

Dear investor,

The 29th of December was the one year anniversary of when we started our joint venture at Cobas AM. Here, we are wholly satisfied with the results of the first year.

When we started, I didn't have any specific results goals, since I'm convinced that we should look no further than establishing a healthy and transparent process, hoping that the results come from that work. If done in that way, any result will be good, as it has been.

And the result has been good because the ultimate goal of our day to day, which is to find undervalued assets that allow us to obtain good long-term returns for our savings, has been met in full. And in a somewhat unexpected way, because we are in a market that offers few possibilities after several years of extensive climbing.

The effort of the analysis and investment team has made this possible, bringing together innovative ideas and good teamwork. The rest of the team has also done its job perfectly, allowing us to dedicate ourselves to where we contribute the most value. We hope to carry on along this route.

For much of the year, this work has not been reflected in the prices of the funds (especially in the global funds). We already know that the market has a particular and unpredictable rhythm when it comes to recognising value, surprising when we least expect it, and this has been the case. In a very positive December, the net asset value of the funds started to collect the value of the underlying assets, proving that it's impossible to predict the short-term behaviour of the markets, and therefore, of the funds, and also that the behaviour of the funds is not necessarily linked to the performance of the markets.

These are the returns obtained by the Spanish domiciled funds in 2017:

- Cobas Selección: 10,26%
- Cobas Internacional: 5.75% from 03/03/2017
- Cobas Iberia: 10.19% from 03/03/2017
- Cobas Grandes Compañías: 5.81% from 03/03/2017
- Cobas Renta: 0.57% from 03/03/2017

As of 31 December, our valuation of the funds (which we think are worth the companies that compose them) is well above their listing price, 86% for Cobas Internacional, 39% for Cobas Iberia, and 60% for Cobas Grandes Compañías (Cobas Selección is a combination of the first two, and what was said about them proportionally applies). It must be noted that these valuations have progressively increased over the year.

As we can see, there is a strong potential for revaluation, but we insist that we can work to increase fund's potential, but we do not know when its daily net asset value will be collected. Investors with less experience in our type of management must adapt to it.

Investors and Funds

After its first year, Cobas AM directly manages the equity of 19,500 people and an even larger number indirectly through mandates. In total, as of 31 December, we manage 2.393 billion euros.

These assets under management can be divided into three strategies:

- Iberian 336.7 million euros
- International: 1653.9 billion euros
- Large companies: 382.7 million euros

The total amount managed is completed by the small amount in fixed income, which amounts to 19.7 million euros.

As we already know, we do not actively market the funds, but we are approaching the limits set last year in order to not accept new entries from investors in the Iberian and international portfolios.

As a new feature, from 1 January we are managing two new Free Funds, Cobas Concentrados FIL (Sapin) and Cobas Concentrated Value Fund(Luxembourg). They are free investment funds, which will collect a more concentrated investment portfolio than the other funds.

Below are references to various initiatives that I think may be of interest to you.

Value School

We have launched Value School, a training project open to clients and investors in general. We intend to improve the decision-making capacity of investors through conferences, books editing, courses, and everything that adds value to "beginners" and/or experts.

We have started with interesting conferences in which managers from Magallanes, Equam, Lyxor, 3G Capital and Gesiuris have participated. During the year we will continue to listen to managers and experts in general, who will help us in this task.

We have also started the two collections of books not previously translated into Spanish. Peter Lynch, John Bogel and Johan Norberg were the first authors to be published.

Any proposal and initiative will be well received, and we encourage everyone to visit the Value School website (www.valueschool.es), where you can sign up to receive information about all the activities.

Open Value Foundation

During the first quarter of 2018 we will begin to dedicate part of the management fee that Cobas AM charges for investment and pension funds (0.25% of each fund) to the Open Value Foundation and the Open Value Social Fund (OVSF), which make donations and investments, respectively, with a social impact.

The Foundation has been going for several years, working mainly in Spain and Africa. The OVSF investment fund is in the process of being launched. Its objective, investing with social impact, is an arduous task, since it seeks to offer financial profitability to the participants whilst having a positive social impact on underprivileged communities, two objectives that may seem to be opposites (in fact, any investment supposes a social impact, but here it is about making investments with a more marked social objective, often in excluded people).

We're aware that it won't be easy, but we're getting started, being part of a young sector (that of social impact) with great enthusiasm and a transforming spirit. We also encourage everyone

to contribute as much as possible and according to their preferences. We'll go into more details when the project actually begins.

All that's left is to thank you for your confidence. We hope to continue in 2018 along the path we began in 2017.

Kind regards,
Francisco García Paramés