

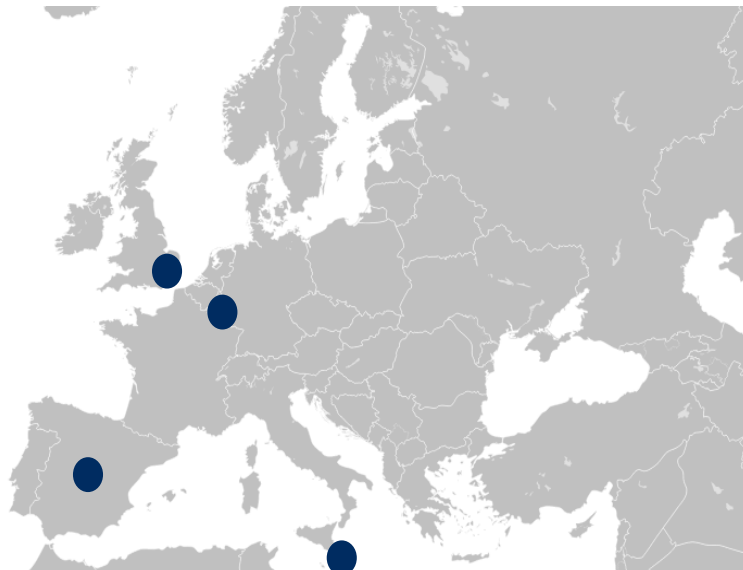
**FCS Asset Management Ltd.**  
**FCS Fund Services ICAV**

*Presentation to Investors*  
*June 2016*

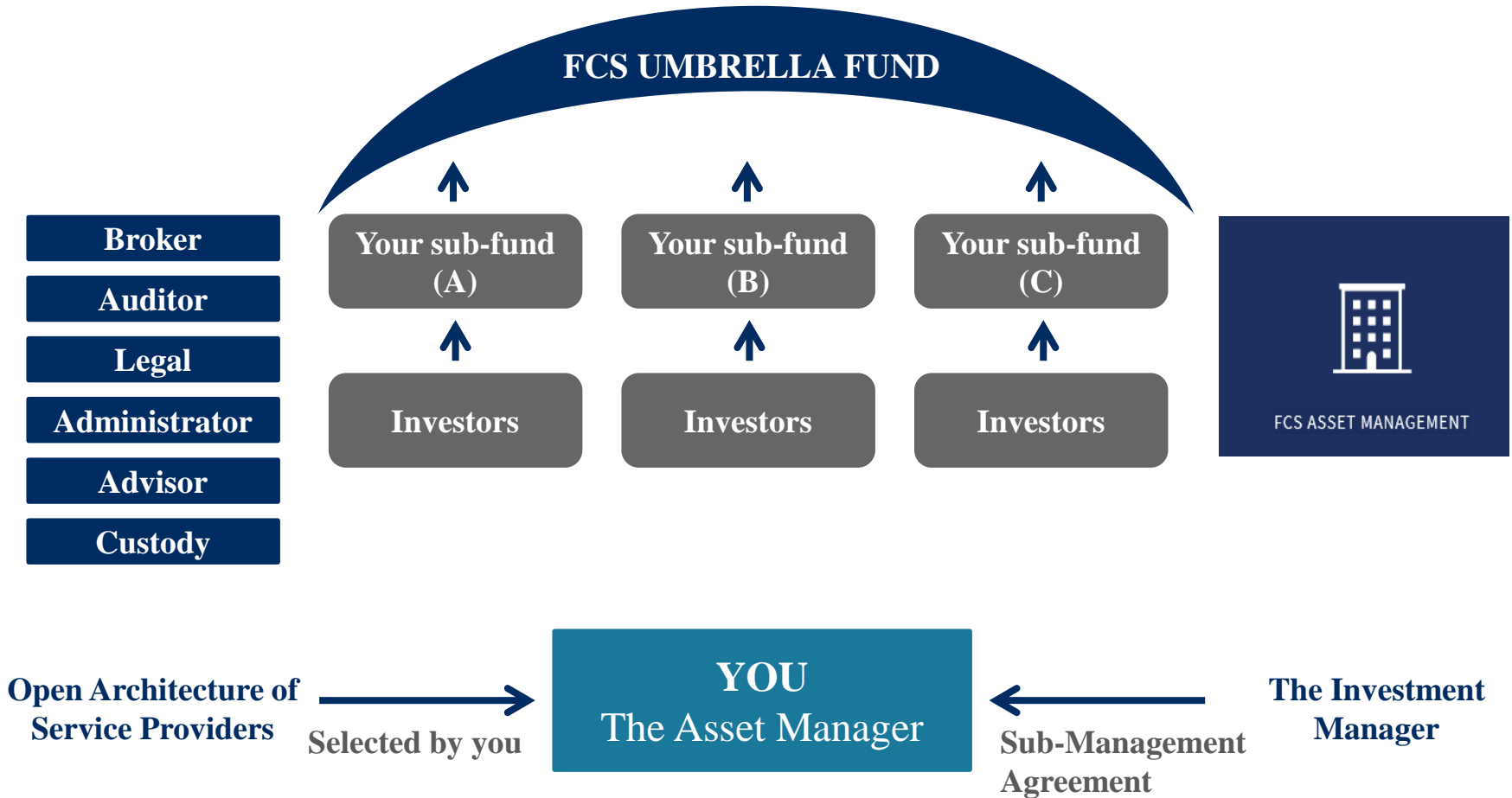
# Multi-Jurisdictional Offerings

The Company prides itself in having one of the largest product offerings in terms of Platforms across various jurisdictions. These include: *UCITS Platforms in Malta, Spain, Ireland and Luxembourg* as well as a number of *AIFs in Luxembourg and Malta*. These platforms are supervised respectively by the Malta Financial Services Authority, (MFSA, Malta); the Comision Nacional del Mercado de Valores (CNMV, Spain); the Commission de Surveillance du Secteur Financier (CSSF, Luxembourg) and the Central Bank of Ireland, (CBI, Ireland).

The FCS Asset Management Platforms enable third-party Funds and Asset Managers to launch fully serviced regulated structures. By allowing for flexibility in terms of strategy, liquidity, risk diversification and leverage, the FCS Platforms allow you to focus on your investment style and clients, whilst the Company oversees compliance with regulations, risk management and all operational aspects.

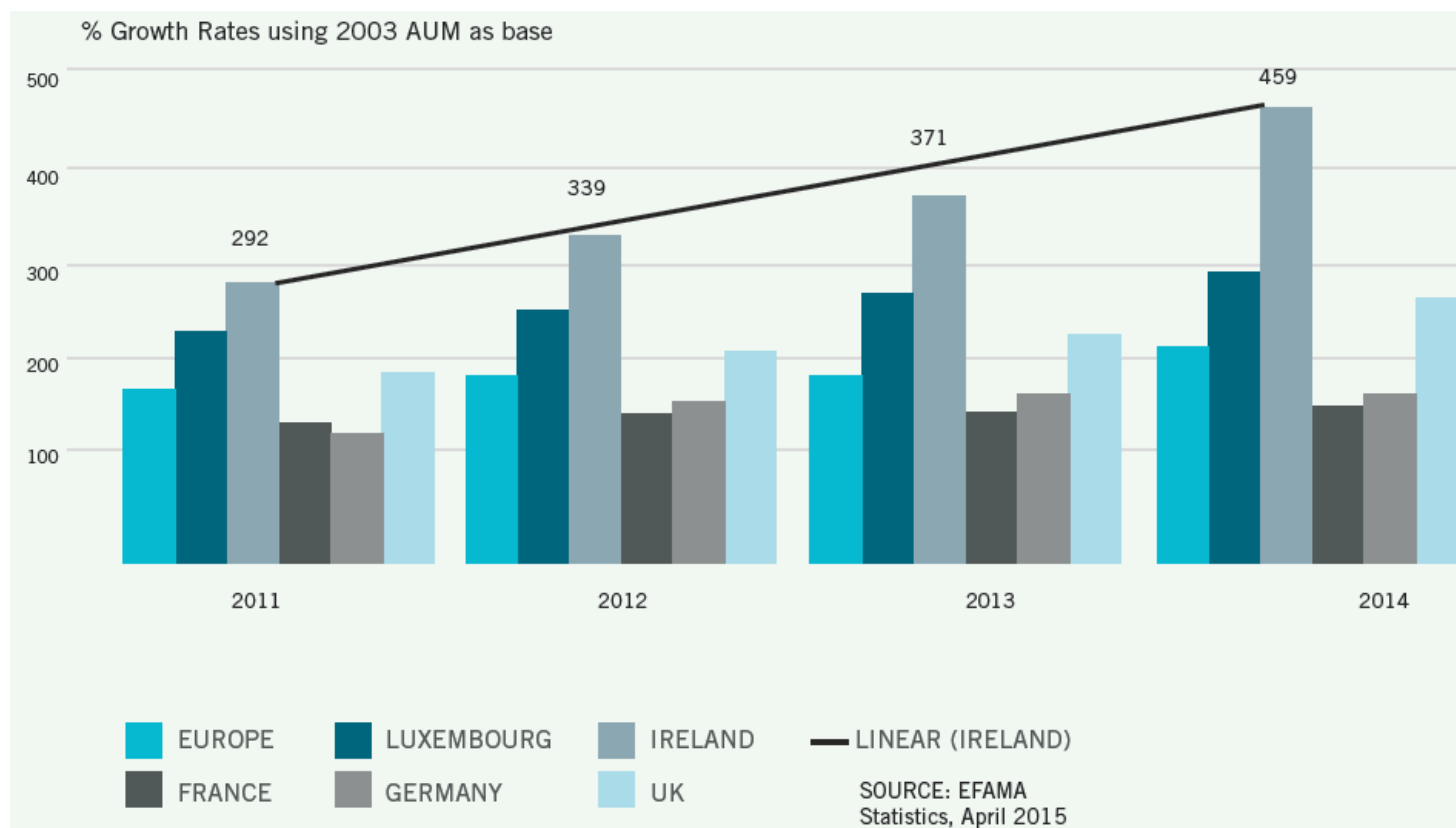


# FCS Platform Offerings Structure



# Ireland as a Fund Domicile

Ireland is the fastest growing major cross-border fund domicile in Europe, according to statistics published by EFAMA in April 2015. Data from Irish Funds 2015 and the Central Bank of Ireland indicate that growth in Irish domiciled funds has consistently outstripped other European locations over the last 10 years.



# Advantages of Ireland as a Fund Domicile

The advantages of Ireland as a Fund Domicile include the following:

- > Irish domiciled funds are distributed in over 60 countries across the globe
- > Constructive and efficient regulatory framework, Central Bank of Ireland
- > International recognition – Ireland is a member of the EU, OECD, FATF and IOSCO
- > With a continuously expanding tax treaty network including over 60 countries, Ireland has one of the most developed and favourable tax treaty networks in the world
- > The Irish Stock Exchange is an internationally recognized, regulated exchange for the listing of Irish and non-Irish domiciled investment funds and it is widely regarded as one of the leading exchanges in the world for the listing of investment funds
- > Ireland does not operate banking secrecy and was the only international funds centre to appear on the original OECD white list of countries that are in compliance with internationally agreed tax standards

# Funds are Negotiated on a Recognised Exchange

The sub-funds of the FCS Global Fund Services ICAV are negotiated on the Italian Stock Exchange, Borsa Italiana, which forms part of the London Stock Exchange Group since 2007. The access to the Exchange allows our clients to easily purchase shares in the sub-funds.

The advantages include:

- > Regulated and supervised on an official market
- > Reduced fund expenses, therefore lower Total Expense Ratios
- > Enhanced transparency and credibility
- > Publication of NAV, as well as announcements and circulars
- > Italy is a Member State of the European Union, and the Italian Stock Exchange is therefore a recognized EU Stock Exchange. Italy is also an OECD Member
- > The Italian Stock Exchange rules represent global best practice within the investment funds industry, and these are updated regularly to take into account the changes within the funds industry.

# **FCS Asset Management 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:

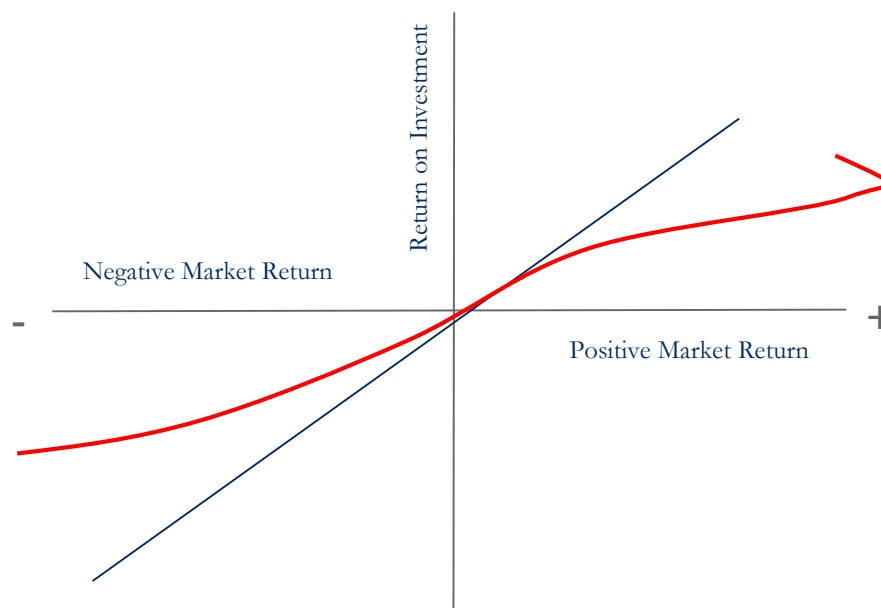
- > Providing positive returns over time, with *less volatility* than more traditional funds
- > Offering potential for *positive returns in flat or declining markets*
- > *Real flexibility* to pursue global investment opportunities and take any investment decision (i.e. 0% investment exposure to the markets)
- > *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*



# 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*

# Principles: 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

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

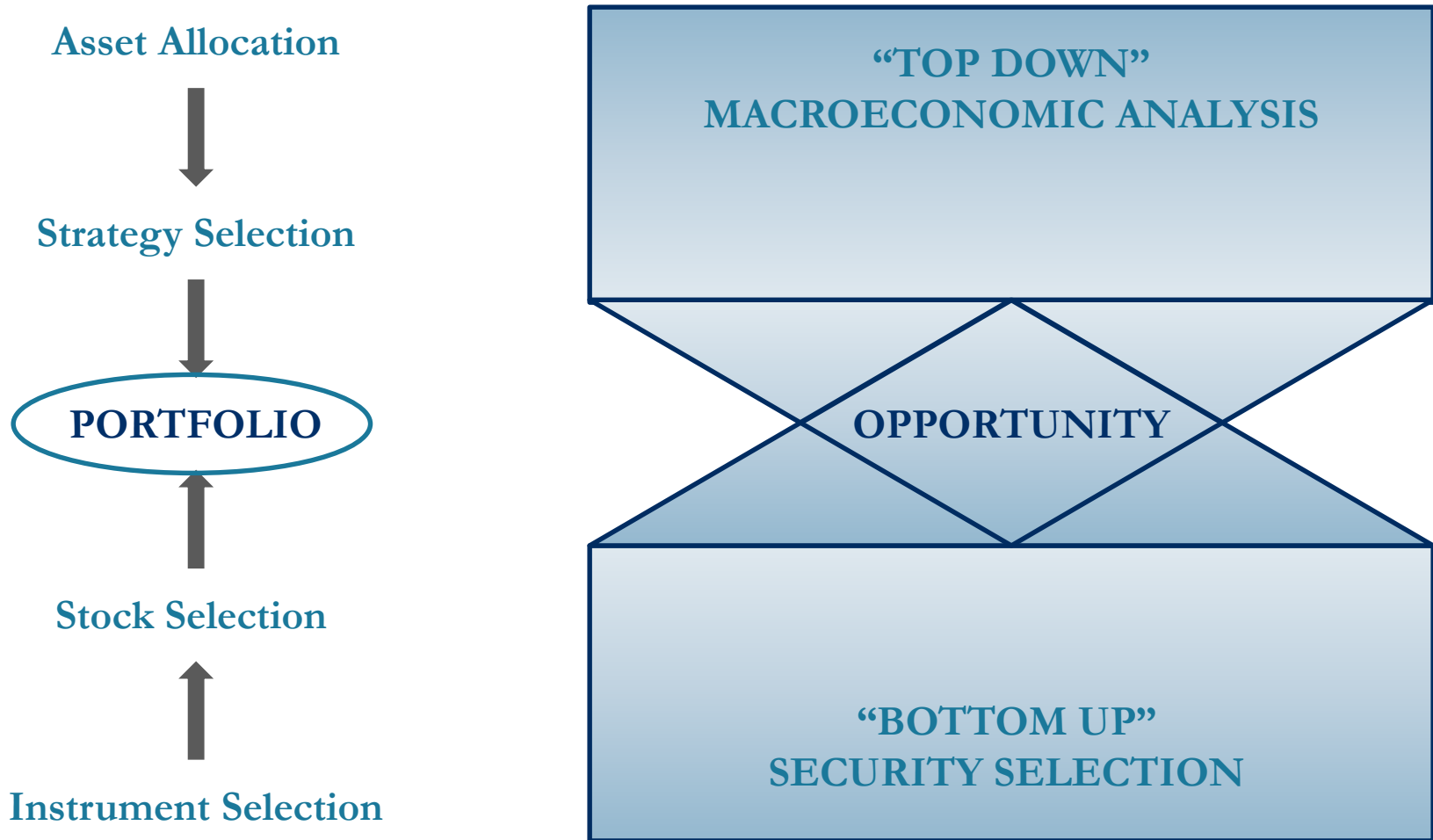
# Principles: Creating Added Value

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*

# A Top-down Approach & A Bottom-Up Analysis



# 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

# 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*

# 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:

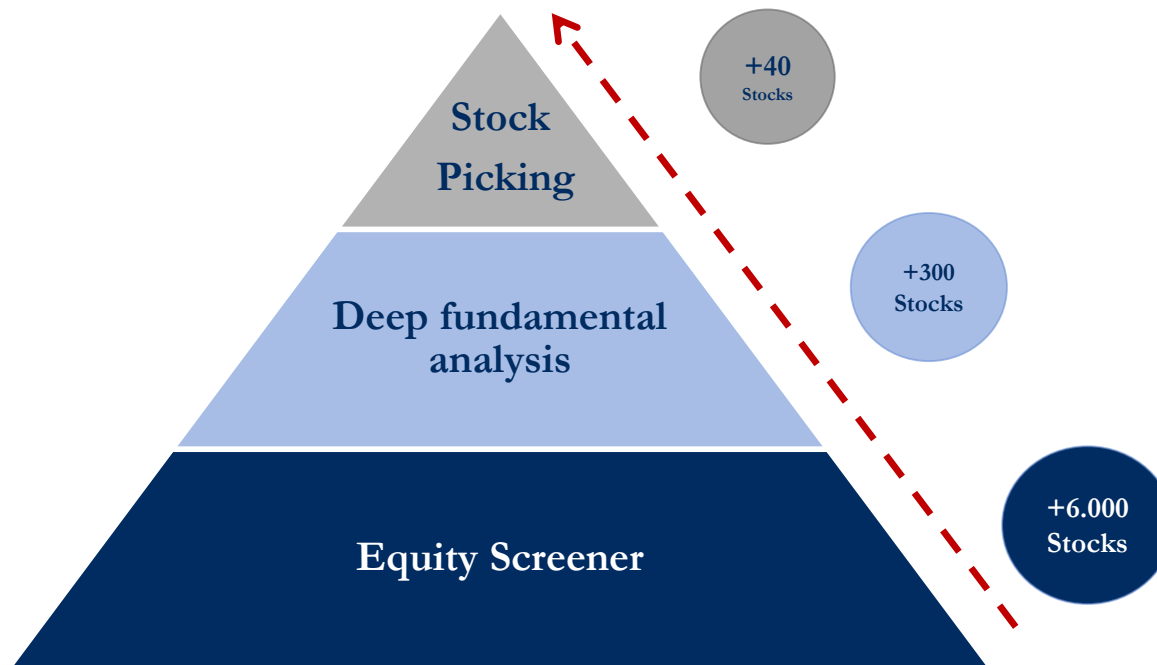
- > **Eligibility:** this is not always a straightforward yes or no. It is sometimes the case that exposure to a particular asset class can fall into various levels of interpretation which are unclear. Together with our regulators and lawyers, we determine the best access to the desired securities
- > **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*

# 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



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