

ELCANO has returned 0.3% so far during 2012. Since inception in December 2009, cumulative performance is 15.8%, equivalent to an annual compounded return of 6.3%.

The highlights of the period are the following:

- ELCANO sold its entire position in **White Mountains Insurance Group (WTM:US)** with a 42% return. The shares were acquired in December 2009 at a 35% discount to book value. Half of the equity was excess capital that, during this period of time, has been returned to shareholders via buybacks in the open market and via three tender offers. In the last one we have sold at a price close to book value. Similar opportunities where we are currently invested are **Symetra (SYA:US)** and **SwissRe (SREN:VX)**, with discounts to book value over 30%.
- We have raised **WalMart (WMT:US)** weight to 5% of the portfolio. An out-of-favor sector together with alleged corruption scandals in its Mexican subsidiary, gives us the opportunity to acquire shares in a great franchise at a fraction of its fair value.
- We have received the shares of **Phillips 66 (PSX:US)**, a spin-off from **ConocoPhillips (COP:US)** that includes its mainstream and downstream assets. The initial trading price of Phillips 66 is very close to our assessment of its fair value, and thus increases the attractiveness of ConocoPhillips' shares, that will be trading below \$9.5 per proven barrel of oil equivalent, against \$15/boe for its peers. We think the right decision is to sell Phillips66 and reinvest the proceeds into ConocoPhillips.
- Mr. Market gave us the opportunity to average down our holdings of Spanish and French equities. ELCANO SICAV owns shares of four Spanish companies for 19% of the portfolio (**Telefonica**, **Iberdrola**, **Mapfre**, **Santander**) and two French companies (**Carrefour** and **Gaz de France**) for 14% of the portfolio.

We have built a table that shows the best and worst buying opportunities in the US market in the last 100 years. In the best buys, the investor made on average eight times its money over the next ten years, while in the worst ones it ended up with roughly the same amount of money. It is worth pointing out that the best buys were in recessions after big market declines left many companies trading below the replacement cost of its assets, of which book value is a proxy.

Best buying opportunities	1921	1932	1942	1949	1982	Average
Price / 3 year high	-42%	-86%	-40%	-19%	-30%	-43%
Normalized PE	11,2x	5,6x	7,1x	7,5x	7,2x	7,7x
Dividend yield	5,1%	11,0%	6,9%	7,9%	7,2%	7,6%
Price / Book value	1,4x	0,5x	0,9x	1,0x	0,9x	0,9x
10 year realized return	23%	26%	24%	27%	26%	25%
Recession?	YES	YES	NO	YES	YES	YES

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Worst buying opportunities	1929	1936	1965	1969	1999	Average
Price / 3 year high	-33%	-22%	-13%	-22%	-21%	-22%
Normalized PE	24,0x	13,5x	14,0x	11,5x	23,4x	17,3x
Dividend yield	3,4%	3,8%	3,0%	1,6%	3,5%	3,1%
Price / Book value	2,4x	1,6x	2,0x	2,6x	3,6x	2,5x
10 year realized return	-9%	2%	-1%	1%	2%	-1%
Recession?	NO	NO	NO	NO	NO	NO

ELCANO SICAV currently trades at 1.1 times book value, 8.4 times expected 2012 earnings and over a 5% dividend yield. We are confident that the combination of quality and low valuations will result in attractive 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: €18,26 euros (12/31/2016)**

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

### Investment Approach

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.

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### Top Holdings

Company	Sector
Eastman Kodak	Office/Business Equip
Timkensteel	Materials
Subsea7	Oil & Gas Services
WorleyParsons	Engineering
Chemours	Chemical

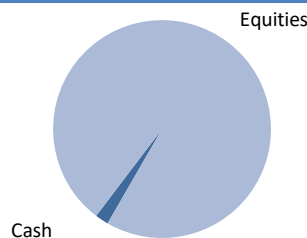
### Portfolio Recent Actions

Increase/ In	Decrease/ Out
Transocean	Wells Fargo
	News Corp
	Bilfinger

### 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>Advisor</b>	: Batlle & Fernandez Partners EAFI
<b>Auditors</b>	: Deloitte
<b>Regulator</b>	: CNMV
<b>Listed Market</b>	: <i>Mercado Alternativo Bursatil</i>
<b>Management &amp; Advisory Fee</b>	: 1.50% per annum
<b>Annual Performance Fee</b>	: 10% above 5% level (with HWM)
<b>Depository Fee</b>	: 0.075% 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>	: €57,827,600 (12/31/2016)
<b>Number of Shareholders</b>	: 524 (11/30/2016)
<b>Bloomberg Code</b>	: CIF SM<equity>
<b>Ticker</b>	: S0646

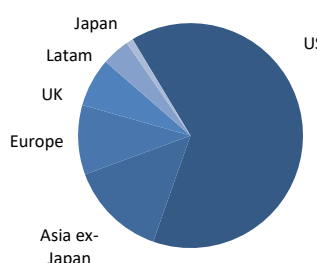
### Asset Distribution



#### Asset Class

Equities	98%
Fixed Income	0%
Cash	2%

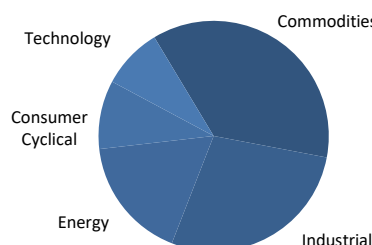
### Geographical Distribution



#### Region

US	64%
Asia ex-Japan	14%
Europe	10%
UK	7%
Latam	4%
Japan	1%
Switzerland	0%

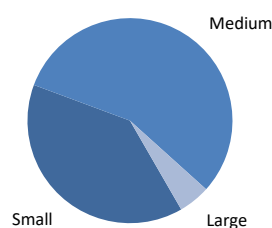
### Sector Distribution



#### Sector

Commodities	36%
Industrial	28%
Energy	17%
Consumer Cyclical	10%
Technology	9%
Financial	0%
Consumer Staples	0%
Insurance	0%
Telecom	0%
Utilities	0%
Health & Pharma	0%

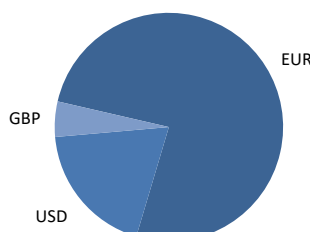
### Capitalization Distribution



#### Capitalization

Below €1bn	39%
€1bn to €5bn	56%
Above €5bn	5%

### Currency Exposure



#### Includes FX Hedge

EUR	76%
USD	19%
GBP	5%
CHF	0%

## Return and Volatility Data

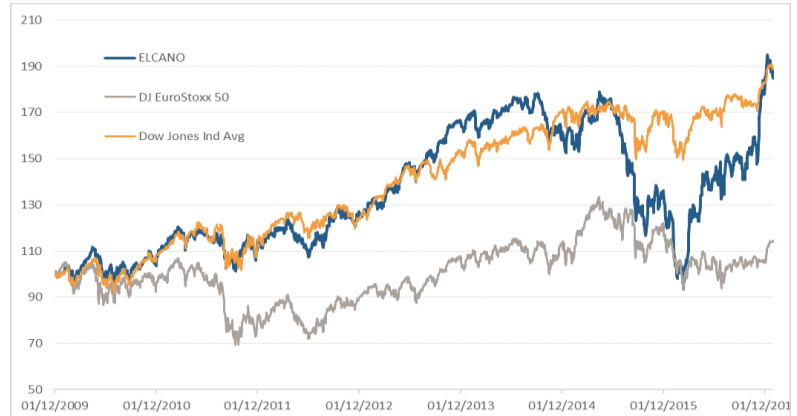
### Return

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 (From 1 <sup>st</sup> to 31 <sup>st</sup> Dec 2009)	+0.4%
Since inception (1 <sup>st</sup> Dec 2009)	+84.7%

Volatility	18.7%
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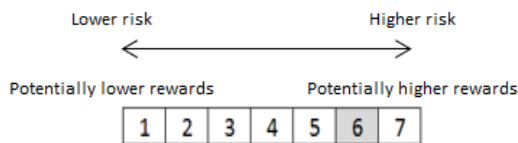
Source: Credit Suisse SGICC, Bloomberg, ELCANO SICAV

## ELCANO SICAV NAV vs. Other Major Equity Indices



Source: Bloomberg (Daily data, since 1<sup>st</sup> December 2009).

## Risk & Reward Profile (SRR)

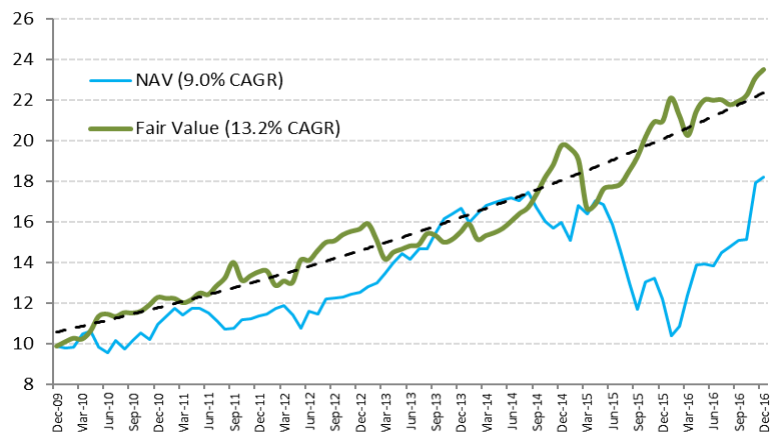


ELCANO SICAV's "SSRI" rating: 6 in a risk metric going from 1 up to 7.

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](http://www.cnmv.es)

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



Source: ELCANO SICAV, Bloomberg.

Recommended investment time horizon: 5+ years

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**Private and confidential information.**