

January 2018

The fund is up 0.33% in January. The strongest start to world equities in thirty years. Buyer's capitulation appears to have taken hold of investors with record inflows into equities and low volatility. American equities are enjoying the longest streak without a 5% correction since 1929. This takes place after nine years of a bull market, with extremely expensive valuations in the US, demanding in Europe and the lowest interest rates in history. Central banks are, slowly but surely, getting ready to tighten. Long term interest rates have gone up and our reference index is down 2.5% from its recent high.

It seems to us the prevalent opinion amongst investors and strategists is that equities are expensive, rates have hit bottom but it is not time to sell as the economic outlook is bright.

With this background in mind, the sharp reversal in the early days of February does not come as a complete surprise. In fact, we are running the funds at the lowest level of risk since the middle of 2009. We are not sure this is the start of a bear market, but it is clear to us that risk exposures across the market and valuations are probably too high. We have plenty of dry gunpowder which we are likely to use in coming months as we

see interesting bottom up opportunities.

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

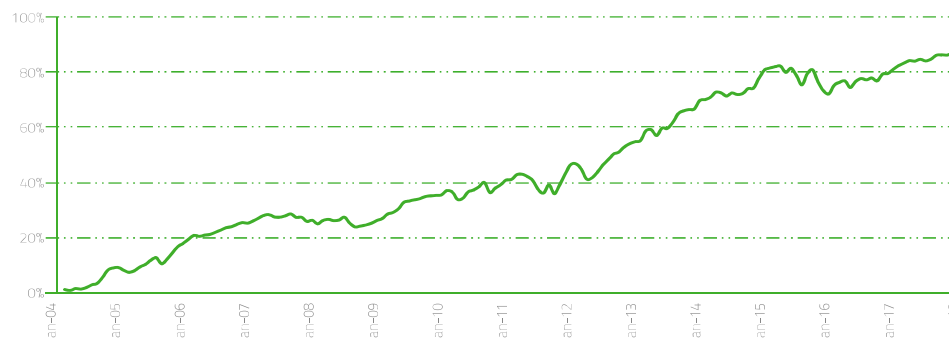
Cartesio X has an overall Four Star Morningstar rating. Since inception (March 2004) it has returned 4.6% p.a. against 5.0% p.a. total return for Long

Term Euro Gov Bonds with a volatility of 3.2% (index 4.5%). On a five and three year basis the fund has returned 22.7% and 5.8% respectively against total returns of 28.2% and 4.1% respectively for Long Term Eurozone Gov Bonds with 73% and 72% 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	0.3%
Since Inception (p.a.)*	4.6%

RISK / RETURN

Volatility*	3.2%
Beta	0.20
Sharpe*	1.00

ASSET ALLOCATION

Equity	7.6%
Bonds	17.9%
Cash	74.5%

EQUITY SECTOR DISTRIBUTION

Industrials	25.7%
Consumer Discretionary	25.0%
Utilities	13.7%
Health Care	7.8%
Financials	7.1%

MAIN HOLDINGS

Bankia AT1 2022	1.0%
Liberbank Hybrid 2022	1.0%
Axa Hybrid 2019	0.9%
ING AT1 2020	0.9%
Santander UK AT1 2024	0.9%

INVESTMENTS/DIVESTMENTS EQUITIES

Investments: Bae Systems, Allianz, Saeta Yield

Divestments: Stroer

MARKET RETURNS

	2017	Since 31/03/04
MSCI Pan Euro (Total return.)	1.6%	6.6% p.a.
Sharpe		0.28
Long Term Euro Gov. Bond	-0.9%	5.0% p.a.
Sharpe		0.77
Euro Gov T Bill	-0.1%	1.4% p.a.

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

HOLDINGS

1	Bankia AT1 2022	1.0%
2	Liberbank Hybrid 2022	1.0%
3	Axa Hybrid 2019	0.9%
4	ING AT1 2020	0.9%
5	Santander UK AT1 2024	0.9%
6	Lloyds Bank AT1 2023	0.9%
7	Standard Chartered AT1 2023	0.8%
8	Credit Agricole AT1 2019	0.8%
9	Hutchinson W. Hybrid 2018	0.8%
10	Credit Suisse AT1 2024	0.8%
11	OHL 2022	0.7%
12	Caixabank AT1 2024	0.7%
13	Banco Espirito Santo 2017	0.6%
14	KPN Hybrid 2023	0.6%
15	BNP AT1 2022	0.6%
16	Grifols 2025	0.5%
17	Swiss Re Hybrid 2022	0.5%
18	Telefónica Hybrid 2024	0.5%
19	Softbank Hybrid 2023	0.5%
20	Other (incl. Equity)	11.5%
21	Cash	74.5%
	Total	100%

MAIN HOLDINGS EQUITIES

1	Publicis	0.3%
2	Shire	0.3%
3	Merlin Properties	0.3%
4	Royal Dutch Shell	0.3%
5	OHL	0.3%
6	Philips Lighting	0.3%
7	Telecom Italia	0.2%
8	Goodyear	0.2%
9	Microsoft	0.2%
10	KPN	0.2%

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	0.3%	-0.9%	1.1%	2.9%	36.8%	1.0%
Q1	0.3%	-0.9%	1.1%	2.9%	36.8%	1.0%
Total	86.9%	95.3%	3.2%	4.5%	70.4%	

* 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 same volatility as the Index

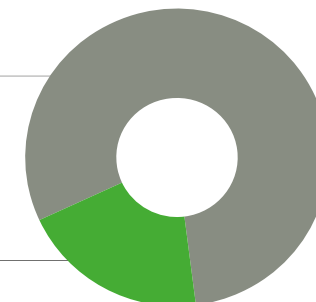
BOND SECTOR DISTRIBUTION

Government	-
Consumer Discretionary	0.0%
Consumer Staples	1.6%
Energy	0.0%
Financials	75.4%
Health Care	3.0%
Industrials	8.6%
Materials	0.0%
Telecoms	10.2%
Utilities/Infrastructures	1.2%

VALUATION DATA

Bonds	
Portfolio YTM	4.1%
Portfolio Duration	1.7 years
Fund Duration	0.3 years
Equity	
P/E	14.6x
Div Yield	3.2%

Bond Rating Distribution

<Inv. grade
80%≥BBB-
20%

Name

Pareturn 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 & 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