



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

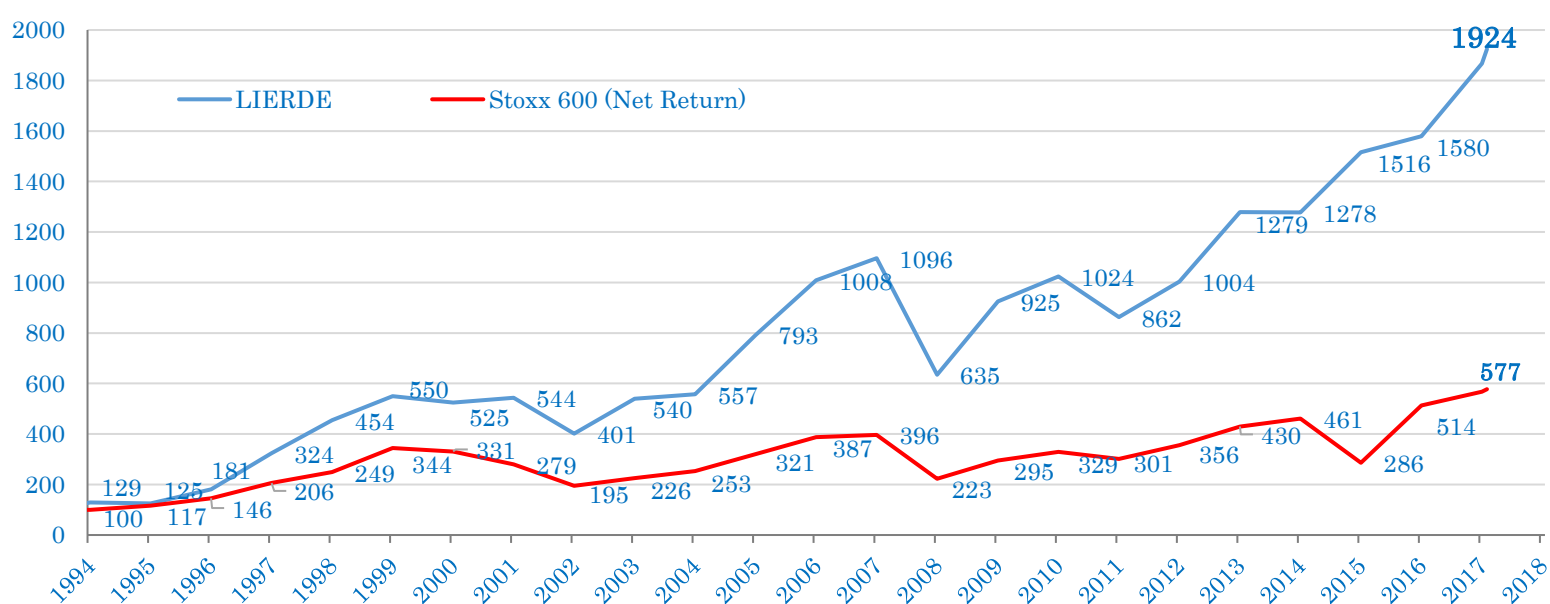
FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Ratio Sharpe	0,85	0,31
Beta	0,83	
Volatility	17,6%	19,1%
12 MONTHS	LIERDE	STOXX 600
Beta	0,81	
Volatility	7,7%	8,1%

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	18,2%	10,6%	7,6%
2018	3,1%	1,7%	1,4%
Total return	1824,5%	477,5%	1347,0%
Average	16,0%	9,5%	6,5%

* Stoxx 600, dividends included.

TOTAL RETURN (base 100)





MONTH IN REVIEW

In January, LIERDE experimented an increase in profitability of +3.10% vs +1.66% of the Stoxx 600 (Net Return), +3.01% the Eurostoxx 50. LIERDE's NAV closed at 115.66 euros per share and the portfolio's level of investment at the end of the month accounted for 85,1% of the total assets. The twelve-month trailing volatility remained at extraordinary low levels of 7.7% vs 8.1% of the Stoxx 600 and 10.0% the Eurostoxx 50.

On the macro side, the economic progress continues in the right path. In the US, most economic indicators confirm the strength in GDP growth and employment. In the Eurozone the employment rate is gaining pace, with the unemployment rate in December (8.7%) falling to its lowest level since January 2009. In the monthly ECB meeting, Draghi also manifested more confidence in the Eurozone growth, describing it as "robust" vs "expansion" from the former meeting. The data released after the meeting supports its change of language. For example, December manufacturing PMI came in better than expected, reaching its highest level since it was first published in 1997.

Regarding the portfolio, the behaviour in January has been very positive. We have increased our weight in **Danieli**, the company has been creating value at a 12-13% rate during the last 5-10 years and unexpectedly the stock has experienced a very poor performance in the stock exchange. The company's equity has doubled as well as did the capital employed, ie: **Danieli** has reinvested in the business (dividend pay-out of 10%). This successful allocation of capital has also been coupled with a good management of their BS, maintaining a net cash position that nowadays represent 60% of its Market Capitalization. Additionally, we have increased our positions in **Merlin Properties**, **Bayer**, **Assa Abloy**, **Andritz** and **Banco Santander**. On the other hand, we continued to reduce weight in **Cancom** and **Dürr** as they approach our target prices. In the Austrian company **S&T AG** we have also reduced our position (despite the great potential we continue to see going forward) to avoid an excessive exposure of the company in the portfolio. The stock accumulates a revaluation of +330% since it was incorporated to the portfolio in November 2015. We would also like to highlight that we have completely liquidated our positions in **Arcelor Mittal** and **Reply** (with a revaluation over 250% since January 2014), again as they reached our target prices. Last but not least, we decided to sell the entire position of **Zumtobel** due to a deterioration of the business, mainly motivated by its components division, which was affected by the rapid increase in competition. This led the company towards announcing two profit warnings within a short time span. We consider that the company will not be able to regain part of the business lost (at least in the mid-term) and that is why we decided to fully liquidate our position (represented a position of 0.4%). As we have mentioned in previous writings, the risk is reduced by successfully identifying good businesses, but events such as this one proves that a well-diversified portfolio is the best way to be protected before these eventualities, again the method prevails over individual ideas. This diversification entails a higher analysis work, but it reduces considerably the risk in the face of adverse conditions in the evolution of the fundamentals of a company. Peter Lynch described it very well: *"In this business, if you're good, you're right six times out of ten. You're never going to be right nine times out of ten."*

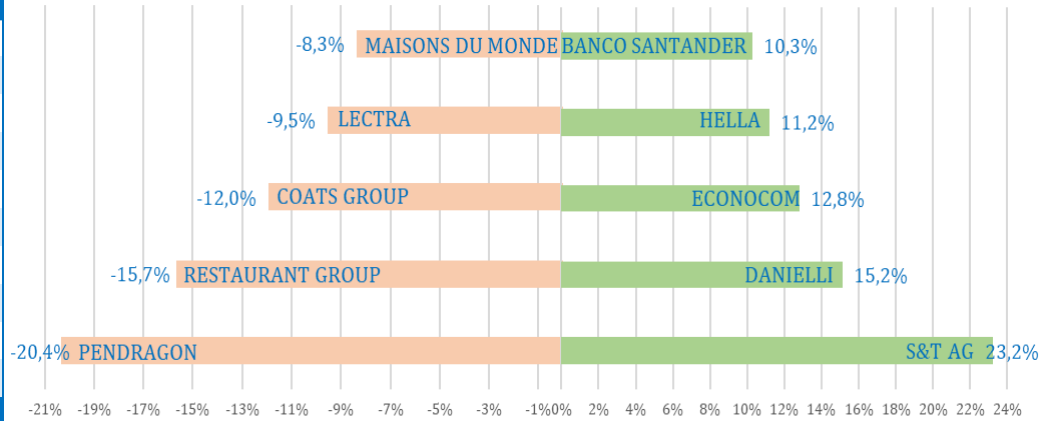
After witnessing a year (2017) with great doubts over the economy and the potential risks (Brexit, elections, North Korea...), 2018 starts with an excellent economic rhythm and with double digit prospects of the company's earnings in Europe. We believe that the good behaviour of the stock exchanges is motivated by the growth in earnings and not by re-rating. This scenario is positive for the market in general terms, but we should not forget about the high valuations, that could limit that those higher earnings will translate in value creation for the shareholder in some companies (and sectors). That is why, we have been highlighting for months how the stock picking is going to be critical in order to obtain a good performance in the mid-long term. Our investment method, focused on the value creation of the companies should continue to deliver good results in this growth scenario (even with rising interest rates).



TOP 10

MONTHLY RETURN (the 5 best vs the 5 worst)

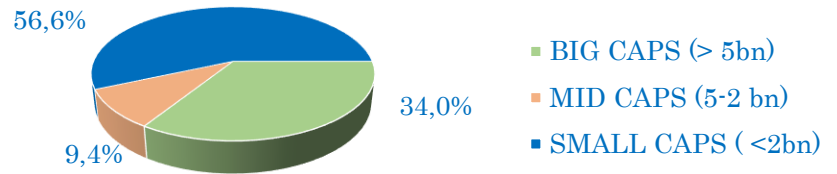
TOP 10	
1.- S&T	3,5%
2.- LAR ESPAÑA	3,4%
3.- REALIA	2,9%
4.- DEVOTEAM	2,9%
5.- ECONOCOM	2,7%
6.- BNP PARIBAS	2,6%
7.- SOFTWARE AG	2,6%
8.- SOCIETE GENERALE	2,5%
9.- CANCOM	2,4%
10.- BANCO SANTANDER	2,4%
TOTAL TOP 10	27,8%



DISTRIBUTION BY ASSET

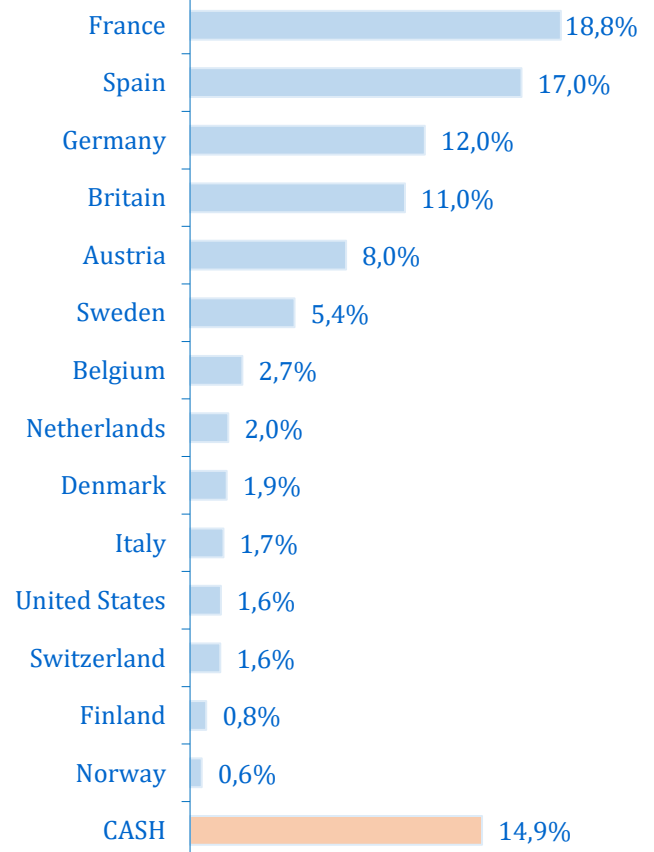
DISTRIBUTION BY MARKET CAP.

Equity	85,1%
Cash	14,9%



EXPOSURE BY SECTOR

EXPOSURE BY COUNTRY





LIERDE Net Asset Value 31/01/2018: 115,66



GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 375,1 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 January 31st, 2018

DISCLAIMER

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Past returns do not guarantee future returns.