ELCANO SICAV returned 6.7% in 2017. Since inception in December 2009, total return net of fees and expenses is 97.1%, equivalent to a compound annual return of 8.7%, exceeding our LT goal of inflation +5% (6.5%).

In the past three months we sold 4 positions, acquired 2 new positions and added the balance to existing ones. As a consequence, the fair value of the portfolio has increased 12%

- We sold our stake in the global engineering firm **WorleyParsons (WOR:AX)** with a 60.8% gain (20% CAGR) in 31 months. During this period of low activity, WP has reacted fast rationalizing its cost structure and positioning itself for the recovery that is starting to take place. Furthermore, it received a takeover offer that the board deemed inadequate and thus was not accepted.

- Disposal of our entire position in the American teen retailer **American Eagle Outfitters (AEO:US)**, with a 57.6% return in 7 months. It is the second time in the past 8 years that we buy and sell shares for a handsome return. A stable value together with a volatile stock constitutes a fantastic opportunity. Our circle of competence of 350 stocks whose fundamentals and fair values we know well should provide us with enough investment opportunities at any moment.

- Sale of our position in the cable manufacturer **General Cable (BGC:US)** with a gain of 83.4% (18.4% CAGR) in 44 months. Prysmian´s bid of $30/share represents, in our opinion, the best outcome for shareholders since it immediately captures the full savings of the General Cable transformation plan, eliminating execution and macroeconomic risk.

- Sale of our entire stake in the American chemical company **Olin (OLN:US)** with a gain of 120.5% (55.7% CAGR) in 22 months. The market finally recognized the benefits of the sector consolidation led by Olin with the acquisition of DOW's Chlor-Alkali business. Capacity has been rationalized, utilization has increased and producers are raising prices. The Dow-DuPont merger to become a pure specialty chemical company, has given us two outstanding opportunities with the separation of the businesses less favored by Wall Street: DuPont's Chemours (global leader in TiO_2) and DOW's C/A business, which Olin acquired through a Reverse Morris Trust. It has been our opinion that the preference of the market for specialty versus commodity does not respond to objective criteria that justify the superiority of one model over another. It seems to be just another market fad.

- Investment of 5% of the portfolio in the global EPCI firm **Petrofac (PFC: LN)**. With $8bn revenues and $12bn backlog, Petrofac is the leading energy EPCI in Middle East / North Africa. The great majority of its projects are fixed price and have an average scope of $1bn.

  In addition to the technical, commercial and financial capabilities of a top engineering firm, Petrofac's culture is agile, flexible and efficient. The founder and CEO owns 20% of the shares. Furthermore, it dominates the Middle East market with its local presence, reputation and customer base. There are few companies with the required scale to undertake these very large projects.

Petrofac's current focus is to keep the bidding discipline, the good execution of the backlog, the capture of efficiencies and getting back to basics by disposing non-essential activities (offshore, co-investment) and reducing debt.

We paid 4.5x normalized EBITDA and 0.5x sales, half of comparable multiples, and similar to what we paid for WorleyParsons 31 months ago . In addition, we think that Petrofac comes with an attractive profile in a sector that is experiencing consolidation, making it a takeout candidate.

The recovery process is being discounted by the market at different rates, which allows us to better exploit our industry knowledge acquired during these past few years. We are witnessing a change in market sentiment as exemplified in a Wall Street report published this morning titled *Time to Get Back In:*

"Now Is the Time. After significant disruptions in all segments of the oil & gas industry, in all measures, the industry is getting set up for normalized growth. Technologies have tremendous improvements in efficiency and productivity. Inefficient participants have been marginalized. The recovery will be staged, from NAM onshore to international onshore to offshore, giving the recovery inherent momentum, in addition to the need for higher activity just to keep production flat, which in turn is aided by several technologies now into diminishing returns. This is the cycle to which normalized will refer"

- Investment of 5% of the NAV in **Vista Outdoor (VSTO: US)**, a leading designer and manufacturer of recreational outdoor products.

  In 2015 Vista was spun off from the American defense contractor ATK - subsequently merged with Orbital and recently acquired by Northrop Grumman - as a pure recreational ammunition business. It carries the highest share (40%) in an oligopoly dominated by just 3 players, Winchester (owned by Olin) and Remington being the two other. Since the separation, it has been growing in the outdoor space through acquisitions, having a portfolio of top brands such as Camelbak, Giro, Bell, Bollé or Cébé.

  It operates in a growing industry with attractive economics: strong vertical position, moderate rivalry due to the oligopolistic structure in ammo and product differentiation, and ample barriers to entry such as brands, a full product line, innovation advantage and economies of scale in sourcing, R&D, advertising and distribution.

  On top of that, Vista is the leader in recreational ammunition by market share, all its brands are either Nr. 1 or Nr. 2, it has a larger platform than its competitors and innovation-wise it is ahead of competition.

  The cyclicality of the recreational ammunition business, together with overhyped expectations and excessive debt, has given us the opportunity to acquire a stake in Vista at a fraction of its fair value. At 1.3x sales, which is the typical sector multiple, the shares are undervalued by 60%.

There are a few extras that increases its attractiveness: the incorporation as new CEO of the former European president of Black & Decker, who also has extensive experience in restructuring, along with Vista's ability to reduce debt through the disposal of non-core brands, and our analysis of the ammunition cycle that points to a recovery in the next few months.

The portfolio of 17 stocks trades at 8.1x 2018E earnings and 5.3x normalized, 0.6x book value and carries a 61% discount to our fair value estimate. During 2017, by capital recycling, we have been able to increase the fair value of the portfolio 26%, whilst the NAV is up 6.7%, implying that today ELCANO is a better opportunity than it was in December 2016. As pointed out in past reports, we think that the best tool to visualize ELCANO´s evolution is the *Value-Price* Chart that we attach in the report and is updated monthly at www.elcanosicav.com.

As investors you are invited to join the quarterly call that will take place **on Tuesday 16 of January at 13:00 CET** by dialing **+34 911 128 615**. We will provide more color and answer any question you may have and want to send in advance to marc.batlle@elcanosicav.com. The call will last 45 minutes and will be held in Spanish.

Thank you for your trust and please do not hesitate to contact us should you have any queries.

All the best,

Marc Batlle, CFA
Chairman
ELCANO SICAV

ELCANO SICAV is a long-only value-oriented global fund that seeks to achieve the highest compound annual return in the long run, with a minimum of the inflation rate plus 5%.

Our investment approach is based on five principles:

- Thorough research
- Independent thinking and keeping emotions under control
- Buying at a discount
- Investing in good businesses
- Keeping a concentrated portfolio

The relation with investors is based on transparency and commitment.

ELCANO SICAV

Adding Value Through Research

QUARTERLY REPORT

Report nr. 47 | Year IX | 1st January 2018

Net Asset Value: €19.49 (12/31/2017)
Source: Credit Suisse Gestion S.G.I.I.C., S.A.

Investment Objective and Strategy

ELCANO SICAV is a long-only value-oriented global fund that seeks to achieve the highest compound annual return in the long run, with a minimum of the inflation rate plus 5%.

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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, and the return objective mentioned above, are neither a guarantee nor a reliable indicator of future performance. ***Please read the last page of this document for Important Information.***

Top Holdings

Company	Sector
Babcock & Wilcox	Industrial
TimkenSteel	Industrial
Diamond Offshore	Oil & Energy
Vallourec	Materials
Transocean	Oil & Energy

Portfolio Recent Actions

Increase/ In	Decrease/ Out
Vista Outdoor (VSTO:US)	American Eagle (AEO:US)
Petrofac (PFC:LN)	WorleyParsons (WOR:AU)
	General Cable (BGC:US)
	Olin (OLN:US)

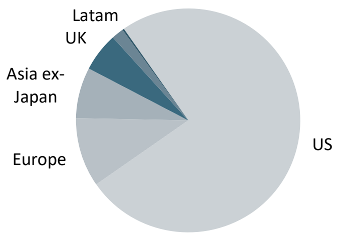
Main Terms

Investment Universe	:	Global equities
Asset Management Company	:	Credit Suisse Gestion, SGIIC
Depositary	:	Credit Suisse AG, Suc. España
Advisor	:	Batlle & Fernandez Partners EAFI
Auditors	:	Deloitte
Regulator	:	CNMV
Listed Market	:	*Mercado Alternativo Bursatil*
Management & Advisory Fee	:	1.50% per annum
Annual Performance Fee	:	10% above 5% level (with HWM)
Depositary Fee	:	0.075% per annum
ISIN Code	:	ES0118626037
Inception Date (new Board)	:	1st December 2009
Currency	:	EUR
Liquidity	:	Daily
Asset Under Management	:	€45,376,387 (12/31/2017)
Number of Shareholders	:	412 (12/31/2017)
Bloomberg Code	:	CIF SM<equity>
Ticker	:	S0646

Asset Distribution

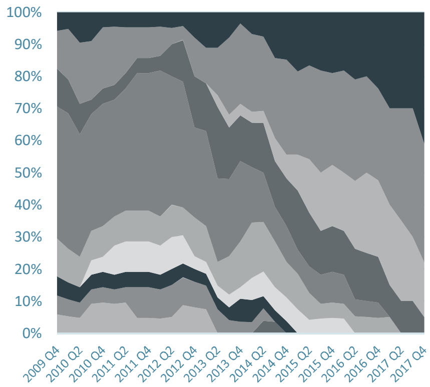
Equities	99%
Fixed Income	0%
Cash	1%

Geographical Distribution



Region	
US	75%
Europe	10%
Asia ex-Japan	7%
UK	6%
Latam	2%
Japan	0%
Switzerland	0%

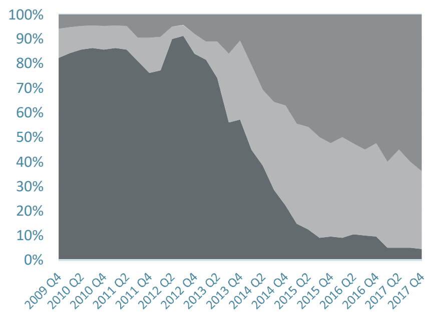
Sector Distribution



Sectors as of 12/31/2017

41%	Energy
37%	Industrials
17%	Materials
5%	Consumer Discretionary
0%	Financials
0%	Information Technology
0%	Consumer Staples
0%	Telecom. Services
0%	Utilities
0%	Health Care
0%	Real Estate

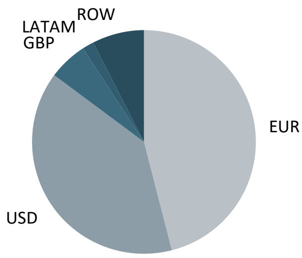
Capitalization Distribution



Capitalization as of 12/31/2017

53%	Below €1bn
43%	€1bn to €5bn
4%	Above €5bn

Currency Exposure



Includes FX Hedging

EUR	46%
USD	39%
GBP	6%
Latam	2%
ROW	7%

ELCANO SICAV

Adding Value Through Research

QUARTERLY REPORT

Report nr. 47 | Year IX | 1st January 2018

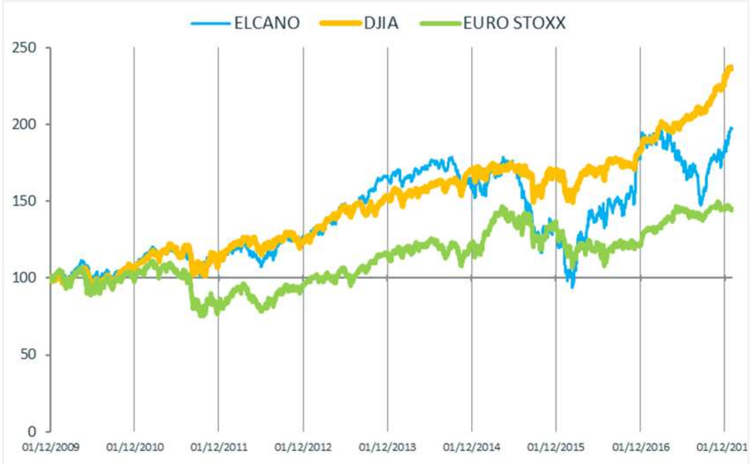
Return and Volatility Data

Return	
Year 2017	+6.7%
Year 2016	+49.0%
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 (1 month Dec 2009)	+0.4%
Since inception (1st Dec 2009)	+74.7%

Volatility	18.7%

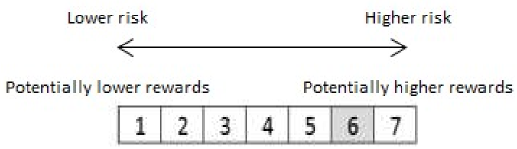
Source: Credit Suisse SGICC, Bloomberg, ELCANO SICAV

ELCANO SICAV NAV vs. Other Major Equity Indices (Since Dec 2009)



Source: Thomson Reuters (Daily data)

Risk & Reward Profile (SRRI)

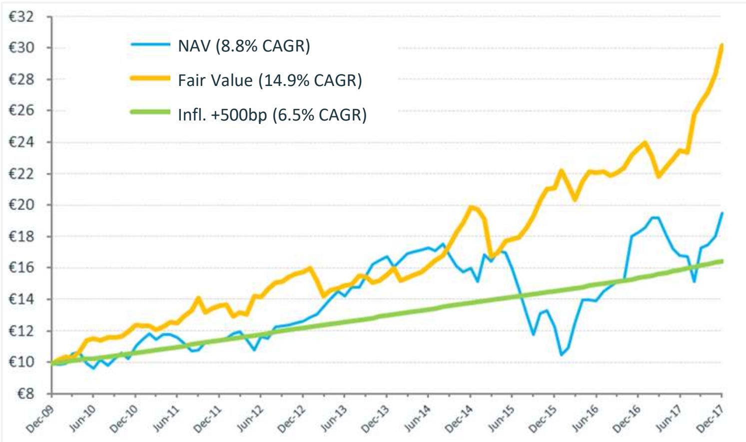


ELCANO SICAV's "SSRI" rating: 6 in a risk metric going from 1 up to 7.

The SRRI 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 SRRI 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

ELCANO SICAV NAV vs. Fair Value (Since Dec 2009)



Source: ELCANO SICAV, Thomson Reuters

Recommended investment time horizon: 5+ years

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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) and at the Mercado Alternativo Bursátil (www.bolsas ymercados.es/mab).

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Private and confidential information.