

Portfolio Manager Commentary and Performance

Market Update

2017 was another solid year for the Latam Equity market, despite political issues coming in the way. As we have been stating throughout the year, the region has strong fundamentals to support further performance going forward. 2018 positions itself as an interesting year for LatAm, with GDP growth accelerating across the board, controlled inflation and lower interest rates environment, with the exception of Mexico, and a benign scenario for commodity prices, which should support fiscal balances and local currencies in case politics –either internal or external – get in the way again.

Going forward into the year, we have several political events in the region, which could translate into high levels of volatility, but at the same time, could provide entry opportunities: Decision on Lula’s appeal, NAFTA negotiations, Colombia’s presidential elections, Mexico’s presidential elections, Peru regional and municipal elections and Brazil’s presidential and congress elections.

In this context, the MSCI Small Cap Latam Index posted a 35.3% return during 2017, while our fund reached 38.2% over the same period, accumulating an annual gap of 285bps. The Latam Equity Market (MSCI Latin America) reached a 24.2% in 2017.

Brazil: As expected, the Central Bank decreased its policy rate to 7% from 7.5%. In addition, it also hinted that this monetary easing cycle is not over. The Bank mentioned explicitly that more rate cut is needed (we foresee a 25bp cut in February 2018). On politics, the appeals court has scheduled its ruling on Lula’s appeal for Jan 24th. Lastly, on data releases, confidence indicators continue to improve, inflation came below expectations while industrial production and retail sales were somewhat disappointing but on the positive side. We remain OW in Brazil.

Mexico: The Central Bank hiked its policy rate to 7.25% from 7%. The main explanation behind the hike was that the balance of risk for inflation was tilting upward. Moreover, the Bank’s board would stay vigilant and ready to hike again if inflation risks intensify, increasing chances of new hikes during 2018. On the political front, candidates for the upcoming presidential election were defined and so far, main candidates are AMLO, former finance minister José Antonio Meade and Ricardo Anaya for the PAN-PRD-MC coalition – other two independent contenders still need to raise required signatures to formalize their candidacy. As we leave 2017, no significant agreements have been announced regarding NAFTA negotiations, which will be resumed by late Jan. We remain UW in Mexico.

Chile: The runoff in the presidential election result was a surprising strong win for the center right candidate, former President Piñera, who beat the center left candidate by 9%. This result was positive for Chilean assets and it is likely that the new administration will try to implement more pro-market reforms. However, the path is not easy given that the center right coalition has no majority in both chambers and, thus, the administration will have to negotiate case by case. We remain Neutral in Chile.

Peru: it was a volatile month for the country, with president PPK’s impeachment rejected by the congress, riots against the presidential indult for former president Alberto Fujimori, softer than expected macro releases (unemployment, GDP growth). We believe mining investments and reconstruction process should boost the economy in 2018, accelerating growth close to 4% from 2.5% this year. We are OW in Peru.

Argentina: The government announced an increase in the inflation target for the next years. The 2018 target rose to 15% from 10%, the 2019 target increased to 10% from 5%, resulting in a 6% ARS depreciation during the month. Also, the government has rapidly advanced with its reform agenda, with approval of the pension and fiscal reforms and the fiscal discipline rule. We believe these reforms should translate into higher GDP growth and employment with investments as the main driver for the economy. We remain OW in Argentina.

EuroAmerica AM SICAV – Small Cap Latam Fund

December 31st, 2017

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	1.06%

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.

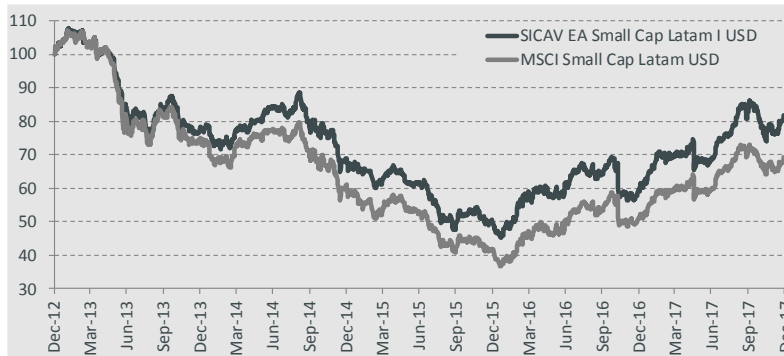
This mutual fund is managed by EuroAmerica Administradora General de Fondos. Find out about the essential characteristics of each mutual fund investment, which are contained in the rules of procedure and contract underwriting fees. Profitability or profit obtained in the past by this fund does not guarantee 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, with MAGAZINE LUIZA recovering space and our OW in VIA VAREJO and RANDON, reaching returns of 39.9%, 10.7% and 10.4% in USD terms, respectively. Our off-benchmark position in Argentina continued to benefit the fund's performance, with SUPERVIELLE and BYMA reaching an 11.4% and a 14.1% return in USD during the month. Our UW in Mexico also had a positive impact, explained by a 5,5% MXN depreciation and our lack of exposure in names such as AEROMEXICO, VOLARIS and CREDITO REAL, which were 14.5%, 12.06% and 14.5% down in USD during the month. Chile also had a positive contribution, with BESALCO recovering its performance and reaching 41% in USD and FORUS +30.3%. Our OW in Peru also posted positive results, with ALICORP and INRETAIL reaching +3.2% and 2.4% return in USD. Lastly, our UW in Colombia had a negative impact mainly on the 1% COP appreciation.

Performance for Series I



Risk Metrics*	
Volatility (Annual)	17,54%
Beta	1,08
Alpha	3,1%
Tracking Error (annual)	4,12%
Information Ratio	0,69

*YTD

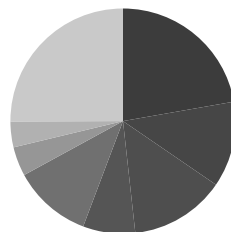
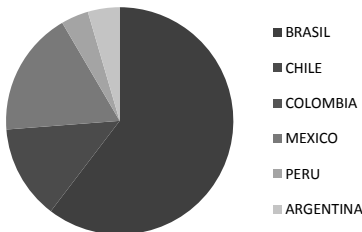
Year	Month	EA Small Cap Latam D	MSCI EM Small Cap Latam
2013	Jan	6,1%	5,7%
	Feb	0,2%	-0,3%
	Mar	-2,7%	-1,5%
	Apr	-2,5%	-2,6%
	May	-6,6%	-9,2%
	Jun	-10,8%	-11,6%
	Jul	-3,5%	-3,9%
	Aug	-6,1%	-4,1%
	Sep	9,3%	8,2%
	Oct	1,2%	-0,8%
	Nov	-6,6%	-6,7%
	Dec	-0,2%	-0,3%
YTD		-21,5%	-25,2%
2014	Jan	-6,1%	-8,6%
	Feb	0,3%	0,5%
	Mar	4,9%	6,1%
	Apr	-0,3%	0,4%
	May	4,0%	2,6%
	Jun	4,7%	3,3%
	Jul	-2,9%	-4,0%
	Aug	6,9%	5,8%
	Sep	-10,3%	-11,4%
	Oct	1,4%	0,1%
	Nov	-4,4%	-4,4%
	Dec	-9,0%	-8,5%
YTD		-12,0%	-18,4%
2015	Jan	-5,9%	-9,4%
	Feb	0,3%	2,6%
	Mar	-5,0%	-7,4%
	Apr	6,0%	7,3%
	May	-6,1%	-5,3%
	Jun	-0,7%	-1,7%
	Jul	-5,8%	-6,8%
	Aug	-10,6%	-10,5%
	Sep	-5,0%	-4,3%
	Oct	6,5%	5,4%
	Nov	-1,9%	-2,9%
	Dec	-3,4%	-2,6%
YTD		-28,3%	-31,6%
2016	Jan	-3,0%	-7,0%
	Feb	7,2%	4,6%
	Mar	14,8%	16,1%
	Apr	2,2%	5,5%
	May	-4,8%	-7,1%
	Jun	7,0%	8,7%
	Jul	6,5%	6,9%
	Aug	-2,2%	0,2%
	Sep	0,2%	-1,3%
	Oct	7,1%	8,7%
	Nov	-14,5%	-12,7%
	Dec	0,8%	1,2%
YTD		19,8%	22,2%
2017	Jan	10,2%	8,9%
	Feb	6,3%	5,2%
	Mar	0,0%	1,6%
	Apr	1,4%	1,6%
	May	-3,4%	-2,5%
	Jun	1,0%	1,5%
	Jul	9,2%	9,7%
	Aug	6,4%	6,0%
	Sep	3,8%	2,0%
	Oct	-3,9%	-4,3%
	Nov	-3,9%	-3,2%
	Dec	7,0%	5,3%
YTD		38,2%	35,3%

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	3,7%	STEEL
MAGALUIZA	3,3%	CONSUMER
VIA VAREJO	3,3%	CONSUMER
ESTACIO	3,2%	EDUCATION
BRADSPAR	2,7%	MINING
GOL	2,6%	TRANSPORT
IGUATEMI	2,6%	REAL ESTATE
PARAUCO	2,5%	REAL ESTATE
GERDAU	2,5%	MATERIALS
SMILES	2,3%	CONSUMER
OTHERS	71,2%	

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