

ELCANO returned 6.7% in the first four months of 2015, net of fees and expenses. Since inception in December 2009, cumulative performance is 73.0%, equivalent to a compound annual return of 10.6%.

These are the highlights of the period:

- Disposal of the shares in the Australian food producer **Goodman Fielder (GFF: AU)** after the takeover by Wilmar and First Pacific, achieving a 11.3% return in 14 months with an average 4% weight. We also sold our stake in the US fashion retailer **American Eagle Outfitters (AEO:US)**, making a 50.5% return in 11 months with an average 4% weight.
- Investment of 5% of the assets in the global engineering company **WorleyParsons (WOR:AU)**. With AU\$7bn in revenues, 35,000 employees in 46 countries, it is one of the largest energy-focused contractors, competing against Fluor, AMEC-FW, Chicago Bridge&Iron or Jacobs amongst others. We bought the shares at a 50% discount to our intrinsic value assessment and the value implied by the current market price of AMEC-FW, the competitor with the closest business model. Leaving price aside, we think the following traits make it an attractive investment:
  - Low risk and cash flow generative business model, due to its focus on professional technical services, with limited exposure to large projects, to fabrication and to fixed-price contracts.
  - WP success is the result of its agility, low bureaucracy, discipline and sticking to its core. The founder and Chairman owns 20% of the shares.
  - Barriers to entry are high: a) know-how; b) scale, combining a global organization with strong local presence; c) reputation and client relationships; d) integrated offering comprising the whole project lifecycle.

One fourth of the NAV is currently invested along the oil&gas value chain. The speed at which the economic adjustment is taking place – both on the demand side and on capital expenditures that will eventually impact supply – makes us think that we are close to the bottom. Once it is reached, commodity prices should start to move towards marginal cost (\$80-100 /bbl) as excess inventory is cleaned-up. In a second phase, sector activity will recover.

In our experience, the best time to buy is when there is pessimism and limited visibility, as we did in our past investments in pharma, defense, banks, insurance, Spain and multiple stock-specific cases. What usually happens is that once stability is reached, most of the money has already been made, as investors shift fast from fear to greed.

- ELCANO acquired shares in the global watchmaker **Fossil Group (FOSL:US)**, with a 5% portfolio weight. With \$3.5bn sales in 400 company-owned stores and 4,000 wholesale locations, it is Nr.3 globally after Rolex and the Swatch Group, and the leader by sales in US. It targets the medium segment (\$100-1,000) with a combination of owned (Fossil, Skagen) and exclusively licensed brands.

Its economic moat is created by the virtuous circle between brands and operations. Its scalable and vertically integrated structure - comprising design, manufacturing, marketing and distribution - achieves the close coordination needed to exploit the full potential of the brands. A portfolio of brands together with geographic diversification assures revenue stability to leverage the fixed structure.

In our opinion, the market overreacted to the launch of the Apple Watch, giving us an opportunity to buy the shares at 1.3x sales and 8x operating profits, a 40% discount to our fair value estimate and 50% discount to comparables. Fossil is taking advantage by buying back shares given its strong balance sheet and ample cash flow generation.

- ELCANO invested 5% of the portfolio in the specialty chemical company **Chemtura (CHMT:US)**. It was created by the merger between Crompton (polymer additives, urethanes, EPDM and agrochemicals) and Great Lakes (consumer products, flame retardants and other brominated products). In 2009 it filed for bankruptcy due to excessive leverage (\$950mn), unfunded pension obligations (\$600mn) and the impact of the crisis in the demand of flame retardants, used extensively in construction.

Chemtura emerged from Chapter 11 with a strong balance sheet (no pensions and \$400mn net debt) and in the last two years it has streamlined its portfolio by selling agrochemicals, antioxidants and consumer products (\$1.5bn proceeds invested in buying back 1/3 of the shares), to focus on:

- a) petroleum additives (the largest independent producer);
- b) urethanes (Nr.1 globally in hot cast elastomers);
- c) flame retardants (one of the three global manufacturers);
- d) organometallics.

Over the next 3 years, management is targeting \$2.5bn in sales at typical industry EBITDA margins of 20%. At market or M&A multiples this would translate into the shares trading at 2.5x its current market price (Chemtura is trading at just 1.3x sales). The levers are a combination of growing volumes and improved pricing achieved by innovation and marketing excellence, a cyclical recovery of bromine products and organometallics and cost savings achieved by simplifying its corporate structure and consolidating its manufacturing footprint.

The portfolio is currently invested in 23 companies competing in 16 industries and quoted in 8 different markets. ELCANO SICAV trades at 1.1x book value, 14.3x 2015E earnings - 8.3x the average inflation-adjusted earnings of the past 10 years - and a 2.5% dividend yield.

Our position today – a portfolio of industry leaders trading at deep discounts – combined with future capital recycling, should result in attractive 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: €17.10 euros (04/30/2015)**

Source: Credit Suisse Gestion S.G.I.I.C., S.A.

### 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

Disposal of the shares in the Australian food producer **Goodman Fielder (GFF:AU)** achieving a 11.3% return in 14 months. We also sold our stake in the US fashion retailer **American Eagle Outfitters (AEO:US)**, making a 50.5% return in 11 months.

Investment of 5% of the assets in the global engineering company **WorleyParsons (WOR:AU)**. ELCANO acquired shares in the global watchmaker **Fossil Group (FOSL:US)**, with a 5% portfolio weight, and also invested 5% of the portfolio in the specialty chemical company **Chemtura (CHMT:US)**.

### Top Holdings

Company	Sector
General Cable	Capital Goods
Apache	Energy
Diamond Offshore	Oil & Gas Services & Equip
AECOM	Capital Goods
Kodak	Office & Business Equipments

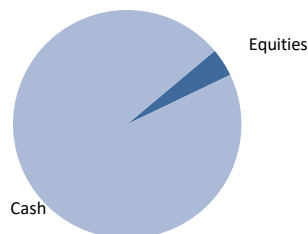
### Portfolio Recent Actions

Increase/ In	Decrease/ Out
WorleyParsons	Goodman Fielder
Fossil Group	American Eagle Outfitters
Chemtura	

### 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>	: €89,309,000 (04/30/2015)
<b>Number of Shareholders</b>	: 640 (03/31/2015)
<b>Bloomberg Code</b>	: CIF SM <equity>
<b>Ticker</b>	: S0646

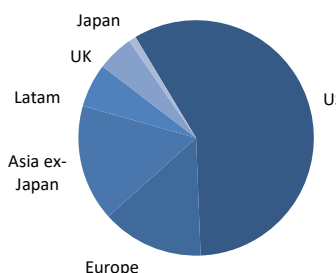
### Asset Distribution



#### Asset Class

Equities	96%
Fixed Income	0%
Cash	4%

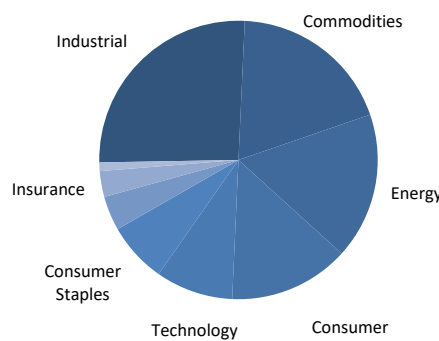
### Geographical Distribution



#### Region

US	58%
Europe	14%
Asia ex-Japan	16%
Latam	6%
UK	5%
Japan	1%
Switzerland	0%

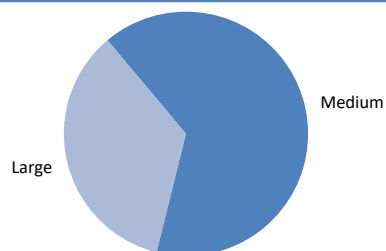
### Sector Distribution



#### Sector

Industrial	26%
Commodities	19%
Energy	17%
Consumer Cyclical	14%
Technology	9%
Consumer Staples	7%
Financial	4%
Insurance	3%
Telecom	1%
Utilities	0%
Health & Pharma	0%

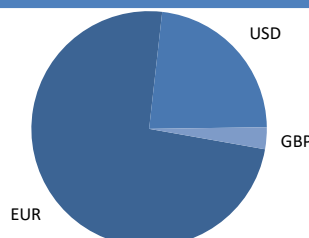
### Capitalization Distribution



#### Capitalization

Below €1bn	0%
€1bn to €5bn	65%
Above €5bn	35%

### Currency Exposure



#### Includes FX Hedge

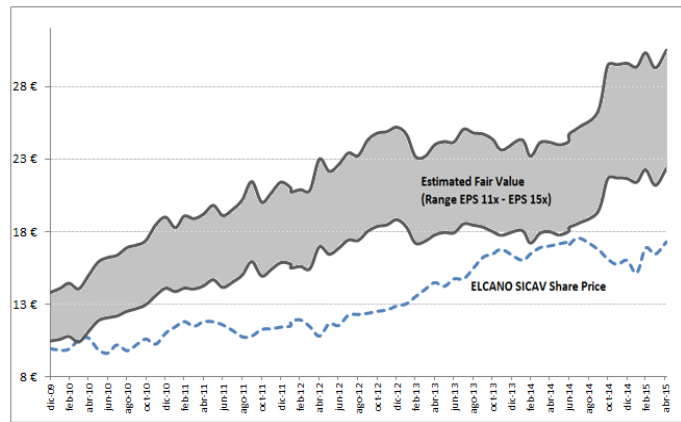
EUR	74%
USD	23%
GBP	3%
CHF	0%

## Price of ELCANO vs. Other Major Equity Indices



Source: Bloomberg (since Dec 2009).

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



Source: ELCANO SICAV, Bloomberg.

## Return and Volatility Data

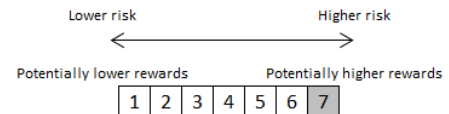
### Return

2015 (Year to date)	+6.7%
Year 2014	-4.2%
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)	+73.0%

Volatility	14.7%
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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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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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**The net asset value per share is subject to market fluctuations, that can lead to either positive or negative returns, and that may cause a loss of principal. Past results are neither a guarantee nor a reliable indicator of future performance.**

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