Incometric EQUAM Global Value
Third Quarter 2016
A portfolio suitable for different scenarios

After the panic unleashed by the UK referendum, the markets have returned to certain stability and have recovered the levels achieved prior to the vote.

The situation remains uncertain and we will continue to see periods of high volatility. Prices will always fluctuate and we will continue to take advantage of these fluctuations to buy solid companies at attractive prices and to sell them when they trade at prices near to our valuation. We are convinced that the disciplined application of this investment method will offer the best possible results.

Incometric Fund - EQUAM Global Value is a mutual fund managed with a value investing methodology. We intend to compound our capital through long-term investment in companies with solid businesses that we can acquire at a discount to their Intrinsic Value. We also seek to protect our capital investing only in situations where the risk of permanent capital loss is low. We do not aim to second-guess short term market movements but rather acquire interests in sound businesses at excellent prices.

The Fund has an unconstrained mandate that allows us to deploy capital in companies active in regions and sectors where we can find the best investment opportunities. However, we are currently focusing our idea generation efforts in the European Small & Mid Cap arena.

We, the General Partners have invested the majority of our net worth in the fund and our interests are entirely aligned with those of our partners and co-investors.

EQUAM Global Value is a UCITS IV vehicle and can be invested into throughout most leading financial intermediaries using AllFunds, Inversis, Fundsettle and other platforms.

EQUAM

Disciplined investment process.

During this third quarter we have completely devoted our time to the analysis of European companies that operate in market niches, relatively well insulated from the intense competition of the globalized world. We have held interviews with the management teams of tens of companies that have a leading position in their markets and have analyzed in detail their financial results and their business prospects, to come up with what we believe is a reasonable valuation of each of them. In many cases these companies were trading at prices similar to our valuation and we simply put them in our watchlist.

However, some of these mid-sized companies have had temporary problems, either due to their own internal management problems or to the cyclical weakness of their markets. Others were going through operational restructuring processes that temporarily depressed their profitability. In some of these cases the punishment inflicted by the market has been extraordinary. Nobody wants to maintain its investment when the shares are falling nor in companies that are going through uncertain times. The majority of investors want to sell and very few want to buy, so prices collapse.

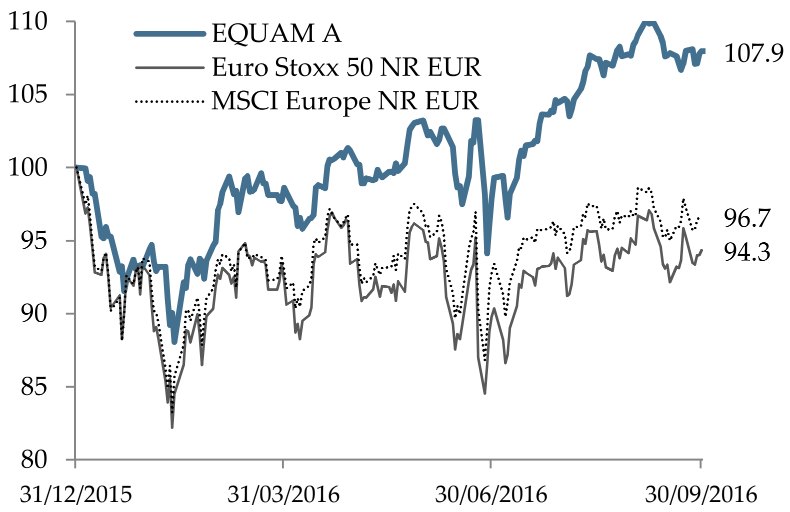
We have put an especial focus on these cases; good companies with temporary problems, to try to identify the best opportunities. We have had to discard some of these potential investments because they did not match our safety filters; they had too much debt or they operated in more competitive businesses than we expected or their business could be structurally harmed.

Out of all the companies we analyzed, we decided to invest in The Navigator Company, Swatch, Sports Direct and Coface. All of them have suffered significant falls from 52 week highs and have some kind of short term headwind, but maintain a strong market position and are trading at bargain levels.

Fund performance

EQUAM Global Value has achieved an +8% return year to date, compared to a -3% to -6% fall for European Net Return indices.

EQUAM compared to European índices in 2016**
(base 100)



** Class A NAV for the 1st of October, which is calculated with closing prices of Sept 30.*
*** Net Return indices assume the reinvestment of dividends received after withholding taxes.*

In any case, as we always insist, the most important thing is not to achieve good short term results, but to maintain a continuous process of search and analysis of opportunities and to keep the discipline in the execution of buy and sale trades. We are convinced that the method we are consistently applying will provide the best long term returns.

Market comment

The market has recovered the level achieved prior to the UK referendum, but many economic uncertainties remain unresolved.

After the negative reaction to the unexpected result of the UK referendum, during the third quarter the market has returned to a situation of relative stability and has recovered the levels at which it was trading prior to the vote.

We believe that volatility will continue, since the general economic situation is still being heavily distorted by the continued manipulation of prices of financial assets by Central Banks, who insist in solving growth problems with extremely lax monetary policies. These policies lead to irrational situations, like the fact that despite global indebtedness being as high as ever, governments are issuing a quarter of their debt at negative rates or that the Bank of Japan is one of the ten largest shareholders in 9 out of 10 listed companies in that country.

We still believe that the best way to protect our capital in the different foreseeable scenarios is to invest in companies that operate in the real economy. Predictable and profitable businesses that produce necessary products and services and that trade at low valuations will continue to create value for their owners, even if there are times of crisis.

Most probably, whenever the fixed income bubble bursts or in the case of a recession, share prices will fall. However, with a longer term perspective, we continue to see the world with optimism and we believe that the underlying strength of the market economy and the power of entrepreneurial action will allow the world economy to continue growing.

Portfolio structure

Does our portfolio meet the requirements that we mentioned as necessary to be well protected in the current environment? From the analysis of our portfolio we believe it certainly does.

- **We have good businesses.** We prefer to focus on industries that are structurally healthy, either because they have an oligopolistic or monopolistic structure or because their relationships with their customers are stable and predictable. Approximately two thirds of our investments operate in oligopolistic niche businesses or have long term relationships with their clients. Some examples:
    - Hunter Douglas is the world leader in the production and distribution of window coverings, and benefits from its dominant position among local fabricators in its markets.
    - Brodrene Hartmann, Crown and Vetropack operate in businesses in which the cost of transport is a significant barrier to entry for competitors with operations located in other areas.
    - Verisign, Abertis and Thessaloniki Water are legal monopolies.
    - Meggitt, Rolls Royce operate in oligopolistic situations where competition for their maintenance services has very strong barriers to entry.
    - In the case of JLT and Origin, personal links with clients are crucial and provide customer stickiness and long term relationships.

- **We avoid debt.** We try to avoid companies with high financial leverage, since too much debt can lead to a permanent loss of capital if an adverse situation arises. The average leverage of the companies in our portfolio is below 1x ebitda and only 10% of our companies have more than 3x net debt to ebitda.

- **We look for honest management teams.** A large proportion of the companies in the portfolio are either family owned or managed by teams that are clearly aligned with shareholders.

- **We buy at attractive prices.** Our portfolio is trading at an average 8.2% Free Cash Flow yield and a PE below 11x, which we think is very attractive considering the good quality of our business.

In addition to these criteria, we put special emphasis in achieving a true diversification of our investments, avoiding too much exposure to any specific risk.

The result is a solid and well balanced portfolio that creates value both through the good evolution of its businesses and through the increase of the price of their shares, which have always been acquired at a discount.

Investments

During the third quarter we have continued to find interesting investment opportunities, taking advantage of the good prices offered by share price falls.

We have initiated an investment in the Portuguese company **The Navigator Company** (formerly called Portucel), after the severe punishment that its share price suffered as a consequence of the fall in prices of cellulose pulp. Navigator is Europe's largest producer of uncoated paper and despite the fact that it operates in a mature industry that is decreasing in size, it has been able to take advantage of both the transfer of part of the industry's capacity to other segments (essentially to cartons for packaging) and of having the most efficient, fully integrated factories which do not require capital investments for the coming years. These factors allow Navigator to achieve good returns on capital and to generate strong cash flows. In recent years, the company has launched several diversification projects in growth areas where it plans to invest its excess cash. In this process Navigator has entered the tissue paper business, with the acquisition of a small company in Portugal, and has invested in it to increase its production capacity. It has also bought a pellets factory in the USA and plantations in Mozambique, which gives the option to develop a cellulose pulp for the Asian market in the future. All these projects allow the company to reinvest the excess cash generated by its main business in attractive projects that provide growth opportunities not available in the main business. The industry is affected by short term volatility due to the fluctuation of pulp prices, but we have invested at what we consider a very attractive valuation (13% average FCF yield for the cycle).

We have also invested in **Swatch Group**. The company is well known for its cheap plastic watches, but most of its profits, around 90%, are generated by its prestige brands

(Breguet, Longines, Omega and Hamilton, among others). Swatch has suffered recently because several adverse circumstances have combined simultaneously. First, the Swiss Franc revaluation acted as a headwind for its exports. Also, the economic uncertainty in China and Hong Kong (its largest market) significantly reduced sales and finally the launch of smart watches has analysts wondering whether they will replace luxury watches. We believe that the first two problems are temporary in nature and that the replacement of luxury watches by smart watches is not a real threat. As usual, the share price of Swatch has fallen by more than 50% year to date, and has allowed us to invest in this great oligopolistic company at a very attractive price. Its market cap is below the sum of inventories (at market prices), cash and real estate owned by the company.

Sports Direct is another of our new investments this quarter. It is the largest retailer of sport goods in the UK, with 473 shops and has presence in other European countries, with 260 shops. Its business model is based on aggressive pricing, with a combination of its own and third party brands, which has allowed it to consolidate as the clear leader in the UK. On the other hand, the company's remuneration policy have led to some conflict in the UK and Sports Direct main shareholder and founder, Mike Ashley, has been criticized by some Members of Parliament over his policies. However, we believe that over the years he has shown outstanding management abilities and a strong entrepreneurial spirit that has permeated the organization. After releasing a set of results which were slightly below consensus (2.5% revenue growth and stable EBITDA) the share price has fallen significantly and we have managed to buy at a P/E of 6x.

Coface is, together with Euler Hermes and Catalana Occidente, one of the three main players in the credit insurance market. They are protected by strong barriers to entry since it is necessary to have good credit information about the companies that trade with their customers and only after many years of collecting information can these data bases be reliable. The sector is nevertheless dependent on the business and credit cycle and suffers when there is a contraction. However, it can quickly correct its exposure to bad performing industries by reducing its insurance exposure and by raising premiums – its customers are more willing to pay for insurance after a crisis has made them suffer delinquencies. It is also a growth segment of insurance, in which the large players keep gaining market share from the smaller ones. Coface has had some internal problems; it has lost its business with the French Government and has presented a high loss ratio from its exposure to emerging markets and commodities. However, it is well capitalized, with a solvency ratio of 155% and has a new management team. The market has reacted very negatively to the problems of the company and has reduced its price to 0.4x book value, so we have initiated our investment.

Portfolio companies: 1H 2016 results.

The companies in our portfolio have released what we consider a very good set of results, which has resulted in a positive evolution of their share prices and of the fund. Only two companies have presented worse than expected results:

- Mitie, a company that outsources facility management services in the UK, has been affected by the slowdown in investment decisions by some of its clients, as a consequence of the referendum and also due to problems in its segments with greatest exposure to the public sector (healthcare management and management of Real Estate portfolios). We still feel confident about the stability in the relationships with its clients and the growing trend to outsource and externalize services. The share has fallen by more than 30% after the release of results and we have increased our investment.

- Cegedim, which produces software for pharmacists and doctors, is still transitioning from a packaged software model to a subscription / cloud model, which is weighing on short term results and has reduced the company's guidance for the full year. We believe these results are within what we expected and our investment thesis remains intact.

Divestitures

We keep acting in a very disciplined way in both our new investments and our divestitures.

Though we have not completely sold any of the portfolio's companies, we have reduced our exposure to some of the investments:

- We have sold most of our investment in Naturhouse, after it experienced a very quick rerating. We invested at a FCFyield of 11.5% and it is now trading at around 7% yield, which very near to our target. The company has an outstanding cash generation capacity but its business model is very dependent on the business cycle and future growth depends on the successful launch in new markets.
- We have also taken advantage of the share price increase in other companies to adjust weights to target.

Portfolio analysis.

As a result of the new investments made during the quarter, the fund maintains a healthy upside potential.

After the four new inclusions we have 44 companies in the portfolio. We think this is around the limit and expect to reduce the number of investments as some of them are maturing and getting near our estimate of value.

Despite the strong increase in the quarter, the upside potential of the fund, according to our internal price targets, is around 52%.

10 largest positions as of September 30

Company	Weight	Price	Upside *
Hunter Douglas N.V.	5.3%	49.3	40%
Chargeurs SA	3.6%	14.1	20%
Hornbach-Baumarkt-AG	3.5%	27.6	81%
Stallergenes Greer	3.3%	28.2	81%
TGS-NOPEC Geophysical Company ASA	3.2%	144.0	134%
ING Groep NV Cert. of Shs	3.1%	11.0	50%
Aryzta AG	3.0%	43.1	85%
Swatch Group Ltd. Bearer	2.9%	274.7	46%
MITIE Group PLC	2.9%	1.9	103%
Serco Group plc	2.8%	1.3	51%
Top 10	**33.6%**		**67%**
Portfolio	**95.4%**		**54.8%**
Cash	**4.6%**		

Chargeurs, Leoni, Naturhouse, Técnicas Reunidas and Coface have had the best performance during this quarter.

Best and worst performers in the third quarter [1]

[1] Change in share Price from 6/30/2016 a 9/30/2016. For new investments we used our acquisition cost as initial reference..

Despite its strong revaluation during the quarter, we believe that Chargeurs still has upside potential.

We would like to highlight the excellent performance of Chargeurs, a world leader in the production of protective films and one of our largest investments. With the support of a new group shareholders and a new management team, the company has launched some new initiatives and the share price has increased by 41% in the quarter and by 105% since we invested in April 2015. Despite the good evolution of the company, it is still trading at a FCF yield of over 8% and we believe the business has margin for improvement and growth opportunities. It is an example of a good company, with a leading position in its market niche that was under-researched by the market (only two analysts covered the company) and it was significantly undervalued. In these situations, as time passes, the market finally recognizes the real value.

Finally we would like to remind our investors that some aspects of our fee structure have been slightly modified.

The good performance of the fund has generated a performance fee for the Class A, but we have decided to waive part of it, the one corresponding to the NAV increase from 100€ to 105€ to avoid charging to those investors which invested at 105€, when the fund was initially opened to external investors. The high watermark has now being set at 107.3€ and a performance fee will only be generated if such level is outperforme.

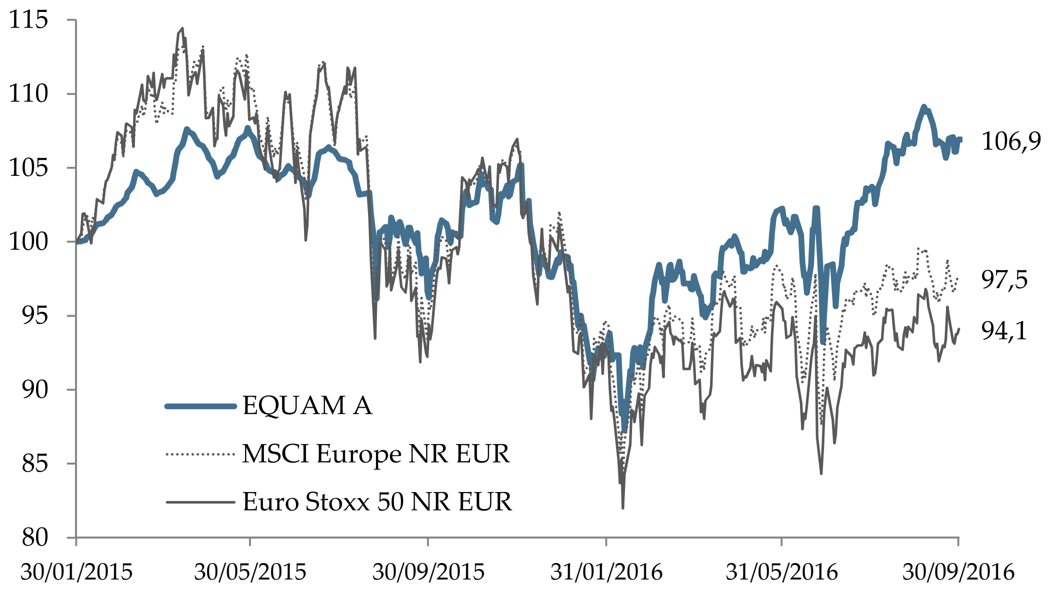
We have included further details in Appendix III.

Appendix I: EQUAM Portfolio.

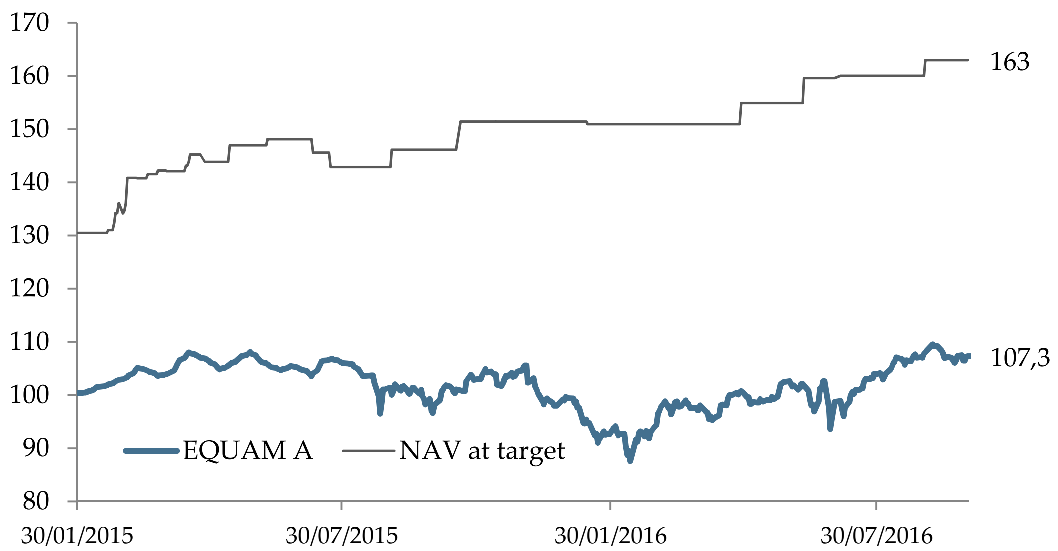
Company	Country	Weight	Value Base Case
Hunter Douglas	Netherlands	5,3%	Dominant leader in oligopolistic market.
Chargeurs SA	France	3,6%	Restructuring on track, cyclical recovery
Hornbach-Baumarkt	Germany	3,5%	Resilient compounder in repaired market
Stallergenes Greer	France	3,3%	Market leader in an oligopoly market
TGS-NOPEC	Norway	3,2%	Countercyclical niche oil services player
ING	Netherlands	3,1%	Restructured commercial bank
Aryzta AG	Switzerland	3,0%	Undervalued oligopolistic leader.
Swatch Group	Switzerland	2,9%	Undervalued luxury watch manufacturer and retailer
MITIE Group	UK	2,9%	Undervalued compounder in fragmented market
Serco Group	UK	2,8%	Refocused contractor in restructuring,
Cegedim	France	2,8%	Software for doctors and insurers, stable revenues
Deutsche Pfandbrief	Germany	2,8%	Recapitalized bank trading at deep discount to BV
Navigator Company	Portugal	2,6%	Lowest cost pulp and paper manufacturer at low valuation.
Indra Sistemas, S.A.	Spain	2,5%	Restructuring defense and IT contractor
Rolls-Royce Holdings	UK	2,5%	Sound oligopoly going through restructuring
Meggitt	UK	2,5%	Undervalued compounder in low cycle
APPLUS SERVICES	Spain	2,4%	Sound certification business
ITE Group	UK	2,3%	Deeply undervalued event management company
LEONI	Germany	2,3%	German manufacturer of cabling systems
Wincanton plc	UK	2,2%	UK contract logistics leader emerging from restructuring
Total top 20		**59%**	
Total portfolio		**95%**	
Liquidity		**5%**	
Total fund		**100%**	

Appendix II: Fund performance since inception and target values.

Relative performance of EQUAM and European indices, (Base 100 = 30/1/2015)



EQUAM A performance vs. valuation at internal target prices



	EQUAM	MSCI Europe NR	Eurostoxx 50 NR
1 month	-0,7%	0,0%	-0,6%
3 months	8,7%	4,2%	5,1%
YTD	8,0%	-3,3%	-5,7%
1 year	9,5%	1,8%	-0,3%
Since inception *	6,9%	-2,4%	-5,9%

* *Since inception performance excludes initial 15 days in which the fund was not invested.*

** *Indices are net return, assuming reinvestment of dividends net of withholding tax.*

Appendix III: Performance Fee waiver and changes in custody fees.

Class A performance fees

EQUAM's Class A charges a fixed annual fee of 1% over the average net assets of the fund plus an 8% performance fee on the increase of the NAV of the fund, counting from the greater of its initial NAV of 100€ or the last NAV that generated a performance fee.

Despite the fact that according to the prospectus the next performance fee should be calculated from 100€ we have decided to waive the performance fees up to 105€ and to raise the high watermark to that level of 105€. The reason for this waiver is to avoid charging a performance fee to those investors that invested in the fund at around 105€, when the fund was initially opened to external investors.

The fee waiver will also benefit the rest of investors who have invested at a NAV below 105€

Custody fees

Last August the fund custodian, KBL European Private Bankers, S.A., has notified us of its decision to increase its custody fees by 0.005% per year, from a yearly fee of 0.05% to 0.055%.

This decision is due to the increased regulatory responsibilities imposed by the European Directive on fund custodians with the new UCITS V regime.