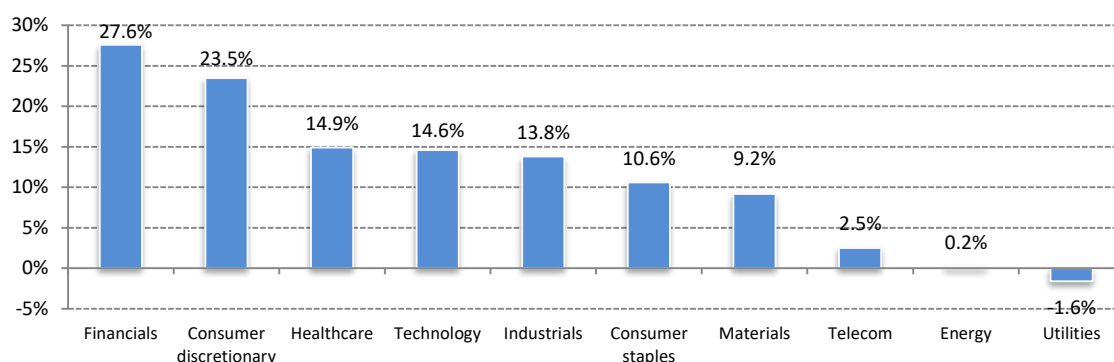


ELCANO has returned 10.4% in 2012, net of fees and expenses. Since inception in December 2009, cumulative performance is 27.5%, equivalent to an annual compounded return of 8.2%.

Charts 1 and 2 show the performance of several regional and sector Indexes. It has been a good year for every market with the marked exception of Spain. The best returns have been achieved by Financials and Consumer Cyclical, whilst we find Utilities, Energy and Telecoms at the bottom of the rank.

Chart 1: 2012 Equity Sector Performance
(Source: Bloomberg, Elcano Sicav)



ELCANO SICAV has slightly lagged the MSCI World (in local currency) in 2012. Since inception, ELCANO has beaten the Index by more than 4% a year on average, with most of the outperformance achieved in the bear market of 2011. Value based strategies – as opposed to momentum or trend following ones – make a difference when the trend changes and hot money suddenly vanishes. Avoiding large losses is the key to superior long term returns.

Chart 2.a: ELCANO SICAV Vs. Indices
2012 Year

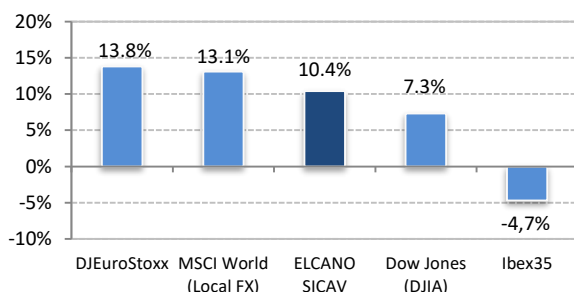
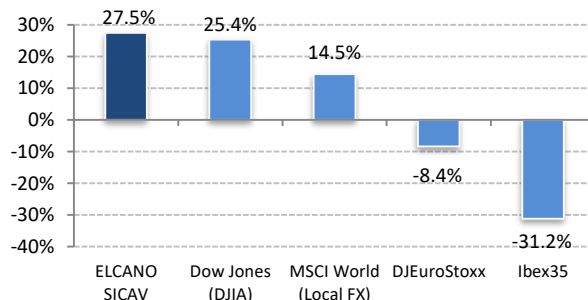


Chart 2.b: ELCANO SICAV Vs. Indices
Since Inception (1 Dec 2009)



(Source: Bloomberg, Elcano Sicav. Indices do not include dividends. Elcano's performance is net of fees)

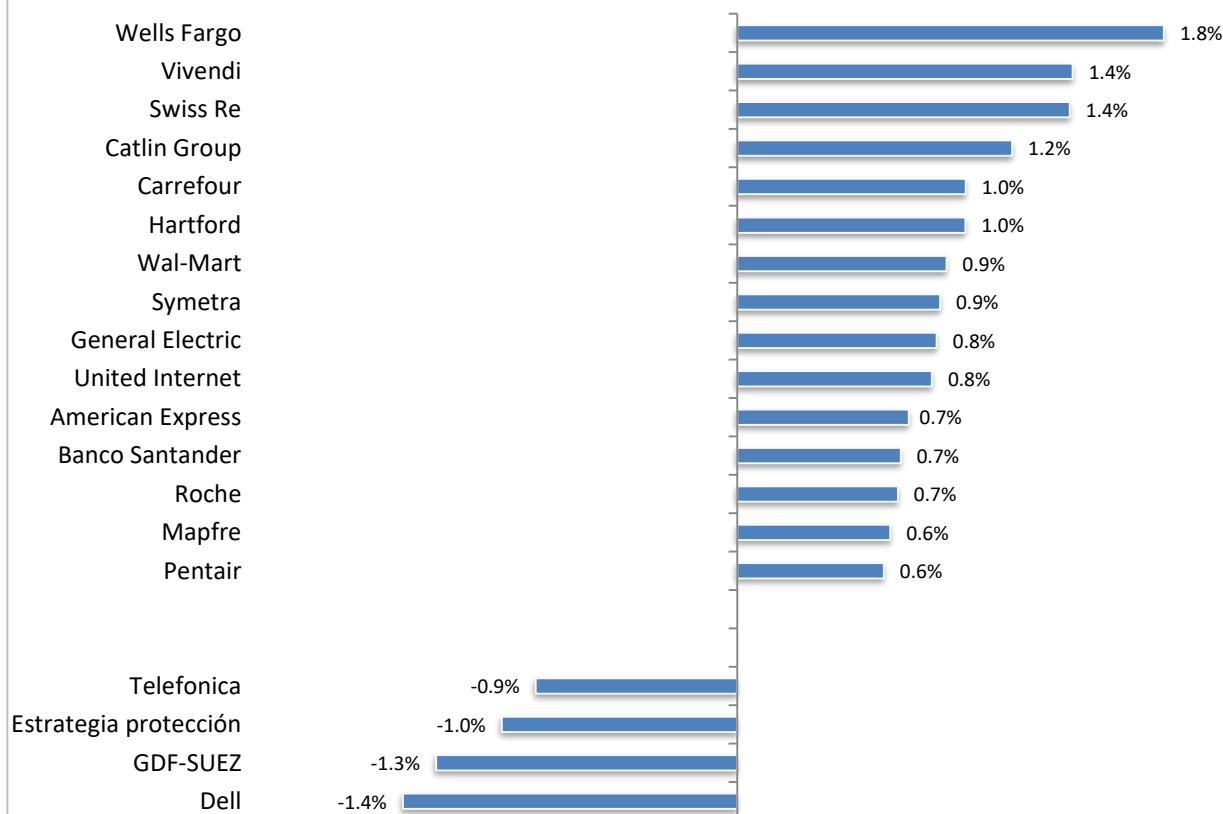
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Individual stocks adding plus/minus 50bp to the overall return can be found in **Chart 3**. There are many positive contributions and three negatives that have impacted the portfolio by -3.6%: Dell, GDF SUEZ and Telefonica. Due to several short term reasons - macroeconomic, industry related, regulatory and company specific – the market has decided to punish the shares, leaving them deeply undervalued. These are the only losses since inception.

Our crash protection strategy has diminished our return by a further 1%. The current investment in protection currently represents 0.6% of the portfolio.

Chart 3: 2011 Individual Stocks adding plus/minus 50bp to ELCANO SICAV

(Source: Bloomberg, Elcano Sicav)

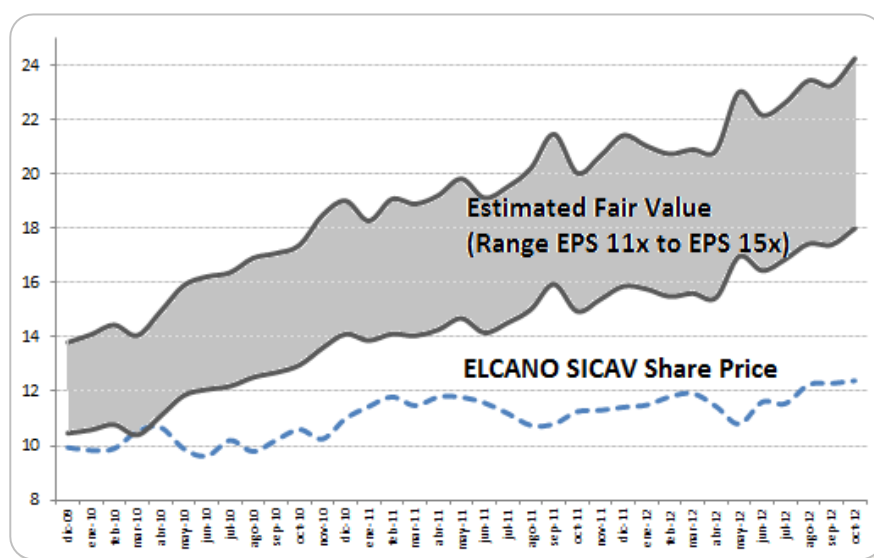


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Looking forward we are optimistic due to the substantial undervaluation of the portfolio, illustrated in **Chart 4** that compares ELCANO's fair value estimate with its market price. As a proxy to its value, we use the estimated earnings per share for the next twelve months capitalized at 6.5% (PE ratio of 15x). We also show the result of using a 9% capitalization rate (PE ratio of 11x), a range that contains all the five year interval periods since 1930.

Chart 4: Estimated Fair Value ELCANO SICAV
(Fuente: Elcano Sicav)



As shown in the Chart, the growth in value has exceeded the increase in ELCANO's share price, which means that the portfolio is cheaper today than was when we started back in December 2009. We work to constantly increase the value of the portfolio, whilst time will make price and value converge.

To further align our interests with the shareholders of ELCANO SICAV - all our financial assets are invested in ELCANO - we have reduced the fixed management fee and established a performance fee.

The new scheme consists of a 1.5% fixed fee plus 10% of the annual profits exceeding 5%, net of the actual performance fee, subject to High Water Mark (HWM). As an example, if the annual return net of the fixed management fee and expenses is 8%, the performance fee would be 0.27%, calculated by deducting 5% from 8% and dividing the balance by 9.09% (10%/110%). HWM means that no performance fee will be paid unless ELCANO's share price exceeds the level achieved at the close of the last year that a performance fee was paid.

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Our confidence in achieving results is based on the four principles that ELCANO SICAV has followed since inception:

- 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.
- Concentrated 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
ELCANO SICAV *Partner*



JJ Fernandez
ELCANO SICAV *Partner*

Net Asset Value: 12.61 euros (12/31/2012)

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 has returned 10.4% in 2012, net of fees and expenses. Since inception in December 2009, cumulative performance is 27.5%, equivalent to an annual compounded return of 8.2%

ELCANO SICAV has slightly lagged the MSCI World (in local currency) in 2012. Since inception, ELCANO has beaten the Index by more than 4% a year on average, with most of the outperformance achieved in the bear market of 2011. Value based strategies – as opposed to momentum or trend following ones – make a difference when the trend changes and hot money suddenly vanishes. Avoiding large losses is the key to superior long term returns.

Top Holdings

Company	Sector
GDF Suez	Utilities
Wells Fargo	Banking
Iberdrola	Utilities
Carrefour	Distribution
Vivendi	Telecom

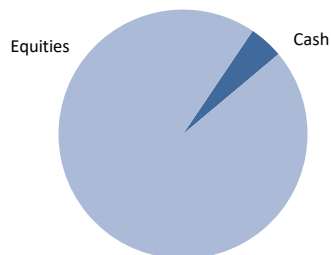
Portfolio Recent Actions

Increase/ In	Decrease/ Out
	Roche

Main Terms

Investment Universe	:	Global equities
Asset Management Company	:	Credit Suisse Gestión, SGIC
Depository	:	Credit Suisse AG, Suc. España
Auditors	:	PricewaterhouseCoopers
Regulator	:	CNMV
Listed Market	:	<i>Mercado Alternativo Bursatil</i>
Management Fee	:	1.50% per annum
Annual Performance Fee	:	10% above 5% level
Depository Fee	:	0.10% per annum
ISIN Code	:	ES0118626037
Inception Date (new Board)	:	1 st December 2009
Currency	:	EUR
Liquidity	:	Daily
Asset Under Management	:	€24,890,000 (as of 31 st Dec '12)
Number of Shareholders	:	321 (as of 31 st Dec'12)
Bloomberg Code	:	CIF SM <equity>

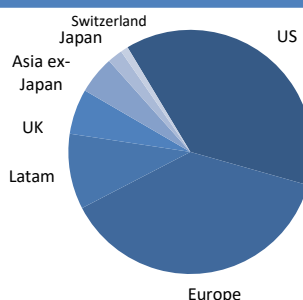
Asset Distribution



Asset Class

Equities	96%
Fixed Income	0%
Cash	4%

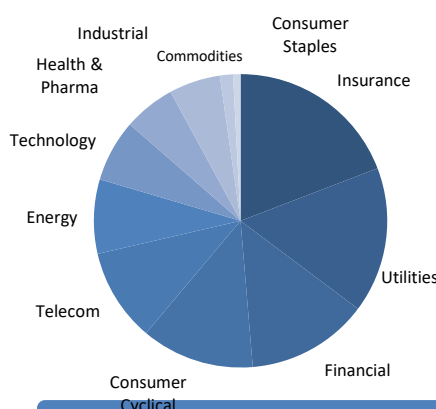
Geographical Distribution



Region

US	38%
Europe	38%
Latam	10%
UK	6%
Asia ex-Japan	5%
Japan	2%
Switzerland	1%

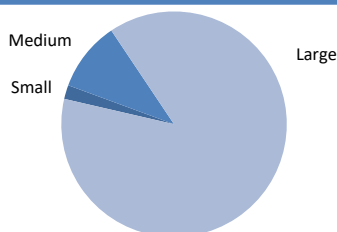
Sector Distribution



Sector

Insurance	19%
Utilities	16%
Financial	13%
Consumer Cyclical	12%
Telecom	10%
Energy	8%
Technology	7%
Health & Pharma	6%
Industrial	6%
Commodities	1%
Consumer Staples	1%

Capitalization Distribution



Capitalization

Below €1bn	2%
€1bn to €5bn	10%
Above €5bn	88%

Currency Exposure

Includes FX Hedge

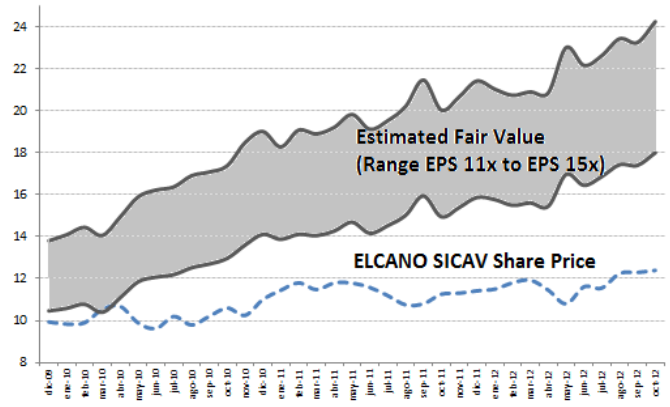
EUR	84%
USD	6%
GBP	4%
CHF	6%

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 2012	+10.4%
Year 2011	+3.8%
Year 2010	+10.7%
Year 2009 (1 st to 31 st Dec 2009)	+0.4%
Since inception (1 st Dec 2009)	+27.5%

Volatility	16.4%
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Source: CreditSuisse SGICC, Bloomberg, ELCANO SICAV

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