



Augustus Capital AM

February 2019

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.

Net Asset Value (28/02/19)	AUM (28/02/19)	MORNINGSTAR®
100.40	EUR 328.7 Mn	★★★★★

RISK INDICATOR

1 2 3 4 **5** 6 7

RISK DATA

From Inception	LIERDE	Stoxx 600 NR*
Alfa anual	5.17	
Ratio Sharpe	0.85	
Beta	0.83	
Volatility	17.3%	18.8%
12 Months	LIERDE	Stoxx 600 NR*
Beta	0.86	
Volatility	11.6%	12.1%

HISTORICAL RETURNS

Year	LIERDE	Stoxx 600 NR*	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%
YT2019	13.0%	10.7%	2.3%
Total Return	1570.6%	461.3%	1109.3%
Average	14.5%	8.7%	5.8%

TOTAL RETURN (base 100)



*Stoxx 600 NR (Net Return). Dividends included.

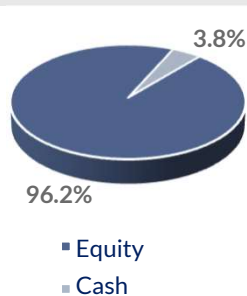


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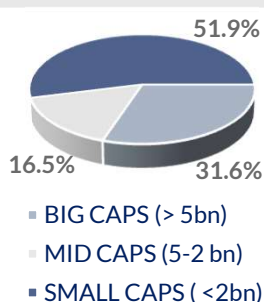
TOP 10 POSITIONS

1	REALIA	3.6%
2	GLOBAL DOMINION	3.2%
3	DEVOTEAM	2.9%
4	LAR ESPAÑA	2.9%
5	MERLIN PROPERTIES	2.8%
6	ROCHE	2.5%
7	VINCI	2.4%
8	COATS	2.3%
9	BNP PARIBAS	2.3%
10	MAISONS DU MONDE	2.2%
TOTAL		27.1%

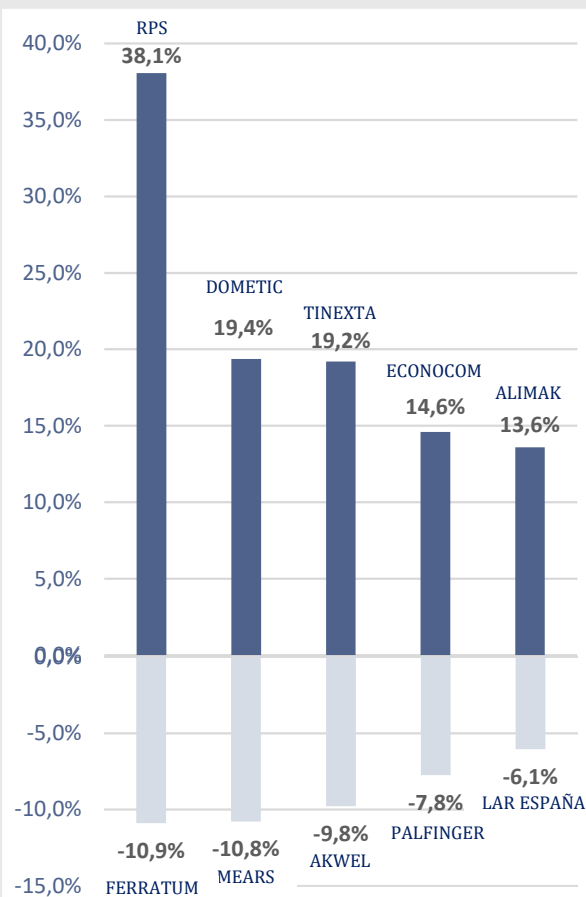
DISTRIBUTION BY ASSET



DISTRIBUTION BY MARKET CAP.



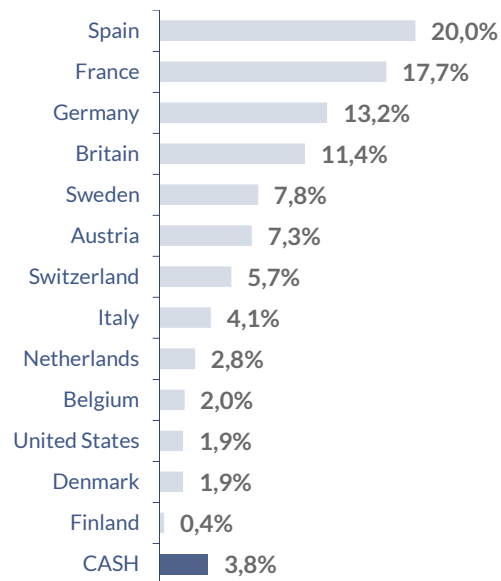
MONTHLY RETURN (the 5 best VS the 5 worst)



DISTRIBUTION BY SECTOR



DISTRIBUTION BY COUNTRY





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GENERAL INFORMATION

Inception Date	1994
CNMV N° of Registration	2467
Liquidity	Daily liquidatio d + 2
Fees	- Management fee 1.40% annual - Depositary fee 0,125% annual
Asset Manager	Augustus Capital AM
Custodian Institution	Banco de Sabadell
Auditor	Deloitte S.L.
Currency	EUR
ISIN Code	ES0158457038
Bloomberg Ticker	LIE SM Equity

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Past returns do not guarantee future returns.

MONTH IN REVIEW

During the month of February, LIERDE's profitability increased +3.3% compared to +4.4% for the Eurostoxx 50 and +4.2% for the Stoxx 600 (Net Return). LIERDE's Net Asset Value at the end of February stood at 100.40 euros/share and the liquidity of the portfolio at 3.8%. Twelve-month trailing volatility remained at 11.6% vs 12.1% for the Stoxx 600 and 13.2% for the Eurostoxx 50.

In February LIERDE has had a good performance on the stock market, although somewhat worse vs main indexes. We are satisfied because, having reported half of the companies in the portfolio, the businesses evolve well operationally. It is important to understand that not the entire portfolio moves in unison. Sometimes, some companies run into "stones" on the road, and only those good businesses with excellent management teams at the front manage to move forward. In these cases, the market punishes the price for lack of visibility or uncertainty, generating significant deviations between the value of the company and its price. We must be aware that this happens, and what is more important, know how to take advantage of it. In order to achieve it, it is essential to have conviction and patience. This time we will illustrate it through two companies that we have in our portfolio.

When we decided to invest in **RPS** in 2014, the company had been increasing the dividend by +15% per annum for 21 years. Since then, the company has had several problems, so, probably, our timing was not the best. However, the management team has been able to turn it around in record time, maintaining the book value without having to cut the dividend. Now the company faces its transformation from a conglomerate of small local companies to a global leader. It has been a hard journey, and, despite the behaviour of this month (+38.1%), we think that the potential is still very broad. Another example is **Alimak**, we invested in the company in mid-2016 before the possibility of creating a global leader in a niche business, and that benefits from structural trends such as urbanization and wind power. The stock did not move due to the "temporary" lowering of margins and the lower quality of the order book due to the acquisition of two companies (Facade and Avanti). This made the company look like it was "optically" expensive. However, in the last presentation of results, they reported that the integration was completed, the margins were expanding and they hope to continue on the same path to the future. In both cases, there is still much to be done, and we will have to follow the results quarter by quarter, but we think that the worst has already happened.

In short, these are two examples of companies in which, if we have conviction, all we have to do is wait for the management team to carry out their business plans. This process is tedious because in the end we are measured against an "apparently absolute" variable, the market price, which is the one that "dictates" whether we are right or not. Despite the fact that we may think that a certain company is worth much more, if the price does not rise in the short term, we seem to be wrong. In short, to be right in the long term, sometimes it is necessary to think on the contrary that most and have patience. In the words of Seth Klarman: "you do not get into value investing for the group hugs".

As for the portfolio, on the buying side, we have increased weight in **Tinexta** (it already represents 1.9% of the portfolio). Despite the re-rating of the year (+46.2%) we think that this company in expansion has a lot of potential. In addition, we have increased weight slightly in **Pendragon**, **Richemont**, **BNP Paribas**, **Neurones** and in **SII**. In the latter case, this IT Services company focused on engineering (services with higher added value), reinvests almost everything generated, creating value at rates of over 20% per year. However, the price has not moved since we added it to the portfolio, so it is even more undervalued than when we first bought it.

On the selling side, we have slightly reduced positions in **Lar España** and **Devoteam** to avoid having an excessive weight.

Finally, we must not forget that LIERDE does not invest in businesses that are apparently cheap, we invest in businesses that are worth more every time because they generate value year after year (that is our margin of safety) and that they are also undervalued. The value creation we estimate in 2019 for LIERDE is +12.6%, which, together with the undervaluation of the portfolio, expanded during the past year, makes us feel positive for the future. This is why the level of investment in the portfolio continues to rise and is already in 96.2% levels.