

Cobas Asset Management Newsletter

- October 2018 -

Dear investor,

In our October Newsletter, we provide an update on our latest news as well as key data relating to our funds, going into greater detail regarding the characteristics of our portfolios and other matters of interest.

The following topics can be viewed below:



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Statements of position

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

Our product range

Ratios and returns

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

Fondo/Plan	Valor Liquidativo 30/09/18	Potencial	PER	Revalorización Septiembre		Revalorización en 2018		Revalorización desde inicio (1)	
				Cobas	Índice de Referencia (2)	Cobas	Índice de Referencia (2)	Cobas	Índice de Referencia (2)
Cobas Selección FI	99,79 €	88%	8,1x	0,83%	0,53%	-9,33%	0,84%	-0,21%	11,17%
Cobas Internacional FI	94,87 €	91%	8,0x	1,33%	0,53%	-10,29%	0,84%	-5,13%	7,37%
Cobas Iberia FI	107,91 €	60%	9,6x	-4,28%	-0,24%	-2,07%	-2,22%	7,91%	0,32%
Cobas Grandes Compañías FI	96,10 €	82%	8,0x	1,15%	0,73%	-9,18%	9,00%	-3,90%	11,71%
Cobas Renta FI	96,92 €			0,12%		-3,63%		-3,08%	
Cobas Global PP	91,90 €			1,06%	0,53%	-9,28%	0,84%	-8,10%	3,94%
Cobas Mixto Global PP	93,88 €			0,62%		-7,70%		-6,12%	
Cobas Concentrados FIL	79,80 €			0,90%	0,53%	-20,20%	0,84%	-20,20%	0,84%
(1) Inicio de los Fondos	Cobas Selección FI: 31-dic-16 Cobas Internacional FI: 15-mar-17 Cobas Iberia FI, Cobas Grandes Compañías FI y Cobas Renta FI: 3-abr-17 Cobas Global PP: 23-jul-17 Cobas Mixto Global PP: 25-jul-17								
(2) Índice de Referencia	MSCI Europe Total Return Net para Cobas Selección FI, Cobas Internacional FI, Cobas Concentrados FIL y Cobas Global PP MSCI World Net EUR para Cobas Grandes Compañías FI IGBM Total y PSI 20 Total Return (75%-25% hasta el 31/12/17; 80%-20% desde 01/01/18) para Cobas Iberia FI								

Fund factsheets

Following are the September factsheets for each of Cobas Asset Management investment funds. To access them, click on the links:

[Cobas Selección FI](#)

[Cobas Internacional FI](#)

[Cobas Iberia FI](#)

[Cobas Grandes Compañías FI](#)

[Cobas Renta FI](#)

c o b a s
asset management

INFORMACIÓN GENERAL
Gestora del fondo: Cobas AM
Depositarie: Banco Inversis SA
Estructura legal: UICITV
País de registro: España
Fecha de creación: 14/09/2016
Cierre de año fiscal: Diciembre
Hora de corte: 14:00 Hora Española
Valoración VL: Dúplex
Comisión gestión: 1,75%
Otros Gastos Corrientes: 0,04%
ISIN: ES0104001006
Bloomberg: COBASFI

DATOS TÉCNICOS
VL: 99,80
Templeto (mill): EUR 100617
Rent 1 mes: 0,84%
Rent año: -3,37%
Número de posiciones: 69
(*) Datos ajustados a junio 2018

INDICADOR RIESGO
1 2 3 4 5 6 7

5 POSICIONES PRINCIP.
Aryzta AG: 7,36%
Teckay Corp: 4,84%
International Seaways Inc: 4,17%
Teckay LNG Partners LP: 3,90%
Israel Chemicals Ltd: 3,67%

DIST. GEOGRÁFICA
Eurozona: 28,72%
EEUU: 26,66%
Otros Europa: 23,60%
Asia: 15,24%
Otros: 3,74%
Datos a junio 2018

Cobas Selección FI
Septiembre 2018

OBJETIVO INVERSIÓN
El fondo busca preservar y generar crecimiento sobre el capital invertido con una visión de largo plazo.

ESTRATEGIA DE INVERSIÓN
El objetivo del equipo de inversión es eduzcando de este modo altos potenciales de revalorización en el largo plazo. Esta metodología se ha basado diversificada, sin apalancamiento ni derivados, que ofrezca oportunidades de inversión con una ratio de rentabilidad/riesgo atractiva.

GESTOR
Cobas AM fue fundada en el año 2017 por Francisco García Paramés, un gestor de carrera altamente reputado con más de 25 años de extraordinario historial. El Sr. García Paramés lidera un equipo de inversión de diez analistas totalmente dedicado a su único estilo de inversión: Value Investing.

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RENTABILIDAD FONDO vs BENCHMARK
Crecimiento de EUR 100 — Cobas Selección FI — MSCI Europe Total Net Return

Septiembre 2018

Company of the Month: Israel Chemicals



This month, we'd like to place **Israel Chemicals** under the spotlight; this Israeli company's history dates back to the start of the 20th century, with the first efforts to extract minerals from the Dead Sea, in southern Israel. Currently, it is one of the biggest manufacturers of fertilizers and specialist derivatives worldwide.

The clear majority shareholder in ICL is **Israel Corp.** (TASE:ILCO), which controls around 45% of shares in circulation.

The company produces approximately one third of the world's bromine and is the sixth greatest producer of potash; it is also the main provider of pure phosphoric acid, although its main benefit resides in the fact that it is a **producer at the lower end of the cost curve**, making it more competitive. Some examples of the use of products it exploits and manufactures are:

- **Potash and phosphates**, used as ingredients in fertiliser and special components in the pharmaceutical industry.
- **Food additives**, offering the public greater access to more varied and better quality food.
- Water treatment **products**, supplying clean water to millions of people.
- Other **bromine and phosphate** based substances, which help to create more efficient energy and prevent the spread of forest fires, amongst others.

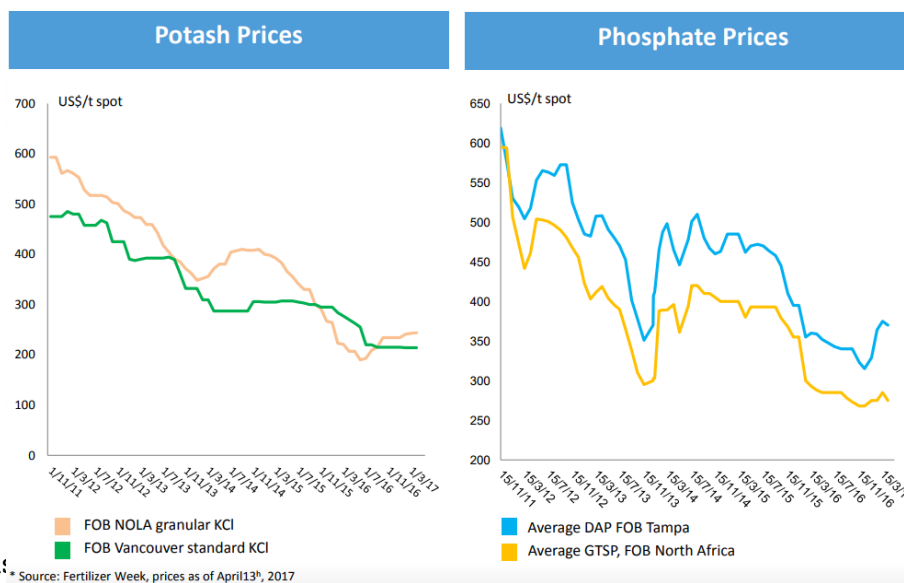
The company boasts a series of competitive advantages that caught our attention at the start of last year and that, in our opinion, meet the requirements to be considered a potentially attractive investment:

- **Unique combination of mineral assets**, with its privileged access to the Dead Sea worth particular mention as a high quality, low cost and practically infinite source of potash, bromine and magnesium and that, on account of its location, provides logistical storage capacity advantages.
- **Vertical integration**, ranging from minerals to end products, enhancing efficiency.
- **Good geographical location**, perfect for accessing markets and emerging countries.

- **Leadership position**, given the knowledge and investment required by chemical products representing an entry barrier to possible competitors.

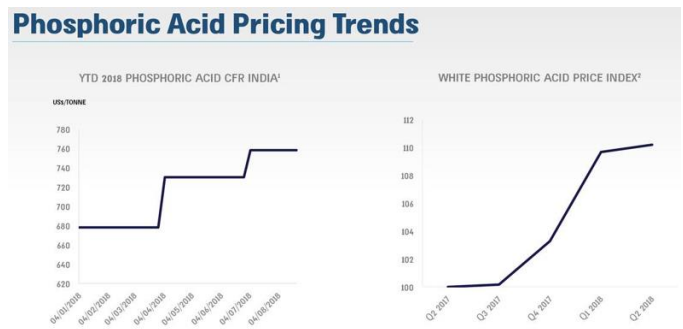
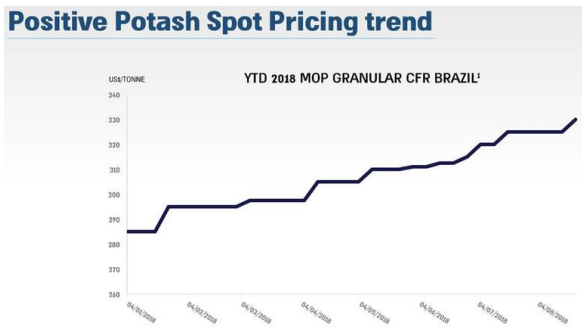
In response to our investment philosophy, our attention is focussed on businesses where we are able to understand and visualise the business in the coming years, where the management of capital is appropriate, with a clear competitive advantage or entry barrier and where there is a safety margin in terms of prices for investing. A priori, ICL satisfied all these characteristics.

However, we believe that the Israeli company is undervalued on the stock market, approximately 50% below its peak in mid-2014. Amongst the possible causes for the share price having fallen to such an extent is the low price of fertilisers, which has contracted significantly, as can be seen in the following charts:



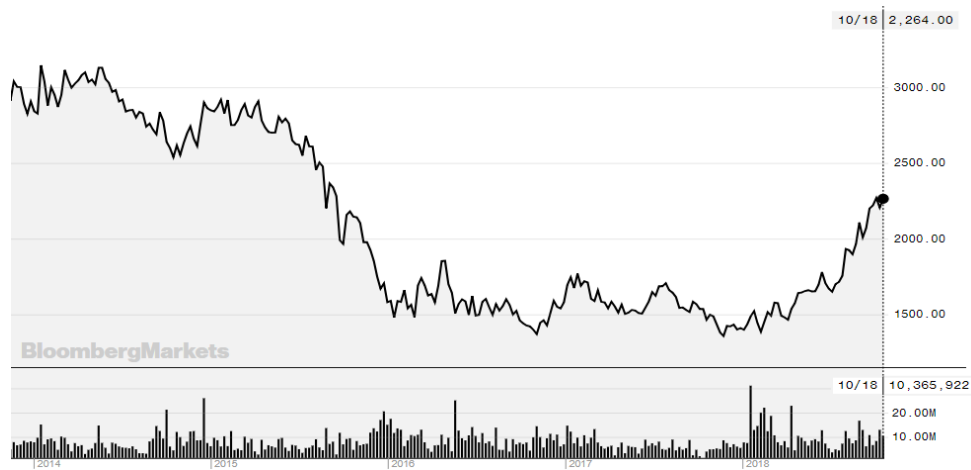
However, the business, on account of the aforementioned competitive advantage, it is very competitive when it comes to costs and considering a potential mean reversion of the price of fertilisers, we reached the conclusion that this was an attractive investment. On the other hand, we assessed its added-value business, represented by the additives business and other products, for which a certain level of processing is required prior to their sale, which had not suffered to such an extent and that offer solid support, in addition to a potential for attractive growth.

Over the course of time, it has been demonstrated how strong capital management and successful optimisation of the debt structure has gradually resulted in the company considerably reducing its Net Debt/EBITDA ratio, along with an upward correction in the price of commodities, as shown in the following figures:



Source: ICL

Given that the most serious error possible in the cycle is trying to predict the moment of change, we decided to stand firm in our conviction and wait patiently; as a result, over the course of the second and third quarters of 2018, we have seen a visible recovery in the share price, boosted by conditions including, but not limited to:



Source: Bloomberg

investors need to be conscious of excess or insufficient returns in a specific sector, patiently waiting for the situation to change. The clearest example are cyclical companies whose business is subject to ups and downs in supply and demand, with knock-on effects on returns.

Cobas AM Event in Valladolid

On 24 September, Cobas AM organised an event in Valladolid with a view to reaching out to our coinvestors. Carlos González Ramos, Deputy Director of Investor Relations, explained our key figures, our investment philosophy and products, whilst analyst Carmen Pérez Baguena, explored the international and Iberian portfolio in detail.

Below, you can see a number of images taken at the event:



In the near future, we will be organising more events in other Autonomous Communities, and we will provide details accordingly; we believe that transferring the investment philosophy that we employ and raising awareness of the composition of our investment portfolio amongst all coinvestors is key.

To explain this decision making process, insofar as possible, our events are attended by a member of the analysis team to provide further details of the investment process and so that investors can discover our investment ideas first hand.

Blog

Click on the links below to read the blog entries published in the last month.

How I came to value investing

Jorge Hidalgo tells us how he became interested in the value investing philosophy, which he believes has changed his life and the lives of those around him.



Double or nothing... or risk management

Andrés Allende, a member of the management team at Cobas AM, explains our risk management stance, a critical part of the investment process, where only detailed work, character (perseverance and humility) and patience work.



Investor Q&A

Below, we share a number of relevant aspects that we believe are of interest.

What is Cobas Asset Management's investment criteria and how has it evolved over time?

At Cobas, under a value investing philosophy with more than twenty-five years of experience, we always invest satisfying a number of basic premises, where we believe there is value to be found and the market is inefficient.

Our thought process is flexible, allowing us to invest in different markets. An example of this can be seen currently in the US stock market and part of the European stock market, which are trading with high multiples; therefore, we look for investment opportunities in regions like Asia, where the multiples are not as high, and where we currently have invested a large part of our portfolio, approximately 15%.

We don't just look for opportunities based on geographical criteria. Another good example would be cyclical sectors and, specifically, those related to commodities, which are close to ten-year minimums. Despite continuing to invest in businesses with clear competitive advantages, with high returns on capital and a certain price setting power, there is a clear investment opportunity in companies in specific industries, such as the transport of oil and gas by sea.

We believe that a good investor must be capable of generating value in any economic context, focussing on where there is a large discrepancy between value and price, which is precisely what we try to do at Cobas.

What are and how often are quarterly reports for investment funds published?

MCCIIs, or Management Company of Collective Investment Institutions, in addition to publishing a prospectus, a document with key investor information (KII) and an annual report on the financial statements and management report of the company, are required to publish two quarterly and two half-yearly reports for each of the investment funds they manage.

These reports contain very relevant information at the end of each period, such as the status of equity and returns, number of equity interests and shares in circulation in addition to the securities portfolio and changes to CII assets, amongst others.

Quarterly and half-yearly reports are published on the website of the National Securities Market Commission (CNMV) and the website of each management firm and must take place during the month following the end of the period in question, often on the last day of the month.

Below, the end dates for each period can be consulted, in addition to the expected dates on which each report is published:

Report	Period end date	Expected date of report's publication
First Quarter (1Q)	31 March	30 April

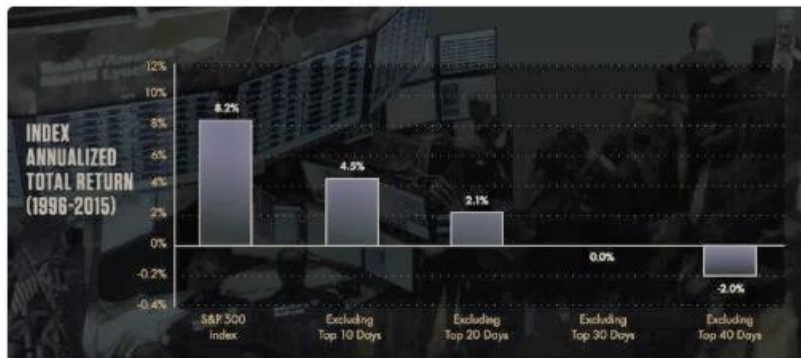
First Semester (1S)	30 June	31 July
Third Quarter (3Q)	30 September	31 October
Second Semester (2S)	31 December	31 January

Thus, at the end of October, Cobas AM will make information in investment funds relating to the third quarter of 2018 available.

Cobas Asset Management on social media

Below are links to interesting posts on social media shared by the management company. Click on the image to access the content.

Cobas AM @CobasFunds · 24 sept. ▼
 Cuidado con el Market Timing ¡El mayor peligro proviene de no invertir!
[#ValueInvesting](#) [#MarketTiming](#) [#Finanzas](#) [#LargoPlazo](#)



Cobas AM @CobasFunds · 20 sept. ▼
 En el décimo aniversario de la quiebra de Lehman Brothers hemos recuperado 20 lecciones que Seth Klarman cree que pudimos o debimos aprender de la experiencia. Sigue el hilo 🧵
[#Finanzas](#) [#SethKlarman](#) [#LehmanBrothers](#) [#invertir](#)



Value School, Vadevalor, Inversor en Valor y AhorroCapital



Cobas AM @CobasFunds · 21 sept.



Queremos que nos conozcáis mejor y por ello recuperamos una entrevista de @UFMedu a Francisco García Paramés. En ella nos habla del rol de la información, de la racionalidad y el riesgo #FelizMiercoles #Finanzas #ValueInvesting



Entrevista a Francisco García Paramés

Francisco García Paramés gestor de fondos de inversión, comparte información sobre emprendimiento de negocios nuevos, opina acerca de la comunicació...
youtube.com

More content is available by following us on social media. Click below for each social network.



"Understanding what motivates others to act and how they do it, and our own rationale for what we do, is the essence of prudent and successful investment"

– 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