

ELCANO has returned 32.6% in 2013, net of fees and expenses. Since inception in December 2009, cumulative performance is 69.1%, equivalent to an annual compounded return of 13.7%.

These are the highlights of the period:

- Disposal of the investments in **Saint-Gobain (SGO:FP)** and **World Duty Free (WDF:IM)** with a 34.4% and 18.2% returns respectively.
- Acquisition of shares in the multinational telecom operator **Vodafone (VOD:LN)** with a 4% portfolio weight. With 400mn subscribers, Vodafone holds a leading position in 4 European markets comprising 60% of its enterprise value and 3 emerging countries. After returning the majority of the proceeds received in the sale of its stake in Verizon Wireless, the stub trades at 5x EBITDA and £180/subscriber, below multiples for comparables and prices paid in recent acquisitions. Furthermore, there are a few elements that suggest a high probability of takeover in the next few months: a) attractive assets that can be further splited; b) attractive borrowing conditions; c) almost zero net debt; d) strong M&A activity in the sector; e) hands-off government. The IRR for this investment is 20% without takeover.
- ELCANO invested 4% of its assets in the global professional design company **AECOM (ACM:US)**. Ranked Nr.1 by ENR, it operates in a growing sector and combines a solid competitive advantage based on its capabilities in offering integral solutions (design, build, finance and maintain) and a low risk profile due to the nature of its contracts, its balance sheet strength and its wide diversification by geography, customer and end market. We also believe that the board (owner of 5% of the stock) can create shareholder value through buybacks and acquisitions. The IRR exceeds 20%.
- ELCANO bought shares in **Kodak (KODK:US)**, with a 4% portfolio weight. Kodak emerged from chapter 11 in November 2013 as a digital commercial printing company, without debt, with its pension obligation fully funded, and a lean cost structure. The competitive advantage of the new Kodak lies in its installed base that generates recurring revenues through the sale of consumables (90% of revenues), its cost structure, its brand and reputation and its deep knowledge of material science and deposition processes. It is ideally placed to take advantage of a market in transition from analog to digital. It has a 30% market share in a concentrated market given the strong barriers to entry. We paid 0.4x revenues and 2.5 EBIT after normalizing to typical industry margins. The IRR exceeds 40%.
- ELCANO has taken advantage of the low levels of volatility (VIX below 15% versus an historical average of 20%) to buy protection through the acquisition of put options in cyclical and overvalued underlying assets. The maximum loss in the 14 months until expiration is the premium paid (1% of the portfolio) and in the case of a 20% market decline we will receive 10x the premium. Given that this happens one every three years since 1900, we believe it is a good investment.

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ELCANO SICAV results have been achieved by following four principles that should keep guiding us in the future:

- Rigorous financial and strategic analysis of investment opportunities.
- Restricted to financially and competitively sound companies available at a discount to its intrinsic value.
- Long-term orientation.
- Concentration in the best ideas.

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: 16.72 euros (12/31/2013)

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 in **Saint-Gobain (SGO:FP)** and **World Duty Free (WDF:IM)**. ELCANO SICAV invested in the multinational telecom operator **Vodafone (VOD:LN)**, in the global professional design company **AECOM (ACM:US)**, and in **Kodak (KODK:US)**, a leader in the digital commercial printing business.

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Top Holdings

Company	Sector
GDF Suez	Utilities
Apache	Energy
Kodak	Printing & Imaging
Wells Fargo	Banking
Mapfre	Insurance

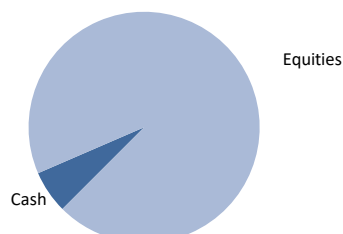
Portfolio Recent Actions

Increase/ In	Decrease/ Out
Vodafone	Saint-Gobain
AECOM	World Duty Free
Kodak	

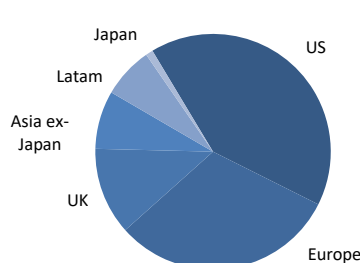
Main Terms

Investment Universe	: Global equities
Asset Management Company	: Credit Suisse Gestion, SGIC
Depository	: Credit Suisse AG, Suc. España
Auditors	: Deloitte
Regulator	: CNMV
Listed Market	: <i>Mercado Alternativo Bursatil</i>
Management Fee	: 1.50% per annum
Annual Performance Fee	: 10% above 5% level (with HWM)
Depository Fee	: 0.10% per annum
ISIN Code	: ES0118626037
Inception Date (new Board)	: 1 st December 2009
Currency	: EUR
Liquidity	: Daily
Asset Under Management	: €72,600,000 (31 st -Dec-2013)
Number of Shareholders	: 546 (as of 29 th - Nov-2013)
Bloomberg Code	: CIF SM <equity>
Ticker	: S0646

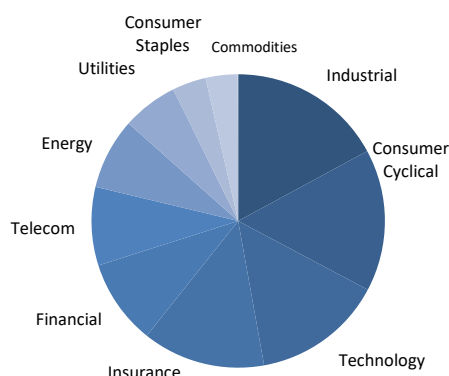
Asset Distribution



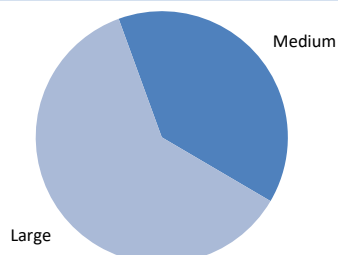
Geographical Distribution



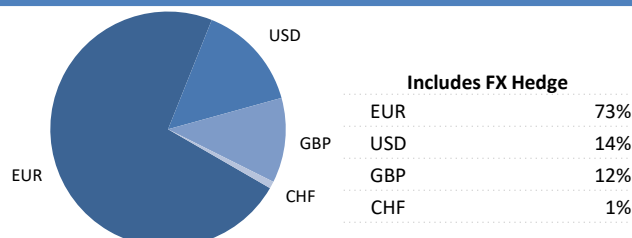
Sector Distribution



Capitalization Distribution



Currency Exposure

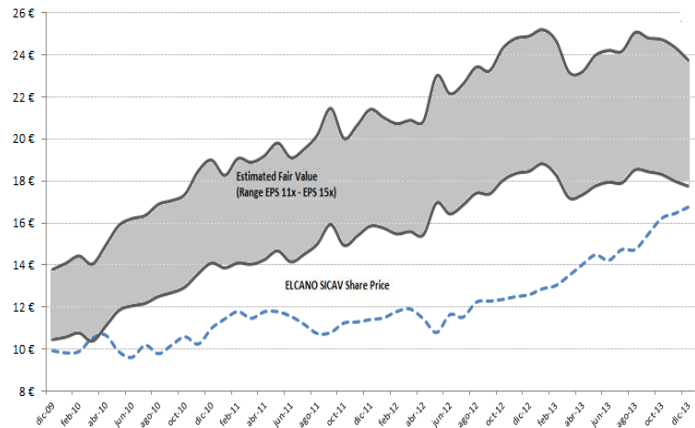


Price of ELCANO vs. Other Major Equity Indices



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	
Year 2013	+32.6%
Year 2012	+10.4%
Year 2011	+3.8%
Year 2010	+10.7%
Year 2009 (From 1 st to 31 st Dec 2009)	+0.4%
Since inception (1 st Dec 2009)	+69.1%
Volatility	
Volatility	15.2%

Source: CreditSuisse SGICC, Bloomberg, ELCANO SICAV

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