MAGALLANES

VALUE INVESTORS

**Quarterly Letter to Investors**
12/31/2019
MAGALLANES VALUE INVESTORS, S.A. SGIIC

Dear Investor,

The performance in the fourth quarter 2019 is as follows for our Magallanes funds: I**berian, +5.1%**; **European, +6.8%**; and **Microcaps, +9.7%**. The accumulated results for the year were +**6.6%**, **+22.1%** and **+10.6%**, respectively.

For Iberia and Europe, the funds that have surpassed a sufficiently representative time frame, the accumulated returns are **+52.0%** and **+45.2%** respectively[1] since their launch.

**A restless and complicated environment. Perceptions**

The year 2019 was marked by a series of factors whose evolution has injected a large dose of uncertainty into the markets. The trade war between the USA and China, elections in the United Kingdom, geopolitical instability, the formation of new populist governments in southern Europe, quasi-military tension in Iran as well as terrorist attacks against oil facilities in Saudi Arabia. All of the above, together with the multiple summits around the global climate change challenge", to which the recent outbreak of coronavirus in China in the first few weeks of 2020 should be added.

Despite this, 2019 also saw one of the best years in memory in terms of performance for almost all financial assets. More specifically, world stock markets closed one of their best years of the last decade. The S&P 500 index rose +28.9% in USD and the STOXX Europe 600 index registered an increase of +23.2% in 2019. Even the Ibex 35 managed to rise close to +12% despite the uncertainty surrounding the formation of a new Spanish government. It is for this reason that this index takes the wooden spoon award among the more extraordinary returns of its European counterparts (+28% for Italy, +26% for France and +25% for Germany).

It is perfectly logical to be perplexed after reading the previous two paragraphs; it is at least counterintuitive; "A world in constant threat next to a very happy market, oblivious to the dangers of the world in which we live".

[1] Iberian: Magallanes Iberian Equity Class P in 2019 and Class E since the beginning. European: Magellan European Equity Class P in 2019 and Class E from the beginning. Microcaps: Magellan Microcaps Europe B. At the end of the letter you will find an annex with the detail of the performance of each class and investment vehicles managed and/ or advised by Magellanes.

This is a great example of the amount of media noise" to which we are constantly bombarded. In fact, it will always be possible find something to worry about; after all, the media do their job. However, a significant part of this noise does not have a real and profound effect on changing long-term structural trends; trends that explain what really matters when it comes to assessing the fundamentals of the companies that we invest in.

In line with the above, the way something is perceived represents what one thinks reality is, and strangely, this rarely coincides with the facts. These perceptions are greatly influenced by the extreme fear that human beings hold towards negative and catastrophic events, as well as to the fear of loss, which leads to the kind of decision-making aimed at mitigating this anguish. "If I perceive that the government of my country is leading the economy to a worse position, then I will sell shares in the Spanish stock market". In investing, perceptions are those that dictate the movement of assets in the short term, so that once the noise has dissipated, the facts win out in the long term.

The case of our Iberian fund; which as you will know is made up of investments mainly in the Spanish stock market; represents well what was mentioned previously. The political change in the Spanish government has been received skeptically by the market, and our fund has not been immune to it. But a detailed analysis of our portfolio reveals an interesting fact; on average about 75% of our companies' business comes from outside Spain. Once again, we are facing a mismatch between perceptions and facts.

The following paragraphs explain the most significant macroeconomic, geostrategic and monetary policy events of the year in greater detail.

According to the IMF report in October 2019, the global economy is in a synchronized slowdown, with growth for 2019 reduced again to 3%, the slowest growth rate since the global financial crisis.

As mentioned at the beginning, this moderation in growth is a consequence of greater trade tensions and high uncertainty in the global geopolitical environment. Particularly the trade war between the United States and China, but also the pronounced slowdown of the largest exporter in the Eurozone, Germany, which is putting the global economy under pressure. Additionally, numerous developing economies are finding themselves stressed due to the aforementioned slowdown in global economic activity.

A notable shift towards a more lax monetary policy has mitigated the impact of these tensions on financial markets. In this regard the Fed has cut its reference rates three times in 2019, leaving them between 1.50% and 1.75%. In the Eurozone, the ECB under its new president, Christine Lagarde, has announced that it will maintain its current accommodative monetary policy for a prolonged period of time. The European Central Bank has also reduced its growth forecasts for the Eurozone to 1.1% by 2020 from 1.2% in 2019 and 1.8% in 2018. For this reason, Lagarde has appealed to European governments to cooperate more closely in terms of fiscal policy with the aim of stimulating the fragile European economy.

Another consequence of the great uncertainties surrounding the global economy and geopolitical risks is the flight to quality assets and greater security in the form of government debt purchases. Market movements have brought the amount of negative yielding debt up to 11 trillion USD at the end of 2019 after reaching USD 17 trillion in August 2019. The profitability of the 10-year American bond ended the year 2019 at 1.93% after registering 2.68% the previous year. The profitability of the German 10-year bond ended the year 2019 at -0.19% after registering -0.71% in August 2019 and closing at -0.24% the previous year.

In its latest report in January, the IMF expects a rebound in global growth to 3.3% in 2020. Growth for developed economies is expected to be 1.6% (down slightly from 1.7% in 2019) and for emerging economies, a rebound to 4.4% is expected in 2020 compared to 3.9% in 2019.

However, we are starting to see positive news. A year and a half after the start of the trade war between The US and China and after a long period of negotiations, the two sides have reached a first phase of agreement. This could be the first towards a certain normalization of the relationship between the two largest global economies.

Meanwhile in the United Kingdom, after the significant victory of Boris Johnson in the elections in December 2019, the likelihood of an orderly exit from the European Union is greater. These two positive events, together with a certain stabilization of global economic activity in recent months have led to significant increases in financial markets to close 2019.

**Unseen risks**

Although everything seems calm in the markets based on last year's excellent results, the reality is that there are latent risks that should not be overlooked.

We refer to that part of the market whose prices do not stop rising, taking their fundamental valuations to the maximum and sometimes near to bubble-like levels. Within this part of the market we could include in broad strokes: bonds, private equity and momentum companies.

It never ceases to surprise me that the golden rule of supply and demand is being breached in the financial market. The rule that says that a rational consumer (investor) is willing to buy more the lower the price of the product or service, and vice versa. On the contrary, the more a stock market goes up, the more attractive it becomes and the more capital it attracts.

It is possibly in the bond market where the latent risk is higher, where it is also beginning to reach bubble-like levels. The eagerness to eliminate uncertainty through the purchase of bonds means that one is willing to lose money. But it is not entirely clear if these investors are aware of the true implicit risk they are taking. Let's take the famous 100-year bond issued by Austria in 2017 as an example. It is a bond that has 97 years until its maturity date and offers a yield of around 1%. This means that, at best, the holder of this bond will receive 1% from his investment per year in nominal terms. This is where the problems begin, taking into account that inflation will remain at 2% for almost a century (and this is a lot to assume). This would result in a certain loss in real terms for 97 years of -1% per year, or 97 euros for every 100 euros put in, which is almost a total loss of the money invested. Not to mention that any scenario that includes rate hikes would have devastating consequences. Thus, a normalization of interest rates would result in substantial capital losses. As an illustration, only a rise in interest rates of 100 bp would result in a fall in the value of the bond close to 50%.

This is what risk is.

We have used the extreme case of a bond that matures in almost in a century. Imagine this exercise for the large amount of bonds that currently hold 0% or negative yields.

Investment in private equity (PE) also deserves a special mention. The value of PE operations during the last year has exceeded pre-crisis levels[2], with a total investment of 485 billion dollars. But there is still 2 trillion dollars (twice the size of the Spanish economy) of so-called "dry-powder" or funds committed to buyouts but not yet invested, the result of massive capital inflows because of the great interest of the investment community.

The pressure to "put such an amount of money to work as soon as possible" leads to the creation of an undesirable situation; competitive bids and high prices. According to McKinsey, the average multiple paid has increased from more than 11 times the EBITDA in 2018 to just over 12-13 times for 2019[3].

You don't have to go very far to see how in Spain, high multiples are paid in highly competitive bidding auctions. According to the Spanish newspaper La Vanguardia in relation to the buyout of a well-known food brand "*… multiples of 13 and 14 times have been paid. Or even 15, which is what Permira paid a few months ago for the European University of Madrid. Is it justified? We'll see.*"[4] If we add an aggressive financing structure to these multiples along with the impossibility of rescuing the investment due to its illiquid nature, the actual assumed risk is far greater than is initially perceived.

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[2] https://www.ft.com/content/6fee67b0-2a9b-11ea-bc77-65e4aa615551

[3] https://www.mckinsey.com/~/media/McKinsey/Industries/Private%20Equity%20and%20Principal%20Investors/Our%20Insights/Private%20markets%20come%20of%20age/Private-markets-come-of-age-McKinsey-Global-Private-Markets-Review-2019-vF.ashx

[4] https://www.lavanguardia.com/economia/20190722/463629586261/fondos-de-inversion-capital-riesgo-compraventa-de-empresas-carlyle-cepsa-palacios-mch-ardian-gallo-proa-capital.html

It is difficult to understand the dichotomy between an asset for which someone is willing to pay 15x EBITDA, with leverage and without liquidity, compared for example to our European portfolio trading at 6x, with a healthy financial situation and offering daily liquidity.

It is possible once again that we are faced with a question of perceptions. The difference between being a listed asset or not, may be the primary reason. Investment in PE is associated with the real economy, contains an entrepreneurship aspect and a very long-term time horizon is assumed. Let's change this and put this investment at a daily price. The perception of risk automatically skyrockets, the time horizon disappears and the anguish of seeing the ups and downs of the daily market quotation makes us forget that our money is also invested in a company in the real economy. From business projects to lottery tickets, by virtue of being traded. It makes no sense other than being something emotional.

This is also risk.

The third pillar of inflated assets is found in momentum companies, defined as those whose tendency to continue rising is assumed to continue indefinitely. Within this label we can find all kinds of values, sectors and even geographical areas. Currently and as an example, we could classify as momentum companies, among others, companies in the technology and luxury sector.

It is important to clarify the difference between momentum companies. which could also be called 'expensive' compared to 'cheap' companies. Although the investment community has been determined to classify this disparity between growth companies and value companies.

Be that as it may, the reality is that the growing gap between the two categories has reached levels that have never been seen before, both in terms of magnitude of relative profitability (about -40% worse performance for cheaper companies) and in duration (more than ten years). Again, many voices are warning of the death of value investing[5]. For further explanation on the situation of extremes, please refer to our letter from the previous quarter.

The feeling of fear is present in the face of the complex current environment, where economic growth has become a scarce and unusual event along with the financial repression of interest rates to zero, causes the investor to "seek refuge" in companies capable of promising future growth and profit stability, although possibly neither will come in the end.

[5]https://www.researchaffiliates.com/en_us/publications/articles/reports-of-values-death-may-be-greatly-exaggerated.html

The above makes a lot of sense, except when the price that is paid goes far beyond the fundamentals of the company, in other words, when we buy at expensive prices. If history shows us anything, it is that buying expensive turns out expensive.

It is worth taking a look at the formation and subsequent bursting of the last three large stock market bubbles; the Nifty Fifty in the 70s, the dotcom bubble in the 2000s and the subprime crisis of 2007, extracted from Hussman Funds[6]. Please take a few seconds to see the companies in the box below:

| Nifty Fifty. 1973-74 | Dotcom. 2000-02 | Subprime. 2007-09 |
|---|---|---|
| Du Pont -58.4% | Cisco Systems -89.3% | Google -65.3% |
| Eastman Kodak -62.1% | Microsoft -65.2% | Bank of America -94.0% |
| Exxon -46.9% | JP Morgan -76.5% | Microsoft -50.3% |
| Ford Motor -64.8% | Intel -82.3% | Merck -65.5% |
| General Electric -60.5% | McDonalds -74.4% | Coca Cola -42.3% |
| General Motors -71.2% | EMC -96.2% | JP Morgan -68.5% |
| Goodyear -63.0% | Disney -68.4% | Intel -56.8% |
| IBM -58.8% | Oracle -84.2% | AT&T -49.3% |
| McDonalds -72.4% | Merck -58.8% | Cisco Systems -60.0% |
| Mobil -59.8% | Boeing -58.6% | Boeing -72.6% |
| Motorola -54.3% | IBM -58.8% | Apple -60.9% |
| PepsiCo -67.0% | Amgen -66.9% | Citigroup -98.1% |
| Philip Morris -50.3% | Apple -81.1% | |
| Polaroid -90.2% | | |
| Sears -66.2% | | |
| Sony -80.9% | | |
| Westinghouse -83.1% | | |

It is my opinion that the current market situation has many similarities to past market situations, especially considering the first two bubbles. The following excerpt from Forbes magazine could pass as an article published today if it weren't for the fact that it was written in 1977 about the Nifty Fifty:

*The Nifty Fifty appeared to rise up from the ocean; it was as though all of the U.S. but Nebraska had sunk into the sea. The two-tier market really consisted of one tier and a lot of rubble down below. What held the Nifty Fifty up? The same thing that held up tulip-bulb prices long ago in Holland – popular delusions and the madness of crowds. <u>The delusion was that these companies were so good that it didn't matter what you paid for them; their inexorable growth would bail you out</u>."*

[6]https://www.hussmanfunds.com/comment/mc191230/

The above is magnified by the presence of passive investing, mainly through ETFs. The indiscriminate entry of money in the stock market via ETFs makes the popular more popular, more expensive and riskier. The trend of recent years is the massive outflow of money from active funds into passive investing. Based on the fact that the companies of an active management portfolio are not generally represented in the indices, so this ensures the polarization between the popular and the ignored continues to expand as a matter of course.

But there is another reflection on passive management; is the ultra-low cost of ETF funds really the only important factor when investing in an asset, regardless of even understanding what we are buying? Would you buy a closed box, even accept it for free without even knowing what's inside? We will see when the market falls.

This is also risk.

**An ideal time for Active investing**

All of the above makes the present moment truly ideal, almost historic, for real active asset management. In particular for value investing, the very kind we do at Magallanes.

The side effect of the frenzy for what is popular and expensive is a part of the orphan market, where there is little competition at the time of buying, that which has come to be known as value, characterized by low valuations.

We're talking about real, tangible businesses, the old economy if you will, which as old-fashioned as it is today in the eyes of the modern investor, it's hard to imagine life without it for the next 10 to 15 years. It is possible to buy steel companies, copper, oil, paper, pharmaceutical, automotive, fertilizer, food, distribution and boat companies, among others, at very attractive valuations.

Since 2000 investment banking has reduced their spending on analysts by 50%[7]. It is clear that we live in a world in which there is less and less analysis, in addition to the application of regulations such as MiFID II which makes coverage of small companies unprofitable. Again, this means less competition, less price discovery and more cheap companies waiting to be analyzed by investors like us.

As the Spanish saying goes "there is no evil that lasts forever", and in investments "there is no cheap company that lasts for seven years." Based on our experience, this is the maximum period that an undervaluation of some of the securities where we have invested usually lasts. Sometimes there is no catalyst in sight, it is simply the passage of time that turns out to be the best catalyst for things to return to life.

[7] https://pdfs.semanticscholar.org/e54b/927b2329c5353a2630055ed9e2da11439457.pdf

In an attempt to summarize all of the above, the following table schematically shows the different investment options in terms of the paid multiple (EV/EBITDA) compared to one of our funds, Magallanes European Equity FI. As a reference, multiples below the 10-12x range (depending on the business model) are usually considered cheap, above that range is considered expensive, and well above (>15x) almost at bubble levels:

| Magallanes European Equity FI | MSCI Europe | Private Equity | Momentum Stocks | Bonds |
|---|---|---|---|---|
| 6x | 10x | 14x | 18x | 50x |

Magallanes Value Investors, internally elaborated

Buying a group of companies that manufacture, distribute or offer products and services essential to our daily lives while paying a low price doesn't seem to be a very risky decision. On the contrary, it is almost a guarantee to make money if your time horizon is long enough and your emotional temperament to endure daily fluctuations allows for it.

**Activity in our fund portfolios**

Activity in our funds has continued to focus on reducing risk and increasing the upside potential by increasing investments in companies whose (too low) share price does not reflect their true business fundamentals (either good or not very bad).

Within the **European strategy**, the increase in exposure to the industrial sector through the increase in certain companies stands out, such as in **ArcelorMittal** and **Tarkett**.

In terms of selling, during the last quarter of the year the fund's exposure to the shipping sector was reduced following reductions in **Euronav** and **Scorpio Tankers** positions, as well as in the consumer discretionary sector after the reduction in our **Porsche** position. These partial cuts were due to the stock's excellent performance, and these stocks accounted for a significant part of the European fund's strong performance.

The investment level remains at high levels close to 96.8%, due to the huge upside potential that we see in the various companies that make up this portfolio. The number of securities in the fund is 33.

On the buying side of the **Iberian strategy**, **Iberpapel's** position in the industrial sector has been increased.

Similarly, the fund has seen its exposure to the consumer sector trimmed, with the reductions in our **INDITEX** position and in the energy sector through reductions in our **Repsol**, **Siemens Gamesa** and **Naturgy** positions.

The investment level remains high at close to 98.0%, due to the huge upside potential that we see in the different companies that make up this portfolio. The number of securities in the fund is 28.

In the **Microcaps** fund, exposure to the industrial sector has been heightened through increases in companies such as **IPCO**, **Kongsberg Automotive**, **KSB** and **Ferronordic**, and to the telecommunications sector with the increase in our **Netia** position.

In terms of selling, a complete exit in our **Elegant Hotels** position has been carried out after receiving a takeover bid. Positions in **Mutares** and **GEDI** have also been sold.

The level of investment stays at 88.9%, due to the huge upside potential that we see in the various companies that make up the portfolio. The number of securities in this fund is 48.

**Thanks to our investors**

True to our annual meeting with investors, we will soon announce the details of our Investor Days in both Madrid and Barcelona. In the meantime, please contact us with any questions, issues or suggestions you may have through any of the channels provided for this purpose in order to enhance and continue to improve our open and transparent communication with all of you.

I would like to thank you for the trust you hold in us and I am pleased to do so in a year in which our funds have delivered positive returns. Our commitment is 100%, as is our passion and dedication to take care of your wealth along with ours.

Yours sincerely,

Iván Martín Aránguez, CFA
Chief Investment Officer

## ANNEX. RETURNS BY FUND AND CLASS as of 12/31/19

## MAGALLANES IBERIAN EQUITY, FI

| FUND | NAV | 1 MONTH | 3 MONTHS | 6 MONTHS | 2019 | 2018 | 2017 | 2016 | 2015 [1] | SINCE INCEPTION | INVESTMENT LEVEL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Magallanes Iberian Equity FI "M"** | 142,9466 | **0,98%** | **5,00%** | **-0,89%** | **6,02%** | **-9,22%** | **15,45%** | **15,48%** | **8,04%** | **38,62%** | 98,0% |
| *Iberian benchmark* | | 2,37% | 4,48% | 4,62% | 15,38% | -11,59% | 12,13% | 0,52% | -5,73% | 8,64% | |
| **Magallanes Iberian Equity FI "P"** | 146,4955 | **1,02%** | **5,13%** | **-0,64%** | **6,55%** | **-8,76%** | **16,03%** | **16,09%** | **6,32%** | **39,23%** | 98,0% |
| *Iberian benchmark* | | 2,37% | 4,48% | 4,62% | 15,38% | -11,59% | 12,13% | 0,52% | -11,27% | 2,03% | |
| **Magallanes Iberian Equity FI "E"** | 152,0350 | **1,08%** | **5,33%** | **-0,27%** | **7,35%** | **-8,07%** | **16,91%** | **16,91%** | **12,72%** | **52,03%** | 98,0% |
| *Iberian benchmark* | | 2,37% | 4,48% | 4,62% | 15,38% | -11,59% | 12,13% | 0,52% | 2,57% | 18,55% | |

*[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 | 2019 | 2018 | 2017 | 2016 [1] | 2015 | SINCE INCEPTION | INVESTMENT LEVEL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Magallanes Iberian Equity Lux "R"** | 127,5571 | **0,88%** | **4,82%** | **-1,09%** | **5,68%** | **-9,61%** | **14,79%** | **16,33%** | **-** | **27,56%** | 98,3% |
| *Iberian benchmark* | | 2,37% | 4,48% | 4,62% | 15,38% | -11,59% | 12,13% | 0,52% | - | 13,76% | |
| **Magallanes Iberian Equity Lux "I"** | 130,3074 | **0,92%** | **4,95%** | **-0,84%** | **6,21%** | **-9,14%** | **15,42%** | **16,99%** | **-** | **30,31%** | 98,3% |
| *Iberian benchmark* | | 2,37% | 4,48% | 4,62% | 15,38% | -11,59% | 12,13% | 0,52% | - | 13,76% | |

*[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 | 2019 | 2018 | 2017 | 2016 | 2015 [1] | SINCE INCEPTION | INVESTMENT LEVEL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Magallanes European Equity FI "M"** | 136,5153 | **3,61%** | **6,70%** | **2,23%** | **21,48%** | **-19,19%** | **19,52%** | **12,89%** | **3,47%** | **37,06%** | 96,8% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | 10,24% | 2,58% | 0,42% | 28,01% | |
| **Magallanes European Equity FI "P"** | 139,9519 | **3,66%** | **6,83%** | **2,48%** | **22,09%** | **-18,78%** | **20,12%** | **13,45%** | **4,23%** | **40,85%** | 96,8% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | 10,24% | 2,58% | 0,43% | 28,02% | |
| **Magallanes European Equity FI "E"** | 145,2236 | **3,72%** | **7,03%** | **2,87%** | **23,01%** | **-18,17%** | **21,02%** | **14,31%** | **4,29%** | **45,22%** | 96,8% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | 10,24% | 2,58% | 9,77% | 39,93% | |

*[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 | 2019 | 2018 | 2017 | 2016 [1] | 2015 | SINCE INCEPTION | INVESTMENT LEVEL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Magallanes European Equity Lux "R"** | 129,0198 | **3,52%** | **6,57%** | **1,96%** | **20,89%** | **-19,43%** | **19,11%** | **18,30%** | **-** | **37,25%** | 97,7% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | 10,24% | 9,39% | - | 35,93% | |
| **Magallanes European Equity Lux "I"** | 131,7342 | **3,56%** | **6,70%** | **2,22%** | **21,50%** | **-19,00%** | **19,76%** | **27,76%** | **-** | **50,57%** | 97,7% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | 10,24% | 19,66% | - | 48,70% | |
| **Magallanes European Equity Lux "P"** | 133,5406 | **3,60%** | **6,81%** | **2,42%** | **21,96%** | **-18,70%** | **20,16%** | **12,08%** | **-** | **33,54%** | 97,7% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | 10,24% | 2,58% | - | 27,47% | |
| **Magallanes European Equity Lux "ING"** | 91,8800 | **2,95%** | **2,20%** | **-3,18%** | **14,72%** | **-19,91%** | **-** | **-** | **-** | **-8,12%** | 97,7% |
| *European benchmark* | | 2,06% | 5,71% | 8,43% | 26,05% | -10,57% | - | - | - | 10,23% | |

*[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 | 2019 | 2018 | 2017 [1] | 2016 | 2015 | SINCE INCEPTION | INVESTMENT LEVEL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Magallanes Microcaps Europe, FI "B"** | 96,9593 | **1,54%** | **9,70%** | **5,36%** | **10,59%** | **-21,98%** | **12,37%** | **-** | **-** | **-3,04%** | 88,9% |
| *European benchmark* | | 5,70% | 12,75% | 9,91% | 22,39% | -13,38% | 8,14% | - | - | 14,64% | |
| **Magallanes Microcaps Europe, FI "C"** | 96,1132 | **1,52%** | **9,41%** | **5,00%** | **10,10%** | **-22,18%** | **7,81%** | **-** | **-** | **-7,62%** | 88,9% |
| *European benchmark* | | 5,70% | 12,75% | 9,91% | 22,39% | -13,38% | 7,22% | - | - | 13,66% | |

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