



### 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%	18,8%
12 MONTHS	LIERDE	STOXX 600
Beta	0,82	
Volatility	11,3%	12,5%

### 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	-20,8%	-10,8%	-10,0%
Total return	1377,8%	406,9%	970,9%
Average	15,1%	9,0%	6,1%

\* Stoxx 600, dividends included.

### TOTAL RETURN (base 100)





### MONTH IN REVIEW

In December LIERDE experimented a decrease in profitability of -8.8% vs -5.4% of the Eurostoxx50 and -5.5% of the Stoxx 600 (Net Return). The profitability for the year 2018 was -20.8% vs -10.8% Stoxx 600 (Net Return) and -14.3% Eurostoxx 50. LIERDE's NAV at the end of the month was 88.82 euros/share and the portfolio's level of investment accounted for 92.8% of the total assets and the cash part of the portfolio at 7.2%. The twelve-month trailing volatility remained at 11.3% vs 12.5% of the Stoxx 600 (Net return) and 13.5% of the Eurostoxx 50.

2018 has been a bad year for equities, especially for value investing with a long-term horizon. In general, annual returns have been negative and, in many cases worse than those of the benchmarks. LIERDE has not been unaware of this trend, closing 2018 with a negative return that does not correspond to the high value generation of the companies in the portfolio.

The basic principle of the "value" philosophy is the existence of significant differences in the market between the price and the value of the business. The evolution of LIERDE in 2018 is a good example. In summary, the businesses in which we are invested have generated value at double-digit rates this year and, according to our estimates, will continue to do so in 2019. This search for companies with the capacity to generate value is undoubtedly the fundamental factor of the LIERDE method. Our margin of safety is based on investing in businesses that not only generate returns above the average, but, are able to reinvest those high returns generating greater value for its shareholders in the long term. In short, the bad performance of the net asset value in the year is due to a de-rating (increase in the spread between price and value) widespread by the companies in the portfolio, and not to a number of errors (companies that destroy value for their shareholders) above the historical average.

Based on the foregoing, it is logical that our belief in the potential of the portfolio at the beginning of 2019 is superior to that we had at the beginning of 2018. The downturns have not only increased the undervaluation of the portfolio, but, have allowed us to increase its quality (generation of value) average. In any case, we understand that after a bad year one of the big questions posed by investors is: does it make sense to always be invested or is it better to try to invest and withdraw money based on our market vision?

Fidelity Investments conducted a study of its Magellan fund in the period 1977-1990. Its manager Peter Lynch achieved a spectacular average annual return of + 29% during those 13 years, becoming one of the best managers in history. It is reasonable to think that the investors of the fund obtained excellent returns, but the conclusion of the study was really surprising: the average investor had lost money being invested in one of the best funds in history and in one of the best stock exchange cycles in history. That is, the errors in the timing of entry and exit had generated losses much higher than the generation of value of the portfolio.

The previous study is very illustrative to understand the power of compound interest in the long term against "market timing" (or trading), but we had never considered the possibility of performing a similar exercise for LIERDE. The main reason is that given the family origin of LIERDE, its heritage has always been stable because of its conviction in the long-term viability of the LIERDE method. Recently, one of the best independent managers in Spain published a very interesting study about what happens with long-term profitability if you miss the best days. The bottom line is that doing market timing can sink your long-term profitability. The result is so significant that only losing the best 28 days in 10 years (1% of the total) in the period 2008-2018, profitability would have been negative compared to a return of more than 100% of the S&P 500, an index that they take as reference in your study.

The previous result was so illustrative that it has led us to consider the same exercise for LIERDE during the same period 2008-2018. The accumulated profitability of LIERDE in the last 10 years has been over +130%. The conclusion of the analysis is that missing the best days without being invested significantly decreases the final return. For example, had an investor missed the best 5 days his cumulative return would have been reduced to +80% (+50% less), without the top 10 to +55% (+75% less) and without the best 15 at +30% (+100% less).

It is true that the exercise could have been considered in the opposite direction, looking for what would happen if the bad days had been avoided. The result would surely improve a lot, but it is important to understand that this analysis is based on a basic principle: companies with high and sustainable value generation over time (we call them "compounders") are always worth more in the long term. That is, when you have the conviction that something is not only undervalued, but that every day has (generates) more value, the risk of missing the days when the market prices reflect the real value is greater than the risk of getting lost. the market falls in the short term.

2019 has started very well for LIERDE with a return of more than + 5% in the first two weeks with hardly any news or catalysts on the operational evolution of the companies. Another example of the difficulty of getting the timing right to sell or buy and of losing "the good days". In short, we still think that a diversified portfolio in quality companies (compounders) is the best formula to obtain good long-term results.



# AUGUSTUS CAPITAL

## LIERDE

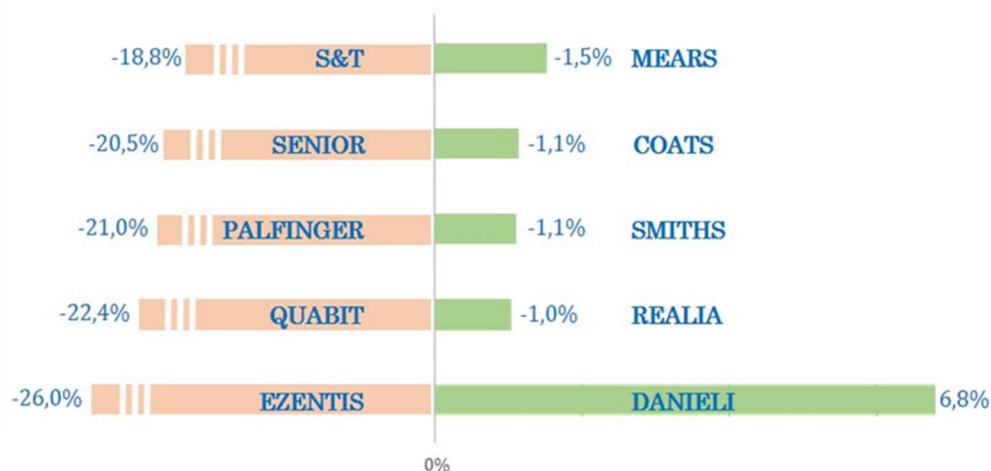
Net Asset Value: 31/12/2018: 88,82



### TOP 10

1.-	REALIA BUSINESS	3,6%
2.-	LAR ESPAÑA	3,3%
3.-	GLOBAL DOMINION	3,1%
4.-	MERLIN PROPERTIES	3,1%
5.-	DEVOTEAM	2,9%
6.-	ROCHE	2,6%
7.-	COATS GROUP	2,4%
8.-	BANCO SANTANDER	2,3%
9.-	VINCI	2,3%
10.-	ING GROEP	2,1%
TOTAL TOP 10		27,8%

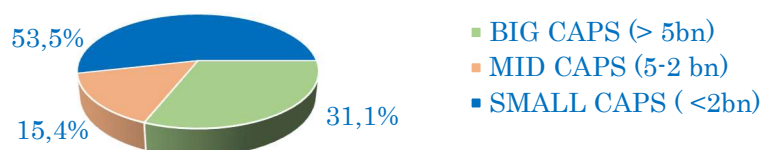
### MONTHLY RETURN (the 5 best vs the 5 worst)



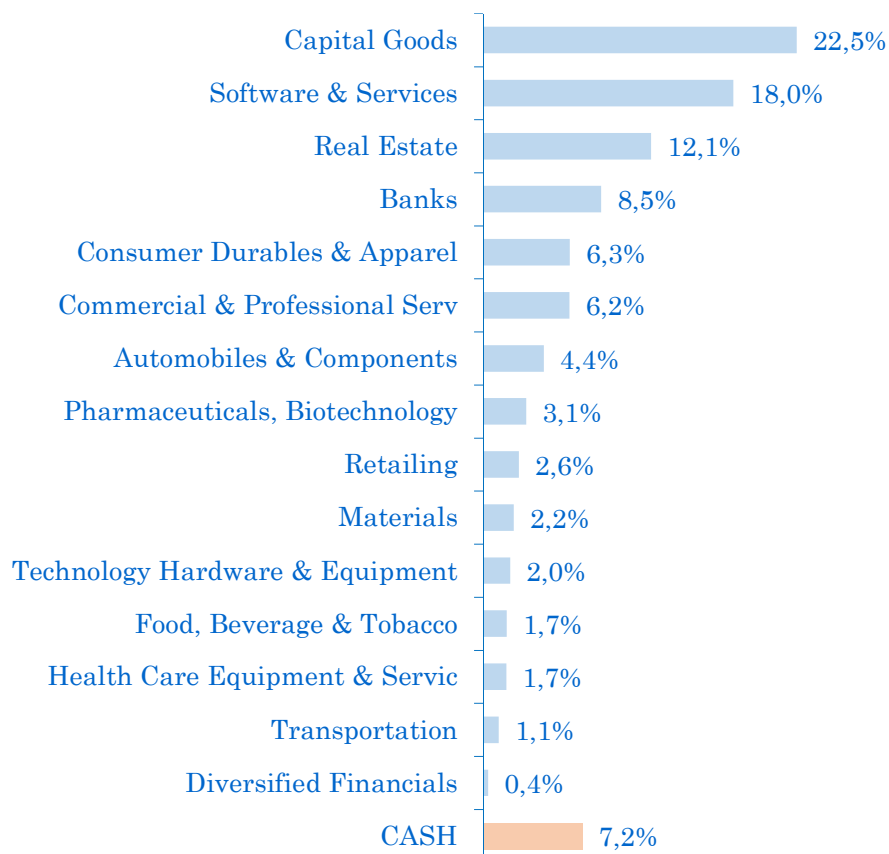
### DISTRIBUTION BY ASSET

Equity	92.8%
Cash	7.2%

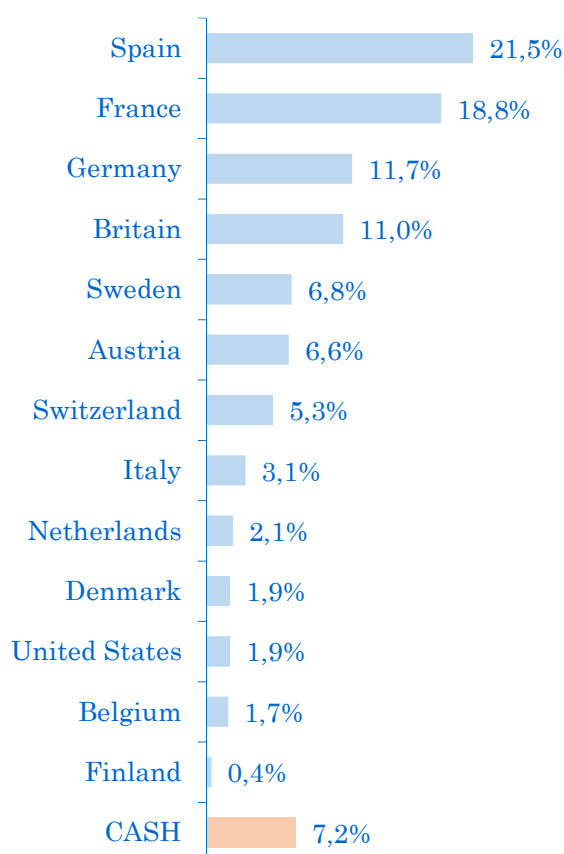
### DISTRIBUTION BY MARKET CAP.



### EXPOSURE BY SECTOR



### EXPOSURE BY COUNTRY





# AUGUSTUS CAPITAL

## LIERDE

 Net Asset Value: 31/12/2018: 88,82

### GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 298 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 31st, 2018

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