



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	0,70	
Volatility	8,3%	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	-2,3%	0,6%	-2,9%
Total return	1722,9%	471,3%	1251,6%
Average	15,9%	9,5%	6,4%

* Stoxx 600, dividends included.

TOTAL RETURN (base 100)





MONTH IN REVIEW

In August LIERDE experimented a decrease in profitability of -1.2% vs -2.1% of the Stoxx 600 (Net Return) and -3.8% of the Eurostoxx 50. The YTD profitability is -2.3% vs +0.6% Stoxx 600 (Net Return) and -3.2% Eurostoxx 50. LIERDE's NAV at the end of the month was 119,56 euros/share and the portfolio's level of investment accounted for +86,8% of the total assets and the cash part of the portfolio at 13.2%. The twelve-month trailing volatility remained at 8,3% vs 10,3% of the Stoxx 600 (Net return) and 11,6% of the Eurostoxx 50.

In terms of changes in the portfolio, we have increased weight in quality companies such as **Ferrovial**, **Assa Abloy**, **Mears**, **RPS**, **Neurones**, **Coats**, **Dometic** and **Maisons du Monde**. On the latter, the profit warning of Home24 (company not held in the portfolio, but also dedicated to the sale of furniture online), coupled with a quarterly top line growth slightly below the expectation (+8% reported and +4,2% organic) was enough for investors to lose confidence in the stock and de-rated from 35-36 euros/share to below 24 euros/share. We did a different reading than the market, we talked to the company and confirmed that the operating business was running well. We took advantage of price drop and bought shares, now MdM currently represents c.2% of the portfolio. Lastly, we have included in the portfolio the company **Bucher Industries**. An industrial niche company dedicated to the manufacturing of capital goods (agricultural machinery, also machinery for glass and feeding industry, hydraulic products and municipal vehicles) across the five continents. The high market shares in the markets where it operates allows Bucher to have RoCEs c.20%. The company generates value at rates above 10% and quotes at 11x EV/EBITA'19.

On the selling side, it's worth highlighting that we kept reducing weight in **S&T AG** to 1% of the funds (with a performance of +430% since it was incorporated to the portfolio). In addition, we have also reduced weight in **ING** and **Bayer**. On the latter, after the increased risk generated by a possible plaintiff from a North American judge to Monsanto (their latest acquisition) about the characteristics of the Glyphosate. Lastly, we have sold our residual positions in **Wallenius** and **Trigano**.

So far, 2018 is being full of uncertainties in terms of macroeconomics and geopolitics of hard predictability. This month we have read about the possible sanctions to Russia from the US, the deepening crisis in Turkey with the lack of confidence in their currency (that also affected European banks), and the Trump statement where he rejected the offer from the EU to eliminate the bilateral tariffs to capital goods (including autos). In last month's report we highlighted that these episodes with such instability are not easy to manage in the short term given our investment approach, nonetheless, historically these episodes have been followed by a good performance of the portfolio. For instance, the last episode that resembles the current one is the Brexit in 2016, and we reminded that LIERDE's profitability for the next 12 months was +29,1%, being higher than the Stoxx 600 Net Return (+18.1%). Likewise, we highlighted that these situations have uncovered attractive pricing levels (especially for small and mid-caps), and we are starting to see some signs of better behaviour of many companies in the portfolio. For instance, the market reaction to the recent results of **Dürr** and **Pendragon** are a good indicator where the stocks have been deeply harmed and may have found a floor. In both cases the reported data were still "weak", but the companies remained positive for the remainder of the year. The market bought the message (stocks rerated +12% and +10% respectively in the week of publication), even in a bearish market. There is no doubt that it is soon to talk about an inflexion point, but these kinds of signals are always positive. It is true that the markets have not found a floor yet in the month despite the good economic data and companies results, but LIERDE has had a better relative performance vs the main European indices, +1.0% vs Stoxx 600, +2.6% vs the Eurostoxx 50 and +3.5% vs the Ibex 35.

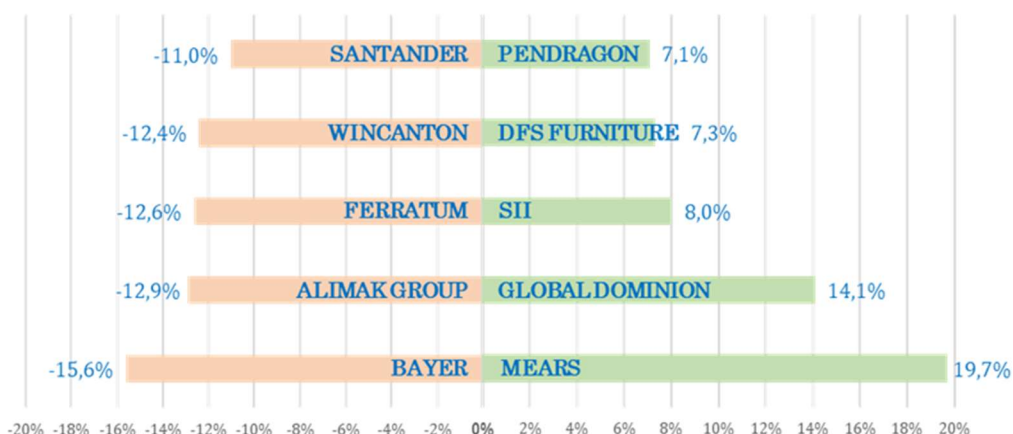
Be it as it may, as we have said many times in multiple, the best way of being protected against any eventuality is to be invested in high quality businesses, that are able to reinvest their cash flow (and so they are benefited of a structural trend), generating value for shareholders. In the short run, it is very common to see discrepancies between Price and Value, but in the long term the markets tend to be efficient and end up recognizing the value generated by the companies. Actually, in August the value creation of the portfolio for the year has increased slightly and is already of +12.2%, which make us be positive for the future.



TOP 10

LAR ESPAÑA	3,1%
MERLIN PROPERTIES	3,0%
DEVOTEAM	2,9%
GLOBAL DOMINION	2,8%
REALIA BUSINESS	2,6%
VINCI	2,4%
SOFTWARE AG	2,4%
ROCHE	2,2%
ISS	2,1%
SAMSONITE	2,1%
TOTAL TOP 10	25,6%

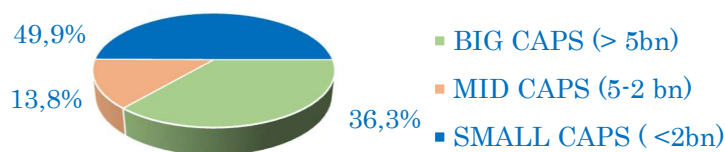
MONTHLY RETURN (the 5 best vs the 5 worst)



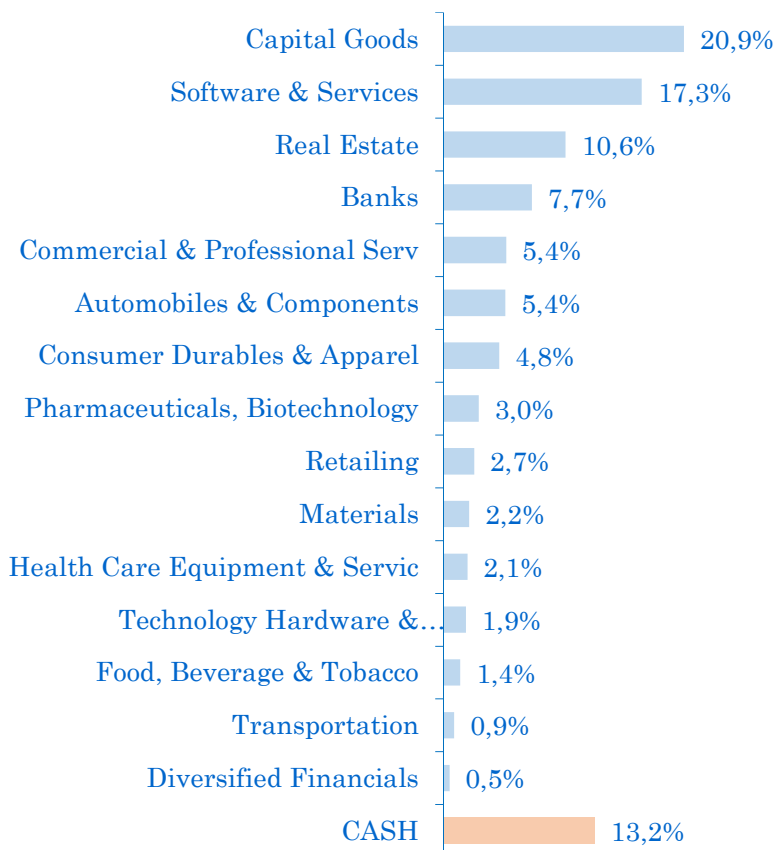
DISTRIBUTION BY ASSET

Equity	86,8%
Cash	13,2%

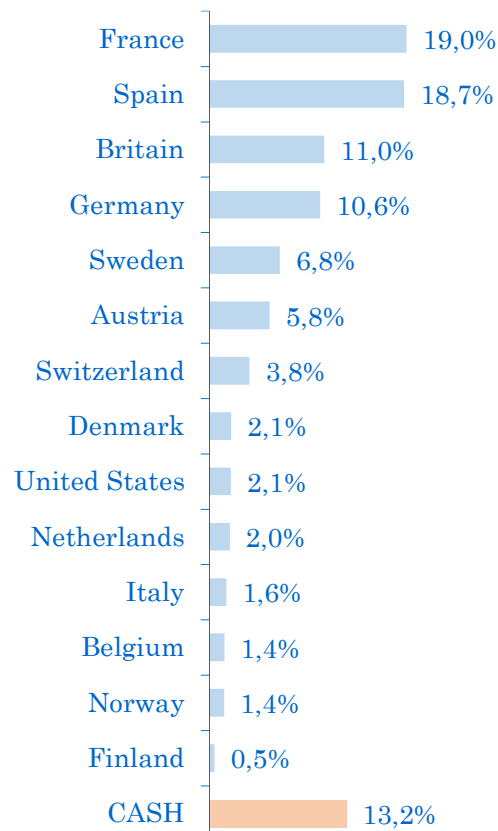
DISTRIBUTION BY MARKET CAP.



EXPOSURE BY SECTOR



EXPOSURE BY COUNTRY





GENERAL INFORMATION

Inception date	1994
Assets under management *	EUR 385.6 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 August 31st, 2018

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