are convinced that a progressive interest rates level normalization to counter inflation could bring back the attention of investors to the kind of companies in which we have invested.

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

We end 2021 with the pandemic still ongoing and structural inflation risks getting higher.

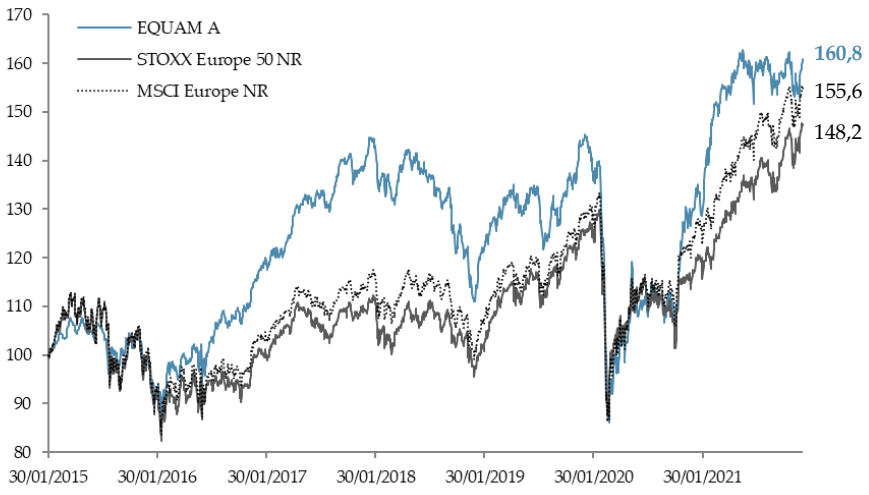
The year 2021 finished with the negative impact of the Covid pandemic still affecting the economy, and with high inflation levels that could be much more structural that what central banks were initially suggesting.

At the end of 2020 and beginning of 2021, following several years with a large differential of valuations among different asset classes, it looked as if a change in tendency was starting to take place. The price levels of those companies which had been ignored over the past years, like the ones we have in our portfolio, started to recover. However, the arrival of new virus variants and the introduction of additional lockdown measures in many countries forced investors back into "safe" stocks. Despite this situation, we finished 2021 with a 23.9% return, slightly below the 25 to 26% return obtained by our comparable indices including dividends.

In any case, our focus is not the return of a particular year but to maximize the long-term profitability while minimizing the risks of a permanent loss of money. As of the end of 2021 after almost seven years since inception, we have achieved a total return of 61% versus the 48 to 55% of the comparable indices including dividends. This is equivalent to a compounded average annual return of 7.1% versus the 6.6 to 5.8% return of the comparable indices.

With a 7.1% return we continue outperforming our comparable indices.

Equam Performance vs. Comparable Indices



** MSCI Europe Net Return and Stoxx Europe 50 NR in Euros, assuming dividend reinvestment, net of withholding taxes.*

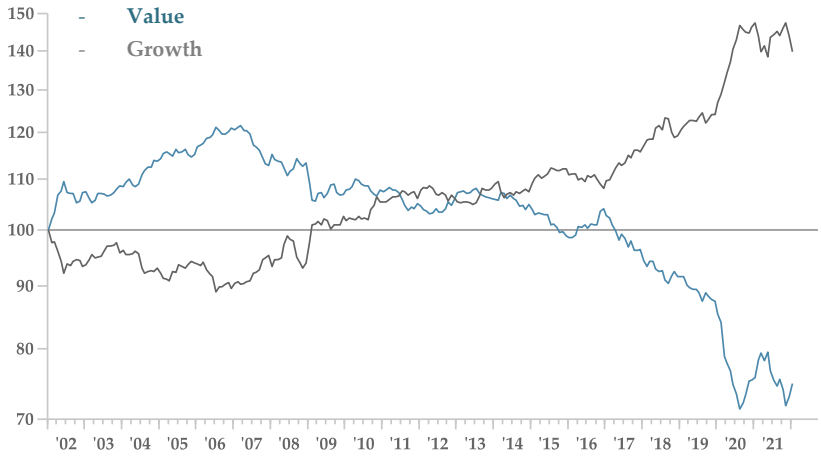
Although we outperform our comparable indices, we ambition higher returns. In any case, it is important to analyse this return in the context in which it has been generated, an environment of low interest rates, inflation levels close to zero and a market with a strong polarization in respect to the valuation level of the different kind of assets with certain segments being clearly undervalued.

Value investing has underperformed growth in recent years but has historically obtained better results.

Equam has a flexible investment mandate, but since inception we decided to focus primarily on mid cap companies and quality businesses that trade at attractive valuations, which is traditionally known as value investing. This strategy has historically achieved better returns in the long run, despite having periods of underperformance relative to the market. This has been the situation in the recent years.

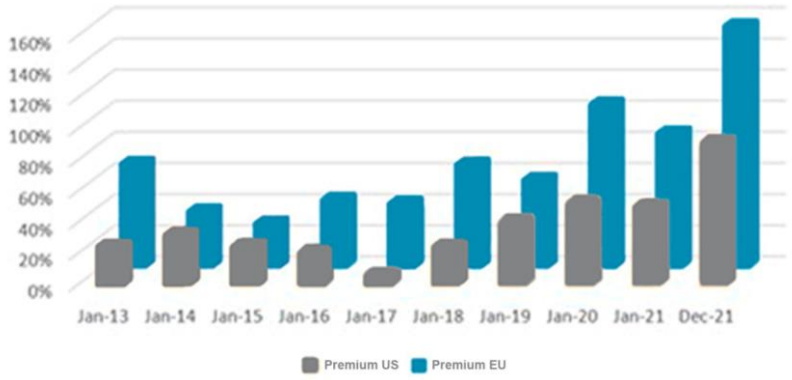
In the following table we show the evolution of value investing versus growth, where we can see that since 2012 the former has had a much worst evolution.

Value vs Growth Performance



This underperformance has resulted in the premium of growth stocks to value stocks reaching the highest levels of the previous 10 years, both in the US and Europe.

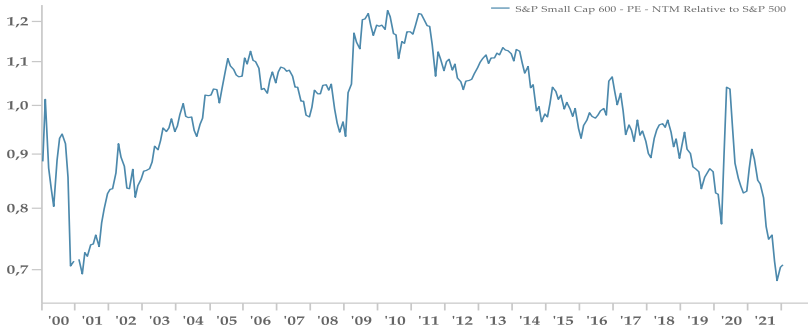
Growth versus Value Stocks Premium Evolution



** This graph shows the premium gap of growth versus value both in the US (grey) and Europe (blue).*

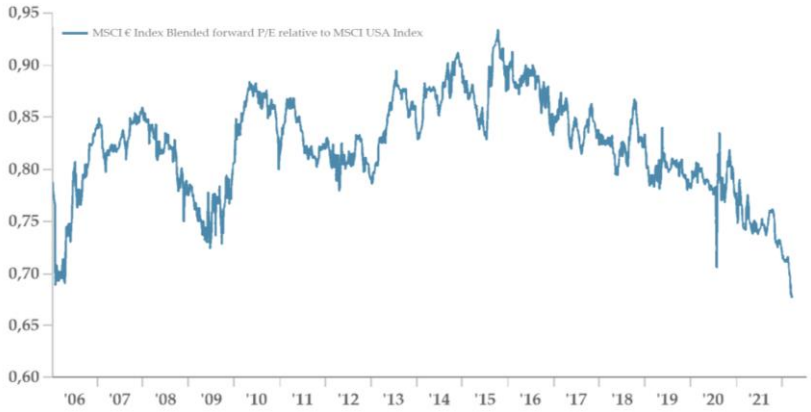
A similar pattern can be observed in the evolution of large and small/medium capitalization companies, with a much worse performance of the latter since 2010.

Large Cap vs Small Cap. Valuation Gap



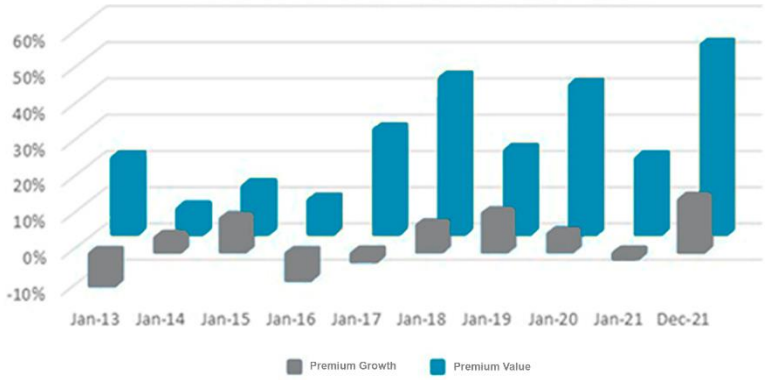
Additionally, not only value stocks and mid cap companies have underperformed, but also European markets have had a worse performance than the US.

European Discount to the US Market



A good part of this difference could be explained by the different types of companies in both markets and the higher weight that technology companies have in the US. If we distinguish between value and growth, the valuation premium of the US market to the European has also been expanding more rapidly in value than in growth.

US Market Premium versus Europe for Value and Growth



** The graph shows the evolution of the overperformance of the US Market versus the European Market in the Value segment (in blue) and the growth segment (in grey).*

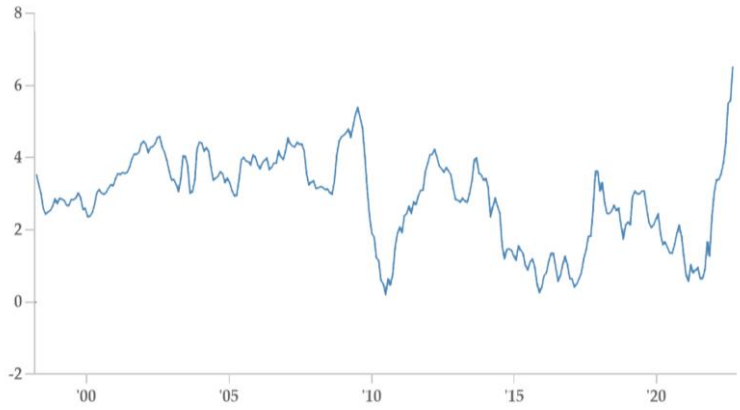
We believe inflation will be more structural than what central Banks have been defending.

In this context, we are positive about the future as we believe that the current situation will change at a certain moment, and we will benefit from a tailwind.

We believe there is a high risk that the inflation that started during 2021 will be not transitionary but will become structural. And we think that will be the case because of the combination of the current normalization of the economy as the lockdown measures are released together with the impact of the long monetary policy executed by central banks and the fiscal expansion programs of governments.

In fact, inflation in many western economies has already reached levels not seen for many years.

1996-2021 Spanish Inflation Evolution



It is true that a potential normalization of interest rates could bring additional volatility to the markets in the short term, but we also believe that it would be a good catalyst to end with the binary situation in relation to valuation levels among the different type of assets (value versus growth or fixed income).

Our portfolio is well prepared for an inflationary environment.

In addition, as we already commented in our previous quarterly report, we are convinced our portfolio is well prepared for an inflationary environment, since the bulk of our investments should have a good financial performance in this situation. The companies in which we have invested have clauses that allow them to increase prices with inflation, have strong market shares in their niche markets that give them enough pricing power to transfer cost increases to prices, or are

companies related to commodities which are benefiting directly from price increases.

Portfolio Companies Positioning for Inflation

Inflation translation	Pricing Power	Raw materials related
intertrust GROUP	PROSEGUR CASH	TGS
smsplc	MONDADORI	EXPRO
mitie	TAKKT AG	THE NAVIGATOR COMPANY
SOL	TI Fluid Systems	Wilh. Wilhelmsen Holding
Restore plc		
elecnor		

Another aspect which makes us confident about the future performance of the fund is the fact that despite the recent positive performance, the companies in the portfolio continue to trade at very attractive valuation levels as shown in the following table.

Equam Portfolio Companies Current Valuation

Companies continue to trade at very attractive valuations.

Weight	Company	Description	FCF yield
5.7%	GRUPPO MONDADORI	Book Publisher trading at discount.	13.2%
4.3%	PROSEGUR CASH	Cash in transit present in Spain & Latam.	16.5%
3.8%	DALATA HOTEL GROUP PLC	Hotel chain which manages Dalata & Clayton brands.	12.0%
3.4%	DOMCO	Catering services for Airlines.	13.1%
3.4%	THE NAVIGATOR COMPANY	Office paper producer.	9.0%
3.4%	RHI MAGNESITA	Turnaround in refractory material.	10.5%
3.4%	Applus+	Undervalued inspection and certification company.	10.4%
2.8%	TI Fluid Systems	Undervalued auto parts company.	10.5%
2.7%	TAKKT AG	Factory and office materials wholesale.	9.0%

All these elements are reflected in the fact that the fund potential continues to be at high levels of 83%.

The funds potential remains at 83%.

Equam Upside Potential

* *Potential calculated as the difference between the estimated intrinsic value of each investment in the fund and the current NAV.*

Main changes in the portfolio

2021 new investments have been concentrated in companies that have been temporarily impacted by the pandemic.

During 2021 we have done several new investments that we can classify under three different blocks:

i) companies in the leisure sector, where we have invested in two well capitalised hotel companies that will be able to take advantage of the weakness of certain competitors in the coming years; and in Do & Co, an Austrian company in the catering business offering services to airline companies and which has been gaining important contracts in recent years.

ii) other companies impacted by Covid as Fresenius Medical Care, which is providing dialysis services and has been affected by the higher death rate of its client base.

iii) other small companies ignored by the market.

2021 New Investments

Leisure	Other sectors impacted by Covid	Under the rather "Small caps"
WHITBREAD	cellularline MORE OF YOU	sonans karriere
DALATA HOTEL GROUP PLC	FRESENIUS MEDICAL CARE	AcadeMedia
DO&CO INTERNATIONAL CATERING	Applus+	tas group an owl company
	VIVO ENERGY	Tender offers 2021
	Cerved	

We have done an additional investment in an education company in the Nordics.

During the last quarter of the year we have done a new investment in the Swedish company Academedia which provides educational services. We had already been invested in a similar Company in Sweden, International Engelska Skolan, but we received a tender offer and were forced to divest. Academedia is a similar company but with a higher diversification. In addition to providing services in compulsory education it is also offering services for kindergarten, secondary and adult education; and it is established not only in Sweden but also in Norway and Germany.

It is a very stable business, anticyclical, with good capital returns and strong free cash flow. The company has achieved considerable growth in the last few years, generated by a combination of organic growth and acquisitions.

Academedia Recent Financial Performance

N. of shares	85	85	88	98	100	105	105	106
SEK million	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
Revenues	6,372	8,163	8,611	9,520	10,810	11,715	12,271	13,340
EBIT	450	517	535	615	622	635	973	1,169
margin	*7.1%*	*6.3%*	*6.2%*	*6.5%*	*5.8%*	*5.4%*	*7.9%*	*8.8%*
Net debt	2,643	2,319	2,321	2,095	2,137	2,195	1,632	1,053
EBIT per share	5.3	6.1	6.1	6.3	6.2	6.0	9.2	11.1
EV/EBIT	nm	nm	13.7x	12.1x	11.3x	12.1x	8.5x	6.0x

In the last few years in Sweden there has been controversial debate around the profits of education companies and the need to put certain limits. In the context of the coming general elections to be held in the second half of 2022, certain political parties have brought back the debate around this topic, which has triggered a strong negative reaction on the stock price of companies in the industry. There is always a risk that after the election there may be a change to the current model that may have a negative impact on these companies, but we believe that the probability is relatively very low. There is no political consensus around the topic and there is a strong support from society for the current voucher system. Additionally, in the case of Academedia should there be any change to the current system, the impact would be limited to one part of its business, the one dedicated to compulsory education in Sweden. We have been able to buy this Company at 7x EBIT compared to multiples paid in private transactions in the sector above 15x EBIT.

We have sold our investment in Técnicas Reunidas due to the increasing weakness of the balance sheet in recent quarters.

Regarding divestments, we would like to highlight our sale of **Técnicas Reunidas** due to the increasing weakness of its balance sheet in recent quarters. The Company has been achieving very low profitability levels because of the current environment in the oil & gas sector, some execution problems in certain specific contracts and the Covid pandemic, which is causing delays in the execution of projects. This situation together with working capital outflows has generated a weakening of the balance sheet. Consequently, last summer, the company announced it had reached an agreement with state owned Company Sepi to receive several debt facilities for a total amount of 340 million euros. In this case we are divesting with a loss, but we believe the risk for additional losses is high given the weak financial position of the company.

The other divestment during the quarter is the Italian software company **Tas Group** that we had invested at the beginning of the year. In this case, we have been forced to sell as we have received a tender offer from a financial investor. Tas has a leading software for global payments, capital markets and treasury management. Leveraging on its strong market

position in Italy, the Company was currently launching an internationalisation program with several partners.

This was not the only offer we have received during the quarter. In November, we received tender offers for two other companies in the portfolio: **Intertrust**, a company offering management services to trust companies and funds; and **Vivo Energy**, a company offering oil retail distribution services in Africa. In both cases the transactions have not yet finalised, and we still maintain our investments.

We continue to receive important number of tender offers over companies in the portfolio.

Following these transactions, during the last 12 months we have received six tender offers over companies in the portfolio. We already mentioned in previous reports that we were expecting that this situation could occurred as many investors could take advantage of the low valuations at which many public companies were trading. In addition, we believe this situation reflects the fact that we have a good group of quality businesses trading at attractive valuations. We had experienced a similar situation at the beginning of 2019 following the drop in the market at the end of 2018.

Recent Tender Offers Received

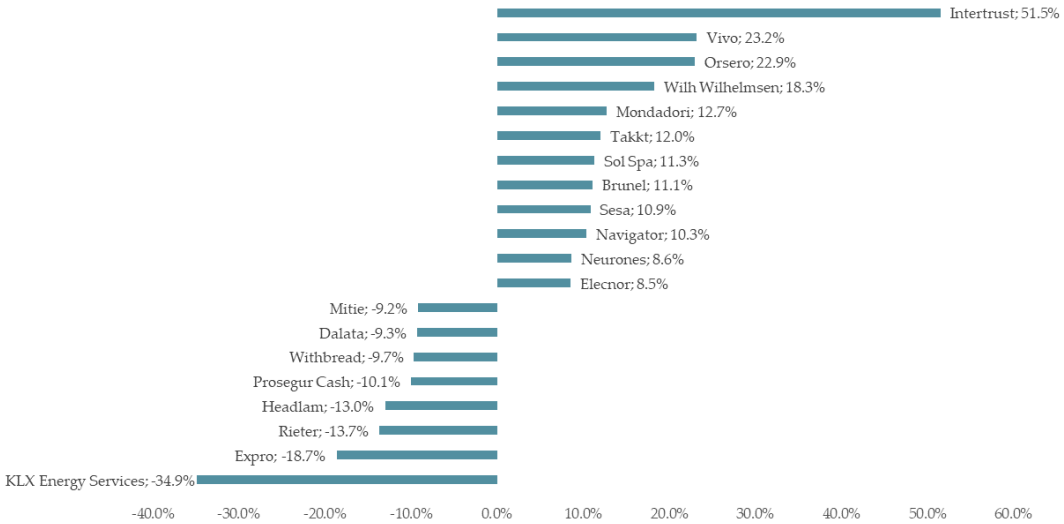
	Date	Company	Country	Transaction	Offer price	Premium	Acquirer
T.Offers post 2018	dec.-18	Nice	Italy	cash	3,5	42,86%	Largest shareholder
	mar.-19	STALLERGENES	France	cash	37,0	42,91%	Ares Life Sciences Fund
	apr.-19	Parques Reunidos	Spain	cash	14,0	29,63%	Corp. Fin. Alba + EQT
	may.-19	Spectrum	Norway	stock	61,0	8,61%	TGS Nopec (industrial)
	jul.-19	LATÉCOÈRE	France	cash	3,9	34,15%	Searchlight Private Equity
T.Offers post Covid	sep.-20		Sweden	cash	82,0	12,00%	Paradigm Capital
	dec-20	HunterDouglas	Holland	cash	82,0	60,7%	Largest shareholder
	mar-21	Cerved	Italy	cash	9,5	34,9%	GIC Singapore Fund / ION
	oct-21	tas group	Italy	cash	2,2	23,6%	Gilde (p.equity)
	nov-21	intertrust GROUP	Holland	cash	20,0	60.0%	CSC (competitor)
	nov-21	VIVO ENERGY	UK	cash	1,85	24,6%	Vitol Group (p.equity)

Portfolio evolution.

In 2021 we have made eleven new investments and four divestitures, after which we hold 45 positions in the portfolio. Our cash position remains at the same low level of previous quarters, but we have around 7% of the fund in Intertrust and Vivo which as we have previously commented have received tender offers.

The following chart shows the evolution of our best and worst performers during the third quarter.

Best and worst performing companies in the fourth quarter.



Appendix I: Largest portfolio positions

Company	Country	Weight	Bussines description
Mondadori	Italy	5,7%	Book Publisher trading at discount.
Prosegur Cash	Spain	4,3%	Cash in transit present in Spain & Latam.
TGS ASA	Norway	4,2%	Countercyclical niche oil services player.
Dalata	Ireland	3,8%	Hotel chain which manages Dalata & Clayton brands.
Intertrust	Netherlands	3,7%	Corporate and fund service.
Wilh. Wilhelmsen	Norway	3,7%	Norwegian shipping holding.
DO & CO	Austria	3,4%	Catering services for Airlines.
Vivo Energy	UK	3,4%	Petrol distribution in Africa, trading at a deep discount.
Navigator	Portugal	3,4%	Office paper producer.
RHI Magnesita	UK	3,4%	Turnaround investment in refractory material.
APPLUS	Spain	3,4%	Undervalued inspection and certification company.
TI Fluid	UK	2,8%	Undervalued auto parts company.
TAKKT AG	Germany	2,7%	Factory and office materials wholesale.
Expro Group	US	2,6%	Oil & gas services company.
Cellularline	Italy	2,5%	Italian distributor of electronic consumables.
Total top 15		**53%**	
Total porfolio		**99,8%**	
Liquidity		**0,2%**	
Total		**100%**	

EQUAM Global Value, FCP

EQUAMVA LX
161.42€
31 December 2021

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.	5.7%
Prosegur Cash SA	4.3%
TGS ASA	4.2%
Dalata Hotel Group Plc	3.8%
Intertrust NV	3.7%
Wilh. Wilhelmsen Holding ASA Class A	3.7%
DO & CO Aktiengesellschaft	3.4%
Vivo Energy Plc	3.4%
Navigator Company SA	3.4%
RHI Magnesita NV	3.4%
Total Top 10	**39.1%**
Total Equities	**99.8%**
Cash positions	**0.2%**

Fund upside potential 82% Positions 45

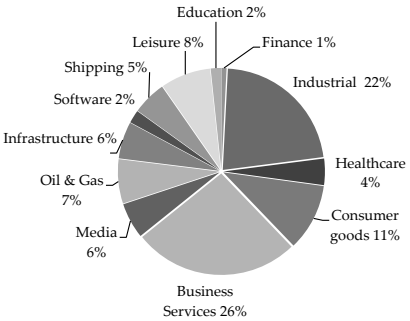
Performance vs indices	EQUAM A	MSCI Europe NR**	Stoxx 50 NR**	Equam vs MSCI
1 month	4.6%	5.5%	6.3%	-0.9%
3 month	3.6%	7.7%	9.4%	-4.1%
2021	23.9%	25.1%	26.1%	-1.3%
2020	-10.4%	-3.3%	-6.3%	-7.1%
2019	27.2%	26.0%	27.4%	1.2%
2018	-19.2%	-10.6%	-10.2%	-8.6%
2017	21.7%	10.2%	9.2%	11.5%
2016	17.0%	2.6%	0.6%	14.4%
2015	-1.1%	0.9%	-0.3%	-2.0%
Inception	60.8%	55.6%	48.2%	5.2%
Inception annual	7.1%	6.6%	5.8%	0.5%

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

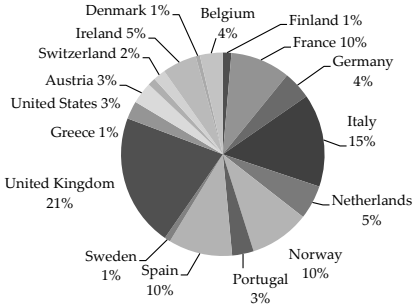
*** NR indices assume dividend reinvestment after withholding tax.*

Portfolio summary

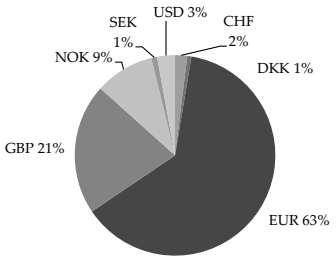
Sector



Country

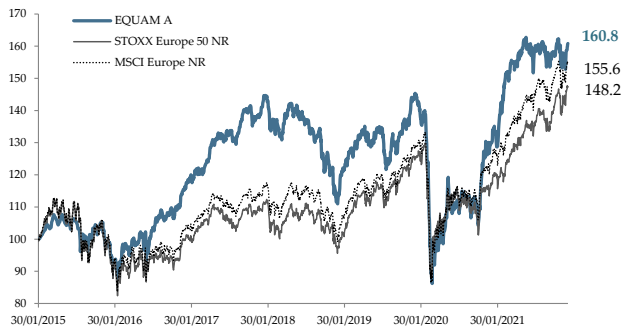


Strategy

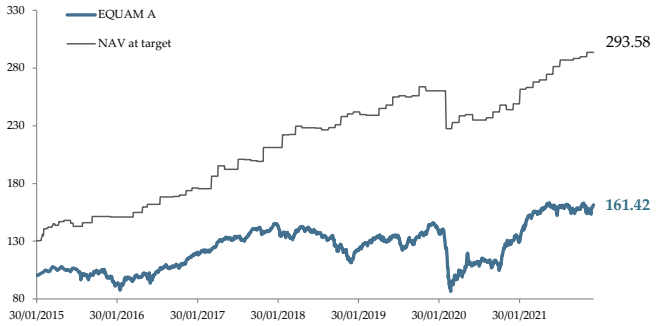


NAV evolution and portfolio data

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.