

FCS Asset Management Ltd.

FCS Global Funds SICAV P.L.C

Presentation to Investors
Q1 2017

FCS Asset Management Ltd.
Philosophy, Principles & Investment Process

Philosophy, Principles & Investment Process: Absolute Return with a Value Approach

Our new philosophy, *absolute return with a value approach* offers our investors a new approach to the traditional stock and bond strategies.

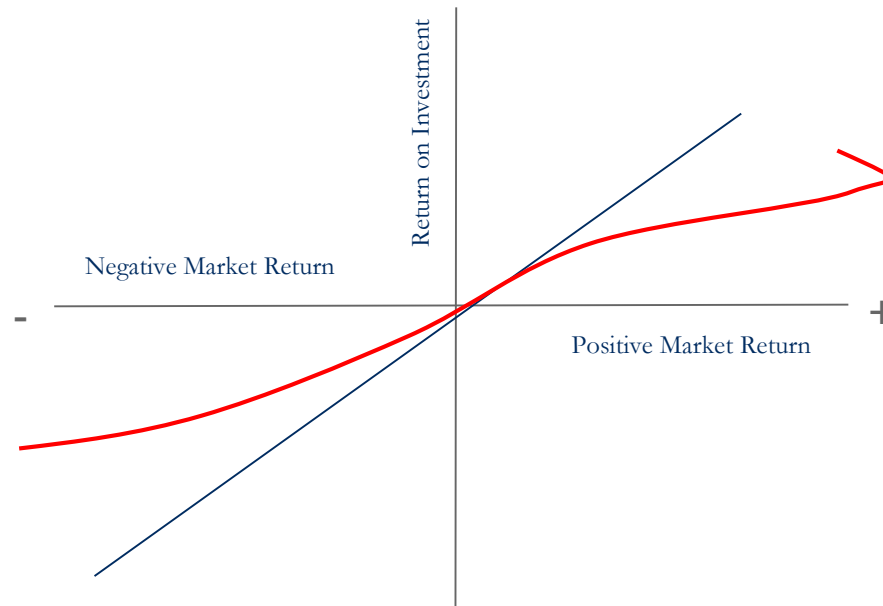
Our investment strategies constitutes an “*unconstrained*” approach in order to achieve the most efficient risk-adjusted return, *creating added value* for our clients by:

- > Providing positive returns over time, with *less volatility* than more traditional funds
- > Offering potential for *positive returns in flat or declining markets*
- > *Real flexibility* to pursue global investment opportunities and take any investment decision
- > *Diversification* across alternative and different asset classes
- > *An actively managed strategy* in which FCS Asset Management Ltd. uses internal analytical research, forecasts and independent judgement and experience in making investment decisions

“Rule number one: Don’t loose money. Rule number two: Don’t forget rule number one.” – Warren Buffett

Philosophy, Principles & Investment Process: Unconstrained Investment Management Style

By adopting our new philosophy, absolute return with a value approach, we embrace an “unconstrained” investment management style, which tends to take advantage of bullish markets while always having protection against corrections or unexpected bearish markets, and also adding alpha to our portfolios.



*“Cash combined with courage in a time of crisis is priceless”
– Warren Buffett*

Philosophy, Principles & Investment Process: Creating Added Value

In order to create added value for our investors, we adopt the following main principles:

- > **Value Investors:** FCS Asset Management Ltd. does not follow trends. We look for undervalued assets to buy or overvalued assets to short
- > **Intrinsic Value:** we seek the intrinsic value of a particular investment, using not only macro and fundamental analysis, but also mean reversion and relative value analysis
- > **Capital Preservation:** We prioritise the investment protection of downside risks instead of assuming upside risks at any cost
- > **Circle of Competence:** we do not invest where we have no knowledge
- > **Long Term Horizon:** we invest with a minimum of 3 – 5 years outlook in mind whilst managing tactical adjustments in the exposure of different assets according to market evolution for a better risk return profile.

*“Be fearful when others are greedy, and greedy when others are fearful”
– Warren Buffett*

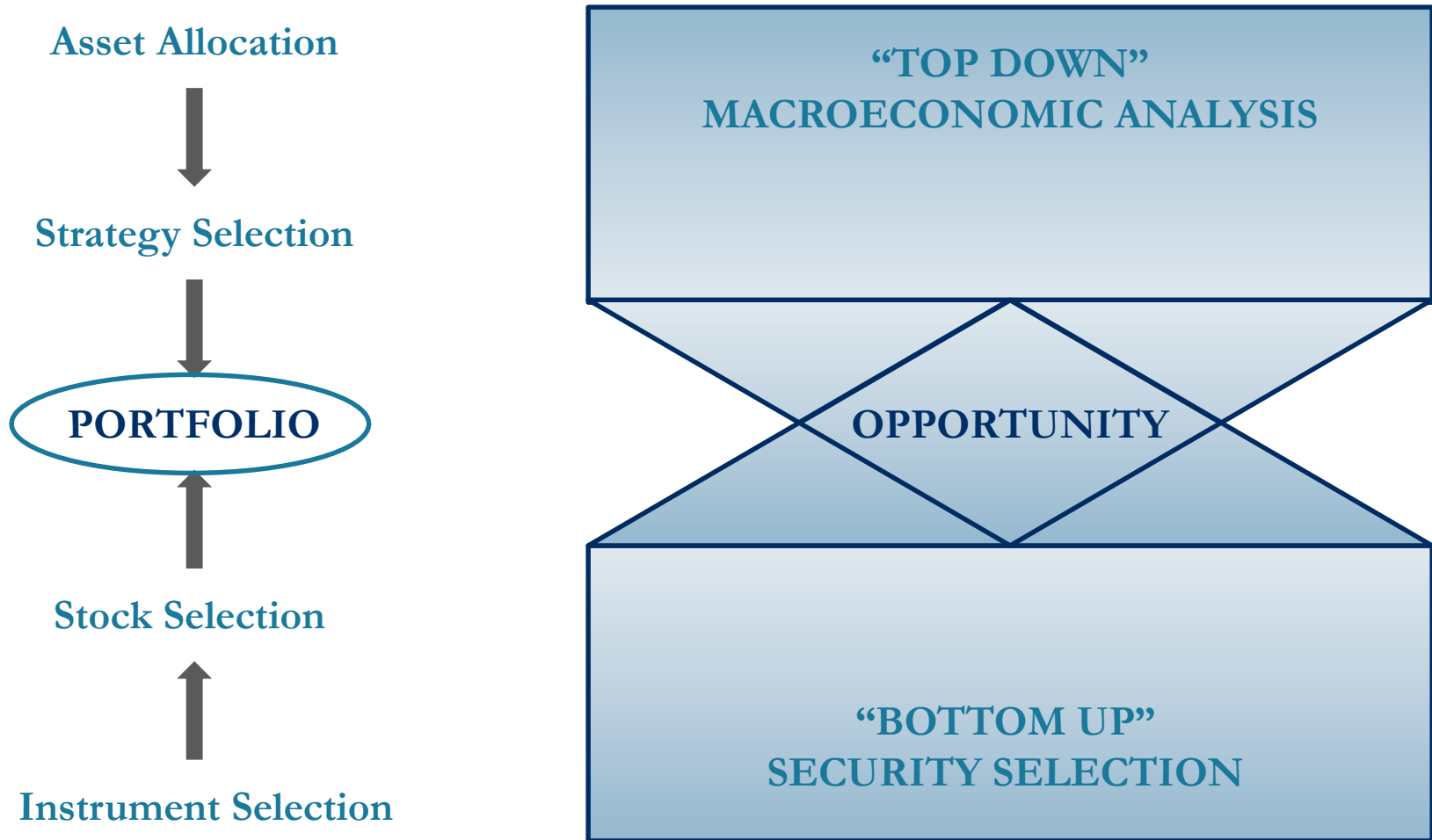
Philosophy, Principles & Investment Process: Creating Added Value

In order to create added value for our investors, we adopt the following main principles:

- > **Risk is not volatility:** risk is a permanent loss of capital, but volatility, for the disciplined investor, is an essential contributor to investment success
- > **Find an “economic moat”:** this is a competitive advantage that is difficult to copy or emulate, thereby creating a barrier to competition from other firms. Examples include patents, brand identity, technology, buying power and operational efficiency
- > **Owner-operators:** we have a strong liking for companies with founders who are also managers, especially if they have high levels of equity ownership in the company
- > **Investing with a margin of safety:** buying a security at a significant discount to its intrinsic value, which is thought to not only provide high-return opportunities, but also to minimize the downside risk of an investment

*“In business I look for economic castles protected by un-breachable moats”
– Warren Buffett*

Philosophy, Principles & Investment Process: A Top-down Approach & A Bottom-Up Analysis



Investment Process:

Top-down Macroeconomic Analysis (Asset Allocation)

The components of the Macro Environment are determined by:

- > **Global GDP Levels and Direction, and Macro Leading Indicators:** i.e. Purchasing Managers Index, ISM Reports, Markit Economics, Caixin, Retail Sales, Inventory Levels, Building Permits, Industrial Production, etc.
- > **Systemic and Political Risk:** this is a very important part of our work since without political reforms, adequate sustainable growth would not be feasible
- > **Central Banks and Monetary Policy Decisions:** historical evidence suggests that Central Banks have impacted on the prices of assets, helping to create inefficiencies
- > **Currency, Deflation and Inflation Risk:** we target real returns not nominal returns. We analyse CPIs to determine whether they reflect real asset inflation
- > **Relative Value:** we try to look at the macro environment is not in absolute terms but in comparable terms

“Price is what you pay; value is what you get”
– Ben Graham

Investment Process:

Top-down Macroeconomic Analysis (Strategy Selection)

Typically investors tend to have a long bias in terms of Strategy Selection, as it is our belief that it is easier for an asset to remain overvalued than undervalued over the long-term. We also take into consideration the fact that the rolling costs and risks of shorting an asset are much higher than going long the same asset. Having said that, our Strategy Selection is based mainly on the following strategies:

- > **Long:** a particular security, asset or index is bought and held in the portfolio
- > **Short:** a particular instrument or strategy that we think is overpriced. Typically, we would do this over the short term, and in very isolated parts of the portfolio
- > **Long – Short:** going long one asset, security or index and short another. This can be decided on the basis of mean reversion and / or relative value comparison. It can also be the case that we buy a security and sell its benchmark in order to capture the alpha of a particular security and neutralize, in whole or in part, its beta risk

*“The stock market is filled with individuals who know the price of everything
but the value of nothing”*

– Phil Fisher

Investment Process:

Bottom-up Security Selection (Instrument Selection)

Selecting the risk instrument to get exposure to a particular security or asset class has become crucial in order to be cost efficient, maximize (if possible) liquidity and ensure eligibility from a regulatory point of view.

When determining Instrument Selection, the Committee will assess:

- > **Eligibility:** this is not always a straightforward yes or no. It is sometimes the case that exposure to a particular asset class can fall into various levels of interpretation which are unclear. Together with our regulators and lawyers, we determine the best access to the desired securities
- > **Liquidity:** is a very important factor, though we recognize that this is not always possible
- > **Transparency:** price transparency is something we are very keen on and we try to maximize this
- > **Cost efficiency:** accessing the same security or asset class can be extremely different in terms of cost depending upon different structuring factors, wrappers and issuers. We are experts in looking into this in order to minimize transaction cost

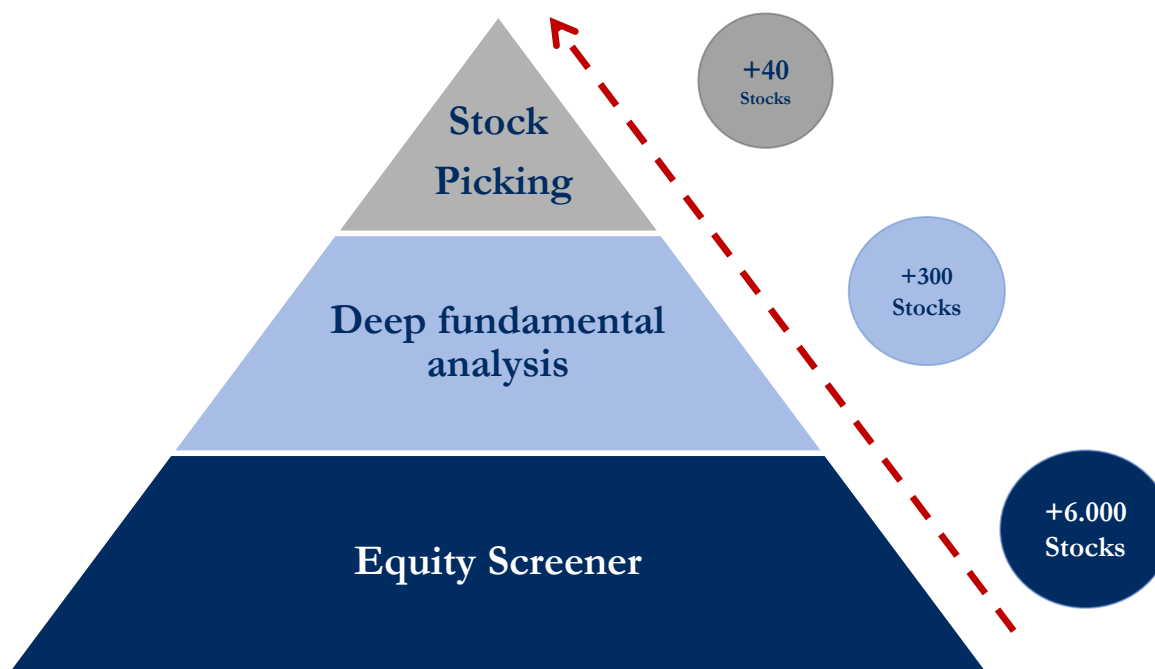
“Being a value investor means you will look at the downside before looking at the upside”

– Li Lu

Investment Process:

Bottom-up Security Selection (Stock Selection)

As Value Investors, we look for stock with strong fundamentals in our securities. Sustainable earnings growth, strong free cash flow generation, low debt and high return over the capital invested are our main pillars. FCS Asset Management Ltd. undergoes three phases to investment in different markets:



“Value investing is risk aversion”
– Seth Klarman

**FCS World Equities Fund:
Description, Investment Targets & Risk
Control**

FCS Navigator Fund:

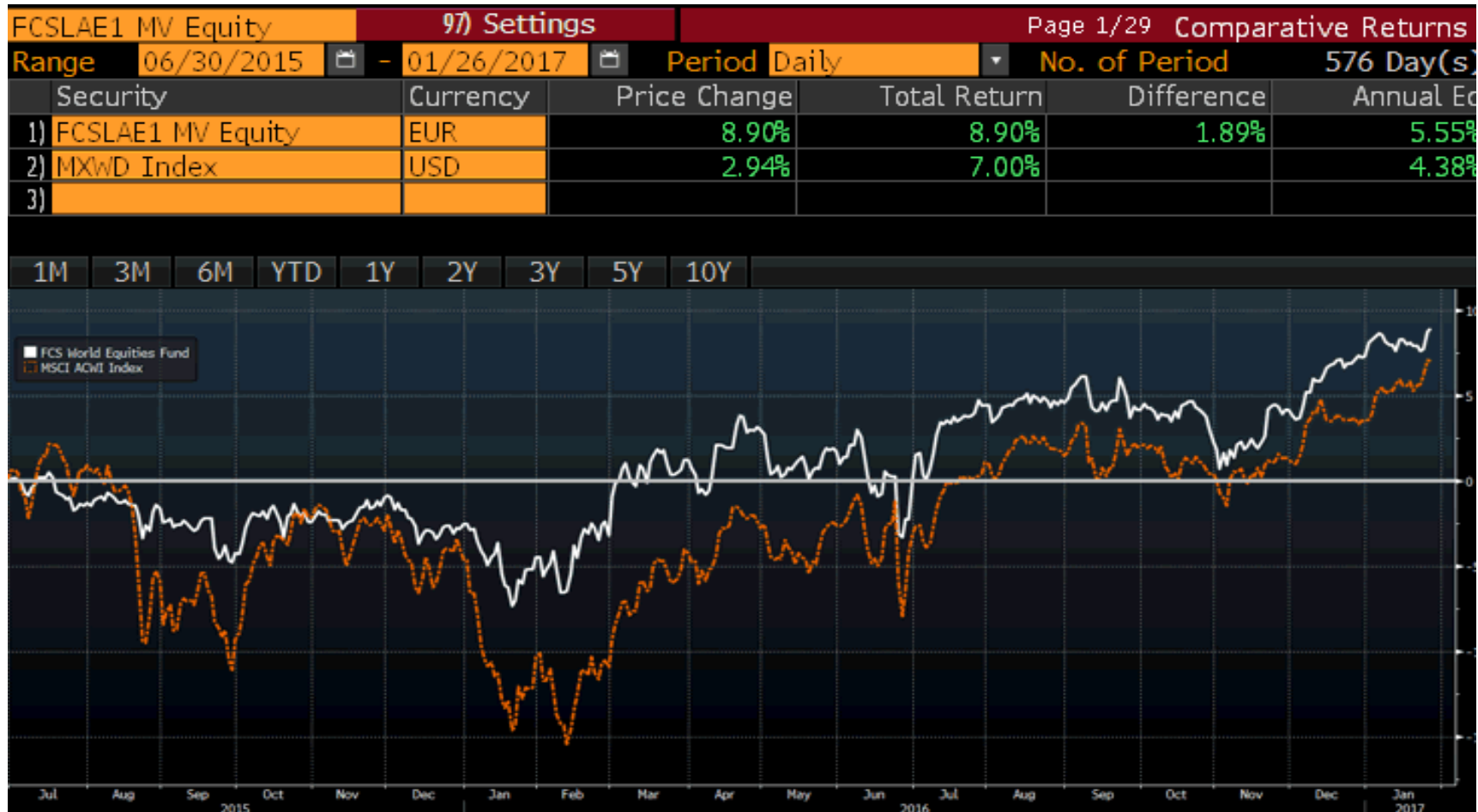
Description, Investment Targets & Risk Control

Description, Basic Characteristics and Fees

Fund Type	UCITS V Fund
Investment Manager	FCS Asset Management Limited Malta
Custodian	Sparkasse Bank Malta P.L.C.
Administrator	FCS Asset Management Limited Malta
Investment Policy	Absolute Return with Value Investment approach
Registered & Authorised by	Malta Financial Services Authority
Investment Management Fee	1.5%
Performance Fee	10% on positive results over 1 month EURIBOR
Identifier	ISIN: MT7000005005

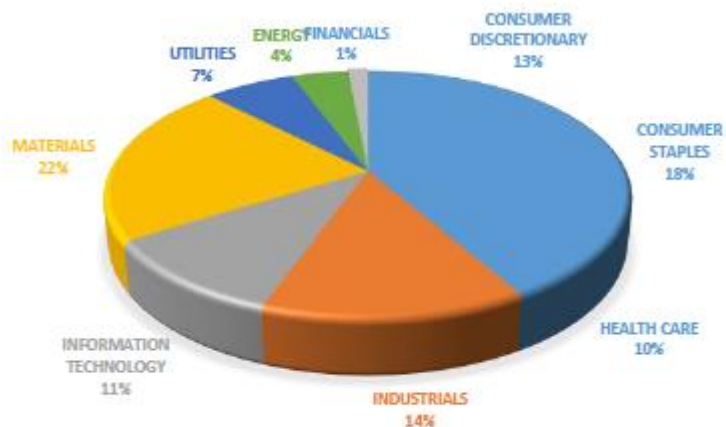
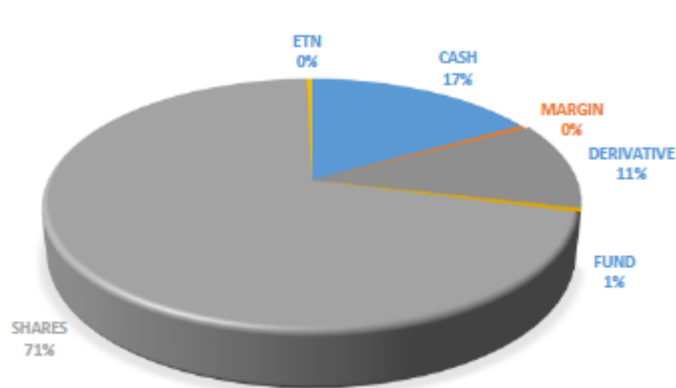
Fund Performance

FCS World Equities Fund VS MSCI World



Source: FCS Asset Management and Bloomberg, 31/01/2017. Past performance is not indicative of future results, please refer to disclaimer.

FCS World Equities Fund: Product Type, Geographical Focus & Key Statistics



Key Statistics

Return since (30.06.2015): 8.90%	Volatility (12M): 9.94%	Volatility BMK (12M): 11.10%
2016 Return: 10.06%	Beta (12M): 0.59	Treynor (12M): 0.23
Last month Return: 0.25%	Alpha (12M): 5.28%	Correlation (12M): 0.66
Annualised Return: 2.90%	Sharpe Ratio (12M): 1.28	Tracking Error (12M): 0.10%

Source: FCS Asset Management and Bloomberg, 31/01/2017. Past performance is not indicative of future results, please refer to disclaimer

FCS Asset Management Ltd.

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