



PORTFOLIO NOTE **OCTOBER 2023**

Dear Investor:

So far in 2023 our funds have performed reasonably well. At the end of September, the returns achieved were as follows: **International Portfolio** +9.7%¹, **Iberian Portfolio** +17.9%² and **Large Cap Portfolio** +7.0%³. This is a continuation of the positive performance of the funds since the end of 2020, with almost three years of decorrelation with respect to the markets, with revaluations of more than 115% in the **International Portfolio** and 100% in the **Iberian Portfolio**. This is not the first time this has happened, as traditionally, in the face of sharp market falls, the subsequent revaluations of our portfolios are usually very intense.

This revaluation has led to consolidate the recovery of the net asset values of our funds to above their launch values. However, as we have commented on many occasions, the performance since our inception is still far from what we expect for our portfolios.

As a result of the work of the investment team, which is trying to ensure that the target price of our funds continues to grow day by day and, therefore, to generate the greatest possible long-term value for unit-holders, the potential value of the funds is close to their all-time highs.

During this quarter, and as has been the trend over the last three years, we are not very active in adding new names as the investment opportunities that have been emerging in the markets are not better in quality or price than the companies in our portfolios and therefore do not add value. However, we have added value by managing the weights of the companies in which we are invested. This is one of the fundamental characteristics of the portfolio management that the **Cobas AM** investment team has historically carried out. When the companies in which we invest behave differently from each other, we sell those whose prices are rising and are therefore closer to their target value and buy more shares of companies that are doing worse and are moving away from their target value. In this way we increase the potential of our portfolios by rotating the companies we already own.

The long-term performance of companies on the stock market, as you know, depends on their earnings performance. However, in the short and medium term, the market values companies for a multitude of reasons. This is fundamental to our investment process, as short term "irrational" or volatility related declines can be a moment of opportunity. These movements serve to improve our average purchase prices, as we were able to do with companies such as **Exmar** or **International Seaways** throughout our investment in them. Through this management we seek to maximise the potential of the fund and the returns we eventually get from these companies as they reach our target values.

Notes (1), (2), (3): The returns shown correspond to Class C (ES0119199000, ES0119184002 and ES0113728002, respectively) in each of the funds. Past performance is no guarantee of future performance.

In 2023, we are beginning to see the fundamental shift that our funds need. Key portfolio companies are delivering the results we have long expected from them. Recent examples of positive news can be found in companies such as **Maire Tecnimont**, **Babcock** or **Danieli**.

Events such as the above allow us to be optimistic for the coming quarters, where market situations may arise that resemble the year 2022, in which our investment strategy obtained double-digit returns while the rest of the assets behaved particularly negatively.

Finally, we believe it is interesting to recall the analysis and investment process that helps us to face periods of economic uncertainty with greater peace of mind:

- **We analyse and invest in companies** that can survive and thrive in any economic scenario.
- **We are faithful to our investment process.** Given the high volatility of the markets, it is important to know what you are investing in, why you are investing and how much it is worth.
- **We are patient.** The crystallisation of value in a share price is a process that takes time.
- **We invest in companies that are undervalued**, have competitive advantages, have good prospects and are run by good management teams, as this is the best way to outperform the market on a sustained basis over the years.
- **We try to increase the margin of safety** as it is always a guarantee of long-term success.
- **We try to manage market timing correctly:** trying to anticipate market behaviour is impossible. The best way to profit is to buy undervalued companies and wait for the market to recognise their value.

In short, the work we have done over the years, studying, knowing and sticking faithfully to our investment process, allows us to be optimistic about the future performance of our funds regardless of the general evolution of the markets.

Retail Investor Relations team.