Dear shareholder, 03/10/2020

I am very excited to write my first shareholder letter as president and portfolio manager of DRACO GLOBAL. I want to say thank Gesiuris Asset Management team for all the effort, especially Jordi Viladot, without whom this project would not have seen the light of day.

Since the official change of management on September 1, 2020, the profitability of DRACO GLOBAL is -0.34%.

We continue with an equity exposure of between 35% and 40% pending the completion of the equity portfolio (85% -90%) with a sufficient safety margin.

This first letter to shareholders will explain our investment philosophy in stocks and review the medium and long-term economic outlook; to focus only on our business interests in the following notes.

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INVESTMENT PHILOSOPHY.

DRACO GLOBAL's value proposition is to invest in the best of two worlds, mega-caps known to all and the other extreme, unknown micro-caps with null or low analyst coverage. Large companies are included in the SICAV when they have a temporary problem that does not invalidate their long-term competitive advantage and small companies simply because they are cheap because they are unknown to the investment community.

DRACO GLOBAL is a relatively concentrated portfolio (max 25 stocks) because there are few excellent ideas. It's not making sense to have a portfolio with 50 stocks or more.

The companies in which we invest always have a series of common and qualitative attributes:

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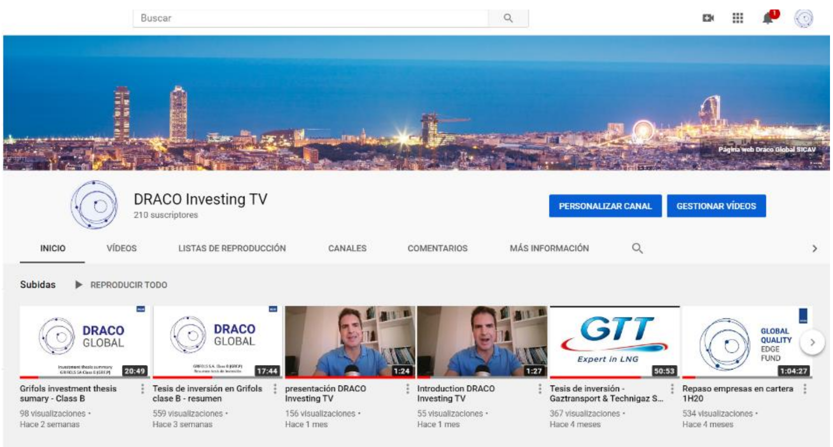
1. Scalable business model.
2. Long-term secular growth trend.
3. Attractive structural sector.
4. Existence of one or more competitive advantages.
5. A high percentage of recurring income.
6. Low indebtedness in mega-caps and net cash in micro caps.
7. Alignment of interests between management and shareholders (Skinning the game).
8. Good capital allocation.
9. Low probability of encountering accounting red flags, especially in micro caps.

I recommend reading the following interview to understand how we analyze the attributes mentioned above (press here).

DRACO GLOBAL implements a tail risk strategy on equity index options when a certain probability that the economy could enter a recession during the next few quarters.

On the Web page (*http://www.dracoglobal.es/en*), you can find company research, news, Twitter, and our YouTube channel DRACO Investing TV.



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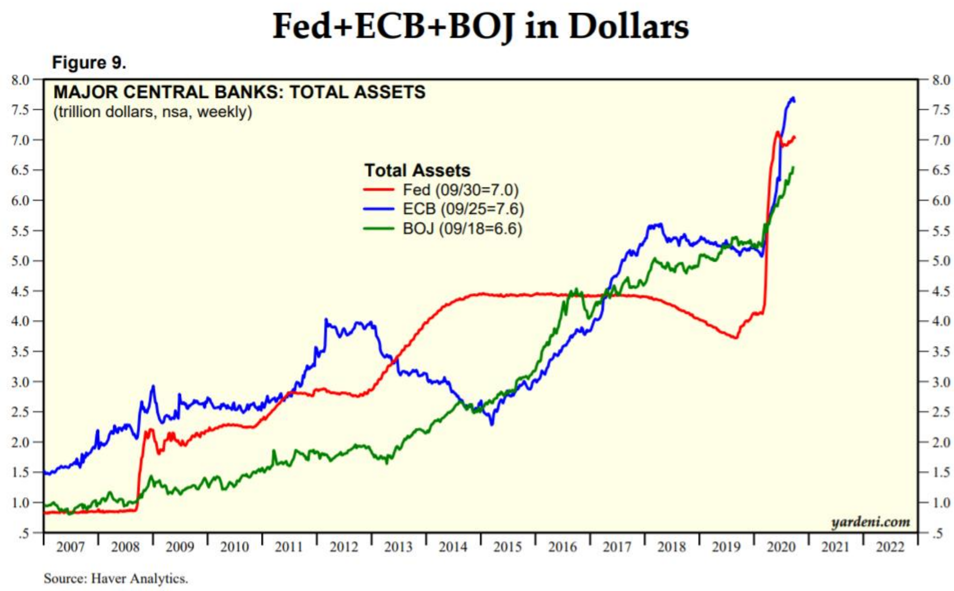
MEDIUM AND LONG TERM MACRO VISION.

Since COVID-19, the global economy has experienced a double demand and supply shock, causing a global paralysis never seen before. In addition to the loss of thousands of human lives worldwide, Covid-19 has generated a sharp drop in activity and unemployment. Estimates for the USA and Europe GDP's may contract by -5.1% and -8%. This concern again led to monetary expansion orchestrated by central banks around the world.

The central banks' decisive action and the control of the contagion curve have reduced the risk premium of countries and credit, causing a strong rebound in most financial assets. It seems that we are moving towards a K-shaped recovery, where some sectors benefit (technology, digital industry, online sales, or online video games), and others continue to be heavily penalized (Retail, raw materials, tourism, aircraft or car manufacturers).

Although the outbreaks will continue, central banks' high liquidity and the hope of an early vaccine should sustain financial markets.



Graph 1: Balance sheet evolution of the leading central banks (FED + ECB + BOJ).

The FED is moving forward in creating a digital $, which would be paid directly to all American citizens through a checking account deposited in the FED itself and

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Which would serve as an emergency fund for recessions or unexpected events such as COVID-19. Undoubtedly, this measure would be suitable for generating a direct transmission of funds to the middle class in crisis times. However, it would imply greater control of citizens' operations, centralizing powers, and more expansionary monetary policy. The FED and other central banks' final objective, such as the ECB or the BOJ, is to generate inflation, but not asset inflation but real inflation, as the only viable option to reduce the exorbitant level of global debt.

Keynes (Keynesians) vs. Hayek (Austrians)?

Keynes's followers enact that the state, government, and central bank, must support the economy when it falls into an economic recession or depression. Last March, the CARES law was passed, transferring an extra $ 600 to all the unemployed in the United States. Keynesians argue that expenses generate income. Therefore one individual's expenses are the income of others.

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Inflation or deflation?

The price of rent, house, food, or gas tends to rise around the world, and no one imagines a reverse situation. The massive injection of credit into the system and the high debt have generated asset inflation. However, there is not much pressure on prices and technology exerts a brutal deflationary force at a general level. Governments and central banks will do everything possible to avoid deflation, mainly because there is too much debt in the system. The worst possible scenario would be high debt with deflation because the borrower must pay the same interest and nominal, but with lower personal income. The debt value would increase, hampering its future repayment capacity, defaults would emerge in cyclical and financial sectors, and some economies would go into depression. Given the deflation risks, we now understand much better the central bank's desperation to generate inflation. In Europe, inflation and core inflation data

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Continue to indicate deflation, with values close to -0.3%. Therefore, the ECB has to do whatever it takes to reverse this data.

And what do we do with the debt bubble?

In 2000, the global debt level was $ 62tr, the economy being $ 33.5tr, a ratio of 1.85x. As estimated by the Institute of International Finance in 2019, this relationship was already 3x, and with the current COVID-19 crisis, growth is being exponential. Debt itself is not bad; the problem is when its use to finance unprofitable businesses or perpetuate businesses that should disappear.

Global financial markets are not driven by the growth of corporate earnings but by the injection of liquidity from central banks. According to Ray Dalio, when the debt is too large, there are four possible alternatives to governments and central banks.

1. Austerity or spend less.
2. Defaults or restructuring.
3. Issuance of currency by the central bank.
4. Transferring money from the rich to the low and middle classes via taxes.

The final solution is always the same, print more money and hit the ball forward. In this environment, whoever owns financial assets and has access to cheap financing, is a clear winner, but always at the cost of increasing populism on a global level. As long as citizens and investors continue to trust their currency, especially in those world reserve currencies (USD, EUR, and JPY), we do not believe that anything relevant will happen. Still, we must be careful because we have recent examples: Syria, Turkey, Argentina, or Venezuela. I wonder where Spain would be if it were not within the EURO?

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Will interest rates remain low?

There is no limit to low or negative interest rates; perhaps it is more relevant to know how long. The answer is that they will be inadequate for the time necessary until the economy reactivates, and inflation goes up; even the FED could even consider introducing a "cap" on interest rates, although today it seems difficult to believe. In this environment, we must continue in risk assets. We think that equities are the best option, but always in companies with competitive advantages, well capitalized, and a margin of safety.

Value or growth?

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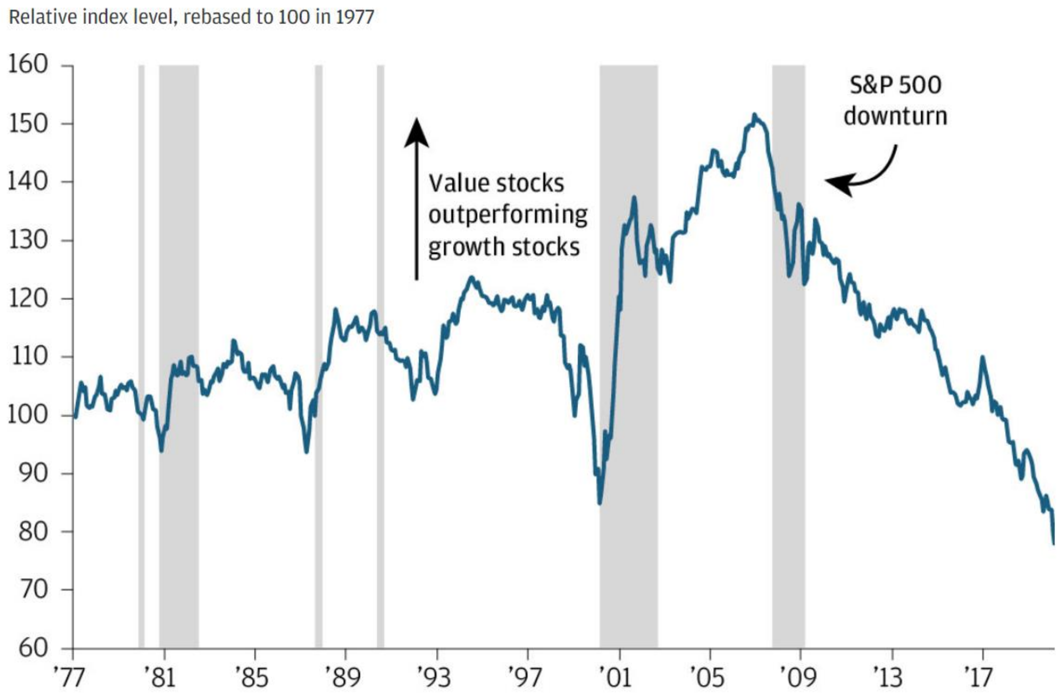
Investment in growth has outpaced value over the last ten years. We continue to believe that low-interest rates and ultra-expansionary monetary policies will continue to serve as a tailwind for growth stocks.



It is important to remember that value stocks have always performed better relative and over a long series of time (since 1927). Although today's relative

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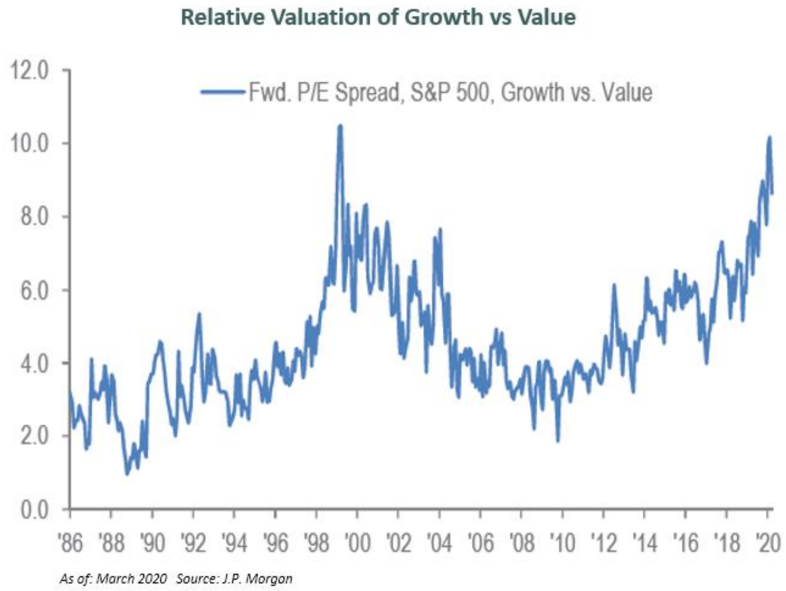
valuations are high, we believe that this valuation gap will continue to widen in favor of growth stocks.



Graph 3: Relative valuation measured as PER forward of growth vs. value.

If we look at the relative valuation in terms of PER forward, it might seem that we are close to the bubble of 2000, but in no case is the valuation similar.

Rather than comparing value and growth, I prefer to observe the relative valuation of the "quality growth" segment vs. 30-year American bonds. The "quality growth" quotes a forward PER of 27x or earnings yield (inverse of PER) of 3.7% vs. the 58x or 1.7% of the 30-year US bond.

We believe that this trend will only reverse when interest rates begin to rise or if the economy enters an economic boom that will increase valuations to unsustainable levels, such as the "Nifty-Fifties" era or the dot-com bubble.

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How do we manage portfolio risk?

When investing in stocks, you have to consider the business cycle, but do not predict precisely when the next economic downturn will be. Stocks tend to start to decline just before periods of economic recession and rebound strongly on recovery signs. Jeremy Siegel shows that from 1802 to 2012, the United States has experienced 47 recessions with an average duration of 19 months and 34 months for expansions. Since the Second World War, the economy has been in recession for almost a third of the sixth period. During an economic downturn, equity indices typically experience large losses depending on the recession's intensity and duration. Throughout history, we find multiple periods where stocks fall by more than 20% and almost always coincide with an economic downturn. Even though stocks are the best long-term asset, the reality is that virtually no investor has a time horizon of 100 years and that a 50% drop only recovers with a 100% rise.

Society, in general, takes out insurance to protect its most valuable assets (cars or houses) but instead, it does not do so with its portfolio of shares; why? Buying protection against a stock price drop is not too different from paying a premium for insurance without thinking that it is not a luxury but rather a necessity.

The tail risk strategy is to buy PUT options out of the money when there is a certain probability that the economy could enter a recession. Contrary to what many investors think, the tail risk strategy involves buying PUT options with long and not short maturities since it is impossible to determine the exact "timing" of when a recession will start. In our case, we use the leading indicators of the US Conference Board to try to determine when there is a certain probability that the economy could enter a recession or depression. It is only about seeking protection against a potentially large drop (Covid-19), not a correction (a decline of less than 20%) in the market as in the fourth quarter of 2018, for example. This

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Option tail risk strategy results from a study and collaboration with an American company specializing in Tail Risk strategies. Some time ago, we bought a database with the price of all S&P 500 options since 1994, and we calculated all the possible combinations of expirations, strikes, and roll frequencies. Then we include our LEI leading indicator as a conditional on knowing when to activate the strategy and when not to. This strategy was successfully implemented in the Global Quality Edge Fund (the previous fund managed from 06/17 to 08/20) and allowed us to minimize losses to the equity portfolio due to the Covid-19 crisis. P 500 since 1994, and we calculate all possible combinations of expirations, strikes, and reel frequencies. Then we include our LEI leading indicator as a conditional on knowing when to activate the strategy and when not to. This strategy was successfully implemented in the Global Quality Edge Fund (the previous fund managed from 06/17 to 08/20) and allowed us to minimize losses to the equity portfolio due to the Covid-19 crisis. P 500 since 1994, and we calculate all possible combinations of expirations, strikes, and reel frequencies. Then we include our LEI leading indicator as a conditional on knowing when to activate the strategy and when not to. This strategy was successfully implemented in the Global Quality Edge Fund (the previous fund managed from 06/17 to 08/20) and allowed us to minimize losses to the equity portfolio due to the Covid-19 crisis.

Why also small businesses?

Most of the large investment funds and hedge funds don't invest in small companies due to internal policy or liquidity. Still, it is good to remember that approximately 80% of the investible universe is micro caps and small caps stocks. Although, since the summer of 2018, large companies have presented a better relative performance, the same does not happen with a long-term perspective.

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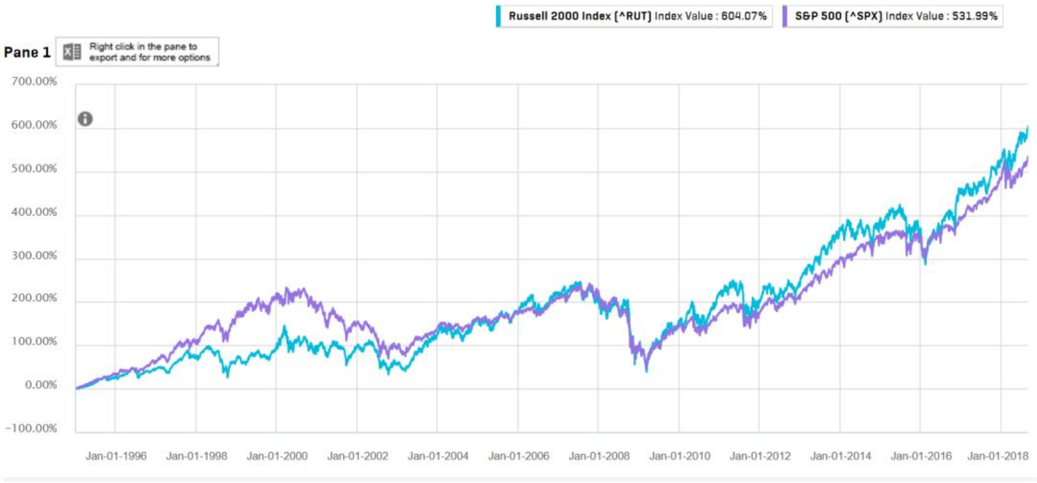

Graph 4: Relative performance of Russell 2000(small caps) vs. SPX 500.

We can find the best companies within the micro and small caps segment, thanks to our analysis and research process. If we look at companies' characteristics with a better stock market performance within the small caps segment, we will find many of our qualitative attributes (Alta Fox summer Project).

1. Companies with substantial competitive advantages in the form of the network effect, switching cost, and intangible assets.
2. Attractive sector structure and competitive environment.
3. Solid financial structure.
4. Acquisitions (M&A) can create shareholder value, contrary to the belief that most destroy it.
5. The valuation multiples are not the most relevant, although not paying more than 3x sales, 20x Ebitda, and 30x profits; offers average higher profitability in the long term.
6. The most attractive sectors are software, medical equipment, business services, social networks, specialized retail, video games and online casinos, fund managers, packaged food or beverages.

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CURRENT PORTFOLIO.

The first ten positions represent 52% of the equity portfolio and the first twenty more than 85%. The sales figure's geographical distribution is 60% USA, 25% Europe, Emerging 10%, and 5% Global. By size, 51% are small companies, and 49% are large companies. On average, 11 analysts follow our companies. The Split between Growth companies and value companies is 60% / 40%. The fund has a three-year upward potential of over 41% or an IRR for the same term of 11.8%.

The average ownership percentage of the portfolio is 55%, the average insider trading is higher than 26%, more than 45% of the companies in the portfolio are repurchasing their shares for an amount close to 10% of their market capitalization, and finally and more importantly, more than 70% of the portfolio companies have recurring income, with less sensitivity to the economic cycle.

The most relevant movements in the price of the third quarter (only September) have been:

+ POSITIVE: + 10.4% Water Intelligence inc. (PAYS), + 12.31% Ateme (ATEME), + 8.27% Grifols (GRF-P), + 6.34% Novo Nordisk and + 5.7% Micro Systematation.

- NEGATIVES:-11.94% IEHC corp. (IEHC), -11.8% PaySign (PAYS), -10.70% FrontDoor (FTDR), -10.68% Facebook (FB) and -8.76% Amazon (AMZN).

We believe that there is a unique opportunity to do our research, especially in micro-cap or small-cap companies that are very little known and are not investible by most large funds and hedge funds. We travel the world, searching for the highest quality businesses at the lowest possible price, being indifferent to size. When we find them, we study them thoroughly and always talk to their managers.

In the Research section of the documents section on the website (http://www.dracoglobal.es/en), you can find all the reports made so far

- **Investment thesis in Grifols class B (GRF-P) - 09/01/2020**

Open link to the investment thesis

Grifols(GRF-P) *offers an attractive investment opportunity with an appreciation potential of over 75%. GRF-P presents all the qualities that we like to find in a company: 1) Scalable business - growth potential in all its plasma proteins, 2) secular long-term growth trend - population aging, 3) attractive sector structure - oligopoly of four companies that control more than 80% of the market and 4) the lowest possible price - 16.5x our profit estimate to 2022e. We estimate a target price of 25 EUR for 2023, with more than 75% upside from the current price.*

- **Investment thesis at Water Intelligence inc (WATR) - 09/23/2020**

Open link to the investment thesis

Water Intelligence (WATR) *is a US national leader (ALD) in detecting water leaks that trade in the UK market (60m GBP market cap). It operates in a highly fragmented market with broad possibilities of consolidation plus the reacquisition of franchises; it has high insider trading, low customer concentration, no debt, recurring business, technological leadership, and a strong secular long-term growth trend. WATR has grown at a CAGR on sales, gross profit, and earnings per share of + 19.3%, +19.6%, and + 20.5% in the last ten years. We estimate that WATR should be trading +100% above our average purchase price and +55% vs. the current price. In 2022e, we calculate an Ebitda exit multiple of 5.5x.*

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