EQUAM Global Value Fund

Quarterly report March 2018

New long term investment opportunities

During the fquarter, market volatility has returned and indices have experienced drops throughout the most important markets. We welcome the return of volatility and the price drops as they are allowing us to find new investment opportunities and to increase our exposure to certain companies in the portfolio.

It is when markets fall that investors are able to invest for the best returns provided they are ready to cope with the short-term volatility and to be patient for the market to recognize the value of the investment.

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.

First quarter performance

Two investments in our portfolio explain our underperformance during the quarter.

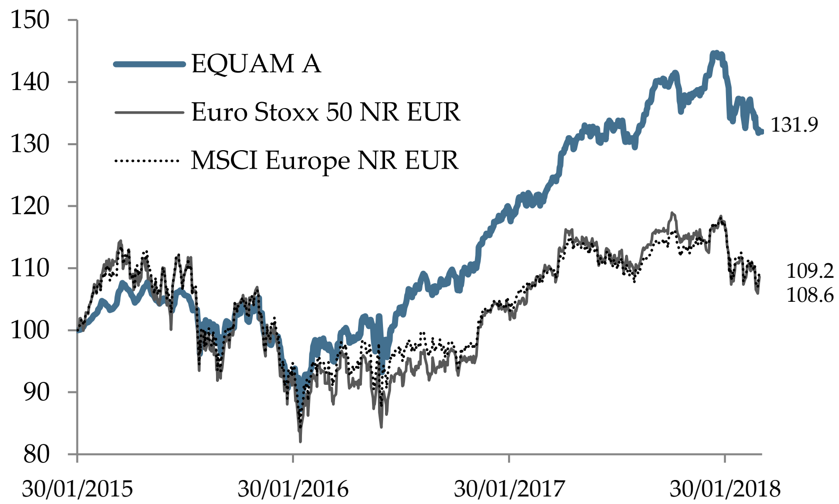
During the first quarter of the year the markets have experienced drops which have also affected EQUAM. The fund has fallen by 6.4% vs a 4.3% drop of the European markets. This underperformance is mainly explained by the bad price performance of two significant investments in the fund (Aryzta and Mitie). Excluding those two investments the performance for the quarter would have been in line with the market.

On a longer perspective, since inception in January 2015, the fund's annualised return has been 9.1% versus 2.7% of the European indices including dividends. As we always try to emphasise, it is not the quarterly or even annual performance which is relevant, but the consistent implementation of a coherent investment process like the one we are executing, what will allow for attractive investment returns in the long run.

Aryzta, the frozen bakery manufacturer, released a half year results in January 2018 worse than expected and the market reacted with a 40% share price drop. Although some investors are concerned with the potential financial covenants breach at year end, we still believe that the current divestiture program the company's management has put in place will allow the company to generate sufficient cash to avoid this situation. Consequently, we have been buying additional shares to increase our position from 2.6% at the beginning of the year to the current 3%. As usual, markets overreact to both negative and positive news, as we can see from the fact that Aryzta share price had increased by more than 30% during December following the good news about the restructuring process.

Mitie, a British company involved in facility management services is going through a restructuring process and in the last results release it announced that its cash consumption would be slightly higher than expected. Although its balance sheet structure is not worrying, many investors have been scared following the financial problems of companies with similar business models in the UK such as Carillion or Interserve, and shares have dropped by 20%. Also in this case we have been buying additional shares.

EQUAM returns versus European indices
(base 100)



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

There could be many very different explanations to the markets drop during the term: historical high stock market valuations, extremely low interest rates in the process of normalising, protectionist policies from the US that could turn into a trade war, the US technology companies being penalised by the market, etc… Any of these explanations could help us understand the market movements a posteriori, but we should not forget that these movements are recurrent in the market and we believe there is no sense in trying to anticipate to them, as it is impossible to know when they will come. We prefer to try to take advantage of them by focusing on valuations and business analysis and buying where there is panic in the market.

For the long-term investor there is no better alternative that to buy good businesses at attractive prices taking advantage of the short-term view of the market.

We should not forget that despite the different problems in the world economy and the short-term volatility of the market, there is the irrefutable argument that throughout time and despite the different financial crisis we have experienced, the world economy and the life conditions are consistently improving over time as a result of the entrepreneurial activity. It is the companies that create value for the society and the best way to capture that value creation process is investing in them.

Consequently, we see the current market situation as an excellent opportunity to continue implementing our investment process of finding good businesses at attractive valuations. We might need to cope with temporary loses throughout the way, but if we are disciplined and patient we are convinced that the long-term returns will be achieved.

Value approach

We would like to remind some of the different approaches that we believe are the best options to maximize returns in the long run. In previous reports, we have referred to our strong preference for companies with stable and recurrent businesses, managed by aligned management teams and with strong financial profiles.

However, our most important investment criteria is the price at which we can acquire a company. We aim at acquiring companies that are trading at a minimum 30% discount to our internally calculated value.

In order to determine this minimum margin of safety, we identify three different situations:

- A good part of our investments are made in oligopolistic and recurrent businesses. They are normally businesses with low growth rates which do not attract new competition. We believe this kind of situations have a low risk profile as the business models are quite sustainable throughout time. In these situations, it is very important to have a good understanding of the barriers to entry and of the reasons for revenue recurrence and the companies' competitive advantages. We determine the intrinsic value through the company's cash flow generation capacity and normally take advantage of a temporary problem that allows us to buy them at the necessary discount.

  Companies like Intertrust (international trust and corporate management company) or Vopak (company that stores and handles the logistics of various oil, chemicals and natural gas-related products) are good examples of investments in this category. They have recurrent and predictable results, but temporary problems allowed us to buy them at attractive prices.

- A second type of investments which are very attractive but not so easy to identify would be those companies which operate in a protected market which is growing. This kind of companies are able to reinvest their cash flows and obtain high returns as a consequence of the reduced competition. In these situations, the greatest risk is to overpay. We normally pay the full value of the existing business, without any discount, as the margin of safety is provided by the protected growth that will allow the company to create value over time with a very good visibility.

SMS, a UK company installing and operating metering systems, is a good example of this type of investments. It has the possibility, together with a very limited number of competitors, to renew the gas and electricity meters UK park, installing and operating them through 20 years inflation protected contracts that allow the company to obtain investment returns above 10%.

- Finally, we contemplate investments in sectors where competition is high. Although we have a strong preference to invest in industries with barriers to entry, sometimes we find value in situations where there is a strong competitive environment and where the return on invested capital is low, close to the cost of capital. These are companies offering commoditised products or services where it is relatively easy to increase capacity. In these sectors, it is difficult to obtain high returns on a consistent basis, as when that happens, very rapidly new competition enters the market reducing again the returns. In these circumstances it is very important to understand well the capital cycle of each specific industry. We look to invest in the stronger company at a discount to the replacement value and at a bottom part of the cycle when there is overcapacity, waiting for the cycle to recover once overcapacity has been absorbed. Although this type of investments could present a higher risk profile related to the business unpredictability, they also offer a high return potential. In order to mitigate risks it is key to invest with a large margin of safety and in those companies with stronger balance sheets that have a lower probability to enter into financial difficulties.

> A good example of this approach would be our investment in Euronav, a crude oil tanker company. The sector is currently in an overcapacity situation and the returns and valuations are at historically low levels.

These three approaches are very clear in theory, but not so easy to implement or to identify as in many occasions we come across intermediate situations, with narrow barriers to entry.

The best opportunities appear when there is pessimism, when everybody is trying to sell and nobody wants to buy.

An additional difficulty is that in order to buy with the necessary discount, it is necessary that other investors are prepared to sell at those prices. This only happens from time to time, normally in panic situations when many investors behave in an irrational way, overestimating the potential risks and not being sufficiently patient for things to normalise. Within our investment process, we assign equal importance to the correct analysis of investments and to the patience and decision to invest at the right time, acting against the criteria of other investors.

An example of this is the current situation in the UK where the investment community is more negative about this market than about any other market, including sovereign bonds. The uncertainties regarding Brexit (which we carefully analyse and follow) have caused many investors to avoid any investment related to the UK. This is creating an opportunity that is allowing us to find attractive investments in this market. We believe that be successful in the long term you need to do things that are different to what the majority and be able to do, and you need to cope with the short-term volatility or initial pain generated by these investments.

New investments

During the term, we have invested in Cameco, Franks International, Orsero and Spectrum.

During this term, specially before the recent correction came, we were actively selling several companies that had reached our intrinsic value and it was only after volatility returned to the market that we were able to identify new investment opportunities.

In February we visited a company that is initiating its investments to develop a new uranium mine in Salamanca and we decided to look again into this industry. Uranium price has consistently been dropping since the Fukushima disaster in 2011 which provoked the closing of all nuclear plants in Japan and the announcement of closure of the German ones, coinciding with the opening of new mine facilities in Canada and Kazakhstan which expanded production capacity quite significantly. This situation increased the level of inventories and impacted the uranium price. As a reaction, the world's largest companies have decided to reduce production levels and hardly any new investment project has been launched in recent years. This will sooner or later lead to a recovery of prices, especially considering the expected increase in demand as new nuclear plants come into operation. This process will not be immediate as there are still excess inventories in the market, but we are confident that we are currently at the bottom part of a long cycle. Despite all the political noise around nuclear power, the truth is that the world economy cannot depend exclusively on renewable energy and that nuclear power will continue to play an important role. In this context, we have decided to invest in **Cameco**, the largest uranium manufacturer in Canada, where our analysis concluded that once the company operates again at full capacity and with a certain recovery in the uranium price, the value should be at least double the current market capitalization. We have bought a 2% position in this company.

We have also made an investment in **Franks International**, a US oil services company providing highly engineered tubular running services, tubular fabrication, and specialty well construction and well intervention solutions with a focus on complex and technically demanding wells. A great part of its business is related to offshore deep-water where investment levels have been reduced dramatically in the last three years. Consequently, Franks EBITDA has dropped from $400 mn to close to zero and the market price has dropped by more than 80%. We strongly believe that despite the good perspectives of shale oil production for the coming years, the constant increase in oil demand will require more deep-water offshore investments which will allow for a significant recovery in Franks activity and profitability levels. In addition, the company has a very strong balance sheet and a net cash position, which avoids any potential financial risk should the depressed situation last longer than expected.

On the same sense, we have also invested in **Spectrum**, a similar company to TGS Nopec (one of our existing investments), although smaller in size and trading at lower valuation levels.

We have a positive view of the oil sector for the long term. Oil demand has continued increasing throughout the years, but exploration and production investments have been halted. When existing wells start depleting the supply-demand balance will tighten and new investments will be needed, leading to a recovery of the sector. We do not know when it will happen, but we are convinced it will come sooner or later. In any case, our investments in the sector look for a good risk return equilibrium, having invested in all cases in companies with strong balance sheets that avoid risks in case the cycle lasts longer than expected.

We have also invested in **Orsero**, a fruit and vegetables Italian distributor. We had been following this company and the sector for some time, but it has not been till this quarter that the Company has reached an attractive valuation. Orsero has been affected by cost overruns in its maritime transportation division, affecting its margins. The share price has dropped by 36% and the company is now trading at a 12% normalized free cash flow. Once again, patience becomes key to execute successful transactions.

Divestments

We continue divesting those companies that reach our intrinsic value.

We have sold **Fiat**, **Jardine Lloyd Thompson**, **Swatch** and **Cegedim** once they have reached our intrinsic value. As in previous quarters, it has been difficult to take the decision to sell those companies with higher quality businesses such as JLT and Swatch. However, we consider current prices already more than discount the good prospects of these companies and we are finding better investment alternatives in the market.

We have also sold **Deutsche Pfandbriefbank**. In this case it has not reached our target price due to a lower than expected improvement of the profitability. It is currently trading at 0.6x book value, a fair level in relation to the company´s return on Equity, so after almost three years we have sold the company with a positive return.

Analysis of the portfolio.

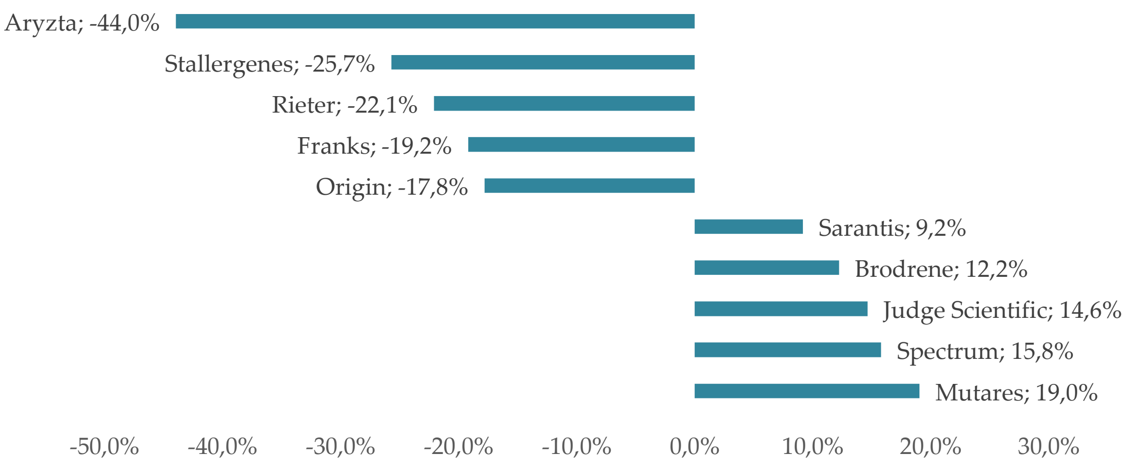
Following the new investments and divestitures, we maintain the number of investments at 46 and our cash position at 7% of NAV.

The portfolio's upside potential, considering our target prices is at around 63%, a substantial increase versus the

41% at the end of the previous term as a consequence of the recent drops and our constant search for new investments to replace the most mature ones.

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

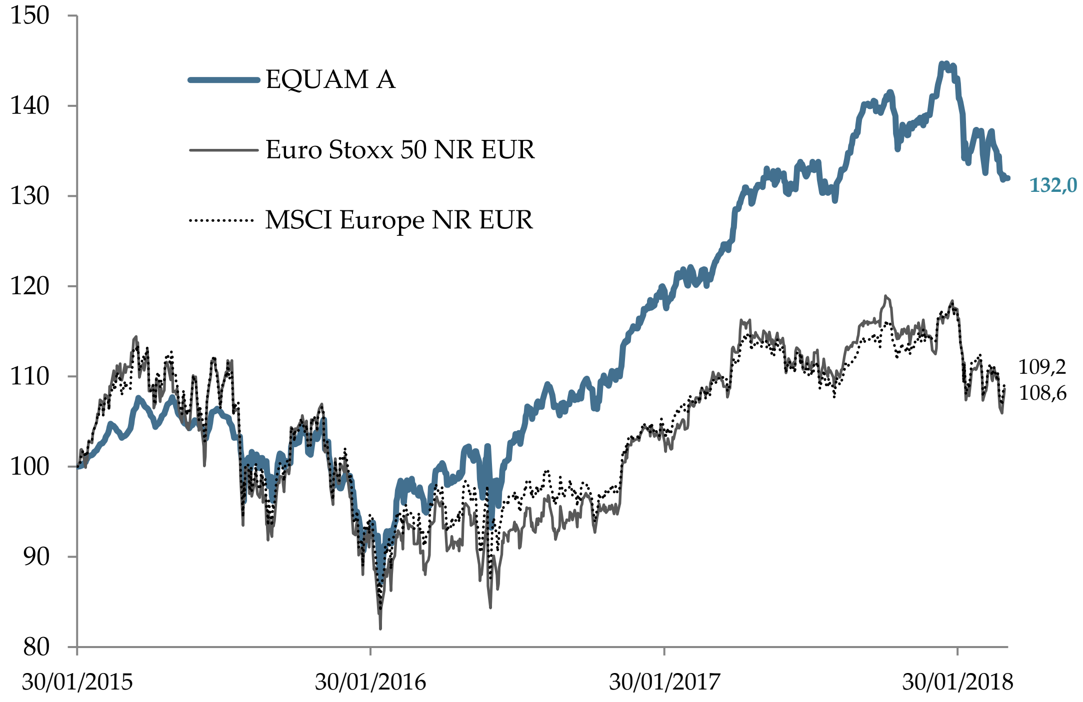


Appendix I: EQUAM portfolio.

Company	Country	Weight	Value Base Case
MITIE Group	UK	3,5%	Undervalued compounder in fragmented market
Aryzta	Switzerland	3,0%	Undervalued oligopolistic leader.
Euronav	Belgium	3,0%	Depressed VLCC tanker company
DFS Furniture	UK	2,9%	Leading British manufacturer of furniture.
Serco Group	UK	2,8%	Refocused contractor in restructuring, recently recapitalised
Origin Enterprises	Ireland	2,6%	Irish agronomy company with stable revenue at low price.
Smart Metering Systems	UK	2,6%	Protected and profitable smart metering market
Brunel International	Netherlands	2,5%	Depressed staffing company with presence in Oil & Gas
Arcus	Norway	2,5%	Nordic alcoholic beverages distribution at high FCFy
Piaggio	Italy	2,5%	Recovery of the European replacement cycle of bikes
Intertrust	Netherlands	2,5%	Leading Dutch manager of investment structures
SeSa	Italy	2,5%	IT Value Added software Italian leading provider at a discount
Wilh. Wilhelmsen	Norway	2,5%	Norwegian shipping holding
Frank's International	United States	2,5%	Countercyclical niche oil services player
TGS-NOPEC	Norway	2,5%	Countercyclical niche oil services player
Total top 15		**40%**	
Total portfolio		**93%**	
Liquidity		**7%**	
Total fund		**100%**	

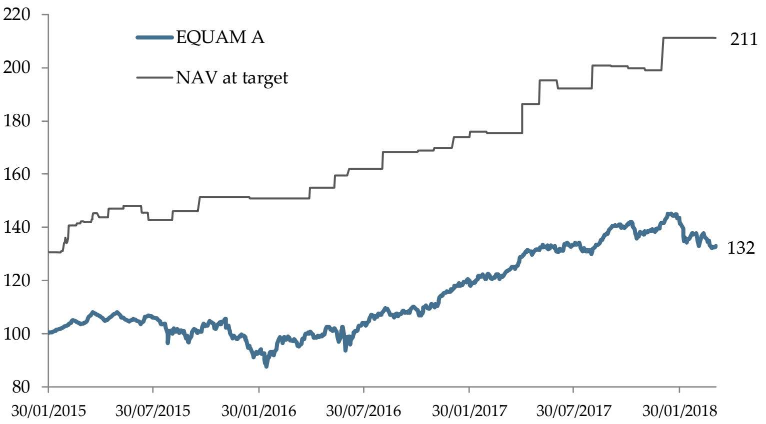
Appendix II: Performance and NAV of EQUAM at target prices.

Performance of EQUAM vs indices since inception.



**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.

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 indices	EQUAM A	MSCI Europe NR**	Eurostoxx 50 NR**	Equam vs MSCI
1 month	-3,2%	-2,0%	-2,2%	-1,1%
3 month	-6,4%	-4,3%	-3,8%	-2,1%
2018 YTD	-6,4%	-4,3%	-3,8%	-2,1%
2017	21,7%	10,2%	9,2%	11,5%
2016	17,1%	2,6%	3,7%	14,5%
2015	-1,0%	0,9%	-0,3%	-2,0%
Inception	**32,0%**	**9,2%**	**8,6%**	**22,7%**
Inception annual	**9,1%**	**2,8%**	**2,7%**	**6,3%**

** Return since inception exclude initial 15 days in which the fund was not invested.*

*** NR indices assume dividend reinvestment after withholding tax.*

Bloomberg (Clase A)	EQUAMVA LX	Traspasable	SI, Nº CNMV: 587	Asesor del fondo	Equam Capital
ISIN Clase A	LU0933684101	Fees Class A	1% patrim y 8% beneficio	Sociedad Gestora	ADEPA (Lux)
ISIN Clase D	LU1274584991	Fees Class D	1,25% s/ patrim. (min 1 MEUR)	Depositario	KBL (Lux)

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