EQUAM Global Value Fund
First Quarter 2017
Healthy portfolio turnover to maintain its potential.

In the first quarter of the year we have made seven new investments and we have sold out three companies, which we consider a healthy portfolio turnover that allows us to maintain the fund's upside potential.

The fund's NAV has increased by 5.9% in the first three months, very much in line with the rest of the market. Our assets under management have grown by 45%, and some of these inflows have arrived just at the end of the quarter, raising our liquidity to 10% of the fund. We expect to invest this cash as we find good 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.

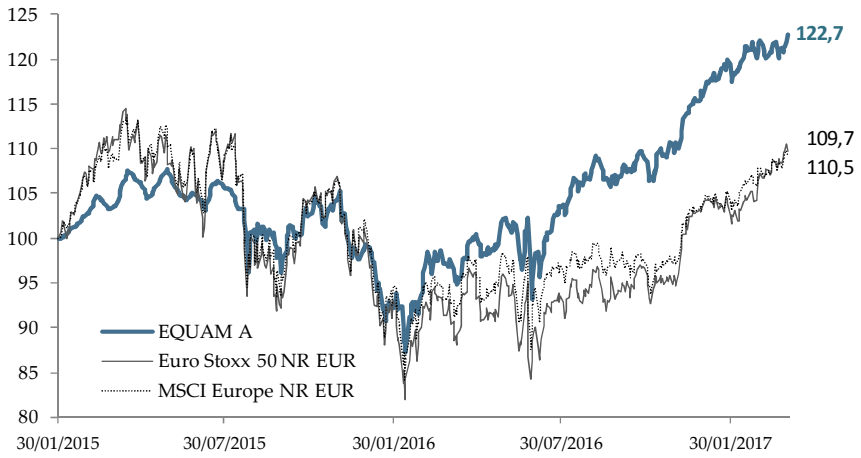
EQUAM Global Value is a UCITS IV vehicle and can be invested into throughout most leading financial intermediaries using AllFunds, Inversis, Fundsettle and other platforms.

A healthy portfolio rotation

After the good performance of the fund in 2016, we have been rotating part of the portfolio during this first quarter in what we consider is a very healthy exercise of selling three companies that reached our target and replacing them with seven new investments.

The performance of the fund in the first quarter has been in line with the market, up 5.9% vs 6% increase in the main European indices. Since inception in January 2015 EQUAM has returned 22.7%, confortably beating the European indices (including dividend reinvestment).

EQUAM vs European indices*
(base 100)



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

We remain focused on the generation of investment ideas

To find attractive investments it is necessary to stay alert and to analyze many potential investments, to choose just the best ones. At EQUAM we devote a lot of time and effort to this idea generation process, which we think is a key element of our investment method.

Direct contact with companies and their management teams is a key element of our investment process.

Some investors have developed their investment process based on the analysis of data bases and they prefer not to talk with management teams, since managers have a tendency to overstate the company's merits and hide its risks potentially creating misleading situations.

We think differently. We believe that having open discussions with managers is key for several reasons:

- Talking to management teams is a very useful tool for screening the market for opportunities, since it puts some distance from purely statistic methods that are readily available for all investors and that fail to identify those opportunities that are only apparently expensive due to the impact of extraordinary losses or to temporary depressed profits.

- These conversations help us to achieve a better understanding of the business and the industry in which companies operate, and thus complement information obtained from public sources.

- We also gain a good insight on the culture of the company and on how management thinks about certain issues which we deem very important in the value creation process of companies.

For all these reasons we devote a large part of our time to interviewing management teams of potential and current investments. Just as a sample, during the last quarter we have held more than 60 meetings and 25 calls with companies that have helped us identify some good investments or at least, good businesses that we have included in our watchlist to wait for a fall in share prices that allows us to buy them at attractive valuations. We have maintained at least one contact with practically all of the companies in which we have invested.

Playing the capital cycle to our favor

A good understanding of the capital cycle of the companies in which we invest is key to achieving good investment results.

Another of the key elements of our investment process is the good understanding of the capital cycle of the industries in which our companies operate. We need to understand the dinamics of the demand and returns cycle derived from the market process. When an industry is generating good returns on investment, other players want to participate and those which are already present invest to expand their existing operation. Sooner or later, these new investments lead to excess capacity in the industry and returns begin to fall, leading in some cases to a depression of the industry and a complete freeze in new investments. The market then expels the least efficient players resulting in a recovery of returns for the remaining players. This market process repeats itself in most industries, and having a good understanding of it can generate good investment results.

Rieter is in a depressed phase of its cycle and is deploying restructuring measures that will lead to a solid recovery of profitability when the cycle turns.

One of our new investments this quarter, the Swiss company Rieter Holdings AG is a good exaple of how we try to play the cycle to our favour. Rieter is the world leader in the manufacturing of high end spinning machines for the textile industry, with a 30% market share globaly. The company has a machinery assembly business, which is very cyclical, and a component and after sales business which is more stable and profitable.

The consumption of yarn is expected to continue growing due to population growth and higher GDP, so there is a constant need to replace old machines and even increase production capacity. However, investments made by textile entrepreneurs is never done in a orderly way, but rather in cycles like the one described above.

After some years of strong investments in capacity by yarn producers in 2010 and 2011, there have been four consecutive years of underinvestment by the industry. This lack of investment has lead to a sharp fall in the

profitability of the machine division of Rieter, whose EBIT has fallen from 41mCHF in 2014 to 4 mCHF in 2016. The company has launched several restructuring programs that should generate savings of around 30m CHF and is investing in R&D to improve the revenues from its components business and reinforcing its sales force to increase revenues from after sales services. All these initiatives together with the recovery of the capex cycle of its customers should lead to a sound improvement of margins in the coming years. Rieter has a net cash position equivalent to around 20% of its market cap and has a very strong and experienced group of shareholders that are supporting the company's projects on the Board. We have invested at a 7.1% FCF yield on current unadjusted figures, so we believe there is a 70% upside potential to our target valuation.

The current market cap of Cementir does not reflect the value of its assets.

Our analysis of the capital cycle is also relevant for another of our investments this quarter: Cementir, an italian company which produces cement in several european (Denmark, Norway, Belgium and Italy) and emerging markets (Turkey, Egypt and Malaysia). The market is very local due to the high transport costs of cement relative to its value, and this local nature relatively insulates the different markets. However, during the years of the investment bubble a decade ago there was a substantial overinvestment in cement production capacity in several countries which lead to a profound crisis of the industry.

The overcapacity problem has been greater in certain countries than in others where investments were more reasonable. In the case of Cementir, its Danish factory is very profitable since it operates a monopoly in the country and the Turkish market is large and growing, despite political issues. In other countries, mainly in Italy, the overcapacity problem is worse. On the other hand, Cementir is the world leader in the production of white cement, a high quality product with a more limited

production capacity. Cementir's solid balance sheet, with a very low leverage that is not common for the industry, has allowed it to make two interesting acquisitions: i) It has acquired from Heidelberg its business in Belgium. Heidelberg was forced to sell these Belgian assets after its acquisition of Italcementi; and ii) it has acquired a competitor in Italy for 125M€, helping to consolidate the sector in that country and contributing to its restructuring.

We have bought Cementir at 7x ebitda, therefore assuming no value for the italian business (since it generates no ebitda) which we believe is worth at least 200M€, or 25% of market cap. We also think that the situation in Turkey should gradually improve and that its presence in other emerging markets will add some growth to the company. Finaly, the company's main shareholder, the Caltagirone family, has been managing the business with a long term perspective for many years.

Sesa has a strong competitive position in a growing and profitable market.

We have also made an investment in Sesa, Italy's leading wholesaler and distributor of value added IT products and software. Sesa holds a 43% share in its market, which is growing, has significant barriers to entry, (since it is necessary to establish agreements with large international IT companies), and provides good returns on investment and generates a high level of cash flows. Despite all these good characteristics, the company is trading at a very attractive valuation (7x Ev/Ebit and 9.5% FCFy). The founders of the company are still managing it and are its main shareholders.

Our remaining investments in the last quarter are

- **Nice**, an italian manufacturer of motors for blinds, shutters and doors.
- **Mutares**, a German private equity that invests in operating restructuring situations.
- **Carlsberg,** a Danish brewer undergoing a

restructuring and with a potential to improve due to its presence in the depressed Russian market.

- **Arcus,** a norwegian company that produces and distributes wines and spirits to the nordic monopoly retailers.

Divestments

We compare new potential investments with those of the portfolio to select only the best ones.

In the first quarter we have sold three of our investments. Since we have now reached the number of investments that we believe is optimal for our portfolio, when we find new opportunities we compare them with our current investments to select those that have a better balance of our checklist and present a greater upside potential.

For this reason we have sold the following companies:

- Thessoloniki Water, a water utility in the city of Thessalonika, which, despite being cheap, was too small and had very limited liquidity.
- Vetropack, a Swiss producer of glass packaging which had almost reached our target price. At the same time, an aggresive competitor has made investments in the company's area of influence, and was threatening the equilibirium in the market. Vetropack has also announced that it gave up its efforts on its tempered glass project.
- Applus,which still had some upside potential to our intrinsic value calculation, but had more leverage than we like for our portfolio companies.

In all three cases, even without reaching our target price, we have achieved returns of 23% (Thessaloniki) 33% (Vetropack) and 46% (Applus).

Portfolio and fund evolution.

Our level of liquidity has increased temporarily due to recent subscriptions to the fund.

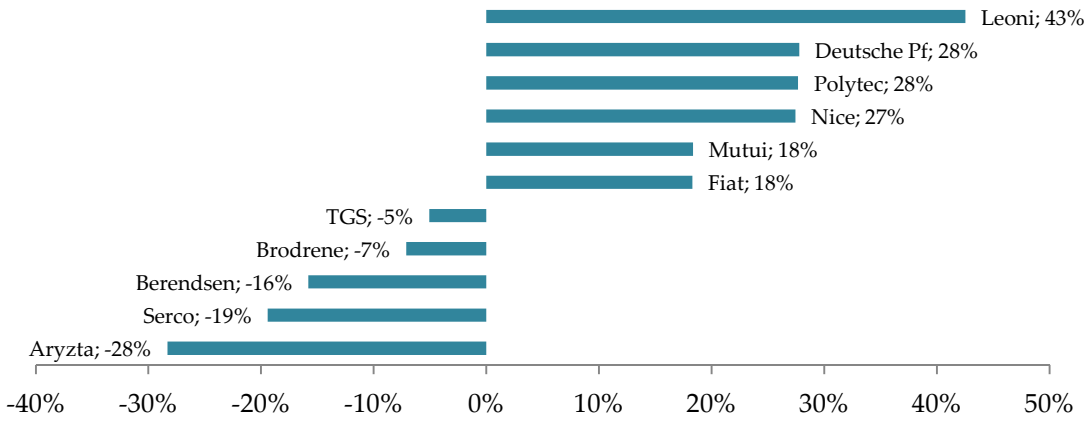
After our seven new investments and three divestitures we have 46 companies in the portfolio.

The weighted average upside potential of the portfolio, using as a reference our own internal target prices is 45%. Our constant search for new investment opportunities allows us to maintain a good upside potential after the good returns achieved last year.

In the first quarter of 2017 we have received new subscriptions representing 45% of the assets, due to the investment of new investors and the increase in investments of existing investors. Despite having invested most of that cash, at the end of the quarter there is still a remainder to be invested, increasing the cash balance versus the end of 2016 from 5% to 10% of NAV. We will invest this cash as we find good opportunities.

Best and worst performers

The following chart shows the companies that have fared better and worse. We have compared the closing prices of the first quarter with the closing prices of the previous quarter, except for new investments, where we have used initial buying price.



In our last report we mentioned the strong performance of **TGS Nopec** and **Serco**. This quarter, these two investments have prescisely been some of the worst performers of our portfolio, while we believe that there is nothing new to our investment case. In both cases we have taken advantage of the lower prices to buy more shares. We believe that it is crucial to keep a long term view to take advantage of short term volatility in the markets.

During this quarter most of our companies have released their 2016 full year results, and most of them have reported good profits and a positive outlook. In this respect, is it only remarkable to highlight the negative results reported by **Berendsen**, which, after its profit warning at the end of last year, has now confirmed that it will have to make extraordinary investments in its UK laundries over the next two years, which had not been anticipated by the market. Despite this situation, which has been received very negatively by the market, we believe that we are investing in a high quality company which has a strong competitive position, so we increased our investment when the shares plunged in March.

It is also worth highlighting the organizational and strategic changes that are taking place in another of our investments, the Swiss producer of frozen bakeries **Aryzta**. The company has a good and stable business which generates a lot of cash, but that has ran into problems due to some misguided corporate decisions, excessive investments and too much leverage. Last year the Board appointed a new Chairman with a strong reputation for good management and in a few months the company has announced several decisions that, in our opinion, are the correct way forward. The company has fired the CEO and CFO and is reviewing its alternatives for its minority investment in Picard Surgelés (a good business that is too leveraged and is unrelated to Aryzta's core business). We believe that should Aryta be able to

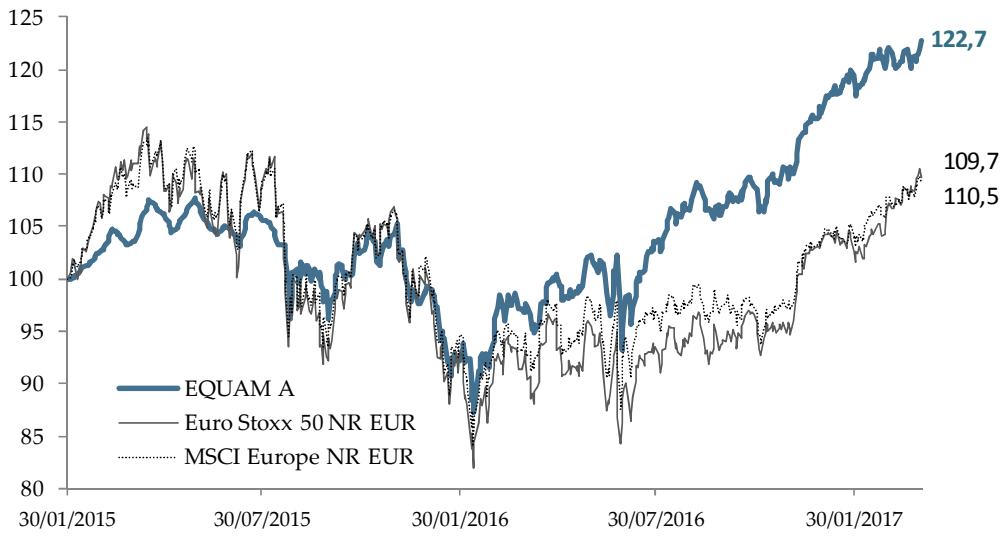
sell this asset at a reasonable valuation, it would very much improve its high leverage situation and would allow management to concentrate on the restructuring of its core business. Although it will be a lengthy process and not exempt of difficulties, we believe that the restructuring process of the company can create a lot of value.

Appendix I: EQUAM's Portfolio.

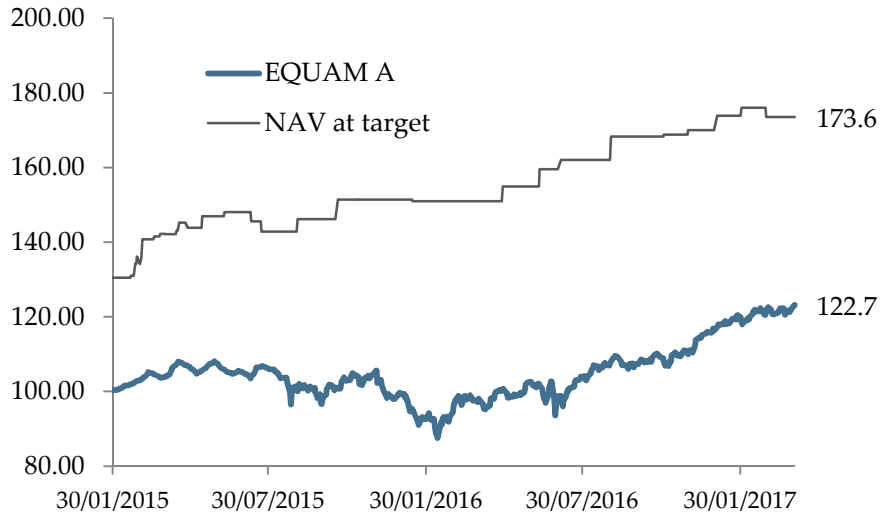
Company	Country	Weight	Value Base Case	Upside
Hunter Douglas	Netherlands	4.4%	Dominant leader in oligopolistic market.	33%
Deutsche Pfandbrief	Germany	2.9%	Recapitalized bank trading at deep discount to BV	46%
Meggitt	UK	2.8%	Undervalued compounder in low cycle	58%
ITE Group	UK	2.8%	Deeply undervalued event management company	42%
Hornbach-Baumarkt	Germany	2.8%	Resilient compounder in repaired market	71%
Serco Group	UK	2.7%	Refocused contractor in restructuring.	71%
Stallergenes Greer	France	2.7%	Market leader in an oligopoly market	60%
Bollore	France	2.6%	Complex well managed holding company	76%
ING	Netherlands	2.6%	Restructured commercial bank	16%
MITIE	UK	2.5%	Undervalued compounder in fragmented market	76%
SeSa S.p.A.	Italy	2.5%	IT Value Added software wholesaler	45%
TGS-NOPEC	Norway	2.5%	Countercyclical niche oil services player	85%
Berendsen plc	UK	2.4%	Leading position in a growing market	91%
Rieter Holding	Switzerland	2.2%	Swiss manufacturer. Cheap, net cash, restructuring.	47%
Aryzta	Switzerland	2.2%	Undervalued oligopolistic leader.	148%
Total top 20		**51%**		
Total portfolio		**90%**		45%
Liquidity		**10%**		
Total fund		**100%**		**41%**

Appendix II: Performance and return potential.

EQUAM return versus indices from inception



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	MSCI Europe NR	Eurostoxx 50 NR
1 month	1.5%	3.3%	5.6%
3 months	5.9%	6.0%	6.8%
YTD	5.9%	6.0%	6.8%
1 year	26.0%	16.9%	20.1%
Since inception *	22.7%	9.7%	10.5%

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

EQUAM Global Value Fund
Quarterly report June 2017
A well defined investment process

In the twelve months following the unexpected result of the British referendum the European equity markets have gained 18% and EQUAM has gained 32%. We would like to highlight the contrast between this positive evolution and the negative sentiment of the market that prevailed a year ago.

We believe that although the current market sentiment is not so negative, we should nevertheless continue to apply our investment process in the same disciplined way as we have in the past; buying good businesses when they trade at a discount and selling those investments that have reached our internal valuation.

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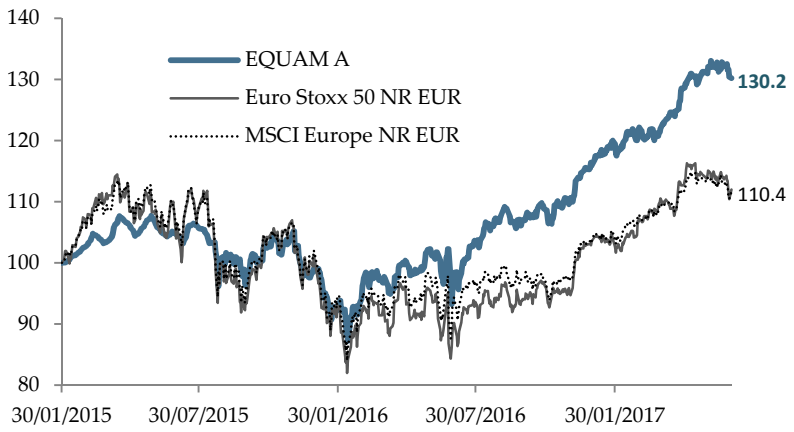
Relevant market recovery

EQUAM has had a very good performance over the previous 12 months…

In the last twelve months since the unexpected result of the Brexit referendum and after a very negative short term reaction that led the market to lose more than 10% in two days, equity markets have had a very positive evolution, returning 18% in twelve months (recovering the initial loses in just 49 days).

Under a shorter term perspective, since the beginning of 2017, European equity markets have gained 6.4% while EQUAM has returned 12.7%.

EQUAM vs. European indices*
(base 100)



** Net Return indices asume the reinvestment of dividends net of withholding tax.*

In the current scenario there are several market specialists warning about the risk of an overvalued market and advising to act prudently… We think you should always act prudently! We have always insisted that it is not worthwhile to devote too much time to try to anticipate the short term movements of the market, because they are completely unpredictable. Our undestanding of prudence is to maintain the discipline in the origination of ideas, the purchase of stocks at the correct valuation and the sale of investments that have reached our target valuation.

… but we have replaced those investments that reached their target price with others trading at a discount, and the upside potential of the fund remains intact.

During the first half of the year, several of our portfolio companies have experienced a remarkable price increase and nine of them have reached our initial target price (six during the quarter). Since there had been no material changes in the businesses of these companies, we have decided to sell them. At the same time, and despite the consistent performance of the markets, we have managed to identify ten (six in the quarter) new investments that we believe offer a good upside from their trading prices. We will discuss some of them later in this report.

We do not intend to say that we are disregarding the current economic situation. We are aware of the current environment in which the monetary policy of central banks is keeping interest rates at artificially low rates and we are aware of the risks that the normalization process entails. However, we believe that EQUAM's portfolio will provide good protection in the various scenarios that may arise from the normalization of monetary policy. In the meanwhile, we keep focused on executing our well defined investment process with discipline.

Reasonable diversification

A common debate among fund managers focuses on the optimum number of investments in a portfolio. We are currently confortable with our 47 investments. It may be true that a greater concentration could eventually lead to higher returns, but we also believe that this greater concentration would expose our investors to greater risk. We have already experienced the effects of unforseeable events and the uncertainty of the future and the fact that even the most clear investment opportunties can be ruined by unexpected events.

We believe the current portfolio allows us to combine a reasonable diversification together with an attractive differentiation from the indices.

Additionally, when investing in listed equities the information available to investors is limited to the public releases made by the management team. This is very different to situations in which investors gain control or achieve a relevant influence on the management, as would be the case of Private Equity investors, which would allow for greater concentration.

On the other hand, at least for the time being, we are being able to generate sufficient new ideas that meet our investment criteria and we find it difficult to determine a priori which of them will perform best. Our experience is that the current number of investments and the idea generation process has allowed our portfolio to deviate materially from the indices and to generate excess returns.

In fact, the fund's good evolution since inception cannot be explained by the strong performance of a few concentrated investments or by the successful exposure to specific investment themes. Our outperformance is the result of a big majority of our investments doing better than the market. To ensure that our investments are uncorrelated with each other, after our bottom-up investment approach we analyse the portfolio as a whole to avoid a high exposure to specific risks.

New investments

After several years of investments and a debt capitalization, Latecoere has a stable cash flow profile and a sound balance sheet.

In the second quarter we made an investment in **Latecoere,** a Tier 1 supplier of the aerospace industry. It holds a leading market position in certain niches (doors, cable interconnection systems and fuselage). As a Tier 1 supplier, the company participates in the development phase of new aircraft under a risk sharing scheme in which the company has to make significant investments for several years but then benefits from stable cash flows as the programs mature.

In the past, Latecoere commited itself to several new demanding programs that required significant investments. The excessive investment requirements led the company to a debt crisis that ended in a debt capitalization. After the financial restructuring the company presents a healthy balance sheet and a very stable cash generation profile as the new airline programs begin to mature. Additionaly, Latecoere is undergoing an industrial restructuring process, shifting part of its production to low cost countries and modernizing its factories.

Finaly, its two largest shareholders were debt investors who became shareholders in the recapitalization process. They have shown a strong commitment to the the company but we believe they would be willing to sell in the coming years at the right price, thus facilitating the consolidation process that is underway in the industry.

Another of our investments this quarter is **Piaggio**, the well known manufacturer of Vespa motorcylces. Piaggio is the European leader in the motorcyle market with a market share that exceeds 25%. As a result of the financial crisis the number of new bikes sold in Europe fell from 2.2 million in 2007 to 1.1 million in 2013, and recovered slightly to 1.3 million in 2016. As a result of this fall in

Piaggio is the European leader in the scooter segment, where the market has shrunk more than 50% from the peak levels reached before the financial crisis .

sales, the average age of motorcycles in Europe has increased by more than 30%, and this will lead to a replacement cycle that can last for years. On the other hand, the company has managed to establish successful operations in certain Asian markets and currently around 40% of its business (which in India includes light commercial vehicles) comes from that high growth and high margin area. In addition to the good sales prospects in both Europe and Asia, the company has executed an operational restructuring plan, which has reduced its break even point and will allow the company to benefit from a strong operating leverage as soon as volumes recover.

DFS Furniture is another investment we made this quarter. It is the UK leader in sofa retail with a 25% market share, or three times larger than its next competitor. The sofa market is very cyclical, but DFS has managed to improve its market share at the lower parts of the cycle, when the smaller and less competitive players have had to close. The company has a very flexible cost model, paying its employees mainly variable salaries and producing only on demand to keep inventories low. It is also managing its shop space to increase sales per square meter and has a good combination of online and traditional channel sales. Its retail footprint provides a sound advantage over other online competitors because customers need to try their sofas before buying them and online only companies cannot provide the service. All these characteristics make DFS a high cash generative business with high returns on investment.

After our initial investment, DFS reviewed its guidance for the year and the shares plunged by 18%. We took advantage of that share price fall to keep on buying shares in DFS and made it one of our largest holdings.

At the date of closing this report we were in the process of buying three new investments which we plan to describe in future reports.

Divestitures

In the second quarter we have sold six portfolio companies that had either reached our target price or were very near to it and had less upside potential than other opportunities we had identified.

This quarter we haveaccepted a takeover bid for our portfolio Company Berendsen.

In our previous report we explained how we had taken advantage of the share price fall of **Berendsen**, after a profit warning and the requirement of additional investments, to increase our investment in the company and position it among our largest investments. This quarter, as a result of the attractive valuation at which it was trading, its French competitor Elis (with a simmilar business but geographical complementarity) announced its intention to acquire the company at a 36% premium over the previous closing price. After analysing the situation we decided to sell our shares in the market, for the following reasons:

- The takeover offer, which was not firm, included a significant part of the acquisition price in shares of Elis, which is leveraged and would be even more leveraged if the takeover were to be successful. It is also trading at high multiples so in the event of a successful transaction we would have not kept the shares given in exchange for our Berendsen shares.

- In the event that the transaction did not occur, there was a significant risk that the shares of Berendsen would fall to the previous levels. After the profit warning we had not changed our target Price, but it is also true that the time required to

achieve our intrinsic value estimate was longer than at the time of our initial investment.

For these reasons we decided to sell our shares in the market. Some weeks after our sale, Elis improved its initial offer by 6.5% and regrettably we could not benefit from this price increase.

It is worth mentioning that this is the fourth takeover bid we have received since we launched EQUAM.

The remaining divestitures, **Navigator**, **Polytec**, **Coface**, **ING** and **Acerinox** were sold after reaching or coming very near to our price target, with an average gain of 50% over our average buying cost.

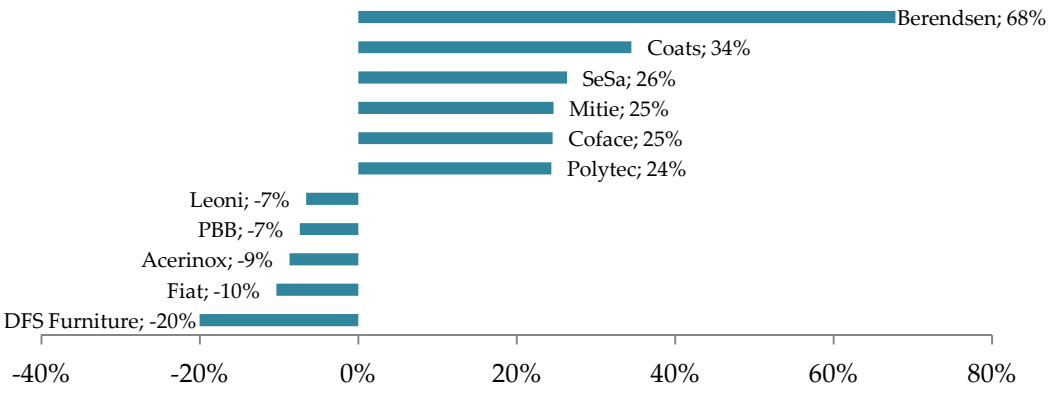
Performance and portfolio breakdown.

Our portfolio maintains a healthy 50% upside potential.

Considering the six new investments and the six divestitures, we maintain the number of investments at 47 and our cash position at 6% of NAV.
The portfolio's upside potential, considering our target prices is at around 50%. Our constant search for new investments to replace the most mature ones allows us to maintain a healthy upside potential.

The following chart shows the performance of the best and worst companies in the portfolio during the quarter (or since our initial investment in the case of new investments):

Best and worst performers in the quarter



Regarding the performance of the companies in our portfolio, apart from Berendsen and DFS Furniture which we already commented, we would highlight the following:

- **Mitie**, our UK facilities management Company has had a very good performance this quarter. After a change in management it presented a new strategic plan that has been well received by the market. The shares soared by 25%.

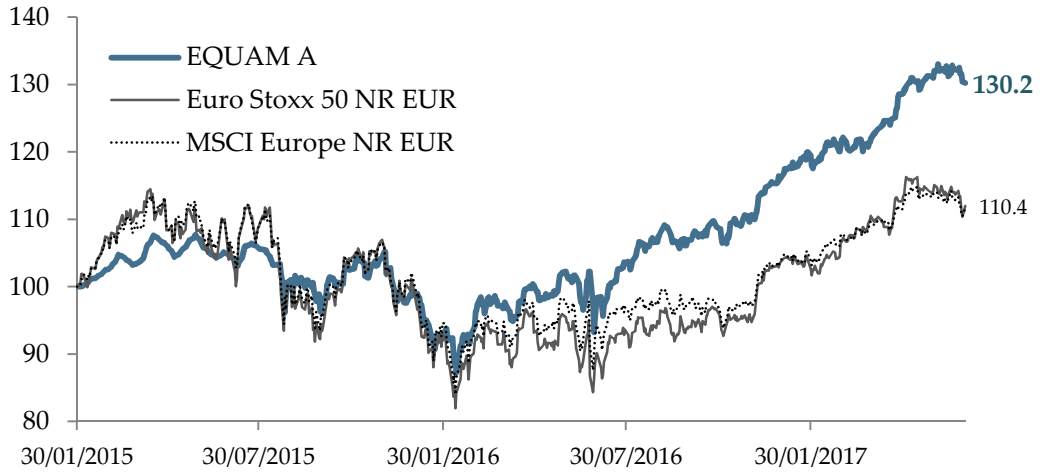
- The fall in oil prices in the most recent months has affected the share Price of the companies in the sector. We have taken advantage of this situation to increase our investment in **TGS Nopec** and to initiate a new investment in a Company involved in oil services whose Price had been severely punished.

Appendix I: EQUAM portfolio.

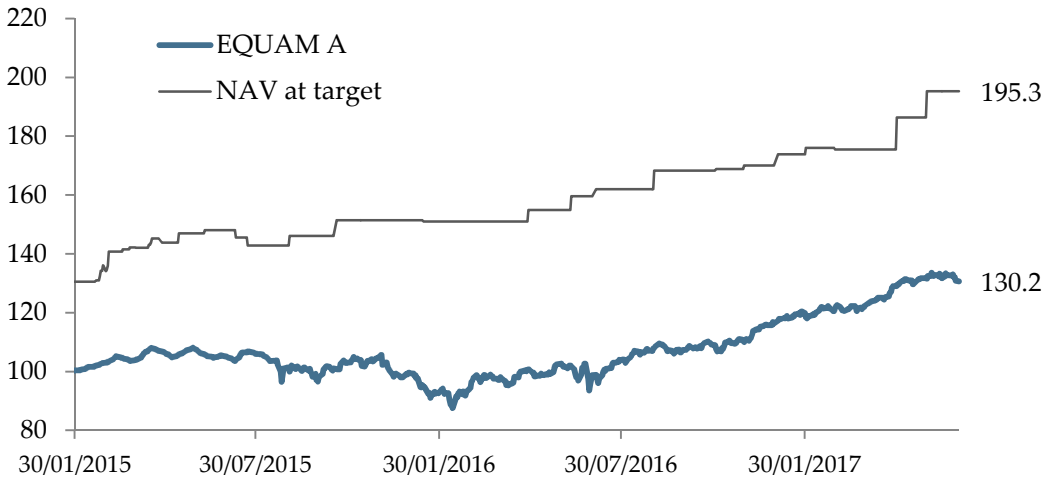
Company	Country	Weight	Value Base Case	Upside
Hunter Douglas	Netherlands	4.3%	Dominant leader in oligopolistic market.	35%
Piaggio	Italy	3.4%	European replacement cycle of bikes	71%
SeSa	Italy	3.3%	Italian value added software distributor trading at a discount	68%
Latecoere	France	3.2%	Recovery of cash flow through maturity of current programs	90%
TGS-NOPEC	Norway	3.1%	Countercyclical niche oil services player	87%
DFS Furniture	UK	3.0%	Leading British manufacturer of furniture.	111%
MITIE	UK	2.9%	Undervalued compounder in fragmented market	41%
Bollore	France	2.6%	Complex holding company, well managed trading at a discount	60%
Hornbach-Baumarkt	Germany	2.6%	Resilient compounder in repaired market	53%
Aryzta	Switzerland	2.6%	Undervalued oligopolistic leader.	152%
Stallergenes Greer	France	2.6%	Market leader in an oligopoly market	41%
ITE Group	UK	2.5%	Deeply undervalued event management company	50%
Meggitt	UK	2.5%	Undervalued compounder in low cycle	48%
Cementir	Italy	2.5%	Cement producer with a monopoly in Denmark	69%
Deutsche Pfandbrief	Germany	2.4%	Recapitalized bank trading at deep discount to BV	55%
Total top 15		**44%**		
Total portfolio		**94%**		
Liquidity		**6%**		
Total fund		**100%**		**47%**

Appendix II: Performance and NAV of EQUAM at target prices.

Performance of EQUAM vs indices since inception.



Performance of EQUAM 'A' and NAV at target prices[1]



[1] *The increase of NAV at target prices is the result of the replacement of mature investments that had reached their target price with new investments that have greater upside potential. There have been no material upgrades to our target prices during the quarter.*

Performance vs indices

	EQUAM	MSCI Europe NR	Eurostoxx 50 NR
1 month	-1.4%	-2.5%	-3.0%
3 months	6.1%	0.7%	-0.1%
YTD	12.4%	6.7%	6.7%
1 year	32.2%	18.0%	23.3%
Since inception *	30.2%	10.4%	10.4%

**Excludes the first 15 days of the fund during which it held cash positions.*
Net return indices assume the reinvestment of dividends net of withholding tax.

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

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

Fund Advisor	Equam Capital
Management Company	ADEPA (Lux)
Custodian	KBL (Lux)

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

EQUAM Global Value Fund
Quarterly report September 2017
Margin of Safety

The length of the current economic cycle is leading many investors to adopt strategies which a priori seem more defensive as they are less volatile. We reiterate our commitment to what we believe is the most appropriate strategy for the different potential scenarios: to maintain a portfolio of good businesses which are trading at a discount to their intrinsic value.

In this sense, the rotation of the portfolio in the last quarter, selling those companies that have reached our target price and buying new ones that trade at a significant discount to their real value, has allowed us to increase the portfolio's margin of safety.

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.

The Recovery Continues

Despite the length of the current cycle, we reiterate our commitment with the disciplined and constant search of good businesses throughout Europe

During the third quarter the recovery in Europe has continued to gain pace. Although in Europe we had a significant correction between August 2015 and February 2016, in the US the markets accumulate a sustained increase since the last crisis and the economic situation continues to improve.

Many investors are worried about the length of the current recovery cycle and are trying to protect themselves from potential future market corrections by investing in assets that a priori seem less risky due to their lower volatility. Their search for low risk assets gets further complicated by the extraordinary monetary policy of Central Banks which are artificially holding low interest rate levels.

We reiterate our conviction that it is impossible to systematically predict when the next economic recession or bear market will come and that maintaining savings in cash or fixed income assets is much riskier than it appears at first sight.

We believe the best way to protect your capital is to maintain a diversified portfolio of low leveraged companies that are well managed, operate in oligopolistic markets and that are trading at a discount to their intrinsic value. Such a portfolio will most probably also fall when the market drops, but it will have a better behavior and outperform the market in the long run.

In previous reports we have commented about our investment process, the filters we use for selecting investments and the portfolio diversification strategy. We would now like to highlight the importance of the margin of safety concept, the difference between the quoting price and the intrinsic value.

Margin of Safety

There are no completely secure assets in the financial markets. The value of any investment is dependent on future developments, which are obviously non predictable. No matter how much some private bankers, academics or regulators insist, everything is contingent, there are not such riskless assets.

In order to reduce risk in this uncertain environment, we have developed an investment process that discards all those situations that we believe increase the risk of a permanent loss: very competitive sectors, leveraged companies or those companies managed by non-aligned management teams.

But we are also very disciplined regarding valuation, only buying assets with a sufficient **margin of safety**: we only add companies to our portfolio that are trading at least at a 30% discount to their intrinsic value, independently calculated by us. In addition, when prices of our investments reach their intrinsic value, these must be divested. Executing this buying and selling process with courage, patience and discipline is the cornerstone of our investment method.

The purchase requires **courage**, as a 30% discount in good businesses that are well managed and have reasonable leverage is mainly possible in situations where either investors are selling because of panic or in neglected companies. Both situations require, not only a careful and detailed analysis, but also conviction and courage to act differently to the investment community.

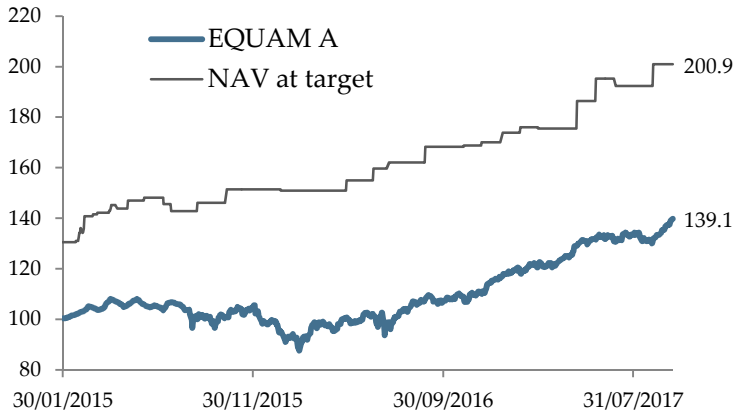
The process also requires **patience**, as our analysis is based on a long term view of investments. We need time

for our investment thesis to be realized and reflected in the stock price.

Finally, selling requires **discipline**. If, after buying at a 30% discount, the share price reaches our intrinsic value, that means we have a 43% gain and that we have succeeded in our investment. It is human nature to want to keep what is doing well, so we need to be disciplined to counter that feeling and to divest and recycle that capital into new investments with a sufficient margin of safety. The following table presents the divestments done by EQUAM since inception, showing our discipline and commitment with this investment process.

			Return			
Divest. date	Company	Months	*initial*	*Avge. cost*	*IRR*	Reason to sell
24/04/2015	TNT Express	3	38%	33%	273%	Takeover
20/07/2015	Cegedim	6	33%	28%	169%	Target reached
20/08/2015	Miba	6	33%	26%	100%	Takeover
09/09/2015	Worldline	8	36%	13%	38%	Target reached
19/04/2016	Energy Assets	3	39%	39%	525%	Takeover
04/05/2016	National Express	16	20%	11%	14%	Quick profit
04/05/2016	Alstom	15	-9%	-6%	n.m.	Failed arbitrage
21/06/2016	Orkla	17	38%	22%	20%	Target reached
07/10/2016	Tecnicas Reunidas	7	37%	29%	68%	Target reached
07/12/2016	Metka	21	-21%	-11%	-7%	Bad governance
29/12/2016	Abertis	11	7%	11%	14%	Target reached / better upside
04/01/2017	Chargeurs	21	108%	102%	75%	Target reached
10/01/2017	Naturhouse	12	42%	42%	61%	Target reached
24/01/2017	Applus	12	45%	41%	46%	Target reached
30/01/2017	Vetropac	13	33%	32%	33%	Target reached
28/02/2017	Thessaloniki water	24	22%	30%	16%	Target reached
02/05/2017	Polytec	6	89%	89%	270%	Target reached
02/05/2017	Navigator	10	53%	49%	69%	Target reached
24/05/2017	Berendsen	18	1%	17%	24%	Takeover
30/06/2017	Acerinox	18	62%	50%	54%	Target reached
30/06/2017	Coface	10	74%	66%	95%	Target reached
30/06/2017	ING Groep	30	30%	32%	26%	Target reached
19/07/2017	Mutuionline	15	84%	76%	76%	Target reached
22/08/2017	Sports Direct	13	41%	40%	62%	Change in strategy
21/09/2017	Norma Group	10	48%	43%	64%	Target reached
28/09/2017	La Doria	10	75%	75%	87%	Target reached

In order to monitor our margin of safety we periodically calculate the fund's consolidated intrinsic value and we compare it with the fund's NAV. The following graph shows the evolution of both magnitudes since inception:



The increasing evolution of the target value is explained by the substitution process of investments which are reaching the target price with other companies that are trading at a larger discount. Only in very few circumstances have we increased the target price of the investments in our portfolio.

The increase or decrease of the fund's target value is also explained by the percentage of liquidity held, which has fluctuated between 1 and 10% depending on our capacity to find new investment opportunities. Obviously, the higher the percentage of liquidity held, the lower the fund's revaluation potential.

We strongly believe that our commitment with this investment process, which allows us to maintain a constant margin of safety despite the revaluation of the fund, is key to obtaining attractive returns in the long run.

And it is this idea, that the highest the margin of safety the highest the potential return, which is so difficult to understand for many investors, who continue to believe that markets are efficient and that you can only gain more assuming more risk. We believe the opposite is true: the

cheapest you buy the more you can win and the more difficult it is to suffer a capital loss.

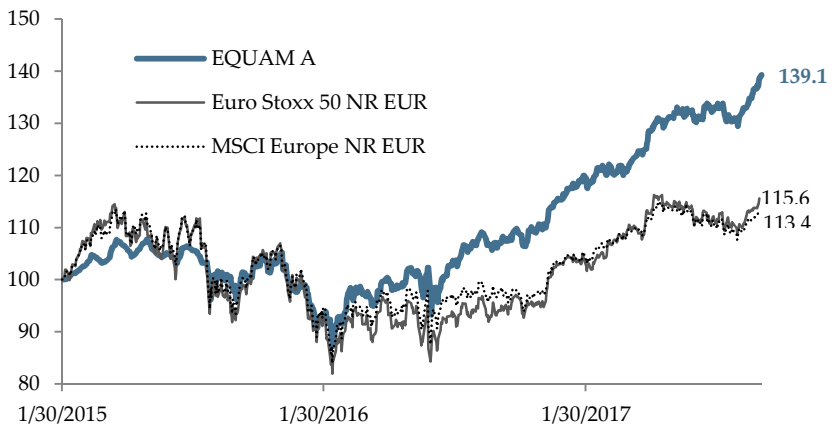
EQUAM's performance since inception (almost three years) is starting to show the coherence of such an investment methodology.

During the third quarter the fund has achieved a 6% return, again well above the market performance

We still believe that the evolution of a fund must be tracked in longer periods of 3 to 5 years, which include bull and bear periods. Since inception in January 2015, EQUAM has achieved a +39.2% increase, beating the European indices (with dividends) by more than 25 percentage points.

In the first 9 months of the year, EQUAM has had a 20% increase, doubling the performance of the MSCI index including dividends. During the third quarter, the performance has also been better than the market (6% versus 3,9%).

EQUAM versus European indices*
(base 100)



** Net Return indices in Euro, assumes dividends reinvestment net of tax retention.*

New investments and divestments

During the third quarter we have maintained our active searching activity and have made four new investments. Two of them, the Dutch companies Royal Vopak and Intertrust, were on our radar for some time and we have finally decided to invest once they have reached an attractive valuation following a fall in their price last the Summer.

Royal Vopak is a 400 year old Dutch company, focused on the management and logistic of hydrocarbons. It operates 67 terminals in 25 different countries with a total storage capacity of 34.7 Mm3 and new projects of 3.2 Mm3 through direct investments and joint ventures with local partners. The company operates long term contracts with the world largest oil companies allowing to maintain occupancy rates above 90% and visible and stable cash flows. In addition, the company actively manages its portfolio, selling those terminals that are operating in mature markets with low growth potential but where there is strong interest from infrastructure funds which are willing to pay high valuations (UK and Japan) and reinvesting the proceeds in greenfield projects in emerging markets. We had followed the company for some time but the price never allowed us to buy with our minimum margin of safety. However, in the 1H results released in Summer Vopak announced a fall in its occupancy ratio at the Dutch terminals, the negative impact from the US$ devaluation and the cost increase derived from growth projects, with a combined negative impact of 10% in EBITDA versus the previous year. The share price fell by 17% from 42€ to 35€ and the shares started trading at 7.5% current free cash flow yield. Including the growth projects and the 25€m cost reduction program the 2019 FCFy reached 9.3%.

Another of our investments this period, **Intertrust**, is engaged in the incorporation and management of special purpose vehicles and legal structures in offshore jurisdictions for private equity and asset managers and for family offices. This is a very recurring business, since once a new vehicle is incorporated it is necessary to comply with the different accounting, taxes and corporate obligations on a recurrent manner. The average annual revenue per vehicle stands at around 27,000€ in Holland and 30,000€ in Luxembourg and the increasing regulatory requirements create an increasing demand of these type of services.

Intertrust first half results were poor due to a combination of factors: they had new competition in one of the jurisdictions where they operate and a reduction in the number of new vehicles in Holland (partially due to Brexit). Shares have fallen from 18€ to 14€, reaching a 11.5% FCF yield. Despite the company having a high leverage (4x Net debt/EBITDA, mainly due to a recent acquisition), we believe that the business recurrence and high ROCE makes this investment very attractive at our purchase price.

We have also bought shares in the holding company **Wilm Wilhelmensen**, which has investments in several businesses related to maritime transport. Since the appointment of Thomas Wilhelmensen as CEO, the group has reorganized its activities in what we believe is the correct direction. The holding is trading at a significant discount of more than 50%, which is excessive even considering the weak situation of the maritime transport.

The holding's major position is the company Wallenius Wilhelmensen Logistics, dedicated to the transport and logistics of vehicles and heavy machinery (roll in-roll out or "ro-ro"). The ro-ro sector is not as competitive as other maritime transport sectors as the different players operate in a more rational way, and they have even been accused

of anticompetitive practices. The sector is depressed due to overcapacity and to lower demand from mining and agriculture machinery (high & heavy), which is the most profitable part of its business. We believe that the recovery of the high & heavy segment together with a rationalization of supply will allow the sector to improve its profitability.

The holding has also investments in port services, where it has recently announced its intention to buy the American company Drew, which may allow large synergies to be achieved. Other investments include Hyundai Glovis, also operating in the car transport segment, Qube and Norsea (with similar business to Vopak but concentrated in the Nord Sea). In summary we believe the holding represents a very interesting investment opportunity due to the depressed situation of the industries where it is invested and the 50% discount at which it is trading.

Divestitures

During the quarter we have divested from Mutuionline, Sports Direct, Norma and La Doria. Except in the case of Sports Direct, the rest of our investments had reached their target price.

In the case of **Sports Direct**, we had experienced a 40% increase from our purchase price but had not reached the target price. However, the company, devoted to the retail sale of sports goods with a low cost strategy, had recently announced a change in strategy to focus on the premium segment. Although we have no doubts about the management capabilities of the company's CEO Mike Ashley, we do think that a change in strategy adds an additional risk to the investment which we were not ready to assume, especially following the important

revaluation of the shares and the competitive environment in the sector.

Due to the high quality of its business, **Norma** is the company which we found more difficult to sell. Our 56€ target price represented a 10x 2018E EBITDA and 12x EBIT, which we believe are demanding valuations. That is the reason why we have decided to sell the stock despite the strong market position of the company and the potential future upside coming from a recovery in the heavy machinery segment. In any case, we maintain the company in our watch list waiting for the market to provide us with a new entry opportunity.

We have also decided to sell **Mutuionline**, that despite the problems with Google in its price comparison business had had a very good market performance and **La Doria**, which had some additional potential upside but had a too low weight in the portfolio.

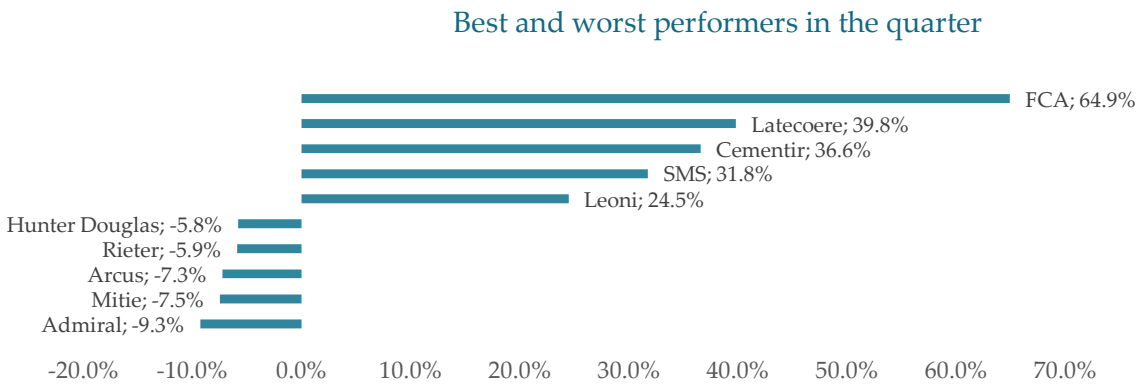
Performance and portfolio breakdown.

Our portfolio maintains a healthy 50% upside potential.

Following the new investments and divestitures, we maintain the number of investments at 48 and our cash position at 3% of NAV.

The portfolio's upside potential, considering our target prices is at around 44%. Our constant search for new investments to replace the most mature ones allows us to maintain a healthy upside potential.

The following chart shows the performance of the best and worst companies in the portfolio during the quarter (or since our initial investment in the case of new investments):



The good performance of **Fiat (FCA)** is due to the good operating performance of the business that led management to confirm it expected the full accomplishment of its strategic plan. Fiat also announced the spin-off of its component business Magnetti Marelli and there were rumors in the market of potential corporate transactions with the company which also helped the company's outperformance.

Latecoere has announced several new contracts in the last few quarters that had not been anticipated by the market and the company, which was trading at very low multiples, has experienced a relevant rerating. Also in this case, there is a strong possibility of a corporate transaction given the very fragmented situation of its market and the fact that this company has two financial investors as main shareholders.

Regarding the performance of the companies in our portfolio, apart from FCA and Latecoere which we have already commented, we would like to highlight the following:

- **Aryzta**, has published its annual results where it has explained some of its production problems (mainly in the US where the staffing agency they were using had employed people without working permits) and has announced valuation adjustments in several of its business units. The results, as expected, have not been good, with a

drop in volumes both in Europe and the US in part as a consequence of the mentioned problems. We however believe that the good performance of prices (with a 2% increase in all its markets) and the new strategy put in place by the new management team will allow the company to recover its historical profitability levels, allowing us to benefit from a significant turnaround.

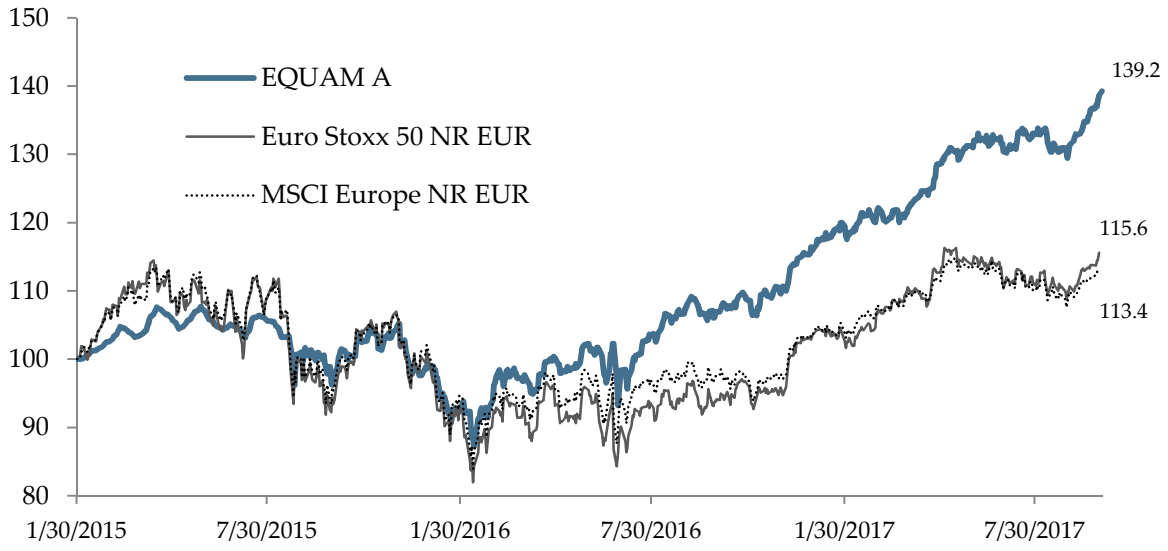
- **Cementir** has received an offer for its Italian business for a total consideration of 315€ million. We had a valuation for this business of around 200m€ and given that this business was not delivering any EBITDA (as a consequence of the strong overcapacity in Italy) the market was valuing it at zero. Consequently this offer is 50% above our internal valuation and allows us to be very confident about the potential upside of this investment (partly already reflected in the stock price following the announcement of the Italian transaction). We would like to highlight that Cementir was trading at 7,2x EV/EBITDA versus an average in the sector of 10x at the time of our investment.

Appendix I: EQUAM portfolio.

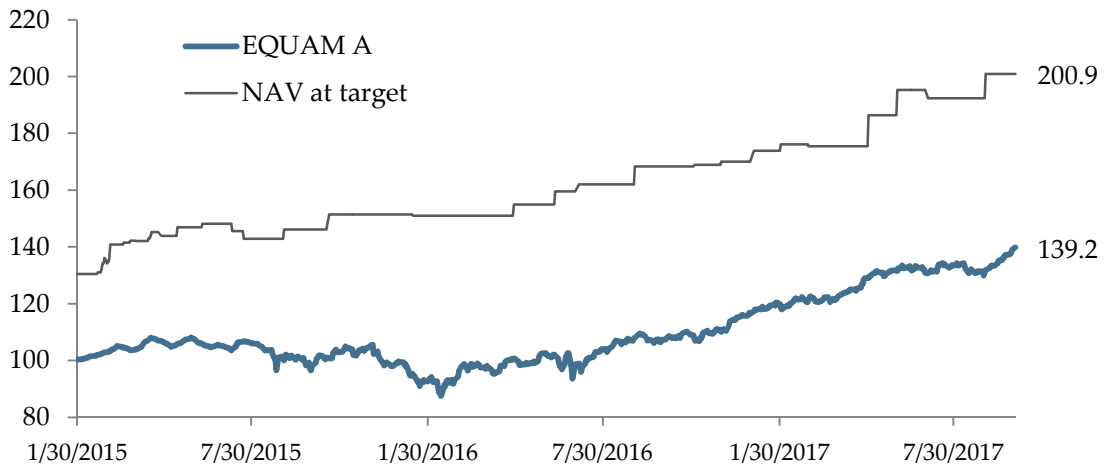
Company	Country	Weight	Value Base Case	Upside
Latecoere	France	3.5%	Recovery of cash flow generation through maturity of current programs	37%
Hunter Douglas	Netherlands	3.4%	Dominant leader in oligopolistic market.	45%
Piaggio	Italy	3.2%	Recovery of the European replacement cycle of bikes	43%
TGS-NOPEC	Norway	3.2%	Countercyclical niche oil services player	78%
SeSa S.p.A.	Italy	3.1%	IT Value Added software italian leading provider at a discount	49%
DFS Furniture	UK	3.0%	Leading British manufacturer of furniture.	95%
Brunel	Netherlands	3.0%	Depressed staffing company with presence in Oil & Gas	49%
Cementir	Italy	3.0%	Cement producer with a monopoly in Denmark	49%
Stallergenes	France	2.7%	Market leader in an oligopoly market	19%
ITE Group	UK	2.7%	Deeply undervalued event management company	27%
Aryzta	Switzerland	2.6%	Undervalued oligopolistic leader.	168%
Meggitt	UK	2.5%	Undervalued compounder in low cycle	35%
Bollore	France	2.4%	Complex holding company, well managed at a discount	51%
Pfandbriefbank	Germany	2.4%	Recapitalized bank trading at deep discount to BV	34%
Euronav	Belgium	2.3%	Depressed VLCC tanker company	48%
Total top 15		**43%**		
Total portfolio		**97%**		
Liquidity		**3%**		
Total fund		**100%**		**44%**

Appendix II: Performance and NAV of EQUAM at target prices.

Performance of EQUAM vs indices since inception.



Performance of EQUAM 'A' and NAV at target prices[1]



[1] *The increase of NAV at target prices is the result of the replacement of mature investments that had reached their target price with new investments that have greater upside potential. There have been no material upgrades to our target prices during the quarter.*

Performance vs indices

	EQUAM A	MSCI Europe NR	Euro STOXX 50 NR
1 mes	5.9%	3.9%	5.2%
3 meses	6.8%	2.7%	4.7%
YTD	20.1%	9.6%	11.7%
1 año	30.1%	16.3%	22.8%
Desde inicio*	39.1%	13.4%	15.6%

**Excludes the first 15 days of the fund during which it held cash positions.*
Net return indices assume the reinvestment of dividends net of withholding tax.

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

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

Fund Advisor	Equam Capital
Management Company	ADEPA (Lux)
Custodian	KBL (Lux)

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

EQUAM Global Value Fund

Quarterly report December 2017

We reach our third anniversary

This month of January we have reached our third anniversary since we launched Equam Global Value with a positive outcome. Should we need to highlight something, it would be the fact of having been able to design a well-defined process and execute it in a systematic and disciplined manner. Despite the inevitable short term market volatility, we are fully convinced that with our investment process, time will play in our favour.

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.

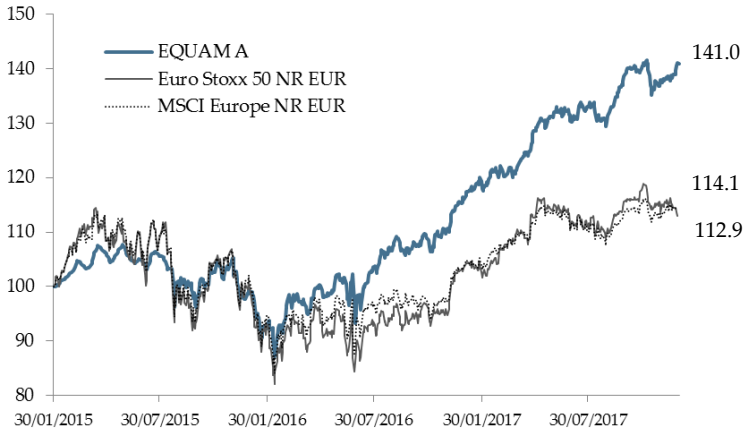
We, the General Partners have invested the majority of our net worth in the fund and our interests are entirely aligned with those of our partners and co-investors.

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.

2017 Fund Performance

We have finished 2017 with a 21.7% performance versus the 9-10% increase of the European indices. From a longer perspective, since inception in January 2015, Equam Global Value has experience an increase of 41%, a level significantly higher than the 13-14% of the European indices including dividend.

EQUAM vs the European indices*
(base 100)



** Net Return indices in Euro, assumes dividends reinvestment net of taxes.*

We reach our third anniversary

This January, Equam Global Value reaches its third anniversary since inception

This January we have reached our third anniversary since the launching of Equam Global Value. Although it is still a relatively short period of time, we are satisfied with the steps taken so far and are convinced that we have a good base in order to continue delivering good results to those investors that share our long term perspective:

- We have a coherent investment search process and analysis methodology (based on an entrepreneurial approach which focuses on the quality of the business and determination of the intrinsic value) which we are applying in a highly

disciplined way.

- Equam investment team, which currently has three members, is very cohesive, shares a very similar approach to investing and allows us to take investment decisions in a very flexible way taking advantage of the frequent short term irrationality of the markets. In addition, Equam team has a complete alignment of interests with the rest of the investors in the fund.

The recent agreement with Cobas (Francisco García Paramés) significantly consolidates and reinforces Equam project.

- As we have recently informed, we have reached an agreement with Cobas (Francisco García Paramés) to become a shareholder in Equam Capital. We are very satisfied about this agreement and fully convinced that it will allow to significantly consolidate and reinforce Equam, allowing us to leverage on its long and successful experience and its broad resources. We are expecting to close this agreement shortly, once we have obtained the necessary approvals from the regulator.

- We have a group of investors at Equam that share our long term investment horizon and that understand the need to cope with short term volatility in order to maximize long term returns.

We acknowledge that we are at the initial steps of a long journey, but for the above mentioned reasons we are convinced that time will play in our favour and that we have the necessary resources and tools to obtain good and consistent long term results.

Are current markets expensive?

This is a question that we are frequently asked lately, very much influenced by the significant increase that markets (specially the American ones) have experienced during

We believe that there is a clear dichotomy in the market, with many overvalued stocks but with still attractive opportunities in companies with temporary problems or ignored by the market.

the last 8 years. We do not like neither talking about markets/indices in general nor make predictions about the short term development of prices. What we can confirm is that despite having demanding valuations in those companies with good businesses and which are performing well, we continue to find interesting opportunities in:

- Companies operating in **cyclical sectors** or those that for whatever reason are going through **temporary problems** or through a restructuring process. We look into these situations where there is smoke, in order to assess whether there is a real fire or we are in a situation of a false alarm that will allow us to take advantage of other investors panic. In those cases, we are looking more for a closing of the gap between the share price and the intrinsic value of the business, than for the increase in its intrinsic value.
- High quality businesses, that for different reasons are being **ignored by the market** and that we are able to buy at an attractive valuation. These are companies where we ask for a lower margin of safety and where the investment focus is on the capacity of those businesses to create value throughout time.

It is not so important the size of the companies but their respective market positions and competitive advantage versus their peers.

Although under the current market environment it is becoming increasingly difficult to find this last type of investment opportunities, we are still being able to find them in the small and mid-cap segment. There is a market perception that it is riskier to invest in such kind of companies, but we believe that it is not so important the size of the companies but their respective market positions and competitive advantage versus their peers. In addition, these companies are not covered by sell-side analysts and are in many occasions quite ignored by the market, which allows to find attractive valuations. In this sense, we have in our portfolio several investments in

what we call small but big companies, that is, in small cap companies but which have a strong market position or competitive advantage in their respective industries. DFS Furniture (British market leader in the upholstery retail market) Arcus (leading spirits and wine manufacturing and distributor in the Nordics market) or Sesa (leading Italian distributor of value added IT products) are good examples of these small market leaders in which we are invested.

In any case, under the current market environment, we are convinced that the key is to be focused on the investment process and not to try to determine the short term market evolution. We consequently prefer to:

- Be very disciplined and strict regarding the valuations and entry levels in our investments. We only invest in those situations where there is at least a 30% discount versus our intrinsic value.
- Sell those investments that reach our target price, avoiding to get in love with any particular investment.
- Rebalance the portfolio, buying shares of those companies that fall significantly and selling shares of those companies that have short term strong appreciations.
- Maintain a level of liquidity between 5 to 10% of the total assets, which could allow us to take advantage of future panic situations.

New investments

As we have mentioned before, during the last quarter we have been able to identified new investment opportunities, being one of them **Parques Reunidos**, a Spanish company that operates local amusement parks in Europe and the US. The company has been for a long time owned by different private equity firms which have

Parques Reunidos has a very solid business model and good long term perspectives, but has been recently impacted by adverse meteorology during the last summer season in its main geographic markets.

transformed the company from a small operator of the Madrid amusement park to a world leading player in the industry. The growing process has been based on integrating local family owned parks which were undermanaged and with a large margin of productivity improvement, together with a very flexible operation which includes dynamic pricing and costs systems adapted to the expected demand in each particular case. In addition, the business has limited maintenance capex needs which allows for a strong cash flow generation that it reinvest in new growth opportunities. Despite the solid business model and good strategy implementation, the company is in great part exposed to meteorology, as a good part of the annual results correspond to the summer season, so financial results are linked to public attendance for that period. During last summer, weather has not been very good in Europe and certain parts of the US have been impacted by several hurricanes. As a consequence, last fiscal year results (September year-end) have been below budget and the previous year which has impacted the stock price (falling more than 25% in a few weeks). We have taken advantage of these circumstances by investing in the company at an average price of 13.2 euros per share, representing an 8.5% FCF yield.

IES has a well-known brand in the Swedish school system, but is trading at depressed levels due to certain short term political uncertainty.

Another company we have invested during the quarter is **Internationella Engelska Skolan (IES)**, a private school operator in Sweden with a high reputation which translates in a long waiting list for all its schools. The company operates a very attractive business model with high returns on capital and a strong operating cash flow. IES has developed an organic growth model through recurrent expansions of its existing centres and the opening of 2/3 new schools every year. The company has been owned by a private equity firm (TA Associates) for some years and it decided in 2016 to take it public (although they are still the largest shareholders together with the company's founder). However, the stock market

performance has not been as expected due to political uncertainty as some political parties have denounced the too excessive profits of private school operators, suggesting a change in current regulation which is currently based in vouchers given to every student to be used in any school (private or public) at their discretion. We believe there is a low probability for any change to happen given that this system has been working for many years with a high level of satisfaction among population and similar cost versus the public system for the state. On the contrary, we have been able to take advantage of this situation and invest in a high quality business, with a well-recognised franchise and good growth prospects at a valuation equivalent to 8% FCF yield. In addition, Engelska has recently announced an acquisition of a small firm in Spain (three schools) which will be used as a base to organically develop a similar business in that country.

We have invested again in Técnicas Reunidas, following what we consider an excessive drop in price.

We have also invested again in **Técnicas Reunidas**, a company in which we invested at the beginning of 2016 but that we had sold once it reached our target price. Although the company operates in a quite competitive market, it is a well-managed family owned business, with a good order book and a well-recognised franchise that we believe has been excessively punished by the market following a recent profit warning which included lower targets for 2018 due in great part to the postponement of the execution initiation of several projects.

We have invested in the Italian company **Esprinet**, leader in the Italian and Spanish IT and electronic products distribution market. It is an industry already familiar to us following our investment in Sesa (although this company is more focused in higher value added products). The company's margins have been recently negatively affected by a strong price pressure from one of its main competitors. We believe that this situation is not sustainable long term and in addition the company is taking a number of measures to mitigate the impact of the

negative environment, so we have taken advantage of the significant price drop (from 8 to 4 euros per share in less than 6 months) to invest in the company.

Divestments

We continue disciplined divesting from those companies that reach our target price.

During the last three months we have divested from **Verisign** and **Leoni**, both of which had reached our target price following a significant price increase, and **Crown**, where although we had not reached our target price, we have decided to divest and reinvest in other investments with higher potential. In the case of Verisign, it operates an outstanding business, being a regulated monopoly for the register and management of .com and .net internet dominions. In a similar case to Norma in the previous term, the divestment decision has not been easy, but we believe, the current valuation was excessive, in another example of overvaluation of high quality companies with good performance. We maintain it in our watch list and will take advantage of any future opportunity the market might give us in the future to reinvest again in it.

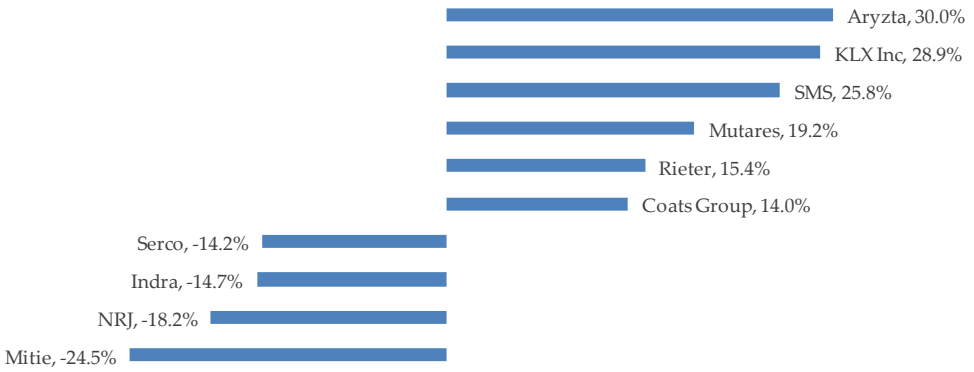
Analysis of the portfolio

Following the new investments and divestitures, we maintain the number of investments at 48 and our cash position at 10% of NAV, slightly higher than in previous terms as a consequence of several new subscriptions at the end of the term.

The portfolio's upside potential, considering our target prices is at around 41%. Our constant search for new investments to replace the most mature ones allows us to maintain a healthy upside potential.

The following chart shows the performance of the best and worst companies in the portfolio during the quarter (or since our initial investment in the case of new investments):

Best and worst performers in the quarter



The recent capital increase at Smart Metering Systems significantly improves the investment attractiveness of this business.

In relation to the companies in the portfolio, it is worth mentioning the capital increase that the British company **Smart Metering Systems** (SMS) announced in November. This company operates in the utilities meters installation and management business, which we were already familiar with following our past investment in the similar company Energy Assets in 2015 which received a public offer by an infrastructures fund a few months after our investment. It is a very attractive sector, as those companies install and manage the meters on behalf of the utility companies, assuring a recurrent fee (inflation protected) during the life of the meters (20 years). In addition, the British government has recently approved a regulation by which all meters need to be changed to smart ones (remote control) before 2020, which has created a unique opportunity for the few existing players with the sufficient capabilities and resources to attend the very large expected installation demand. We initiated our investment in this company during last summer at a very

attractive valuation in relation to the quality of the business (a clear example of a company ignored by the market). The announced capital increase will allow the company to accelerate the growth path as it guarantees the company with the necessary resources to take advantage of the window opportunity presented during the coming three years, which we estimate has significantly increased the intrinsic value of the business and reduced the risk profile (having already been partially reflected in the share price that has increased 60% from our initial investment in July 2017).

The American company **KLX** (operating in the spare parts distribution business for the aeronautic and energy industries) has recently retained a financial advisor following the approach from a third party to buy part or the totality of the company. KLX wants to explore the different strategic alternatives and its impact on the company's shareholder value. The recent news has revalued the share price approaching it to our target price. However, we maintain our investment waiting for additional information regarding this situation.

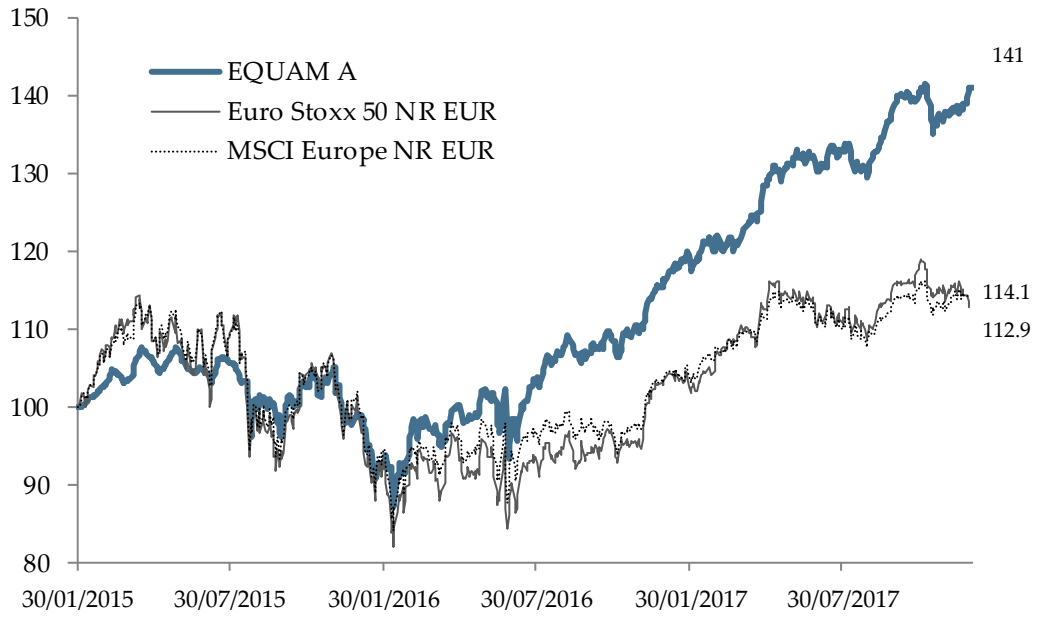
Finally, we highlight the additional investments we have done in **Serco** and **Mitie** which have been both penalised during the last few months and where our investment thesis remains intact.

Appendix I: EQUAM portfolio.

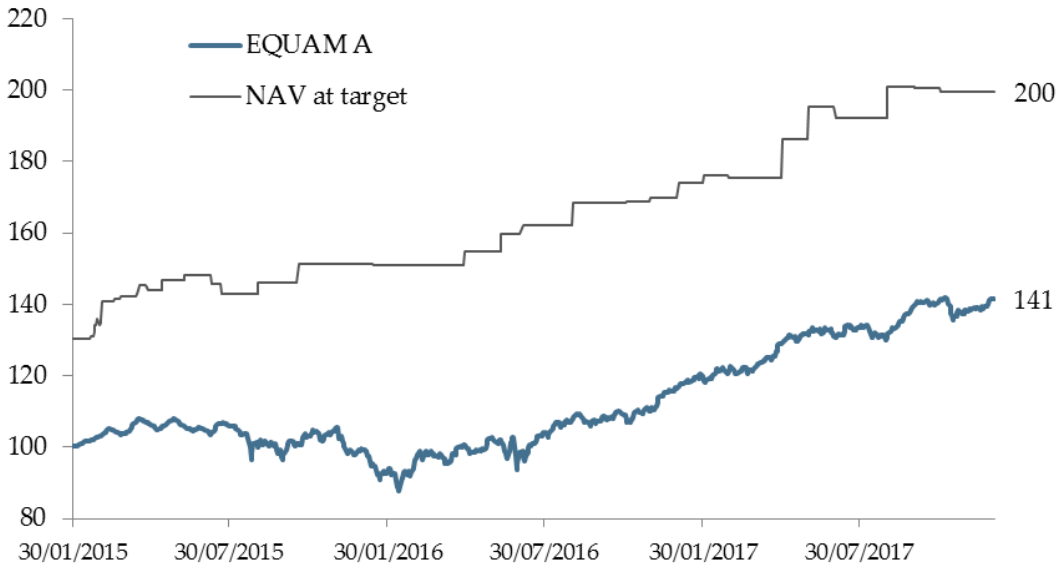
Company	Country	Weight	Value Base Case	Upside
DFS Furniture	UK	3.0%	Leading British manufacturer of furniture.	119%
Hunter Douglas	Netherlands	2.7%	Dominant leader in oligopolistic market.	41%
Serco Group	UK	2.7%	Refocused contractor in restructuring, recently recapitalized	99%
TGS-NOPEC	Norway	2.7%	Countercyclical niche oil services player	74%
MITIE Group	UK	2.7%	Undervalued compounder in fragmented market	102%
Brunel	Netherlands	2.6%	Depressed staffing company with presence in Oil & Gas	32%
Aryzta	Switzerland	2.6%	Undervalued oligopolistic leader.	106%
Parques Reunidos	Spain	2.5%	Spanish theme park operator trading at 52w lows	21%
SeSa	Italy	2.4%	IT Value Added software Italian leading provider at a discount	56%
Latecoere	France	2.4%	Recovery of cash flow generation after maturity of programs	40%
ITE Group	UK	2.4%	Deeply undervalued event management company	25%
Intertrust	Netherlands	2.4%	Leading Dutch manager of investment structures	39%
Euronav	Belgium	2.3%	Depressed VLCC tanker company	34%
Bollore	France	2.3%	Complex holding company, well managed at a discount	41%
Arcus	Norway	2.2%	Nordic alcoholic beverages distribution at high FCFy	29%
Total top 15		**38%**		
Total portfolio		**89%**		
Liquidity		**11%**		
Total fund		**100%**		**41%**

Appendix II: Performance and NAV of EQUAM at target prices.

Performance of EQUAM vs indices since inception.



Performance of EQUAM 'A' and NAV at target prices[1]



[1] *The increase of NAV at target prices is the result of the replacement of mature investments that had reached their target price with new investments that have greater upside potential. There have been no material upgrades to our target prices during the quarter.*

Performance vs indices

Performance vs index	EQUAM A	MSCI Europe NR**	Eurostoxx 50 NR**	Equam vs MSCI
1 month	2.2%	0.8%	-1.7%	1.4%
3 month	1.4%	0.6%	-2.3%	0.7%
2017	21.7%	10.2%	9.2%	11.4%
2016	17.1%	2.6%	3.7%	14.5%
2015	-1.0%	0.9%	-0.3%	-2.0%
Inception	**41.0%**	**14.1%**	**12.9%**	**26.9%**
Inception annual	**12.5%**	**4.6%**	**4.3%**	**7.8%**

**Excludes the first 15 days of the fund during which it held cash positions.*
Net return indices assume the reinvestment of dividends net of withholding tax.

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

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

Fund Advisor	Equam Capital
Management Company	ADEPA (Lux)
Custodian	KBL (Lux)

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