MAGALLANES

VALUE INVESTORS

Quarterly Letter to Investors
06/30/2018
MAGALLANES VALUE INVESTORS, S.A. SGIIC

Dear Investor,

The performance of our funds for the first half of 2018, thereby, accumulated for the year, has been as follows: **Iberian +6.5%**, **European -3.2%**, and **Microcaps -5.4%.**[1]

For the greater part of 2018, attention has undoubtedly centered on the deteriorated relationship between the US and China resulting from growing tension about new trade tariffs on the one hand, and the weakness of the currencies of several emerging economies on the other, which have led to a significant increase in market volatility.

Within this context, the performance of the leading stock exchanges over the first semester has been mixed. There has been a general decline in European markets, while the US S&P 500 Index has seen increases of nearly 5%. The negative evolution of stock exchange indexes in a number of emerging economies is a different issue. The Argentina Merval Index dropped by more than 40%, while Brazil lost almost 16%; meanwhile, in Europe, the Istanbul Stock Exchange lost nearly 30% of its value and the Warsaw Stock Exchange nearly 16%, all in euro values.

The macroeconomic and geopolitical events mentioned above have given rise to a significant increase in instability, which has had especially serious repercussions on those sectors and countries that are most dependent on global trade. This explains the performance gap among the various strategies managed by Magallanes. In Europe, exposure to the sectors most affected by commercial disputes – such as automotive, raw materials and retailers – to a great extent explains the recent negative results obtained in the portfolio. At the same time, a significant exposure to Italian companies in our Microcaps fund has amplified the bad performance.

This level of volatility has allowed us to identify investment opportunities. In the European fund we have increased market risk exposure, with the entry into the portfolio of **Telecom Italia** and **Signify NV**, among others. We have also increased our position in **OCI NV**, **Tarkett**, **Carrefour**, **Porsche Holding** and **Renault**. Regarding sales, we should highlight the total sell of **Verbund**, **Uniper** and **SLC Agricola**, with capital gains that are close to or above +100%.

In the Iberia fund we should mention the inclusion of **Gestamp Automoción** and **OHL**, as well as the increase in heft of **NOS SGPS**. The single sale completed over the first semester was **Axiare**, after **Inmobiliaria Colonial** launched a takeover bid.

[1]Iberian: Magallanes Iberian Equity P. European: Magallanes European Equity P. Microcaps: Magallanes Microcaps Europe B. An Annex attached to this document includes detailed data on returns for each and every one of the investment classes and instruments under the management of, or advised by, Magallanes.

High volatility seen in very small cap companies has encouraged us to be particularly active in reweighting the positions of the Microcaps fund portfolio. Thus, we have increased our position in **Gunnebo**, **On The Beach**, **Francotyp-Postalia** and **Waberer's**, this last one following our visit to the company HQ in Budapest.

Asynchronicity and Certainty

During a recent meeting with students, one of the participants asked me to describe, of all the investment cases I have ever been involved in, the one I am proudest of. Since I am usually asked to explain my mistakes, I must confess the request caught me off-guard.

Although of course one learns from one's mistakes, we occasionally lose sight of what is truly important, which is in fact learning to recognize when we act correctly, with the purpose of repeating the action. Sometimes excessive self-criticism and an unhealthy obsession with not repeating past mistakes leads to disastrous results such as losing one's self-confidence, or – even worse – indexing on the basis of fearing a tarnished reputation.

The best investments are frequently not at all obvious at the point in time when they are made. There is no synchronous relationship between the inception of the idea and its outcome, between perceiving value and achieving true value: this is asynchronicity. The question raised pertaining to successful investments led me to reflect on the concept of asynchronicity in investment management: when investing, the difference between a negative perception of value and actual, true long-term value has repeatedly occurred in almost all successful investments.

An analysis of some of the most profitable investments in the Magallanes portfolios supports this idea. For example, our investment in utilities such as **Verbund** and **Uniper** in 2016 prompted questions, since in spite of both companies being listed far below book value, the prevailing perception at the time was that power prices would gradually reach "0 euro" as a result of the relentless development of renewable energy sources. But now, just two years later, countries such as Germany are burning more coal than ever, while CO_2 emissions reach record levels. At present, the fact is that not only have power prices not disappeared, but they have recently reached new multi-year highs, rising above 40 EUR/MWh. Over this year we have fully divested our portfolio positions in **Verbund** and **Uniper**, with capital gains of +80% and +170%, respectively.

Our investment in **HHFA**, the port of Hamburg, followed a similar pattern. About-face to the summer of 2015: a volatile period. The predictable sharp deceleration of the Chinese economy, together with sanctions imposed on the Russian Federation, stemming from the armed conflict in the Ukraine, brought about devastating effects on world trade. In preparation for possibly disastrous events, securities directly or indirectly linked to world trade were excessively punished, bringing the negative effects to ridiculous levels. Although we were able to establish a relevant position in **HHFA,** close to historically low levels, the decision was not easy since it flew against the then-pervasive general (negative) view.

Contrary to popular belief, assessing a given company's intrinsic value is not the most difficult thing to do when taking the decision to invest or not. What is truly difficult is knowing how to identify and overcome the asynchronicity between the negative perception on valuation at the time and the company's real intrinsic long-term value.

At present, some of our portfolio holdings are suffering significantly: a case in point is our recent purchase of **Carrefour** shares. One year ago, Alexander Bompard took over management of the company with the purpose of launching an ambitious transformation plan, "Carrefour 2022." This plan calls for major cost reductions and the divestment of non-strategic divisions. Since M. Bompard's appointment, however, company shares have dropped by 40%, and current forecasts regarding the future could not be bleaker.

At current market price levels, we believe **Carrefour** has plenty of value, although perceptions regarding value are quite negative as a result of the non-sustainable hypermarket format in France, alongside the threat that hard-discounters' competition represents. The structure is oversized, costs are excessively high, it continues to be present in loss-making formats and countries, and furthermore there is the unrelenting threat posed by **Amazon**. It is precisely this factor – the on-line threat – that is the least of our worries although, paradoxically, it may be what is uppermost in investors' minds. **Amazon** itself is incapable of developing a viable strategy for its food distribution division on-line and has actually ended that service in nine US States due to low returns several months after its launch[2].

The market tends to focus on negative considerations, which are doubtless relevant, and additionally does not look to the positive aspects that in our opinion also exist. Significant steps are being taken to this end, such as the closure of DIA France, staff cuts in central services, signing of alliances for joint purchases and procurement with **Système U** in France and **Tesco** in the international market, or the digital partnerships signed with **Google** and **Tencent** aimed at developing product sales on Internet. These measures will take some time to materialize, but unquestionably they will move in the right direction. At the same time, the market value of its stake in the Brazilian food retailer **Atacadao SA** is overlooked, although at current prices it accounts for almost 50% of **Carrefour's** market capitalization.

Our belief in the company remains unchanged. A reasonable valuation based on a return to normality in regard to profit margins would place our intrinsic value at close to twice current market price, trading at 50% of sales. This ratio is, on the other hand, the level listed by other similar European retailers, such as Britain's **Tesco Plc**, which coincidentally has also faced similar problems in the recent past.

The above analysis is also appropriate for other companies such as **Metro AG**, **Scorpio Tankers**, **Orsero** or **Waberer's**, among others. While these investments are currently a burden in terms of performance, in the long term, once we overcome asynchronicity, they will be a source of joy. But the path ahead will definitely not be an easy one to complete.

[2] https://progressivegrocer.com/amazon-fresh-failing

We will have to take on the risk of making mistakes in our calculations and forecasts. In fact, it may prove to be true that M. Bompard cannot turn the situation around: he may be unable to lower costs, or maybe other, more agile competitors will continue to steal market share, or – who knows! – maybe **Amazon** will finally find the "key" to the on-line groceries trade. This could have potentially negative implications on future **Carrefour** results, and by extension on its market price. If this were to happen, after analyzing all available options, we would take the necessary measures to attempt to minimize the effects on our portfolio. If the situation were irreversible, we would acknowledge our mistake and explain the situation to our clients, doing our utmost to preclude anything similar happening in the future.

Be that as it may, whether it involves Carrefour or any other contentious idea, we do not plan to stop purchasing shares of companies we consider to be cheap and which hold real possibilities of recovery simply because we fear making a mistake.

Invulnerability

As I draft this letter I am witness to a momentous event: the all-time high of most of the tech shares which comprise the famous FAANG, the acronym which stands for the USA's five most popular, best-performing companies: **Facebook**, **Apple**, **Amazon**, **Netflix** and **Google**.

The market capitalization of these five corporations is equivalent to three times the size of Spain's economy, and Apple alone, with some $1 trillion market cap, is nearly as big as Spain's GDP on its own.

I fear that, in this field, it makes no sense to speak of valuation. "Structural change," "competitive advantage," "virtuous circle" or "new paradigm" are some of the more commonly used expressions to "justify" such demanding market capitalization levels and valuations.

While not attempting to determine the value of those companies, it is worth our while to study two issues: the performance asymmetry among different indexes and the invulnerability status of these types of corporations.

The overwhelming return of the FAANGs and similar corporations eclipses the performance of other securities. In the USA, the FAANGs have doubled their weight in barely five years, and now account for more than 11% of the S&P 500 Index[3]. If it were not for FAANG, the US market might still be far below historical maximum levels. Europe lacks similar companies, and its performance over the last three years has been feeble, with index prices now lagging at 2015 levels; it is still possible to find corporations listed at minimum levels or at least levels that are far removed from historical highs.

[3] https://www.recode.net/2018/3/30/17180932/facebook-apple-amazon-netflix-google-doubled-sp500-index

Besides this asymmetry, the FAANG upshot gives rise to another perverse effect, in which passive and indexed strategies are forced to purchase more FAANG stock, since those stocks are increasingly present in indexes. This in turn causes an obdurate feedback effect in which the larger the company, the more weight, and the more weight, the more shares are purchased… thereby increasing valuation for no apparent reason.

The second issue, the status of invulnerability, is interesting and provides food for thought, especially for those who dare purchase whatever is "popular" at the moment: so-called "quality companies" as they are frequently known in financial jargon by people who confuse *quality* with *trendiness*.

Do you remember the social network *par excellence* of ten years back?

And no, it wasn't **Facebook**.

It was **MySpace**.

MySpace then had over 153 million worldwide users, as compared with approximately 50 million for Facebook. **MySpace**, established in 2003, was the forerunner of the social media as we now know them. It was so popular that it was bought in 2005 by **News Corporation**, for 580 million dollars, despite having generated practically no profits whatsoever. It was finally sold in 2011 for 35 million dollars, after losing the battle to **Facebook**. A fascinating tale, would you not agree?

An article published shortly after in British daily *The Guardian*[4] went as far as to state that **MySpace** was becoming a "natural monopoly," given that users, having devoted so much time and effort to registering and inputting data, would believe it to be too complicated and bothersome to switch to a different social network. Does that sound familiar? The well-known competitive advantage of "*switching cost*." The article goes on to state that such an edge was so powerful that it, in turn, created an even more powerful advantage, the "network effect:" the more users it had, the more powerful it became. "More than 150 million users can't be wrong" is yet another familiar quote.

Today, ten years after, few of us remember **MySpace**. It is well worth our while to hold still for a second and consider whether the current state of invulnerability dominating a number of given corporations is really "bulletproof," as we look to the next five or ten years, particularly now that their valuations are, shall we say, somewhat more than demanding. Just stop and think of **Nokia**, **BlackBerry**, **Kodak**, **Polaroid**, **Blockbuster** or **Toys "R" Us**, among others.

Even at the risk of being considered old-fashioned or outdated, we in Magallanes prefer to steer clear of this type of overexcited company. Experience proves that when specific assets are valued to perfection, the margin of error is minimal. We continue to focus our

[4] https://www.theguardian.com/technology/2007/feb/08/business.comment

attention on companies in which short-term temporary uncertainty means they are quoted at relatively low-price levels.

It could be said that we prefer to focus on the "mud" rather than on the "FAANG" ("mud" being those companies that at present attract few investors). We do not want to impose our views on others who think differently, but this is our approach to the market.

AI, Computing and Market Forecasting

One month before the World Cup, Bloomberg published an article[5] that stated that, according to investment bank UBS, the probability of Germany's winning was 24%.

The article described how the bank had deployed a team of 18 analysts to run some 10,000 simulations using quantitative computing methods with the purpose of forecasting the result of the competition. The three national teams favored to win were Germany, Brazil and Spain. The 17-page report described in minute and colorful detail the techniques and methods used in the process.

Well, the World Cup is now over, and the forecast was wrong. In fact, it placed France, Cup winner, fifth, with a 7% probability. Even more amusing: Croatia, runner-up to the Cup, was one of the worst ranked teams, with a 0.2% probability of success. Back in the 2014 World Cup, held in Brazil, UBS also dared make a prediction, saying Brazil would win: again, not the result. In fact, it was one of the most humiliating World Cup competitions for the home team, which lost by a historic 1-7 to Germany in the semi-finals.

Fortunately, insofar as we know, UBS is active solely in the investment-banking arena and does not wander into that of sporting events.

We can chuckle after reading this, but we should actually focus on the gist of the idea. We humans are permanently obsessed with the need to learn what the future will bring, from weather forecasts (how many times a day do you check the weather app on your phone?) to big sporting events.

And the securities market is not impervious to the above. We are repeatedly asked what we think about AI and new methods of financial computing, which allow for the prediction of behavior patterns, which can in turn be used to obtain benefits with almost no effort. Will the time come when "machines" substitute portfolio managers? And, looking even further into the future, will there come a time when active management will make no sense, because there will be no inefficiencies to be exploited?

The investment world is a combination of "art and science" in which a large number of disciplines blend and interact: mathematics, physics, biology, philosophy, sociology, psychology and literature. It would be difficult to compute in such a wide range of fields,

[5] https://www.bloomberg.com/news/articles/2018-05-17/germany-will-win-the-world-cup-ubs-says-after-10-000-simulations

especially those that deal with the inexplicable behavior of us human beings when we make decisions, swayed as we are by emotions. We recommend Robert Hagstrom's essay[6] that provides further details on the "art" of investment and the multidisciplinary nature of the profession of Investor.

Closure of the Magallanes Iberian Equity FI Fund[7]

At the end of June, the Magallanes Iberian Equity FI was effectively "closed." As you are aware, our commitment to all our investors led us to adopt this measure, which we believe was the best available in terms of options provided by existing legislation. The measure was therefore adopted with the purpose of protecting our investors' savings and to retain the trust they have placed in us. This comes after the April closure of the Magallanes Microcaps Europe FI fund.

What does "closing" a fund mean, why is it executed, and what are the implications?

To "close" a fund means a stoppage to subscription orders or, in other words, to stop accepting money from clients. The Fund therefore ceases growing in terms of fund raising, with the exception of natural growth derived from the appreciation of portfolio positions. Redemptions are obviously allowed. This measure may seem to be odd from a business standpoint for an asset management company (the bigger, the more profitable), but it is important for us because our decision is based on a firm belief that size is the enemy of performance.

From a technical point of view, we could state that the Law of Diminishing Returns is also applicable to asset management: the law states, in short, that just because there are more resources in a given company, its results will not necessarily be better or more – in fact, they can be, and usually will be, worse.

Common sense is, in this respect, a very strong consideration. It is easier to double 100 euros than 100,000 million euros. Retaining the adequate scale provides flexibility and allows for investing in practically any asset, especially those of smaller size, which – by their very nature – are out of bounds for most large institutional investors. We should not confuse optimal-size funds with funds that invest in small companies. Our funds are optimal-size, i.e., of a controlled size that frees us from any restriction when deciding which companies to invest in, whether they are small-, mid-, or large-market cap.

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[6]*"Investing: The Last Liberal Art"*, by Robert Hagstrom. Columbia Business School Publishing

[7]Outside our national borders there are two leading options for closing a fund: hard closure and soft closure. The former refers to the fact that no investor, existing or potential, may carry out subscriptions. The second case refers to the fact that only current investors may continue, if they so wish, making subscriptions to the fund. Current Spanish legislation does not directly mandate either option, thus the "closures" we have completed in Magallanes Iberian Equity FI Fund provide the best possible option in accordance with legislation established for that purpose within Spain. For the Luxemburgish version of the funds, we do have the option of soft-closing, indeed and for the Iberian fund Magallanes VI UCITS Iberian Equity, the soft closure is expected to be in place as soon as next 31st of July.

It is good to set limits to assets under management not only in order to obtain better future performance, but also because of our responsibility towards our investors. This is what we refer to when we say that we aim "to protect our investors' savings."

The management of disproportionately large funds may even endanger the very preservation of the fund's capital. By way of example, one has to think that the time will come – and it will, sooner or later – when a fund manager of a unreasonably big fund will have to fulfill redemptions, thus having to sell positions in specific securities which may be difficult given their large size: this is known as illiquidity risk.

From the investment management perspective, closing a fund does not mean discontinuing the search for, and analysis of, companies. Everything is the same as always, there is no change in the activities carried out. A decision to close is not taken due to a lack of investment ideas in terms of where to invest, or due to the market's being expensive: in fact, as we stated above, the current market volatility allows us to identify a large number of companies in which to invest.

For further details on fund "closures" or any other issue of interest, please do not hesitate to contact us on the Magallanes regular channels of communication.

Thanking you for your confidence, we wish you a happy summer.

Kind regards

Iván Martín Aránguez, CFA
Chief Investment Officer

ANNEX 1. STRUCTURE OF THE FUNDS

MAGALLANES IBERIAN EQUITY FI

The fund closes the quarter with an investment level of 91.5% and a total of 31 Spanish and Portuguese companies.

The fund maintains its exposure towards the industrial, services and energy sectors. May we highlight, among others, holdings like Gestamp, SEMAPA, Naturgy (former Gas Natural), NOS and Inditex. Top ten holdings account for 48.5% of the fund.

Spain accounts for 67.9% of the total investment of the fund and Portugal represents 23.6%.

An 81.0% of the fund is invested in large and mid-cap companies. The remaining 10.5% is invested in small-cap companies.

Current investment level of the fund seems appropriate to be for us. The number of companies in the fund will not significantly change in the medium term.

MAGALLANES EUROPEAN EQUITY FI

The fund closes the quarter with an investment level of 92.7% and a total of 38 companies.

The fund has a bias towards the industrial, consumer and energy sectors. Such sectors are mainly represented through holdings like Aker BP, OCI, Renault, Nutrien and Porsche. Top ten holdings account for 39.4% of the fund.

As a result of the holdings in the fund the exposure to Germany, France and Netherlands is greater compared to other countries. These three countries represent 48.1% of the fund.

A 82.1% of the fund is invested in large and mid-cap companies, with a 40.7% of such weight in companies with market cap of over €5 billion. A 10.6% of the fund is invested in small-cap companies (market cap below €1 billion).

Current investment level of the fund seems to be appropriate for us. The number of companies in the fund will not significantly change in the medium term.

MAGALLANES MICROCAPS EUROPE FI

The fund closes the quarter with an investment level of 90.2 % and a total of 53 companies.

The fund has a bias towards the industrial, consumer and services sectors. Such sectors are mainly represented through holdings like Orsero, EDAG Engineering, Banca Sistema, Waberer´s and KRKA. Top ten holdings account for 30.3% of the fund.

As a result of the holdings in the fund the exposure to Italy, United Kingdom and Germany is greater compared to other countries. These three countries represent 55.4% of the fund.

A 70.9% of the fund is invested in companies with an adjusted market cap below 100 million euros, of which 36.1% below 50 million euros.

Current investment level of the fund seems to be appropriate for us. The number of companies in the fund will not significantly change in the medium term.

ANNEX 2. RETURNS BY FUND AND CLASS as of 06/30/18

MAGALLANES IBERIAN EQUITY, FI

FUND	NAV	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS	2018	2017	2016	2015 [1]	SINCE INCEPTION [1]	INVESTMENT LEVEL
Magallanes Iberian Equity FI "M"	157,8281	**1,68%**	**4,50%**	**6,27%**	**8,96%**	**6,27%**	**15,45%**	**15,48%**	**8,04%**	**53,06%**	91,5%
Iberian benchmark		2,14%	2,32%	-0,89%	-2,03%	-0,89%	12,13%	0,52%	-5,73%	5,56%	
Magallanes Iberian Equity FI "P"	160,5343	**1,72%**	**4,63%**	**6,53%**	**9,51%**	**6,53%**	**16,03%**	**16,09%**	**6,32%**	**52,57%**	91,5%
Iberian benchmark		2,14%	2,32%	-0,89%	-2,03%	-0,89%	12,13%	0,52%	-11,27%	-0,87%	
Magallanes Iberian Equity FI "E"	164,7357	**1,79%**	**4,84%**	**6,93%**	**10,34%**	**6,93%**	**16,91%**	**16,91%**	**12,72%**	**64,74%**	91,5%
Iberian benchmark		2,14%	2,32%	-0,89%	-2,03%	-0,89%	12,13%	0,52%	2,57%	15,19%	

[1] *Class M 29/01/2015; Class P 26/02/2015; Class E 09/01/2015. Returns net of fees. Iberian benchmark: 80% Ibex35 Net TR + 20% PSI20 Net TR.*

MAGALLANES VALUE INVESTORS UCITS IBERIAN EQUITY - LUXEMBOURG

FUND	NAV	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS	2018	2017	2016 [1]	2015	SINCE INCEPTION [1]	INVESTMENT LEVEL
Magallanes Iberian Equity Lux "R"	141,5895	**1,57%**	**4,44%**	**6,02%**	**8,45%**	**6,02%**	**14,79%**	**16,33%**	**-**	**41,59%**	91,7%
Iberian benchmark		2,14%	2,32%	-0,89%	-2,03%	-0,89%	12,13%	0,52%	-	10,53%	
Magallanes Iberian Equity Lux "I"	143,5534	**1,62%**	**4,58%**	**6,31%**	**9,04%**	**6,31%**	**15,42%**	**16,99%**	**-**	**43,55%**	91,7%
Iberian benchmark		2,14%	2,32%	-0,89%	-2,03%	-0,89%	12,13%	0,52%	-	10,53%	

[1] *Class R 31/12/2015; Class I 31/12/2015. Returns net of fees. Iberian benchmark: 80% Ibex35 Net TR + 20% PSI20 Net TR.*

MAGALLANES EUROPEAN EQUITY, FI

FUND	NAV	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS	2018	2017	2016	2015 [1]	SINCE INCEPTION [1]	INVESTMENT LEVEL
Magallanes European Equity FI "M"	134,2128	**-3,25%**	**-0,47%**	**-3,48%**	**3,09%**	**-3,48%**	**19,52%**	**12,89%**	**3,47%**	**34,74%**	92,7%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	10,24%	2,58%	0,42%	13,02%	
Magallanes European Equity FI "P"	136,5568	**-3,21%**	**-0,35%**	**-3,24%**	**3,61%**	**-3,24%**	**20,12%**	**13,45%**	**4,23%**	**37,43%**	92,7%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	10,24%	2,58%	0,43%	13,03%	
Magallanes European Equity FI "E"	140,1109	**-3,15%**	**-0,16%**	**-2,88%**	**4,39%**	**-2,88%**	**21,02%**	**14,31%**	**4,29%**	**40,11%**	92,7%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	10,24%	2,58%	9,77%	23,54%	

[1] *Class M 27/01/2015; Class P 29/01/2015; Class E 09/01/2015. Returns net of fees. European benchmark: MSCI Europe Net TR.*

MAGALLANES VALUE INVESTORS UCITS EUROPEAN EQUITY - LUXEMBOURG

FUND	NAV	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS	2018	2017	2016 [1]	2015	SINCE INCEPTION [1]	INVESTMENT LEVEL
Magallanes European Equity Lux "R"	127,5736	**-3,35%**	**-0,68%**	**-3,69%**	**2,78%**	**-3,69%**	**19,11%**	**18,30%**	**-**	**35,71%**	93,1%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	10,24%	9,39%	-	20,01%	
Magallanes European Equity Lux "I"	129,2771	**-3,31%**	**-0,54%**	**-3,43%**	**3,34%**	**-3,43%**	**19,76%**	**27,76%**	**-**	**47,77%**	93,1%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	10,24%	19,66%	-	31,29%	
Magallanes European Equity Lux "P"	130,2985	**-3,28%**	**-0,45%**	**-3,25%**	**3,71%**	**-3,25%**	**20,16%**	**12,08%**	**-**	**30,30%**	93,1%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	10,24%	2,58%	-	12,54%	
Magallanes European Equity Lux "ING"	94,0900	**-2,53%**	**0,33%**	**-**	**-**	**-**	**-**	**-**	**-**	**-5,91%**	93,1%
European benchmark		-0,69%	4,00%	-0,48%	2,85%	-0,48%	-	-	-	-2,68%	

[1] *Class R 29/01/2016; Class I 12/02/2016; Class P 31/12/2015; Class ING 17/01/2018. Returns net of fees. European benchmark: MSCI Europe Net TR.*

MAGALLANES MICROCAPS EUROPE, FI

FUND	NAV	1 MONTH	3 MONTHS	6 MONTHS	12 MONTHS	2018	2017 [1]	2016	2015	SINCE INCEPTION [1]	INVESTMENT LEVEL
Magallanes Microcaps Europe, FI "B"	106,3004	**-1,18%**	**-2,88%**	**-5,40%**	**-3,19%**	**-5,40%**	**12,37%**			**6,30%**	90,2%
European benchmark		-0,89%	3,98%	2,38%	5,08%	2,38%	8,14%			10,72%	
Magallanes Microcaps Europe, FI "C"	105,9741	**-1,20%**	**-2,94%**	**-5,52%**	**-3,44%**	**-5,52%**	**7,81%**			**1,85%**	90,2%
European benchmark		-0,89%	3,98%	2,38%	5,08%	2,38%	7,22%			9,77%	

[1] *Class B 17/03/2017; Class C 31/03/2017. Returns net of fees. European benchmark: MSCI Europe Micro Cap Net Total Return.*