



### 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

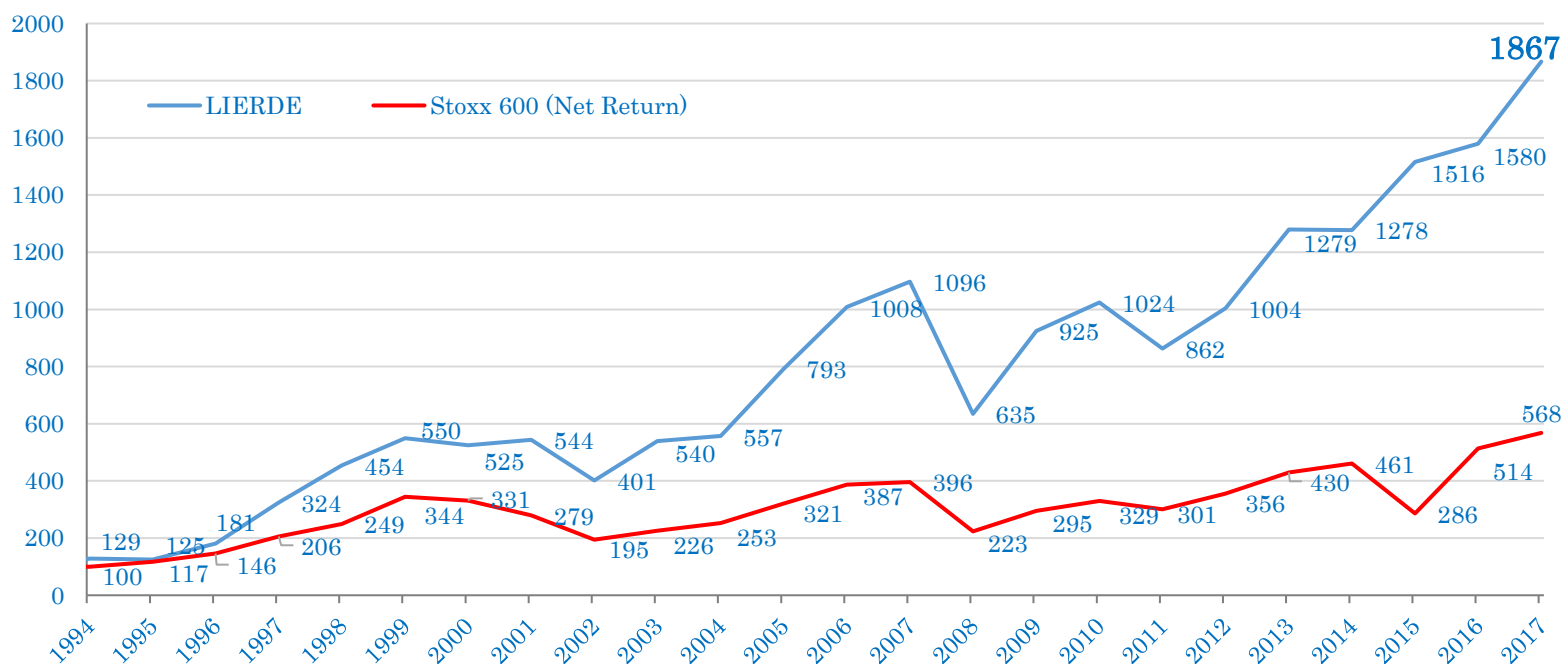
FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Ratio Sharpe	0,85	0,31
Beta	0,83	
Volatility	17,6%	19,1%
12 MONTHS	LIERDE	STOXX 600
Beta	0,79	
Volatility	7,8%	8,2%

### 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	<b>18,2%</b>	<b>10,6%</b>	<b>7,6%</b>
<b>Total return</b>	<b>1766,6%</b>	<b>468,0%</b>	<b>1298,6%</b>
<b>Average</b>	<b>16,0%</b>	<b>9,5%</b>	<b>6,5%</b>

### TOTAL RETURN (base 100)

\* Stoxx 600, dividends included.





### MONTH IN REVIEW

In December, LIERDE experimented an increase in profitability of +1.09% vs +0.72% of the Stoxx 600 (Net Return), -1.85% the Eurostoxx 50 and -1.64% the Ibex 35. LIERDE ends the year with a profitability of 18.17% vs +6.49% of the Eurostoxx 50, +10.58% the Stoxx 600 (Net Return) and +7.40% the Ibex 35. LIERDE's NAV closed at 112.19 euros per share and the portfolio's level of investment at the end of the month accounted for 88.6% of the total assets. The twelve-month trailing volatility remained at extraordinary low levels of 7.8% vs 8.2% of the Stoxx 600 and 10.2% the Eurostoxx 50.

On the macro side, in the US, November unemployment rate remained at 4.1%. November's Inflation rate was in line vs the market expectation (+2.2%) and the retail sales were stronger (0.8% vs 0.4%e). Given the positive development of the American economy, the FED decided to raise interest rates by 25 basis points, estimating another three rises during 2018. Finally, the fiscal reform was approved lowering the tax rate for the enterprises to 21% in 2018, from the current 35%. In Europe, the GDP of the third quarter grew by +2.4% aiming at an annual growth of +2.6%. The level of employment in the Eurozone hit a new maximum in the third quarter, the Markit PMIs of November also beat the expectations both the services and the manufacturing indicators. Given the outcome of the released data, it is not surprising that Draghi raised the forecasts for both GDP growth and inflation. It was meaningful the change in his lexicon by exchanging the word "recovery" by "expansion". In Spain the mortgages grew by 26% in October, the retail sales in November increased +2% vs +0.8%e and in France the estimate of the GDP for the third quarter was revised upwards from +2.2% to +2.3%. In UK the third quarter GDP was also revised upwards from +1.5% to +1.7%. In other words, very positive evolution of the economies in both sides of the Atlantic.

Regarding the portfolio, the behaviour in the month of December has been very positive. We have increased our position in **Valeo**, the reason was that we are increasingly positive with the future performance of their JV with Siemens in the electric auto. Additionally, we have raised weight on **Smiths Group**, **Hella AG**, **GK Software**, **Grammer**, **Dometic** and **Software AG**. In the last company, after having a meeting with their COO, Eric Duffaut, we see a great potential in the new IOT division due to the superiority of their platform "Cumulocity". We would also like to highlight that we have reduced our positions on **Cancom** and **Dürr** (with great performances above 100% since they became part of the portfolio) since the stock prices were getting closer to our target prices. Lastly, In **Gestamp** we took advantage of the pickup in the stock above 6 euros to totally liquidate the position in the portfolio. **Gestamp** is a company with returns on capital employed (ROCE) very similar to their cost of capital (8.8%), so the company's enterprise value (EV) should be very similar to their capital employed (CE). With the stock quoting at 6 euros the relation (EV/CE) is 1x so basically the stock price already reflects its intrinsic value. The company is high capital intensive due to the strong investments in capacity they must do to follow their clients along the way and the working capital is higher than their peers, that's why we don't see how the return on capital should improve dramatically in the future. Companies such as **Valeo** quoting at EV/EBIT of 10x (ROCE 40%), **Hella AG** 9.8x (ROCE 16%) or **Grammer** 9.6x (ROCE 14%) are much more attractive at their current prices.

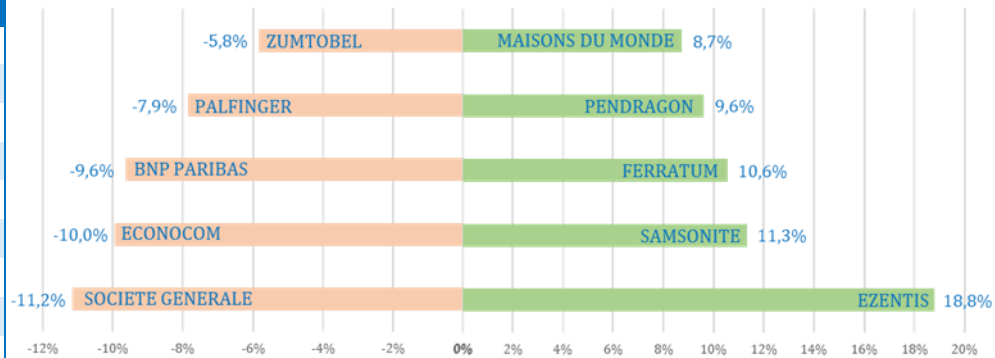
The gap between the European and the American stock exchange (that hit a new historical maximum) we believe it does not have a very reasonable explanation. The European stock exchanges have not accompanied the American ones in the last upward stretch due to the Brexit, the lack of Government in Germany, the elections in Catalonia, the new baking regulation and the strength of the euro. To the extent that these risks are losing prominence, European investors should start to focus on the results of the companies. In any case, we reiterate November's message according to consensus estimates, both the Stoxx 600 and the S&P 500 are expected to generate value by 8%. If we take into account the undervaluation of the European market vs the US, it seems reasonable that, with an equal value creation, Europe should have a better relative performance. In any case, a well-diversified portfolio invested in high quality companies that are able to grow (reinvest) in the mid-term will always be the best investment alternative. LIERDE would be a good example with a value creation of +18% in 217 (main reason for the +18.2% in NAV) and an estimated +14% for 2018. All in all, we reiterate our conviction in the great potential of the portfolio (15% annually for the next 4 years) at the current prices.



### TOP 10

TOP 10	
1.- S&T	4,39%
2.- LAR ESPAÑA	3,49%
3.- CANCOM	3,18%
4.- REALIA	3,06%
5.- DEVOTEAM	2,82%
6.- ECONOCOM	2,56%
7.- VALEO	2,55%
8.- SOFTWARE AG	2,52%
9.- BNP PARIBAS	2,51%
10.- GLOBAL DOMINION	2,49%
<b>TOTAL TOP 10</b>	<b>29,6%</b>

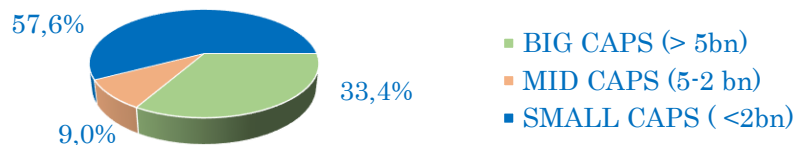
### MONTHLY RETURN (the 5 best vs the 5 worst)



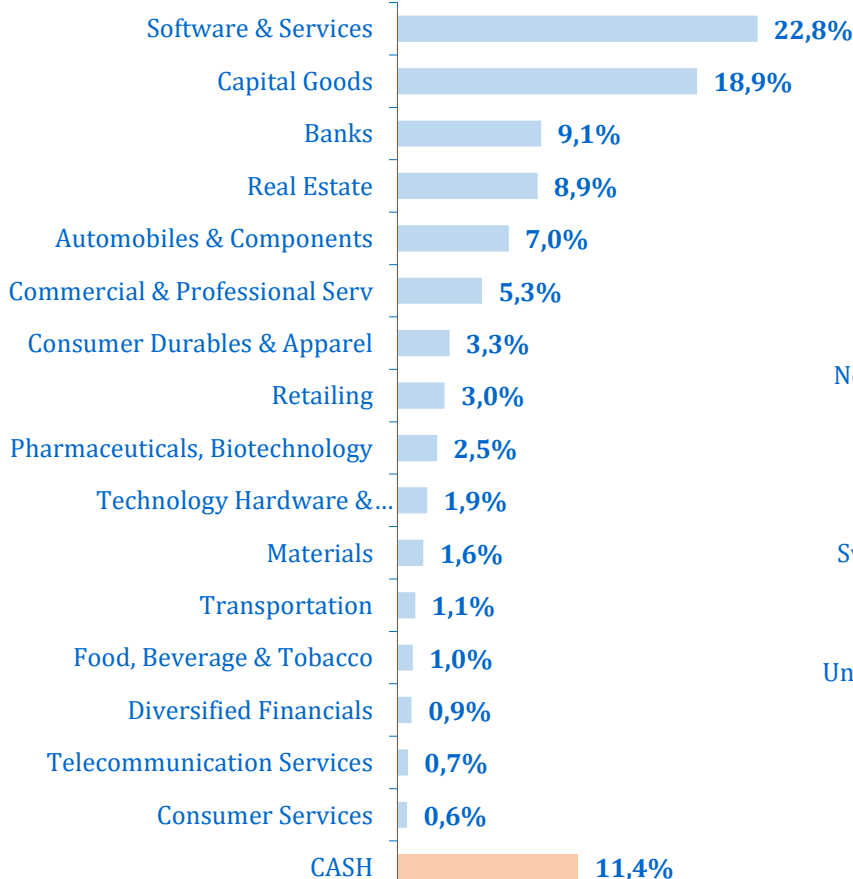
### DISTRIBUTION BY ASSET

Equity	88,6%
Cash	11,4%

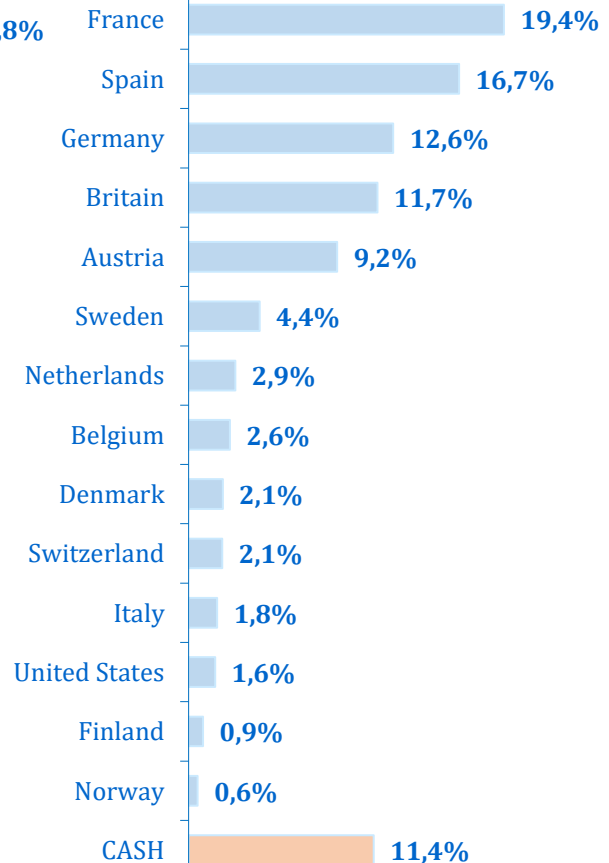
### DISTRIBUTION BY MARKET CAP.



### EXPOSURE BY SECTOR



### EXPOSURE BY COUNTRY





### GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 345,7 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 December 31<sup>st</sup>, 2017

### DISCLAIMER

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Past returns do not guarantee future returns.