FUND MISSION

Armada Lynx is a European value-catalyst long/short Equity fund focused on the recovery of Southern Europe following a historic crisis that had the € on the verge of break up. Key competency lies within a deep bottom up knowledge of the South European corporate world. It´s highly concentrated in key ideas and targets 18-20% returns with medium/high volatily

CIO BIO

The fund is managed by Fernando Primo de Rivera who has 23 year experience in equity markets. He started as an analyst at Banco Santander in 92 and moved to set up the institutional sales desk in New York in 94 to 99. The following 7 years he ran the international client desk in Madrid for UBS. In 2006 he joined Amber Capital, as a MD, with responsability for the Iberian universe until August 2009 when he took the initiative to start his own investment business.

Fund Key Personel

CIO	Fernando Primo de Rivera
COO	Daniel Arribas

Contact Details

Fernando Primo de Rivera
T. +34 91 144 28 49 – fpr@armadacm.com

Daniel Arribas
T. +34 91 144 28 57 - daniel.arribas@aurigasv.es

Patricia Alfonso
T. +34 91 144 28 19 – patricia.alfonso@aurigasv.es

Cuesta del Sagrado Corazón, nº 6
28016 MADRID
Spain

FUND PERFORMANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Incpt
2010									0 %	- 2 %	- 8 %	4.8 %	**- 5.2 %**	**- 5.2 %**
2011	9 %	0	2.5 %	- 1.4 %	- 6.6 %	- 1.5 %	- 6 %	- 17 %	- 5 %	11 %	- 8 %	3 %	**- 21 %**	**- 26 %**
2012	5.7 %	2.1 %	- 8.9 %	- 14%	- 32 %	23 %	- 8.9 %	23 %	1.1 %	12 %	1.6 %	1.9 %	**- 6 %**	**- 32 %**
2013	8.5 %	- 4 %	- 7 %	3.5 %	7.5 %	11 %	10 %	2 %	29 %	12 %	0.55%	3.2%	**106 %**	**37.9 %**
2014	7.6%												**7.6%**	**48.4%**

BASIC RISK METRICS AS % OF NAV

Long Exposure	**135 %**
Short Exposure	**54%**
Net Exposure	**81 %**
Gross Exposure	**190 %**
Concentration	**# Longs 7, # Shorts 7**
Volatility	**31 %**
Sharp Ratio	**3.1**

TOP PORTFOLIO POSITIONS

Longs	Shorts
Telecom Italia	Portugal Telecom
FCC	EON
Prisa	RWE
Societe Generale	Viscofan
Acerinox	Inditex

As a % of Net			
Geographical exposure		**Major sectors exposure**	
Spain	**> 60 %**	**Teleco**	**23 %**
Italy	**18 %**	**Contructors/Services**	**22 %**
France	**15 %**	**Media**	**20 %**
Portugal	**12 %**	**Banks**	**18 %**
		Steel	**16 %**

Fund Basics at Oct 2013

NAV	**137.9**
Fund Size	**< € 10 m**
Strategy	**L/S Equity Europe**
Incorporation	**Luxembourg**
Structure	**SIF/SICAV**
Inception	**September 2010**
Suscriptions	**Monthly**
Redemptions	**Monthly 5 days notice**
Share classes	**EUR**
Min. Investment	**250.000 €**
Management Fees	**1,5 %**
Performance Fees	**20%**

The markets for the month: pulling the devil from the tail

Once again, markets have predominantly been driven by the influence of unconventional monetary policies. In a historical debt crisis adressed by a new monetary paradigm, framed by sub-par growth and remaining macro global imbalances, this is likely to be the norm, possibly for many years to come. A roaring start to the year, led by European equities- and particularly the periphery- had markets up mid month by 2% and 6% respectively. However, this was strongly offset by the side effects of the FED´s tapering in the weakest EM and currencies. In addition, doubts pertaining to Chinese growth put the cherry on the cake! By the end of January, the Dow Jones was down more than 5%, Europe by - 3%, and the IBEX was flat.

Admittedly tapering is not tightening, as the FED managed to convince markets 2H 2013, but tapering will unequivocally precede tightening. Whilst the US 2Y has remained broadly anchored and futures do not discount higher rates till the end of 2015, the structural inflection point in the monetary cycle has triggered massive capital withdrawal from sovereign markets placed at the far end of the risk spectrum, ie the likes of Argentina and Turkey. Overall jitters caused another sell off in the EM asset class, regardless of each individual sovereign predicament, in a trading environment that brought back all the worse patterns of risk off/risk on experienced during the heights of the crisis.

EM share of global GDP stands at 40% (double 1997 levels) and this year, its share of GDP global growth will take more than 75%. However there is a critical distinction this time round: the vast majority of currencies are under floating regimes which make shocks that much easier to digest. For the most part, EM countries enjoy hefty foreign currency reserves which outstrip foreign debt. This is not a balance of payments crisis, but a policy crisis, as the market profits from the tapering to demand relentless action. Witness Brazil with its 3.5% current account deficit , $350 bn of reserves (north of 25% of GDP), and a Reis that after the turbueance stands aligned with its real equilibrium parity.

As it currently stands, the potential contagion from EM into DM should be contained. For instance, Europe exports account for 17% of its GDP, some 20% of which goes to EM. One might argue whether the real troubled group accounts for 15% to 30% of that, but even at the upper end of the band, only 1% of GDP (stock) would be at risk. Needless to say a tipping point where that 75% share of global growth would become seriously at risk would materialize if the BRIC countries were to simustaneoulsy become embroiled. At that point the “me, myself and I” FED´s monetary policy stance and the illussion of isolated sovereignty might even need to be revisited (a la Germanica…). As things stand now, there is no question we are witnessing the ending of a very long commodities cycle and the tapering calls for risk pricing adjustements. However the structural progress by the EM spectrum in terms of macro balances, rule of law and the formation of an incipient mass middle class should not be disregarded. More granular risk pricing and performance dispersion are likely round the corner.

In Europe a mild recovery seems to be making some headway as suggested by the latest PMI above 53, which now marks 6 continuous months of rises from the break even 50 levels. But markets are attempting to guage the actual effects of a monetary policy that, with a latest core CPI print of 0.7% , imposes a €/$ exchange rate stubbornly above 1.35. Many deem this to be very deflationary by nature. ECB internal discussions on how to honour the institution´s sole mandate for inflation (2% or just below), with an internal devaluation policy imposed on the periphery (35% of the € area GDP) that has triggered disinflationary foces to the 0% mark, will be critical. At the end of the day we trust Germans´ logic to solve a first degree equation whereby their local inflation needs to be clearly above 3%+ level to match the ECB mandated target. Given the EM turmoil side effects and the latest inflation point, we would advise keeping an eye on the ECB´s earliest monthly meeting.

Whilst the mid month sell off saw the markets very exposed to equities and thus investors may still need to adjust their portfolios for the higher volatility levels, we don´t think there should be a complete divorce from DM economic momentum data with US taking off above 3% and Europe cruising to 1%. By the month end we had reached key technical support levels in the Eurostoxx, as well as in a few key sectors, which the market might now be preparing to test for a while.

In Southern Europe 10y yields have consolidated a 50 bp compression from late last month to 3.6- 3.7% and spreads vs bunds have crossed the 200 bp mark. Should the € not break up (and frankly who talks of this any longer anyway?), 200 bp might just be too tempting a difference for large income portfolios not to want to get exposed to, particularly when the large intra Euro imbalances are starting to improve. In Spain a current account moving into surplus, a fiscal deficit that looks contained, and an economy that has printed positive growth data- all have been supported by latest indicators: from 4Q2013 GDP at 0.3%, to job creation, to PMIs. Should final GDP for 2014 come out more towards the upper range of estimates (ie, towards 1%), the momentum created in combination with ever lower cost of funding will be difficult to avoid, unless a large exogonous shock breaks out. No wonder Spanish and Italian equity markets are the best performing equity asset class for the early part of the year.

Alpha for the month

Apha collection, 7.63%, has been posible against a complicated overall market backdrop through highly concentrated stock picking once again. On our longs, 136% to NAV, 2 key ideas have had substantial contribution, FCC and Telecom Italia, 3 have contributed mildly on the positive, ACX, NHH and PRS and another 2 negatively, REP and GLE. On the short side which makes up for some 54% of our NAV, hedges have worked well in newly input VIS and ITX, whilst the German utilities have remained broadly unchanged. Following a volatile month in which the Eurostoxx has lost 3% and the IBEX marked flat, we remain constructive on the European equity markets and keep open more than 80% net/NAV exposure . Leading growth indicators suggest growth gaining some traction whilst disinflationary trends will keep supporting competitiveness and will keep the hawkish side of the ECB at bay. We believe is time to hold in this market correction and await for catalysts in a selected stocks to kick in.

FCC YTD +22.8%, Jan 22.8%: 450 bp to NAV

News on the imminent refinancing process for more than € 4 bn of debt (not yet confirmed) set the stock rocketing from the very beginning of the month. Details on the disposal by largest shareholder Koplowitz of a 3% stake in the company to financial tycoon Soros, rightly lead the market to believe that banks ´consent to refinance the company at the corporate debt level was well on track. Ultimately the process is being managed by largest creditors BBVA and Bankia which are so also bankers to Koplowitz. We would expect news confirmation by first fortnight of February. End of the month we await for "kitchen sinking" 2013 results with extra provisioning efforts on the construction and industrial divisions preparing a clean playing field for 2014. We also expect a new EBITDA 2015 guidance on which anywhere around € 1 bn would be well aligned with market consensus and anchor- in expectations. An update on de-investments (Cemusa, logistics, Globalvia, Realia and some real estate assets) should also be provided. New CEO Juan Bejar, formerly at FER and CPL, is the hands- on right man for the turnaround job.

Telecom Italia YTD + 14.4%, Jan 14.4%: 210 bp to NAV

We had been monitoring this situation closely since November last year and joined in Jan 3rd after a firing +5% first trading day. Indeed the leading event was Telefonica backing away from TI´s board at the mere suggestion by the Brazilian regulator that there could be a conflict of interest should TI decide to sell their TIM mobile stake. As the potential disposal would be targeted to the other 3 existing mobile operators in Brazil: Vivo (TEF), Claro (American Mobile) and a potential merger Oi-PT, TEF could have interests in both sides. We rest assured, value wise, on the fact that there is one single seller and 3 buyers which would capitalize on historically proven sector synergies collection (infrastructure networks, commercial and operational). The clearest obstacle now to consolidation in the Brazilian mobile market is not the recent EM turbulence or TI´s Board or Italian politics or even the Brazilian regulator, but the final completion of the merger between local Oi and the Portuguese incumbent PT. It is supposed to be the local leg in the TIM acquiring group and should have all the blessing from the anti-trust regulator, but the terms under which the merger has been structured are legally border line and set in favour of very indebted large Oi core shareholder (PT first of all!), which would see their debt washed away in the intricacies of the transaction (against the broader Oi minority shareholder group). The Brazilian market regulator technical body´s non biding official recommendation has already suggested that these core shareholders stay out of the voting process to approve the deal. The likelihood is that Oi´s minorities, at the very least, are going to be better off, after which a 2X1 in value capital increase will proceed (followed later on by yet another one to eventually absorb TIM Brazil carve out). We keep PT short position in play as local operations trade at twice the multiple vs peers marking to market Oi. Should the merger terms change or the deal even fall, expect a huge correction in PT stock price.

REP YTD -5.1%, Jan – 5.1%: - 150bp impact to NAV

It´s not only that the sector is in real dires, down -5% for the year , consolidating a deepest and longest period of underperformance vs the market, but also that some excitement build up in Repsol last quarter has justifiedly vanished. On the sector side, short term, widespread operational shortfalls in Lybia, Nigeria and Egypt (REP, BG and BP) keep threatening a dividend pay out that already extends beyond industry´s cash flows: debt. For Repsol it has been renewed outages in their Lybian operations sieged by some insurgents to affect 4q numbers, but also the waning prospects of our key catalyst, the disposal of Gas stake, as investors remained concerned about the upcoming gas sector regulatory review and, possibly, keep sceptical about customary political wrangling by La Caixa. In addition, it appears that prospects to monetize the YPF expropriation compensation in the midst of the currency debacle are dim. Altogether looks like excitement will have to be back end loaded for the year.

Fernando Primo de Rivera