



### 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

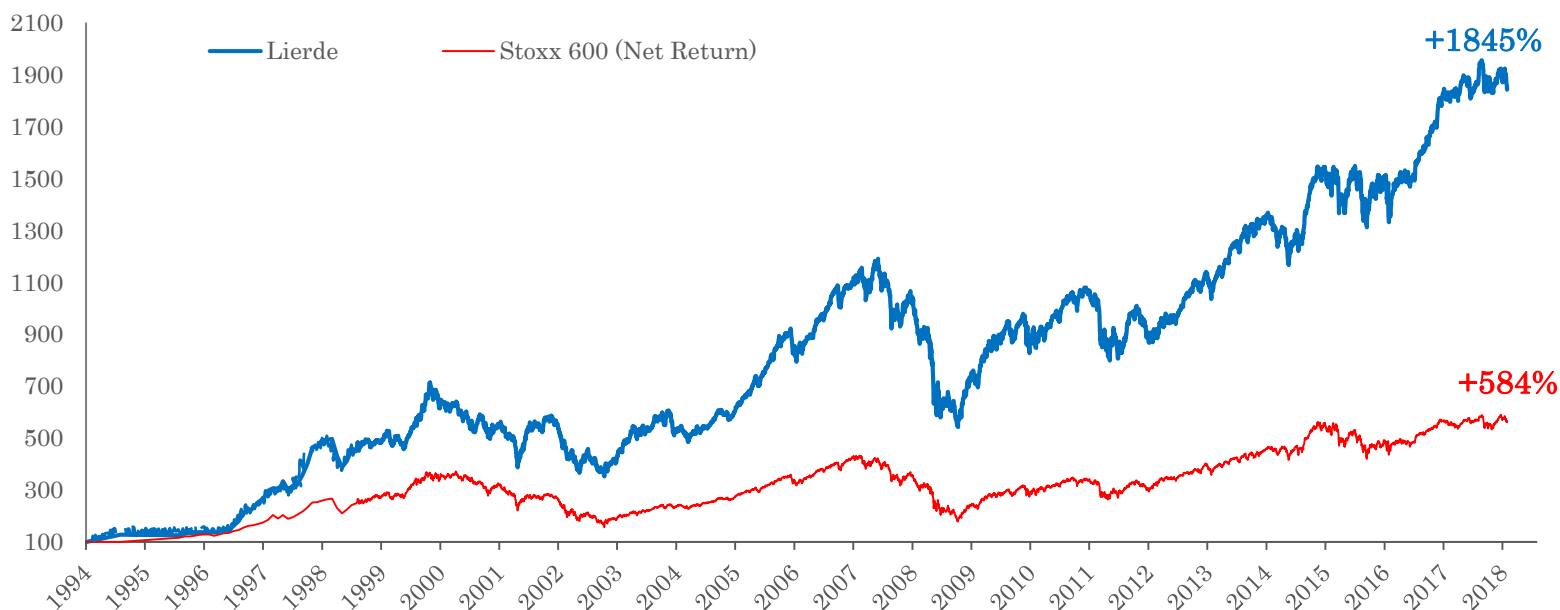
FROM INCEPTION	LIERDE	STOXX 600
Alfa anual	5,17	
Ratio Sharpe	0,85	0,31
Beta	0,83	
Volatility	17,4%	19,0%
12 MONTHS	LIERDE	STOXX 600
Beta	0,71	
Volatility	8,4%	10,3%

### 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	-1,2%	2,8%	-3,9%
<b>Total return</b>	<b>1744,8%</b>	<b>483,8%</b>	<b>1261,0%</b>
<b>Average</b>	<b>15,9%</b>	<b>9,5%</b>	<b>6,4%</b>

\* Stoxx 600, dividends included.

### TOTAL RETURN (base 100)





### MONTH IN REVIEW

In July LIERDE experienced a decrease in profitability of -0.3% vs +3.1% of the Stoxx 600 (Net Return) and +3.8% of the Eurostoxx 50. The YTD profitability is -1.2% vs +2.8% Stoxx 600 (Net Return) and +0.6% Eurostoxx 50. LIERDE's NAV at the end of the month was 110,87 euros/share and the portfolio's level of investment accounted for +86,8% of the total assets and the cash part of the portfolio 13.2%. The twelve-month trailing volatility remained at 8,4% vs 10,3% of the Stoxx 600 (Net return) and 11,4% of the Eurostoxx 50.

This month the portfolio suffered two exceptional events, one positive and one negative. On the one hand, our latest addition to the portfolio, the Norwegian company **Link Mobility**, received a takeover bid by a venture capital fund with a 30% premium fee. This good news gave us +30 basis points to the profitability of the portfolio, but it left us with a bittersweet taste since we had only been able to build 50% of our desired position. On the negative side, **Econocom** fell -33% in July after a profit warning, which had an impact of -60 basis points in the portfolio. In short, the net result of both extraordinary events was -0.3%. At this point, we would like to emphasize that, being both exceptional events, only the first one is definitive since the takeover bid for **Link Mobility** is firm and we have already announced that we accept it and the **Econocom** situation, as we explain in the following paragraphs, is due to -in part- an overreaction of the market, which is why we think it may be recoverable.

In any case, the portfolio would have had a flat behaviour in July without the previous events, which is still an excessively weak behaviour compared to the European indices. Therefore, the key question to answer is what has happened and how it can affect the future profitability of LIERDE. Taking into account the prudent diversification of the portfolio (the two previous events have only had an effect of -0.3%), the reason of this weak profitability is that the whole portfolio has suffered in the month. This has been the fundamental reason and some data, such as less than a third of the companies in the portfolio have performed better than the indices, confirm it. Throughout more than 24 years of history, LIERDE has experienced similar situations in which the portfolio suffered in the short term without a significant upturn in the percentage of errors. The reason has always been a macroeconomic event that has caused a generalized de-rating of the portfolio. For example, in June 2016 it was the last time that the portfolio suffered a similar situation coinciding with the result of the referendum on BREXIT. Nowadays, the uncertainty about the possible trade war between USA and the rest of the world has increased the uncertainty of investors about the macroeconomic situation. In these environments of greater distrust, those sectors most exposed to global growth or companies of medium to low capitalization suffered more, especially vs traditionally more defensive sectors. Our style of investment does not discriminate between defensive or cyclical, but between companies with quality businesses and the ability to generate value for the long-term shareholder. So, the most important thing is to analyse the recovery capacity of LIERDE's portfolio in these situations. In this sense, it's worth highlighting that, in the twelve months following the BREXIT, LIERDE obtained a return of +29.1%, exceeding by 11 percentage points the +18.1% of the Stoxx 600 (Net Return).

In terms of changes, we increased our investment position in some quality companies such as **Samsonite**, **Roche**, **Andritz** and **Coats Group**. On the selling side, we continued reducing the position in **Avon Rubber** and **S&T AG** after the excellent performance of both companies (+52% and +430% respectively since they were incorporated to the portfolio). Additionally, we sold the position in **Rieter** given the deterioration of the operating business versus our expectations.

Regarding **Econocom**, the company announced a profit warning that implied a fall of -32% on the day after having dropped -26% the previous weeks, leading to more than -60% cumulative drop from all-time highs. If we take into account that the decrease in annual operating profit estimates was -23% (120 million vs 155 million of estimation), it is evident that the price of the stock is considering a very negative scenario. We talked with the company to understand the causes of the worse business evolution. In short, several delays in the signing of some contracts and an acceleration of the restructuring process seem to be the main reasons. Also, in the conversations we perceived that the new guidance for 2018 could be too cautious since the company maintained the objectives of its ambitious strategic plan until 2022. Therefore, what we have done is to model a stress environment in which the company only earns 170 million euros in 2022 compared to 300 million that contemplates its strategic plan and vs 154 million of 2017. If we take into account the organic growth of the company and the already announced improvement of margins once the restructuring is finished, it does not seem a difficult scenario to achieve. At the current price, the potential is -unusually- much high for the quality of the company since it is trading at EV/EBIT 8.3x and P/E of 7.5x for 2019. We bought more shares in July after the sharp fall, but the current position (1.4%) is still lower than the 1.9% that we had at the beginning of the month. The reality is that after talking with the management team, we continue trusting in this family company that has complied with success the two previous strategic plans. Since we invested in the company 5 years ago we have always maintained a very direct line of communication with them, however, in the coming quarters, we will be even more attentive to the evolution of the business due to the high potential in a recovery scenario.

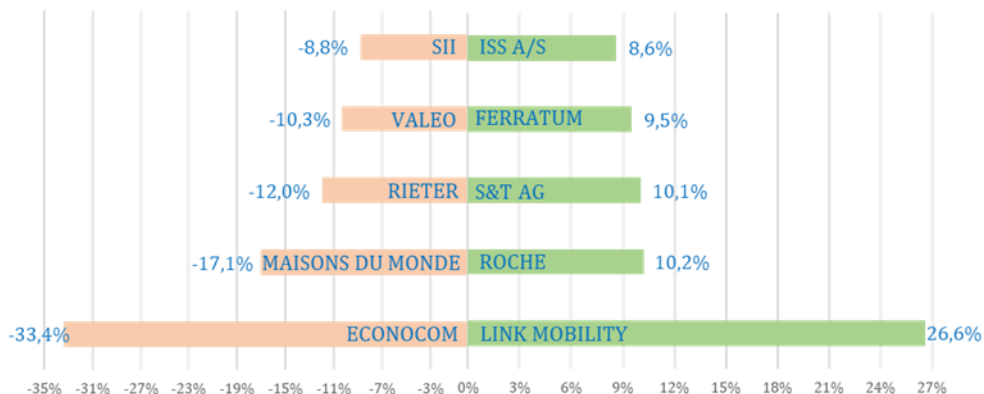
Finally, we would like to stress once again that, our investment method is not infallible in the short term but being patience the results in the medium and long term have always been positive. Our investment philosophy is that the method always prevails over individual ideas. Experience shows us that it is the best formula to minimize the losses that may be caused by possible (and inevitable) errors. As in other occasions, we continue to take advantage of the macroeconomic "noise" to increase weight in quality companies. On the other hand, it is true that, given the greater uncertainty of the markets, we have adopted a somewhat more conservative position in our models, lowering the annual estimate value generation per annum from +13% to +11.7%. Curiously, despite this, the annualized potential of the portfolio for the next the 4-year has increased compared to the previous month. That means that the portfolio has undergone a higher de-rating than the theoretically lower value creation, in other words, the portfolio is more undervalued today than at the beginning of the year, even with more conservative estimates.



### TOP 10

TOP 10	
1.- DEVOTEAM	3,2%
2.- LAR ESPAÑA	3,2%
3.- MERLIN PROPERTIES	3,1%
4.- REALIA	2,6%
5.- GLOBAL DOMINION	2,5%
6.- VINCI	2,5%
7.- SOFTWARE AG	2,3%
8.- ING GROEP	2,3%
9.- ISS	2,2%
10.- BNP PARIBAS	2,2%
<b>TOTAL TOP 10</b>	<b>26,1%</b>

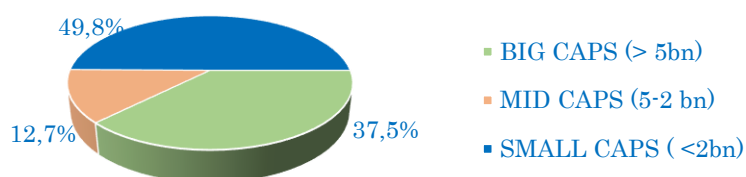
### MONTHLY RETURN (the 5 best vs the 5 worst)



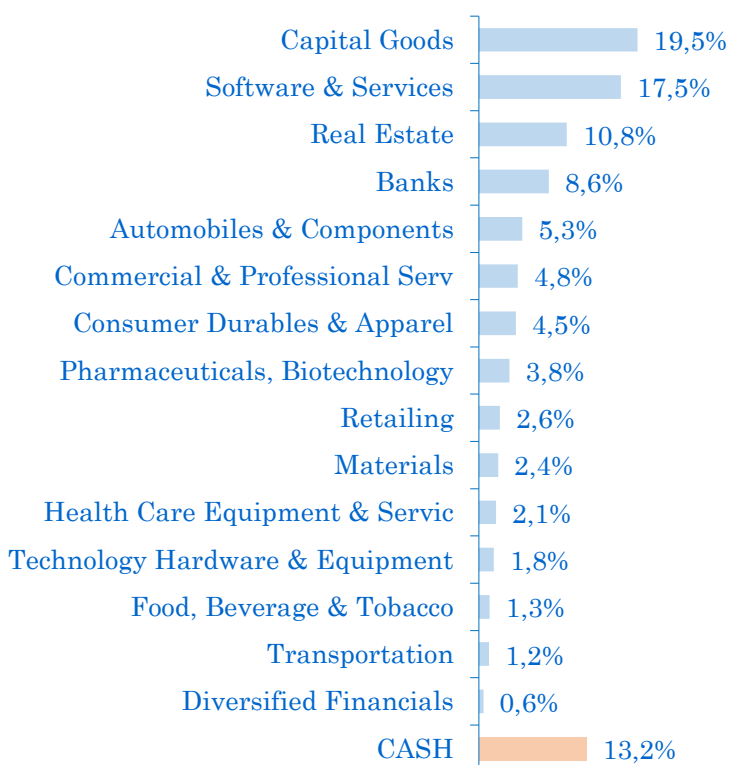
### DISTRIBUTION BY ASSET

Equity	86,8%
Cash	13,2%

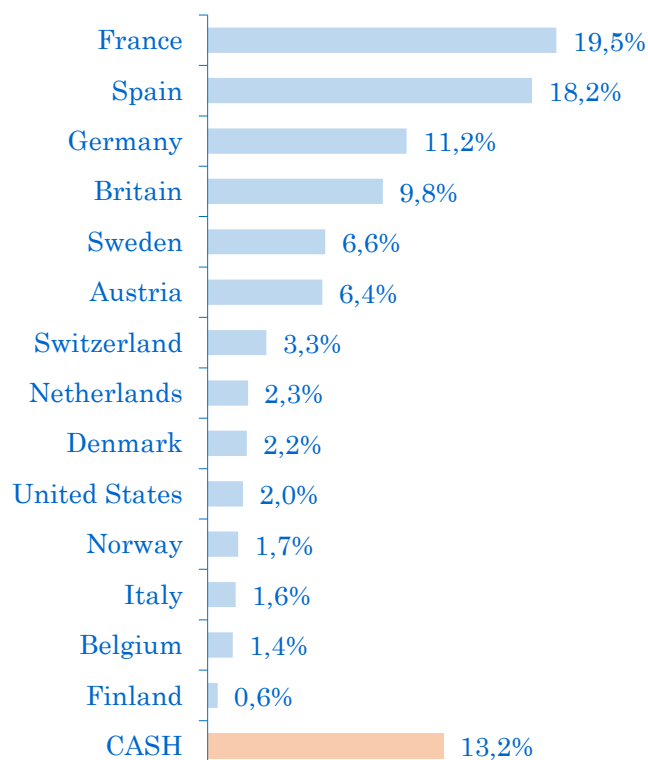
### DISTRIBUTION BY MARKET CAP.



### EXPOSURE BY SECTOR



### EXPOSURE BY COUNTRY





### GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 390 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 July 31<sup>st</sup>, 2018

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