

ELCANO SICAV returned 13.9% so far in 2016. Since inception in December 2009, cumulative performance is 41.2%, net of fees and expenses, equivalent to a compound annual return of 5.5%.

In recent months we are witnessing a shift in fundamentals and expectations. Indeed, after 18 months of Industrial Recession, we have moved into the stabilization phase, both in terms of supply and demand balance and actual business results. As for the market, the rotation from the darlings of the past into sectors and companies with more attractive valuations has already started. Both developments are positive for an investment strategy based not on following the crowd but on considering price a key factor.

During March and April:

- ELCANO sold our entire stakes in the following companies (5% average weight each):

		Holding Period	Total Return	CAGR	Expected IRR
AGCO (AGCO:US)	Tractors	36 months	13.80%	4.40%	19%
Apache (APA:US)	Oil&Gas	72 months	-32.40%	-15.20%	17%
Talanx (TLX:GR)	Insurance	52 months	14.90%	8.40%	18%

Source: Elcano sicav

In our opinion all of them remain attractive, both in quality and price. However, we have superior opportunities. We think ideas should always be judged against alternatives. Part of the proceeds have been reinvested in existing positions (the portfolio IRR for 2016-20 exceeds 30%) and in the idea detailed below.

- ELCANO invested 5% of the NAV in the global industrial company **SPX Flow (FLOW:US)** dedicated to the engineering, fabrication, commercialization and maintenance of products used in fluid management (such as pumps, valves, mixers, filters, heat plate exchangers) used extensively in a wide variety of industries (Food&Beverage, Power&Energy, etc.).

The industry is attractive, with high returns on invested capital given its oligopolistic structure protected by many barriers to entry such as economies of scale in purchasing or distribution, economies of scope (wide product range), reputation, cumulative knowledge, in addition to the installed base that feeds the maintenance business.

Management is focused on raising margins with 5 initiatives that should bring \$100mn of cost savings and put margins in line with peers. Also, the company wants to drive organic growth by expanding distribution channels, further developing the aftermarket business, improving the penetration of key accounts and fostering technology cross-sell.

These opportunities are available due to the fact that SPX Flow is the result of numerous acquisitions in the past that have not been fully integrated, resulting in duplicities and dragging organic growth. SPX Flow separation from SPX a few months ago should bring greater management focus and incentives to create shareholder value. Being SPX Flow the smallest amongst the leaders, it is a takeover target, a fact that reinforces discipline and gives us optionality.

Regarding valuation, we arrive at an enterprise fair value between \$2.5-3.5bn, using different techniques as public comparables, precedent transactions or discounted cash flow valuation. Taking \$3bn as reference and after deducting \$700mn of debt, we value the equity in \$2.3bn, which compares favorably against the current market capitalization of \$1.2bn and the \$850mn equivalent that we have paid.

The portfolio of 18 stocks trades at 11.3x 2016E earnings and 5x normalized, 1x book value and carries a 60% discount to our fair value estimate. We are confident that the combination of good quality and low price will translate into attractive compound returns 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: €13,96 euros (04/30/2016)
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 our entire stake in AGCO (**AGCO:US**), Apache (**APA:US**) and Talanx (**TLX:GR**). We invested 5% of the NAV in the global industrial company SPX Flow (**FLOW:US**) dedicated to the engineering, fabrication, commercialization and maintenance of products used in fluid management used extensively in a wide variety of industries. The portfolio of 18 stocks trades at 11.3x 2016E earnings and 5x normalized, 1x book value and carries a 60% discount to our fair value estimate.

Top Holdings

Company	Sector
Rayonier Advanced Materials	Chemical
Chemours	Chemical
Diamond Offshore	Oil & Gas Services
Kodak	Office/Business Equip.
Worley Parsons	Engineering

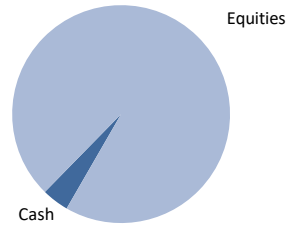
Portfolio Recent Actions

Increase/ In	Decrease/ Out
SPX Flow (FLOW:US)	AGCO (AGCO:US)
	Apache (APA:US)
	Talanx (TLX:GR)

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	: € 53,667,025 (04/30/2016)
Number of Shareholders	: 546 (04/30/2016)
Bloomberg Code	: CIF SM <equity>
Ticker	: S0646

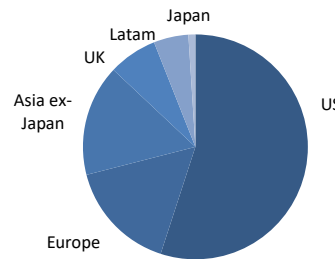
Asset Distribution



Asset Class

Equities	96%
Fixed Income	0%
Cash	4%

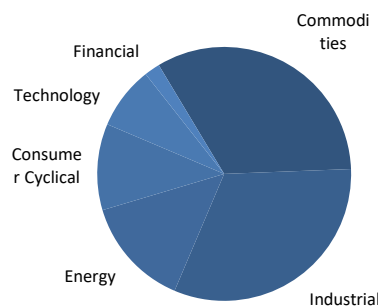
Geographical Distribution



Region

US	55%
Europe	16%
Asia ex-Japan	16%
UK	7%
Latam	5%
Japan	1%
Switzerland	0%

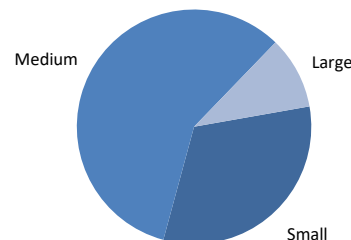
Sector Distribution



Sector

Commodities	33%
Industrial	32%
Energy	14%
Consumer Cyclical	11%
Technology	8%
Financial	2%
Consumer Staples	0%
Insurance	0%
Telecom	0%
Utilities	0%
Health & Pharma	0%

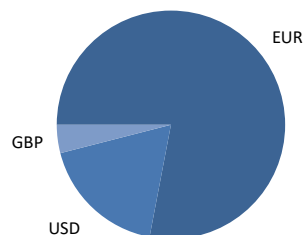
Capitalization Distribution



Capitalization

Below €1bn	32%
€1bn to €5bn	58%
Above €5bn	10%

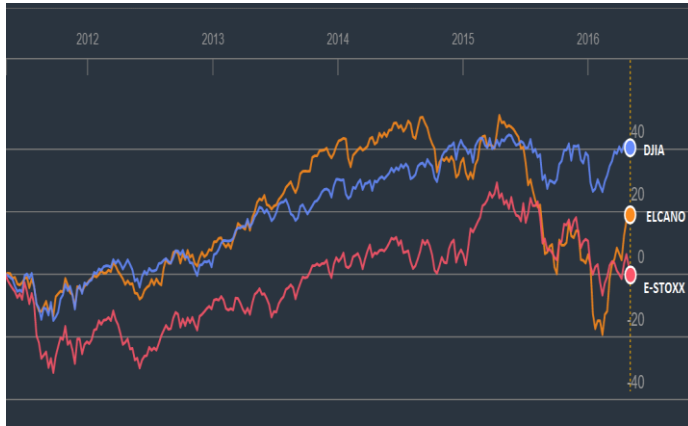
Currency Exposure



Includes FX Hedge

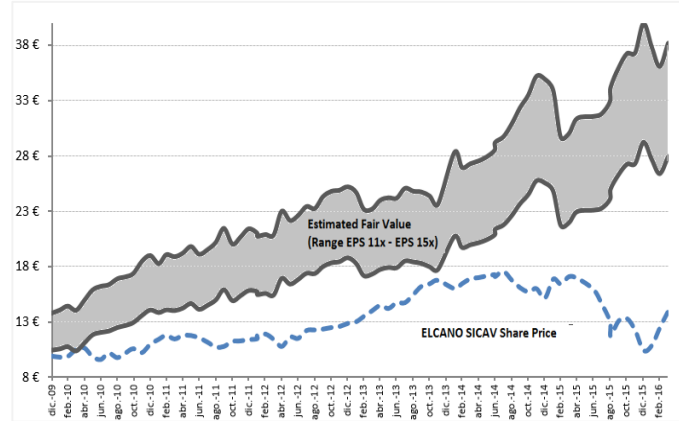
EUR	78%
USD	18%
GBP	4%
CHF	0%

Price of ELCANO vs. Other Major Equity Indices



Source: Bloomberg (Last 5 years).

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



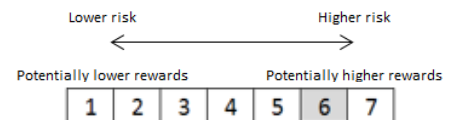
Source: ELCANO SICAV, Bloomberg.

Return and Volatility Data

Return	
2016 (Year-to-date)	+13.9%
Year 2015	-23.5%
Year 2014	-4.2%
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)	+41.2%
Volatility	
	17.7%

Source: Credit Suisse SGICC, Bloomberg, ELCANO SICAV

Risk & Reward Profile (SRR)



ELCANO SICAV's "SSRI" rating: 6 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. Current risk level based on the historical volatility data for the last 5 years.

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

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