

ELCANO returned 4.9% so far in 2014, net of fees and expenses. Since inception in December 2009, cumulative performance is 77.5%, equivalent to a compound annual return of 12.8%.

These are the highlights of the period:

- Sale of the following investments:

	Weight	Return (%)	CAGR (%)	Holding Period
Banco Santander	5%	72.8%	12.7%	> 4 years
Mapfre	5%	42.8%	8.1%	> 4 years
GDF-Suez	5%	33.0%	10.1%	3 years
Wheelock	5%	32.0%	32.0%	< 1 year

- Investment of 4% of the assets in **Vallourec (VK:FP)**, a premium steel tube manufacturer for applications in the Oil&Gas (70%), Industry (20%) and power (10%) sectors. Its strength lies in the combination of a high quality product, an efficient manufacturing network and customer proximity. With the recently completed capacity expansion in the US and Brazil, Vallourec is well placed to take advantage from the development of the increasingly complex reserves in these two countries and efficiently supply the EMEA region.

We paid tangible book value and 6x EBITDA, below the 9x for its main competitor and 8x paid on average in M&A. Allowing for the ramp up in production from the new plants that comes at higher margins, Vallourec would be trading at 4x EBITDA.

- ELCANO bought shares in the recently spun off **Rayonier Advanced Materials (RYAM:US)** for a 3% portfolio weight. It produces cellulose specialties (cellulose content > 95%), a niche that represents 2% of the overall pulp market and 25% of the total dissolved pulp. Its products are sold to specialty chemical companies for use as raw materials in the production of consumer goods like cigarette filters, drugs, cosmetics, food products, explosives, inks and lacquers. We believe this niche is protected by strong barriers to entry such as:
  - a) IP and R&D capabilities;
  - b) Long term relationships with customers that require security of supply, customized formulations and a high level of purity and uniformity;
  - c) Initial and recurrent capex.

With 675,000t of capacity between its two plants, RYAM has 40% of the global cellulose specialties market and 60% of acetates. It competes against Buckeye (owned by Koch Industries), Tembec, Borregaard and Sateri.

*The contents and investments on this document are not designed or intended for those who reside in jurisdictions where they are not authorized. The information contained in this document does not constitute an offer to buy or sell shares. 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. Please read the last page of this document for Important Information. Past results are neither a guarantee nor a reliable indicator of future performance.*

We believe the risk of permanent overcapacity is quite low given the reduced number of players and a growing demand with low cyclicality. The recent conversion by RYAM of 260,000t and 40,000t by Buckeye of absorbent materials into cellulose specialties will be placed into the market progressively as the market grows over the next 4 years. The estimated IRR is 20%.

- Investment of 4% of the NAV in **Bilfinger (GBF:GR)**, the former German contractor turned into a provider of recurrent services for the industry (50%), buildings and facilities (30%) and power (20%). Bilfinger strength lies in its reputation, customer relationships, know-how and a broad offering. Having acquired many companies during its transformation, it is currently in the process of integrating them to leverage its brand, drive cross-selling and cut costs. The shares were bought at 0.3x revenues and 6.5x EBITA.
- Acquisition of shares in the German insurer and the controlling shareholder of Hannover Re **Talanx (TLX:GR)**. ELCANO has a 3% weight in Talanx and 3% in Hannover Re. In addition to Hannover Re that weights 50% in Talanx, it is a leader in industrial lines and also writes life insurance in Germany and auto insurance in 5 countries. All the businesses are economically profitable and with growth opportunities. Talanx and Hannover Re share the management principles of prudence and return on capital focus. Its capital is strong and has an attractive shareholder remuneration policy.

We paid 1.3x tangible book value and 8x earnings. Hannover Re currently trades at 1.3x TBV and 8.8x earnings. We think Talanx shares are slightly more attractive and we get diversification benefits.

ELCANO SICAV is currently invested in 25 companies operating in 13 industries quoted in 8 different markets. The portfolio trades at 1.2x book value, 11.8x forward earnings, 8.5x operating income and 3% dividend yield.

The continuous process of buying shares in leading companies trading at bargain prices should translate into superior returns for ELCANO's shareholders 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: 17.56 euros (08/31/2014)**

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

ELCANO SICAV sold shares of Banco Santander, Mapfre, GDF-Suez and Wheelock, and invested in **Vallourec (VK:FP)**, a premium steel tube manufacturer; the recently spun off **Rayonier Advanced Materials (RYAM:US)**; **Bilfinger (GBF:GR)**, the former German contractor turned into a provider of recurrent services for the industry and buildings and facilities; and in the German insurer and the controlling shareholder of Hannover Re **Talanx (TLX:GR)**. ELCANO SICAV is currently invested in 25 companies operating in 13 industries quoted in 8 different markets. The portfolio trades at 1.2x book value, 11.8x forward earnings, 8.5x operating income and 3% dividend yield.

### Top Holdings

Company	Sector
American Eagle	Retailing
Symantec	Software & Services
Bilfinger	Professional Services
AECOM	Capital Goods
Apache	Energy

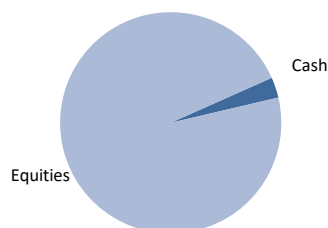
### Portfolio Recent Actions

Increase/ In	Decrease/ Out
Vallourec	Banco Santander
Rayonier Advanced Materials	Mapfre
Talanx	GDF-Suez
Bilfinger	Wheelock

### 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>	: €92,910,000 (08/31/2014)
<b>Number of Shareholders</b>	: 660 (07/01/2014)
<b>Bloomberg Code</b>	: CIF SM <equity>
<b>Ticker</b>	: S0646

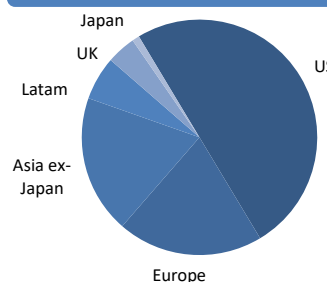
### Asset Distribution



#### Asset Class

Equities	97%
Fixed Income	0%
Cash	3%

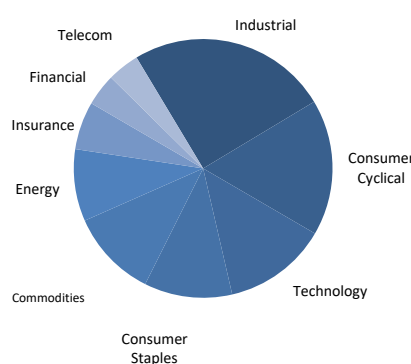
### Geographical Distribution



#### Region

US	50%
Europe	20%
Asia ex-Japan	19%
Latam	6%
UK	4%
Japan	1%
Switzerland	0%

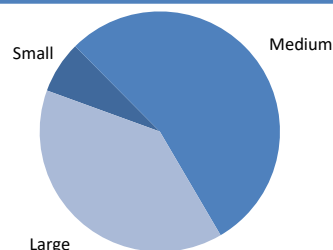
### Sector Distribution



#### Sector

Industrial	25%
Consumer Cyclical	17%
Technology	13%
Consumer Staples	11%
Commodities	11%
Energy	9%
Insurance	6%
Financial	4%
Telecom	4%
Utilities	0%
Health & Pharma	0%

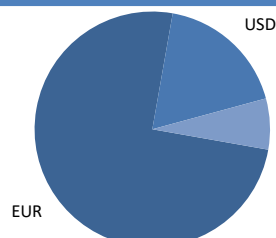
### Capitalization Distribution



#### Capitalization

Below €1bn	7%
€1bn to €5bn	54%
Above €5bn	39%

### Currency Exposure



#### Includes FX Hedge

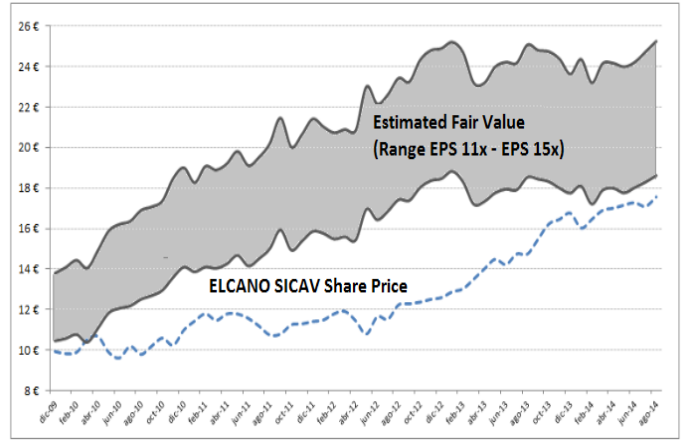
EUR	75%
USD	18%
GBP	7%
CHF	0%

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)



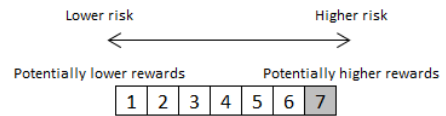
Source: ELCANO SICAV, Bloomberg.

Return and Volatility Data

Return	
2014 (Year to date)	+4.9%
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)	+77.5%
<hr/>	
Volatility	14.5%

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.

The contents and investments on this document are not designed or intended for those who reside in jurisdictions where they are not authorized. The information contained in this document does not constitute an offer to buy or sell shares. 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. Please read the last page of this document for Important Information. Past results are neither a guarantee nor a reliable indicator of future performance.

**IMPORTANT DISCLAIMER:**

This information has been furnished to you upon request and solely for your information and may not be reproduced or redistributed to any other person. It is not intended as an offer or solicitation with respect to the purchase or sale of shares of the Sicav.

**The contents of this document are based upon information believed to be reliable, however, save to the extent required by applicable law or regulations, no guarantee, warranty or representation (expressed or implied) is given as to its accuracy or completeness. This document is not aimed at persons who are residents of any country, including the United States of America, where the Funds referred to herein are not registered or approved for marketing and/or sale or in which the dissemination of information on the sicavs or services is not permitted.**

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.

Elcano Inversiones Financieras, SICAV, S.A. is registered in the Registro de Sociedades de Inversión de Capital Variable with number 971. The asset management company, Credit Suisse Gestión, S.G.I.I.C. is registered in the Registro Oficial with number 173. Batlle & Fernandez Partners Eafi SL is a financial advisory firm supervised and registered with the number 196 in the Registro Administrativo de Empresas de Asesoramiento Financiero at the CNMV. Additional information can be found at the Comisión Nacional del Mercado de Valores ([www.cnmv.es](http://www.cnmv.es)) and at the Mercado Alternativo Bursátil ([www.bolsasymercados.es/mab](http://www.bolsasymercados.es/mab)).

**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.**

**Private and confidential information.**