

# Cartesio *Income*

## Factsheet

NAV (Class I)  
125.36

Assets  
406m €

## December 2018

The fund is down 0.8% in December and 3.7% in 2018. European equities finish 2018 down 12.5% (-9.4% total return). Breadth is very poor, more than 60% of the stocks are down more than 20% from their 52-week high, levels not seen since the worst of the euro crisis in 2011-12.

Credit markets delivered mid-single digit negative returns or more, depending on how far down the credit ladder you look. Only govies delivered a positive return.

Average liquidity levels were very high (74%), this allowed us to soften greatly the negative impact of markets. Our equity portfolio performed in line with the index. Our credit portfolio in PCI tanked 7.9% but exposure was the lowest in years and this was after a stellar 2017.

The drawdown in PCI is in line with that experienced in 2007-8 but below the falls in 2011 or 2015-16. We have not taken greater risks in 2018 than in 2007-8, on the contrary. The reason for lower returns with lower risk is that liquidity was then invested at c.4% and today we pay to park cash.

We had a cautious asset allocation during 2018 and we started the process of reducing risk since 2014 for 3 reasons: valuations; cyclical and stock market risk after an extended cycle; possibility of extreme investor positioning after an orgy of expansionist monetary policies.

Recent movements in risk assets are beginning to price in our concerns and we therefore have used the weakness in markets to increase risk exposures, particularly in equities.

### 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

### Performance Chart\*



(March 2004) it has returned 4.1% 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 9.0% and 2.1% respectively against total returns of 26.8% and 6.3% respectively for Long Term Eurozone Gov Bonds with 73% and 73% 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

|                         |       |
|-------------------------|-------|
| 2018                    | -3.7% |
| Since Inception (p.a.)* | 4.0%  |

### RISK / RETURN

|             |      |
|-------------|------|
| Volatility* | 3.2% |
| Beta        | 0.13 |
| Sharpe*     | 0.86 |

### ASSET ALLOCATION

|        |       |
|--------|-------|
| Equity | 12.0% |
| Bonds  | 20.8% |
| Cash   | 67.2% |

### EQUITY SECTOR DISTRIBUTION

|                        |       |
|------------------------|-------|
| Industrials            | 29.2% |
| Communication Services | 15.9% |
| Consumer Discretionary | 10.4% |
| Utilities              | 7.7%  |
| Health Care            | 7.6%  |

### MAIN HOLDINGS

|                          |      |
|--------------------------|------|
| Caixabank AT1 2026       | 1.4% |
| Axa Híbrido 2019         | 1.1% |
| Bankia AT1 2022          | 1.0% |
| Credit Agricole AT1 2019 | 1.0% |
| Ibercaja AT1 2023        | 0.9% |

### INVESTMENTS/DIVESTMENTS EQUITIES

Investments:

Divestments: NOS

### MARKET RETURNS

|                               | 2018  | Since 31/03/04 |
|-------------------------------|-------|----------------|
| MSCI Pan Euro (Total return.) | -9.4% | 5.4% p.a.      |
| Sharpe                        |       | 0.22           |
| Long Term Euro Gov. Bond      | 1.4%  | 4.8% p.a.      |
| Sharpe                        |       | 0.77           |
| Euro Gov T Bill               | -0.5% | 1.3% p.a.      |

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

## HOLDINGS

|    |                             |       |
|----|-----------------------------|-------|
| 1  | Caixabank AT1 2026          | 1.4%  |
| 2  | Axa Híbrido 2019            | 1.1%  |
| 3  | Bankia AT1 2022             | 1.0%  |
| 4  | Credit Agricole AT1 2019    | 1.0%  |
| 5  | Ibercaja AT1 2023           | 0.9%  |
| 6  | Standard Chartered AT1 2023 | 0.9%  |
| 7  | Telefónica Híbrido 2024     | 0.9%  |
| 8  | Credit Suisse AT1 2024      | 0.9%  |
| 9  | Santander UK AT1 2024       | 0.9%  |
| 10 | Liberbank Híbrido 2022      | 0.9%  |
| 11 | Intesa Sanpaolo AT1 2025    | 0.8%  |
| 12 | BBVA AT1 2023               | 0.8%  |
| 13 | WiZink Senior 2020          | 0.7%  |
| 14 | Softbank Hybrid 2023        | 0.7%  |
| 15 | Banco Espirito Santo 2017   | 0.7%  |
| 16 | KPN Híbrido 2073            | 0.7%  |
| 17 | ING AT1 2020                | 0.6%  |
| 18 | BNP AT1 2022                | 0.6%  |
| 19 | Unicredit AT1 2025          | 0.5%  |
| 20 | Otros (incl. RV)            | 16.8% |
| 21 | Cash                        | 67.2% |
|    | Total                       | 100%  |

## MAIN HOLDINGS EQUITIES

|    |                   |      |
|----|-------------------|------|
| 1  | KPN               | 0.5% |
| 2  | Glencore          | 0.5% |
| 3  | Merlin Properties | 0.5% |
| 4  | Pinfra            | 0.5% |
| 5  | Prysmian          | 0.5% |
| 6  | Signify           | 0.4% |
| 7  | ITV               | 0.4% |
| 8  | Continental       | 0.4% |
| 9  | Shire             | 0.4% |
| 10 | Petrofac          | 0.4% |

## 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         | -3.7%        | 1.4%         | 1.8%        | 3.0%        | 59.6%        | -6.0% |
| 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           | -2.3%        | 1.9%         | 2.5%        | 2.3%        | 107.1%       | -2.1% |
| <b>Total</b> | <b>79.3%</b> | <b>99.8%</b> | <b>3.2%</b> | <b>4.5%</b> | <b>70.2%</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

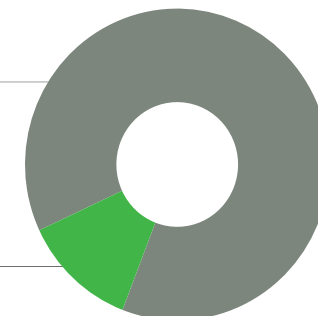
## BOND SECTOR DISTRIBUTION

|                             |       |
|-----------------------------|-------|
| Gobiernos                   | -     |
| Consumer Discretionary      | 0.0%  |
| Consumer Staples            | 2.2%  |
| Energy                      | 0.0%  |
| Financials                  | 78.7% |
| Healthcare                  | 0.0%  |
| Industrials                 | 1.2%  |
| Materials                   | 0.0%  |
| Communication Services      | 13.3% |
| Utilities & Infrastructures | 3.1%  |

## VALUATION DATA

|                    |           |
|--------------------|-----------|
| <b>Bonds</b>       |           |
| Portfolio YTM      | 7.6%      |
| Portfolio Duration | 1.5 years |
| Fund Duration      | 0.3 years |
| <b>Equity</b>      |           |
| P/E                | 12.5x     |
| Div Yield          | 4.1%      |

## 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