

Cobas Asset Management Newsletter

- December 2017 -

Dear investor,

Our December newsletter looks at what is currently going on at Cobas AM and provides information on our funds that may be of interest.

We would also like to remind you of the operating procedure to be followed, and the latest date on which the **contributions to the pension plan** can be processed within the 2017 tax year, which will depend on the method you choose:

- **Cheque contribution:** this must reach Cobas Asset Management before Friday **22 December 2017**.
- **Standard transfer contribution:** this must be made before 2pm on Wednesday **27 December 2017**.

The following topics can be viewed below:



Statement of position



Returns and ratios



Top 5 companies



TECNICAS REUNIDAS

Company of the Month



Cobas AM in the
press



Blog

Statements of position

Your statement of position for November is now available. You can access and download it from the investor portal. If you have requested a copy by post, you'll receive it in the next few days.

Returns and ratios

Details of the returns, P/E ratios and potential upside for each of Cobas Asset Management's funds are provided in the next section.

Funds and Benchmark Indexes

Funds and Benchmark Indexes	% Return 01/11-30/11	% Return since fund inception	P/E ratio	Upside potential
Cobas Selección (start 02/01/17)	0.3%	4.6%	8x	89%
MSCI Europe Total Net Return	-2.1%	9.4%		
Cobas Internacional (start 15/03/17)	0.1%	0.0%	8x	93%
MSCI Europe Total Net Return	-2.1%	5.6%		
Cobas Iberia (start 03/04/17)	0.2%	8.3%	11x	39%
75% IGBM & 25% PSI	-2.4%	5.9%		
Cobas Grandes Cías (start 03/04/17)	0.4%	0.0%	8x	69%
MSCI World Net Return	-0.2%	1.8%		
Cobas Renta (start 03/04/17)	-0.2%	-0.6%		

Pension plans and Benchmark Index

	% Return 01/11- 30/11	% Return since plan inception
Cobas Global (start 23/07/17)	-0.1%	-3.7%
MSCI Europe Total Net Return	-2.1%	2.6%
Cobas Mixto Global (start 25/07/17)	0.0%	-2.1%
50% MSCI Europe & 50% Eonia	-16.4%	-15.6%

Top 5 companies in our funds

The following tables show the return obtained over October and since the inception of the funds for each of the top five companies in our funds:

Cobas Selección FI

Company and weight in portfolio as of 30/09	Return (%) in November	% Return since fund inception
Aryzta (8.5%)	3.9%	-26.7%
Israel Chemicals (6.2%)	-1.4%	0.0%
Teekay Corporation (5.4%)	1.7%	3.7%
Teekay LNG (5.2%)	4.6%	24.9%
Dixons Carphone (3.7%)	-8.4%	-55.2%

Cobas Internacional FI

Company and weight in portfolio as of 30/09	Return (%) in November	% Return since fund inception
Aryzta (9.4%)	3.9%	2.4%
Israel Chemicals (6.8%)	-1.4%	-5.3%
Teekay Corporation (5.3%)	1.7%	-5.1%
Teekay LNG (4.9%)	4.6%	10.4%
Dixons Carphone (4.2%)	-8.4%	-47.7%

Cobas Iberia FI

Company and weight in portfolio as of 30/09	Return (%) in November	% Return since fund inception
Elecnor (9.1%)	13.8%	48.2%
Técnicas Reunidas (8.4%)	-7.3%	-31.0%
Telefónica (6.1%)	-4.5%	-18.0%
Vocento (5.5%)	-2.7%	2.8%
Galp Energía (4.4%)	-0.7%	12.0%

Cobas Grandes Compañías FI

Company and weight in portfolio as of 30/09	Return (%) in November	% Return since fund inception
Aryzta (9.4%)	3.9%	2.3%
Israel Chemicals (7.3%)	-1.4%	-3.5%
Samsung Elect Pref (5.9%)	-6.4%	30.8%
Babcock (5.0%)	-14.2%	-21.0%
Teekay Corp (4.9%)	1.7%	-9.0%

Cobas Renta FI

Company and weight in portfolio as of 30/09	Return (%) in November	% Return since fund inception
Teekay LNG (1.9%)	4.6%	2.8%
Teekay Corporation (1.5%)	1.7%	-9.0%
Aryzta (1.4%)	3.9%	2.3%
Israel Chemicals (1.3%)	-1.4%	-3.5%
Dixons Carphone (0.6%)	-8.4%	-50.0%

Company of the Month: Técnicas Reunidas



This month we would like to take a closer look at Técnicas Reunidas, a Spanish company founded in 1960 by José Lladó, its current chairman, which is mainly dedicated to the development of engineering, design and construction projects for the oil and gas industry. At this time, a large part of the business is also focused on solar and water projects. The nature of this type of business is not very capital intensive, making it possible to generate high returns on capital employed.

Técnicas Reunidas has an indisputable competitive advantage: its strong know-how gained from complex engineering projects, as well as its close and long-lasting relationship with clients, in particular international oil and gas companies.

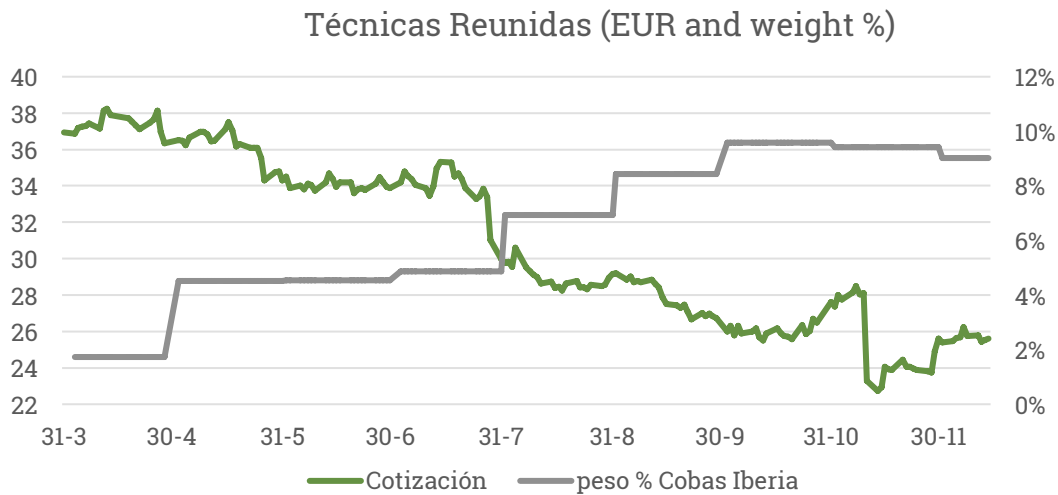
Other strengths of the company should also be noted, such as its successful track record due to good risk management in projects, and good capital allocation.

Since the beginning of the year, the share price has been heavily penalised on the stock market with a drop of approximately 40%, reaching almost five-year lows. The exposure to the oil and gas sector, as well as the announcements of the loss of two contracts and the recent profit warning are the main reasons behind this exaggerated fall, as reflected in the graph below:



Source: Técnicas Reunidas

The following graph from 31 March shows the progressive increase of our exposure to Técnicas Reunidas throughout the year.



Source: Técnicas Reunidas; Cobas AM

We consider that the discrepancy between its current price and its true value is unjustified. The management team is strongly involved in the management of the company, and the fact that the family is the main shareholder helps the interests between the management and the minority shareholders to be aligned. We have known Técnicas Reunidas for a long time and its quality is beyond doubt, making its valuation and revaluation potential very attractive.

Therefore, Cobas has taken the opportunity to significantly increase the position that, at the end of September, was 8.4% in the Cobas Iberia fund.

Cobas Asset Management in the press

Santa Comba Gestión, the parent company of Cobas AM, will acquire a shareholding in Equam Capital

Through its parent company Santa Comba Gestión, Cobas AM will acquire a significant but minority shareholding in Equam. This collaborative initiative, already announced by García Paramés in June during the Cobas AM Annual Investors Conference, aims to promote less-known value managers and thus improve the alternatives of investors in the diversification of their savings.

Blog

Munger, Buffett's competitive advantage

Carmen Pérez, an analyst at Cobas AM, talks about the importance of investing in companies that offer entrance barriers, competitive advantages or moats. It was Charlie Munger, partner and friend of Warren Buffett, who taught him to look not only at cheap companies, but also at those that are difficult to copy and are protected from the competition. To access it, please click on the link below:

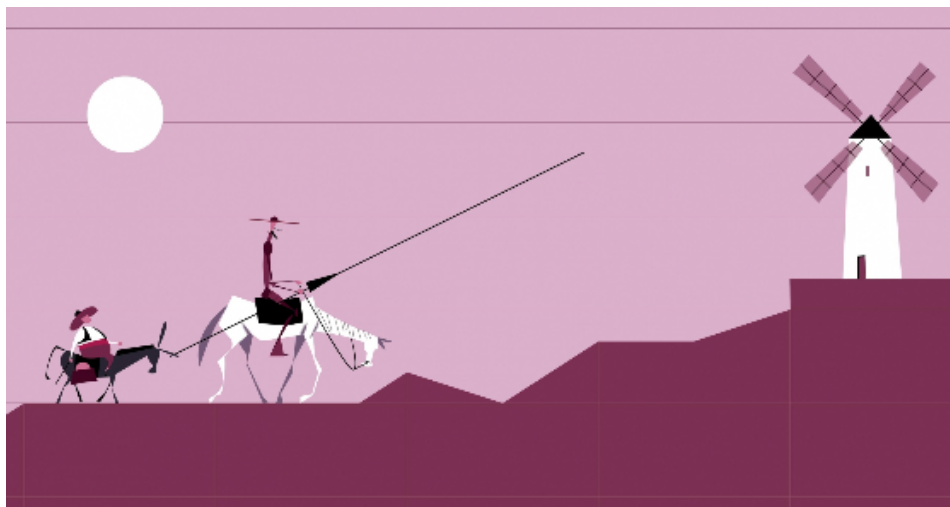
<https://www.cobasam.com/en/munger-buffetts-competitive-advantage/>



The evolution of contrarian thinking

Mayte Juárez, director of trading at Cobas AM, shares her thoughts on why it is so difficult for us to think differently than the majority. Throughout history, those who go against the grain have had to face rejection as a result of group thinking, but with the passing of time, their premises and hypotheses have frequently proved well founded, speeding up human evolution. To access it, please click on the link below:

<https://www.cobasam.com/en/the-evolution-of-contrarian-thinking/>



Finally, we encourage you to visit the new Value School website www.valueschool.es, where you will find different, highly interesting content, including the blog and a value library where you can buy books and see recommendations, as well as learn about upcoming events on investment, savings and financial behaviour. Sign up at the following [link](#) to receive periodic information and all the update that occur.

"Speculators and volatility are dear friends; the more there are, the better our long-term results will be"

– Francisco García Paramés –

We're here to answer any questions you may have. Just call 900151530 or email info@cobasam.com.

Best regards,

Cobas Asset Management Investor Relations Team

