



Focused on micro

EDM Spanish Equity SICAV

JANUARY 2020

INVESTMENT POLICY:

EDM Spanish Equity is the Luxembourg domiciled feeder fund of EDM Inversion. The fund invests in Spanish Equities with a long-term horizon. EDM Spanish Equity aims to achieve an above average capital appreciation with lower volatility. The fund manages actively its holding according to its growth and valuation expectations.

General Information	€ Class	\$ Class
NAV at 31/01/2020	115.16 €	100.47 \$
Total AUM at 31/01/2020	197,543,019 €	
ISIN	LU0995386439	LU1270768390
Bloomberg	EDMSEQR LX	EDMSERU LX
Mgmt. Company	MDO Management Company S.A	
Investment Manager	EDM Gestión, S.A. SGIC	
Custodian/Admin.	RBC Investor Services	
Auditor	Deloitte, S.A.	

Returns	€ Class	\$ Class
YTD	-5.49%	-5.32%
1 month	-5.49%	-5.32%
3 months	0.31%	0.89%
1 year	-1.67%	1.00%
5 years	12.96%	ND
Since Inception	15.16%	0.47%
2019	11.21%	14.34%
2018	-8.97%	-6.90%
2017	8.40%	-0.31%
2016	11.79%	ND

Main Holdings

Grifols	10.02%
CAF	7.44%
Inditex	6.19%
Grupo Catalana Occidente	5.42%
Repsol	5.22%
CIE Automotive	5.01%
Gestamp	4.80%
Banco Santander	4.62%
Bankinter	4.58%
Telefonica	4.51%

NEWSLETTER

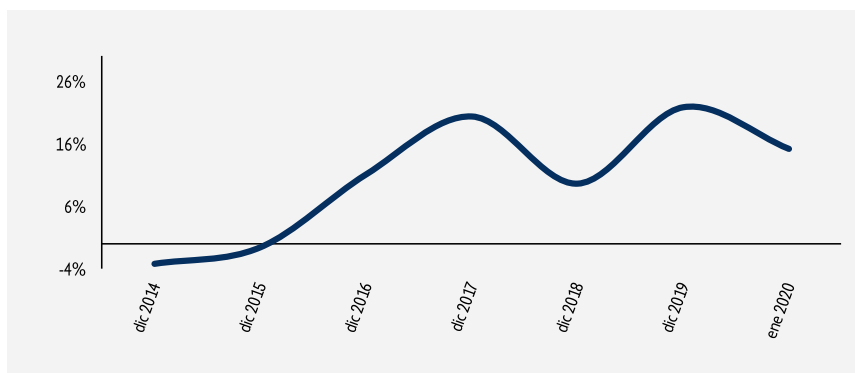
The year began with several sources of uncertainty. Despite the easing trade war between China and the United States following a preliminary agreement, tensions in the Persian Gulf between Iran and the US, the execution of Brexit, and potential adverse economic effects triggered by the spread of the coronavirus from China, have gripped markets worldwide.

The polarisation between highly defensive sectors—like electricity and infrastructure—that have served as havens, and industrial sectors that have suffered due to concerns about economic slowdown or stagnation has increased. This is clearly evident in the Ibex35, where virtually all of the month's positive contributors were electricity, real estate, and infrastructure companies. Even still, the month closed with a -1.91% correction, in contrast to the evolution of EDM Spanish Equity, which receded -5.49%, given its greater weight in the industrial sector. The Fund's main detractors were Gestamp, Acerinox, and Repsol, while the only positive contributors were Prosegur Cash, Solarpack, and BME.

The Spanish economy grew 2% in 2019. Fourth quarter data was favourable and showed some acceleration relative to Q3. Growth may reach 1.5%-2% in 2020, making Spain once again the fastest growing economy in the EU (+1.3%), on par with the US (+2%). The IMF estimates global growth of 3.3% in 2020 (+2.9% in 2019), with a degree of recovery in the industrial sector. Thus, the economic growth that underpins the good performance of the companies in the portfolio continues, and we expect to see average profit growth above 10%.

Bankinter and Santander published their 2019 results, which are favourable in our view. Bankinter's lending portfolio grew 5% compared to -1% for the sector, gaining market share. It obtained an ROE of 13%. Revenue growth for 2020 is expected to reach 5%-7% with cost containment. The valuation is very attractive, at a 2020e P/E ratio of 9.5x with a 5% dividend yield.

Santander's ability to generate capital over the course of the year lessened the risk of a capital increase. It closed 2019 with a capital ratio of 11.65% and expects to reach 12% in 2020, in line with other European banks. Underlying earnings grew 5% on drivers like Brazil, Mexico, Chile and European spending, as well as cost cuts in Spain. It trades at a 2020e P/E ratio of 7x with a 6.2% dividend yield.



SECTOR BREAKDOWN

