EQUAM Global Value Fund

Quarterly report December 2017

We reach our third anniversary

This month of January we have reached our third anniversary since we launched Equam Global Value with a positive outcome. Should we need to highlight something, it would be the fact of having been able to design a well-defined process and execute it in a systematic and disciplined manner. Despite the inevitable short term market volatility, we are fully convinced that with our investment process, time will play in our favour.

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.

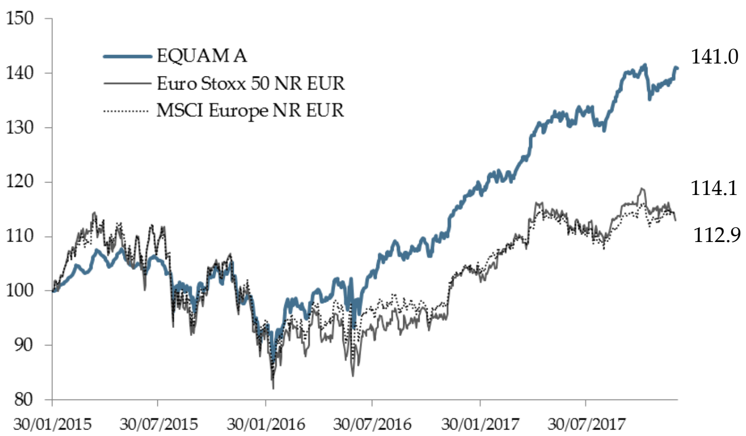
EQUAM Global Value is a UCITS IV vehicle and can be invested into throughout most leading financial intermediaries using AllFunds, Inversis, Fundsettle and other platforms.

EQUAM

2017 Fund Performance

We have finished 2017 with a 21.7% performance versus the 9-10% increase of the European indices. From a longer perspective, since inception in January 2015, Equam Global Value has experience an increase of 41%, a level significantly higher than the 13-14% of the European indices including dividend.

EQUAM vs the European indices*
(base 100)



** Net Return indices in Euro, assumes dividends reinvestment net of taxes.*

We reach our third anniversary

This January, Equam Global Value reaches its third anniversary since inception

This January we have reached our third anniversary since the launching of Equam Global Value. Although it is still a relatively short period of time, we are satisfied with the steps taken so far and are convinced that we have a good base in order to continue delivering good results to those investors that share our long term perspective:

- We have a coherent investment search process and analysis methodology (based on an entrepreneurial approach which focuses on the quality of the business and determination of the intrinsic value) which we are applying in a highly disciplined way.

- Equam investment team, which currently has three members, is very cohesive, shares a very similar approach to investing and allows us to take investment decisions in a very flexible way taking advantage of the frequent short term irrationality of the markets. In addition, Equam team has a complete alignment of interests with the rest of the investors in the fund.

The recent agreement with Cobas (Francisco García Paramés) significantly consolidates and reinforces Equam project.

- As we have recently informed, we have reached an agreement with Cobas (Francisco García Paramés) to become a shareholder in Equam Capital. We are very satisfied about this agreement and fully convinced that it will allow to significantly consolidate and reinforce Equam, allowing us to leverage on its long and successful experience and its broad resources. We are expecting to close this agreement shortly, once we have obtained the necessary approvals from the regulator.

- We have a group of investors at Equam that share our long term investment horizon and that understand the need to cope with short term volatility in order to maximize long term returns.

We acknowledge that we are at the initial steps of a long journey, but for the above mentioned reasons we are convinced that time will play in our favour and that we have the necessary resources and tools to obtain good and consistent long term results.

Are current markets expensive?

This is a question that we are frequently asked lately, very much influenced by the significant increase that markets (specially the American ones) have experienced during

We believe that there is a clear dichotomy in the market, with many overvalued stocks but with still attractive opportunities in companies with temporary problems or ignored by the market.

the last 8 years. We do not like neither talking about markets/indices in general nor make predictions about the short term development of prices. What we can confirm is that despite having demanding valuations in those companies with good businesses and which are performing well, we continue to find interesting opportunities in:

- Companies operating in **cyclical sectors** or those that for whatever reason are going through **temporary problems** or through a restructuring process. We look into these situations where there is smoke, in order to assess whether there is a real fire or we are in a situation of a false alarm that will allow us to take advantage of other investors panic. In those cases, we are looking more for a closing of the gap between the share price and the intrinsic value of the business, than for the increase in its intrinsic value.
- High quality businesses, that for different reasons are being **ignored by the market** and that we are able to buy at an attractive valuation. These are companies where we ask for a lower margin of safety and where the investment focus is on the capacity of those businesses to create value throughout time.

It is not so important the size of the companies but their respective market positions and competitive advantage versus their peers.

Although under the current market environment it is becoming increasingly difficult to find this last type of investment opportunities, we are still being able to find them in the small and mid-cap segment. There is a market perception that it is riskier to invest in such kind of companies, but we believe that it is not so important the size of the companies but their respective market positions and competitive advantage versus their peers. In addition, these companies are not covered by sell-side analysts and are in many occasions quite ignored by the market, which allows to find attractive valuations. In this sense, we have in our portfolio several investments in what we call small but big companies, that is, in small cap companies but which have a strong market position or competitive advantage in their respective industries. DFS Furniture (British market leader in the upholstery retail market) Arcus (leading spirits and wine manufacturing and distributor in the Nordics market) or Sesa (leading Italian distributor of value added IT products) are good examples of these small market leaders in which we are invested.

In any case, under the current market environment, we are convinced that the key is to be focused on the investment process and not to try to determine the short term market evolution. We consequently prefer to:

- Be very disciplined and strict regarding the valuations and entry levels in our investments. We only invest in those situations where there is at least a 30% discount versus our intrinsic value.
- Sell those investments that reach our target price, avoiding to get in love with any particular investment.
- Rebalance the portfolio, buying shares of those companies that fall significantly and selling shares of those companies that have short term strong appreciations.
- Maintain a level of liquidity between 5 to 10% of the total assets, which could allow us to take advantage of future panic situations.

New investments

As we have mentioned before, during the last quarter we have been able to identified new investment opportunities, being one of them **Parques Reunidos**, a Spanish company that operates local amusement parks in Europe and the US. The company has been for a long time owned by different private equity firms which have

Parques Reunidos has a very solid business model and good long term perspectives, but has been recently impacted by adverse meteorology during the last summer season in its main geographic markets.

transformed the company from a small operator of the Madrid amusement park to a world leading player in the industry. The growing process has been based on integrating local family owned parks which were undermanaged and with a large margin of productivity improvement, together with a very flexible operation which includes dynamic pricing and costs systems adapted to the expected demand in each particular case. In addition, the business has limited maintenance capex needs which allows for a strong cash flow generation that it reinvest in new growth opportunities. Despite the solid business model and good strategy implementation, the company is in great part exposed to meteorology, as a good part of the annual results correspond to the summer season, so financial results are linked to public attendance for that period. During last summer, weather has not been very good in Europe and certain parts of the US have been impacted by several hurricanes. As a consequence, last fiscal year results (September year-end) have been below budget and the previous year which has impacted the stock price (falling more than 25% in a few weeks). We have taken advantage of these circumstances by investing in the company at an average price of 13.2 euros per share, representing an 8.5% FCF yield.

IES has a well-known brand in the Swedish school system, but is trading at depressed levels due to certain short term political uncertainty.

Another company we have invested during the quarter is **Internationella Engelska Skolan (IES)**, a private school operator in Sweden with a high reputation which translates in a long waiting list for all its schools. The company operates a very attractive business model with high returns on capital and a strong operating cash flow. IES has developed an organic growth model through recurrent expansions of its existing centres and the opening of 2/3 new schools every year. The company has been owned by a private equity firm (TA Associates) for some years and it decided in 2016 to take it public (although they are still the largest shareholders together with the company's founder). However, the stock market performance has not been as expected due to political uncertainty as some political parties have denounced the too excessive profits of private school operators, suggesting a change in current regulation which is currently based in vouchers given to every student to be used in any school (private or public) at their discretion. We believe there is a low probability for any change to happen given that this system has been working for many years with a high level of satisfaction among population and similar cost versus the public system for the state. On the contrary, we have been able to take advantage of this situation and invest in a high quality business, with a well-recognised franchise and good growth prospects at a valuation equivalent to 8% FCF yield. In addition, Engelska has recently announced an acquisition of a small firm in Spain (three schools) which will be used as a base to organically develop a similar business in that country.

We have invested again in Técnicas Reunidas, following what we consider an excessive drop in price.

We have also invested again in **Técnicas Reunidas**, a company in which we invested at the beginning of 2016 but that we had sold once it reached our target price. Although the company operates in a quite competitive market, it is a well-managed family owned business, with a good order book and a well-recognised franchise that we believe has been excessively punished by the market following a recent profit warning which included lower targets for 2018 due in great part to the postponement of the execution initiation of several projects.

We have invested in the Italian company **Esprinet**, leader in the Italian and Spanish IT and electronic products distribution market. It is an industry already familiar to us following our investment in Sesa (although this company is more focused in higher value added products). The company’s margins have been recently negatively affected by a strong price pressure from one of its main competitors. We believe that this situation is not sustainable long term and in addition the company is taking a number of measures to mitigate the impact of the negative environment, so we have taken advantage of the significant price drop (from 8 to 4 euros per share in less than 6 months) to invest in the company.

Divestments

We continue disciplined divesting from those companies that reach our target price.

During the last three months we have divested from **Verisign** and **Leoni**, both of which had reached our target price following a significant price increase, and **Crown**, where although we had not reached our target price, we have decided to divest and reinvest in other investments with higher potential. In the case of Verisign, it operates an outstanding business, being a regulated monopoly for the register and management of .com and .net internet dominions. In a similar case to Norma in the previous term, the divestment decision has not been easy, but we believe, the current valuation was excessive, in another example of overvaluation of high quality companies with good performance. We maintain it in our watch list and will take advantage of any future opportunity the market might give us in the future to reinvest again in it.

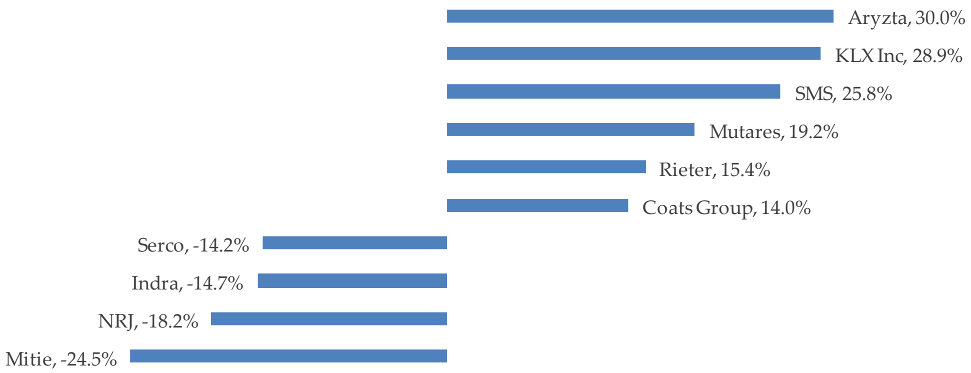
Analysis of the portfolio

Following the new investments and divestitures, we maintain the number of investments at 48 and our cash position at 10% of NAV, slightly higher than in previous terms as a consequence of several new subscriptions at the end of the term.

The portfolio’s upside potential, considering our target prices is at around 41%. 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



The recent capital increase at Smart Metering Systems significantly improves the investment attractiveness of this business.

In relation to the companies in the portfolio, it is worth mentioning the capital increase that the British company **Smart Metering Systems** (SMS) announced in November. This company operates in the utilities meters installation and management business, which we were already familiar with following our past investment in the similar company Energy Assets in 2015 which received a public offer by an infrastructures fund a few months after our investment. It is a very attractive sector, as those companies install and manage the meters on behalf of the utility companies, assuring a recurrent fee (inflation protected) during the life of the meters (20 years). In addition, the British government has recently approved a regulation by which all meters need to be changed to smart ones (remote control) before 2020, which has created a unique opportunity for the few existing players with the sufficient capabilities and resources to attend the very large expected installation demand. We initiated our investment in this company during last summer at a very attractive valuation in relation to the quality of the business (a clear example of a company ignored by the market). The announced capital increase will allow the company to accelerate the growth path as it guarantees the company with the necessary resources to take advantage of the window opportunity presented during the coming three years, which we estimate has significantly increased the intrinsic value of the business and reduced the risk profile (having already been partially reflected in the share price that has increased 60% from our initial investment in July 2017).

The American company **KLX** (operating in the spare parts distribution business for the aeronautic and energy industries) has recently retained a financial advisor following the approach from a third party to buy part or the totality of the company. KLX wants to explore the different strategic alternatives and its impact on the company's shareholder value. The recent news has revalued the share price approaching it to our target price. However, we maintain our investment waiting for additional information regarding this situation.

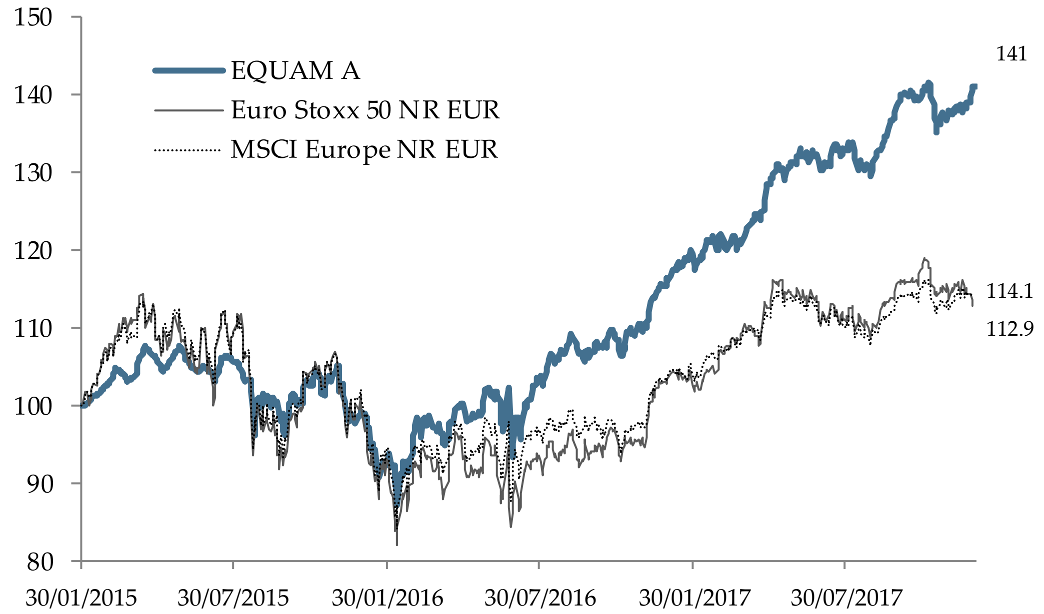
Finally, we highlight the additional investments we have done in **Serco** and **Mitie** which have been both penalised during the last few months and where our investment thesis remains intact.

Appendix I: EQUAM portfolio.

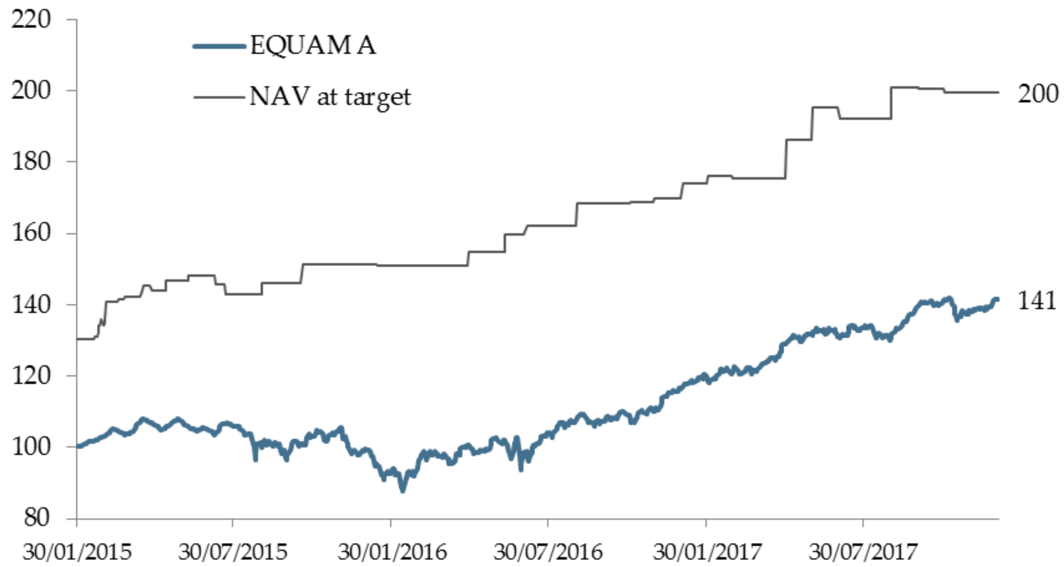
Company	Country	Weight	Value Base Case	Upside
DFS Furniture	UK	3.0%	Leading British manufacturer of furniture.	119%
Hunter Douglas	Netherlands	2.7%	Dominant leader in oligopolistic market.	41%
Serco Group	UK	2.7%	Refocused contractor in restructuring, recently recapitalized	99%
TGS-NOPEC	Norway	2.7%	Countercyclical niche oil services player	74%
MITIE Group	UK	2.7%	Undervalued compounder in fragmented market	102%
Brunel	Netherlands	2.6%	Depressed staffing company with presence in Oil & Gas	32%
Aryzta	Switzerland	2.6%	Undervalued oligopolistic leader.	106%
Parques Reunidos	Spain	2.5%	Spanish theme park operator trading at 52w lows	21%
SeSa	Italy	2.4%	IT Value Added software Italian leading provider at a discount	56%
Latecoere	France	2.4%	Recovery of cash flow generation after maturity of programs	40%
ITE Group	UK	2.4%	Deeply undervalued event management company	25%
Intertrust	Netherlands	2.4%	Leading Dutch manager of investment structures	39%
Euronav	Belgium	2.3%	Depressed VLCC tanker company	34%
Bollore	France	2.3%	Complex holding company, well managed at a discount	41%
Arcus	Norway	2.2%	Nordic alcoholic beverages distribution at high FCFy	29%
Total top 15		**38%**		
Total portfolio		**89%**		
Liquidity		**11%**		
Total fund		**100%**		**41%**

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

Performance vs index	EQUAM A	MSCI Europe NR**	Eurostoxx 50 NR**	Equam vs MSCI
1 month	2.2%	0.8%	-1.7%	1.4%
3 month	1.4%	0.6%	-2.3%	0.7%
2017	21.7%	10.2%	9.2%	11.4%
2016	17.1%	2.6%	3.7%	14.5%
2015	-1.0%	0.9%	-0.3%	-2.0%
Inception	**41.0%**	**14.1%**	**12.9%**	**26.9%**
Inception annual	**12.5%**	**4.6%**	**4.3%**	**7.8%**

**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