

October 2016

The fund is up 0.35% in October and up 0.8% YTD. There is much excitement and commentary about the fact that long bond yields are up in the month and benchmarks like the one we use as a reference (Euro Gov 7-10 year bond index) are down 2%. It is a significant blip in an otherwise massive bull market which, even after the blip in October, has delivered a 4.4% return YTD and extremely attractive nominal and risk adjusted returns longer term.

That is the past however. We do not know whether the interest rate cycle has turned. We do know there have been many false dawns but we also know long bonds are priced to deliver pitiful nominal and real long term returns. We retain a short position in bunds (4% of the fund) even if it has not worked in the past. We also think that equities can flourish in a new interest rate cycle riven by higher long term growth expectations.

The fund performed well in the month with returns driven mostly by our high yield corporate bond portfolio, the short position in bunds contributed a little and equities yielded a marginal negative return. The fund retains what we consider is a conservative asset allocation.

Investment objective

Pareturn Cartesio Income replicates the investment strategy of Cartesio X. It seeks higher risk adjusted returns (Sharpe ratio) than Euro Government bonds (Bloomberg/EFFA Euro Gov 7-10 yr Index). Strong emphasis on capital protection.

Investment strategy

Equity exposure is limited to a maximum of 40% of assets, the balance is invested in bonds and cash.

Fund History

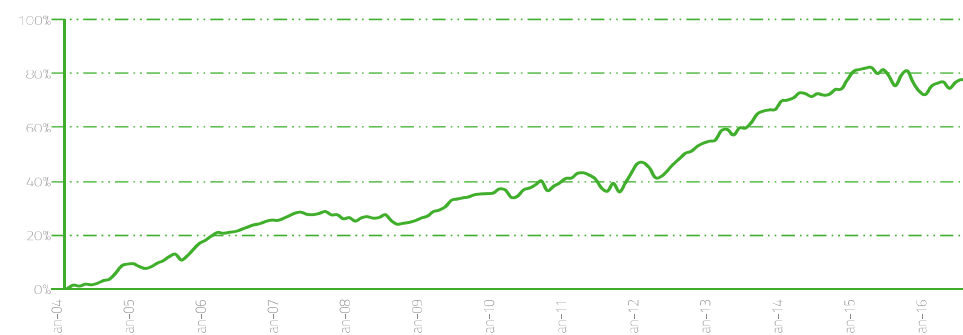
Cartesio X has an overall Four Star Morningstar rating. Since inception (March 2004) it has returned 4.7% p.a. against 5.5% p.a. total return for Long

Term Euro Gov Bonds with a volatility of 3.3% (index 4.6%). On a five and three year basis the fund has returned 29.7% and 9.0% respectively against total returns of 47.5% and 23.7% respectively for Long Term Eurozone Gov Bonds with 78% and 85% respectively of the volatility experienced by the index.

Factors to consider

- The fund has a long bias (Equities & Bonds) but with a strong emphasis on capital protection over the medium term.
- The equity and bond components are actively managed with a significant tracking error vs the benchmark.
- Suitable for investors seeking to grow and protect their capital over the medium term with a low level of risk.

Performance Chart (Cartesio X until May 2011)



PERFORMANCE

2016	0.8%
Since Inception (p.a.)*	4.7%

RISK / RETURN

Volatility*	3.4%
Beta	0.21
Sharpe*	0.91

ASSET ALLOCATION

Equity	8.9%
Bonds	29.3%
Cash	61.8%

EQUITY SECTOR DISTRIBUTION

Industrials	22.7%
Consumer Discretionary	16.3%
Telecommunication Services	12.8%
Health Care	11.6%
Utilities	10.6%

MAIN HOLDINGS

Intesa Sanpaolo AT1 2021	1.4%
Telefónica Hybrid 2018	1.4%
Bankinter AT1 2021	1.3%
Gas Natural Hybrid 2022	1.3%
Bank of Ireland AT1 2020	1.2%

INVESTMENTS/DIVESTMENTS EQUITIES

Investments: Investor AB

Divestments: Intesa

MARKET RETURNS

	2016	Since 31/03/04
MSCI Pan Euro (Total return.)	-3.5%	5.8% p.a.
Sharpe		0.21
Long Term Euro Gov. Bond	4.4%	5.5% p.a.
Sharpe		0.83
Euro Gov T Bill	-0.2%	1.6% p.a.

* Cartesio X until 5/2011 and Pareturn Cartesio Income onwards.

HOLDINGS

1	Intesa Sanpaolo AT1 2021	1.4%
2	Telefónica Hybrid 2018	1.4%
3	Bankinter AT1 2021	1.3%
4	Gas Natural Hybrid 2022	1.3%
5	Bank of Ireland AT1 2020	1.2%
6	Ibercaja 2025	1.2%
7	Atradius Hybrid 2024	1.2%
8	Alcoa 2020	1.2%
9	Hutchinson W. Hybrid 2018	1.1%
10	Europcar 2022	1.0%
11	OHL 2022	1.0%
12	Lloyds Bank AT1 2023	1.0%
13	Orange Hybrid 2020	1.0%
14	Sainsbury Hybrid 2020	1.0%
15	BBVA Tier 1 2017	0.9%
16	KBC AT1 2019	0.9%
17	Generali Hybrid 2025	0.8%
18	America Movil Hybrid 2023	0.8%
19	Credit Suisse AT1 2024	0.8%
20	Other (incl. Equity)	17.8%
21	Cash	61.8%
	Total	100%

MAIN HOLDINGS EQUITIES

1	Merlin Properties	0.5%
2	KPN	0.4%
3	IAG	0.4%
4	Hispania	0.4%
5	Sanofi	0.4%
6	Publicis	0.4%
7	Telecom Italia	0.3%
8	TDC	0.3%
9	Microsoft	0.3%
10	Novartis	0.3%

RISK ADJUSTED RETURNS PARETURN CARTESIO INCOME*

	Returns		Volatility		Relative Volatility	M2
	Fund	Index	Fund	Index		
2004 **	8.3%	5.5%	2.8%	3.4%	81.2%	9.9%
2005	5.8%	6.0%	4.0%	3.5%	113.2%	5.3%
2006	9.0%	-1.0%	2.2%	3.5%	62.7%	12.7%
2007	2.1%	1.8%	3.0%	3.7%	81.1%	1.6%
2008	-2.2%	10.8%	3.1%	6.1%	49.9%	-8.9%
2009	8.5%	4.7%	1.5%	5.1%	30.3%	25.0%
2010	2.1%	-0.3%	2.8%	4.7%	60.0%	3.0%
2011	0.9%	2.2%	4.4%	6.3%	70.6%	1.3%
2012	9.8%	14.9%	3.6%	4.8%	74.4%	12.7%
2013	8.9%	2.9%	2.9%	4.2%	70.6%	12.3%
2014	4.7%	16.9%	3.3%	3.4%	95.6%	4.9%
2015	1.3%	2.1%	4.0%	5.3%	76.6%	1.6%
2016	0.8%	4.4%	4.4%	3.7%	118.1%	0.7%
Q1	-0.7%	3.5%	5.4%	4.0%	134.8%	-0.5%
Q2	-0.4%	1.9%	5.0%	3.5%	142.9%	-0.3%
Q3	1.6%	0.9%	2.5%	3.7%	69.1%	2.3%
Q4 (Oct)	0.4%	-2.0%	1.4%	3.5%	40.1%	0.9%
Total	77.9%	96.2%	3.4%	4.6%	72.3%	

* Cartesio X until 5/2011 and Pareturn Cartesio Income onwards.

** Since March 2004

Index= Bloomberg/EFA Euro Gov Bond Index 7-10yr

M2= Theoretical return assuming the same volatility as the Index

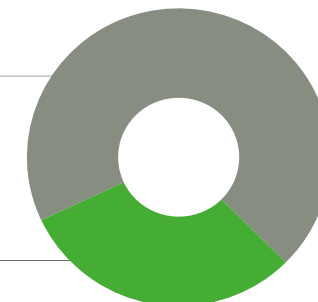
BOND SECTOR DISTRIBUTION

Government	-
Consumer Discretionary	7.2%
Consumer Staples	3.3%
Energy	4.3%
Financials	51.3%
Industrials	8.9%
Materials	6.2%
Technology	1.1%
Telecoms	16.5%
Utilities/Infrastructures	1.2%

VALUATION DATA

Bonds	
Portfolio YTM	4.7%
Portfolio Duration	2.4 years
Fund Duration	0.7 years
Equity	
P/E	13.3x
Div Yield	3.5%

Bond Rating Distribution

<Inv. grade
70%≥BBB-
30%

Name

Pareturn Cartesio Income
(Replicates Cartesio X)

ISIN

LU0581203592

Inception Date

30/4/11

Type

SICAV (UCITS III)

Benchmark

Bloomberg Euro Gov Bond
Index 7-10 yr – Risk Adjusted

NAV frequency

Daily (Euros)

Fund Management

Company

MDO Management Services

Fund Manager

Cartesio SGIC, S.A.

Custodian

BNP Paribas

Auditor

Deloitte



MORNINGSTAR	★★★★	3 years
MORNINGSTAR	★★★★	5 years
MORNINGSTAR	★★★★	10 years
MORNINGSTAR	★★★★	Overall

- 5 Lipper Leader Total Return
- 5 Lipper Leader Consistent Return
- 5 Lipper Leader Preservation
- 5 Lipper Leader Expense

Transfer Agent & Fund Administrator
BNP Securities Services

Fund Management Fee
0.95%

Bloomberg
PCARINI

* All ratings apply to Cartesio X