

## September 2018

The fund is down 0.23% in August and 1.5% YTD. The earth is not flat but European equities are in flat mode, trading around zero YTD since the end of May with relatively low volatility.

We continue to think that Italian noise is showing little contagion (outside Italian financials) and that a mixture of conditional support from the ECB and market discipline will maintain some sense of fiscal discipline. However, the whole saga is not a useful backdrop.

Our main concerns remain relatively high valuations quite late in the economic and stock market cycle, and the fact that monetary policy is slowly but surely turning as economic growth remains resilient and wage/price pressures build up, whilst deleveraging has not taken place in the world economy since the financial crisis.

In September our bond portfolio held up despite rising rates and Italian tremors, but our equity portfolio underperformed European equities by more than 2%. This explains the slightly negative performance of the fund in September. Equity or credit exposure are unchanged, we retain a bias to increase risk exposures on significant market witness which has not happened yet.

### 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

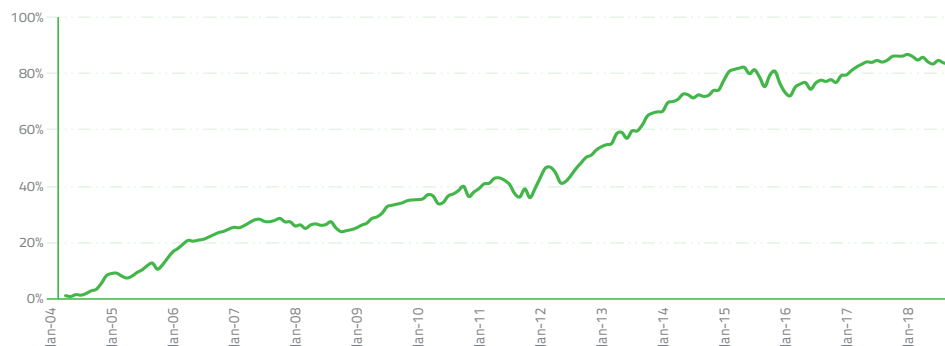
Cartesio X has an overall Four Star Morningstar rating. Since inception (March 2004) it has returned 4.3% p.a. against 4.8% p.a. total return for Long Term Euro Gov Bonds with a volatility of 3.1% (index 4.5%). On a five and three year

basis the fund has returned 14.7% and 5.0% respectively against total returns of 26.0% and 5.3% respectively for Long Term Eurozone Gov Bonds with 72% and 71% 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	-1.5%
Since Inception (p.a.)*	4.3%

### RISK / RETURN

Volatility*	3.2%
Beta	0.12
Sharpe*	0.92

### ASSET ALLOCATION

Equity	8.5%
Bonds	18.5%
Cash	73.0%

### EQUITY SECTOR DISTRIBUTION

Industrials	33.7%
Consumer Discretionary	22.1%
Utilities	9.1%
Financials	7.5%
Health Care	7.3%

### MAIN HOLDINGS

Caixabank AT1 2026	1.3%
Bankia AT1 2022	1.0%
Axa Híbrido 2019	0.9%
Ibercaja AT1 2023	0.9%
Credit Agricole AT1 2019	0.8%

### INVESTMENTS/DIVESTMENTS EQUITIES

Investments: Liberbank

Divestments: Scandic Hotels, EDF, Bank of Ireland

### MARKET RETURNS

	2018	Since 31/03/04
MSCI Pan Euro (Total return.)	0.9%	6.3% p.a.
Sharpe		0.26
Long Term Euro Gov. Bond	-0.5%	4.8% p.a.
Sharpe		0.75
Euro Gov T Bill	-0.4%	1.4% p.a.

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

## HOLDINGS

1	Caixabank AT1 2026	1.3%
2	Bankia AT1 2022	1.0%
3	Axa Híbrido 2019	0.9%
4	Ibercaja AT1 2023	0.9%
5	Credit Agricole AT1 2019	0.8%
6	Standard Chartered AT1 2023	0.8%
7	Santander UK AT1 2024	0.8%
8	Credit Suisse AT1 2024	0.8%
9	Liberbank Híbrido 2022	0.8%
10	Intesa Sanpaolo AT1 2025	0.7%
11	Softbank Hybrid 2023	0.7%
12	WiZink Senior 2020	0.6%
13	OHL 2022	0.6%
14	Telefónica Híbrido 2024	0.6%
15	KPN Híbrido 2073	0.6%
16	Banco Espirito Santo 2017	0.6%
17	ING AT1 2020	0.6%
18	BNP AT1 2022	0.5%
19	Grifols 2025	0.5%
20	Other (incl. Equity)	13.0%
21	Cash	73.0%
	Total	100%

## MAIN HOLDINGS EQUITIES

1	Shire	0.4%
2	KPN	0.3%
3	Publicis	0.3%
4	Microsoft	0.3%
5	ITV	0.3%
6	Signify	0.3%
7	Pinfra	0.3%
8	Merlin Properties	0.3%
9	Prysmian	0.3%
10	Continental	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	-1.5%	-0.5%	1.5%	3.2%	47.7%	-2.7%
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%
<b>Total</b>	<b>83.5%</b>	<b>96.1%</b>	<b>3.2%</b>	<b>4.5%</b>	<b>69.9%</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 same volatility as the Index

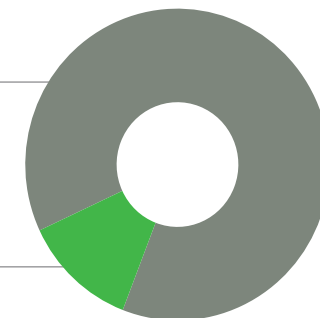
## BOND SECTOR DISTRIBUTION

Gobiernos	-
Consumer Discretionary	0.0%
Consumer Staples	2.0%
Energy	0.0%
Financials	76.6%
Healthcare	2.9%
Industrials	3.3%
Materials	0.0%
Telecommunications	12.1%
Utilities & Infrastructures	3.1%

## VALUATION DATA

<b>Bonds</b>	
Portfolio YTM	6.5%
Portfolio Duration	2.3 years
Fund Duration	0.4 years
<b>Equity</b>	
P/E	12.2x
Div Yield	3.6%

## 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