EQUAM Global Value Fund
Quarterly Report March 2016
We bought with courage when prices fell.

The beginning of 2016 has been one of the worst starts to the year on record, with the Eurostoxx 50 falling up to 29% from 52 week highs last April and 15% year to date.

We have taken advantage of this market weakness to invest in several companies that we had been analyzing for some time and to reinforce our investments in those companies of the portfolio most penalized by the market, increasing the investment level of the fund from 72% to 89%.

We are concentrating all our efforts on the analysis of European Small & Midcaps, where we believe there are very attractive opportunities.

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 the majority 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, Fundsettle and other platforms.

We bought with courage when prices fell.

We want to buy good businesses when others sell in panic.

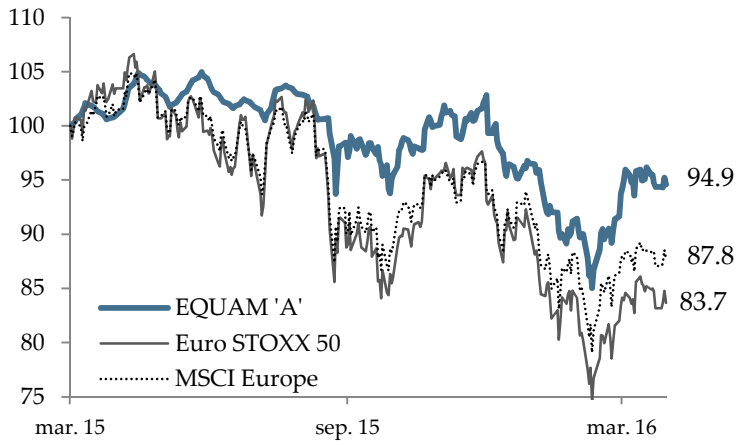
The beginning of the year has been one of the worst on record and most indices have posted significant falls.

We are constantly searching for opportunities to buy good business at very good prices so, for us, these panic situations are unique opportunities to invest. And that's what we have done. We have invested in several companies that we had been analyzing for some time when they began to trade at attractive valuations. At the end of last year we had invested 72% of the fund and finished the quarter at 89%.

We believe that both the quality of our businesses and the fact that we have acquired them at a time of extreme pessimism, have contributed to our good relative performance in the short term. Year to date the fund fell by 1.7%, which is 6.3 points better than the Eurostoxx 50 and 3.9 better than MSCI Europe. Since March 2015, the time when we had invested the majority of our fund, it has outperformed the Eurostoxx 50 by 12.8 points and the MSCI Europe by 7.1%, with a much lower volatility.

The performance of our fund should be judged after a longer period of 3 to 5 years, but this positive performance reinforces our resolve to apply our investment method with discipline and courage.

EQUAM & European indexes since March 2015
(base 100)



To buy when others are selling in a panic situation requires a strong conviction but offers the best returns over the long run. At EQUAM we believe that this conviction is only gained after a thorough understanding of the asset and the exclusion of certain investments that do not meet the safety standards that minimize risks. We want to buy good businesses when they are sold cheap.

Good investment opportunities occur only occasionally.

However, it is only occasionally that investments which meet all our criteria to minimize risks – a stable and predictable business, reasonable leverage, good management and low valuation – are available, so we normally have to compromise on something. The variable we are less inclined to compromising on is valuation, and that is why we found it difficult to invest the fund in 2015. The market is not as inefficient as we would like it to be, and good companies normally trade at prices near to their intrinsic value, (±15%).

The best buying opportunities, those in which good businesses can be bought at a relevant discount to our estimate of intrinsic value, are normally found either in panic situations (general or specific of a company or sector) or in neglected companies that have been forgotten by the investment community. When these circumstances arise and prices offer a sufficient discount, it is mandatory to act decidedly and take advantage of the opportunity.

This is why, the panic situation in January and February has led us to make a large number of investments in companies that we had analyzed in the past and that, due to the fall in prices, could be acquired at a good discount to our valuation.

Panic situations are good to invest, but it is always difficult to make the decision. While prices are falling nobody can call the bottom and until it is reached new investments generate temporary losses. We have to be ready to accept these losses to take advantage of low prices.

We cannot predict the future evolution macroeconomic variables…

In addition to this, the current macroeconomic situation, with extremely high leverage ratios around the world and a credit cycle entering a contractive phase in China, the world's second largest economy, make it even more difficult to assume risks. Nobody knows with certainty what will be the next chapter in the macro situation, and nobody can tell whether China will continue to decelerate or strong growth will resume soon. It is equally impossible to predict how the current leverage and interest rate situation will evolve in the future. We believe that interest rates are too low (even negative) for the current leverage situation, but abnormally low interest rates have prevailed for the last decades across the developed world and it may well be possible that this unbalanced situation continues for several years.

… but we can identify good business and wait until they are cheap.

Instead of focusing on the circumstances that have caused the panic and uncertainty and then trying to predict their future evolution, we are analyzing predictable businesses and trying to buy them when they are cheap. During the panic we have bought what we believe are excellent business at good prices.

We are focusing on European small & mid caps.

As we already said in our previous quarterly report, we have decided to focus our analysis on those mid-sized companies and sectors in which we have some previous experience or those which we can get to understand well, visiting their management teams and getting to know their economic environment. We are concentrating on the European small & mid cap arena, where we can now find very good opportunities and have good insight and experience. For this purpose, during the quarter we have devoted a large part of our time to meet with management teams from several European companies.

Investment report

With an aim to repositioning our portfolio in the European small & mid cap area, we have been reducing our exposure to investments outside Europe. During this first quarter we have sold some of our American investments, taking advantage of their good relative performance and despite the fact that they had not reached our intrinsic value estimate. We have sold our shares in eBay, Paypal, Oracle and Brookfield.

On the other hand, we have included in the portfolio a number of companies that we had been analyzing in the previous years but that only after the current market weakness could be bought at a sufficient discount.

Hunter Douglas is the world leader in window cover manufacturing.

We would like to highlight our new investment in Hunter Douglas, a Dutch listed company that is the world leader in the manufacturing and commercialization of window covers, an oligopolistic market with three large players. No analyst covers this company that has a market capitalization of around 1.5 bn€ and is 80% owned by a family. The fact that the company is listed in the Netherlands in Euros, but reports its accounts in US dollars, has an American name and its main market is the US, may contribute to the lack of attention paid by the market, which lead us to analyze it in detail.

The company's business is highly correlated with the residential cycle – essentially because people buy window covers when they move to a new house – so it suffered for some years after the 2008 financial crisis. The company made an effort to re-arrange its production facilities, reducing its fixed cost base while at the same time increasing its capacity. As a result of this restructuring process, the company has improved its margins and in 2015, with the same turnover achieved in 2011, it has doubled its operating profit.

The housing market has somehow improved from the bottom of the previous crisis, but we believe that there is still some potential to grow, especially in Europe.

In addition to the cyclical housing recovery, Hunter's dominant position gives it certain pricing power and can pass through cost increases, so we believe that both revenues and margins will continue to improve in the coming years.

Hunter has also demonstrated over the years its ability to create value through acquisitions. It usually acquires, in very reasonable terms, smaller fabricators that have a strong local presence, thus improving its competitive position in those markets and its capacity utilization at central factories. Last March, Hunter announced an agreement to buy Levelor, its main competitor in the US. We believe that this transaction, if approved, will improve the company's profitability thanks to cost synergies and the elimination of a relevant competitor.

We were surprised when the announcement of this transaction and the presentation of a very good set of results for 2015 had no impact at all on the price of the shares. This apparent disconnection between the evolution of the business and that of its share price is another example of the behavior of neglected and under-researched stocks. We cannot know when the share prices will reflect the underlying value of this business, but we do believe that by buying a growing world leader with a strong balance sheet and good management team, at these valuation levels – FCFy over 10% and EV/EBIT below 7.5x – we are optimizing our potential returns while minimizing the risk of a permanent loss of our capital.

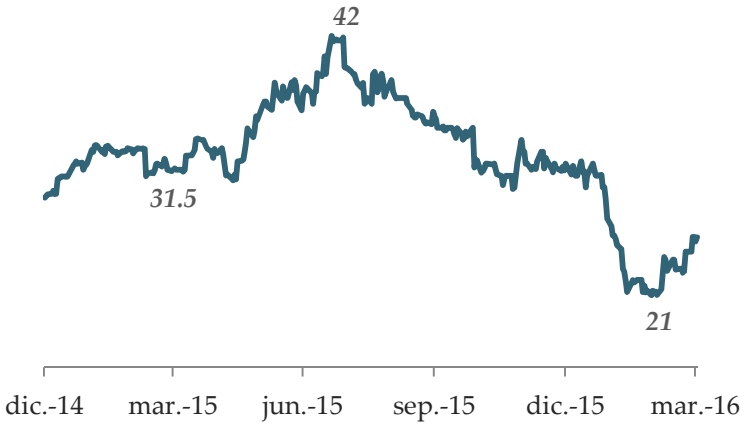
Cegedim shares have fallen by 50% after reporting the same ebitda as the previous year.

Cegedim is another of our investments that deserves a special comment. This company is devoted to the development and commercialization of software for the healthcare sector, including doctors, pharmacies and health insurance companies. We owned Cegedim at the beginning of last year, but sold it only seven months later, after it surged to our intrinsic value estimate.

In a new example of the irrational behavior of share prices and of the opportunities that occasionally appear in small, neglected companies, the share price of Cegedim has in recent months fallen by more than 50% from our selling

price. This was in part due to the fact that one of its divisions is transitioning its business model to the cloud and its results have been temporarily depressed. Nevertheless, its operating income for 2015 has only fallen by 6% over the previous year, due to higher depreciation charges. We believe that this reduction in profit cannot justify a 50% reduction of the company's value when the medium and long term prospects are still good and the company has a leading position in a predictable business.

Cegedim share Price evolution in the last 15 months.



Additionally, Cegedim has greatly improved its financial and fiscal situation since we divested our shares in July. The sale of its CRM division has allowed the company to reduce and refinance its liabilities and it will reduce its financial expenses by 90% over the coming year. The sale also generated a tax deductible loss that will reduce its tax bill for several years to come.

As we explained, despite these positive developments, the share price has fallen again well below our intrinsic value estimate, so we have decided to include it again in the portfolio. The company is trading at an 8.3% FCFy (11% after adjusting for new financial costs and the transition to the cloud).

We have invested in several Spanish companies.

We also have to highlight our acquisition of several Spanish companies, which we bought not for our special focus on Spain, but because the greater fall in the Spanish prices offered better opportunities. To the global panic that affected the markets in general, Spain added its own local political uncertainty, compounding the slump and creating what we believe were excellent buying opportunities.

In January and February we bought shares in Acerinox, Abertis, Naturhouse, Applus and Técnicas Reunidas, all of them at times of great pessimism and distress, at very attractive valuations.

In mid-February we bought shares in Acerinox, a company we had owned in the past in our personal portfolios and which we know well, taking advantage of decade low prices. Stainless steel producers around the world are going through difficult times because China has invested heavily in the sector and has generated massive overcapacity. With the deceleration of demand in that country, local producers are trying to channel their production to the rest of the world, thus depressing prices. These circumstances have driven the share price of Acerinox to historically low levels, which we considered attractive considering that together with the negative issues there were also other more positive ones which may lead to some sort of recovery of the sector. Several western countries have decided to introduce anti-dumping measures to stop imports from China, and this will certainly improve the situation in Europe and the USA, regions in which local supply and demand are more properly balanced. European manufacturers have been much more disciplined than their Asian counterparts and have even closed some los making factories.

We bought Acerinox at a valuation which represents 50% of its replacement cost. We believe that a slight recovery in the prices of stainless, once the anti-dumping measures come to effect and the prices of nickel recover levels near its production cost, will also lead to a re-rating of the shares to levels around replacement cost.

We have also increased our exposure to some companies in our portfolio.

We have also maintained a disciplined approach in buying companies within our portfolio whose prices have fallen most in the quarter for temporary reasons. Very often, the best investment opportunities we can find are within our portfolio, when well known companies suffer large changes in their prices. We have increased our investment in Indra, TGS, Serco, Deutsche Pfandbiref, ING, Rolls-Royce, Mitie and Aryzta.

On the other hand, we have reduced our exposure to Alstom, which launched a tender offer on its own shares. Alstom offered to buy around one third of its shares at 35€ per share, which was our target valuation at that time. We decided to tender all our shares, but after the pro-rata adjustments we could only sell 40% of our position. We maintain the remaining shares because the rail business of Alstom has good prospects and the company still trades at a discount to our estimate of value.

Regarding the reporting of results of our portfolio companies, it is worth saying that most of our companies have reported better than expected numbers. Only Aryzta, a company from which we expected some improvement in its cash flow generation, has reported worse than expected results, with organic growth in the US still in negative territory.

To this date, Mitie has not released its full year results, but has announced that its revenue will be below consensus and its share price has suffered significantly. We believe that long term prospects are good, so we bought more shares.

Regarding Stallergenes, our investment in the allergy immunotherapy sector, has finally received the authorization to re-open all its production lines, after fixing the software problem that led the French Health Authorities to close the factory. We have analyzed the impact of the factory's closure on the company's market share and cash levels and we believe the share price has fallen too much so we have decided to keep the shares.

Other portfolio highlights.

89% of the fund has already been invested.

As a result of the investments we have made during this first quarter the fund has increased its investment level from 72% to 89%. As we have already mentioned, the market slump of January and February was a very good opportunity to invest part of our cash.

Investments outside Europe represent just 14% of the fund, compared to 20% in the previous quarter. We have 38 companies in the portfolio. The fund's upside potential to our target prices is now 56%, compared to 46% last quarter, thanks to the greater investment level and the fact that we could buy shares at lower prices.

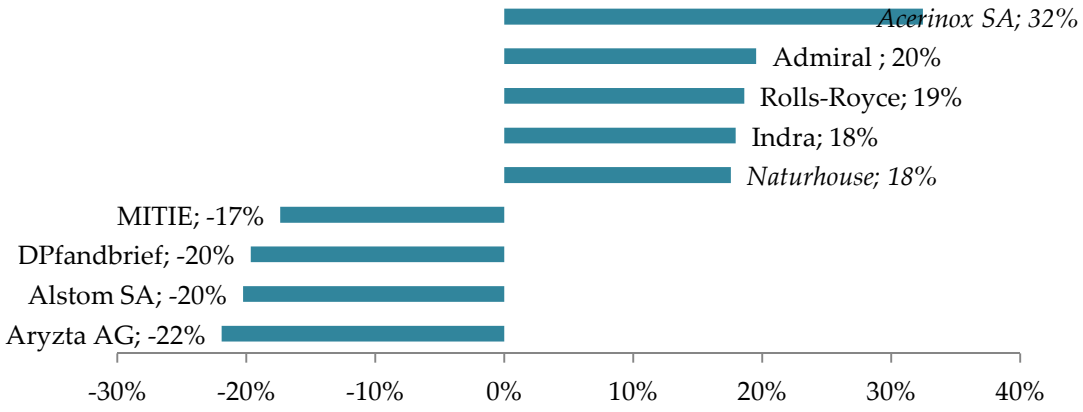
In February we hedged 25% of our Sterling exposure. Though we normally remain neutral regarding FX risks, our investment in the UK is relevant so we decided to hedge at least part of our FX, considering the possible risks from the EU membership referendum.

10 largest holdigs as of March 31, 2016

Company	weight
Hunter Douglas N.V.	4.2%
Hornbach-Baumarkt-AG	3.9%
Stallergenes Greer	3.9%
Indra Sistemas, S.A. Class A	3.5%
Aryzta AG	3.3%
MITIE Group PLC	3.3%
Chargeurs SA	3.3%
ING Groep NV Cert. of Shs	3.2%
Deutsche Pfandbriefbank AG	3.1%
Rolls-Royce Holdings plc	3.0%
Top 10	**34.7%**
Portfolio	**89.4%**
Cash	**10.6%**

Acerinox, Admiral, Rolls Royce and Indra have been the best performers this quarter. Mitie and Aryzta have had a bad performance due to the negative results they reported and Alstom discounts the takeover bid on own shares.

Best and worst performers this quarter [1]



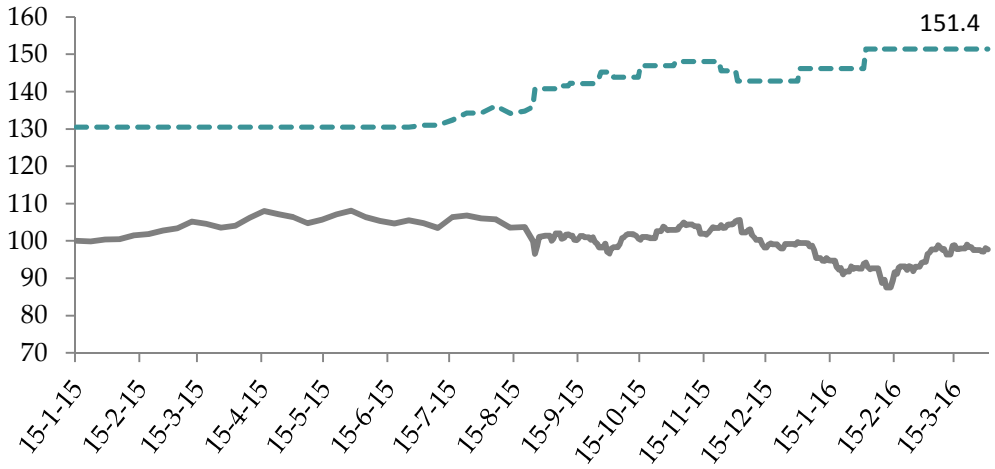
[1] *Changes in share prices from 31/12/2015 to 31/3/2016, except for new investments, Acerinox and Natruhouse. For new investments price variations are calculated from average acquisition cost.*

Appendix I: EQUAM portfolio 25 largest holdings.

Company	Country	Weight	Value Base Case
Hunter Douglas N.V.	Netherlands	4.2%	Dominant leader in oligopolistic market.
Hornbach-Baumarkt-AG	Germany	3.9%	Resilient compounder in repaired market
Stallergenes Greer	France	3.9%	Market leader in an oligopoly market
Indra Sistemas	Spain	3.5%	Restructuring defence and IT contractor
Aryzta AG	Switzerland	3.3%	Undervalued oligopolistic leader.
MITIE Group PLC	United Kingdom	3.3%	Undervalued compounder in fragmented market
Chargeurs SA	France	3.3%	Restructuring on track, cyclical recovery
ING Groep	Netherlands	3.2%	Restructured commercial bank
Deutsche Pfandbrief	Germany	3.1%	Recapitalized bank trading at deep discount to BV
Rolls-Royce	United Kingdom	3.0%	Sound oligopoly going through restructuring
Serco	United Kingdom	3.0%	Refocused contractor in restructuring, recently recapitalised
Meggitt	United Kingdom	2.9%	Undervalued compounder in low cycle
TGS Nopec	Norway	2.8%	Countercyclical niche oil services player
Berendsen plc	United Kingdom	2.7%	Leading position in a growing market
Cegedim SA	France	2.7%	Software for doctors and insurers, stable revenues
NRJ	France	2.6%	Deep SOPV undervaluation
Energy Assets Group PLC	United Kingdom	2.5%	High growth opportunities in a protected market
Orkla ASA	Norway	2.4%	Unwinding of holding into pure play consumer leader
Admiral	United Kingdom	2.3%	Undervalued leading UK insurance company.
Alstom SA	France	2.2%	Undervaluation post sale of energy division to GE
APPLUS	Spain	2.1%	Sound certification business
Acerinox SA	Spain	2.1%	Industry cost leader at the bottom of the cycle
Vetropack	Switzerland	2.0%	Low competition markets and net cash.
Abertis Infraestructuras SA	Spain	2.0%	Undervalued Toll Road operator
VeriSign, Inc.	United States	2.0%	Monopolistic registry of internet .com and .net addresses
Total top 25		**71%**	
Total portfolio		**89%**	
Liquidity		11%	
Total fund		**100%**	

Appendix II: Fund target price and evolution.

EQUAM evolution and Intrinsic value of the fund at our target prices



EQUAM returns vs index.

	EQUAM	MSCI Europe
1 Month	3.5%	1.6%
3 Months	-1.7%	-5.6%
6 Months	1.2%	-1.0%
1 year	-5.9%	-13.0%
Since Inception*	-2.3%	-2.8%

** January 15, 2015*

Bloomberg (Clase A)	EQUAMVA LX
ISIN Clase A	LU0933684101
ISIN Clase C	LU1274584488
ISIN Clase D	LU1274584991

Traspasable	SI, Nº CNMV: 587
Fees Class A	1% patrim y 8% beneficio
Fees Class C	1,50% s/ patrim.
Fees Class D	1,25% s/ patrim. (min 1 MEUR)

Asesor del fondo	Equam Capital
Sociedad Gestora	ADEPA (Lux)
Depositario	KBL (Lux)
Registro de accionistas	European Fund Admin.

EQUAM Global Value Fund
Second quarter 2016 report
We keep finding attractive investment opportunities.

During the second quarter of 2016 EQUAM has invested in several European companies that operate in niche markets, have low financial leverage and, thanks to the market's high volatility, we have been able to buy at an attractive discount to our internal valuation.

Additionally, the panic that followed the UK referendum has allowed us to reinforce our investment in those companies of the portfolio whose long term prospects have not been significantly affected but whose prices had suffer most. As a result, the fund is now 96% invested in equities.

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Volatility continues

After several weeks of recovery from February bottom levels, volatility has returned to the markets as a result of the UK referendum.

After a sustained recovery from the market lows in February, the last week of the quarter has been affected by the results of the EU referendum in the UK. The result was unexpected for the market and its reaction was very negative, with the Euro Stoxx 50 falling by more than 11% in two days.

As it normally happens in panic situations, extreme price falls are often due to the imbalance in sell and buy orders rather than to structural changes in the intrinsic value of the companies. In this sense, as we will further comment in this report, we think that the long term perspective (and valuation) of the companies in our portfolio should not change significantly in the probable scenarios that are open after Brexit.

A review of similar past situations can help us put things in context. If we analyze the reaction of markets to other events that triggered panic situations we can see how, except for three cases (The Watergate, 1987 Black Monday and Lehman collapse), the market levels prior to the panic were recovered in less than a month. We do not believe that Brexit is comparable to one of these three situations that took longer to recover.

S&P Performance following previous panic situations

Event	Date	Falling Days	Drop (%)	Recov. Days
Tsunami Japan	11 Mar 2011	3	-3.6%	6
Flash Crash	06 May 2010	1	-4.7%	4
Lehman Bankruptcy	15 Sep 2008	121	-45.9%	285
Madrid Bombing	11 Mar 2004	10	-4.1%	18
New York terrorist attacks	11 Sep 2001	5	-11.6%	19
LTCM collapse	23 Sep 1998	11	-10.0%	9
Kuwait invasion	02 Aug 1990	2	-5.9%	30
October 1987	19 Oct 1987	33	-20.8%	223
Reagan shooting	30 Mar 1981	1	-1.2%	4
Nixon resignation	08 Aug 1974	39	-24.6%	143
OPEC oil embargo	17 Oct 1973	6	-1.9%	10
Kennedy assasination	22 Nov 1963	1	-2.8%	2
Cuban missile crisis	22 Oct 1962	1	-2.7%	5
Median		**6**	**-5.3%**	**14**

High volatility and market weakness may continue for some time, but we think the best investment alternative is to buy good businesses at attractive prices.

It is also true that there are still big uncertainties in the market (extremely low interest rates, US elections and the high leverage situation in China), the development of which may lead to further volatility and market weakness. However, we believe it is impossible to anticipate the next market turn and we think that the best long term strategy for all the forseeable scenarios is to invest in good businesses at attractive valuations. We remain fully commited to the process of identifying, analysing and buying these opportunities.

Regarding the evolution of the fund since the beginning of the year, our closing NAV at the end of the first half was 98,72€* (Class D: 100,59€*), which represents a 0,6% fall YTD. We definitely aspire to much higher returns in the long term, but it is also important to highlight that during this time frame the fund has beaten the Eurostoxx 50 Net Return index, which includes reinvested dividends, by almost 10 points and the MSCI Europe NR by 6.5 points.

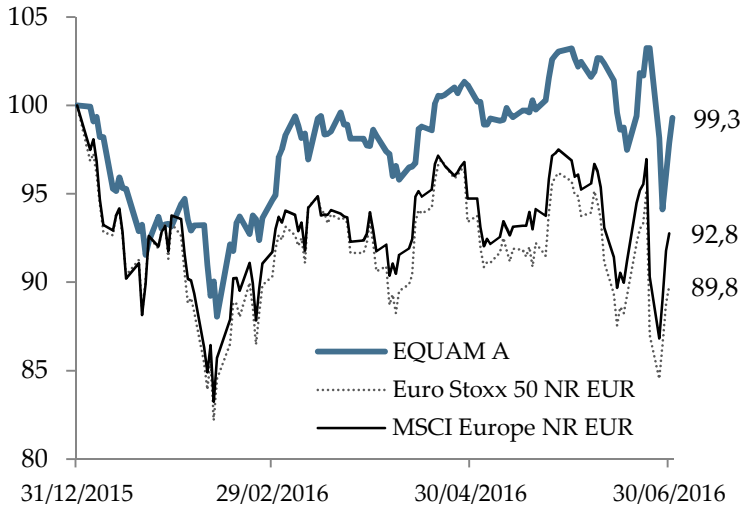
From a longer term perspective, since January 30, 2015, we have suffered a 1.7% fall in NAV, but have beaten the Eurostoxx 50 NR by almost 9 points and the MSCI Europe NR by 5, in both cases with a much lower volatility and a lower risk profile.

During this last quarter, we have made nine new investments in companies that we believe have a very good upside potential. In the same way, within the natural process of portfolio rotation, we have sold seven investments, one of them was subject to a takeover bid (the third we have received since we launched the fund) just two months after we initiated our investment in the company and at a 40% premium to our average acquisition cost. As a result of these transactions, we have increased the investment level of the fund, reaching 96.2% from 92% at the end of the previous quarter.

As we have always mentioned, our results should be judged over a longer period (from 3 to 5 years), but the current performance reinforce our commitment to

continue applying with discipline our principles and investment strategy.

EQUAM vs. European indices** in 2016
(base 100)



** Official NAV for the 1st of July, which is calculated using closing prices of the 30th of June. This allows a fair comparison with indices.*
*** Indices assume the reinvestment of net dividends (after deduction of withholding taxes).*

The effect of Brexit on EQUAM

We believe that should the UK finally exit from the European Union, it should not alter significantly the trade relationship between both areas, and that free trade would continue basically unchanged, as it is the case with Norway and Switzerland. On the other hand, we are confident that the British economy would remain vibrant and that the traditional favorable attitude of its population and government towards economic freedom would reinforce the country's prospects out of the EU (a 15% corporate tax rate has been recently suggested by George Osborne). For these reasons and in these scenarios, we believe that the long term valuation of our investments does not change much after the referendum.

In the short term, however, there are several variables that can have a temporary effect on the results of some of the companies in our portfolio:

- The depreciation of the Pound, if sustained over time, has a direct effect on the financials of some of our companies. UK exporters will have a positive tailwind from a more competitive exchange rate and from the consolidation of foreign revenues at better rates. The market has welcomed this with a 10% increase in Rolls Royce and a 3% in Meggitt in the days following the referendum. On the other hand, Origin, an Irish company that reports in Euros but has a significant business in the UK will be negatively affected by the exchange rate.

- Companies with a high concentration in the UK may suffer due to the uncertainty resulting from the negotiation process and the consequent delays in investment decisions by their customers. The most affected in our portfolio may be Mitie, which in addition to having its business only in the UK, relies on low qualified labor. Restrictions to the free movement of workers to the EU could affect the company's business increasing its labour costs.

- As regards to banks (we hold two Eurozone Banks, ING and Deutsche Pfandbriefbank) the exit of the UK may weaken the whole European project and confidence towards its institutions, including the Euro, which will have a negative impact on its banks.

British companies in EQUAM's portfolio

			Price evolution	
Company	UK sales (%)	EQUAM stake	Brexit + 4d Δ%	2016 Δ%
Mitie Group	96.6%	3.3%	-9%	-21%
Meggitt	9.3%	2.8%	3%	9%
Rolls Royce	13.0%	2.8%	10%	25%
Serco Group	23.4%	3.3%	1%	21%
Berendsen	39.5%	2.6%	-1%	13%
ITE Group**	<5%	2.6%	8%	-9%
Admiral Group	81.3%	1.8%	2%	24%
JLT **	41.4%	2.4%	-1%	1%
Judges Scientific **	16.6%	1.0%	2%	-4%
Wincanton **	100.0%	1.1%	-4%	-1%
Total UK		**23.6%**	**1.1%**	**5.8%**

The evolution of the Pound has a direct impact in the value of our portfolio, and as we pointed out in our previous quarterly report, some months back we decided to hedge part of our exposure and reduce the impact on our fund of a potential devaluation of the pound.

Investment Activity

One of the most important elements in our investment checklist is the quality of the management team. We try to invest in companies that are "owner occupied", where decisions are always focused on shareholders' value creation. This may seem common sense, but unfortunately it is less usual than one could imagine. Managers who work with an owner mentality make decisions with a view on the long term, they have a sizable share in the equity of their companies and both profit or lose from the results of their decisions. It is very important that this culture permeates through the whole organization. Our experience shows that these companies are able to consistently create value for shareholders over time.

The honesty and capacity of the management team and its alignment of interest with shareholders are important in our investment process.

In the second quarter we have acquired stakes in two companies (Neurones and Judges Scientific) that share this culture. Both were founded by successful entrepreneurs and have a long track record of shareholder value creation through de-centralized structures, low base salaries and high remuneration linked to performance, where managers of subsidiaries have a high degree of autonomy for the development of their businesses and where central services just ensure that capital is allocated wherever it can achieve the best returns. These elements put together have resulted in a very relevant organic growth, high discipline in acquisitions and very high returns on invested capital, and, as a consequence, sustained double digit EPS growth for many years. Neurones is a French IT services company and Judges Scientific is a UK based holding of companies that manufacture scientific instruments for laboratories and universities.

We also try to avoid those companies or situations in which, despite being good businesses and successful investment stories, doubts arise over the alignment of interest between managers and the rest of shareholders. For example, during this quarter we analyzed and interviewed the managers of a company that on paper met all our requirements: it was a good business, with

sound returns on invested capital, no debt and good growth prospects. However, the company had granted a sizable loan to its main shareholder, and this situation, despite representing no financial risk to the company, generated doubts over management's alignment with the rest of shareholders, making the investment not suitable for Equam.

Brodrene Hartman operates in a boring niche, but we believe it is cheap and can create shareholder value in the coming years.

Another of our investments this quarter would probably delight Fidelity's star investor Peter Lynch, since it meets many of the selection criteria that he describes in his well known book *"One Up On Wall Street"*. The company operates in a boring niche (molded fiber egg cases), it is ignored by the investment community (not one single analyst covers the stock), and has a boring and difficult to remember (and to pronounce) name – **Brodrene Hartmann**. Despite these "negative" characteristics, the company operates in a very defensive market (packaged egg consumption is growing at a healthy rate due to urbanization and is not cyclical) and the market has an oligopoly structure due to the fact that transport costs are high related to the product price and competition is therefore very local.

Additionally, the company is emerging from several years of operational restructuring in the US and Europe. It has closed a factory in Germany, thus improving the balance of supply and demand for the industry in Europe, and is building new capacity in America, where there is a production capacity deficit and prices and margins are high. All these factors will generate growth over the coming years. We have acquired Brodrene at 9.5x current adjusted net earnings and 9.1% Free Cash Flow yield.

La paciencia resulta fundamental para comprar las buenas compañías a precios atractivos

We have also initiated an investment in **Origin Enterprises**, an Irish company that we began to analyze a year ago. Aryzta, one of our portfolio companies, sold its stake in Origin to fund its investment in Picard Surgeles, and when the share price of Origin fell, it attracted our attention. We liked the business, but at that time the price did not offer a sufficient margin of safety. However, this year the price of Origin has fallen further, especially

after the EU referendum, so we have had the opportunity to buy shares.

Origin is an Irish company that offers consulting services to farmers to help them improve the yield of their harvests, and sells them the most appropriate seeds, fertilizers and crop protection products for each case. It is a stable business based on long term relationships between farmers and agronomers, has low capital requirements, provides high returns on investment and generates a lot of cash. The company's short term evolution depends very much on each harvest, since harvests determine how much farmers can spend on Origin's advisory services and products. This year's harvest will not be good, due to heavy rains across the main crop growing regions, and the share price has retreated by 35%. We have taken advantage of the lower prices to invest.

ITE Group manages events and trade fairs in emerging markets. It is based and listed in the UK, but most of its business takes place in Russia and other Eastern European countries, and more recently it has expanded to other emerging markets in Africa and Asia. The event management business has many attractive attributes. Each trade fair operates as a small local monopoly, since it is difficult to fill different fairs for one specific industry or area. There is a strong network effect, because exhibitors and visitors get better value from large fairs where all players are present than from smaller ones, making entrance to a consolidated market quite difficult. The business has low investment requirements and exhibitors pay several months in advance so the business benefits from negative working capital. ITE has been struggling for some time, as a consequence of the crisis in Russia and the downturn in Oil and Gas, and the share price is very depressed. However, the business is very resilient, since costs can be adjusted when revenues fall, maintaining margins at reasonable levels. ITE has also used these low times to acquire new fairs and diversify geographically. We believe that even a minor recovery in the countries in which it operates will lead to a sound recovery in earnings and in the share price.

Jardine Lloyd Thomson ("JLT") is an insurance broker based in the UK that has a global reach. The insurance broker business benefits from a reasonable stability and predictability, because once a policy has been signed switching costs are normally greater than the benefits, and clients tend to remain with the broker for several years. In addition to that, the business generates investment returns from the premiums received from clients no yet paid to insurers. In the last years, insurance brokers have seen some revenue pressure because the insurance market is in a very soft phase; strong competition in the insurance and reinsurance markets has caused premiums to fall and this in turn reduces brokers' revenues. In addition to that, the low interest rate environment has also depressed investment income and regulatory changes in the UK have contributed to depressing 2015 profits. Despite this combination of negative circumstances JLT has maintained a very healthy organic growth and has very good long term prospects. The current market situation has allowed us to buy this outstanding business at a very attractive valuation, and we believe that a change in the insurance cycle will make this an outstanding investment.

We have also invested in **Leoni**, the European leader in cabling systems for the automotive sector. The industry has good long term perspectives, since there is an increasing need of cables for electric powered cars and cars carry more electronic gadgets. Despite these good demand fundamentals, the company has been struggling due to an oversized intermediate management structure and to production problems in Romania, depressing operating margins from 5.6% to around 3% last year. Leoni has initiated a restructuring plan to solve these problems, adjusting its middle management teams and the factory in Romania. As is normally the case when a company has internal problems, the market has reacted very negatively and the share price has fallen by 60% in recent months. The current price of Leoni discounts a permanent damage of margins. However, we are confident that the measures taken will allow the recovery

of margins in the coming years. Leoni is trading at 6.5x normalized net earnings.

We have also analyzed the contract logistics sector. There is a growing trend to outsource logistics services which provides a stable demand for contract logistics companies over the coming years. Companies that operate in the contract logistics sector achieve good returns on capital and have relatively stable revenues, due to the long term nature of their relationships with customers. In addition to that, there has been a consolidation process that has reduced the intense competition in the logistics business. The sector is trading at high valuations, not just because of its good prospects, but also because the consolidation process continues, now under the lead of XPO, an American operator. Despite the industry's high multiples, we have identified **Wincanton**, the UK leading operator, which is smaller than its multinational competitors and is emerging from a restructuring process, and is trading at a PE of 10.4x and a FCF yield of 9.2%.

We have also increased our exposure to the companies in our portfolio that suffered most.

We would also like to highlight the discipline with which we have increased our investment in the companies of the portfolio whose prices have fallen most in the quarter. We have also taken advantage of the panic that followed the EU referendum to invest a 3.1% of the fund at very attractive prices.

Divestitures

In the last 15 months three companies from our portfolio have received takeover bids.

We have sold our investment in Energy Assets, just two months after our initial investment in the company, because an infrastructure fund launched an offer at a 40% premium over our average cost. Despite the price offered being lower than our target valuation, we decided to sell and reinvest the proceeds in other attractive opportunities. This is the third takeover offer that we have received since we launched the fund in January 2015, after TNT Express and Miba.

We have decided to completely sell out of Orkla because it came very near to our target price, which we had already adjusted upwards in the past in view of the good execution of the restructuring process. We have also sold National Express and Ipsos which had not fully reached our target prices but offered us a good return and were quite marginal positions. We also sold out of Alstom, after reducing our stake by a 40% in the previous quarter when selling shares in the takeover bid launched by the company.

Finally, in the context of our rotation towards European investments, we have sold our investment in Baker Huges (re-investing the proceeds in two other companies of the portfolio with exposure to the oil services industry) and Samsung.

Update on Stallergenes and Hunter Douglas

Regarding our investment in Stallergenes, last April the company issued its full year 2015 results. As expected, they included a significant impact from the closure of its factory in Anthony for 3 months. Together with the results presentation, the management team presented its action plan to relaunch the company now that all the manufacturing facilities are fully operational. After meeting with the team and analyzing the new information we have updated our valuation to consider the probable market share loss and the cash burnt in the process. We estimate the intrinsic value of the company at around 51€ per share, similar to our average acquisition cost but much lower than our original valuation of 85€. Most probably, we have suffered a permanent loss of capital in this investment, but the company trades at 25€ per share and we believe there is a good upside to our new target valuation, so we are keeping the shares for the time being. We continue to closely monitor this investment.

Finally, Hunter Douglas, our largest investment, has announced that the proposed acquisition of Levolor, its main competitor in the US, was approved by the regulators at the beginning of June, and that they expect to close the deal in 30 days. We believe that this transaction is going to add value to Hunter Douglas, since it will consolidate the company's leading market position in the American market and will improve profitability through cost synergies and industrial optimization. These improvements should lead to a relevant increase of results in the coming quarters.

Evolution of the fund.

We have reached a 96.2% investment level, the maximum since we launched the fund.

As a result of the new investments we made in the quarter, our investment level has increased to 96.2% from 89% at the end of March.

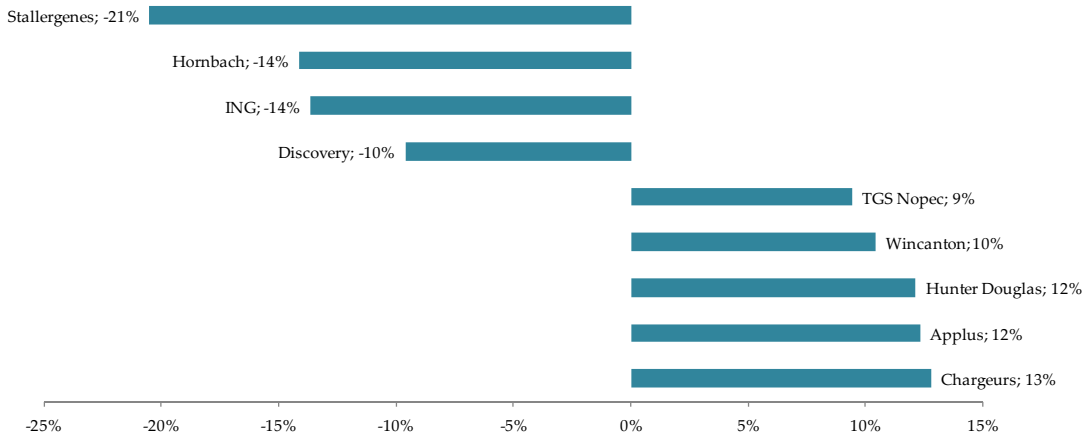
Investments outside Europe have an 11% weight in the portfolio, down 3% from 14% in the previous quarter. The fund has 40 positions and the upside potential if all investments reach our internal target valuations is 62%, up from 44% the previous quarter. This greater upside potential is due to a higher investment level of the fund and to the good opportunities identified during the quarter.

Ten largest investments as of June 30.

Company	Weight	Price	Upside *
Hunter Douglas N.V.	5.3%	42.6	48%
Chargeurs SA	3.8%	10.0	38%
Cegedim SA	3.8%	27.5	38%
Hornbach-Baumarkt-AG	3.7%	24.3	106%
TGS-NOPEC Geophysical Company ASA	3.6%	136.2	147%
Deutsche Pfandbriefbank AG	3.6%	8.9	92%
ING Groep NV Cert. of Shs	3.5%	9.2	80%
Serco Group plc	3.3%	1.1	77%
MITIE Group PLC	3.3%	2.5	57%
Stallergenes Greer	3.1%	22.1	131%
Top 10	**36.8%**		**79%**
Portfolio	**96.1%**		**64%**
Cash	**3.9%**		

Best performers during the quarter were Chargeurs, Applus, Hunter Douglas y Wincanton.

Best and worst performers in the quarter [1]



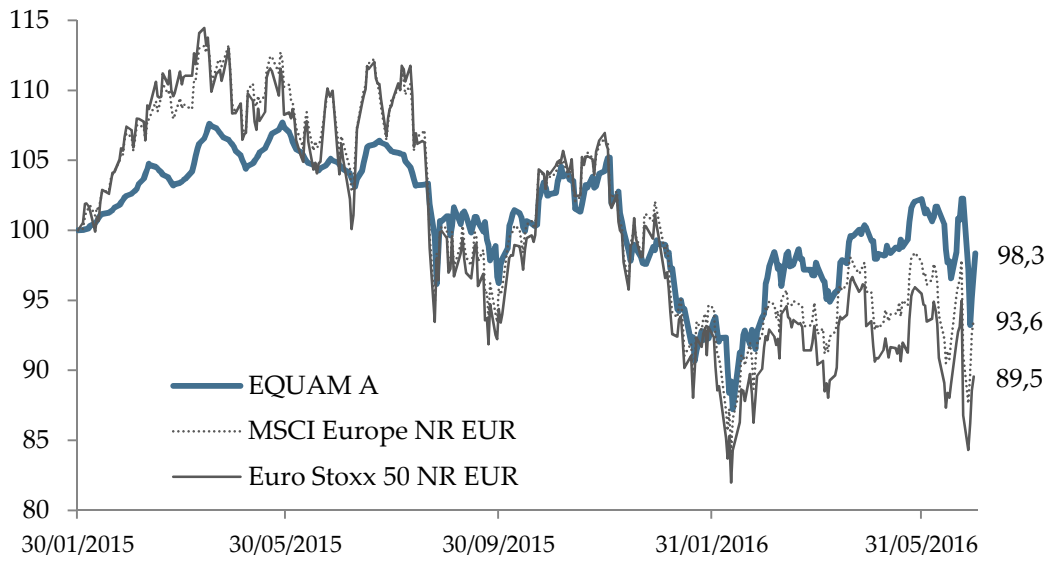
[1] *Price change from 3/31/2016 to 6/30/2016. For new investments we have used average investment cost.*

Appendix I: EQUAM 20 largest positions.

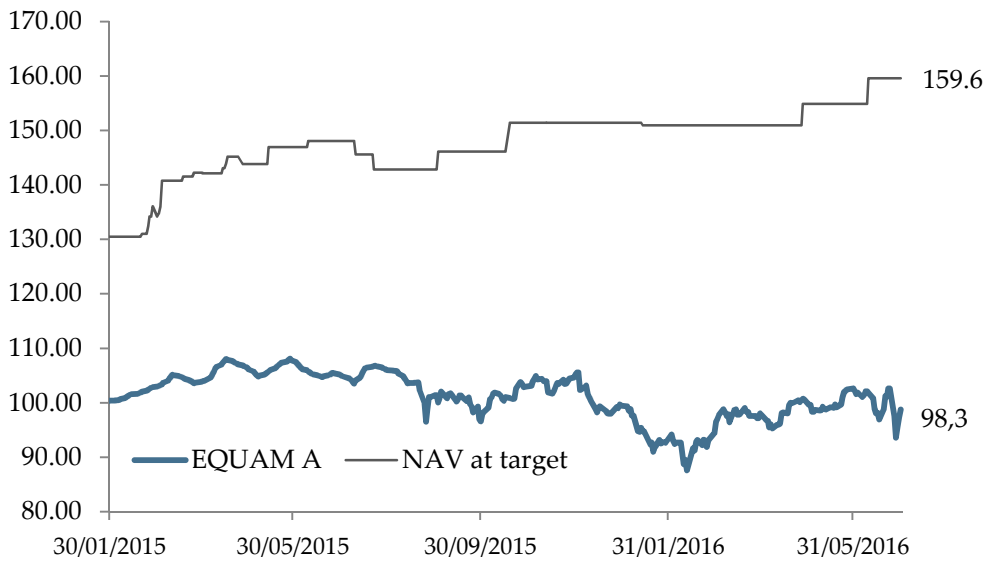
Company	Country	Weight	Value Base Case	Upside
Hunter Douglas N.V.	Netherlands	5,3%	Dominant leader in oligopolistic market.	48%
Chargeurs SA	France	3,8%	Restructuring on track, cyclical recovery	38%
Cegedim SA	France	3,8%	Software for doctors and insurers, stable revenues	38%
Hornbach-Baumarkt-AG	Germany	3,7%	Resilient compounder in repaired market	106%
TGS-NOPEC Geophysical Co	Norway	3,6%	Countercyclical niche oil services player	147%
Deutsche Pfandbriefbank AG	Germany	3,6%	Recapitalized bank trading at deep discount to BV	92%
ING Groep NV Cert. of Shs	Netherlands	3,5%	Restructured commercial bank	80%
Serco Group plc	United Kingdom	3,3%	Refocused contractor in restructuring, recently recapitalised	77%
MITIE Group PLC	United Kingdom	3,3%	Undervalued compounder in fragmented market	57%
Stallergenes Greer	France	3,1%	Market leader in an oligopoly market	131%
Aryzta AG	Switzerland	3,0%	Undervalued oligopolistic leader.	122%
APPLUS SERVICES S.A.	Spain	2,9%	Sound certification business	26%
Meggitt PLC	United Kingdom	2,8%	Undervalued compounder in low cycle	74%
Indra Sistemas, S.A. Class A	Spain	2,8%	Restructuring defence and IT contractor	90%
Rolls-Royce Holdings plc	United Kingdom	2,8%	Sound oligopoly going through restructuring	69%
NRJ Group SA	France	2,7%	Deep SOPV undervaluation	30%
Berendsen plc	United Kingdom	2,6%	Leading position in a growing market	15%
Tecnicas Reunidas SA	Spain	2,6%	Turnaround of refining engineering company after Canada contract.	28%
ITE Group plc	United Kingdom	2,6%	Deeply undervalued event management company	59%
Jardine Lloyd Thompson Gro	United Kingdom	2,4%	Small, high growth insurance broker at low valuation	39%
Total top 20		**64%**		
Total portfolio		**96%**		

Appendix II: Target valuation and fund evolution

EQUAM vs European NR indices performance



EQUAM vs EQUAM at target prices



NAV evolution

	EQUAM	MSCI Eur	Eurostoxx 50
1 month	-3.3%	-4.3%	-6.2%
3 months	1.0%	-0.2%	-2.6%
YTD	-0.6%	-7.2%	-10.2%
1 year	-5.9%	-11.0%	-13.9%
Since inception *	-1.6%	-6.4%	-10.4%

	EQUAM D	MSCI Eur	Eurostoxx 50
1 month	-3.5%	-4.3%	-6.2%
3 months	1.0%	-0.2%	-2.6%
YTD	-0.7%	-7.2%	-10.2%
Since inception *	0.6%	-7.0%	-11.2%

**Clase 'D' from December 17, 2015*

**EQUAM A excludes the first 15 days since inception where the portfolio was under construction. Indices are Net Return in Euro which assumes the reinvestment of dividends, net of taxes.*

The performance of EQUAM A and EQUAM D has been calculated using official NAV prices for July 1st, which use the closing prices of June 30th, to make a fair comparison with the index.

EQUAM Capital EAFI, SL
Serrano 78 3º, 28006, Madrid
www.equamcapital.com

Bloomberg (Class A)	EQUAMVA LX
ISIN Class A	LU0933684101
ISIN Class C	LU1274584488
ISIN Class D	LU1274584991

Registered in Spain	CNMV number 587
Fees Class A	1% NAV and 8% profit
Fees Class C	1.50% NAV
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.

Incometric EQUAM Global Value
Third Quarter 2016
A portfolio suitable for different scenarios

After the panic unleashed by the UK referendum, the markets have returned to certain stability and have recovered the levels achieved prior to the vote.

The situation remains uncertain and we will continue to see periods of high volatility. Prices will always fluctuate and we will continue to take advantage of these fluctuations to buy solid companies at attractive prices and to sell them when they trade at prices near to our valuation. We are convinced that the disciplined application of this investment method will offer the best possible results.

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 the majority 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.

Disciplined investment process.

During this third quarter we have completely devoted our time to the analysis of European companies that operate in market niches, relatively well insulated from the intense competition of the globalized world. We have held interviews with the management teams of tens of companies that have a leading position in their markets and have analyzed in detail their financial results and their business prospects, to come up with what we believe is a reasonable valuation of each of them. In many cases these companies were trading at prices similar to our valuation and we simply put them in our watchlist.

However, some of these mid-sized companies have had temporary problems, either due to their own internal management problems or to the cyclical weakness of their markets. Others were going through operational restructuring processes that temporarily depressed their profitability. In some of these cases the punishment inflicted by the market has been extraordinary. Nobody wants to maintain its investment when the shares are falling nor in companies that are going through uncertain times. The majority of investors want to sell and very few want to buy, so prices collapse.

We have put an especial focus on these cases; good companies with temporary problems, to try to identify the best opportunities. We have had to discard some of these potential investments because they did not match our safety filters; they had too much debt or they operated in more competitive businesses than we expected or their business could be structurally harmed.

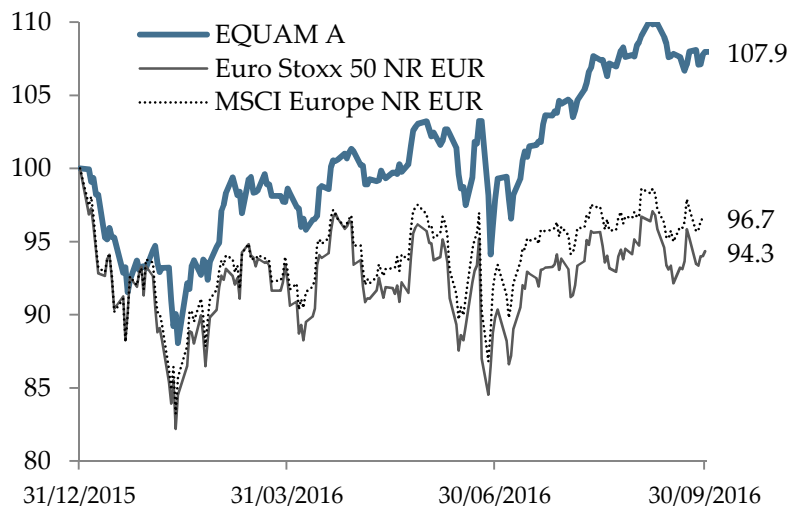
Out of all the companies we analyzed, we decided to invest in The Navigator Company, Swatch, Sports Direct and Coface. All of them have suffered significant falls from 52 week highs and have some kind of short term

headwind, but maintain a strong market position and are trading at bargain levels.

Fund performance

EQUAM Global Value has achieved an +8% return year to date, compared to a -3% to -6% fall for European Net Return indices.

EQUAM compared to European índices in 2016**
(base 100)



** Class A NAV for the 1st of October, which is calculated with closing prices of Sept 30.*
*** Net Return indices assume the reinvestment of dividends received after withholding taxes.*

In any case, as we always insist, the most important thing is not to achieve good short term results, but to maintain a continuous process of search and analysis of opportunities and to keep the discipline in the execution of buy and sale trades. We are convinced that the method we are consistently applying will provide the best long term returns.

Market comment

The market has recovered the level achieved prior to the UK referendum, but many economic uncertainties remain unresolved.

After the negative reaction to the unexpected result of the UK referendum, during the third quarter the market has returned to a situation of relative stability and has recovered the levels at which it was trading prior to the vote.

We believe that volatility will continue, since the general economic situation is still being heavily distorted by the continued manipulation of prices of financial assets by Central Banks, who insist in solving growth problems with extremely lax monetary policies. These policies lead to irrational situations, like the fact that despite global indebtedness being as high as ever, governments are issuing a quarter of their debt at negative rates or that the Bank of Japan is one of the ten largest shareholders in 9 out of 10 listed companies in that country.

We still believe that the best way to protect our capital in the different foreseeable scenarios is to invest in companies that operate in the real economy. Predictable and profitable businesses that produce necessary products and services and that trade at low valuations will continue to create value for their owners, even if there are times of crisis.

Most probably, whenever the fixed income bubble bursts or in the case of a recession, share prices will fall. However, with a longer term perspective, we continue to see the world with optimism and we believe that the underlying strength of the market economy and the power of entrepreneurial action will allow the world economy to continue growing.

Portfolio structure

Does our portfolio meet the requirements that we mentioned as necessary to be well protected in the current environment? From the analysis of our portfolio we believe it certainly does.

- **We have good businesses.** We prefer to focus on industries that are structurally healthy, either because they have an oligopolistic or monopolistic structure or because their relationships with their customers are stable and predictable. Approximately two thirds of our investments operate in oligopolistic niche businesses or have long term relationships with their clients. Some examples:
    - Hunter Douglas is the world leader in the production and distribution of window coverings, and benefits from its dominant position among local fabricators in its markets.
    - Brodrene Hartmann, Crown and Vetropack operate in businesses in which the cost of transport is a significant barrier to entry for competitors with operations located in other areas.
    - Verisign, Abertis and Thessaloniki Water are legal monopolies.
    - Meggitt, Rolls Royce operate in oligopolistic situations where competition for their maintenance services has very strong barriers to entry.
    - In the case of JLT and Origin, personal links with clients are crucial and provide customer stickiness and long term relationships.

- **We avoid debt.** We try to avoid companies with high financial leverage, since too much debt can lead to a permanent loss of capital if an adverse situation arises. The average leverage of the companies in our portfolio is below 1x ebitda and only 10% of our companies have more than 3x net debt to ebitda.

- **We look for honest management teams.** A large proportion of the companies in the portfolio are either family owned or managed by teams that are clearly aligned with shareholders.

- **We buy at attractive prices.** Our portfolio is trading at an average 8.2% Free Cash Flow yield and a PE below 11x, which we think is very attractive considering the good quality of our business.

In addition to these criteria, we put special emphasis in achieving a true diversification of our investments, avoiding too much exposure to any specific risk.

The result is a solid and well balanced portfolio that creates value both through the good evolution of its businesses and through the increase of the price of their shares, which have always been acquired at a discount.

Investments

During the third quarter we have continued to find interesting investment opportunities, taking advantage of the good prices offered by share price falls.

We have initiated an investment in the Portuguese company **The Navigator Company** (formerly called Portucel), after the severe punishment that its share price suffered as a consequence of the fall in prices of cellulose pulp. Navigator is Europe's largest producer of uncoated paper and despite the fact that it operates in a mature industry that is decreasing in size, it has been able to take advantage of both the transfer of part of the industry's capacity to other segments (essentially to cartons for packaging) and of having the most efficient, fully integrated factories which do not require capital investments for the coming years. These factors allow Navigator to achieve good returns on capital and to generate strong cash flows. In recent years, the company has launched several diversification projects in growth areas where it plans to invest its excess cash. In this process Navigator has entered the tissue paper business, with the acquisition of a small company in Portugal, and has invested in it to increase its production capacity. It has also bought a pellets factory in the USA and plantations in Mozambique, which gives the option to develop a cellulose pulp for the Asian market in the future. All these projects allow the company to reinvest the excess cash generated by its main business in attractive projects that provide growth opportunities not available in the main business. The industry is affected by short term volatility due to the fluctuation of pulp prices, but we have invested at what we consider a very attractive valuation (13% average FCF yield for the cycle).

We have also invested in **Swatch Group**. The company is well known for its cheap plastic watches, but most of its profits, around 90%, are generated by its prestige brands

(Breguet, Longines, Omega and Hamilton, among others). Swatch has suffered recently because several adverse circumstances have combined simultaneously. First, the Swiss Franc revaluation acted as a headwind for its exports. Also, the economic uncertainty in China and Hong Kong (its largest market) significantly reduced sales and finally the launch of smart watches has analysts wondering whether they will replace luxury watches. We believe that the first two problems are temporary in nature and that the replacement of luxury watches by smart watches is not a real threat. As usual, the share price of Swatch has fallen by more than 50% year to date, and has allowed us to invest in this great oligopolistic company at a very attractive price. Its market cap is below the sum of inventories (at market prices), cash and real estate owned by the company.

Sports Direct is another of our new investments this quarter. It is the largest retailer of sport goods in the UK, with 473 shops and has presence in other European countries, with 260 shops. Its business model is based on aggressive pricing, with a combination of its own and third party brands, which has allowed it to consolidate as the clear leader in the UK. On the other hand, the company's remuneration policy have led to some conflict in the UK and Sports Direct main shareholder and founder, Mike Ashley, has been criticized by some Members of Parliament over his policies. However, we believe that over the years he has shown outstanding management abilities and a strong entrepreneurial spirit that has permeated the organization. After releasing a set of results which were slightly below consensus (2.5% revenue growth and stable EBITDA) the share price has fallen significantly and we have managed to buy at a P/E of 6x.

Coface is, together with Euler Hermes and Catalana Occidente, one of the three main players in the credit insurance market. They are protected by strong barriers to

entry since it is necessary to have good credit information about the companies that trade with their customers and only after many years of collecting information can these data bases be reliable. The sector is nevertheless dependent on the business and credit cycle and suffers when there is a contraction. However, it can quickly correct its exposure to bad performing industries by reducing its insurance exposure and by raising premiums – its customers are more willing to pay for insurance after a crisis has made them suffer delinquencies. It is also a growth segment of insurance, in which the large players keep gaining market share from the smaller ones. Coface has had some internal problems; it has lost its business with the French Government and has presented a high loss ratio from its exposure to emerging markets and commodities. However, it is well capitalized, with a solvency ratio of 155% and has a new management team. The market has reacted very negatively to the problems of the company and has reduced its price to 0.4x book value, so we have initiated our investment.

Portfolio companies: 1H 2016 results.

The companies in our portfolio have released what we consider a very good set of results, which has resulted in a positive evolution of their share prices and of the fund. Only two companies have presented worse than expected results:

- Mitie, a company that outsources facility management services in the UK, has been affected by the slowdown in investment decisions by some of its clients, as a consequence of the referendum and also due to problems in its segments with greatest exposure to the public sector (healthcare management and management of Real Estate portfolios). We still feel confident about the stability in the relationships with its clients and the growing trend to outsource and externalize services. The share has fallen by more than 30% after the release of results and we have increased our investment.

- Cegedim, which produces software for pharmacists and doctors, is still transitioning from a packaged software model to a subscription / cloud model, which is weighing on short term results and has reduced the company's guidance for the full year. We believe these results are within what we expected and our investment thesis remains intact.

Divestitures

We keep acting in a very disciplined way in both our new investments and our divestitures.

Though we have not completely sold any of the portfolio's companies, we have reduced our exposure to some of the investments:

- We have sold most of our investment in Naturhouse, after it experienced a very quick rerating. We invested at a FCFyield of 11.5% and it is now trading at around 7% yield, which very near to our target. The company has an outstanding cash generation capacity but its business model is very dependent on the business cycle and future growth depends on the successful launch in new markets.
- We have also taken advantage of the share price increase in other companies to adjust weights to target.

Portfolio analysis.

As a result of the new investments made during the quarter, the fund maintains a healthy upside potential.

After the four new inclusions we have 44 companies in the portfolio. We think this is around the limit and expect to reduce the number of investments as some of them are maturing and getting near our estimate of value.

Despite the strong increase in the quarter, the upside potential of the fund, according to our internal price targets, is around 52%.

10 largest positions as of September 30

Company	Weight	Price	Upside *
Hunter Douglas N.V.	5.3%	49.3	40%
Chargeurs SA	3.6%	14.1	20%
Hornbach-Baumarkt-AG	3.5%	27.6	81%
Stallergenes Greer	3.3%	28.2	81%
TGS-NOPEC Geophysical Company ASA	3.2%	144.0	134%
ING Groep NV Cert. of Shs	3.1%	11.0	50%
Aryzta AG	3.0%	43.1	85%
Swatch Group Ltd. Bearer	2.9%	274.7	46%
MITIE Group PLC	2.9%	1.9	103%
Serco Group plc	2.8%	1.3	51%
Top 10	**33.6%**		**67%**
Portfolio	**95.4%**		**54.8%**
Cash	**4.6%**		

Chargeurs, Leoni, Naturhouse, Técnicas Reunidas and Coface have had the best performance during this quarter.

Best and worst performers in the third quarter [1]

[1] *Change in share Price from 6/30/2016 a 9/30/2016. For new investments we used our acquisition cost as initial reference..*

Despite its strong revaluation during the quarter, we believe that Chargeurs still has upside potential.

We would like to highlight the excellent performance of Chargeurs, a world leader in the production of protective films and one of our largest investments. With the support of a new group shareholders and a new management team, the company has launched some new initiatives and the share price has increased by 41% in the quarter and by 105% since we invested in April 2015. Despite the good evolution of the company, it is still trading at a FCF yield of over 8% and we believe the business has margin for improvement and growth opportunities. It is an example of a good company, with a leading position in its market niche that was under-researched by the market (only two analysts covered the company) and it was significantly undervalued. In these situations, as time passes, the market finally recognizes the real value.

Finally we would like to remind our investors that some aspects of our fee structure have been slightly modified.

The good performance of the fund has generated a performance fee for the Class A, but we have decided to waive part of it, the one corresponding to the NAV increase from 100€ to 105€ to avoid charging to those investors which invested at 105€, when the fund was initially opened to external investors. The high watermark has now being set at 107.3€ and a performance fee will only be generated if such level is outperforme.

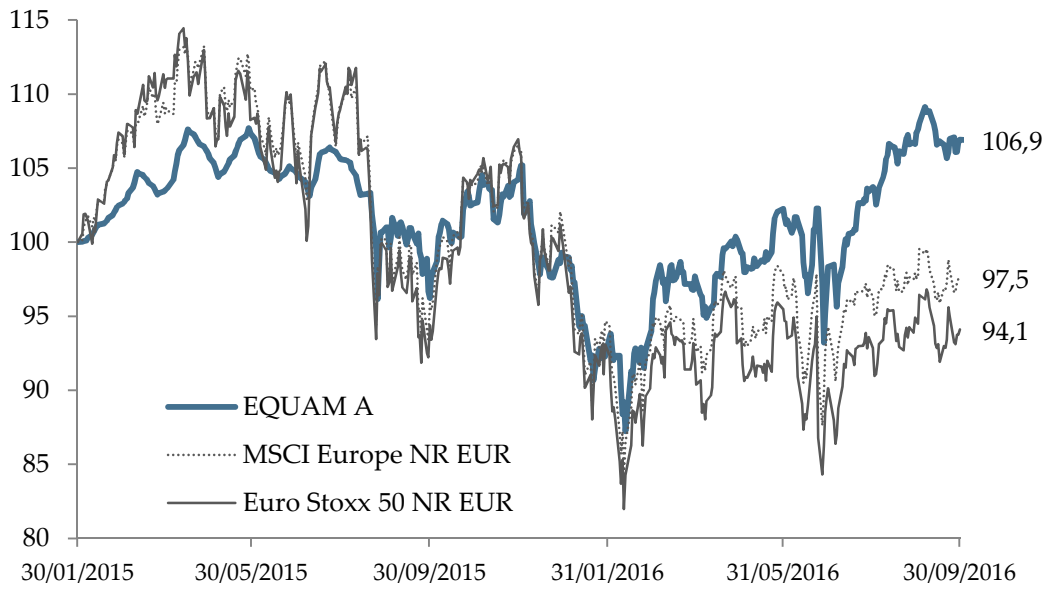
We have included further details in Appendix III.

Appendix I: EQUAM Portfolio.

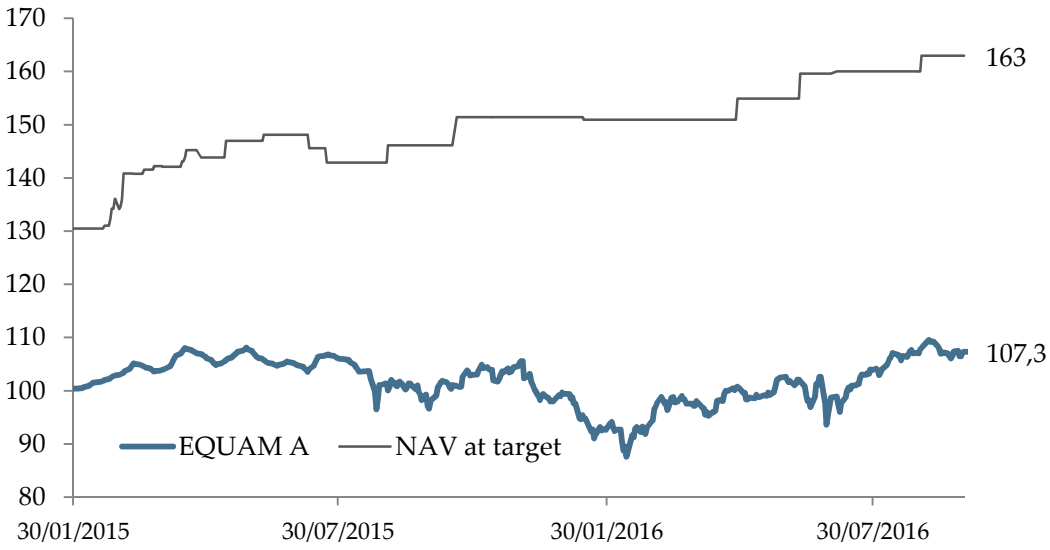
Company	Country	Weight	Value Base Case
Hunter Douglas	Netherlands	5,3%	Dominant leader in oligopolistic market.
Chargeurs SA	France	3,6%	Restructuring on track, cyclical recovery
Hornbach-Baumarkt	Germany	3,5%	Resilient compounder in repaired market
Stallergenes Greer	France	3,3%	Market leader in an oligopoly market
TGS-NOPEC	Norway	3,2%	Countercyclical niche oil services player
ING	Netherlands	3,1%	Restructured commercial bank
Aryzta AG	Switzerland	3,0%	Undervalued oligopolistic leader.
Swatch Group	Switzerland	2,9%	Undervalued luxury watch manufacturer and retailer
MITIE Group	UK	2,9%	Undervalued compounder in fragmented market
Serco Group	UK	2,8%	Refocused contractor in restructuring,
Cegedim	France	2,8%	Software for doctors and insurers, stable revenues
Deutsche Pfandbrief	Germany	2,8%	Recapitalized bank trading at deep discount to BV
Navigator Company	Portugal	2,6%	Lowest cost pulp and paper manufacturer at low valuation.
Indra Sistemas, S.A.	Spain	2,5%	Restructuring defense and IT contractor
Rolls-Royce Holdings	UK	2,5%	Sound oligopoly going through restructuring
Meggitt	UK	2,5%	Undervalued compounder in low cycle
APPLUS SERVICES	Spain	2,4%	Sound certification business
ITE Group	UK	2,3%	Deeply undervalued event management company
LEONI	Germany	2,3%	German manufacturer of cabling systems
Wincanton plc	UK	2,2%	UK contract logistics leader emerging from restructuring
Total top 20		**59%**	
Total portfolio		**95%**	
Liquidity		**5%**	
Total fund		**100%**	

Appendix II: Fund performance since inception and target values.

Relative performance of EQUAM and European indices, (Base 100 = 30/1/2015)



EQUAM A performance vs. valuation at internal target prices



	EQUAM	MSCI Europe NR	Eurostoxx 50 NR
1 month	-0,7%	0,0%	-0,6%
3 months	8,7%	4,2%	5,1%
YTD	8,0%	-3,3%	-5,7%
1 year	9,5%	1,8%	-0,3%
Since inception *	6,9%	-2,4%	-5,9%

* *Since inception performance excludes initial 15 days in which the fund was not invested.*

** *Indices are net return, assuming reinvestment of dividends net of withholding tax.*

Appendix III: Performance Fee waiver and changes in custody fees.

Class A performance fees

EQUAM's Class A charges a fixed annual fee of 1% over the average net assets of the fund plus an 8% performance fee on the increase of the NAV of the fund, counting from the greater of its initial NAV of 100€ or the last NAV that generated a performance fee.

Despite the fact that according to the prospectus the next performance fee should be calculated from 100€ we have decided to waive the performance fees up to 105€ and to raise the high watermark to that level of 105€. The reason for this waiver is to avoid charging a performance fee to those investors that invested in the fund at around 105€, when the fund was initially opened to external investors.

The fee waiver will also benefit the rest of investors who have invested at a NAV below 105€

Custody fees

Last August the fund custodian, KBL European Private Bankers, S.A., has notified us of its decision to increase its custody fees by 0.005% per year, from a yearly fee of 0.05% to 0.055%.

This decision is due to the increased regulatory responsibilities imposed by the European Directive on fund custodians with the new UCITS V regime.

EQUAM Capital EAFI, SL
Serrano 78 3º, 28006, Madrid
www.equamcapital.com

Bloomberg (Class A)	EQUAMVA LX
ISIN Class A	LU0933684101
ISIN Class C	LU1274584488
ISIN Class D	LU1274584991

Registered in Spain	CNMV number 587
Fees Class A	1% NAV and 8% profit
Fees Class C	1.50% NAV
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.

EQUAM Global Value Fund
Fourth quarter report 2016
A diversified portfolio with upside potential.

Over the last year the fund has performed well, with a net return greater than 17%. This performance is not explained by a single directional bet nor is it due to a few successful investments; it is the result of the good behavior of most of the components of the portfolio.

Despite this good performance, we believe that the fund maintains its upside potential. Our effort to find new opportunities is leading to good results and we are successfully replacing mature investments with other ones with greater upside.

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 the majority 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.

A stable portfolio in a volatile market.

One of the main characteristics of our methodology is the stability and long term nature of our investments. We do not try to guess the next market move and we do not think that it is possible to consistently predict its movements, up or down. Instead, we want to buy good businesses at good prices and wait while the companies create value and until the market fully recognizes it.

We find it impossible to predict the future movements of the market…

Investors who maintain stable portfolios achieve, in the long run, better results than those who increase or reduce their investment exposure according to their perception of the future evolution of the market. Not only do you have to be right with the market's future evolution (and you have to be right both when buying and selling), but you also assume the risk of missing a significant market revaluation, which may occur in just a few days each year.

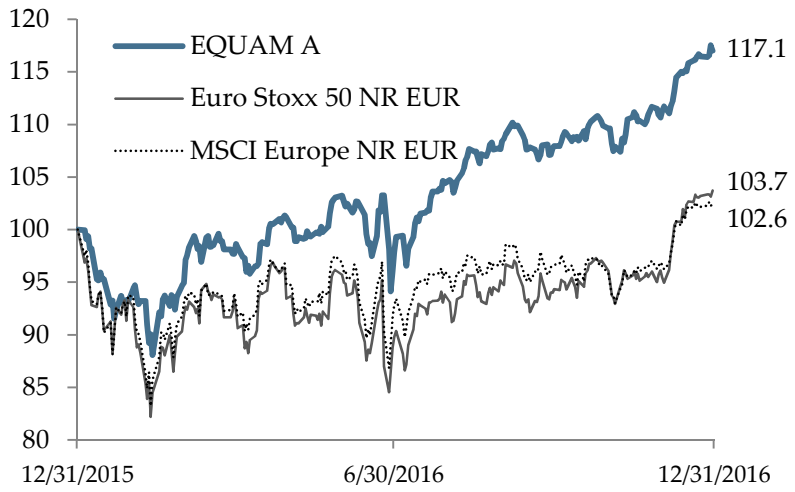
This year was a good example of how difficult it is to time the market and the importance of keeping a relatively stable portfolio. Up until February the markets fell significantly without a very clear cause and then recovered most of their losses. Later came the Brexit vote, with very sharp falls that also recovered within days, and finally, in just a few days in December, again with no clear reason, the market gained almost 10%. We think it is impossible to anticipate these movements.

… and we prefer to take advantages of the opportunities that the market occasionaly presents.

Instead of trying to beat other investors in second-guessing the market, we are determined to buying good companies that we have thoroughly analyzed when there is panic selling and to sell with discipline when they reach our target valuation. Instead of trying to anticipate what the market will do, we take advantage of the opportunities it presents, when they occur.

The results of this process to date are being quite satisfactory for us. This year the fund achieved a 17.1% return, comfortably beating all European indices. This good performance reinforces our conviction that our investment process, focused on the constant search of investment opportunities in Europe, will provide excellent results in the long term. The performance of the fund since inception, about two years ago, around 16%, also beats the indices by a wide range.

EQUAM vs. European Indices* 2016
(base 100)



** Net Return indices assume the reinvestment of dividends received after withholding tax.*

Our portfolio has performed well as a whole, there were no directional bets.

The good evolution of the fund over the year is the result of the good performance of most of its investments; it is not related to a specific sector or company. Our idea generation process has allowed us to build a really diversified portfolio which has performed very well as a whole. Only Chargeurs, which reached our target price in 2016, doubling in value, has contributed with more than 2% to the performance of the fund. The rest of the portfolio has also performed well but still has a significant upside potential.

Our constant effort to find new investments allows us to challenge the investment merits of the portfolio, so that each investment is in a constant competitive process with new and existing ones. When we find an investment with better potential than others in the portfolio, with better quality or greater upside potential, we may sell or reduce the weight in existing investments to make room for the new ones. Thanks to this process the fund maintains its upside potential even after the good performance of the year.

Investment activity

During the fourth quarter we have acquired seven new investments and we have sold six.

One of our new investments is the Greek cosmetics and household goods manufacturing company **Sarantis**, which commercializes its own branded products in Greece and other Eastern European countries. Sarantis has a very stable business which has performed relatively well during the country's severe crisis. It is family owned and has no financial leverage. Despite the fact that the situation in Greece is not yet improving, the prudent management of the company has allowed it to emerge stronger from the crisis, and is already presenting double digit organic growth rates. We believe that its strong balance sheet, with a net cash position, will allow the company to acquire targets available in the Greek market, whether buying tier two brands from multinational competitors or other competitors under financial difficulties as a consequence of the crisis. In this case we did not buy at a 52w low price, but we believe that valuation, at around 9x ebit, was very attractive for a company with such a good quality and growth potential.

We have also bought shares in **Coats plc**, the world's largest manufacturer of industrial thread. Coats produces high resistance sewing thread for Nike, Addidas, GAP,

P&G, and other apparel companies. The sector is fragmented and some of its niches are quite competitive, but Coats holds a 28% market share, tripling that of its next competitor, and achieves a return on capital employed greater than 17% (its products represent a low cost for their clients but are of great importance for the final outcome of the product). Coats provides high technology and quality products, and can offer an homogeneous product anywhere in the world, allowing it to work with large multinational companies offering them quality levels that other competitors cannot meet, and thus it is protected from low price competition from China. Coats also has an industrial thread division for specific niches (fire retardant thread, electricity and signal conductive threads…) which have very good growth perspectives. Despite the excellent quality of Coats' businesses, we have been able to invest at a very attractive valuation (5x ebitda) due to a recent corporate restructuring and a change of trading from Australia to the UK; and to the fact that the company was in the process of negotiating its contribution to fund the pension deficits of its retirement plans, which generated great uncertainty. The Company has recently announced an agreement with the regulator on this subject.

We have also invested in Vincent Bolloré's holding company **Bolloré**. The group has investments in Transport and Logistics in Africa, it is the control shareholder in Havas and has a minority but relevant stake in Vivendi. We have invested in the Bolloré group for two reasons. In the first place, Mr Bolloré has demonstrated in the past a capacity to create value by slowly buying poorly managed businesses, changing its management and turning them into successful businesses. In the second place, the shareholding structure of the holding is very complex, with cross-shareholdings among several of the group shareholders, making it difficult to know the exact amount of treasury shares owned by these

shareholders. After a thorough analysis of the situation, we have concluded that Treasury shares represent about half of the issued shares, and thus the group trades at a significant discount to its NAV.

The rest of our investments this quarter include **Norma** (a German manufacturer of clamps, connectors and fluid systems), **La Doria** (private label manufacturer of juices and tomato sauce) **Polytec** (manufacturer of plastic components for the automotive industry) and **Fiat Chrysler**.

Divestments

We remain disciplined when executing our investment process.

In the fourth quarter we have sold six of our investments.

Our most relevant divestments this quarter was **Chargeurs**, a French company devoted to the production of protective films for the construction and automotive industries. We made our first investment in April 2015 and since then, a new management team has acquired control of the company and implemented several measures to reinforce the business. The result is that shares have soared by 120% in a few months and have met our price target. Despite the better prospects of the company after the improvements introduced by the new team, we believe that we have achieved most of the return we were expecting and we have decided to sell, with an IRR of 75%.

We have also sold our investment in **Naturhouse**. We made our initial investment in January 2016, after a severe fall in the share price which occurred after the IPO, at a free cash flow yield of around 12% (for a company without debt and with growth prospects). In less than 8 months the share price increased by 50%, coming near to our target price, and we started selling. Although the price has recently lost some ground, we have continued to

sell to make room for better opportunities. We have achieved an IRR of 65%.

Another of our divestments this quarter was **Mettka**, a Greek engineering company which designs and executes projects in the Middle East. The company has a net cash position and trades at very low multiples. In this case, regrettably, we have not sold because the share price has reached our target valuation. We decided to sell when we had better insight on how the majority shareholder of the company, Mitilineos, was pooling the company's cash with other group companies. This is common practice for multinational groups of companies, but we do not think it is adequate for the minority investor in Mettka, who should, at least, receive dividends when the controlling shareholder wants to use its cash. Some weeks after selling our shares, in an additional turn against minority shareholders interest, Mitilineos launched a takeover bid for Mettka at a 15% discount over its trading price. In the case of this investment, thanks to our selling before the takeover bid, our return has only been slightly negative (-8%). Our experience with Mettka reinforces our view that we have to invest in companies where managers are aligned with all shareholders and if possible, always at the top of the holding.

We have also sold our shares in **Abertis**. When we bought Abertis, at a time of maximum pessimism last February, we thought it was a very good opportunity. It was trading at more than 8% Free Cash Flow yield, which is high for a concessions business, and had a high financial leverage which on the other hand is completely normal for a motorway company. Abertis had several of its concessions in a very mature phase, so there was some uncertainty over the reinvestment of its cash flows outside its core market. Since we bought Abertis they have made some reasonable investments, but there is still a reinvestment risk. In addition to that, Hispasat, its satellite business is facing an overcapacity situation in

Latinamerica, which can lower its profitability over the coming years. For these reasons, and considering that we are finding several opportunities which offer a better free cash flow yield, have lower leverage and less business risk, we have decided to sell our share and make room for better investments. We have achieved an IRR of 20% including dividends.

In the framework of our rotation towards European investments, we have sold **Discovery** and **Bank of New York**, American large cap companies that we believe have less upside potential than what we are finding in Europe. After these divestments there are only three American companies in our portfolio: Verisign, Crown and KLX, which in aggregate represent around 5% of the fund. All three investments have a unique business model that we like and that we cannot find in Europe, and we thus expect to keep these companies in the portfolio while we believe that they can continue to create value for us.

Portfolio and NAV evolution.

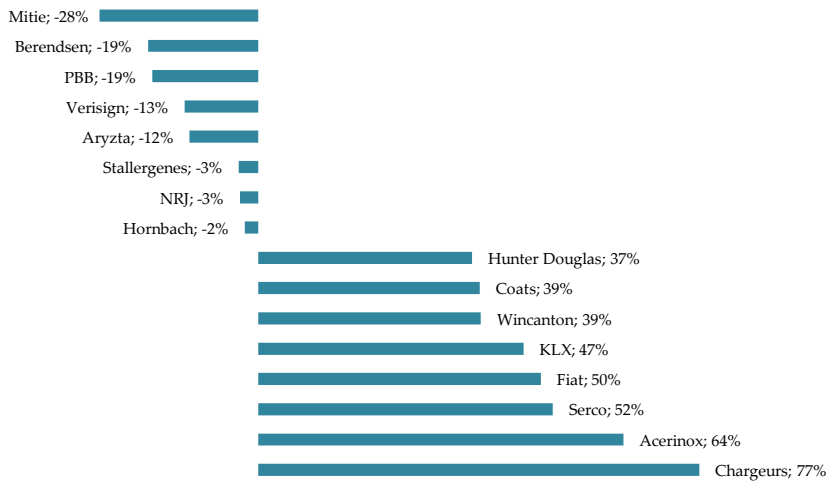
As a result of the recent investments, the fund's upside potential remains high.

After these seven new investments and the six divestments, we have 43 companies in the portfolio. Once we have reached this number, we believe that prior to including new investments it is wise to assess their upside and compare it with the rest of the companies of the fund, selling those that offer lower potential. We have already done this with Abertis, Naturhouse and with the American investments.

Despite the good performance of the fund in the quarter, the upside potential of the portfolio, using our target prices as a reference, remains high at around 47%. As we said earlier, our constant search for new investment opportunities allows us to keep the good upside potential.

Contribution to the performance of the fund.

The following table shows the performance of the best and worst companies of the portfolio, over the year or since we made our initial investment.



The good performance of the fund is due to the positive evolution of most of its investments.

Apart from the good performance of Chargeurs, we would like to highlight the good evolution of TGS, Hunter Douglas and Serco. Hunter Douglas is our largest investment and keeps posting good growth and has, in our opinion, a significant upside potential. It has acquired its main competitor in the US and we believe that this transaction will generate very relevant synergies.

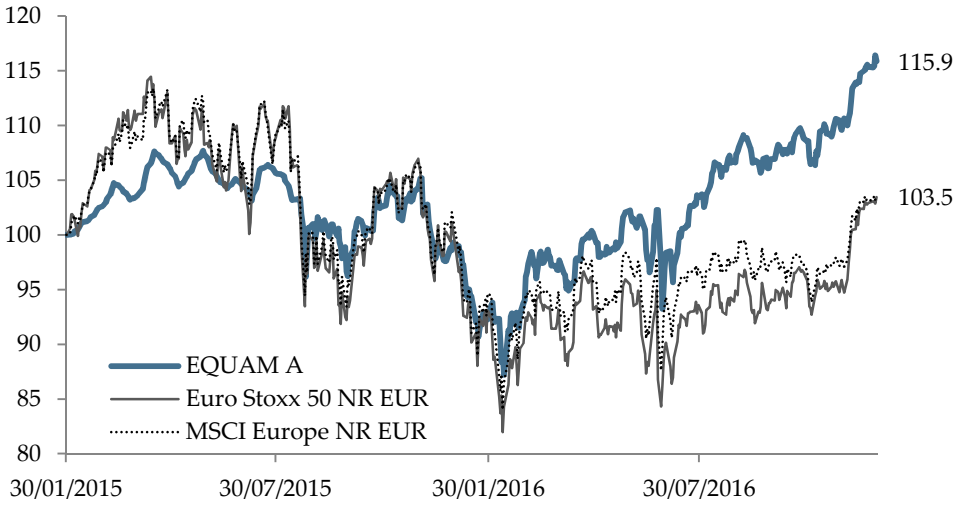
Our investment in TGS and Serco is a good proof of the need to have patience and to buy with discipline in panic situations. In both cases the share prices suffered significant falls and were down by more than 25% from our initial investment. In both instances we decided to make additional purchases of shares at more attractive prices, since our investment thesis and valuation had not changed. We are currently generating very good capital gains in both investments which still maintain good upside potential.

Appendix I: EQUAM Portfolio.

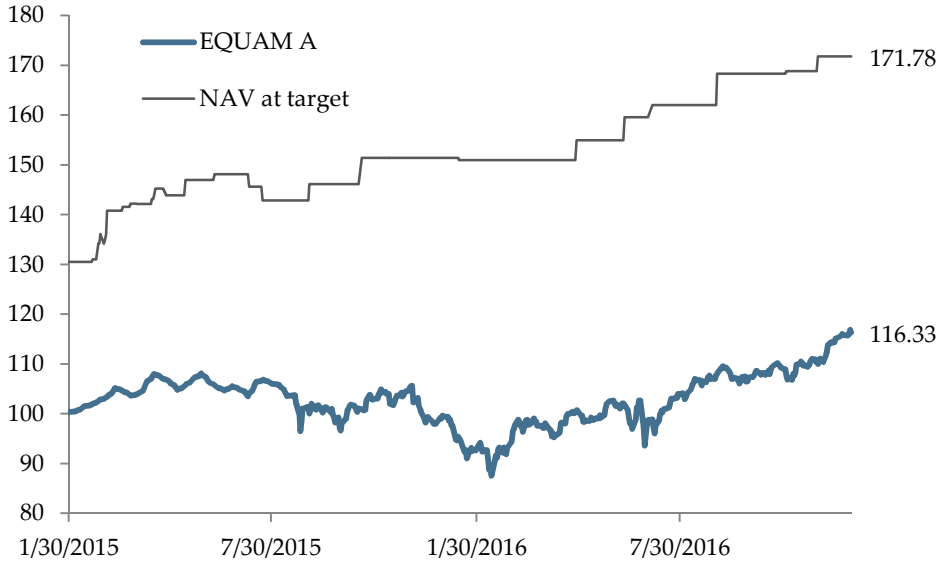
Company	Country	Weight	Value Base Case	Upside
Hunter Douglas N.V.	Netherlands	5,0%	Dominant leader in oligopolistic market.	29%
TGS-NOP	Norway	3,6%	Countercyclical niche oil services player	76%
Berendsen	United Kingdom	3,5%	Leading position in a growing market	61%
ING	Netherlands	3,4%	Restructured commercial bank	23%
MITIE	United Kingdom	3,0%	Undervalued compounder in fragmented market	74%
Stallergenes	France	3,0%	Market leader in an oligopoly market	65%
Bollore	France	2,9%	Complex holding company, well managed at a discount	91%
Hornbach	Germany	2,9%	Resilient compounder in repaired market	81%
Deutsche Pfandbrief	Germany	2,9%	Recapitalized bank trading at deep discount to BV	86%
Navigator	Portugal	2,8%	Lowest cost pulp and paper manufacturer at low valuation.	23%
Aryzta	Switzerland	2,6%	Undervalued oligopolistic leader.	78%
ITE Group	United Kingdom	2,5%	Deeply undervalued event management company	48%
Coats Group	United Kingdom	2,5%	Worldwide leader for industrial and clothing strings	45%
Cegedim	France	2,5%	Software for doctors and insurers, stable revenues	45%
Swatch	Switzerland	2,5%	Swiss luxury watches manufacturer in turnaround.	29%
Meggitt	United Kingdom	2,4%	Undervalued compounder in low cycle	54%
Serco	United Kingdom	2,4%	Refocused contractor in restructuring, recently recapitalised	37%
Rolls-Royce	United Kingdom	2,3%	Sound oligopoly going through restructuring	80%
KLX, Inc.	United States	2,3%	US based wholesaler for aerospace and Oil & Gas	49%
LEONI	Germany	2,3%	German manufacturer of cabling systems under restructuring	77%
Total top 20		**57%**		
Total portfolio		**95%**		
Liquidity		**5%**		
Total fund		**100%**		**47%**

Appendix II: NAV evolution and target valuation of the fund.

EQUAM vs Indices since launch



EQUAM 'A' and fund value at target prices.[1]



[1] *The increase in our target value estimate is the result of replacing mature investments with new opportunities with greater upside. We have not made any material change in the target value of our investments.*

	EQUAM A	MSCI Europe NR	Eurostoxx 50 NR
1 month	5,2%	5,8%	7,9%
3 months	8,4%	6,1%	9,9%
YTD	17,1%	2,6%	3,7%
1 year	17,1%	2,6%	3,7%
Since inception *	15,9%	3,5%	3,4%

* *Excludes the first 15 days during which the fund was not invested.*

Indices are Net Return in Euro, which assume reinvestment of dividends after withholding tax.

Bloomberg (Class A)	EQUAMVA LX
ISIN Class A	LU0933684101
ISIN Class C	LU1274584488
ISIN Class D	LU1274584991

Registered in Spain	CNMV number 587
Fees Class A	1% NAV and 8% profit
Fees Class C	1.50% NAV
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.

EQUAM Capital EAFI, SL
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www.equamcapital.com