

BPI IBERIA FUND

PERFORMANCE REVIEW

In the second quarter of 2021, the fund went up 4.41%, outperforming the benchmark in 22 bps. The Fund went up 3.74% in April and 3.43% in May, and dropped 2.69% in June. YTD the Fund's performance is +14.27% vs +9.89% of the benchmark.

The main contributor was the Air Freight and Logistics with 39bps mainly due to our overweight in CTT, which presented better than expected results and upgraded its FY21 EBIT guidance from €50mn to €60mn. Express and Parcels' revenues increased by 70% yoy and within this division, the Spanish operations reached almost EBITDA breakeven in the quarter. The Mail division sales dropped by only 2% despite volumes falling 14%, demonstrating strong mix effects. The company initiated an arbitration process against the Portuguese State for a total amount of €67mn related with the pandemic impacts in the Universal services contract during 2020 (around €23mn) and for the contract extension of 2021 (around €44mn). These amounts gave a good indication of the reasonable returns the company expects from the concession.

The Retail sector was the second best contributor of the Fund with 34bps vs benchmark due to our overweights in Jeronimo Martins and Sonae. Jeronimo presented excellent 1Q21 results. In Poland, the company's LfL sales grew by 6.5% and it achieved flat EBITDA margin evolution vs 1Q20, which was remarkable considering the implementation of the food retail tax in January. Sonae also presented very good 1Q21 results with LfL sales in its Food division growing by 3.6% despite a difficult comparable base from 1Q20. EBITDA margins went up by 60bps. In the meanwhile, the company announced another two capital allocation operations that show management commitment in value creation. It announced a new partnership in Financial Services with Banco CTT and the sale of their 50% stake in Maxmat.

The main detractor of the Fund was the Paper & Forest Products sector with -24bps vs benchmark due to our overweight in Altri and underweight in Navigator. Despite the strong pulp prices rally during the 1st half of the year, the pulp prices started to stabilize in China during last months which leads to some weakness in Altri performance. Navigator overperformance was justified by some positive signs in the paper prices evolution during 2q21 and by the Stora Enso announcement of a permanent capacity shutdown in Finland of 2 UWF mills (around 6% of European capacity) with effect from 3q21.

In the quarter, Bankinter concluded the spin-off of its insurance division company Linea Directa that went up by more than 35% vs the theoretical reference valuation. We were overweight in Bankinter and received LDA shares in the spin-off but took chance to reduce our position after the very good performance.

We opened an overweight position in Amadeus and reduced our position in Inditex. Both companies' results are strongly dependent on the reopening of economies but we but we thought that it was already incorporated in Inditex's valuation while in Amadeus investors' continue to be more prudent.

FUND INFORMATION

Manager:

Pedro Maruny

Fund AUM (€):

38 Million

Share Class:

Class I

Minimum Investment:

EUR 250 000

Inception Date:

April 2007

Fee Structure:

Subscription Fee: 3%

Management Fee: 1%

Bloomberg Code:

BPIIBRI LX Equity

ISIN Number:

LU0292622254

In June, Nippon Steel has placed a 7.9% stake of Acerinox through an accelerated book building at €10.2 (5.7% discount vs previous close). Despite Nippon Steel still holding another 7.9% stake, we took chance of this opportunity to increase our overweight in Acerinox as we think that the stock is very interesting at current levels.

In June we also invested in Acciona Energia's IPO that valued the company's equity in €8.8bn, which we think is an interesting value vs other options within renewable companies. To fund this investment we entirely sold our position in Acciona (Holding) and partially sold EDPR. Acciona Energia starts trading on July 1st.

INVESTMENT CASES

Acerinox

Acerinox is a stainless steel producer that despite being based in Spain, owns the most efficient stainless steel facility of USA that is responsible for the greater part of the company's results.

In the last few years, the US market has proved to be very resilient supported by the imports' control allowed by the section 232. Looking to 2021, we are seeing very positive signs in the market, as the company is facing a strong demand for their products benefiting from Government incentives to stimulate the post-pandemic economic recovery. With a market share around 40% in USA, Acerinox is also a great beneficiary of the capacity closure announced by ATI at end of 2020 with effects in mid-2021, which should allow for more price increases after the two already implemented in the 1st half.

In Europe, during the last few years, the Stainless Steel market had been very pressured by imports from Asian countries. The existing European protectionist measures proved to be totally inefficient with the collapse in demand caused by the pandemic and consequently, European prices collapsed. Under such a weak environment, the European Union took additional measures to defend the local players. After the anti-dumping duties implemented in 2020 on hot-rolled products from China, Indonesia and Taiwan, the European Union implemented recently new anti-dumping duties on cold-rolled products from India and Indonesia. These protectionist measures together with higher logistic costs that have a direct impact on imports prices and a strong demand (some sectors like construction and autos already giving positive signs) should allow 2021 to be a good year for the European players.

In 2019, Acerinox acquired the company VDM Metals in order to diversify its business and gain exposition to the specialty alloys market. During 2020 and first half 2021 this segment have been weaker than the remaining activities, mainly due to its exposition to industries like aerospace and oil&gas that were strongly affected by the pandemic situation. However, during the 1st half 2021 the order intake already gave very positive signs and the company expects to achieve the normal run rate EBITDA of this area in the 2H21.

Looking to the balance sheet, after the excellent work done during 2020 in terms of cash flow generation, the company closed 2020 below 2x Net Debt/EBITDA. The good operational momentum of 2021 should allow the company to close the year with Net Debt/EBITDA around 1x. With such a low leverage, the company already stated that it should reactivate in 2H21 its share buyback program, suspended due to the crisis in 2020.

The recent placement from Nippon steel of a 7.9% stake (half of its position in the company) have put an additional pressure on the shares that we see as an opportunity to increase our position in the company. Considering the strong operational outlook of the company, the current valuation seems to be very compelling with the shares trading at an EV/EBITDA below 6x and P/E of 8.5x for 2021, a year that still has plenty of negative effects from the pandemic.

Mediaset España

At the end of April, Linea Directa (LDA) started quoting as an independent company as it was spun-off from Bankinter. Bankinter (BKT) distributed 1 share of LDA for each 1 BKT share held and maintained a 17.4% direct stake in LDA.

Linea Directa has always been within Bankinter group therefore we have always kept track of its operational and financial performance and can easily state that it was commonly viewed as one of the most interesting parts of Bankinter's equity story.

It is a Spanish direct insurance company mostly focused on the motor segment, in which it ranks as #5 with a 7% market share. It has been constantly gaining market share in the past 10 years outpacing sector growth in gross written premiums by more than 3pp a year (10YCAGR LDA +3% vs -0.4% for the sector). It is also much more efficient than the sector with a 5-year average Motor Combined Ratio of 84% vs 94% for the sector. This efficiency is possible due to its direct distribution approach and its focus on technology that allows them to manage costs and risks more efficiently. Consequently, the company is able to market its offers much cheaper than average (11% discount vs peers in the last years) which will continue to fuel above market average growth for several years.

Motor insurance represents 84% of the company's gross written premiums but the company has been expanding its footprint to other segments such as Home and Health insurance.

In the Home segment, the company has a 3% market share but has also been outperforming sector premium growth by 8pp a year in the last 5 years (5YCAGR LDA +11.6% vs +3.6% for the sector). As in Autos, it is also cheaper (prices 20% lower than average) and more efficient than the sector (5YR Combined Ratio of 88% vs 93% for the sector). The company states that they will be able to continue growing premiums at high single digit in the next few years as it still has a low market share, it is cheaper and it has a lot of work to do in terms of cross selling and partnerships. Also, LDA management considers that it still has plenty of room to improve costs efficiency.

Lastly, it has recently launched a start-up operation in the Health insurance business. This is a highly concentrated segment, in which, the top 3 players have a 70% market share but, where Linea Directa believes that the potential addressable market is much bigger than current insurance penetration. The company is targeting young and uninsured clients that have a healthy lifestyle and aims to reach breakeven in 2/3 years.

Linea Directa is a highly profitable business with a 2018-2020 ROE of 36% and it is a well capitalized company with a Solvency II Ratio of 213% (post Spin-off). These has allowed the company to have a very friendly shareholder remuneration with a payout ratio above 100% between 2017 and 2019. In its spin-off plans the company set as financials targets: > 25% ROE, >180% Solvency II Ratio and >70% Payout Ratio. We believe that these targets were extremely cautious and we have later confirmed that view when meeting with LDA's management.

The company's share price has done a great run since the spin-off day going up by more than 35% vs theoretical spin-off price. We see the current 15.5x P/e 2021 valuation has demanding when comparing with European insurance sector (c.9.5x P/e) and more in-line when comparing the UK direct insurance peers (c.16.5x). With our current earnings estimates, we believe that the company offers, at current price, a 5-year average dividend yield of c.6% which is interesting for its operational simplicity, excellent track record, capital position and growth prospects.

IMPORTANT INFORMATION

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Each investment in the Funds is subject to risk of partial or complete loss. Past performance is not necessarily indicative of future results. People interested in acquiring any investments should inform themselves as to: (a) the legal requirements within the countries of their nationality, residence, ordinary residence or domicile for such acquisition; (b) any foreign exchange control requirement which they might encounter on the acquisition or sale of investments; and (c) the income tax and other tax consequences which might be relevant to the acquisition, holding or disposal of the investment.

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The performance detailed above is calculated for class I (EUR). The Funds may use derivatives to protect the value of the Funds’ assets or to reduce the costs of investing, although this may not be achieved. It is not anticipated that the use of derivatives will have any significant effect on the risk profile of the Funds. If an investor’s reference currency is not Euro (e.g. Pounds Sterling) then the return may increase or decrease as a result of currency fluctuations.

The details of the up-to-date remuneration policy and complaints handling policy of CaixaBank Asset Management Luxembourg S.A., as well as the NAV and documentation of the Funds, are available on <https://www.caixabankamlux.com/>

To the attention of Swiss investors:

- The marketing of the class I (EUR) is restricted to qualified investors under revised CISA Art 120 §4 in Switzerland
- The Swiss Representative agent is ARM Swiss Representatives SA, Route de Cité-Ouest 2, 1196 Gland, Switzerland
- The Swiss Paying agent is Banque Cantonale de Genève, 17, Quai de l’Île, 1204 Geneva, Switzerland
- The place of performance is the registered office of the Swiss Representative with regard to the Shares marketed in Switzerland
- The prospectus, the KIID(s), the annual and semi-annual reports and the management regulations can be obtained free of charge on request from the Swiss Representative

To the attention of French investors:

- BPI Global Investment Fund – BPI Iberia is a Luxembourg undertaking for collective investment in transferable securities (UCITS) authorised for cross-border distribution in France under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
- The French centralizing agent is Société Générale Securities Services, 189 rue d’Aubervilliers, 75886 Paris Cedex 18, France
- The prospectus, the annual and semi-annual reports and the management regulations in English language can be obtained free of charge on request from the French centralizing agent
- The KIID(s) in French language can be obtained free of charge on request from the French centralizing agent

To the attention of German investors:

- BPI Global Investment Fund – BPI Iberia is a Luxembourg undertaking for collective investment in transferable securities (UCITS) authorised for cross-border distribution in Germany under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), and is registered with the BaFin under BaFin-id 70147687
- The German information agent and paying agent is BNP Paribas Securities Services S.C.A. Frankfurt branch, Europa-Allee 12, 60327 Frankfurt, Germany
- The prospectus, the annual and semi-annual reports and the management regulations in English language can be obtained free of charge on request from the German information agent
- The KIID(s) in German language can be obtained free of charge on request from the German information agent

To the attention of Spanish investors:

- BPI Global Investment Fund – BPI Iberia is a Luxembourg undertaking for collective investment in transferable securities (UCITS) authorised for cross-border distribution in Spain under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS), and registered with the CNMV under number 600

To the attention of Portuguese investors:

- BPI Global Investment Fund – BPI Iberia is a Luxembourg undertaking for collective investment in transferable securities (UCITS) authorised for cross-border distribution in Portugal under Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS)
- The Portuguese paying agent is Banco BPI, Rua Tenente Valadim, 284, 4100-476 Porto, Portugal

To the attention of UK investors:

- BPI Global Investment Fund – BPI Iberia is in the temporary marketing permissions regime (TMPR) under reference number 745800; this fund is a Luxembourg undertaking for collective investment in transferable securities (UCITS) authorized as a recognised UCITS scheme in a European Economic Area (EEA) country, and is expected to remain authorised as a UCITS while it is in the temporary marketing permissions regime.
- The UK facilities agent is BNP Paribas Securities Services, 10 Harewood Avenue, London, NW1 6AA, United Kingdom