

Portfolio Manager Commentary and Performance

Market Update

January was a solid start for the Latam Equity market, outperforming both EM and DMs. Main driver for this performance, was Brazil, where the conviction of former president Lula was upheld, which was greatly received by the market, even though this decision does not mean Lula is completely out of this year's presidential race. Nevertheless, macro reading in Brazil remain supportive, with controlled inflation and both consumer and industrial sector continuously improving. Colombia also led January's performance, mainly on the back of better oil prices and a subsequent currency appreciation. Mexico also benefited from higher oil prices and better macro readings, though political uncertainty – NAFTA negotiations and upcoming presidential election – remain. Finally, Argentina was the only economy with a depreciating currency, mainly explained by upward revision to inflation estimates.

In this context, the MSCI Small Cap Latam Index posted a 8,5% return during the month, while our fund reached 9,6% over the same period. In the same period, the Latam Equity Market (MSCI Latin America) reached a 13,2% return during the month.

**Brazil:** needless to say, the main highlight was the outcome of former president Lula's appeal – negative for Lula but welcomed by the market. There's still uncertainty on Lula's chances of running for president and on who would be his potential contenders, but at least this ruling came in the right direction for the market. In the meantime, macro readings continue to be supportive with positive dynamics on the consumer and industrial space, an improving labor market and subsequent improvements in confidence levels. We remain OW in Brazil.

**Mexico:** 4Q17 GDP growth reached 1.7%, accelerating from 1.5% in 3Q17 and positively surprising market expectations. With this result, the economy grew 2.1% in 2017, below 2.9% from 2016. We expect a further slowdown in 2018 to a growth rate below 2% (1.8%). On NAFTA, once again there were no significant advances on the key issues – such as rules of origin, sunset clause or chapter 20. There are now two additional negotiation rounds already scheduled, but uncertainty remains. We remain UW in Mexico.

**Chile:** IMACEC, GDP Proxy, grew +3.2% during November, above expectations, while inflation for December came in line, at 2.27%. On the political front, President-elect Piñera announced its cabinet, which includes some names from his last administration and new figures. For instance, the Finance and Interior ministers are holdouts. However, the key minister in charge of the relationship with the parliament is a new and younger figure. Finally, this cabinet is also market friendly, which means that deregulation is on the pipeline in order to restart private investment. However, it also tilted to the right wing of the center right coalition, which would make more difficult to pass legislation in parliament where this coalition is in a minority. We remain Neutral in Chile.

**Peru:** it was a good month for the Peruvian equity market, recovering ground after the political scandals from last December. On the macro front, Nov GDP growth of 1,8% came in below expectations of 2.8%, mainly on lower fishing and manufacturing sectors. Nevertheless, most recent macro releases were positive with inflation and unemployment below expectations. Additionally, the Central Bank decreased its reference rate by 25bps to 3.0%, in line with expectations. We remain OW in Peru.

**Argentina:** The Central Bank cut again its policy rate and continuing the easing cycle that started after the increase of inflation target for this year. The cut was in part expected but expectations are hard to gauge given the Bloomberg's small sample. The main explanation for this cut is the increase of the 2018 inflation target to 15% from 10%, which made the ex-ante real interest rate too high for supporting the current economic recovery. We remain OW in Argentina.

EuroAmerica AM SICAV – Small Cap Latam Fund

January 31<sup>st</sup>, 2018

Fund Description

The EuroAmerica AM SICAV – Small Cap Latam Fund seeks to provide long-term capital growth by investing principally in equity securities issued by Latin American companies, and American Depositary Receipts of small capitalized Latin American companies. The Fund aims to achieve diversification in terms of sectors offering a core exposure to the Latin American stock markets and to companies listed on a stock Exchange outside the Latin American region, but which generate a significant part of their income in or from Latin America and/or which have their registered office in Latin America. The investment manager seeks to add value primarily through stock selection.

Investments may be denominated in USD or in Latin American currencies. Currency risks may be hedged entirely or partially against USD through the use of financial derivative instruments including currency forwards or futures.



Giovanna Musa and Ricardo Fernandez. Co-Portfolio Managers for the Latam Equity Strategies at EuroAmerica Investments.

Share Classes and Fees

Class	ISIN	Bloomberg Ticker	Min. Subscription Amount (USD)	Current TER
Class I	LU1061932403	EASSCLI LX	1,000,000	1.05%

Disclosure for Switzerland: The state of origin of the Fund is Luxembourg. This document may only be distributed in or from Switzerland to qualified investors within the meaning of Ar. 10 Para. 2, 3bis and 3ter CISA. The Representative in Switzerland is ACOLIN Fund Services AG, Stadelhoferstrasse 18, CH-8001 Zurich, whilst the Paying Agent is Neue Helvetische Bank AG, Seefeldstrasse 215, 8008 Zürich. In respect of the units distributed in or from Switzerland, the place of performance and jurisdiction is at the registered office of the Swiss representative.

The basic documents of the Fund as well as the annual and, if applicable, semi-annual report may be obtained free of charge at the registered office of the Swiss Representative.

This mutual fund is managed by EuroAmerica Administradora General de Fondos. Find out about the essential characteristics of each mutual fund investment, which are contained in the rules of procedure and contract underwriting fees. Profitability or profit obtained in the past by this fund does not guarantee that it will be repeated in the future. The values of the shares of the mutual funds are variable.

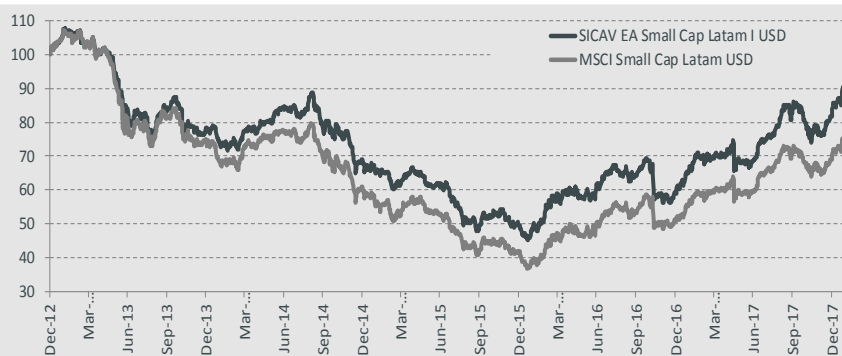


Portfolio Manager Commentary and Performance

In terms of relative contribution, Brazil had a positive impact partially explained by our OW in USIMINAS (+36,5%), GOLL (+29,9%), RANDON( +24,9%) and METALURGICA GERDAU (+24,5%). Our off-benchmark position in Argentina continued to benefit the fund's performance, with SUPERVIELLE reaching +9,04% in USD terms during the month. Our OW in Peru also benefit the relative performance, mainly explained by our OW in ALICORP and INRETAIL (+6,1% and 4,8% in USD terms in Jan'18).

Although Neutral in Chile, our lack of exposure to CONCHA Y TORO, which was +18% in USD terms during the month, had a negative impact. Same with Colombia and our lack of exposure to EXITO (+13,9% during the month). Lastly, in the case of Mexico, the fund's performance was benefited by our OW in BANBAJIO (+15%), VESTA (+10,8%) and CHEDRAUI (+20,94%), though not enough to offset our lack of exposure in QUALITAS and AXTEL (+34,1% and 32,6%, respectively).

Performance for Series I



Risk Metrics\*

Volatility (Annual)	17,64%
Beta	1,09
Alpha	2,38%
Tracking Error (annual)	3,86%
Information Ratio	1,22

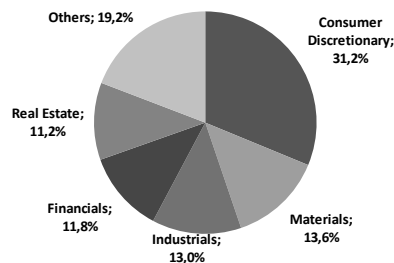
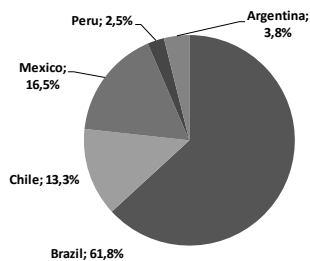
\*YTD

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
<b>2014</b>													
EA Small Cap Latam D	-6,1%	0,3%	4,9%	-0,3%	4,0%	4,7%	-2,9%	6,9%	-10,3%	1,4%	-4,4%	-9,0%	-12,0%
MSCI EM Small Cap Latam	-8,6%	0,5%	6,1%	0,4%	2,6%	3,3%	-4,0%	5,8%	-11,4%	0,1%	-4,4%	-8,5%	-18,4%
<b>2015</b>													
SICAV EA Small Cap Latam I	-5,9%	0,3%	-5,0%	6,0%	-6,1%	-0,7%	-5,8%	-10,6%	-5,0%	6,5%	-1,9%	-3,4%	-28,3%
MSCI EM Small Cap Latam	-9,4%	2,6%	-7,4%	7,3%	-5,3%	-1,7%	-6,8%	-10,5%	-4,3%	5,4%	-2,9%	-2,6%	-31,6%
<b>2016</b>													
SICAV EA Small Cap Latam I	-3,0%	7,2%	14,8%	2,2%	-4,8%	7,0%	6,5%	-2,2%	0,2%	7,1%	-14,5%	0,8%	19,8%
MSCI EM Small Cap Latam	-7,0%	4,6%	16,1%	5,5%	-7,1%	8,7%	6,9%	0,2%	-1,3%	8,7%	-12,7%	1,2%	22,2%
<b>2017</b>													
SICAV EA Small Cap Latam I	10,2%	6,3%	0,0%	1,4%	-3,4%	1,0%	9,2%	6,4%	3,8%	-3,9%	-3,9%	7,0%	38,2%
MSCI EM Small Cap Latam	8,9%	5,2%	1,6%	1,6%	-2,5%	1,5%	9,7%	6,0%	2,0%	-4,3%	-3,2%	5,3%	35,3%
<b>2018</b>													
SICAV EA Small Cap Latam I	9,6%												9,6%
MSCI EM Small Cap Latam	8,5%												8,5%

Note: Until 28 February 2015, performance data is for the EuroAmerica Small Cap LatAm D, which is a mutual fund offered in Chile; an identical strategy is employed in the Series I.  
Source: Bloomberg.

Portfolio Breakdown

Portfolio Statistics: Top 5 Country and Top 10 Sector Distributions



Top Holdings

Issuer	% Fund	Sector
USIMINAS	4,1%	STEEL
MAGALUZA	3,7%	CONSUMER
MET GERDAU	3,6%	STEEL
ESTACIO	3,4%	EDUCATION
VIA VAREJO	3,3%	CONSUMER
BRADSPAR	3,1%	MINING
MRV	3,0%	REAL ESTATE
RANDON	2,7%	INDUSTRIAL
IGUATEMI	2,7%	REAL STATE
GOL	2,7%	TRANSPORT & LOGISTIC
<b>OTHERS</b>	<b>67,6%</b>	

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