

Cobas Asset Management Newsletter

- August 2017 -

Dear investor,

In this third edition of our Newsletter for August, we provide an update on our latest news as well as key data relating to our funds, deep diving into the characteristics of our portfolios following the recent publication of our quarterly funds report.

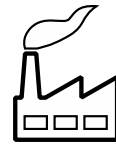
The following topics can be viewed below:



**Comments on second
quarter**



Returns and ratios



Top 5 companies



Company of the Month



**Geographical and
sector distribution**



**Cobas AM in the
press**



**Blog and
Book collection**

Statements of position

Your statement of position for July 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.

Comments on second quarter

The following section provides an overview of the second quarter 2017 report setting out the main characteristics of the portfolio.

Comments on Second Quarter 2017

Our positions outside of Europe in our International Portfolio are higher than normal with a greater focus on commodities in the absence of sufficient high-quality European companies at attractive prices. Meanwhile the Iberian Portfolio contains some new stocks for us, several of which focus on the Spanish real estate sector. Also of note is a recent stake we have taken in a company which has suffered a 40% loss in recent months, thereby warranting our attention.

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

| | Return (%) in July | YTD return (%) in July | P/E ratio | Upside potential |
|--------------------------------|-------------------------------|-----------------------------------|----------------------|-----------------------------|
| Cobas Selección | 2.8% | 5.0% | 8x | 70% |
| Cobas Internacional | 2.7% | 0.8% | 8x | 73% |
| Cobas Iberia | -1.2% | 8.0% | 11x | 39% |
| Cobas Grandes Compañías | 2.0% | -1.6% | 8x | 63% |
| Cobas Renta | 0.7% | 0.1% | | |

Data to 31/07/2017

Indexes

| | Return (%) in July | YTD return (%) in July |
|-------------------------------------|-------------------------------|-----------------------------------|
| MSCI Europe Total Net Return | 0.3% | 7.0% |
| MSCI World Net Return | -0.6% | 1.7% |
| IGBM & PSI | 1.0% | 14.0% |

Data to 31/07/2017

Top 5 companies in our funds

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

Cobas Selección FI

| | % Share of portfolio at 30/06/17 | Return (%) in July | YTD return (%) in July * |
|-------------------------------------|---|---------------------------|---------------------------------|
| Aryzta | 8.2% | -1.4% | -30.7% |
| Israel Chemicals | 6.6% | 1.1% | 16.3% |
| Teekay LNG | 5.5% | 22.8% | 30.4% |
| Teekay Corporation | 4.9% | 46.9% | 22.0% |
| Samsung Pref | 3.6% | 3.7% | 34.8% |
| MSCI Europe Net Return Index | - | 0.3% | 7.0% |

* Return since fund inception

Cobas Internacional FI

| | % Share of portfolio at 30/06/17 | Return (%) in July | YTD return (%) in July * |
|-------------------------------------|---|---------------------------|---------------------------------|
| Aryzta | 9.1% | -1.4% | -30.7% |
| Israel Chemicals | 7.2% | 1.1% | 16.3% |
| Teekay LNG | 5.4% | 22.8% | 30.4% |
| Teekay Corporation | 5.0% | 46.9% | 22.0% |
| Samsung Pref | 3.9% | 3.7% | 34.8% |
| MSCI Europe Net Return Index | - | 0.3% | 7.0% |

* Return since fund inception

Cobas Iberia FI

| | % Share of portfolio at 30/06/17 | Return (%) in July | YTD return (%) in July * |
|-------------------------------|---|---------------------------|---------------------------------|
| Elecnor | 8.2% | -3.6% | 25.2% |
| Vocento | 6.5% | -0.6% | 12.0% |
| Unicaja Banco | 6.3% | 5.1% | 11.8% |
| Telefónica | 6.0% | 5.8% | -8.9% |
| Técnicas Reunidas | 4.5% | -11.5% | -19.3% |
| IGBM & PSI indexes | - | 1.0% | 4.9% |

* Return since fund inception

Cobas Grandes Compañías FI

| | % Share of portfolio at 30/06/17 | Return (%) in July | YTD return (%) in July * |
|---------------------------|---|---------------------------|---------------------------------|
| Aryzta | 8.8% | -1.4% | -3.3% |
| Israel Chemicals | 7.9% | 1.1% | 12.2% |
| Teekay Corporation | 5.2% | 46.9% | 7.1% |
| Teekay LNG | 5.1% | 22.8% | 7.4% |
| BMW Pref | 4.3% | -7.5% | -8.6% |
| MSCI World Index | - | -0.6% | -3.1% |

* Return since fund inception

Cobas Renta FI

| | % Share of portfolio at 30/06/17 | Return (%) in July | YTD return (%) in July * |
|---------------------------|---|---------------------------|---------------------------------|
| Teekay Corporation | 1.2% | 46.9% | 7.1% |
| Aryzta | 1.1% | -1.4% | -3.3% |
| Israel Chemicals | 1.1% | 1.1% | 12.2% |
| Teekay LNG | 1.1% | 22.8% | 7.4% |
| BMW Pref | 1.1% | -7.5% | -8.6% |
| Eonia | - | -0.6% | -2.0% |

* Return since fund inception

Company of the Month: ARYZTA



Although we discussed this company in our June Newsletter, we would like to share the investment case study for the company as explained by Francisco García Paramés.

Aryzta is a Swiss company which is a leader in the prefrozen bread sector, with operations worldwide. It is a **robust, stable and traditional business**. Its production facilities are **well located from a strategic perspective**, and it has an **extensive sales network**. Both factors represent two of its biggest competitive advantages.



Nevertheless, its share price has dropped 65% since the highs of 2014, closing May at 30.6 CHF/share, as shown in the following graph:

Having exhaustively analysed this company, we believe it has considerable growth potential and very attractive stock market ratios, indicating that it is a clear investment opportunity. It is envisaged that the appointment as chairman of Gary McGann – someone we already know from his time as Smurfit Kappa's former CEO – will lead to an improvement in the company's management and a return to growing profits.

At the end of March, Aryzta accounted for 7.6% and 9.0% of the Cobas Selección FI and Cobas Internacional FI portfolios, respectively.

Geographical and sector distribution of Cobas AM funds

The geographical and sector distribution of the funds at the end of June is as follows:

Cobas Selección FI

Sectorial

| | | | |
|-----------------------|-------|--------------------|-------|
| Aerospace and defence | 2,9% | Industry | 10,0% |
| Agriculture | 1,8% | Real estate | 0,6% |
| Food and distrib. | 9,8% | Media | 1,2% |
| Automotive | 9,5% | Mining | 3,1% |
| Banks | 0,5% | Paper and pulp | 0,8% |
| Consumer | 16,2% | Chemicals | 9,4% |
| Education | 1,5% | Services | 0,6% |
| Electricity and gas | 0,1% | Telecommunications | 0,5% |
| Electronics | 3,8% | Transport | 22,1% |
| Holding | 5,7% | | |

Geographical

| | |
|-------------|-------|
| Euro Zone | 26,0% |
| Rest Europe | 22,8% |
| USA | 17,0% |
| Latam | 3,1% |
| Asia | 15,9% |
| Other | 9,9% |
| Cash | 5,3% |

Cobas Internacional FI

Sectorial

| | | | |
|-----------------------|-------|-------------|-------|
| Aerospace and defence | 3,0% | Holding | 5,4% |
| Agriculture | 2,1% | Industry | 8,7% |
| Food and distrib. | 10,4% | Real estate | 0,4% |
| Automotive | 10,4% | Media | 0,5% |
| Consumer | 16,6% | Mining | 3,1% |
| Electricity and gas | 0,1% | Chemicals | 10,1% |
| Education | 1,7% | Services | 0,6% |
| Electronics | 4,0% | Transport | 22,8% |

Geographical

| | |
|-------------|-------|
| Euro Zone | 22,3% |
| Rest Europe | 25,6% |
| Asia | 17,1% |
| USA | 17,3% |
| Latam | 3,7% |
| Other | 10,8% |
| Cash | 3,3% |

Cobas Iberia FI

Sectorial

| | | | |
|----------------------------|-------|--------------------|-------|
| Food and distrib. | 1,7% | Real estate | 10,3% |
| Banks | 6,7% | Media | 8,5% |
| Pharmaceutical | 1,1% | Paper and pulp | 8,2% |
| Holding | 9,9% | Oil and gas | 9,1% |
| Industry | 18,7% | Services | 2,1% |
| Engineering & construction | 3,9% | Telecommunications | 19,7% |

Geographical

| | |
|----------|-------|
| Spain | 64,6% |
| Portugal | 28,8% |
| Cash | 6,6% |

Cobas Grandes Compañías FI

Sectorial

| | | | |
|-----------------------|-------|--------------------|-------|
| Aerospace and defence | 4,0% | Holding | 7,0% |
| Food and distrib. | 12,8% | Industry | 5,3% |
| Automotive | 12,2% | Mining | 2,7% |
| Consumer | 8,6% | Oil and gas | 2,9% |
| Education | 2,9% | Chemicals | 9,8% |
| Electronics | 4,0% | Services | 3,6% |
| Energy | 3,0% | Telecommunications | 2,9% |
| Pharmaceutical | 4,3% | Transport | 14,0% |

Geographical

| | |
|-------------|-------|
| Euro Zone | 25,2% |
| Rest Europe | 25,8% |
| USA | 15,8% |
| Asia | 9,5% |
| Latam | 4,4% |
| Other | 14,3% |
| Cash | 5,0% |

Cobas Renta FI

Sectorial

| | | | |
|-----------------------|-------|-----------|-------|
| Aerospace and defence | 4,3% | Holding | 5,0% |
| Food and distrib. | 11,6% | Industry | 11,1% |
| Automotive | 11,0% | Media | 5,1% |
| Consumer | 5,3% | Chemicals | 11,3% |
| | | Transport | 35,5% |

Geographical

| | |
|------------------------|-------|
| Euro Zone Fixed Income | 78,8% |
| Euro Zone Equities | 3,5% |
| Rest Europe | 1,6% |
| USA | 2,9% |
| Asia | 0,6% |
| Other | 1,1% |
| Cash | 11,5% |

Aside from being able to invest in Korea as of June, the geographic distribution of the funds has not changed significantly over the quarter, maintaining a strong exposure to companies outside of Europe and the Eurozone.

In terms of **sector distribution**, the principal sectors are aligned with the main fund positions: Transport, Consumer Goods, Chemicals, Food, and Distribution.

Cobas Asset Management in the press

Paramés fund launches pension funds

Cobas Iberia, Paramés' flagship Spanish stock market product, has posted a cumulative return of around 10% since its launch on 3 April: the best of all the funds in its category on offer in Spain.

Pointers from Paramés on successful value investing

"The term "value" refer to somebody who creates value for their client over ten years. Regardless of the adjective, the bottom line is you have to deliver a return. Only people who are able to beat the indexes over time can justify exceptional fees, otherwise there will be a switch towards low cost passive management".

Paramés creates the Value School to promote a finance culture

The objectives of the Value School are to oversee training centres and undertake teaching activities, train professionals and organise think tanks, courses, seminars and conferences.

Blog

Please go to our website (www.cobasam.com) to read the blog articles published in July.

Thank you for joining us

The Cobas Asset Management team would like to thank over 12,000 investors who have entrusted their savings to our great endeavour.



Contributions and pension plan redemptions

Pension plan holders are logically concerned about tax, especially holders who have to decide whether to redeem their pension before 31 December 2018.

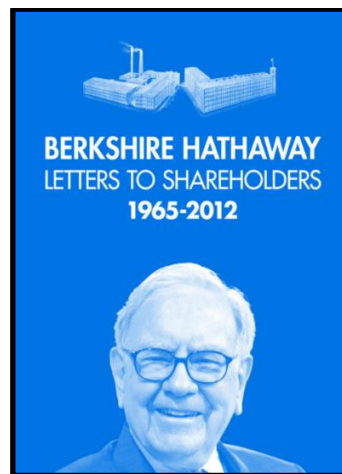
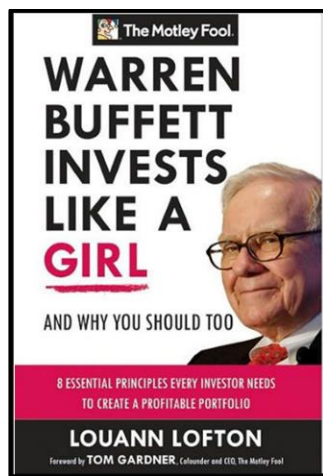


Book collection

This month we recommend two books related to one of the maestros of Value Investing, Warren Buffett.

In the first of them, "**Warren Buffett Invest Like A Girl**", Louann Lofton explains how the world of investment is not just for men and sets out eight essential principles needed for all types of investors to create a profitable portfolio.

The second book "**Berkshire Hathaway letters to shareholders 1965-2012**" is a collection of letters sent by Buffett to shareholders in his main investment vehicle, Berkshire Hathaway, over the period 1965 to 2012. These letters provide a chronological perspective, giving insights into accounting, investment, critical thinking, the economy, businesses. They are also a timely reminder of the ebb and flow of business and market cycles.



"We don't set a goal for returns. Our sole objective is for our clients to continue earning a return on their money which grows at a reasonable rate, enabling us to continue operating in accordance with our investment philosophy"

- Francisco García Paramés -

We're here to answer any questions you may have. Just call +34 900151530 or email international@cobasam.com.

Best regards,

Cobas Asset Management Investor Relations Team

