

April 2018

The fund is up 0.52% in April and down 0.23% YTD. With European equity markets rising by more than 4% in April, the market correction of close to 10% from the January high has morphed into a blip. Some would argue it is blip within an uptrend. We leave it to technical analysts, practitioners of the self-fulfilling prophecy as far as we are concerned, to decide if the uptrend is intact. We certainly have our doubts, otherwise we would not be so defensive in our asset allocation.

We think European equity markets have been helped recently by dollar strength, reasonable first quarter results and buoyant corporate activity. Interest rates remain low and there are no clear signals that a recession is near, the only sufficient condition to get a bear market. However, as we have argued for a while now, it is the valuations we see in the market and the longevity of an economic and stock market cycle driven by emergency monetary policy that makes us willing to be patient and defensive.

The performance of our equity portfolio has been strong during the downturn whilst adding to our equity exposure during the worse parts of the recent downturn has also helped. However, the mixed performance of credit and the high

level of liquidity have been a drag in the recent recovery.

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 4.5% p.a.

against 5.0% 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 19.1% and 2.9% respectively against total returns of 24.7% and 5.7% 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	
2018	-0.2%
Since Inception (p.a.)*	4.5%

RISK / RETURN	
Volatility*	3.2%
Beta	0.14
Sharpe*	0.97

ASSET ALLOCATION	
Equity	9.4%
Bonds	17.7%
Cash	73.0%

EQUITY SECTOR DISTRIBUTION	
Industrials	25.6%
Consumer Discretionary	24.4%
Utilities	13.1%
Health Care	7.8%
Financials	7.0%

MAIN HOLDINGS	
Caixabank AT1 2026	1.1%
Bankia AT1 2022	1.0%
Liberbank Híbrido 2022	0.9%
Axa Híbrido 2019	0.9%
Ibercaja AT1 2023	0.8%

INVESTMENTS/DIVESTMENTS EQUITIES	
Investments:	
Divestments:	Novartis

MARKET RETURNS	2018	Since 31/03/04
MSCI Pan Euro (Total return.)	0.3%	6.4% p.a.
Sharpe		0.27
Long Term Euro Gov. Bond	0.7%	5.0% p.a.
Sharpe		0.79
Euro Gov T Bill	-0.2%	1.4% p.a.

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

HOLDINGS

1	Caixabank AT1 2026	1.1%
2	Bankia AT1 2022	1.0%
3	Liberbank Híbrido 2022	0.9%
4	Axa Híbrido 2019	0.9%
5	Ibercaja AT1 2023	0.8%
6	Santander UK AT1 2024	0.8%
7	Lloyds Bank AT1 2023	0.8%
8	Credit Agricole AT1 2019	0.8%
9	Hutchinson W Híbrido 2018	0.8%
10	Standard Chartered AT1 2023	0.8%
11	Credit Suisse AT1 2024	0.7%
12	OHL 2022	0.7%
13	Softbank Hybrid 2023	0.6%
14	KPN Híbrido 2073	0.6%
15	Banco Espirito Santo 2017	0.6%
16	BNP AT1 2022	0.5%
17	Grifols 2025	0.5%
18	ING AT1 2020	0.5%
19	Unicredit AT1 2021	0.4%
20	Other (incl. Equity)	13.2%
21	Cash	73.0%
	Total	100%

MAIN HOLDINGS EQUITIES

1	Shire	0.4%
2	Merlin Properties	0.4%
3	Royal Dutch Shell	0.4%
4	Publicis	0.3%
5	Telecom Italia	0.3%
6	KPN	0.3%
7	OHL	0.3%
8	IAG	0.3%
9	Bae Systems	0.3%
10	Philips Lighting	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	-0.2%	0.7%	1.4%	2.9%	49.6%	-0.3%
Q1	-0.7%	1.1%	1.5%	2.9%	51.3%	-1.3%
Q2 (Apr)	0.5%	-0.4%	1.1%	2.6%	44.1%	1.2%
Total	84.9%	99.3%	3.2%	4.5%	70.4%	

* 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	1.9%
Energy	0.0%
Financials	74.3%
Healthcare	2.9%
Industrials	8.3%
Materials	0.0%
Telecommunications	9.5%
Utilities & Infrastructures	3.1%

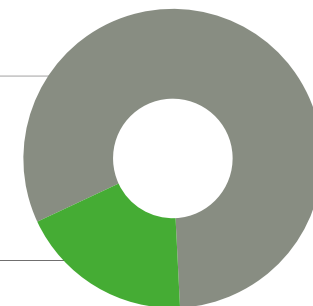
VALUATION DATA

Bonds	
Portfolio YTM	5.1%
Portfolio Duration	2.2 years
Fund Duration	0.4 years
Equity	
P/E	13.8x
Div Yield	3.5%

Bond Rating Distribution

<Inv. grade
83%

≥BBB-
17%



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 & 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