



Lierde SICAV

Date: 11/30/2014
NAV: 77.11

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 the time.

RISK ANALYSIS

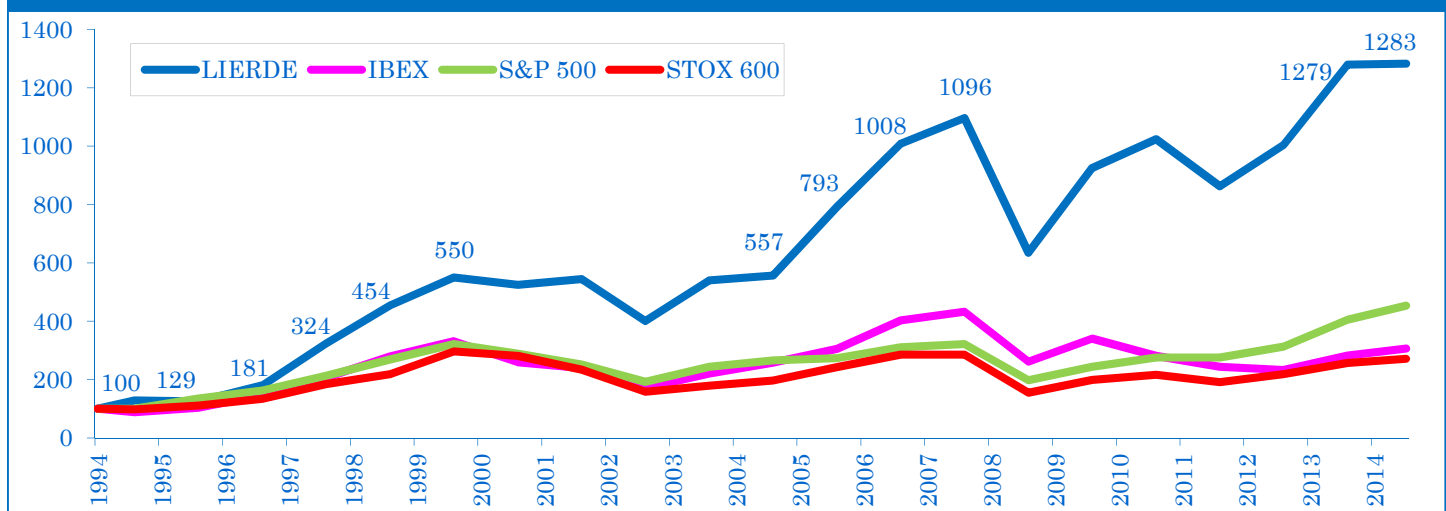
FROM INCEPTION	LIERDE	STOXX 600
Annual Alfa	5.72	
Beta	0.8	
Ratio Sharpe	0.88	0.32
Volatility	18%	20%

HISTORICAL RETURNS

YEAR	LIERDE	STOXX 600	Difference
1994	28,55%	-2,12%	30,67%
1995	-2,67%	13,30%	-15,97%
1996	44,30%	20,90%	23,39%
1997	79,50%	37,64%	41,86%
1998	40,22%	18,41%	21,81%
1999	20,98%	35,92%	-14,94%
2000	-4,56%	-5,19%	0,63%
2001	3,68%	-16,97%	20,65%
2002	-26,26%	-32,47%	6,21%
2003	34,50%	13,68%	20,82%
2004	3,24%	9,51%	-6,27%
2005	42,28%	23,46%	18,81%
2006	27,22%	17,81%	9,40%
2007	8,75%	-0,17%	8,92%
2008	-42,13%	-45,60%	3,47%
2009	45,72%	27,99%	17,73%
2010	10,72%	8,63%	2,09%
2011	-15,76%	-11,34%	-4,42%
2012	16,44%	14,37%	2,07%
2013	27,39%	17,37%	10,02%
2014	0,30%	5,79%	-5,49%
Total return	1183,05%	171,78%	1011,27%
Average*	17,11%	7,26%	9,85%

* Up to 2013

TOTAL RETURN (base 100)





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MONTH IN REVIEW

In November Lierde rose by +2.29% vs. +3.10% Stoxx 600, +4.42% Eurostoxx50 and +2.45% S&P500. Lierde accumulates a positive return for the year 2014 at +0.30%. The main indices are also performing well in the year (+5.79% Stoxx 600, +4.57% Eurostoxx50 and +11.86% S&P500). The NAV of Lierde at the end of November was 77.11 €, being 94.6% invested in equities and the remaining 5,4% in cash. The beta of Lierde is 0.82 and the volatility of the last 12 months is 10.6%, under the volatility of main indices (12.5% Stoxx 600, 15.9% Eurostoxx 50 and 17.5% Ibox 35).

Regarding the macroeconomic situation, we would like to highlight the action of Central Banks in China and Europe. In November, China cut interest rates for the first time in more than two years. In Europe, ECB reduced the 2014-2016 growth and inflation forecasts for the Eurozone and, without any specific date, but confirmed QE for 2015. In any case, the key message is that Central Banks are aware of the situation and growth becomes a priority. This scenario will be positive for the European economy, and especially for equities based on experiences in countries already under QE programs (USA, UK and Japan).

2014 is not being a good year for value investors. Passive funds outperformance is so high that it is even on the headlines of the main global financial newspapers. For example, the latest print Barron's edition, America's premier financial magazine, says: *"less than 15% of the money managers who actively select stocks are ahead of their benchmarks"*. During the year we have already said many times, that looking for yield under an scenario of low interest rates, weak economic growth and a new recession fear in Europe, is being the main driver for the market in 2014. This situation is relevant to understand, not only the performance of Lierde during the year, but also why we are more optimistic for 2015 than we were at the beginning of 2014. In the last 20 years, there are only two periods (1999-2000 and 2008-2009) together with 2014, in which a unique driver has been so relevant for the market that companies' specific fundamentals have almost been forgotten. During the first period (1999-2000), we were at the beginning of a new era and only TMT businesses seemed to have value. However, in the 2008-2009 period we were approaching to the end of the world and almost none of the listed companies had any value. "This time is different" is usually the most heard of corollary by the end of these market periods. So far, that proposition has never been true, but the gap between "price" and "value" always widens in those situations. Lierde returns were modest against the indices during both periods, but the subsequent outperformance was impressive. To sum up, these periods are hard, but struggling through them is a necessary condition to achieve outstanding long term returns.

In any case, it is key to properly explain why we think "this time is **NOT** different" and why Lierde undervaluation is very attractive in the medium-term. Basically, it is because analyzing both the companies' past and future gives us a level of confidence which is hardly achievable investing in an index with 600 or 500 companies (Stoxx600 in Europe and S&P500 in the USA). Based on consensus estimates, the Stoxx 600 index is trading at 14.3 times 2015 earnings estimates, compared to 14 times of Lierde's. It looks a quite similar valuation but, what happens if we focus on the past and the future earnings growth of every company?



MONTH IN REVIEW (cont.)

1. The Stoxx600 earnings for 2014 are still 10% below the peak of 2007. During the same period, the current portfolio of Lierde increased its earnings per share by 65%. Despite that, Lierde's P/E is slightly below that of the index.

Conclusion: the historical quality of Lierde's portfolio is much higher as shown by its extraordinary capacity to create value for the last seven years, while the index is still below pre-crisis levels.

2. The consensus estimates the earnings of the Stoxx600 will grow around 11.5% in 2015. The average EPS growth of Lierde, based on the same consensus, is 15% (our estimates are even more optimistic for some names). Moreover, Lierde Return on Equity is 17% compared to 11.2% of the index, and with a much lower leverage.

Conclusion: the future quality of Lierde's portfolio is greater based on a higher and sustainable Return on Capital Employed.

Regarding the portfolio, we are satisfied with the overall evolution of our companies after the publication of their third quarter results. Companies do not feel any slowdown in their figures yet and the currency effect, a very negative factor in 2014, will be positive from the last quarter of 2014, especially for European exporters. In terms of specific stocks, we sold the position in Kingfisher and we incorporated IAG and Vinci.

- **Kingfisher** is still an interesting story, but the implicit risk is much higher for the same expected return. B&Q -its main business in UK- has an excess of capacity that could be structural. Tesco recently suffered a similar situation with very bad consequences, so we consider reasonable not to assume that risk..
- We like European companies with exposure to the infrastructure sector because we think they will grow more than GDP over the coming years. The main reasons are: 1. is a sector that generates many jobs, 2. is a sector that allows capital transfers from Europe's Core to the Periphery and 3. those investments improve the competitiveness of the economy. Juncker, the president of the European Commission, this month announced an infrastructure plan with 300 billion Euros of firepower, equivalent to 0.8% of Eurozone annual GDP for the next 3 years. In this context, we added the French company **Vinci** to the positions we already have in Arcadis and RPS Group. Vinci offers a mix of construction and concessions business with an exceptional management track record. We are currently analyzing more ideas in the sector and it is likely that we will add some new positions in the following months.
- We bought a stake in **IAG** due to the potential of its operational improvements in the former Iberia business. Airlines sector is a very competitive business with low barriers to enter, but we think IAG enjoys a differential position: its two main hubs (Barajas Terminal 4 and Heathrow) allows the company to lead the corridor between Europe and America. On the other hand, it is almost inactive in Eastern Europe where Asian airlines are very competitive. Finally, Vueling is an efficient alternative to low cost carriers in the core European markets.



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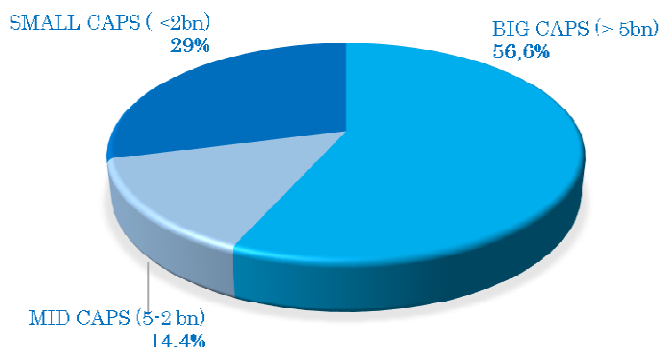
TOP 10 POSITIONS

ADVEO GROUP	2,76%
ASSOCIATED BRITISH FOODS	2,75%
HEXAGON	2,59%
CONTINENTAL	2,34%
SCHINDLER HOLDING	2,33%
ARYZTA	2,32%
DANONE	2,32%
ARCADIS	2,31%
DISTRIBUIDORA INTERNACIONAL	2,30%
NORBERT DENTRESSANGLE	2,30%
TOTAL TOP 10	24,3%

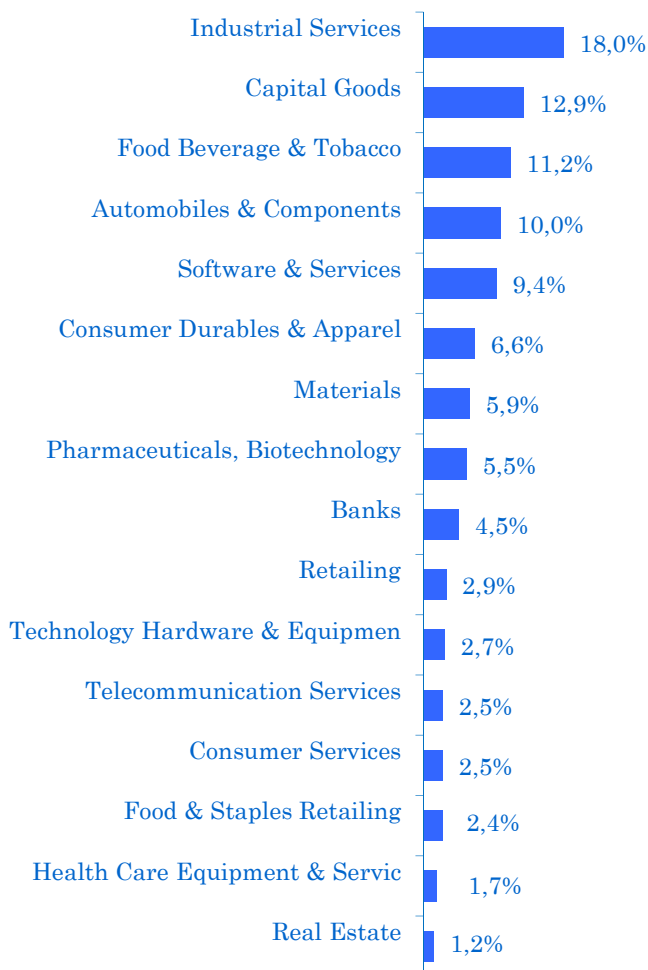
DISTRIBUTION BY ASSETS

Equity	94,6%
Cash	5,4%

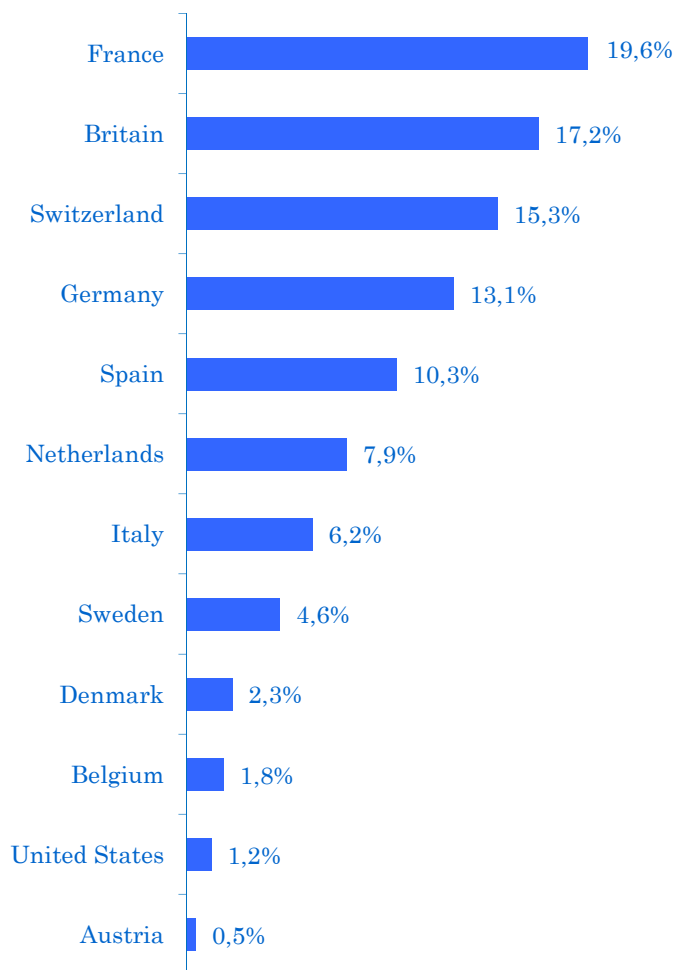
DISTRIBUTION BY MARKET CAP.



EXPOSURE BY SECTOR



EXPOSURE BY COUNTRY





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GENERAL INFORMATION ABOUT LIERDE SICAV

Creation date	01/01/1994
Net assets *	EUR 101,76 Bn
CNMV n° of registration	2467
Liquidity	Daily. Liquidation d + 2
Fees	Management fee 1,40% annual - Depositary fee 0,125% annual
Asset manager	Mercados y Gestión de Valores / Banco Sabadell Urquijo
Custodian institution	Banco Sabadell Urquijo
Management company	Banco Sabadell Urquijo
Auditor	Deloitte
Currency	EUR
ISIN code	ES0158457038
Bloomberg ticker	LIE SM Equity

*Up to 11/30/2014

DISCLAIMER

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Past returns do not guarantee future returns.