

Quarterly report

As of September 29th, 2017

PASTEL & ASSOCIÉS

SOCIÉTÉ DE GESTION DE PORTEFEUILLE

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Investment portfolio of Valeur Intrinsèque¹ as of September 29th, 2017

Currency	Company	Shares	Average cost per share (in currency)	Market price per share (in currency)	Gains or losses (in currency)	Gains or losses (in euros)	Market value (in euros)	% Net asset value
EUR	Randstad	48 100	37.13	52.34	41.0%	41.0%	2 517 554	1.8%
	Thermador Groupe	18 042	72.79	102.68	41.1%	41.1%	1 852 553	1.3%
						41.0%	4 370 107	3.1%
GBP	Next Group Plc	76 393	46.17	52.60	13.9%	8.8%	4 560 259	3.3%
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NOK	Subsea 7	662 807	68.23	130.70	91.6%	79.1%	9 205 408	6.6%
	TGS-NOPEC Geophysical Co.	137 394	140.49	189.50	34.9%	21.6%	2 766 670	2.0%
						61.5%	11 972 078	8.6%
USD	American Express	52 500	69.16	90.46	30.8%	25.9%	4 017 214	2.9%
	Bed Bath & Beyond Inc	107 700	43.52	23.47	-46.1%	-39.4%	2 138 148	1.5%
	Cummins	38 800	118.54	168.03	41.7%	54.6%	5 514 772	4.0%
	Deere & Company	85 350	86.13	125.59	45.8%	59.9%	9 067 084	6.5%
	Diamond Offshore Drilling Inc	1 096 455	15.98	14.50	-9.2%	-13.5%	13 448 315	9.6%
	Leucadia National Corp.	472 387	24.79	25.25	1.9%	11.7%	10 089 470	7.2%
	Loews Corporation	140 000	47.24	47.86	1.3%	0.9%	5 667 738	4.1%
	Markel Corp.	7 550	965.49	1 067.98	10.6%	2.8%	6 820 546	4.9%
	Rowan Companies plc	609 884	15.33	12.85	-16.2%	-18.8%	6 629 174	4.7%
	Tenaris	99 800	27.69	28.31	2.3%	-7.4%	2 389 898	1.7%
	Ternium SA	100 201	14.45	30.93	114.1%	103.4%	2 621 567	1.9%
	Transocean Ltd	563 486	15.36	10.76	-29.9%	-34.1%	5 128 666	3.7%
						1.3%	73 532 593	52.7%
CAD	Fairfax Financial Holdings Ltd	12 200	596.20	649.33	8.9%	10.5%	5 358 016	3.8%
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						Equities	99 793 052	71.5%
						Cash	39 806 413	28.5%
						Net asset value	139 599 465	100.0%

¹ Margin of Safety Fund being a feeder fund to Valeur Intrinsèque fund, the data presented in this document relate solely to Valeur Intrinsèque, except if otherwise indicated.

Breakdown by industry sector as of September 29th, 2017

Sectors	Weight
Oil and gas services	26.6%
Diamond Offshore Drilling Inc	
Rowan Companies Plc	
Subsea 7	
TGS-NOPEC Geophysical	
Transocean Ltd	
Holdings	20.0%
Fairfax Financial Holdings Ltd	
Leucadia National Corp.	
Loews Corporation	
Markel Corp.	
Capital goods	10.5%
Cummins	
Deere & Company	
Non-food retailing	4.8%
Bed Bath & Beyond Inc	
Next Group plc	
Heavy industry	3.6%
Tenaris	
Ternium SA	
Financial services	2.9%
American Express	
Other	3.1%
Randstad	
Thermador Groupe	
Cash (€)	28.5%

Forex exposure as of September 29th, 2017

As a reminder, regarding Valeur Intrinsèque, the H class of shares is systematically hedged against nominal non-euro risk whereas the other classes (I and P) are subject to a partial hedging strategy (resulting in a hedge ratio usually comprised between 25% and 75%). Regarding Margin of Safety Fund, the exchange rate risk is subject to partial hedging against nominal non-dollar risk (resulting in a hedge ratio usually comprised between 25% and 75%).

For both funds, the hedging policies - be they systematic or partial - are generally only implemented for currency exposures greater than 10% of the portfolio.

Currency hedging

	Valeur Intrinsèque			Margin of Safety Fund	
	I Class	P Class	H Class	I Class	P Class
Reference currency	Euro		Euro	USD	
USD	96.1%		94.5%		-
GBP	0.0%		0.0%		0.0%
NOK	0.0%		94.7%		0.0%
CAD	0.0%		0.0%		0.0%
EUR		-	-		19.0%

Apparent hedging ratios (I and P classes), of almost 100% for the US dollar and zero for the NOK are mainly due to the fact that the Scandinavian companies the funds have invested in, make most of their business in US dollars. As a result we have made the decision to hedge these investments as if they were denominated in US dollars. Adjusting for this, the US dollar versus Euro hedging ratio would be closer to 75%.

Notwithstanding the above discussion, regarding the H class, any greater-than-10% nominal currency exposure is systematically hedged back into the euro. For more details on the management of H class currency risk, please refer to the fund's prospectus.

Annex : Performance since inception of Margin of Safety Fund and Valeur Intrinsèque

Total annual returns (in percentage)				Total annual returns (in percentage)			
	Margin of Safety Fund (P class)	MSCI World (USD) dividends reinvested	Difference		Valeur Intrinsèque (P class)	MSCI World (EUR) dividends reinvested	Difference
1998	2.5	21.0	(18.5)				
1999	42.0	24.9	17.1				
2000	15.1	(13.2)	28.3				
2001	5.7	(16.8)	22.5	2001	14.8	(14.9)	29.7
2002	(13.4)	(19.9)	6.5	2002	(22.1)	(32.0)	9.9
2003	43.8	33.1	10.7	2003	32.9	10.7	22.2
2004	23.9	14.7	9.2	2004	16.3	6.5	9.8
2005	5.3	9.5	(4.2)	2005	14.5	26.2	(11.7)
2006	20.9	20.1	0.8	2006	13.2	7.4	5.8
2007	(4.0)	9.0	(13.0)	2007	(11.3)	(1.7)	(9.6)
2008	(40.1)	(40.7)	0.6	2008	(38.1)	(37.6)	(0.5)
2009	69.9	30.0	39.9	2009	57.2	25.9	31.3
2010	16.2	11.8	4.4	2010	19.7	19.5	0.2
2011	(19.7)	(5.5)	(14.2)	2011	(17.4)	(2.4)	(15.0)
2012	20.8	15.8	5.0	2012	22.6	14.0	8.6
2013	31.2	26.7	4.5	2013	26.8	21.2	5.6
2014	(8.8)	4.9	(13.7)	2014	(3.1)	19.5	(22.6)
2015	(20.8)	(1.8)	(19.0)	2015	(16.6)	10.4	(27.0)
2016	29.8	7.5	22.3	2016	31.8	10.7	21.1
2017 (29.09)	0.2	10.7	(10.5)	2017 (29.09)	(3.5)	2.3	(5.8)
Cumulative performance	417.9%	196.4%		Cumulative performance	163.4%	74.0%	
Annualized performance	8.7%	5.7%		Annualized performance	6.1%	3.4%	

Fund's inception on February 2nd, 1998

Fund's inception on June 6th, 2001

The performance of the other classes of shares is available on our website www.pastel.fr.

Pastel & Associés

Pastel & Associés is an independent asset manager which, since its inception in 1997, has implemented a “value” investing process, based on the concepts of intrinsic value, margin of safety and independent investment research. The objective of our investment process is twofold: to reduce the risk that our funds suffer a permanent loss of value, and to generate for each of our funds a satisfactory long term rate of return per share*.

The two investment funds (UCITS) managed by the company, Valeur Intrinsèque (established in France and started in 2001) and Margin of Safety Fund (established in Luxembourg and started in 1998) are invested primarily in shares of companies listed on the stock exchanges of OECD countries. But if the manager considers that reasonably priced investment opportunities have become too scarce, the investment portfolio may be allocated, to a significant extent, to fixed income and monetary assets.

The investment process implemented by Pastel & Associés is detailed in “Our investment principles” which is available on the company’s website www.pastel.fr under the heading “Philosophy”.

Any decision to subscribe to any of these funds should be based on a thorough analysis of the funds’ prospectus and KIID, which are available on the company’s website under the heading “Funds”.

* The investment time horizon of the funds Valeur Intrinsèque and Margin of Safety Fund is 5 years or longer and the risk of permanent loss of capital is significant.

Investor Relations

The investment partnership that Pastel & Associés is looking to build with its investors is described in the document “Investor’s manual”, which is available on the company’s website.

Pastel & Associés is not in the investment advisory business. Therefore, it is up to each investor, or his own representative and/or advisor, to decide whether and to what extent he is ready to invest in the funds managed by Pastel & Associés. However, Pastel & Associés will be pleased to provide any explanation or assistance with regard to the documents published on the company’s website.

In order to follow up with their investment, unitholders can use three types of documents that are published and made available on the company’s website: a quarterly report, a biannual report and an annual review, the latter being designed in the spirit of the annual report of a public company. In order to preserve the equal treatment of all its funds’ investors, the company does not provide any other additional information.

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