

## October 2018

The fund is down 0.83% in October and 2.31% YTD. October brought significant weakness in global equities with European equities dropping by close to 5%. Nobody can pretend any longer that the bull market is intact. There is serious damage inside the market and technical indicators are poor. A backdrop of rising rates means there has been no obvious flight to safety in the bond market.

We have been increasingly cautious since 2015, reflected in a higher cash allocation which reached a peak (not seen since the early part of 2008) at the end of September. The market peaked in April 2015 and is down 15% since then (3% down including dividends). The single most important reason for our cautiousness has been valuations, both in equities and credit.

The good news is that European equities are down over the last three and a half years now, valuations are more attractive and investors more risk averse. In some of the more economically sensitive sectors, where the sell-off has been more severe (50% down is not unusual), a significant economic deceleration is being priced in. We have increased equity exposure in PCI one point to 9.5% in a falling market. A conservative move for a conservative fund but with some

signalling effect.

### 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

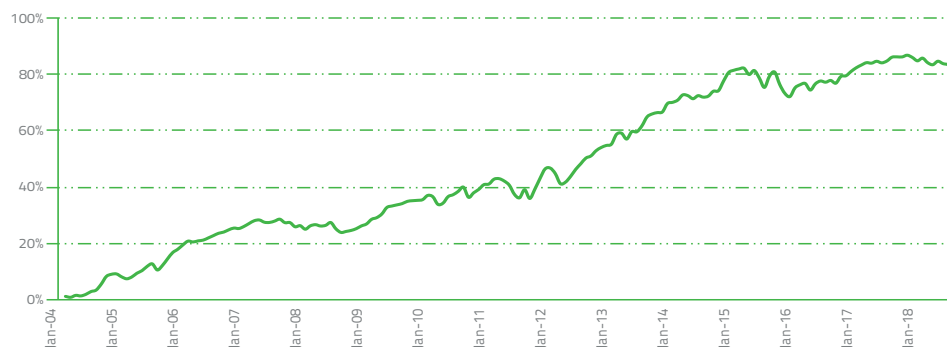
Cartesio X has an overall Four Star Morningstar rating. Since inception (March 2004) it has returned 4.2% p.a. against 4.7% p.a. total return for Long

Term Euro Gov Bonds with a volatility of 3.1% (index 4.5%). On a five and three year basis the fund has returned 11.7% and 2.0% respectively against total returns of 23.7% and 4.1% respectively for Long Term Eurozone Gov Bonds with 72% and 69% 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

2018	-2.3%
Since Inception (p.a.)*	4.2%

### RISK / RETURN

Volatility*	3.2%
Beta	0.13
Sharpe*	0.90

### ASSET ALLOCATION

Equity	9.5%
Bonds	19.1%
Cash	71.4%

### EQUITY SECTOR DISTRIBUTION

Industrials	31.5%
Communication Services	19.7%
Consumer Discretionary	12.1%
Utilities	8.1%
Health Care	7.8%

### MAIN HOLDINGS

Caixabank AT1 2026	1.3%
Axa Híbrido 2019	1.0%
Bankia AT1 2022	1.0%
Credit Agricole AT1 2019	0.9%
Ibercaja AT1 2023	0.9%

### INVESTMENTS/DIVESTMENTS EQUITIES

Investments: CCR, Atlantica Yield, Glencore

Divestments: Iberdrola, IAG, Shell

### MARKET RETURNS

	2018	Since 31/03/04
MSCI Pan Euro (Total return.)	-3.9%	5.9% p.a.
Sharpe		0.24
Long Term Euro Gov. Bond	-0.4%	4.7% p.a.
Sharpe		0.75
Euro Gov T Bill	-0.4%	1.3% p.a.

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

## HOLDINGS

1	Caixabank AT1 2026	1.3%
2	Axa Híbrido 2019	1.0%
3	Bankia AT1 2022	1.0%
4	Credit Agricole AT1 2019	0.9%
5	Ibercaja AT1 2023	0.9%
6	Standard Chartered AT1 2023	0.8%
7	Credit Suisse AT1 2024	0.8%
8	Santander UK AT1 2024	0.8%
9	Lloyds Bank AT1 2023	0.8%
10	Intesa Sanpaolo AT1 2025	0.7%
11	Softbank Hybrid 2023	0.7%
12	WiZink Senior 2020	0.7%
13	KPN Híbrido 2073	0.6%
14	Telefónica Híbrido 2026	0.6%
15	Banco Espirito Santo 2017	0.6%
16	OHL 2022	0.6%
17	ING AT1 2020	0.6%
18	BNP AT1 2022	0.6%
19	BBVA AT1 2023	0.5%
20	Otros (incl. RV)	14.1%
21	Cash	71.4%
	<b>Total</b>	<b>100%</b>

## MAIN HOLDINGS EQUITIES

1	KPN	0.4%
2	Glencore	0.4%
3	Shire	0.4%
4	Continental	0.4%
5	Prysmian	0.4%
6	Signify	0.4%
7	Publicis	0.4%
8	Pinfra	0.3%
9	ITV	0.3%
10	Roche	0.3%

## RISK ADJUSTED RETURNS PARETURN CARTESIO INCOME\*

	Returns		Volatility		Relative	
	Fund	Index	Fund	Index	Volatility	M2
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%	3.5%	4.1%	4.0%	100.8%	1.6%
2017	3.9%	1.3%	1.4%	3.7%	36.9%	11.3%
2018	-2.3%	-0.4%	1.6%	3.1%	51.3%	-4.1%
Q1	-0.7%	1.1%	1.5%	2.9%	51.3%	-1.3%
Q2	-0.8%	-0.5%	1.8%	3.8%	47.5%	-1.4%
Q3	0.0%	-1.1%	1.2%	2.6%	45.8%	0.1%
Q4 (Oct)	-0.8%	0.1%	2.2%	2.8%	81.3%	-1.0%
<b>Total</b>	<b>82.0%</b>	<b>96.3%</b>	<b>3.2%</b>	<b>4.5%</b>	<b>70.0%</b>	

\* Cartesio X until 5/2011 and Paretun 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

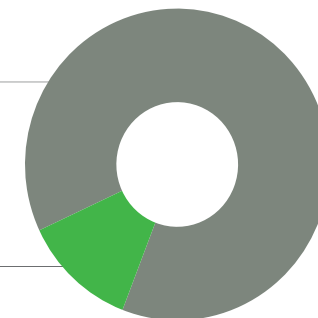
## BOND SECTOR DISTRIBUTION

Gobiernos	-
Consumer Discretionary	0.0%
Consumer Staples	1.9%
Energy	0.0%
Financials	79.5%
Healthcare	0.0%
Industrials	3.2%
Materials	0.0%
Communication Services	12.3%
Utilities & Infrastructures	3.1%

## VALUATION DATA

<b>Bonds</b>	
Portfolio YTM	5.7%
Portfolio Duration	1.8 years
Fund Duration	0.4 years
<b>Equity</b>	
P/E	12.2x
Div Yield	4.0%

## Bond Rating Distribution

<Inv. grade  
88%≥BBB-  
12%

## Name

Paretun Cartesio Income  
(Replicates Cartesio X)

## ISIN

LU0581203592  
LU1725678863

## Bloomberg

PCARINI LX / PCARINZ LX

## 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 &amp; Fund

## Administrator

BNP Securities Services

## Fund Management Fee

0.95% - Class I  
0.50% + 7.5% performance fee -  
Class Z

\* All ratings apply to Cartesio X