

ELCANO returned 1.71% in the first four months of 2014, net of fees and expenses. Since inception in December 2009, cumulative performance is 72%, equivalent to a compound annual return of 13.1%.

These are the highlights of the period:

- Disposal of the shares in the German defense contractor **Rheinmetall (RHM:GR)**, the British insurer **Catlin (CGL:LN)** and the French distribution group **Carrefour (CA:FP)**. The rates of return on these investments are 45.1%, 54% (10.3% compounded) and 45.3% (12.5% compounded) respectively.

- Investment of 4% of ELCANO's assets in the Belgian holding **D'leteren (DIE:BB)** controlled by the family that carries the same name. It is involved in two businesses: car dealerships and Belron. It is the exclusive distributor for the Volkswagen group in Belgium since the end of WWII, with a share of 21% of the national market. With invested assets of €500mn, it currently generates €50mn of pretax free cash flow, a figure that can be improved in the short term by restructuring the loss making dealers in the Brussels area. We value it at €700mn. The second business is Belron, the global leader in the vehicle glass repair and replacement industry whose main trademarks are Carglass, Safelite and Autoglass. Half of its revenues are in Europe and the remaining in the US, Canada, Australia, New Zealand, China and Brazil, with market shares ex-China between 20% and 40%.

Belron's extraordinary profitability (over 50% ROIC) is well protected by strong barriers to entry such as its brand, relationships with insurers and fleet owners, and economies of scale and scope in operating the service network, purchasing, advertising and IT. Opportunities for market share gains and thus profitability are substantial, as Belron was a late entrant in the fragmented markets of US and Germany that represent a third of the global VGRR market. We assess its value in €3bn, 15x pre-tax FCF, taking into account its growth profile. After deducting €600mn for debt and minorities, we arrive at an equity value above €3bn that compares nicely to the €1.8bn current market cap.

- Investment of 4% of the NAV in the Hong Kong real estate holding **Wheelock & Co. (28:HK)**, controlled by the Woo family who inherited it from the shipping mogul Sir Yue-Kong Pao. Its main asset is a controlling stake in the listed company **The Wharf Holdings (4:HK)**, the owner of Harbour City, the largest shopping mall in Hong Kong. With a gross floor area of 8.5mn sqf, it generates 7% of all HK retail sales. The Wharf currently trades at a 40% discount to the last appraisal, implying an 11% cap rate. Wheelock also carries a 40% discount to the value implied by the current stock market value of The Wharf. Both companies have strong balance sheets, with net debt to assets of 5% for Wheelock and 15% for The Wharf. Even assuming the 40% discount of Wheelock stays, the upside potential exceeds 70% for this high quality asset.

We are confident that the rents will be reinvested at attractive returns based on 3 facts: a) Wheelock is the net worth of the Woo family; b) the track record of value creation is excellent; c) the strategic plan is sound and conservative.

- ELCANO bought shares (4% weight) in the US teen retailer **American Eagle Outfitters (AEO:US)**. Its profitability in 2013 has been negatively impacted by a combination of external factors (competition, weather, macro) and fashion missteps leading to steep mark-downs and the firing of the recently appointed CEO. After declining more than 50%, the shares currently trade at 0.6x sales, 6x EBITDA and 3.5x EBITDA with normalized margins, well below comparables (1.2x Sales and 8.6x EBITDA). On top of \$350 net cash position, an interim CEO with a successful industry career and skin in the game (\$180mn investment at current prices) we believe AE is fit to compete given its brand, distribution and supply chain control. In an industry where change is progressive, the company is adapting by increasing its speed to market, developing the e-commerce channel, optimizing its store network by increasing the weight of outlets, improving customer engagement with new technologies and adapting the brand to new demographics.

ELCANO is currently invested in 24 companies operating in 16 industries quoted in 10 different markets. No sector or market exceeds 20% of our assets ex-US. The portfolio trades at 1x book value, 10.9x forward earnings, 7.9x operating income and 3.4% dividend yield.

In the last 6 months ELCANO has recycled 50% of its NAV, keeping the portfolio fundamentally attractive after the strong market gains of the past few months. The combination of high quality assets bought at bargain prices should translate into solid returns for the shareholders of ELCANO SICAV over the medium and long run.

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

**Net Asset Value: 17.01 euros (04/30/2014)**

Source: Credit Suisse Gestion SGIC.

### 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

ELCANO SICAV sold its positions the German defense contractor **Rheinmetall (RHM:GR)**, the British insurer **Catlin (CGL:LN)**, and the French distribution group **Carrefour (CA:FP)**.

ELCANO SICAV invested in the Belgian holding **D'leteren (DIE:BB)**, involved in two businesses: car dealerships and vehicle glass repair and replacement (Belron, Carglass); in the Hong Kong real estate holding **Wheelock & Co. (20:HK)**, and in the US teen retailer **American Eagle Outfitters (AEO:US)**.

### Top Holdings

Company	Sector
Diamond Offshore	Energy
Apache	Energy
Valmet	Capital Goods
Kodak	Technology Hardware
Wells Fargo	Banking

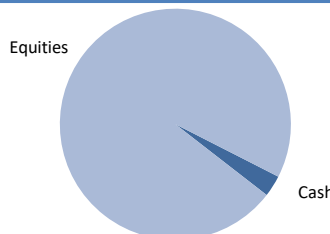
### Portfolio Recent Actions

Increase/ In	Decrease/ Out
D'leteren	Rheinmetall
Wheelock & Co.	Catlin
American Eagle Outfitters	Carrefour

### Main Terms

<b>Investment Universe</b>	: Global equities
<b>Asset Management Company</b>	: Credit Suisse Gestion, SGIC
<b>Depository</b>	: Credit Suisse AG, Suc. España
<b>Auditors</b>	: Deloitte
<b>Regulator</b>	: CNMV
<b>Listed Market</b>	: <i>Mercado Alternativo Bursatil</i>
<b>Management Fee</b>	: 1.50% per annum
<b>Annual Performance Fee</b>	: 10% above 5% level (with HWM)
<b>Depository Fee</b>	: 0.10% per annum
<b>ISIN Code</b>	: ES0118626037
<b>Inception Date (new Board)</b>	: 1 <sup>st</sup> December 2009
<b>Currency</b>	: EUR
<b>Liquidity</b>	: Daily
<b>Asset Under Management</b>	: €80,508,000 (30 <sup>st</sup> April 2014)
<b>Number of Shareholders</b>	: 637 (as of 31 <sup>st</sup> March 2014)
<b>Bloomberg Code</b>	: CIF SM <equity>
<b>Ticker</b>	: S0646

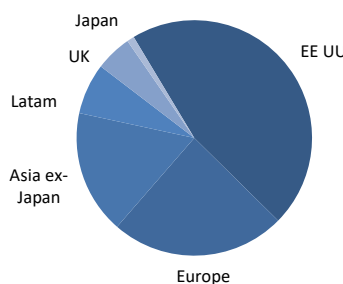
### Asset Distribution



#### Asset Class

Equities	94%
Fixed Income	0%
Cash	6%

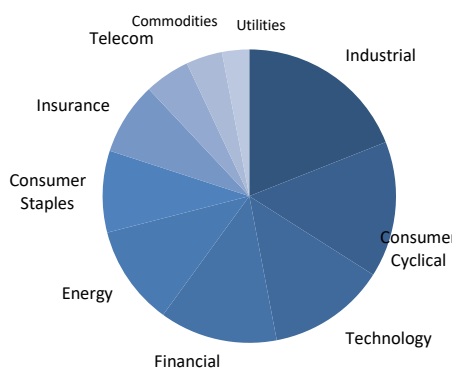
### Geographical Distribution



#### Region

EE UU	46%
Europe	24%
Asia ex-Japan	17%
Latam	7%
UK	5%
Japan	1%
Switzerland	0%

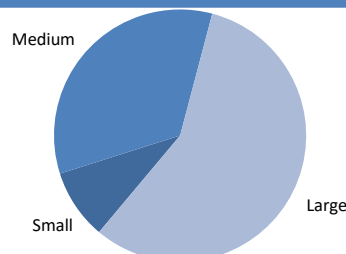
### Sector Distribution



#### Sector

Industrial	19%
Consumer Cyclical	15%
Technology	13%
Financial	13%
Energy	11%
Consumer Staples	9%
Insurance	8%
Telecom	5%
Commodities	4%
Utilities	3%
Health & Pharma	0%

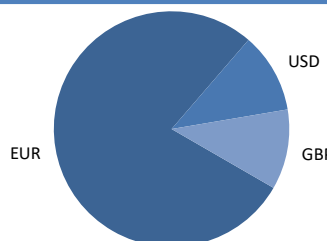
### Capitalization Distribution



#### Capitalization

Below €1bn	9%
€1bn to €5bn	34%
Above €5bn	57%

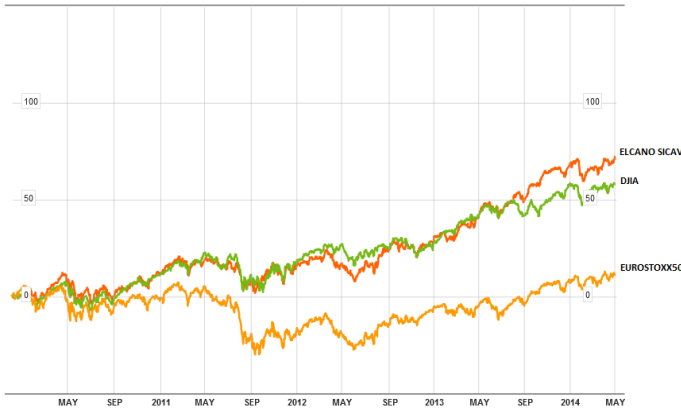
### Currency Exposure



#### Includes FX Hedge

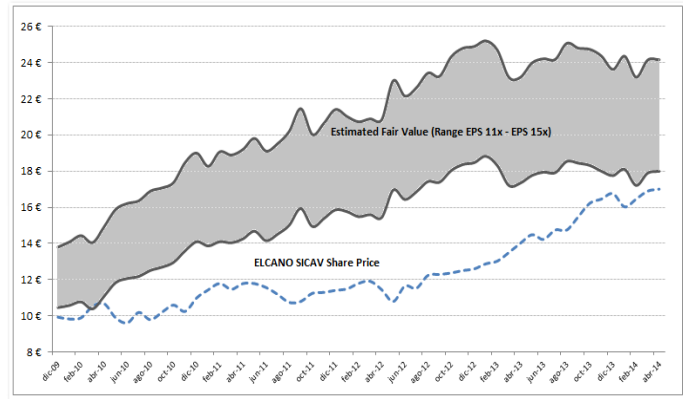
EUR	80%
USD	13%
GBP	7%
CHF	0%

## Price of ELCANO vs. Other Major Equity Indices



Source: Bloomberg (Since Dec 2009).

## ELCANO Share Price Vs. Estimated Fair Value (Range EPS 11x - EPS 15x)



Source: ELCANO SICAV, Bloomberg.

## Return and Volatility Data

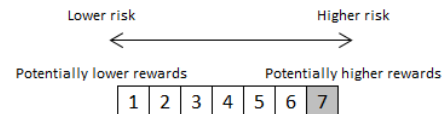
### Return

2014 (Year to date)	+1.7%
Year 2013	+32.6%
Year 2012	+10.4%
Year 2011	+3.8%
Year 2010	+10.7%
Year 2009 (From 1 <sup>st</sup> to 31 <sup>st</sup> Dec 2009)	+0.4%
Since inception (1 <sup>st</sup> Dec 2009)	+72.0%

Volatility 14.9%

Source: CreditSuisse SGICC, Bloomberg, ELCANO SICAV

## Risk & Reward Profile (SRR)



**ELCANO SICAV's "SRR" rating: 7** in a risk metric going from 1 up to 7.

The SRR represents the risk and return profile present in the Key Investor Information Document (also called "DFI", or "Datos Fundamentales para el Inversor"). The lowest category does not imply that there is no risk. The SRR is not a guarantee and may change over time.

Source: DFI Document ("Datos Fundamentales para el Inversor"); www.cnmv.es.

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**Private and confidential information.**