

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

- We have reduced **Schindler's** weight from 9% to 5%. We started buying shares of the elevator company in December 2009 at CHF75/share, achieving an average cost of CHF82/share, for an expected return of 20% a year for the 2010-15E period. With the share price appreciation (currently at CHF111), our expected return is down to 15%. Schindler is well managed, soundly financed and with highly recurrent revenues, given its large maintenance base. For all this, we have decided to keep it in the portfolio with a 5% weight.
- We have increased both **Wells Fargo's** (from 8% to 9%) and **American Express'** weights (from 5% to 6%). The current regulatory uncertainty gives us the opportunity to become shareholders of two great businesses at very attractive prices. We have stress tested our valuations for these risks and even under the worst case scenario, the resulting expected return still remains attractive.
- Finally, we have increased **Roche's** weight from 0.5% to 3%. If prices remain at current levels, we will tend to equal its weight with **Johnson&Johnson's**, the other pharma company in ELCANO, as both share many of the opportunities and risks and have similar expected returns.
- The reported 9-months results for the companies in ELCANO are in line with our estimates, giving us great confidence in the accuracy of our forecasts. All of them have reported higher earnings in a low growth economy. Although our focus is business strategy and valuation and not macroeconomic forecasting, we do believe the US Fed policies carry substantial inflation risk in the long run. The companies in ELCANO have very low debt levels, the majority of it with a fixed rate and long term maturities. An interest rate increase would have a positive impact in the insurance companies held in the portfolio.
- We estimate the rebalancing of the portfolio since the beginning of the year has added 5% to ELCANO's return. We believe it is one of the best tools we have to create value. The portfolio's earnings per share is €1.21 for 2011E, or a 9.1x PE. 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

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Investment Approach

Elcano Inversiones Financieras, SICAV, S.A. seeks to acquire shares in exceptional businesses at a discount to its intrinsic value. We look for companies with a sustainable competitive advantage that we can understand, a strong financial position and an honest and skilled management team. Our 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

We have recently rebalanced the weighting of the following companies according to our estimates due the current stock prices: **Schindler, Wells Fargo, American Express and Roche**. The portfolio's earnings per share is €1.21 for 2011E, or a 9.1x PE.

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10 Top Holdings

Company	Sector	Weight
Wells Fargo	Banking	9%
GBL	Holding	9%
ConocoPhillips	Oil	7%
American Express	Credit Card	6%
Johnson&Johnson	Healthcare	6%
United Internet	Telecom	5%
Schindler	Industrial Elevators	5%
Iberdrola	Utility	5%
Swiss Re	Insurance	5%
Telefonica	Telecom	5%

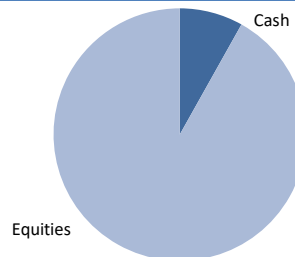
Main Terms

Investment universe	: Global equities
Asset management company	: Credit Suisse Gestion, SGIC
Depository	: Credit Suisse, AG Sucursal E
Auditors	: PricewaterhouseCoopers
Regulator	: CNMV
Listed market	: <i>Mercado Alternativo Bursatil</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 10,60 euros (10/29/10)

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

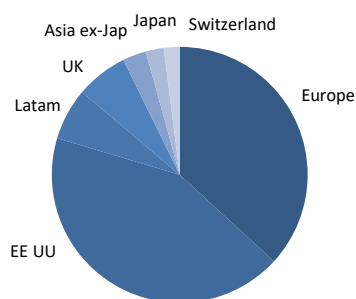
Asset Distribution



Asset Class

Equities	92%
Fixed Income	0%
Cash	8%

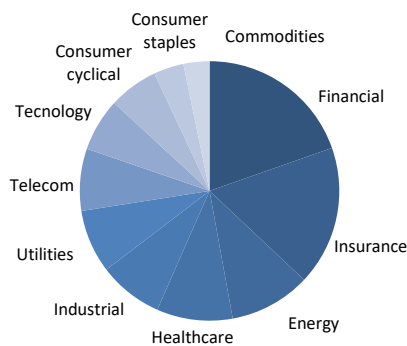
Geographical Distribution



Region

EEUU	42%
Europe	37%
Latam	7%
UK	7%
Asia ex-Japan	3%
Japan	2%
Switzerland	2%

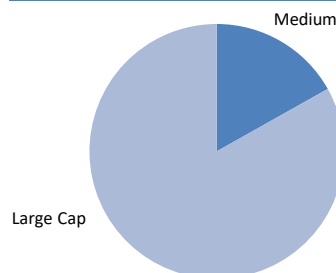
Sector Distribution



Sector

Financial	18%
Insurance	16%
Energy	9%
Healthcare	9%
Industrial	7%
Utilities	7%
Telecom	7%
Technology	6%
Consumer cyclical	6%
Consumer staples	3%
Commodities	3%

Capitalization Distribution



Capitalization

Below €1bn	0%
€1bn to €5bn	17%
Above €5bn	83%

Currency Distribution

Unhedged		Hedged (ELCANO)	
EUR	40%	EUR	79%
USD	43%	USD	4%
GBP	5%	GBP	5%
CHF	12%	CHF	12%

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Investments are subject to, either directly or by the investment in other investment companies, market risk, interest rate risk, currency risk, credit risk, liquidity risk, country risk and geographic and industry risk. As a consequence, the net asset value per share is subject to market fluctuations, that can lead to either positive or negative returns, can be very volatile. The price of shares/units can go down as well as up, and may be affected by changes in rates of exchange. An investor may not get back the amount invested. **As per the sicav's public prospectus available at the CNMV, in the risk scale from 1 (lowest risk) to 7 (highest risk), the risk profile of ELCANO SICAV is 6.** For a detailed description of the risks in relation to this SICAV, please see the latest version of the public prospectus and latest information, which may solely be relied upon as the basis for investment decisions; these documents are available from the fund management company, Credit Suisse Gestión, S.G.I.I.C. (Calle Ayala 42, 28001 Madrid) and at the CNMV.

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Private and confidential information.