

Quarterly report

As of March 31st, 2017

PASTEL & ASSOCIÉS

SOCIÉTÉ DE GESTION DE PORTEFEUILLE

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Investment portfolio of Valeur Intrinsèque¹ as of March 31st, 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	60 000	37.13	54.10	45.7%	45.7%	3 246 000	1.9%
	Thermador Groupe	21 732	72.31	90.00	24.5%	24.5%	1 955 880	1.1%
						36.9%	5 201 880	3.0%
GBP	Next Group Plc	76 393	46.17	43.20	-6.4%	-7.9%	3 858 503	2.3%
	Sports Direct International plc	450 000	2.84	3.08	8.4%	8.5%	1 621 536	0.9%
						-3.6%	5 480 039	3.2%
DKK	D/S Norden	435 334	161.57	141.20	-12.6%	-12.4%	8 266 095	4.8%
						-12.4%	8 266 095	4.8%
NOK	Subsea 7	1 006 807	68.23	132.80	94.6%	86.4%	14 554 793	8.5%
	TGS-NOPEC Geophysical Co.	202 394	140.49	182.00	29.6%	19.7%	4 009 874	2.3%
						66.4%	18 564 668	10.9%
USD	American Express	67 200	69.16	79.11	14.4%	21.7%	4 970 494	2.9%
	Bed Bath & Beyond Inc	57 700	61.29	39.46	-35.6%	-17.1%	2 128 785	1.2%
	Cummins	53 300	118.54	151.20	27.5%	53.8%	7 534 907	4.4%
	Deere & Company	141 850	86.13	108.86	26.4%	53.2%	14 437 652	8.5%
	Diamond Offshore Drilling Inc	449 120	23.19	16.71	-28.0%	-23.9%	7 016 778	4.1%
	International Business Machines	40 300	154.39	174.14	12.8%	20.8%	6 561 490	3.8%
	Leucadia National Corp.	541 387	24.79	26.00	4.9%	27.1%	13 160 733	7.7%
	Rowan Companies plc	424 210	17.90	15.58	-13.0%	-6.3%	6 179 414	3.6%
	Tenaris	113 500	27.69	34.14	23.3%	23.5%	3 622 916	2.1%
	Ternium SA	384 037	14.45	26.12	80.8%	89.8%	9 378 754	5.5%
	Transocean Ltd	563 486	15.36	12.45	-18.9%	-15.7%	6 559 208	3.8%
						19.5%	81 551 132	47.8%
						Equities	119 063 814	69.7%
						Cash	51 690 662	30.3%
						Net asset value	170 754 476	100.0%

The average cost per share displayed in this table is the average historical cost for each investment, and as such does not reflect the impact of subscriptions and redemptions on the “economic cost” for the investor who had subscribed prior to and was still invested after these transactions.

This impact was far from immaterial in 2016 as our funds experienced significant cash outflows while we chose not to unwind some of the fund’s positions we deemed most undervalued. This no-action course allowed those longer-term investors to virtually increase their indirect holdings of undervalued companies at very attractive prices. However, this “relative” phenomenon was not reflected in the average cost per share as provided herein which is a mere accounting figure.

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

Breakdown by industry sector as of March 31st, 2017

Sectors	Weight
Oil and gas services	22.5%
Diamond Offshore Drilling Inc	
Rowan Companies Plc	
Subsea 7	
TGS-NOPEC Geophysical	
Transocean Ltd	
Capital goods	12.9%
Cummins	
Deere & Company	
Holdings	7.7%
Leucadia National Corp.	
Heavy industry	7.6%
Tenaris	
Ternium SA	
Business to business services	5.7%
International Business Machines	
Randstad	
Transportation	4.8%
D/S Norden	
Non-food retailing	4.5%
Bed Bath & Beyond Inc	
Next Group plc	
Sports Direct International	
Financial services	2.9%
American Express	
Others)	1.1%
Thermador Groupe	
Cash (€)	30.3%

Forex exposure as of March 31st, 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	98.3%		96.4%	0.0%	
GBP	0.0%		0.0%	0.0%	
DKK	0.0%		0.0%	0.0%	
NOK	0.0%		95.4%	0.0%	
EUR	0.0%		0.0%	17.4%	

Apparent hedging ratios (I and P classes), of almost 100% for the US dollar and zero for the DKK and 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 (31.03)	4.1	6.4	(2.3)	2017 (31.03)	3.4	4.9	(1.5)
Cumulative performance	391.2%	171.8%		Cumulative performance	162.2%	76.3%	
Annualized performance	8.7%	5.3%		Annualized performance	6.3%	3.6%	

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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