



Augustus Capital AM

August 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.

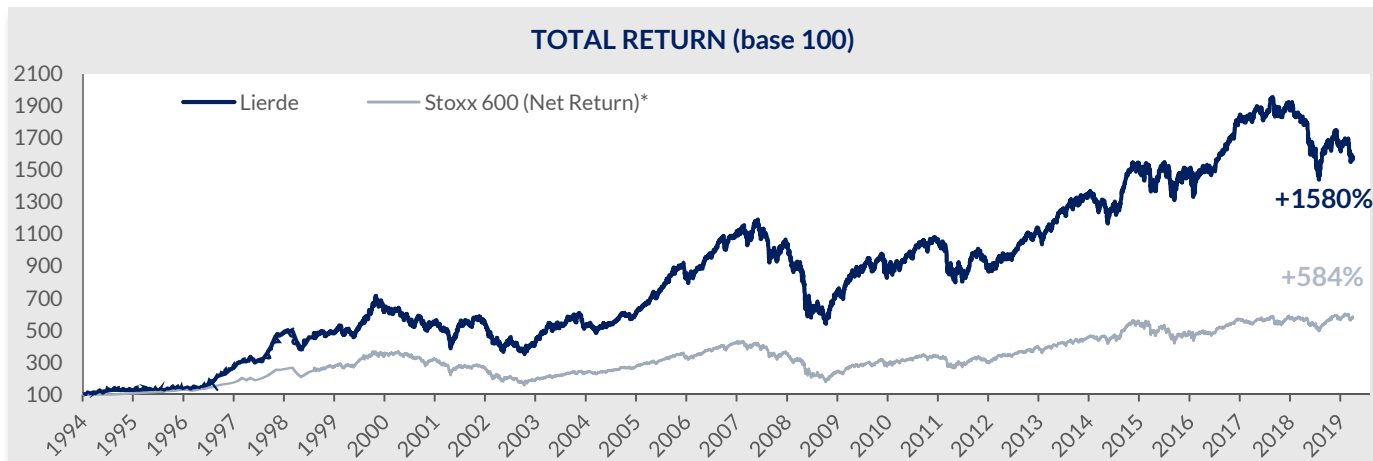
Net Asset Value (31/08/19)	AUM (31/08/19)	
94.97€/share	EUR 255.3 Mn	

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	17.2%	18.7%
12 Months	LIERDE	Stoxx 600 NR*
Beta	0.96	
Volatility	13.6%	12.6%

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	6.9%	15.2%	-8.3%
Total Return	1480.2%	484.1%	996.1%
Average	14.3%	8.8%	5.5%



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

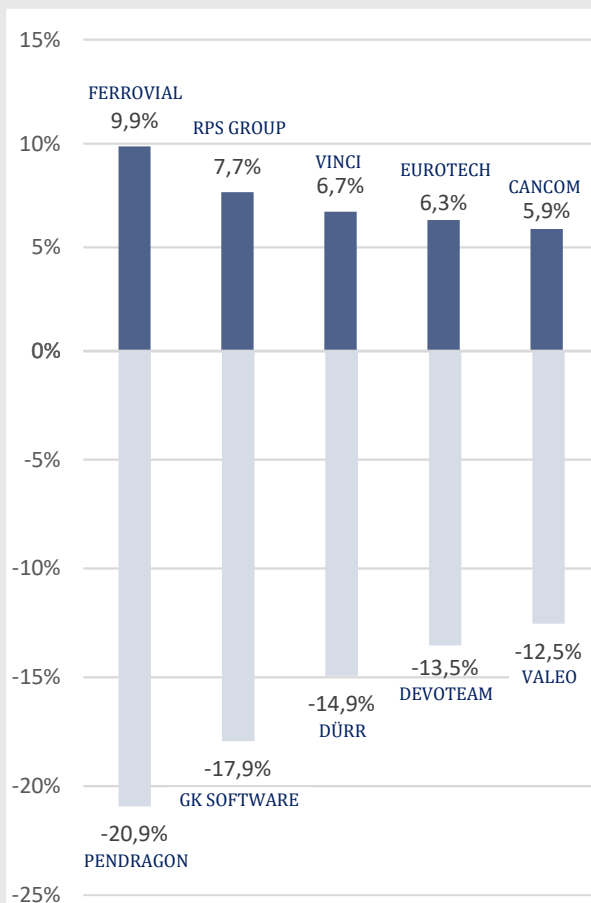


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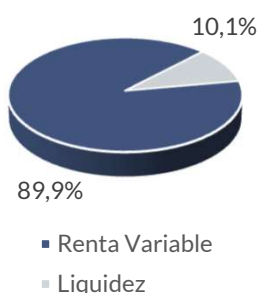
TOP 10 POSITIONS

1	REALIA	4.5%
2	GLOBAL DOMINION	3.3%
3	S&T	3.1%
4	LAR ESPAÑA	3.1%
5	CANCOM	2.8%
6	TINEXTA	2.7%
7	DEVOTEAM	2.4%
8	ROCHE	2.4%
9	RICHEMONT	2.4%
10	VINCI	2.2%
TOTAL		28.9%

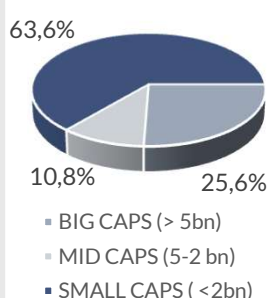
MONTHLY RETURN (the 5 best VS the 5 worst)



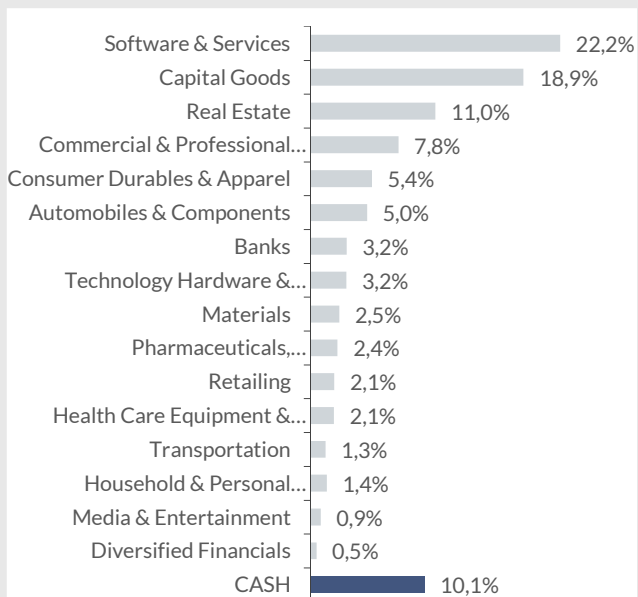
DISTRIBUTION BY ASSET



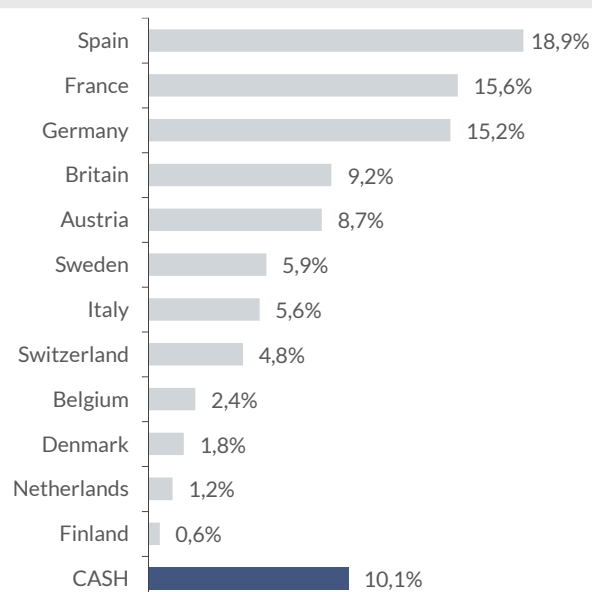
DISTRIBUTION BY MARKET CAP.



DISTRIBUTION BY SECTOR



DISTRIBUTION BY COUNTRY





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GENERAL INFORMATION

Inception Date	1994
CNMV N° of Registration	2467
Liquidity	Daily liquidatio d + 1
Fees	- Management fee 1.40% annual - Depository fee 0,125% annual
Asset Manager	Augustus Capital, A.M.
Custodian Institution	Banco de Sabadell, S.A.
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 August, LIERDE's profitability decreased -4.8% compared to -1.2% for the Eurostoxx 50 and -1.3% for the Stoxx 600 (Net Return). LIERDE's profitability YTD remained at +6.9% vs +14.2% of the Eurostoxx 50 and vs +15.2% of the Stoxx 600 (Net Return). LIERDE's Net Asset Value at the end of August stood at 94.97 euros/share and the liquidity of the portfolio increased to 10.1%. The twelve-month trailing volatility increased to 13.6% vs 12.6% for the Stoxx 600 (Net Return) and 14.0% for the Eurostoxx 50.

For a while now we are seeing a market that seems to be governed by macroeconomic variables (the well-known trade war between Trump and China, Brexit, doubts of growth ...). The fear of a possible recession makes investors to refuge in assets perceived as lower risk. For example, if we look at sovereign bonds yields, the profitability of the 10-year Spanish bond is at + 0.10%, the return of the 10-year Greek bond is at + 1.6%, and the entire curve Switzerland, German and French (except the 30-year bond) are in negative territory. Also, if we move to real assets, such as publicly traded companies, we see a similar picture. And is that the defensive sectors such as food, stable consumption or medtechs (machinery for hospitals), are trading at multiples, in our opinion, exorbitant, compared to more cyclical or simply smaller companies (such as S&T, Tinexta or SII).

That said, it is worth asking, where do we have more risk? In a company without great growth prospects, with limited possibilities for reinvestment, and where the price we have to pay is 25x the profit it will generate next year? Or in a company that grows at double digits, that reinvests most of the profits that it generates, with an owner that watches over its investment, and at a price of 6x or 7x profits? The market seems to be clear. The "defensive" companies continue to rise in the stock market. This asymmetry in the perception of risk is generating inflation in the prices of certain assets that we consider unjustified. There are many cases in which the increases do not go hand in hand with an operational improvement (strong increase in profits, or expansion of the multiple). This excessive inflation of prices is not the first time it occurs, nor will it be the last. Honestly, we do not know how much money is left to enter into these types of assets, of course we will not be the ones who venture to guess when we will return to a normalization scenario (after all, the irrationality of the human being cannot be estimated). However, what we do have clear is that the more this situation is perpetuated over time, the greater the fall will be, and the more pronounced the reversal in the flow of money. We, as business analysts, all we can do is verify that the companies in which we are invested with you continue to generate value year by year (the only controllable variable). In this sense, the generation of value we expect for Lierde's portfolio is + 13.1% per year for the next 4 years.

As for the changes in the portfolio, we have rebuilt a position in the software company for Enterprise Resource Planning, SAP. We sold the entire position when it touched 122 euros / share levels, and we have rebuilt a position at 104-105 euros / share levels, with the intention of continuing to increase weight as it fell. In addition, we have added to the portfolio Henkel, the only company in the sector trading at reasonable multiples, which has suffered in the stock market due to its Adhesives division, closely linked to the automobile sector. Finally, we have increased weight in Richemont, Fresenius and S&T.

On the selling side, we decided to completely liquidate the position in Smiths Group as it reached our target price (above GBP 1,600 / share). In addition, we have reduced weight in Ferrovial, after the rally up to 26 euros / share, with the idea of continuing to sell as it rises. In addition, we decreased our position in Devoteam (now we have 2.4%) at levels of 104-109 euros / share.