

The relevant actions taken since the last update on the 1st of January are the following:

- ELCANO acquired shares in **Carrefour** up to 5% of the portfolio. Carrefour is a global distribution group - France weights 40%, Europe 30% and Asia and Latam 30% - with 18mn sqm of selling space consisting of hypermarkets, supermarkets, convenience stores and hard-discount (Dia). In addition to its brand and real estate locations, its dominant position gives Carrefour a cost advantage that is very difficult to replicate. We are conscious of the challenges that the hypermarket model is facing in Europe, but we think that a) Carrefour flexibility from its financial strength and the possibility to realize value from asset sales; b) the presence of a shareholder group focused in maximizing value; c) the current low share price, compensate for the risks. The internal rate of return (IRR) calculated for the period 2011-15E is over 20%.
- ELCANO increased **Telefonica**'s weight from 5% to 7.5%. We view Telefonica's shares as a quasi fixed-income instrument with a growing coupon close to 10%, covered 1.4 times, and supported by a well-managed, diversified subscription business.
- ELCANO disposed of all the position in **Tyco International** (formerly 2% of the portfolio). ELCANO started buying Tyco's stocks a bit less than a year ago at \$38 a share, with an estimated IRR of 15%. Tyco's shares have been sold above \$46, a price that implies an IRR of just 12%.
- Finally, ELCANO lowered **ConocoPhillips**' weight (from 7.5% to 5% of the portfolio) and **General Electric**'s (from 6.5% to 4.5% of the portfolio). With a price appreciation in both shares above 50%, the expected return is reduced from 25% to 17%.

The portfolio trades at 10 times 2011 expected earnings (2011 PE) and the dividend yield remains above 4%. The combination of high quality companies with low valuations should result in attractive shareholder returns in the coming years, even in a challenging economic environment.

Thank you for your trust and please do not hesitate to contact us should you have any queries.

All the best,



Marc Batlle, CFA
Partner



JJ Fernández
Partner

Investment approach

Elcano Inversiones Financieras, SICAV, S.A. seeks to acquire shares in exceptional businesses at a discount to its intrinsic value. Elcano looks for companies with a sustainable competitive advantage that we can understand, a strong financial position and an honest and skilled management team. Decisions are based on financial and strategic analysis, and we are not restricted to any particular asset class, geography or sector.

Comments on recent activity

Over the last few weeks, we took advantage of the recent market volatility to purchase **Carrefour** shares, increase ELCANO's exposure to **Telefonica** and sell **Tyco International** shares. Furthermore, ELCANO reduced the weight of **General Electric** and **ConocoPhillips**.

ELCANO currently trades at 10 times 2011 expected earnings and a 4% dividend yield.

Top Holdings

Company	Sector
Wells Fargo	Banking
American Express	Payments
GBL	Holding
Telefonica	Telecom
Dell	Technology

Portfolio Recent Actions

Increase/ In	Decrease/ Out
Carrefour	General Electric
Telefonica	ConocoPhillips
	Tyco International

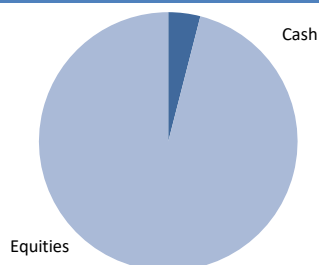
Main Terms

Investment universe	: Global equities
Asset management company	: Credit Suisse Gestión, SGIC
Depository	: Credit Suisse, AG Sucursal E
Auditors	: PricewaterhouseCoopers
Regulator	: CNMV
Listed market	: <i>Mercado Alternativo Bursátil</i>
Management fee / Others	: 1.75% per annum
Depository fee	: 0.10% per annum
ISIN code	: ES0118626037
Inception date (new Board)	: 1 st December 2009
Currency	: EUR
Liquidity	: Daily
Bloomberg code	: CIF SM <equity>

Net Asset Value: 11.79 euros (28/2/11)

Source: www.bolsasymercados.es/mab, Credit Suisse Gestion

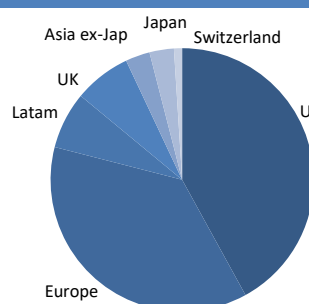
Asset Distribution



Asset Class

Equities	94%
Fixed Income	0%
Cash	6%

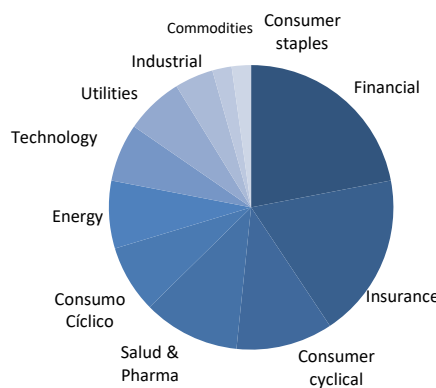
Geographical Distribution



Region

US	42%
Europe	37%
Latam	8%
UK	7%
Asia ex-Japan	3%
Japan	2%
Switzerland	1%

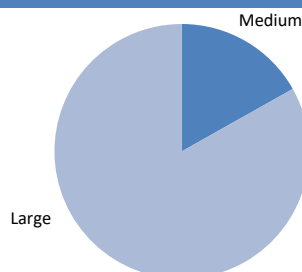
Sector Distribution



Sector

Financial	20%
Insurance	17%
Healthcare	10%
Energy	10%
Telecom	10%
Utilities	7%
Technology	6%
Consumer cyclical	6%
Industrial	4%
Consumer staples	2%
Commodities	2%

Capitalization Distribution



Capitalization

Below €1bn	0%
€1bn to €5bn	15%
Above €5bn	85%

Currency Distribution

Unhedged		Hedged (ELCANO)	
EUR	47%	EUR	84%
USD	37%	USD	0%
GBP	5%	GBP	5%
CHF	11%	CHF	11%

Return and Volatility Data

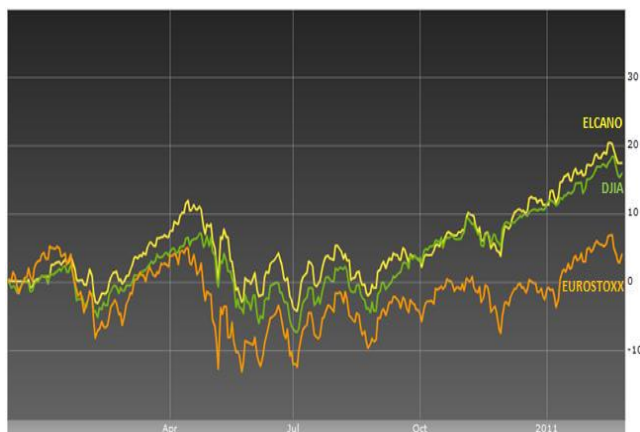
Source: CreditSuisse SGICC, Bloomberg, ELCANO

Return

Year 2011 (1 st Jan to 28 th of Feb)	+7.20%
Year 2010	+10.75%
Since inception (1 st Dec 2009)	+19.20%

Volatility	18,60%
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Price of ELCANO vs. Other Major Equity Indices



Source: Bloomberg (Since Dec 2009).

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