Lierde SICAV

Date: 01/31/2015
NAV: 81,96

OBJECTIVE AND INVESTMENT STRATEGY

The objective of Lierde is to generate positive returns over the long term through equity investments in Europe.

Investment decisions are based on fundamental analysis, analyzing the Return on Capital Employed (ROCE) of companies and its sustainability over the time.

RISK DATA

FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Beta	0,83	
Ratio Sharpe	0,85	0,31
Volatilidad	18%	20%

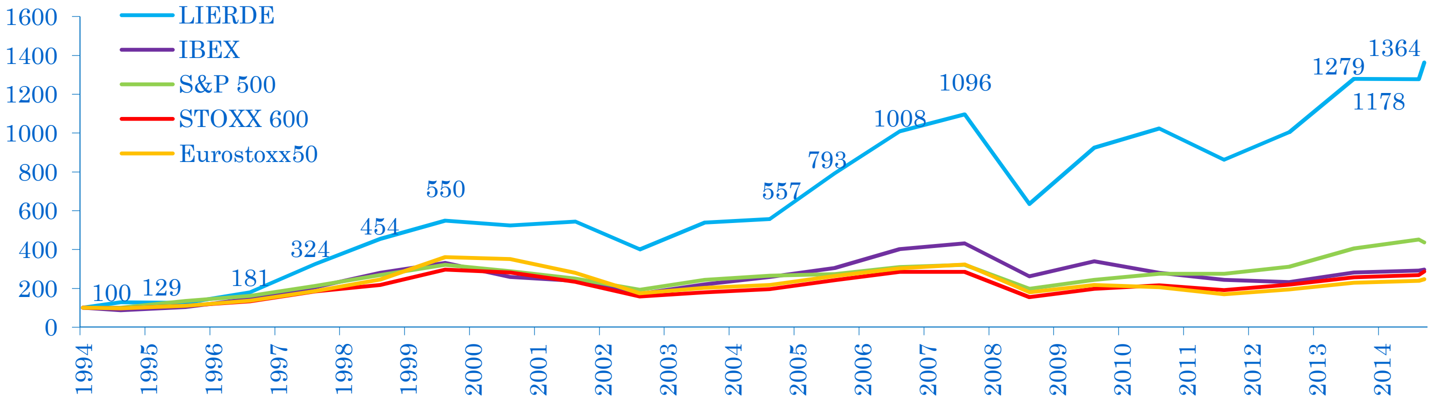
HISTORICAL RETURNS

YEAR	LIERDE	STOXX 600	Difference
1994	28,55%	-2,12%	30,67%
1995	-2,67%	13,30%	-15,97%
1996	44,30%	20,90%	23,39%
1997	79,50%	37,64%	41,86%
1998	40,22%	18,41%	21,81%
1999	20,98%	35,92%	-14,94%
2000	-4,56%	-5,19%	0,63%
2001	3,68%	-16,97%	20,65%
2002	-26,26%	-32,47%	6,21%
2003	34,50%	13,68%	20,82%
2004	3,24%	9,51%	-6,27%
2005	42,28%	23,46%	18,81%
2006	27,22%	17,81%	9,40%
2007	8,75%	-0,17%	8,92%
2008	-42,13%	-45,60%	3,47%
2009	45,72%	27,99%	17,73%
2010	10,72%	8,63%	2,09%
2011	-15,76%	-11,34%	-4,42%
2012	16,44%	14,37%	2,07%
2013	27,39%	17,37%	10,02%
2014	-0,12%	4,35%	-4,47%
2015	6,73%	7,16%	-0,42%
Total return	1263,67%	187,27%	1076,40%
Average*	16,29%	7,12%	9,17%

* Up to 2014

TOTAL RETURN

(base 100)



MONTH IN REVIEW

In January Lierde rose by +6,73% vs. +7,16% Stoxx 600, +6,52% Eurostoxx50 and -3,10% S&P500. The NAV of Lierde at the end of January was 81.96, a new monthly closing in the history of Lierde. Moreover, Lierde has not only recovered the levels of 2007, but also it is 15% higher. On the contrary, the Eurostoxx50 is still 37% below its level in 2007, the Stoxx600 is 11% below and only S&P500 is 28% higher. In January, Lierde was invested 92,5% in equities and 7,5% in cash. The beta of the portfolio was 0,83. The volatility of the last twelve months increased slightly from 11.2% to 11.6%, still well below the increases of the main indices: the Stoxx600 increased from 13.4% to 14.2%, the Eurostoxx50 from 17% to 18.10% and the Ibex 35 from 18.3% to 19%.

January was an extraordinary month for the European equities. Related to the Stoxx600, we must go back to 1989 to see a better beginning of the year (+9.05%) than the recent +7.16% (Jan. 2015). From our point of view the most important thing is that, contrary to 1989, this excellent performance is accompanied by a clear decorrelation with the US stock market (S&P500: -3.10% in January 2015 vs +7.11% in January 1989). Our evaluation models based on trend earnings are showing an extreme overvaluation of the American market, while Europe is trading very close to its historical undervaluation levels. There are many reasons that have led to this situation and we should not forget that other significant risks remain unsolved (Greece, Ukraine,...). In any case, it is clear that both, the disparity in monetary policy and the Euro's weakness, should continue supporting the best performance of Europe in 2015. In the end, the profit growth is the key driver of the market in the medium term, and Europe will have higher growth in 2015, for the first time since the crisis started.

Regarding the portfolio, we cut down positions in Switzerland: we sold **Schindler** and reduced our stake in **Roche**, **Bucher** and **Daetwyler** as well, due to the loss of competitiveness and lower potential according to our valuations. Related to the auto sector, we are still very positive in the medium term, but we have reduced some weight after a strong rally since late 2014. We also continue investing the liquidity of the new investors in companies such as **DCC**, **Mears**, **Aalberts**, **Econocom**, **Reply**, **Alten**, etc., whose behavior in the stock market does not correspond with the favorable operating performance of its businesses in 2014.

The most important novelty in 2015 in terms of the portfolio is our positive view on consumption and real estate sectors in Spain. Our portfolio is clearly based on a stock picking philosophy and the individual analysis of each company; however, we always try to find companies within industries or sectors that we believe they are in a structural growth phase (energy efficiency, outsourcing, emerging consumption, digitization, etc.)

In this sense, these are the key points that make us have such a positive view with the European market in 2015:

1. Regulatory framework: the latest and deep housing crisis in Spain has required a total transformation of the sector, and the creation of new legal instruments to encourage investments. Concretely, a more favorable legislation for the Spanish SOCIMIs in 2014 (the Spanish version of foreign REITs) has allowed them to do their respective IPOs recently. Our view about regulated business is always cautious, even more in a low interest rate environment (with lower capital costs), where it is difficult to determine at what level of return, the regulator may consider it is too high. However, in this case, the new regulation has a clear vocation of encouraging investments, both domestic and foreign, since homogenizes the tax rules with other neighboring countries.

2. Deflation and interest rates: the deflationary threat in Spain is probably already a past story. The falling prices of raw materials (especially oil) and low interest rates will have a positive effect on an already advanced process of internal devaluation of the Economy. The last reforms and adjustments have caused reductions in salaries, rents and prices of real assets. The falling oil prices translates into a direct improvement in the disposable income in a country highly dependent on foreign energies. Also, the interest rate cuts involve lower funding

MONTH IN REVIEW (CON'T)

costs on the one hand; but, at the same time, the most lower-risk assets are less attractive, especially the sovereign bonds. And if there is a sector with 100% domestic exposure without regulatory risk, which is benefiting from both previous mentioned effects and with attractive valuations; is the real estate sector.

3. <u>High correlation between consumption and real estate:</u> employment creation, lower taxation and lower energy and financial costs are the basis for a better consumption scenario. Improvements in commercial rents and more housing demand will go together with the recovery of domestic demand.

4. <u>Contrarian view:</u> the real estate sector is undercovered by the investment banking industry. This situation is specially striking if we take into account that the real estate sector is experiencing a real boom abroad. We think we have reached rock bottom in Spain both, in terms of asset prices as well as rents, and an increased investor interest is already a reality.

Based on the previous arguments, we invested more in historical positions such as DIA and Telefonica, and we incorporated to the portfolio two listed SOCIMIs in Spain, Merlin Properties and Lar Spain, as well as two real estate companies: Hispania and Realia.

- **Merlin Properties:** with more than 1,300 million of market cap. is the biggest REIT in Spain. Its management team benefits from top qualified professionals with an extensive experience of over 18 years in the Spanish and Portuguese real estate industry and they are absolutely aligned with the interests of Merlin's shareholders. They are being very quick on their investments, allowing them to gain low-risk assets with returns above 5% (i.e. 880 branches of BBVA). The shares are currently trading below its NAV and its low leverage ratio (38%) still allows the company to increase its investments around 400 millions. Merlin intends to grow its portfolio through acquisitions, likely funded by additional capital raises. In any case, related to real estate sector in Spain, Merlin is the less risky option and the most 'financial' REIT, since its potential depends more on the gap against the Spanish bond than on the Spanish recovery.

- **Lar España:** its management team is the most "real estate focused". It is trading with the greater discount against its NAV; however, this situation could be due to the low percentage of investment. During the last months, they have been very active investing and it is expected that the company will reach its goal of 750 million of investments by June. Its portfolio includes several shopping centers with great upside in terms of rents, as well as a residential asset ready to be developed in the best area of Madrid.

- **Hispania:** its management team also accumulated extensive experience and has a very good financial profile. It is not a REIT yet because the company wants more flexibility to invest in purchases of debt. Recent purchases of hotels or the takeover of Realia are good examples. It is probably the least attractive option at short-term because its potential is smaller since it is trading above its NAV. However, in the medium term, it is an interesting option ~with or without Realia ~.

- **Realia:** without any doubt, it is the option with the greatest potential. The takeover of Hispania allowed us to buy one of the best real estate portfolios of the country at an average price of 0.525 euros. The company has a short-term liquidity issue, but this does not mean a solvency problem. The last published NAV at the end of 2013 was 1.81 euros per share, so it is clear that there is value on the stock. Its portfolio of land accumulates write-downs of 70% from the peak (Hispania, in its valuations, still applies another haircut of 80%). Moreover, the balance sheet accumulates tax assets of about 150 million euros. The potential is certainly superior to this last NAV for those investors who believe in the recovery of Spain.

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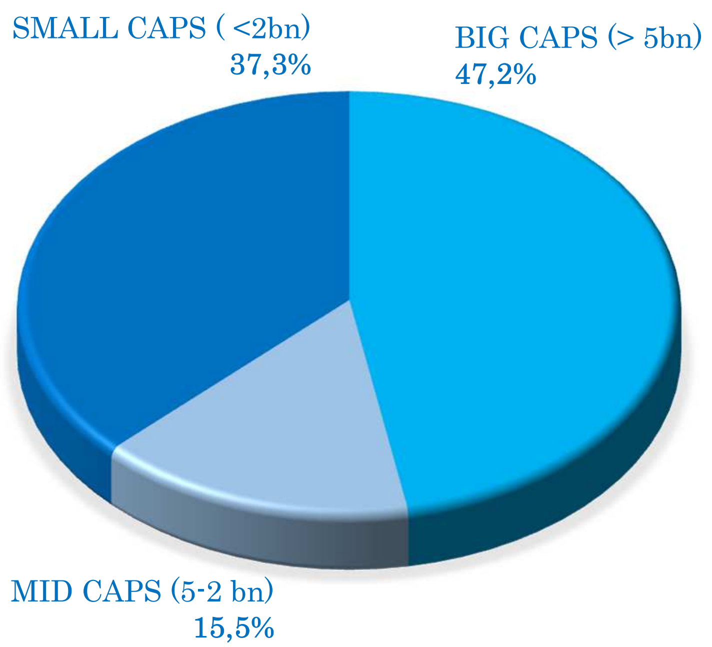
TOP 10 POSITIONS

ADVEO	2,92%
REPLY	2,81%
AALBERTS INDUSTRIES	2,54%
REALIA	2,50%
TELEFONICA	2,46%
ASSOCIATED BRITISH FOODS	2,45%
DANONE	2,44%
ARCADIS	2,43%
DCC	2,42%
ARYZTA	2,41%
TOTAL TOP 10	**25,4%**

DISTRIBUTION BY MARKET CAP.

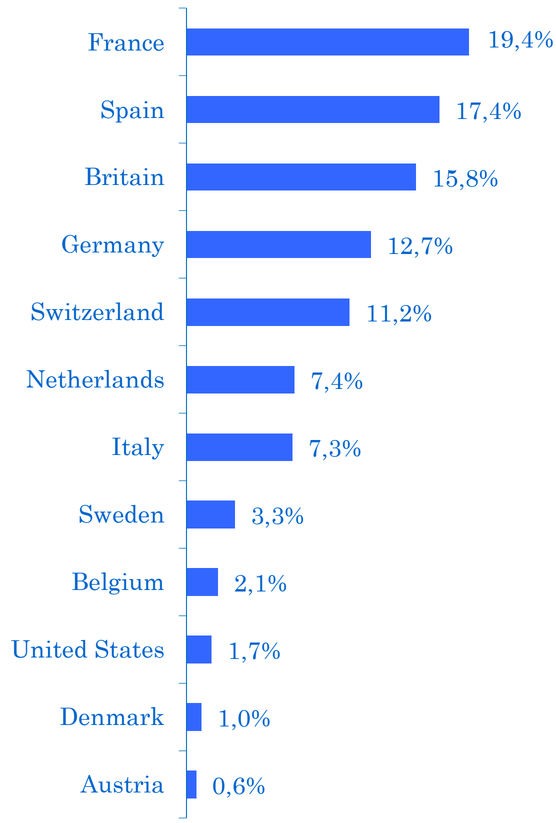


DISTRIBUTION BY ASSETS

Equity	92,5%
Cash	7,5%

EXPOSURE BY SECTOR

EXPOSURE BY COUNTRY



Augustus Capital

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GENERAL INFORMATION ABOUT LIERDE SICAV

Creation date	01/01/1994
Net assets *	EUR 106,34 Million
CNMV nº of registration	2467
Liquidity	Daily liquidatin d + 2
Fees	Management fee 1,40% annual - Depositary fee 0,125% annual
Asset manager	Mercados y Gestión de Valores / Banco Sabadell Urquijo
Custodian institution	Banco Sabadell Urquijo
Management company	Banco Sabadell Urquijo
Auditor	Deloitte
Currency	EUR
ISIN code	ES0158457038
Bloomberg ticker	LIE SM Equity

*Updated January 31, 2015