

## August 2017

The fund is down 0.3% in August and up 2.69% YTD. The European equity market is down 6% from its high in mid-May but at the same time high yield and subordinated financial credit are up 1.8% and 3.5% respectively since then. In other words, there is no confirmation of a risk off environment from credit, even though it is true that long term government bonds have performed well since then. Our opinion remains that it is the strength of the euro (up nearly 10% against the dollar since the middle of May) that explains most of the weakness in equities since their recent high. The monetary tightening that the ECB is unwilling to provide, the forex market has delivered instead. Since European equities peaked in mid-May the fund is flat. The negative impact of the limited equity exposure and the short position in bonds (5% of assets), have offset the positive impact of the bond portfolio.

The reason for our conservative asset allocation is less to do with exchange rate moves and more with expensive valuations and the perception that the risks of a deeper correction remain. We are likely to be opportunistic if the market corrects further from current levels and the route is likely to be through a gradual build up in equity exposure.

### 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 Barclays Series-E Euro Govt 7-10 Yr Bond 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

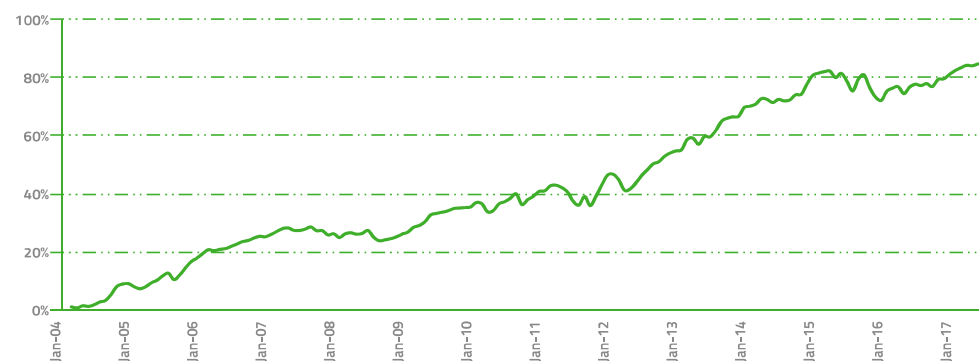
Cartesio X has an overall Four Star Morningstar rating. Since inception (March 2004) it has returned 4.7% p.a. against 5.2% p.a. total return for Long

Term Euro Gov Bonds with a volatility of 3.2% (index 4.6%). On a five and three year basis the fund has returned 26.8% and 7.5% respectively against total returns of 35.8% and 10.3% respectively for Long Term Eurozone Gov Bonds with 75% and 77% 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\*



### PERFORMANCE

|                         |      |
|-------------------------|------|
| 2017                    | 2.7% |
| Since Inception (p.a.)* | 4.7% |

### RISK / RETURN

|             |      |
|-------------|------|
| Volatility* | 3.2% |
| Beta        | 0.21 |
| Sharpe*     | 0.97 |

### ASSET ALLOCATION

|        |       |
|--------|-------|
| Equity | 7.8%  |
| Bonds  | 24.7% |
| Cash   | 67.5% |

### EQUITY SECTOR DISTRIBUTION

|                            |       |
|----------------------------|-------|
| Consumer Discretionary     | 26.2% |
| Utilities                  | 17.6% |
| Industrials                | 16.0% |
| Telecommunication Services | 11.3% |
| Real Estate                | 9.4%  |

### MAIN HOLDINGS

|                       |      |
|-----------------------|------|
| Caixabank AT1 2024    | 1.2% |
| Unicredit AT1 2021    | 1.2% |
| Liberbank Hybrid 2022 | 1.2% |
| Axa Hybrid 2019       | 1.1% |
| OHL 2022              | 1.1% |

### INVESTMENTS/DIVESTMENTS EQUITIES

Investments: -

Divestments: -

### MARKET RETURNS

|                               | 2017  | Since 31/03/04 |
|-------------------------------|-------|----------------|
| MSCI Pan Euro (Total return.) | 5.1%  | 6.4% p.a.      |
| Sharpe                        |       | 0.25           |
| Long Term Euro Gov. Bond      | 0.9%  | 5.2% p.a.      |
| Sharpe                        |       | 0.79           |
| Euro Gov T Bill               | -0.3% | 1.5% p.a.      |

\* Inception 31st March '04. Cartesio X until May '11.

| HOLDINGS |                             |             |
|----------|-----------------------------|-------------|
| 1        | Caixabank AT1 2024          | 1.2%        |
| 2        | Unicredit AT1 2021          | 1.2%        |
| 3        | Liberbank Hybrid 2022       | 1.2%        |
| 4        | Axa Hybrid 2019             | 1.1%        |
| 5        | OHL 2022                    | 1.1%        |
| 6        | Bankia AT1 2022             | 1.0%        |
| 7        | ING AT1 2020                | 1.0%        |
| 8        | Generali Hybrid 2025        | 1.0%        |
| 9        | Telefónica Hybrid 2024      | 1.0%        |
| 10       | Credit Agricole AT1 2019    | 0.9%        |
| 11       | Standard Chartered AT1 2023 | 0.9%        |
| 12       | Santander UK AT1 2024       | 0.9%        |
| 13       | Atradius Hybrid 2024        | 0.9%        |
| 14       | Credit Suisse AT1 2024      | 0.9%        |
| 15       | Hutchinson W. Hybrid 2018   | 0.9%        |
| 16       | Lloyds Bank AT1 2023        | 0.9%        |
| 17       | Intesa Subordinated 2024    | 0.8%        |
| 18       | Ibercaja 2025               | 0.8%        |
| 19       | KPN Hybrid 2023             | 0.7%        |
| 20       | Other (incl. Equity)        | 14.2%       |
| 21       | Cash                        | 67.5%       |
|          | <b>Total</b>                | <b>100%</b> |

| MAIN HOLDINGS EQUITIES |                   |      |
|------------------------|-------------------|------|
| 1                      | Telecom Italia    | 0.4% |
| 2                      | Publicis          | 0.4% |
| 3                      | Merlin Properties | 0.3% |
| 4                      | KPN               | 0.3% |
| 5                      | Royal Dutch Shell | 0.3% |
| 6                      | Continental       | 0.3% |
| 7                      | Ryanair           | 0.3% |
| 8                      | Stroeer           | 0.3% |
| 9                      | Microsoft         | 0.3% |
| 10                     | Stagecoach        | 0.2% |

| 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                                            | 1.6%         | 3.7%         | 4.1%        | 4.0%        | 100.8%              | 1.6%  |  |
| 2017                                            | 2.7%         | 0.9%         | 1.5%        | 4.0%        | 36.9%               | 7.8%  |  |
| Q1                                              | 1.7%         | -1.3%        | 1.3%        | 4.5%        | 28.9%               | 6.3%  |  |
| Q2                                              | 0.9%         | 1.0%         | 1.6%        | 3.6%        | 44.5%               | 2.1%  |  |
| Q3 (Aug)                                        | 0.1%         | 1.3%         | 1.5%        | 3.7%        | 40.8%               | 0.3%  |  |
| <b>Total</b>                                    | <b>84.2%</b> | <b>96.4%</b> | <b>3.2%</b> | <b>4.6%</b> | <b>70.6%</b>        |       |  |

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

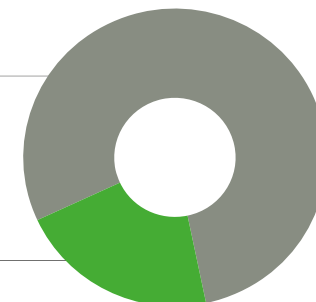
\*\* Since March 2004

Index= Bloomberg Barclays Series-E Euro Govt 7-10 Yr Bond Index  
M2= Theoretical return assuming the save volatility as the Index

| BOND SECTOR DISTRIBUTION  |       |
|---------------------------|-------|
| Government                | -     |
| Consumer Discretionary    | 0.0%  |
| Consumer Staples          | 0.0%  |
| Energy                    | 2.1%  |
| Financials                | 70.0% |
| Health Care               | 2.4%  |
| Industrials               | 8.9%  |
| Materials                 | 0.0%  |
| Telecoms                  | 11.0% |
| Utilities/Infrastructures | 1.0%  |

| VALUATION DATA     |           |
|--------------------|-----------|
| <b>Bonds</b>       |           |
| Portfolio YTM      | 4.9%      |
| Portfolio Duration | 2.3 years |
| Fund Duration      | 0.6 years |
| <b>Equity</b>      |           |
| P/E                | 17.3x     |
| Div Yield          | 3.3%      |

## Bond Rating Distribution

<Inv. grade  
79%≥BBB-  
21%**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**Gold**

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