



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

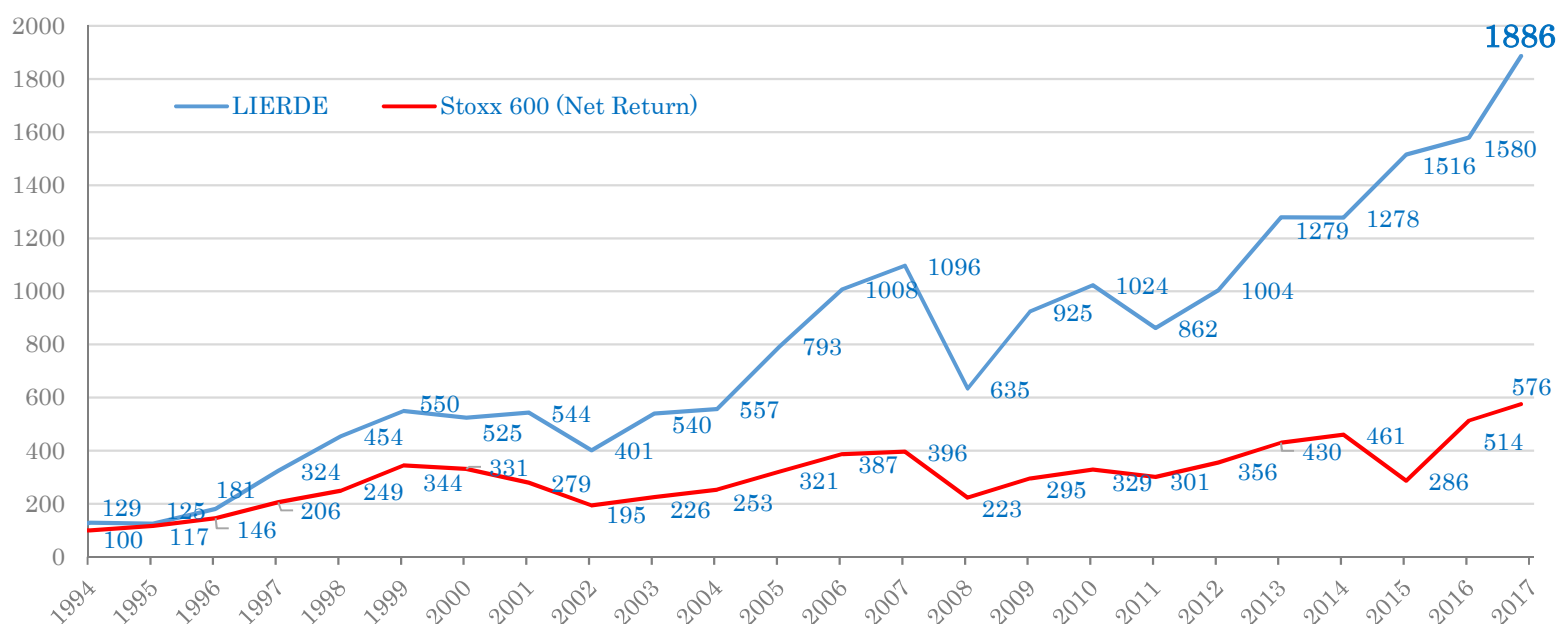
FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Ratio Sharpe	0,85	0,31
Beta	0,83	
Volatilidad	17,7%	19,2%
12M	LIERDE	STOXX 600
Beta	0,79	
Volatilidad	7,7%	8,3%

HISTORICAL RETURNS

YEAR	LIERDE	STOXX 600* (Net return)	Difference
1994	28,6%	-0,3%	28,8%
1995	-2,7%	17,2%	-19,9%
1996	44,3%	24,8%	19,5%
1997	79,5%	41,2%	38,3%
1998	40,2%	21,1%	19,1%
1999	21,0%	38,2%	-17,2%
2000	-4,6%	-3,8%	-0,7%
2001	3,7%	-15,6%	19,3%
2002	-26,3%	-30,4%	4,1%
2003	34,5%	15,9%	18,6%
2004	3,2%	12,2%	-9,0%
2005	42,3%	26,7%	15,6%
2006	27,2%	20,8%	6,4%
2007	8,7%	2,4%	6,4%
2008	-42,1%	-43,8%	1,6%
2009	45,7%	32,4%	13,3%
2010	10,7%	11,6%	-0,9%
2011	-15,8%	-8,6%	-7,2%
2012	16,4%	18,2%	-1,7%
2013	27,4%	20,8%	6,6%
2014	-0,1%	7,2%	-7,3%
2015	18,6%	6,8%	11,8%
2016	4,2%	1,7%	2,5%
2017	19,4%	12,0%	7,4%
Total return	1786,2%	475,6%	1310,6%
Average	16,0%	9,5%	6,5%

* Stoxx 600, dividends included.

TOTAL RETURN (base 100)





MONTH IN REVIEW

In October, LIERDE experimented a slight decrease in profitability of -0.17% vs +1.91% of the Stoxx 600 (Net Return), +2.2% the Eurostoxx 50 and +1.37% the Ibex 35. The YTD profitability remained at 19.4% vs +11.6% of the Eurostoxx 50, +12.0% the Stoxx 600 (Net Return) and +12.5% the Ibex 35. LIERDE's NAV hit 113.36 euros per share and the portfolio's level of investment at the end of the month accounted for 86.1% of the total assets. The twelve-month trailing volatility remained at extraordinary low levels of 7.7% vs 8.3% of the Stoxx 600 and 10.3% the Eurostoxx 50.

On the macro side, the economic recovery continues running its course supported by positive outcomes from both leading and historic economic indicators throughout the world. In the US, the flash composite PMIs beat the estimates for October and unemployment rate continued its positive downward trend towards full employment (4.2% vs 4.4% previously). The increase in the labour force and stronger annual growth in average hourly earnings confirm the resilience of the labour market and the positive evolution of inflation (2.2% vs 1.9% previously). In Europe, the UK economy continues delivering, reporting a low unemployment rate of 4.3%. The German IFO and manufacturing PMI came in positive territory beating the market estimates for October. The most relevant event was Draghi's meeting, where he maintained the same dovish tone that was welcomed by the market, in short: no change in interest rates, QE contraction halving the asset purchases (EUR 30bn) from January 2018 to September, pointing -as always- that the ECB will be as flexible as needed to reach price stability (inflation at c.2%). China reported Q3 GDP figures in line with expectations (+6.8%), implying a promising +6.5% for the year.

Regarding the companies, there are a few reasons that explain the performance of LIERDE's portfolio relative to the benchmark in the period. On the one hand, the Spanish real estate market (where we hold 9% of the fund's assets) experienced a setback, although we reckon this as temporary due to the positive evolution of the businesses, that keep reporting healthy results. This was reflected in the great share price performance of the REITs throughout the year (**Lar España** +24.9%, **Realia** +27.9%, **Renta Corporación** +53.4% and **Merlin Properties** +13.8% YTD). On the other hand, the companies in the IT Services sector (largest weight in the portfolio) were under pressure after the great performance displayed in the year (**Reply** -10%, **Lectra** -5.4%, **SII** -2.4%, **GKS** -1.53% and **Cancom** -0.28%). And more specifically, **S&T AG**, the cybersecurity company and one of our largest positions, declined -10.9% in October. The rationale behind this drop was that Kontron, the company's latest acquisition, was entitled shares as part of the payment and after the great performance of the stock in 2017 (+92.2%) they decided to cash them out. Put simply, the weakness of the stock this month had nothing to do with the valuation of the company. Finally, we would like to highlight that, the sectors that performed best during the month of October (Basic Resources +5.1%, Oil +4.7%, Food +3.8%, Personal & Household Goods +3.8% and Utilities +2.9%), barely hold representation in the portfolio.

During the period, we took advantage of the weakness of the market to increase the weight in already existing positions, as it is the case for **Valeo**, where the temporary decline in the share price (-7.5% in the month) made it attractive for us to increase our stake in the company. In addition, we increased the weight in **Infotel**, **Avon Rubber**, **Ezentis**, **ISS** y **Software AG**. At the same time, we reduced weight in **Arcelor Mittal** (after a rally of +12.8%), **Lectra**, **DFS Furniture** and **Restaurant Group**. Lastly, we have neither incorporated nor completely liquidate any position in the portfolio.

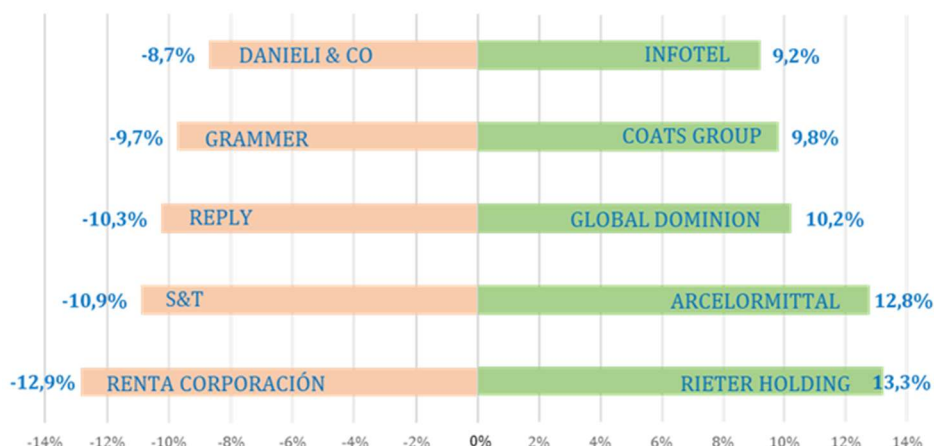
As a conclusion, we understand that the weakness of the portfolio in October relative to the indices is explained by temporary external factors, not related to the day to day operations of the businesses. The vast majority of the companies in the portfolio are still trading at a very attractive multiples, on top of the great value creation for the shareholder we expect the companies generate in the mid-term. Thus, this is the reason why we continue to feel very confident of the high quality of LIERDE's portfolio and see the recent correction as greater potential for the mid-term.



TOP 10

1.- CANCOM	3,8%
2.- LAR ESPAÑA	3,3%
3.- REALIA	3,3%
4.- DEVOTEAM	3,1%
5.- ECONOCOM	2,9%
6.- S&T	2,8%
7.- BNP PARIBAS	2,6%
8.- GLOBAL DOMINION	2,5%
9.- VINCI	2,4%
10.- PALFINGER	2,3%
TOTAL TOP 10	29,1%

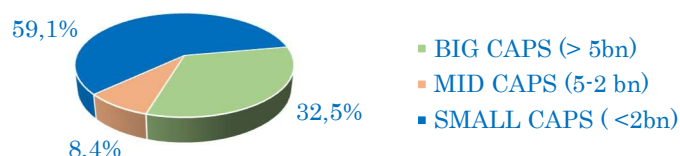
MONTHLY RETURN (the 5 best vs the 5 worst)



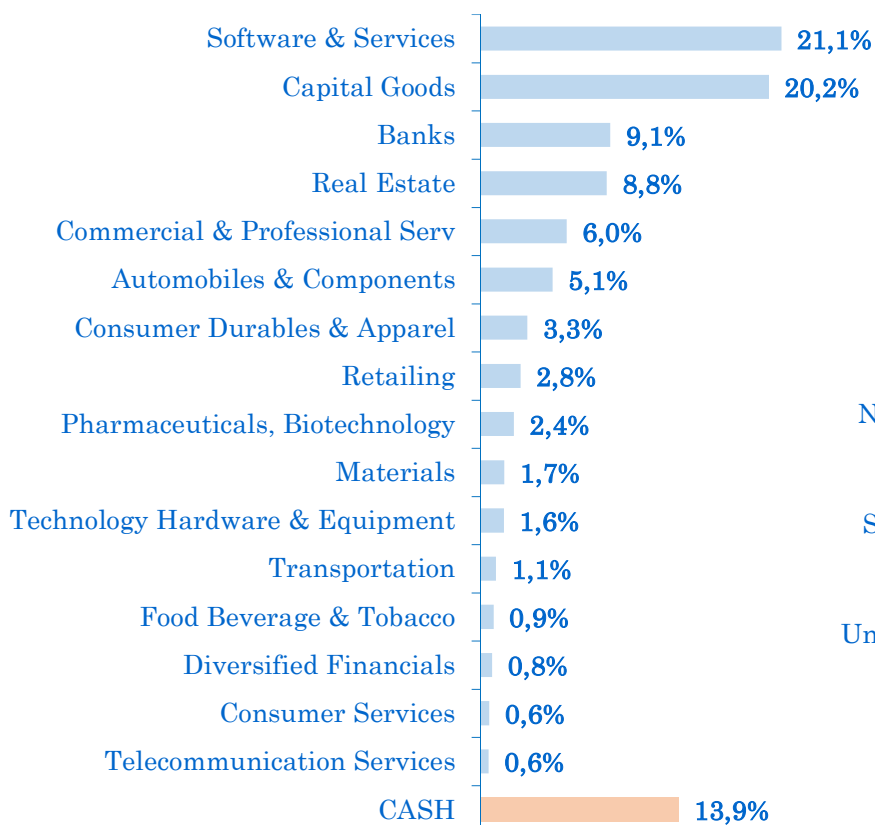
DISTRIBUTION BY ASSET

Equity	86.1%
Cash	13.9%

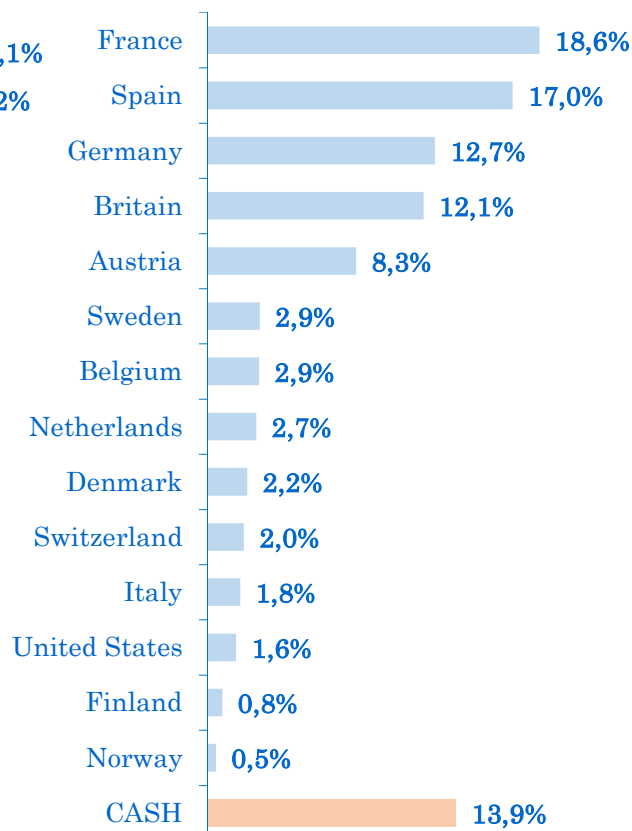
DISTRIBUTION BY MARKET CAP.



EXPOSURE BY SECTOR



EXPOSURE BY COUNTRY





GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 339 Mn.
CNMV n° of registration	2467
Liquidity	Daily liquidation 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 31st, 2017

DISCLAIMER

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Past returns do not guarantee future returns.