



## LIERDE Net Asset Value 31/10/2016: 90.01

### OBJECTIVE AND INVESTMENT STRATEGY

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

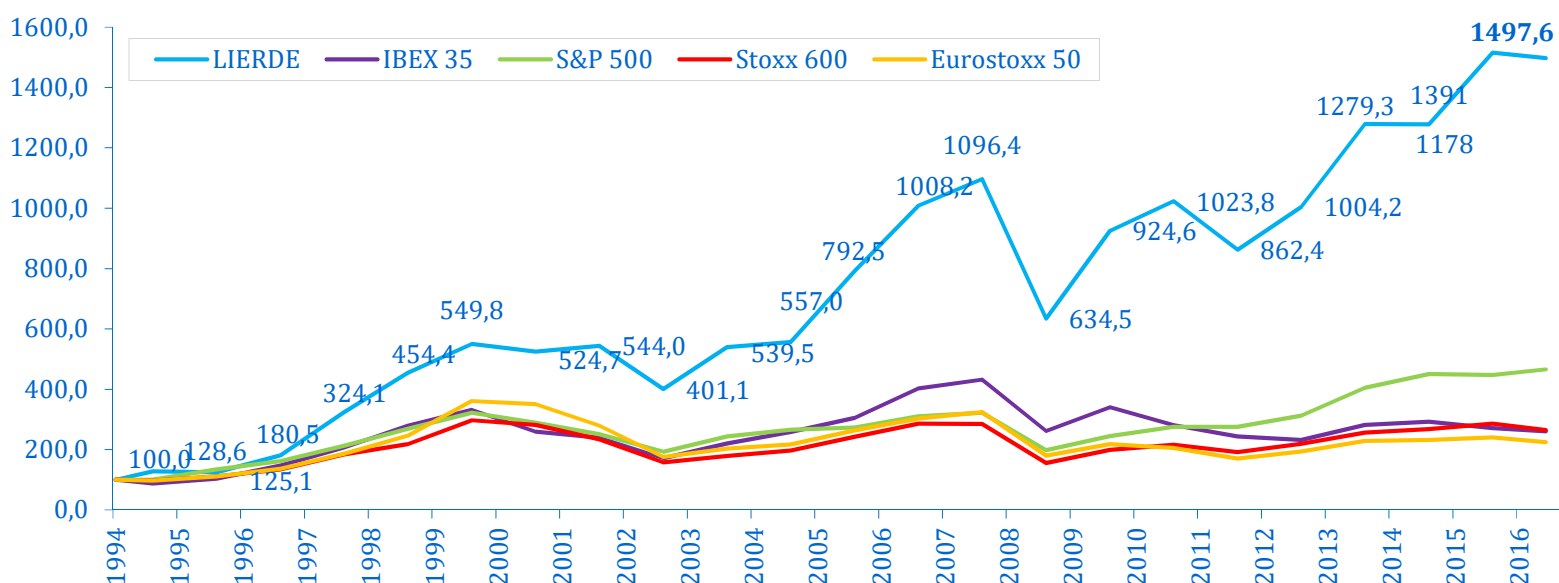
Investment decisions are based on fundamental analysis, analyzing the Return on Capital Employed (ROCE) of companies and its sustainability over time.

### RISK DATA

FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Ratio Sharpe	0,85	0,31
Beta	0,83	
Volatility	18,1%	19,7%
12 MONTHS	LIERDE	STOXX 600
Beta	0,77	
Volatility	17,6%	21,0%

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	18,63%	6,79%	11,84%
2016	-1,20%	-7,34%	6,14%
<b>Total return</b>	<b>1397,6%</b>	<b>165,3%</b>	<b>1232,3%</b>
<b>Average</b>	<b>15,7%</b>	<b>6,5%</b>	<b>9,2%</b>

### TOTAL RETURN (base 100)





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### MONTH IN REVIEW

In October LIERDE dropped -1.42 vs. -1.15% Stoxx 600, +1.77% Eurostoxx 50 and +4.14% Ibex 35. LIERDE accumulates -1.2% of YTD return vs. -7.3% Stoxx 600, -6.5 % Eurostoxx 50 and -4.2% Ibex 35. The NAV of Lierde at the end of the month was 90.01. In October LIERDE was invested 86.8% in equities and 13.2% in cash. The Beta of the portfolio was 0.77. The volatility of the last twelve months was 17.6 % vs. 23.1% Eurostoxx 50, 21.0% Stoxx 600 and 26.7% Ibex 35.

On the macro side, the industrial production data and the main sentiment indicators (PMIs, German ZEW, etc.) were surprisingly favorable in Europe. On the ECB side, Draghi did not change anything and stated that the prolongation of the QE had not been discussed for the time being. We hope that in December -with the publication of the new projections for the next year-, he will point the extension of the program. In the US, the economic indicators were positive in general, highlighting job creation, retail sales and industrial activity. In short, it seems that the American Economy made a break in Q3 and the economic activity is accelerating again. We also knew the minutes of September of the Federal Reserve meeting, which revealed the consensus about raising interest rates among its members, but without a specific date. Janet Yellen's comments about some tension in the Economy on the employment side, so that potential workers felt encouraged to rejoin the labor market, showed her greater concern about increasing the workforce than possible Inflationary pressures. With a participation rate of 62.8%, still far from pre-crisis levels (66%), it seemed reasonable that the FED expected an improvement in the labor market. In Spain, the most remarkable thing of the month was that the Government was finally formed. This lower political uncertainty can be a good catalyst for the Spanish stock market during the last quarter of the year.

Regards the equity markets, they still were not able to break the level in which they have been moving since the beginning of the year. And we think that there are two reason: On the one hand, we are approaching to the US elections, and after the surprise of the Brexit, there is fear of a different result than the polls indicate (Clinton victory). On the other hand, the best economic activity forecasts and expectations of inflation (from now on the comparison of crude is very favorable), imply a higher nominal growth. The possible consequences over the rate curve, will affect the valuation of equities due to the extreme disparity between "bond proxies" companies and the rest of the market. In fact, there has already been some rotation towards more cyclical sectors. In short, we see a favorable economic environment for the equity markets, however, active management based on the selection of quality companies will be the key to obtain high and sustainable returns.

In terms of the portfolio, this month our positions in the European banking sector contributed very positively. **Société Générale** revalued +16%, **Banco Santander** +15% and **ING** almost +10%. Other companies with outstanding performance in October were **Arcelor Mittal** (+13%), **Mitie Group** (+10%) or **LVMH** (+9%). On the negative side, **Senior** dropped 23% after the announcement of the third-quarter sales, which were below expectations. We had recently sold a third of the position, so we took advantage of the weakness to buy again since we thought the company was already very close to the lowest point at operational level. On the other hand, **S&T AG** dropped 11% after the announcement of an important corporate deal. After a revaluation of more than 90% in the year (very vertical at the end of this revaluation due to the pre-announcement rumors), it looked reasonable that investors took some profits in the short term. From our point of view, and after updating our model, we are even more positive with the company. We understand that the alliance with the Taiwanese giant Foxconn, who makes the iPhone for Apple, strengthens considerably its already excellent position in the field of security applications. Another company that suffered in October was **DIA**, who dropped 11% after the publication of the third quarter numbers in line with estimated sales. Its business in emerging markets (+22.5% L-F-L) continued very strong, while in Spain the LFL, the point of major attention, did not disappoint with a growth of +1.3%. It was a new guidance about debt reduction (somewhat worse than expected), the main reason why the stock was punished. After reviewing our estimations, we did not make any major change. If the sales continue recovering in Spain without a considerable deterioration in margins, the value is clearly cheap. In summary, greater visibility is needed, of course; but it seems reasonable to maintain the position at current levels. Finally, **Cancom** (-11%) and **Ferratum** (-20%) had a bad performance due to the investor's fear before the publication of results. Given this greater uncertainty, we reduced some weight in both companies. Regarding the changes in the portfolio, we increased positions in some quality companies such as **LVMH**, **Maisons du Monde**, **Reply**, **Samsonite** or **Vinci**. October was a very active month in terms of meetings with new companies, but we did not incorporate any one for the time being. We have several names in the radar and we are still analyzing them. We expect them to become part of the portfolio throughout the month of November. To conclude, just to comment that we sold the whole position in the French motorhome manufacturer **Trigano** because its price reached our target price and we also reduced weight in some stocks like **Valeo** or **Daimler**.

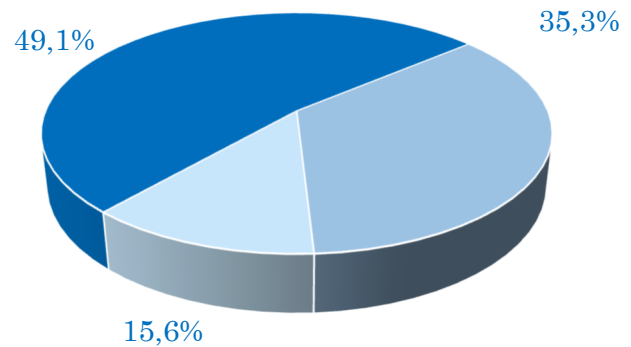


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### TOP 10

1.-	S&T	3,48%
2.-	REALIA	3,47%
3.-	MERLIN PROPERTIES	2,88%
4.-	VINCI	2,56%
5.-	AURELIUS	2,50%
6.-	REPLY	2,50%
7.-	ECONOCOM	2,47%
8.-	DEVOTEAM	2,45%
9.-	GLOBAL DOMINION	2,43%
10.-	BANCO SANTANDER	2,43%
<b>TOTAL TOP 10</b>		<b>27,2%</b>

### DISTRIBUTION BY MARKET CAP.

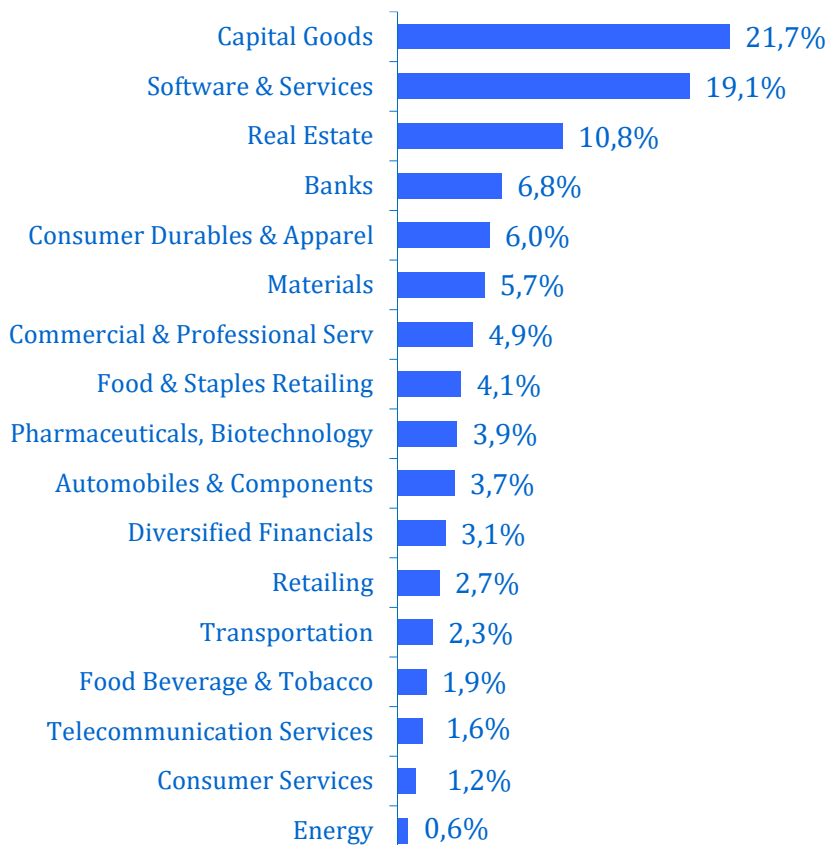


■ BIG CAPS (> 5bn) ■ MID CAPS (5-2 bn) ■ SMALL CAPS (<2bn)

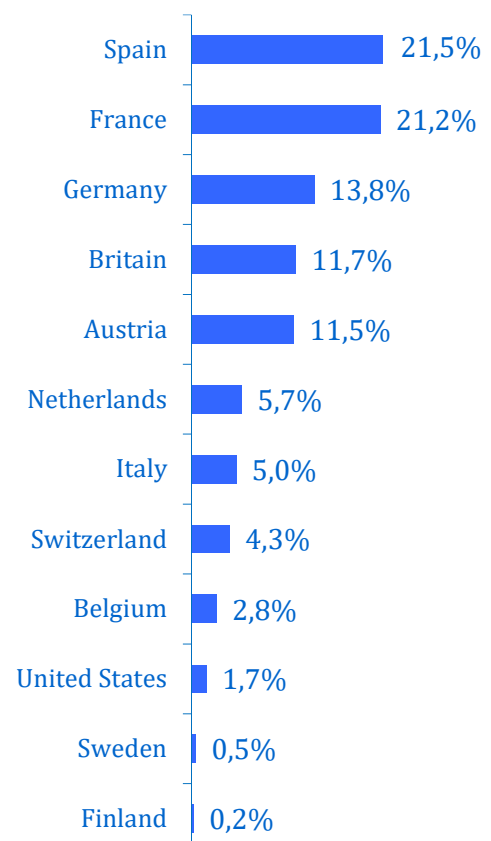
### DISTRIBUTION BY ASSET

Equity	86,8%
Cash	13,2%

### EXPOSURE BY SECTOR



### EXPOSURE BY COUNTRY





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### GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 202.5 Mn.
CNMV n° of registration	2467
Settlement	Daily (d + 2)
Fees	Management fee 1.40% annual - Depositary fee 0.125% annual
Asset manager	Urquijo Gestión / Mercados y Gestión de Valores
Custodian institution	Banco de Sabadell
Administrator	Banco de Sabadell
Auditor	Deloitte
Currency	EUR
ISIN code	ES0158457038
Bloomberg ticker	LIE SM Equity

\*Updated October 31, 2016

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Past returns do not guarantee future returns.