



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

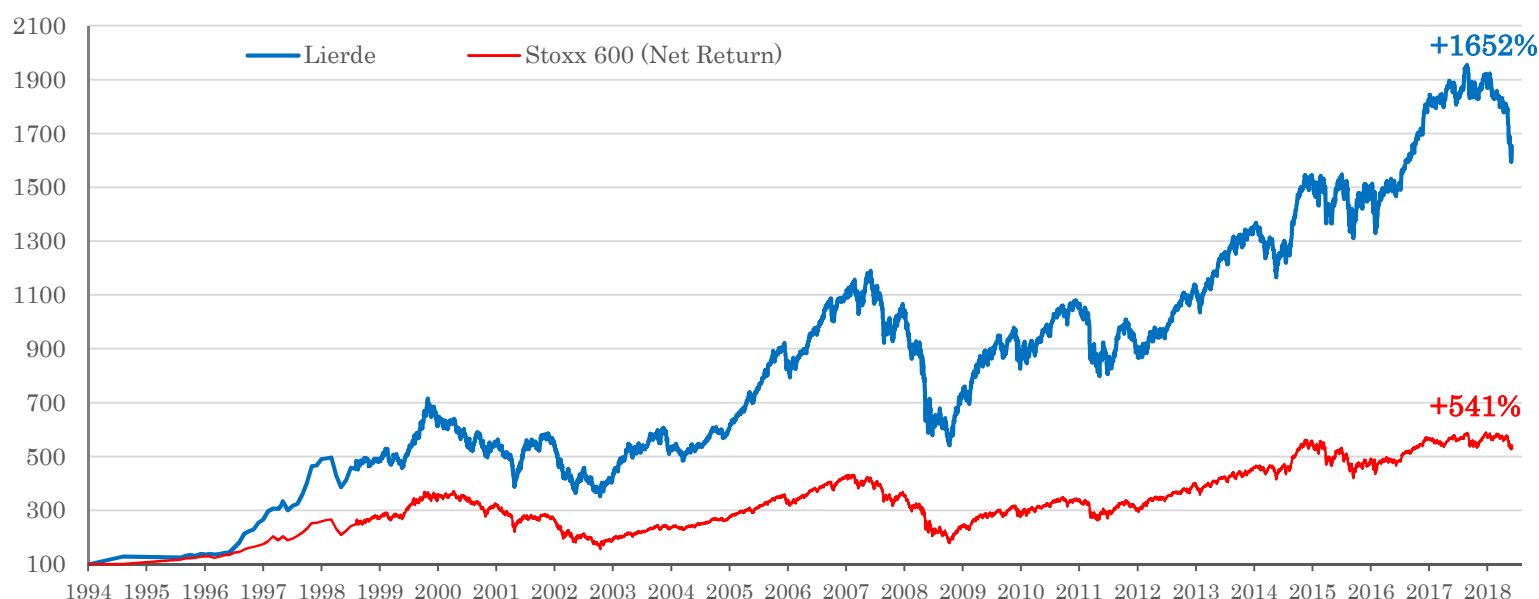
FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Ratio Sharpe	0,85	0,31
Beta	0,83	
Volatility	17,4%	18,9%
12 MONTHS	LIERDE	STOXX 600
Beta	0,75	
Volatility	9,5%	11,1%

HISTORICAL RETURNS

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	-11,5%	-4,7%	-6,8%
Total return	1552,2%	441,5%	1110,8%
Average	15,6%	9,3%	6,3%

* Stoxx 600, dividends included.

TOTAL RETURN (base 100)





MONTH IN REVIEW

In October LIERDE experimented a decrease in profitability of -7.5% vs -5.9% of the Eurostoxx50 and -5.5% of the Stoxx 600 (Net Return). The YTD profitability is -11.5% vs -4.7% Stoxx 600 (Net Return) and -8.8% Eurostoxx 50. LIERDE's NAV at the end of the month was 99.30 euros/share and the portfolio's level of investment accounted for 91.8% of the total assets and the cash part of the portfolio at 8.2%. The twelve-month trailing volatility remained at 9.5% vs 11.1% of the Stoxx 600 (Net return) and 12.5% of the Eurostoxx 50.

During the month of October half of the companies in the portfolio have reported, and, although it is true that we have adjusted the valuations slightly downwards, the estimated value creation of the portfolio for 2018 continues at levels close to 12%. However, backing -7.5% in October means that LIERDE's portfolio has suffered a de-rating in its valuation. Regarding the reasons for this fall, it is important to highlight that factors such as the sector or the market cap size of companies have had more relevance than the operational evolution of their businesses. For instance, companies in the automobile sector (new WLTP regulations, doubts about growth in China, etc.) and the industrial sector have been punished indiscriminately. On the other hand, companies with lower capitalization have also suffered in general, especially the French ones.

What we have been perceiving for weeks is that the market does not distinguish between companies in the same sector. The reality is that not all companies in a sector are equal, since they do not have the same strategy, nor the same discipline in the allocation of capital. Therefore, they should not all quote the same multiple. However, in the short term, noise and fear can lead to companies' stock prices suffering severe corrections, even with a favourable evolution of their businesses. If we analyse the feedback, we receive from several companies with which we have met this month, it is evident that this last correction does not correspond to a deterioration of their businesses. In fact, in several cases the level of frustration of the management teams was high when facing the difference between the evolution of the business and the performance of the stock. For example, Arnaud Louet, CFO of **Maisons du Monde**, did not understand the tremendous de-rating of the action when the company continues with a high organic growth and continues in the line of fulfilling its ambitious strategic plan. Another example is the Swedish company **Dometic**. Its CEO, Juan Vargues, did not understand why the day of the publication of results the stock had fallen by -16% when the company had reiterated its objectives both in 2018 and medium term. In this case, his confidence in the potential of the company is beyond doubt, as shown by the fact that he recently invested 4 million euros of his personal assets in the company (he already has just over 6 million). He repeated to us that every day it is clearer that with the same strategy that he followed during his successful stage in Assa Abloy, Dometic has a great capacity for improving efficiency (margin improvement) and concentration in a sector that is still very fragmented.

In any case, when this type of correction occurs, it is always essential to assess the level of real risk of permanent loss of capital. In the case of LIERDE, the prudent diversification of the portfolio coupled with the high number of companies with net cash or very reduced debt, make the portfolio very protected against extreme outcomes. For example, high quality companies such as **Neurones**, **Infotel** or **Dürr** have suffered an extreme correction in their stock price that lead to valuation levels not seen since we first became shareholders a few years ago. In addition, most of the companies in the portfolio have a main shareholder (the founder in many cases), which having invested much of their assets not only gives a greater long-term vision to the strategy of the company, but also an additional prudent view in the allocation of capital.

We have taken advantage of the falls to raise the level of investment to 91.8%, increasing our positions in **Danieli**, **ING**, **Pendragon**, **Dürr**, **Devoteam**, **Maisons du Monde**, **Infotel**, **Coats Group**, **Alimak**, **Andritz**, **Bucher**, **SII**, **Wincanton** and **Quabit**.

On the sales side, we have reduced weight in **Société Générale**, **BNP Paribas**, **Banco Santander** and slightly in **Hella**.

To conclude, it is essential to understand that uncertainty is an inevitable factor when investing in equities. In fact, it is the main cause of short-term discrepancies between the real value of assets and their market prices. Therefore, the continuous and detailed analysis of each company in the portfolio is the best formula to differentiate when it is a purchase opportunity or an investment error. In the case of LIERDE, we continue to estimate that the portfolio continues to generate value at double-digit rates and, therefore, the value of the companies is higher. In short, the current margin of safety (difference between price and value) is higher than at the beginning of the year.



AUGUSTUS CAPITAL

LIERDE

Net Asset Value: 31/10/2018: 99,30



TOP 10

1.-	LAR ESPAÑA	3,4%
2.-	MERLIN PROPERTIES	3,1%
3.-	DEVOTEAM	3,0%
4.-	GLOBAL DOMINION	3,0%
5.-	REALIA BUSINESS	2,7%
6.-	VINCI	2,6%
7.-	SOFTWARE AG	2,5%
8.-	ROCHE	2,4%
9.-	ING GROEP	2,3%
10.-	GRUPO EZENTIS	2,3%
TOTAL TOP 10		27,3%

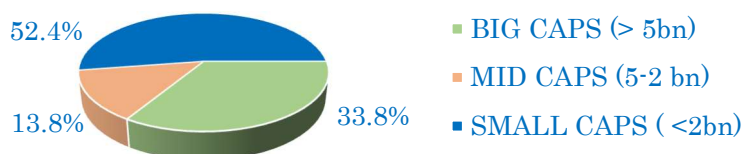
MONTHLY RETURN (the 5 best vs the 5 worst)



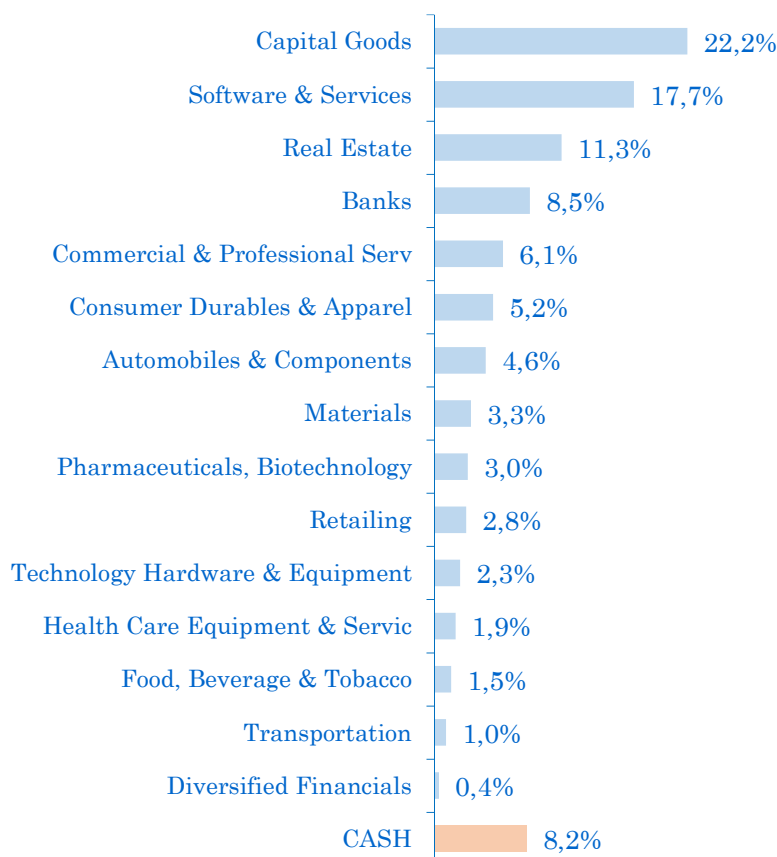
DISTRIBUTION BY ASSET

Equity	91.8%
Cash	8.2%

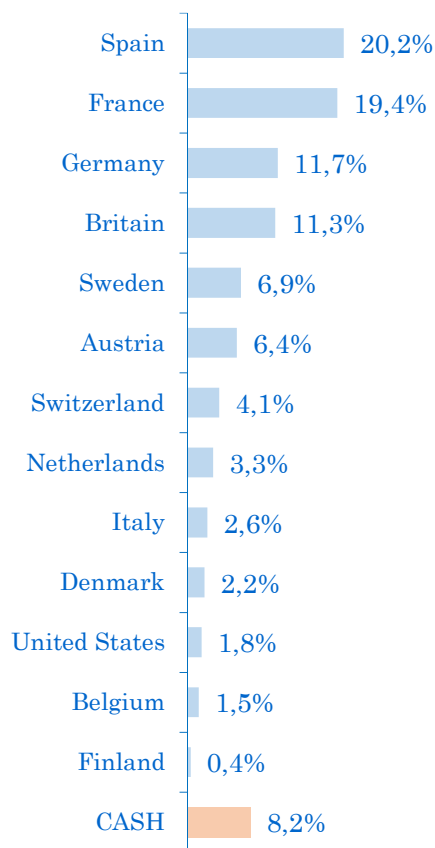
DISTRIBUTION BY MARKET CAP.



EXPOSURE BY SECTOR



EXPOSURE BY COUNTRY





AUGUSTUS CAPITAL

LIERDE

 Net Asset Value: 31/10/2018: 99,30

GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 346 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, 2018

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