

## Cobas Asset Management Newsletter

- June 2017 -

Dear investor,

We have created this monthly newsletter to keep you abreast of developments relating to Cobas Asset Management. We hope you will find it of interest.

This first newsletter for June looks at where the management company is now and provides information on our funds that may be of interest. The following topics can be viewed below:



**I Annual Investor Conference**



**Returns and ratios**



**Top 5 companies**



**Company of the Month**



**Geographical and  
sector distribution**



**Cobas AM in the  
press**



**Book collection**

### **I Cobas Asset Management Annual Investor Conference**

A few days ago, we invited you to Cobas Asset Management's First Annual Investor Conference, taking place in Madrid and Barcelona on the following dates:



### Madrid

Tuesday, 27 June 2017

17.30 hours

Palacio Municipal

de Congresos

Avenida Capital de España, 7



### Barcelona

Tuesday, 4 July 2017

17.30 hours

Centre de Convencions

Internacional de Barcelona

Plaza de Willy Brandt, 11-14

These conferences will give the Cobas Asset Management team, headed up by Francisco García Paramés, the chance to present their investment strategy to you and discuss where the investment company is right now.

There is a limited number of places at these conferences, so please let us know if you wish to attend. If you haven't yet done so, please complete the [form](#) on our website, call 900 15 15 30 or email us at [info@cobasam.com](mailto:info@cobasam.com)

The conference in Madrid will be streamed live on our [website](#) and [our group](#) on the Finect financial sector social network. Investors can already post their questions here. A recording of the conference will also be available a few days after the event.

Just click on the following image to find out more about both events:



## 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.

<b>Funds</b>				
	<b>Return (%) in May</b>	<b>YTD return (%)</b>	<b>P/E ratio</b>	<b>Upside potential</b>
<b>Cobas Selección FI</b>	-2.2%	2.2%	8x	70%
<b>Cobas Internacional FI</b>	-3.7%	-1.8%	9x	68%
<b>Cobas Iberia FI</b>	5.3%	9.6%	10x	29%
<b>Cobas Grandes Compañías FI</b>	-3.2%	-3.0%	9x	62%
<b>Cobas Renta FI</b>	-0.5%	-0.6%	-	-

Figures at 31/05/2017

<b>Indexes</b>		
	<b>Return (%) in May</b>	<b>YTD return (%)</b>
<b>MSCI Europe Total Net Return</b>	1.5%	9.4%
<b>MSCI World Net Return</b>	-1.1%	3.4%
<b>IGBM &amp; PSI</b>	4.6%	15.9%

Figures at 31/05/2017

## Top 5 companies in our funds

Returns posted in May and since the beginning of the year for each of the five companies with the largest weight in the Cobas Selección FI and Cobas Internacional FI investment funds are provided in the following tables (figures for Cobas Iberia FI, Cobas Grandes Compañías FI and Cobas Renta FI are not provided as their portfolios had not been configured at 31 March 2017):

<b>Cobas Selección FI</b>			
	<b>% share of portfolio at 31/03/2017</b>	<b>Return (%) in May</b>	<b>YTD return (%)</b>
<b>Aryzta</b>	7.6%	-5.4%	-31.8%
<b>Israel Chemicals</b>	5.8%	-1.4%	3.6%
<b>Teekay Corporation</b>	4.5%	-29.6%	-23.9%
<b>Teekay LNG</b>	4.3%	-9.0%	5.2%
<b>Hyundai Motor</b>	4.0%	14.3%	14.2%
<b>MSCI Europe Net Return Index</b>	-	1.5%	9.4%

Figures at 31/05/2017

### Cobas Internacional FI

	% share of portfolio at 31/03/2017	Return (%) in May	YTD return (%)
<b>Aryzta</b>	9.0%	-5.4%	-31.8%
<b>Israel Chemicals</b>	5.2%	-1.4%	3.6%
<b>Teekay Corporation</b>	4.2%	-29.6%	-23.9%
<b>Teekay LNG</b>	4.0%	-9.0%	5.2%
<b>BMW pref</b>	4.2%	-3.1%	0.3%
<b>MSCI Europe Net Return Index</b>	-	1.5%	9.4%

Figures at 31/05/2017

It can be seen that the top four companies are the same in both the Cobas Selección FI and Cobas Internacional FI investment funds. This is because both funds are highly exposed to international equities.

The companies performed poorly this month, except Hyundai Motor which posted a 14.3% gain. Specifically, Teekay Corporation fell 29.6%, followed by Teekay LNG with a drop of 9.0%.

Over the course of the year, Aryzta has been the poorest performer, losing 31.8%, with Teekay Corporation close behind posting a 23.9% reduction.

Although profit forecasts have not changed, the decrease in Teekay's share price has basically been fuelled by the publication of worse than expected first-quarter earnings, and Morgan Stanley's recent downgrading of its target price by over 50% and sell recommendation.

Aryzta's first-quarter results, meanwhile, were slightly poorer than anticipated, with the company taking longer to restore its profit margins.

There was also an uptick of 1.5% in the MSCI Europe Net Return benchmark index in May, climbing 9.4% over the course of the year.



Jan 14

May 17

This graph shows the 53% drop in the Top 5 companies in the **Cobas Selección FI** portfolio over the last three years, compared to the 30% gain of the MSCI Europe benchmark index.

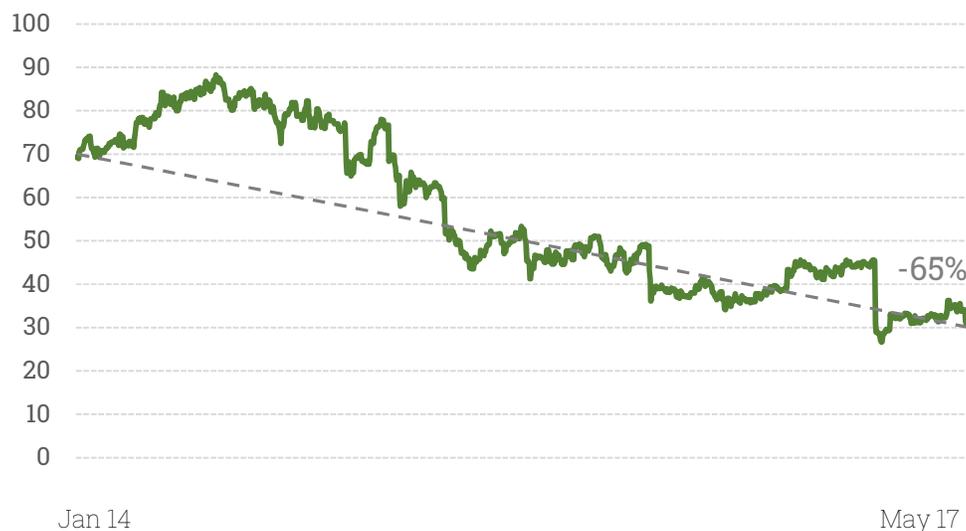
Despite the aforesaid losses, we're convinced that these companies have great potential to generate decent returns in the long term. Some of the reasons why we invested in Aryzta for example are provided below.

### Company of the Month: ARYZTA



Aryzta is a Swiss company **leading the prefrozen bread sector**, with operations worldwide. It is a **robust, stable and traditional company**. 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:

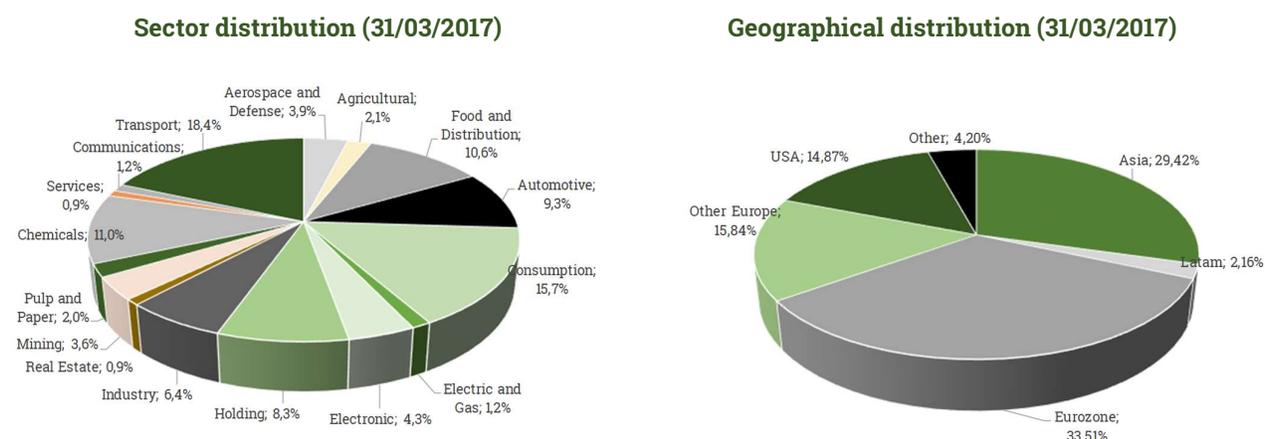


Having exhaustively analysed this company, we believe it has considerable growth potential and very attractive stock market ratios, indicating that it is a clear investment opportunity. It is envisaged that the appointment as chairman of Gary McGann – someone we already know from his time as Smurfit 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 Selección FI

The geographical and sector distribution of the Cobas Selección FI fund at the end of March is as follows:



The **sector distribution** graph shows that investments are in sectors known by us, comprising some companies previously managed by the team, and other new companies that we have carefully analysed to find out as much about them as possible. The following sectors make up the lion's share of the portfolio: Transport, Consumer Goods, Chemicals, Food, and Distribution.

The **geographical distribution** shows greater than expected exposure outside Europe, which has surprised us as traditionally our portfolios have primarily comprised European companies.

- 15% in the US – the majority of the investments in the United States are global companies that are coincidentally listed there, but without being greatly exposed to that economy. The actual weight of this country is 5%.
- 29.4% in Asia – eight of the nine companies in the portfolio have a strong cash position, some even above their market capitalisation. It is worth pointing out that the presence of Mingkun Chan in Shanghai makes it possible to adequately monitor these positions.
- Except for a minor position in Brazil, less than 2%, the remainder is centred in Europe.

## Cobas Asset Management in the press

### Cobas (Paramés) handling over 1 billion euros of fund assets before moving into pension plans

Cobas Selección, with €687 Mn, and Cobas Internacional, with €280 Mn, boasting the largest asset volumes among funds.

### Cobas and Deusto join forces to get greatest investment-related classics in Spanish bookstores

We have decided to use profits from the book "Invirtiendo a Largo Plazo" [Investing long term], by Francisco García Paramés, to translate and coedit with Deusto a selection of books. The first title, Peter Lynch's "Beating the Street", has already been published under the title "Batiendo a Wall Street".

### Francisco Garcia Paramés at the London Value Investor Conference

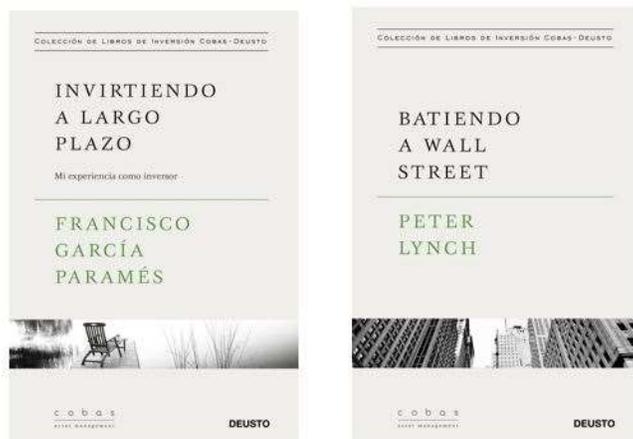
Brief remarks on García Paramés' presentation on Teekay at the Value Investor conference recently held in London.

## Book collection in partnership with Deusto

As well as managing investments, which we have been doing for 25 years, Cobas Asset Management is committed to sharing what we believe to be a valuable message: an investment philosophy and an idea on economics, raising awareness where possible among the wider society.

The fact that there are a lot of important books on economics and investment that have not been translated into Spanish has concerned us for some time. We have therefore decided to use profits from the book “Invirtiendo a Largo Plazo” [Investing long term], by Francisco García Paramés, to translate and coedit with Deusto some of these books.

The first title, Peter Lynch’s “Beating the Street”, has already been published under the title “Batiendo a Wall Street”, and work will soon start on the book “Common sense on mutual funds” by John C. Bogle.



“Volatility is not necessarily a problem; the more a market falls, the greater the opportunities to fund undervalued companies”

- Francisco García Paramés -

We’re here to answer any questions you may have. Just call +0034 900151530 or email [international@cobasam.com](mailto:international@cobasam.com).

Best regards

Cobas Asset Management Investor Relations Team

