EQUAM Global Value Fund
Quarterly report June 2017
A well defined investment process

In the twelve months following the unexpected result of the British referendum the European equity markets have gained 18% and EQUAM has gained 32%. We would like to highlight the contrast between this positive evolution and the negative sentiment of the market that prevailed a year ago.

We believe that although the current market sentiment is not so negative, we should nevertheless continue to apply our investment process in the same disciplined way as we have in the past; buying good businesses when they trade at a discount and selling those investments that have reached our internal valuation.

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.

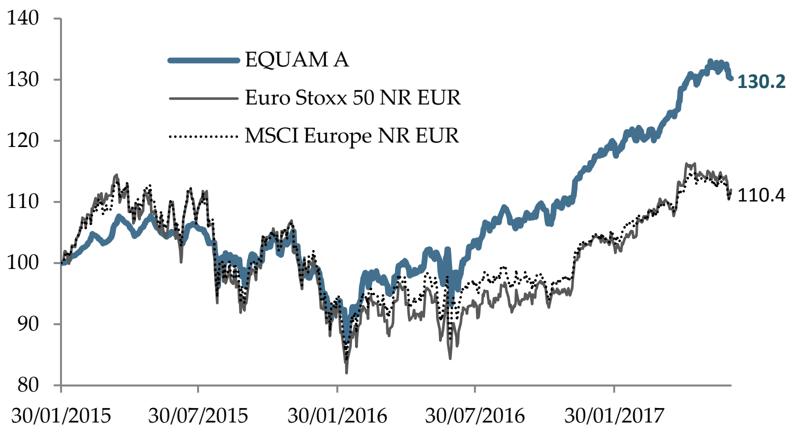
Relevant market recovery

EQUAM has had a very good performance over the previous 12 months…

In the last twelve months since the unexpected result of the Brexit referendum and after a very negative short term reaction that led the market to lose more than 10% in two days, equity markets have had a very positive evolution, returning 18% in twelve months (recovering the initial loses in just 49 days).

Under a shorter term perspective, since the beginning of 2017, European equity markets have gained 6.4% while EQUAM has returned 12.7%.

EQUAM vs. European indices*
(base 100)



** Net Return indices asume the reinvestment of dividends net of withholding tax.*

In the current scenario there are several market specialists warning about the risk of an overvalued market and advising to act prudently… We think you should always act prudently! We have always insisted that it is not worthwhile to devote too much time to try to anticipate the short term movements of the market, because they are completely unpredictable. Our undestanding of prudence is to maintain the discipline in the origination of ideas, the purchase of stocks at the correct valuation and the sale of investments that have reached our target valuation.

… but we have replaced those investments that reached their target price with others trading at a discount, and the upside potential of the fund remains intact.

During the first half of the year, several of our portfolio companies have experienced a remarkable price increase and nine of them have reached our initial target price (six during the quarter). Since there had been no material changes in the businesses of these companies, we have decided to sell them. At the same time, and despite the consistent performance of the markets, we have managed to identify ten (six in the quarter) new investments that we believe offer a good upside from their trading prices. We will discuss some of them later in this report.

We do not intend to say that we are disregarding the current economic situation. We are aware of the current environment in which the monetary policy of central banks is keeping interest rates at artificially low rates and we are aware of the risks that the normalization process entails. However, we believe that EQUAM's portfolio will provide good protection in the various scenarios that may arise from the normalization of monetary policy. In the meanwhile, we keep focused on executing our well defined investment process with discipline.

Reasonable diversification

We believe the current portfolio allows us to combine a reasonable diversification together with an attractive differentiation from the indices.

A common debate among fund managers focuses on the optimum number of investments in a portfolio. We are currently confortable with our 47 investments. It may be true that a greater concentration could eventually lead to higher returns, but we also believe that this greater concentration would expose our investors to greater risk. We have already experienced the effects of unforseeable events and the uncertainty of the future and the fact that even the most clear investment opportunties can be ruined by unexpected events.

Additionally, when investing in listed equities the information available to investors is limited to the public releases made by the management team. This is very different to situations in which investors gain control or achieve a relevant influence on the management, as would be the case of Private Equity investors, which would allow for greater concentration.

On the other hand, at least for the time being, we are being able to generate sufficient new ideas that meet our investment criteria and we find it difficult to determine a priori which of them will perform best. Our experience is that the current number of investments and the idea generation process has allowed our portfolio to deviate materially from the indices and to generate excess returns.

In fact, the fund's good evolution since inception cannot be explained by the strong performance of a few concentrated investments or by the successful exposure to specific investment themes. Our outperformance is the result of a big majority of our investments doing better than the market. To ensure that our investments are uncorrelated with each other, after our bottom-up investment approach we analyse the portfolio as a whole to avoid a high exposure to specific risks.

New investments

After several years of investments and a debt capitalization, Latecoere has a stable cash flow profile and a sound balance sheet.

In the second quarter we made an investment in **Latecoere,** a Tier 1 supplier of the aerospace industry. It holds a leading market position in certain niches (doors, cable interconnection systems and fuselage). As a Tier 1 supplier, the company participates in the development phase of new aircraft under a risk sharing scheme in which the company has to make significant investments for several years but then benefits from stable cash flows as the programs mature.

In the past, Latecoere commited itself to several new demanding programs that required significant investments. The excessive investment requirements led the company to a debt crisis that ended in a debt capitalization. After the financial restructuring the company presents a healthy balance sheet and a very stable cash generation profile as the new airline programs begin to mature. Additionaly, Latecoere is undergoing an industrial restructuring process, shifting part of its production to low cost countries and modernizing its factories.

Finaly, its two largest shareholders were debt investors who became shareholders in the recapitalization process. They have shown a strong commitment to the the company but we believe they would be willing to sell in the coming years at the right price, thus facilitating the consolidation process that is underway in the industry.

Another of our investments this quarter is **Piaggio**, the well known manufacturer of Vespa motorcylces. Piaggio is the European leader in the motorcyle market with a market share that exceeds 25%. As a result of the financial crisis the number of new bikes sold in Europe fell from 2.2 million in 2007 to 1.1 million in 2013, and recovered slightly to 1.3 million in 2016. As a result of this fall in

Piaggio is the European leader in the scooter segment, where the market has shrunk more than 50% from the peak levels reached before the financial crisis .

sales, the average age of motorcycles in Europe has increased by more than 30%, and this will lead to a replacement cycle that can last for years. On the other hand, the company has managed to establish successful operations in certain Asian markets and currently around 40% of its business (which in India includes light commercial vehicles) comes from that high growth and high margin area. In addition to the good sales prospects in both Europe and Asia, the company has executed an operational restructuring plan, which has reduced its break even point and will allow the company to benefit from a strong operating leverage as soon as volumes recover.

DFS Furniture is another investment we made this quarter. It is the UK leader in sofa retail with a 25% market share, or three times larger than its next competitor. The sofa market is very cyclical, but DFS has managed to improve its market share at the lower parts of the cycle, when the smaller and less competitive players have had to close. The company has a very flexible cost model, paying its employees mainly variable salaries and producing only on demand to keep inventories low. It is also managing its shop space to increase sales per square meter and has a good combination of online and traditional channel sales. Its retail footprint provides a sound advantage over other online competitors because customers need to try their sofas before buying them and online only companies cannot provide the service. All these characteristics make DFS a high cash generative business with high returns on investment.

After our initial investment, DFS reviewed its guidance for the year and the shares plunged by 18%. We took advantage of that share price fall to keep on buying shares in DFS and made it one of our largest holdings.

At the date of closing this report we were in the process of buying three new investments which we plan to describe in future reports.

Divestitures

In the second quarter we have sold six portfolio companies that had either reached our target price or were very near to it and had less upside potential than other opportunities we had identified.

This quarter we haveaccepted a takeover bid for our portfolio Company Berendsen.

In our previous report we explained how we had taken advantage of the share price fall of **Berendsen**, after a profit warning and the requirement of additional investments, to increase our investment in the company and position it among our largest investments. This quarter, as a result of the attractive valuation at which it was trading, its French competitor Elis (with a simmilar business but geographical complementarity) announced its intention to acquire the company at a 36% premium over the previous closing price. After analysing the situation we decided to sell our shares in the market, for the following reasons:

- The takeover offer, which was not firm, included a significant part of the acquisition price in shares of Elis, which is leveraged and would be even more leveraged if the takeover were to be successful. It is also trading at high multiples so in the event of a successful transaction we would have not kept the shares given in exchange for our Berendsen shares.

- In the event that the transaction did not occur, there was a significant risk that the shares of Berendsen would fall to the previous levels. After the profit warning we had not changed our target Price, but it is also true that the time required to achieve our intrinsic value estimate was longer than at the time of our initial investment.

For these reasons we decided to sell our shares in the market. Some weeks after our sale, Elis improved its initial offer by 6.5% and regrettably we could not benefit from this price increase.

It is worth mentioning that this is the fourth takeover bid we have received since we launched EQUAM.

The remaining divestitures, **Navigator**, **Polytec**, **Coface**, **ING** and **Acerinox** were sold after reaching or coming very near to our price target, with an average gain of 50% over our average buying cost.

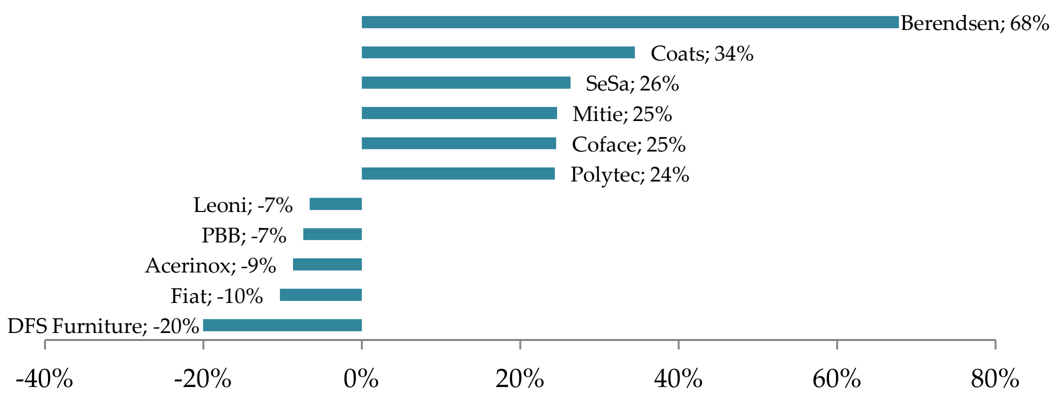
Performance and portfolio breakdown.

Our portfolio maintains a healthy 50% upside potential.

Considering the six new investments and the six divestitures, we maintain the number of investments at 47 and our cash position at 6% of NAV.
The portfolio's upside potential, considering our target prices is at around 50%. Our constant search for new investments to replace the most mature ones allows us to maintain a healthy upside potential.

The following chart shows the performance of the best and worst companies in the portfolio during the quarter (or since our initial investment in the case of new investments):

Best and worst performers in the quarter



Regarding the performance of the companies in our portfolio, apart from Berendsen and DFS Furniture which we already commented, we would highlight the following:

- **Mitie**, our UK facilities management Company has had a very good performance this quarter. After a change in management it presented a new strategic plan that has been well received by the market. The shares soared by 25%.

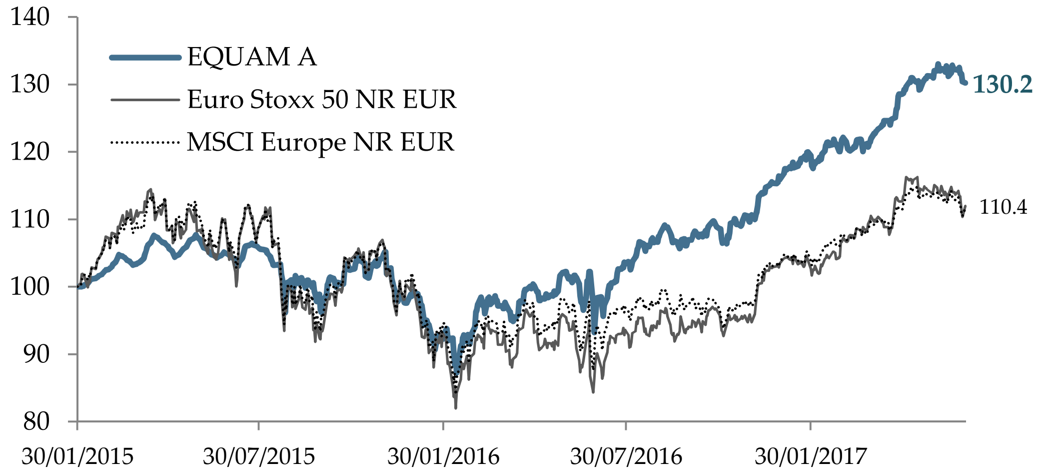
- The fall in oil prices in the most recent months has affected the share Price of the companies in the sector. We have taken advantage of this situation to increase our investment in **TGS Nopec** and to initiate a new investment in a Company involved in oil services whose Price had been severely punished.

Appendix I: EQUAM portfolio.

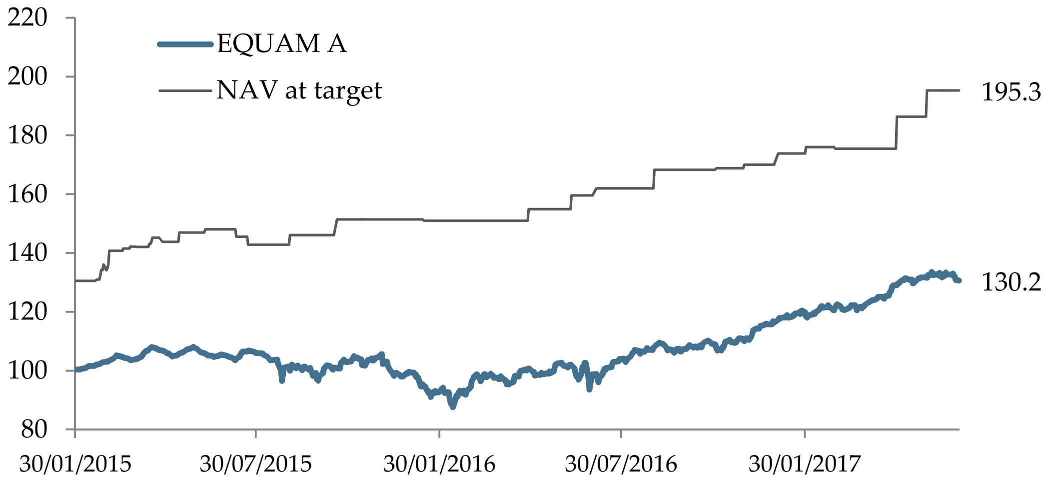
Company	Country	Weight	Value Base Case	Upside
Hunter Douglas	Netherlands	4.3%	Dominant leader in oligopolistic market.	35%
Piaggio	Italy	3.4%	European replacement cycle of bikes	71%
SeSa	Italy	3.3%	Italian value added software distributor trading at a discount	68%
Latecoere	France	3.2%	Recovery of cash flow through maturity of current programs	90%
TGS-NOPEC	Norway	3.1%	Countercyclical niche oil services player	87%
DFS Furniture	UK	3.0%	Leading British manufacturer of furniture.	111%
MITIE	UK	2.9%	Undervalued compounder in fragmented market	41%
Bollore	France	2.6%	Complex holding company, well managed trading at a discount	60%
Hornbach-Baumarkt	Germany	2.6%	Resilient compounder in repaired market	53%
Aryzta	Switzerland	2.6%	Undervalued oligopolistic leader.	152%
Stallergenes Greer	France	2.6%	Market leader in an oligopoly market	41%
ITE Group	UK	2.5%	Deeply undervalued event management company	50%
Meggitt	UK	2.5%	Undervalued compounder in low cycle	48%
Cementir	Italy	2.5%	Cement producer with a monopoly in Denmark	69%
Deutsche Pfandbrief	Germany	2.4%	Recapitalized bank trading at deep discount to BV	55%
Total top 15		**44%**		
Total portfolio		**94%**		
Liquidity		**6%**		
Total fund		**100%**		**47%**

Appendix II: Performance and NAV of EQUAM at target prices.

Performance of EQUAM vs indices since inception.



Performance of EQUAM 'A' and NAV at target prices[1]



[1] *The increase of NAV at target prices is the result of the replacement of mature investments that had reached their target price with new investments that have greater upside potential. There have been no material upgrades to our target prices during the quarter.*

Performance vs indices

	EQUAM	MSCI Europe NR	Eurostoxx 50 NR
1 month	-1.4%	-2.5%	-3.0%
3 months	6.1%	0.7%	-0.1%
YTD	12.4%	6.7%	6.7%
1 year	32.2%	18.0%	23.3%
Since inception *	30.2%	10.4%	10.4%

**Excludes the first 15 days of the fund during which it held cash positions.*
Net return indices assume the reinvestment of dividends net of withholding tax.

Bloomberg (Class A)	EQUAMVA LX
ISIN Class A	LU0933684101
ISIN Class D	LU1274584991

Registered in Spain	CNMV number 587
Fees Class A	1% NAV and 8% profit
Fees Class D	1.25% NAV (min 1 MEUR)

Fund Advisor	Equam Capital
Management Company	ADEPA (Lux)
Custodian	KBL (Lux)

EQUAM Capital EAFI, SL
Serrano 78 3º, 28006, Madrid
www.equamcapital.com