



**FONDLORETO PENSIONES,
FONDO DE PENSIONES**

**Annual Accounts and Management Report
2020**





Informe de auditoría de cuentas anuales emitido por un auditor independiente

A los partícipes de FONDLORETO PENSIONES, FONDO DE PENSIONES:

Opinión

Hemos auditado las cuentas anuales de FONDLORETO PENSIONES, FONDO DE PENSIONES (el Fondo), que comprenden el balance a 31 de diciembre de 2020, la cuenta de pérdidas y ganancias, el estado de cambios en el patrimonio neto, el estado de flujos de efectivo y la memoria correspondientes al ejercicio terminado en dicha fecha.

En nuestra opinión, las cuentas anuales adjuntas expresan, en todos los aspectos significativos, la imagen fiel del patrimonio y de la situación financiera de FONDLORETO PENSIONES, FONDO DE PENSIONES a 31 de diciembre de 2020, así como de sus resultados y flujos de efectivo correspondientes al ejercicio terminado en dicha fecha, de conformidad con el marco normativo de información financiera que resulta de aplicación (que se identifica en la nota 2 de la memoria) y, en particular, con los principios y criterios contables contenidos en el mismo.

Fundamento de la opinión

Hemos llevado a cabo nuestra auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España. Nuestras responsabilidades de acuerdo con dichas normas se describen más adelante en la sección *Responsabilidades del auditor en relación con la auditoría de las cuentas anuales* de nuestro informe.

Somos independientes del Fondo de conformidad con los requerimientos de ética, incluidos los de independencia, que son aplicables a nuestra auditoría de las cuentas anuales en España según lo exigido por la normativa reguladora de la actividad de auditoría de cuentas. En este sentido, no hemos prestado servicios distintos a los de la auditoría de cuentas ni han concurrido situaciones o circunstancias que, de acuerdo con lo establecido en la citada normativa reguladora, hayan afectado a la necesaria independencia de modo que se haya visto comprometida.

Consideramos que la evidencia de auditoría que hemos obtenido proporciona una base suficiente y adecuada para nuestra opinión.

Aspectos más relevantes de la auditoría

Los aspectos más relevantes de la auditoría son aquellos que, según nuestro juicio profesional, han sido considerados como los riesgos de incorrección material más significativos en nuestra auditoría de las cuentas anuales del periodo actual. Estos riesgos han sido tratados en el contexto de nuestra auditoría de las cuentas anuales en su conjunto, y en la formación de nuestra opinión sobre éstas, y no expresamos una opinión por separado sobre esos riesgos.



Aspectos más relevantes de la auditoría

Inversiones financieras

La cartera de inversiones financieras del Fondo supone un 84% del total del activo del balance a 31 de diciembre de 2020.

La determinación del valor razonable, la titularidad y la gestión de las inversiones financieras es un aspecto relevante en nuestra auditoría.

Tratamiento en la auditoría

Durante nuestro trabajo hemos realizado confirmación con terceros de la existencia y valor de las inversiones financieras.

Hemos comprendido los procedimientos y controles que la Entidad Gestora del Fondo lleva a cabo y realizado pruebas sustantivas sobre los movimientos y valoración de los activos, así como del cumplimiento de las políticas de inversiones.

En la memoria se recoge la información requerida por la normativa contable en relación con las inversiones financieras.

Otra información: Informe de gestión

La otra información comprende exclusivamente el informe de gestión del ejercicio 2020, cuya formulación es responsabilidad de los administradores de la Entidad Gestora del Fondo y no forma parte integrante de las cuentas anuales.

Nuestra opinión de auditoría sobre las cuentas anuales no cubre el informe de gestión. Nuestra responsabilidad sobre el informe de gestión, de conformidad con lo exigido por la normativa reguladora de la actividad de auditoría de cuentas, consiste en evaluar e informar sobre la concordancia del informe de gestión con las cuentas anuales, a partir del conocimiento del Fondo obtenido en la realización de la auditoría de las citadas cuentas, así como en evaluar e informar de si el contenido y presentación del informe de gestión son conformes a la normativa que resulta de aplicación. Si, basándonos en el trabajo que hemos realizado, concluimos que existen incorrecciones materiales, estamos obligados a informar de ello.

Sobre la base del trabajo realizado, según lo descrito en el párrafo anterior, la información que contiene el informe de gestión concuerda con la de las cuentas anuales del ejercicio 2020 y su contenido y presentación son conformes a la normativa que resulta de aplicación.

Responsabilidad de los administradores en relación con las cuentas anuales

Los administradores de la Entidad Gestora del Fondo de Pensiones son responsables de formular las cuentas anuales adjuntas, de forma que expresen la imagen fiel del patrimonio, de la situación financiera y de los resultados del Fondo, de conformidad con el marco normativo de información financiera aplicable al Fondo en España, y del control interno que consideren necesario para permitir la preparación de cuentas anuales libres de incorrección material, debida a fraude o error.



En la preparación de las cuentas anuales, los administradores de la Entidad Gestora del Fondo son responsables de la valoración de la capacidad del Fondo para continuar como empresa en funcionamiento, revelando, según corresponda, las cuestiones relacionadas con la empresa en funcionamiento y utilizando el principio contable de empresa en funcionamiento excepto si los administradores tienen intención de liquidar el Fondo o de cesar sus operaciones, o bien no exista otra alternativa realista.

Responsabilidad del auditor en relación con la auditoría de las cuentas anuales

Nuestros objetivos son obtener una seguridad razonable de que las cuentas anuales en su conjunto están libres de incorrección material, debida a fraude o error, y emitir un informe de auditoría que contiene nuestra opinión. Seguridad razonable es un alto grado de seguridad pero no garantiza que una auditoría realizada de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España siempre detecte una incorrección material cuando existe. Las incorrecciones pueden deberse a fraude o error y se consideran materiales si, individualmente o de forma agregada, puede preverse razonablemente que influyan en las decisiones económicas que los usuarios toman basándose en las cuentas anuales.

Como parte de una auditoría de conformidad con la normativa reguladora de la actividad de auditoría de cuentas vigente en España, aplicamos nuestro juicio profesional y mantenemos una actitud de escepticismo profesional durante toda la auditoría. También:

- Identificamos y valoramos los riesgos de incorrección material en las cuentas anuales, debida a fraude o error, diseñamos y aplicamos procedimientos de auditoría para responder a dichos riesgos y obtenemos evidencia de auditoría suficiente y adecuada para proporcionar una base para nuestra opinión. El riesgo de no detectar una incorrección material debida a fraude es más elevado que en el caso de una incorrección material debida a error, ya que el fraude puede implicar colusión, falsificación, omisiones deliberadas, manifestaciones intencionadamente erróneas, o la elusión del control interno.
- Obtenemos conocimiento del control interno relevante para la auditoría con el fin de diseñar procedimientos de auditoría que sean adecuados en función de las circunstancias, y no con la finalidad de expresar una opinión sobre la eficacia del control interno del Fondo.
- Evaluamos si las políticas contables aplicadas son adecuadas y la razonabilidad de las estimaciones contables y la correspondiente información revelada por los administradores.
- Concluimos sobre si es adecuada la utilización, por los administradores, del principio contable de empresa en funcionamiento y, basándonos en la evidencia de auditoría obtenida, concluimos sobre si existe o no una incertidumbre material relacionada con hechos o con condiciones que pueden generar dudas significativas sobre la capacidad del Fondo para continuar como empresa en funcionamiento. Si concluimos que existe una incertidumbre material, se requiere que llamemos la atención en nuestro informe de auditoría sobre la correspondiente información revelada en las cuentas anuales o, si dichas revelaciones no son adecuadas, que expresemos una opinión modificada. Nuestras conclusiones se basan en la evidencia de auditoría obtenida hasta la fecha de nuestro informe de auditoría. Sin embargo, los hechos o condiciones futuros pueden ser la causa de que el Fondo deje de ser una empresa en funcionamiento.



- Evaluamos la presentación global, la estructura y el contenido de las cuentas anuales, incluida la información revelada, y si las cuentas anuales representan las transacciones y hechos subyacentes de un modo que logran expresar la imagen fiel.

Nos comunicamos con los administradores de la Entidad Gestora del Fondo en relación con, entre otras cuestiones, el alcance y el momento de realización de la auditoría planificados y los hallazgos significativos de la auditoría, así como cualquier deficiencia significativa del control interno que identificamos en el transcurso de la auditoría.

Entre los riesgos significativos que han sido objeto de comunicación a los administradores de la Entidad Gestora del Fondo, determinamos los que han sido de la mayor significatividad en la auditoría de las cuentas anuales del periodo actual y que son, en consecuencia, los riesgos considerados más significativos.

Describimos esos riesgos en nuestro informe de auditoría salvo que las disposiciones legales o reglamentarias prohíban revelar públicamente la cuestión.

Madrid, 25 de marzo de 2021

Santiago Alió – ROAC Nº 16088
Audalia Nexia Auditores, S.L.
ROAC Nº S0200



AUDALIA NEXIA
AUDITORES, S.L.

2021 Núm. 01/21/03277

SELLO CORPORATIVO: 96,00 EUR

Informe de auditoría de cuentas sujeto
a la normativa de auditoría de cuentas
española o internacional



FONDLORETO PENSIONES, FONDO DE PENSIONES

ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The following documents form a single unit:

- **Balance Sheet.**
- **Profit & Loss Account.**
- **Statement of Changes in Equity.**
- **Cash Flow Statements.**
- **Notes to the Financial Statements.**



BALANCE SHEETS AS OF 31 December 2020 AND 2019
(NOTES 1, 2, 3 and 4)
(Amounts in Euros)

ASSETS	2020	2019	EQUITY AND LIABILITIES	2020	2019
FINANCIAL INVESTMENTS (Note 5)			NET EQUITY		
Equity instruments	8,973,398.99	8,128,610.76	EQUITY (Note 8)		
Debt securities	20,439,870.01	19,280,361.65	Scheme's Standing Account		
Other credits	4,728.87	0.00	Loreto Optima Individual Pension Scheme	34,671,824.56	35,954,705.75
Interest	102,121.81	54,283.34			
Deposits with banks and depositary entities	0.00	2,800,347.73			
Revaluation of financial investments	936,136.82	627,240.64			
Capital losses on financial investments	-919,476.58	-550,088.60	LIABILITIES		
	29,536,779.92	30,340,755.52	PAYABLES		
RECEIVABLES			Management Company (Note 9)	99,608.84	104,302.15
Sundry accounts receivable	126,815.28	144,294.84	Depositary Entity (Note 7)	8,463.32	8,910.05
Public Administrations (Note 6)	127,918.80	120,394.95	Public Administrations	98,691.57	70,192.21
	254,734.08	264,689.79	Other payables	993.12	8.20
				207,756.85	183,412.61
CASH (Note 7)					
Banks and credit institutions with sight account	5,088,067.41	5,532,673.05			
OVERALL TOTAL	34,879,581.41	36,138,118.36	TOTAL GENERAL	34,879,581.41	36,138,118.36



Income statements for financial years
ended on 31 December 2020 and 2019 **[Notes 1, 2, 3 and 4]**
(Amounts in Euros)

	2020	2019
FUND INCOME		
Financial investment income (Note 10)	330,504.78	472,963.64
Other income	8.40	0.00
	330,513.18	472,963.64
FUND OPERATING EXPENSES		
Finance costs	-12,797.59	-13,793.17
Financial investment expenses	-8,753.00	-26,342.98
	-21,550.59	-40,136.15
OTHER OPERATING COSTS		
Management Company Fees (Note 9)	-99,608.84	-104,302.15
Depository Entity Fees (Note 7)	-33,202.98	-34,767.32
External services	-44,538.19	-39,813.29
	-177,350.01	-178,882.76
GAIN (LOSSES) ON DISPOSAL OF INVESTMENTS		
Gains (losses) on disposal of financial investments (Note 11)	204,618.82	-349,932.60
CHANGES IN THE FAIR VALUE OF FINANCIAL INSTRUMENTS		
Changes in the value of financial investments	66,123.44	1,483,676.18
EXCHANGE DIFFERENCES	-291,409.33	-7,970.29
PROFIT (LOSS) FOR THE YEAR (Note 3)	110,945.51	1,379,718.02



Statements of changes in net equity for the years ended 31 December 2020 and [Notes 1, 2, 3 and 4]

(Amounts in Euros)

	2020	2019
BALANCES AT THE BEGINNING OF THE YEAR	35,954,705.75	32,694,294.74
ADDITIONS		
Contributions:		
Contributions from unitholders	1,316,506.85	1,586,467.31
Returned contributions	-5,281.13	-12,278.75
	1,311,225.72	1,574,188.56
Mobilisations from other social welfare instruments:		
From other person schemes	557,410.20	2,300,746.60
Fund profits (losses) allocated to the Schemes:		
Fund profits allocated to the Schemes	110,945.51	1,379,718.02
	1,979,581.43	5,254,653.18
DISPOSALS		
Benefits, liquidity and mobilisation of vested rights:		
Benefits	2,042,486.04	1,313,430.03
Mobilisations for other social welfare instruments:		
For other pension schemes	1,219,976.58	680,812.14
Fund profits (losses) allocated to the Schemes:		
Fund losses allocated to the Scheme	0.00	0.00
	3,262,462.62	1,994,242.17
BALANCES AT YEAR-END	34,671,824.56	35,954,705.75



Cash flow statements for financial years
ended on 31 December 2020 and 2019 [Notes 1, 2, 3 and 4]
(Amounts in Euros)

	2020	2019
A) CASH FLOWS FROM OPERATING ACTIVITIES:		
1. Profit/loss for the year	110,945.51	1,379,718.02
2. Profit/loss adjustments	-180,223.36	-1,445,388.58
Management company fees (+)	99,608.84	104,302.15
Depository entity fees (+)	8,463.32	8,910.05
Gains/losses on derecognition and disposal of financial instruments (+/-)	-204,618.82	349,932.60
Finance income (-)	-330,513.18	-472,963.64
Finance costs (+)	21,550.59	40,136.15
Exchange differences (+/-)	291,409.33	7,970.29
Changes in the fair value of financial instruments (+/-)	-66,123.44	-1,483,676.18
3. Changes in accounts receivable and payable	-78,679.29	-226,971.50
Trade and other receivables (+/-)	-7,523.85	-39,131.66
Trade and other payables (+/-)	-83,727.92	-208,086.33
Other assets and liabilities (+/-)	12,572.48	20,246.49
4. Other cash flows from operating activities	308,962.59	432,827.49
Dividends received (+)	102,443.99	245,135.56
Interest received (+)	228,069.19	227,828.08
Other amounts paid (received) (-/+)	-21,550.59	-40,136.15
5. Cash flows from operating activities (+/- 1 +/- 2 +/- 3 +/- 4)	161,005.45	140,185.43
B) CASH FLOWS FROM INVESTING ACTIVITIES:		
6. Payments due to investment (-)	-51,987,782.31	-72,153,717.40
Equity instruments	-15,928,479.43	-14,599,724.97
Debt securities	-36,059,302.88	-54,408,006.78
Bank deposits	0.00	-2,800,000.00
Derivatives	0.00	-345,985.65
7. Proceeds from disposal (+)	52,775,997.92	70,380,148.02
Equity instruments	14,930,177.64	18,747,218.28
Debt securities	35,030,469.17	46,822,920.62
Bank deposits	2,800,347.73	4,810,009.12
Derivatives	15,003.38	0.00
8. Cash flows from investing activities (7 - 6)	788,215.61	-1,773,569.38
C) CASH FLOWS FROM TRANSACTIONS WITH UNITHOLDERS:		
9. Contributions, benefits, mobilisations	-1,393,826.70	1,880,692.99
Contributions (+)	1,311,225.72	1,586,467.31
Benefits (-)	-2,042,486.04	-1,325,708.78
Mobilisations (+/-)	-662,566.38	1,619,934.46
11. Cash flows from transactions with unitholders (+/- 9)	-1,393,826.70	1,880,692.99
D) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/- 5 +/- 8 +/- 11)	-444,605.64	247,309.04
Cash or cash equivalents at the start of the year	5,532,673.05	5,285,364.01
Cash or cash equivalents at the end of the year	5,088,067.41	5,532,673.05



FONDLORETO PENSIONES, FONDO DE PENSIONES

REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

(1) Activity of the Entity:

FONDLORETO PENSIONES, Fondo de Pensiones (hereinafter, the Fund) was incorporated on 19 November 1998, for the sole purpose of fulfilling the Pension Schemes included therein. It lacks legal personality and its administration, representation and custody are carried out by Loreto Mutua, Mutualidad de Previsión Social and Banco BBVA, S.A. (as Management Companies and Depositary Entity, respectively). For these services, the Fund pays annual management and custody fees (see Notes 9 and 7, respectively). The Fund was entered on 3 September 1998 in the Register of Pension Funds under number F-0563.

The legal regime of the Fund is set forth in Spanish Royal Legislative Decree 1/2002, of 29 November, approving the Recast Text of the Law on the Regulation of Pension Schemes and Funds and its successive amendments, in Spanish Royal Decree 304/2004, of 20 February, approving the Regulations on Pension Schemes and Funds and their successive amendments and in the applicable additional legislation, as well as in the Operating Standards of the Fund.

In accordance with these regulations, the following obligations, among others, are established:

- a) At least 70% of the assets of the Pension Fund shall be invested in securities and financial instruments susceptible to generalised and impersonal traffic that are admitted to trading on regulated markets, in derivative instruments traded on organised markets, in bank deposits, in mortgage-backed loans, in real state and in real estate collective investment schemes. The aforementioned percentage may also include shares and units of collective investment schemes subject to Law 35/2003, of 4 November, on collective investment schemes, provided that, in the case of investment funds, their units are either regarded as listed securities or are admitted to trading on regulated markets; and, in the case of investment firms, their shares are susceptible to generalised and impersonal traffic and are admitted to trading on regulated markets.

The said percentage shall not include shares and units in free investment collective investment schemes or free investment collective investment schemes subject to Law 35/2003, of 4 November, and its implementing regulations.



- b) Investment in securities or financial instruments issued by the same entity, plus credits granted to it or guaranteed by it, may not exceed 5% of the assets of the Fund. However, the above limit shall be 10% for each issuer, borrower or guarantor, provided that the Fund does not invest more than 40% of the assets in entities in which 5% of the assets of the Fund are exceeded.

The Fund may invest in several companies in the same group, provided that the total investment in the group does not exceed 10% of its assets.

The Fund may not have invested more than 2% of its assets in securities or financial instruments not admitted to trading on regulated markets or in securities or financial instruments which, being admitted to trading on regulated markets, are not susceptible to generalised and impersonal traffic, when issued or guaranteed by the same entity. The above limit shall be 4% for such securities or financial instruments when issued or guaranteed by entities belonging to the same group.

- c) Investment in collective investment schemes of a financial nature shall be subject to the following limits:

Investment in a single collective investment scheme may amount to up to 20% of the assets of the Fund provided that, in the case of investment funds, their units are either regarded as listed securities or are admitted to trading on regulated markets; and, in the case of investment firms, their shares are susceptible to generalised and impersonal traffic and are admitted to trading on regulated markets.

Investment in a single free investment collective investment scheme, or collective investment scheme of free investment collective investment schemes, may not exceed 5% of the assets of the Fund.

The limits laid down in this section for investment in the same collective investment scheme shall apply to the investment of the Fund in several collective investment schemes, where these are managed by the same collective investment scheme management company or by several belonging to the same group.

- d) Derivative instruments shall be subject to the limits of dispersion due to the market risk associated with the evolution of the underlying instrument, unless the underlying instrument consists of collective investment schemes, interest rates, foreign exchange rates or financial benchmarks which meet at least the following conditions:
- Have a sufficiently diversified composition.
 - Have an adequate public circulation.
 - Be widely used in financial markets.
- e) The limits laid down in the preceding sections shall not apply where the comprehensive statement of the Fund's investment policy principles states that the purpose of the Fund is to implement an investment policy which either replicates or reproduces or takes as a reference a stock exchange index or a fixed-income index representative of one or more markets located in a Member State or in any other State, or of securities traded on those markets.
- f) Investment in securities or financial instruments issued or guaranteed by the same entity, positions vis-à-vis it in derivative instruments and deposits held by the Fund with the same entity may not exceed 20% of the assets of the Fund. This limit shall also apply to several entities forming part of the same group..



- g) The Fund may not invest more than 5% of its assets in securities issued by entities of the group to which the promoter or promoters of the employment schemes integrated therein belong.
- h) The Fund's investment in securities issued or guaranteed by the same entity may not exceed 5%, in nominal terms, of the total outstanding securities of the same entity.
- i) Investment in real estate, mortgage loans, real estate rights, shares and units in real estate collective investment schemes and in those shares in the share capital of companies whose exclusive corporate purpose is the holding and management of real estate and whose securities are not admitted to trading on regulated markets, may not exceed 30% of the assets of the Fund.

No more than 10% of the assets of the Fund may be invested in a single property, mortgage loan, real estate right or in shares or holdings in the share capital of a company or group of companies whose sole corporate purpose is the holding and management of real estate and whose securities are not admitted to trading on regulated markets. This limit shall also apply to property, rights in rem in immovable property, mortgage loans or companies that are sufficiently close and of a similar nature to be considered the same investment.

The Fund is considered closed for the sole purpose of fulfilling the Pension Schemes included therein.

The maximum applicable management fee is 1.30% per annum of the value of the standing account, in accordance with Spanish Royal Decree 62/2018, of 9 February, which amends the Regulations on Pension Schemes and Funds. Loreto Mutua, as the Fund Management Company, has entered into a contract with the collective investment scheme management company, Loreto Inversiones, S.G.I.I.C., SA., delegating the management of the Fund's assets to the latter. On 18 June 2018, the agreements entered into under this contract entered into force. The percentage applied by the management entity to the Fund is shown in note 9.

The maximum applicable deposit fee is 0.20% per annum of the value of the standing account. Irrespective of this fee, depositary entities may receive fees for the liquidation of investment operations. The percentage applied by the depositary entity to the Fund is shown in note 7.

The ownership of the resources assigned to the Fund corresponds to the unitholders and beneficiaries of the Pension Schemes integrated therein.

As of 31 December 2020, the Pension Scheme included in the Fund is as follows:

Scheme Name	Promoter	Type
Loreto Optima Individual Pension Scheme	Loreto Mutua, Mutualidad de Previsión Social (Fund Management Company)	Individual

The Scheme is defined contribution and its financial and actuarial regime is individual capitalisation. The benefits for the contingencies covered by it are the retirement of the unitholder, the disability of the unitholder, in the degrees of permanent absolute, total for the habitual profession or severe disability, long-term unemployment and death of both the unitholder and the beneficiary; and will be equal to the amount of the vested rights of the unitholder at the time of each of these contingencies.



(2) Basis for Presentation of the Annual Accounts:

a) True and fair view

The annual accounts have been obtained from the Fund's accounting records and are presented in accordance with the formats established in Order ETD/554/2020, of 15 June, approving the systems of statistical-accounting information for the purpose of supervision of pension funds and their management entities, and with the valuation criteria established by Spanish Royal Decree 1514/2007, of 16 November, approving the Spanish National Chart of Accounts, by the interpretations made by the Directorate General of Insurance and Pension Funds, and by the Regulations on Pension Schemes and Funds, so as to give a true and fair view of the net worth and financial position of the Fund at 31 December 2020 and 2019 and of the results of its operations and the cash flows generated during the year then ended, in accordance with the financial reporting framework defined in the applicable legislation in force.

The Fund's annual accounts for fiscal year 2020 have been prepared by the Board of Directors of its Management Company.

b) Accounting principles

In preparing these annual accounts the accounting principles and measurement bases stated in Note 4 have been followed. There are no mandatory accounting principles nor any measurement bases which, having a significant effect on the annual accounts, have not been applied in their preparation.

The results and the determination of equity are sensitive to the accounting principles and policies, valuation criteria and estimates used in the preparation of the annual accounts.

In any case, the Fund's investments, whichever its investment policy might be, are subject to market fluctuations and other risks inherent to security investments (see Note 5), which may cause the value of the unit of account to fluctuate both upwards and downwards.

c) Comparison of information

The figures for the 2020 financial year are comparative with those for the 2019 financial year and no adjustment has been necessary to make them comparable.



d) Grouping of items

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related Notes to the Financial Statements.

e) Correction of errors

In preparing the financial statements no significant errors were detected that would have made it necessary to restate the amounts included in the financial statements for 2019.

(3) Appropriation of Profit (Loss):

The results obtained during the year are not, under any circumstances, distributed, but are allocated proportionally to the Scheme attached to the Fund.

(4) Accounting Policies and Measurement Bases:

The most significant accounting policies and measurement bases applied by the Fund in preparing the financial statements for 2020 and 2019, pursuant to Spanish Royal Decree 1514/2007, of 16 November, approving the Spanish National Chart of Accounts, are as follows:

a) Classification of Financial Instruments

a.1) Classification of Financial Assets:

For the purposes of presentation and valuation, financial assets are broken down in the following balance sheet headings:

Cash: this heading includes, where appropriate, the account opened with the Depositary Entity and other financial institutions, as well as the Fund's investments with a maturity of less than 90 days, and the current account with intermediaries for financial investments.

Financial investments: these are classified in their entirety for valuation purposes as "Other financial assets at fair value through profit or loss" and are comprised of the following headings:

- Equity instruments: financial instruments issued by other entities, such as shares and equity units, shares and units held in collective investment schemes and venture capital entities, as well as structured equity products.



- Debt securities: bonds and other securities which involve debt for the issuer, which earn a remuneration consisting of interest, implicit or explicit, contractually established, and instrumented in securities or in book entries, whichever the issuer is.
- Deposits with banks and depository entities: deposits held by the Fund with credit institutions, except for the balances recorded under the “Cash” heading.
- Interest on debt securities: includes the accrual of explicit interest on the financial investment portfolio using the effective interest rate.

Receivables: includes, where appropriate, the total collection rights and accounts receivable held by the Fund vis-à-vis third parties for any reason other than the foregoing. All debtors are classified for valuation purposes as “Loans and receivables”.

a.2) Classification of Financial Liabilities:

For the purposes of presentation and valuation, financial liabilities are broken down in the following balance sheet heading:

Payables: includes, where appropriate, accounts payable, which should not be classified under other headings, including accounts with Public Administrations and amounts pending payment for management and deposit fees. They are classified for valuation purposes as “Accounts payable”.

b) Recognition and Valuation of Financial Assets and liabilities

b.1) Recognition and Valuation of Financial Assets:

Financial assets classified for valuation purposes as “Loans and receivables” and assets classified under “Cash” are initially measured at fair value which, unless there is evidence to the contrary, will be the transaction price, including transaction costs directly attributable to the transaction. Subsequently, assets are measured at amortised cost and accrued interest is recognised under “Finance income” in the income statement using the effective interest method. However, if the effect of not discounting cash flows is not significant, items expected to be received within less than one year are measured at their nominal value.

Financial assets classified for valuation purposes as “Other financial assets at fair value through profit or loss” are initially measured at fair value which, unless there is evidence to the contrary, will be the price of the transaction and the transaction costs directly attributable to them are recognised in the income statement for the year. The explicit interest accrued since the last settlement is recorded under “Interest on debt securities” on the asset side of the balance sheet. Subsequently, assets are measured at fair value. Changes in their fair value are charged to the profit and loss account.

In any case, the following shall be taken into account in determining the fair value of financial assets:



Listed securities and financial instruments: their fair value is the market value resulting from applying the official closing exchange rate of the reference day, if any, or the value of the immediately preceding business day, or the weighted average exchange rate if there was no official closing price, using the most representative market by trading volume.

Unlisted equity instruments: its value is calculated taking as a reference the underlying book value corresponding to these investments in the adjusted equity of the investee, adjusted by the amount of the unrealised gains or losses, net of taxes, that still exist at the time of valuation.

Unlisted debt securities: their fair value is the price that equals the internal return on the investment at the market interest rates prevailing at any given time of the public debt, increased by a premium or margin determined at the time of the acquisition of the securities.

Loans and advances to credit institutions and reverse repurchase agreements: their fair value is generally calculated on the basis of the price that equals the internal return on the investment at the market rates prevailing at any given time, without prejudice to other considerations, such as the institution's early repayment or credit risk conditions.

Shares or units in collective investment schemes: their fair value is the net asset value of the reference day. If this does not exist, the last available net asset value is used. If they are admitted to trading on a market or multilateral trading system, they shall be valued at their quotation value on the reference day, provided that it is representative.

Derivative financial instruments: if they are traded on regulated markets, their fair value is that resulting from applying the official closing exchange rate of the reference day. If the market is not liquid enough, or if the derivative instruments are not traded on regulated markets or multilateral trading systems, they shall be valued using appropriate and recognised valuation methods or models.

b.2) Recognition and Valuation of Financial Liabilities:

Financial liabilities classified for valuation purposes as "Accounts payable" are initially measured at fair value which, unless there is evidence to the contrary, will be the transaction price, integrating transaction costs directly attributable to the transaction. Subsequently, liabilities are measured at amortised cost and accrued interest is recognised under "Finance costs" in the income statement using the effective interest method. However, if the effect of not discounting cash flows is not significant, items expected to be received within less than one year are measured at their nominal value.



c) Accounting of transactions

Spot securities purchase and sale:

When there are transactions in derivatives, equity instruments and transactions in debt securities, these are recorded on the trading day, while foreign exchange transactions are recorded on the settlement day. Purchases are recorded under the “Financial investments” heading on the asset side of the balance sheet based on their nature. The gains or losses on sales transactions are recorded under the “Gains (losses) on disposal of financial investments” heading in the income statement.

Forward purchase and sale of securities:

The “Changes in fair value of financial instruments” heading includes the differences resulting from changes in the fair value of these contracts. The balancing entry for these accounts is recorded under “Derivatives” on the asset side of the balance sheet until the date of their settlement.

Reverse repurchase agreement:

When there are reverse repurchase agreements, they are recorded under the “Debt instruments” heading in the balance sheet, regardless of the underlying instruments to which they refer.

Fair value differences arising on reverse repurchase agreements are recognised in the income statement under “Changes in fair value of financial instruments”.

d) Accrual Accounts (Assets and Liabilities)

If they exist, they relate mainly to prepaid expenses and income that will accrue in the following year. They do not include accrued interest on the portfolio, which is included under the “Interest on debt instruments” heading on the asset side of the balance sheet.

e) Income and Expenses

Income and expenses are recognised in the income statement on an accrual basis. The most significant criteria used by the Fund for the purposes of the recognition thereof are summarised below:

Income from Interests and Dividends:

Interest on financial assets accrued subsequent to acquisition is recognised on an accrual basis, using the effective interest method, except for interest on doubtful, nonperforming or litigious investments, which is recognised when collected. The accrual of interest is recorded under the “Interest on debt instruments” heading on the asset side of the balance sheet.



Dividends, if any, are recognised as income under “Investment income” in the income statement when the right to receive them by the Fund arises.

Changes in Fair Value of Financial Instruments:

The gain or loss arising from changes in the fair value of financial assets and liabilities is recognised under “Changes in the fair value of financial instruments” in the income statement of the Fund.

Other Income and Expenses:

All other income and expenses relating to a period are accrued on a straight-line basis over the period.

f) Foreign Currency Transactions

The Fund’s functional currency is the euro. Consequently, all balances and transactions denominated in currencies other than the euro are considered denominated in “foreign currency”.

When there are transactions denominated in foreign currency, they are converted into euros using the spot exchange rates of the date of the transaction, the spot exchange rate being taken to be the most representative of the reference market on the date or, failing that, on the last working day preceding that date.

Exchange differences arising on the translation of balances denominated in foreign currencies to the functional currency are recognised at their net amount under “Exchange differences” in the income statement.

g) Asset Value of the Fund

Pension Schemes maintain a standing account with the Fund, which represents their economic interest in the Fund and is included under the heading “Equity – Scheme Standing Accounts” (see Note 8). The assets of the Pension Schemes integrated in the Fund are divided into units of account.

The units of account of the Pension Schemes are valued, for the purposes of contributions and benefits, according to the value of the unit of account on the day that they are requested. The value of the unit of account of the Schemes is calculated daily as the result of dividing the equity of the Schemes, calculated in accordance with the valuation criteria described in the preceding sections, by the number of units of account existing at the date of their determination, after taking into account the movements in the Schemes that give rise to inflows or outflows of resources.

The payments of the benefits provided for in the Regulations on the Pension Schemes integrated into the Fund, as well as the contributions of the unitholders and, where applicable, of the promoters and the result for the financial year attributable to the Pension Schemes, whether a profit or loss, are made with a charge or a credit to their standing account.



h) Related-party Transactions

Transactions carried out by a Pension Fund with its Management Company as a result of the functions assumed by the latter are not considered to be related transactions.

During 2020 and 2019, the Fund did not carry out any related transactions other than ordinary trading or under conditions other than market conditions.

(5) Financial Investments:

The detail of the balances of the Fund's financial investment portfolios as of 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Equity instruments	8,973,398.99	8,128,610.76
Debt securities	20,439,870.01	19,280,361.65
Other credits	4,728.87	0.00
Interest on debt securities	102,121.81	54,283.34
Deposits with banks and depositary entities	0.00	2,800,347.73
Revaluation of financial investments	936,136.82	627,240.64
Capital losses on financial investments	-919,476.58	-550,088.60
	29,536,779.92	30,340,755.52

As of 31 December 2020 and 2019, the detail, by maturity, of the debt securities is as follows::

	Euros	
	2020	2019
Less than 1 year	6,523,198.63	6,967,238.53
Between 1 and 2 years	1,847,815.99	1,876,273.86
Between 2 and 3 years	4,529,452.33	1,734,099.89
Between 3 and 4 years	1,838,083.47	3,812,259.86
Between 4 and 5 years	1,110,615.30	1,561,368.24
Over 5 years	4,590,704.29	3,329,121.27
	20,439,870.01	19,280,361.65

As of 31 December 2020 and 2019, the unmaturred accrued interest is recorded under "Interest on debt instruments" in the accompanying balance sheets.



As of 31 December 2020, the Fund holds open positions in financial derivatives corresponding to futures contracts, which are detailed below:

Contract	Detail					
	Net position	Currency	Number of contracts	Last due date	Nominal committed	Profit/ Loss
FUTURE BRAZ REAL FEBRUARY 2021	Long	USD	16	31/01/2021	252,448.56	-575.79
FUTURO S&P 500 MINI MAR-2021	Long	USD	9	19/03/2021	1,355,650.34	22,792.99
FUTURE EURO BUND MARCH 2021	Short	EUR	10	8/03/2021	1,000,000.00	-3,900.00
FUTURO NASDAQ 100 MINI MAR 2021	Short	USD	7	19/03/2021	1,455,452.91	-18,643.54
FUTURE US 10 YEARS NOTE (CBT) 21	Short	USD	7	31/03/2021	587,440.00	-449.53
					4,650,991.81	-775.87

As of 31 December 2019, the Fund holds open positions in financial derivatives corresponding to futures contracts, which are detailed below:

Contract	Detail					
	Net position	Currency	Number of contracts	Last due date	Nominal committed	Profit/ Loss
FUTURE BRAZ REAL FEBRUARY 2020	Long	USD	16	31/01/2020	352,842.16	5,211.28
FUTURE CURRENCIES CAD/USD MAR 20	Long	USD	26	17/03/2020	1,777,637.47	24,420.31
FUTURE EURDOLLAR MARCH 2020	Long	USD	17	16/03/2020	2,149,382.49	6,214.57
FUTURE BOBL MAR 20	Short	EUR	50	6/03/2020	5,000,000.00	39,000.00
					9,279,862.12	74,846.16

The “Revaluation of financial investments” heading in the balance sheets includes the differences obtained from the comparison between the fair value of the financial instruments and their carrying amount, provided that the comparison is positive. Otherwise, these differences are recorded under “Capital losses on financial investments”. Both entries are made with a credit or charge, respectively, to the income statements.

The detail of the statement of the Fund’s securities portfolio is as follows:

At 31 December 2020

	Euros				
	Initial Assessment	Fair value without interest	Interest	Year Losses	Year Gains
Debt securities	20,439,870.01	20,468,943.16	102,121.81	-214,792.28	243,865.43
Equity instruments	8,973,398.99	8,960,986.08	4,728.87	-704,684.30	692,271.39
Deposits	0.00	0.00	0.00	0.00	0.00
	29,413,269.00	29,429,929.24	106,850.68	-919,476.58	936,136.82



At 31 December 2019:

	Euros				
	Initial Assessment	Fair value without interest	Interest	Year Losses	Year Gains
Debt securities	19,280,361.65	19,408,599.74	54,283.34	-25,777.24	154,015.33
Equity instruments	8,128,610.76	8,077,524.71	0.00	-524,311.36	473,225.31
Deposits	2,800,000.00	2,800,000.00	347.73	0.00	0.00
	30,208,972.41	30,286,124.45	54,631.07	-550,088.60	627,240.64

Risk Management

The Fund's financial risk management is aimed at establishing the mechanisms required to control exposure to interest rate and exchange rate fluctuations and credit and liquidity risk. In this regard, Chapter IV of Title III of Royal Decree 304/2004 contains the general principles, criteria, limits and specific investment coefficients that limit this exposure and which are controlled by the Fund's Management Company (see Note 1). These coefficients mitigate the following risks to which the Fund is exposed and which are monitored by the Management Company:

Credit risk:

Credit risk represents the losses that the Fund would suffer in the event that any counterparty defaults on its contractual payment obligations. This risk would be mitigated by the limits on investment and risk concentration described in Note 1.

Liquidity risk:

In the event that the Fund invests in small-cap securities or in markets with a small size and limited trading volume, or in collective investment schemes with lower liquidity than the Fund, the investments could be deprived of liquidity. Therefore, the Fund's Management Company manages the liquidity risk inherent in the activity to ensure compliance with liquidity ratios, ensuring the Fund's ability to meet the requirements of its unitholders and beneficiaries.

The following table shows the liquidity ratio at 31 December 2020 and 2019:

	Euros	
	2020	2019
Cash		
Depository and other accounts	5,080,149.64	5,533,636.00
Equity	34,671,824.56	35,954,705.75
Liquidity ratio	14.65%	15.39%



Market risk:

Market risk represents the loss in net asset value as a result of adverse movements in market prices.

Risks management is carried out through the appropriate asset allocation and the analysis of the expected maximum loss, by using risk statistics measurements: VAR (Value At Risk), although management does not follow a VAR criterion.

The most significant risk factors could be grouped into the following:

- Interest rate risk: Investment in fixed-income assets carries an interest-rate risk, the fluctuation of which is low for short-term assets and high for long-term assets.

The information on the level of exposure to interest-rate risk of debt instruments is as follows:

	Euros	
	2020	2019
Debt securities		
Fixed interest rate	17,896,446.05	16,481,991.10
Variable interest rate	2,543,423.96	2,798,370.55
	20,439,870.01	19,280,361.65

Interest rate risk includes the probability of incurring losses due to changes in interest rates. The concept of modified duration is used, which reflects the sensitivity of the value of debt instruments to interest rate changes, and represents the percentage change in the value of financial assets for each percentage point of change in interest rates.

The average duration of the debt instrument portfolio as of 31 December 2020 is 2.75 and as of 31 December 2019 was of 2.22.

- Foreign currency risk: Investment in assets denominated in currencies other than the euro carries a risk due to exchange rate fluctuations.

The Fund has instrumented some of its financial investments in currencies other than the euro. The detail, by currency, of the assets measured at acquisition cost at 2020 and 2019 year-end is as follows:

	Euros	
	2020	2019
Dollar (USD)	1,203,525.17	1,519,362.20
Pound (GBP)	2,026,892.10	208,337.85
	3,230,417.27	1,727,700.05

- Risk of stock price or stock market indices: Investment in equity instruments means that the Fund's performance is affected by the volatility of the markets in which it invests.



The credit rating of issuers of debt instruments (amounts expressed at fair value without interest), excluding deposits, is detailed below:

	Euros	
	2020	2019
AA	-	-
A	6,416,310.87	5,381,775.54
BBB	6,567,263.46	6,380,528.29
BB	3,279,883.59	1,879,406.64
B	1,366,681.22	-
No rating*	2,809,730.87	5,638,651.18
	20,439,870.01	19,280,361.65

*Notes and bonds for which an internal rating is calculated for the purpose of assessing the market risk in these investments.

As a result of the carrying on of activities and associated operations, exposure to market risk is mitigated through the Fund's own investment vocation and its investment policy defined and known by the unitholders.

(6) Tax Situation:

The Fund is governed by the provisions of the specific regulations for each tax, as follows:

1. The management services of pension funds provided by their Management Companies and Depositary Entities are exempt from this tax.
2. Corporate Income Tax: Pension funds are subject to this tax at a zero tax rate, and are therefore entitled to a refund of the withholdings applied to their income from movable capital. Pension funds must comply with the formal corporate income tax obligations applicable to taxpayers subject to the General Regime.
3. Property Transfer and Stamp Duty Tax: The incorporation, dissolution and modifications consisting of increases and decreases of pension funds are exempt from this tax.

The "Public Administrations" heading on the asset side of the accompanying balance sheets reflects withholdings on income from movable capital, current accounts and bank deposits applied to the Fund which are pending repayment.

The Fund has open for inspection by the tax authorities the years not legally prescribed for all taxes applicable to it. No additional material liabilities are expected to accrue as a result of the review of these years.



(7) Cash:

The detail of the balances of this heading in the accompanying balance sheets as of 31 December 2020 and 2019 is as follows:

	Euros	
	2020	2019
Depository accounts	2,585,421.47	5,263,335.68
Depository accounts – foreign currency	2,580,659.70	245,529.51
Gain on foreign currency	9,192.38	24,770.81
Loss on foreign currency	-95,123.91	0.00
Interest on current accounts	7,917.77	-962.95
	5,088,067.41	5,532,673.05

The balances of the “Cash” heading are freely available and the interest accrued on the balances of the depository accounts and other cash accounts at 31 December 2020 and 2019 amounted to 8,590.01 euros and 8,894.03 euros, respectively, which are recorded in the “Income from financial investments” heading in the income statements (see Note 10).

Likewise, as indicated in Note 1, the Bank BBVA, S.A. performs the functions of Depository Entity of the Fund, accruing daily for this reason a fee, which is applied to the net worth of each Scheme and amounts to 0.10% per annum for the financial years 2020 and 2019.

The amounts accrued under this heading in 2020 and 2019 amounted to 33,202.98 euros and 34,767.32 euros, respectively, and were recorded under the heading “Depository Entity Fees” in the accompanying income statements.

At 31 December 2020 and 2019, of the aforementioned amounts, 8,463.32 euros and 8,910.05 euros, respectively, were pending payment and are reflected under the “Payables- Depository Entity” heading on the liability side of the accompanying balance sheets. These amounts were paid in the first months of the following year.

(8) Net Equity:

As of 31 December 2020 and 2019, the Fund is comprised solely of the Loreto Optima Individual Pension Scheme (Loreto Optima) promoted by Loreto Mutua, Mutualidad de Previsión Social (the Fund Management Company).

The contributions are made by the unitholders and are instrumented through a strictly financial-actuarial individual capitalisation system, based on the accumulation of contributions and investment income, deducting the corresponding expenses, with the unitholders of the Scheme themselves assuming the capital gains and losses that the investments may generate, without any minimum interest being guaranteed in relation to the return to be obtained on the contributions made. Likewise, the amount of the benefits is determined exclusively by the value of the vested rights of the unitholder at the time when the contingency giving rise to the benefit arises, regardless of the method of collection of such benefits.



Contingencies covered by the Scheme are as follows:

- Retirement.
- Death.
- Disability of the unitholder, in the degrees of permanent absolute, total for the habitual profession or severe disability.
- Long-term unemployment.

Royal Decree 11/2020 of 31 March, which introduced urgent complementary measures in the social and economic sphere to address COVID-19, included in its 20th Additional Provision, expanded on by RD 15/2020 of 21 April, on urgent complementary measures to support the economy and employment, an exceptional assumption of liquidity for pension plans in certain situations derived from the health crisis, a measure that remained in force until 14 September 2020.

The beneficiaries are the unitholder himself and the natural persons specifically designated by the unitholder in the event of death. The benefits of each Scheme are allocated to the standing account held in the Fund.

As of 31 December 2020, the detail of the standing account of the attached Loreto Optima Pension Scheme, after allocating the results for 2020, is as follows:

	Euros
Balances as of December 31, 2019	35.954.705,75
Contributions	
Additions:	
Contributions from unitholders	1,316,506.85
Returned contributions	-5,281.13
Mobilisation of vested rights	557,410.20
	1,868,635.92
Fund profits (losses) allocated to the Schemes:	
Fund profits allocated to the Schemes	110,945.51
	110,945.51
Disposals	
Benefits	2,042,486.04
Mobilisation of vested rights	1,219,976.58
	3,262,462.62
Balances as of December 31, 2020	34,671,824.56



The detail for the Scheme of the number of units of account, their value and the number of unitholders and beneficiaries as of 31 December 2020, is as follows:

Loreto Optima Pension Scheme	
Number of units of account	1,706,141.23087
Value per unit of account (Euros)	20.32178
Number of unitholders	1,035
Number of beneficiaries	183

As of 31 December 2019, the detail of the standing account of the attached Loreto Optima Pension Scheme, after allocating the results for 2019, is as follows:

Euros	
Balances as of December 31, 2018	32.694.294,74
Contributions	
Additions:	
Contributions from unitholders	1,586,467.31
Returned contributions	-12,278.75
Mobilisation of vested rights	2,300,746.60
	3,874,935.16
Fund profits (losses) allocated to the Schemes:	
Fund profits allocated to the Schemes	1,379,718.02
	1,379,718.02
Disposals	
Benefits	1,313,430.03
Mobilisation of vested rights	680,812.14
	1,994,242.17
Balances as of December 31, 2019	35,954,705.75



The detail for the Scheme of the number of units of account, their value and the number of unitholders and beneficiaries as of 31 December 2019, is as follows:

Loreto Optima Pension Scheme

Number of units of account	1,781,415.30259
Value per unit of account (Euros)	20.18322
Number of unitholders	1,089
Number of beneficiaries	151

(9) Management Company Committee and Audit Fees:

As indicated in Note 1, the management of the Fund is entrusted to Loreto Mutua, Mutualidad de Previsión Social, which pursuant to the Regulations on Pension Schemes and Funds, will receive as remuneration for the services rendered a fee that will not exceed 1.30%, in accordance with Spanish Royal Decree 62/2018, of 9 February, amending the Regulations on Pension Schemes and Funds.

The amounts recorded as expenses in this connection in the years 2020 and 2019 amounted to 99,608.84 euros and 104,302.15 euros, respectively.

The Management Company's commission for the years 2020 and 2019, which accrues daily, is 0.3% per annum of the Scheme's total assets for 2019.

At 31 December 2020 and 2019, 99,608.84 euros and 104,302.15 euros of these amounts were pending payment and are reflected under the "Payables- Management Company" heading on the liability side of the accompanying balance sheets. These amounts were paid in the first months of the following year.

The agreed fees for the audit services for the years 2020 and 2019 amount to 2,500 and 2,398 EUR, not including the relevant value added tax.



(10) Income from Financial Investments:

The detail of this heading in the income statement for 2020 and 2019 is set out as follows:

	Euros	
	2020	2019
On debt securities	218,991.72	176,408.18
In equity instruments	102,435.59	285,058.80
In short-term, highly liquid investments	487.46	2,602.63
Interest on bank current accounts (Note 7)	8,590.01	8,894.03
	330,504.78	472,963.64

(11) Gains (Losses) on Disposal of Financial Investments:

At 31 December 2020, the “Gains (losses) on disposal of financial investments” in the income statement, which amounted to a Gain of 204,618.82 euros, included the following items:

	Euros	
	Profits	Losses
From debt securities	189,988.47	11,475.35
From equity instruments	1,674,172.44	1,663,070.12
From futures	5,925,548.00	5,910,544.62
	7,789,708.91	7,585,090.09

At 31 December 2019, the “Gains (losses) on disposal of financial investments” in the income statement, which amounted to a loss of 349,932.60 euros, included the following items:

	Euros	
	Profits	Losses
From debt securities	355,447.71	39,719.06
From equity instruments	805,380.45	1,125,056.05
From futures	1,617,955.76	1,963,941.41
	2,778,783.92	3,128,716.52



(12) Other information:

a) Contractual Contingencies

The Board of Directors of the Management Company considers that at 31 December 2020 there were no significant unrecorded contingencies that could affect the net worth or results of the Fund.

b) Information on Deferrals of Payments Made to Suppliers in Commercial Transactions

In relation to Law 15/2010, of 5 July, amending Law 3/2004, of 29 December, establishing measures to combat late payment in commercial transactions (amended by Law 11/2013, of 26 July, on measures to support entrepreneurs and stimulate growth and job creation), it is reported that at 31 December 2020 and 2019 there were no outstanding balances payable to suppliers that exceeded the legal deadline for payment. Also, the significant payments made in 2020 and 2019 to these suppliers were made within the legal deferral limits.

c) Events following the Closure of the Annual Accounts

Subsequent to the close of fiscal year 2020, no other significant event not described in the foregoing notes has occurred.



FONDLORETO PENSIONES, FONDO DE PENSIONES

MANAGEMENT REPORT FOR THE YEAR 2020



MANAGEMENT REPORT

FOR FINANCIAL YEAR 2020

Global environment

The year 2020 has marked a turning point both economically and socially. The health crisis caused by COVID-19 has changed our lives, the way we relate, do business, work and have fun.

Novel coronavirus, which began in China at the end of 2019, ended up spreading rapidly to other countries. The situation has presented an economic, social and political challenge. Historically, the last health emergency like the current one happened at the beginning of the 20th century, with the misnamed Spanish flu.

The alarming spread and severity of the disease led the WHO to determine on 11 March that COVID-19 could be characterised as a pandemic.

The situation led to an unprecedented response from most governments. The virus' rapid spread caused the sudden saturation of the health systems of nearly all countries, forcing them to take drastic measures, such as restricting individual freedoms by confining the population, mobilising the armed forces to set up field hospitals, and using tourist accommodations as temporary hospitals to house the growing number of infected.

For the first time in history, global economic activity was brought to a standstill by the measures adopted by governments to contain the pandemic. As a result, most countries recorded unprecedented drops in GDP during the first half of the year, especially in the second quarter. In May, leaving the months of stricter confinements behind, activity began to recover as de-escalation plans progressed. The easing of restrictions caused an explosion in domestic demand, which had been stagnant during the previous months, and the resulting economic rebound in the third quarter exceeded analysts' expectations.

Despite the strong rebound in the third quarter, most countries recorded significant contractions in GDP in 2020. Furthermore, and although activity will recover in 2021, it will take time to return to the levels prior to the COVID-19 crisis. The difference in the decline of activity is related to the sectoral structure of economies. Countries with more dependence on the service sector (one directly affected by measures to curb contagion) will struggle the most, as is the case of Spain, which was the advanced economy with the largest GDP decrease in 2020 due to its dependence on the tourism sector.

This new crisis has brought us positive things. Both central banks and governments have reacted swiftly and proactively to the emergency, launching programmes to assist both families and businesses. Temporary layoff plans (ERTEs in Spain) have helped limit the deterioration of the labour market in advanced countries. Fiscal policy has recovered the prominence it lost in the last financial crisis, with innovative policies such as the promotion of loan guarantees by governments, the vast European recovery plan known as Next Generation EU (NGEU), a milestone in the history of the European Union, and the historic stimulus packages passed in the US.



In the final months of the year, with the approval of the first COVID-19 vaccines, we witnessed an improvement in health and economic expectations. 2021 will centre on the effectiveness of the vaccines, whose distribution is already underway in different parts of the world, with high growth forecasted in nearly all the advanced economies. The economic situation is expected to evolve positively as a greater percentage of the population is vaccinated and immunised. However, the focus will also be on potential production and logistics problems encountered by pharmaceutical companies.

In the international arena, the change in the US presidency could mean a positive shift for trade relations between the European Union and the United States, which were greatly affected in the last four years of Donald Trump's presidency. Meanwhile, at the European level, the main focuses will be the final agreement with the United Kingdom on Brexit and, above all, the temporary implementation of the new NGEU and how effectively the member states use the funds in the coming years.

Spanish Economic Background

The pandemic's outbreak at the end of the first quarter shattered the macroeconomic forecasts for 2020, diverting the economy from its growth path. At the end of 2019, the Spanish economy was expected to continue decelerating gently, as it had been doing since 2016, towards potential growth, and the output gap was estimated to be very close to neutral. However, the health crisis interrupted the maturity of the economic cycle and brought back the underutilisation of productive capacity.

The health crisis has caused unprecedented declines in activity, with the largest decrease recorded between March and May, months in which the country was practically paralysed. The monthly decline reached 40% in April and then began to recover gradually throughout the phases of the 'de-escalation plan', completed at the end of June.

Throughout 2020, the GDP declined 11% compared to 2019. Nationwide, domestic demand has been the most affected, and within it, private consumption has been hit the hardest. The fact that the restrictions have made consuming impossible has been the main cause of the consumption drop, coupled with the effect of lost income derived from the impact on the labour market. Investment has behaved unusually: although it is normally the most resilient component of GDP (it falls markedly in recessions and rises more during booms), its performance has been far more moderate in the current crisis, ending the year with a 12.4% decrease. The opposite was the case with private consumption, whose 12.6% drop was much more dramatic (in relative terms) than in the past.

Regarding the foreign sector, its contribution has been negative (-1.9%), due to the greater decline in exports than in imports. Here, the most relevant factor was the loss of the tourist season. In 2019, Spain had almost 83 million foreign visitors, while in 2020 there were just over 18 million, a drop of more than 80% with the associated loss of income.

In terms of employment, 2020 ended with the destruction of nearly 600,000 jobs on the annual average, a 2.9% decrease. The scope and economic impact of the outbreaks in the last quarter of 2020 were far more limited, since the restrictions introduced by the regional governments were laxer than in the spring.

When analysing the labour market's evolution in 2020, we must highlight the role that Temporary Layoff Plans (Spanish acronym: ERTes) have played, helping to alleviate the crisis' impact on labour. ERTes peaked in April, with almost 3.5 million people benefiting from this mechanism, which prevented workers in the affected sectors from being laid off due to the lack of demand because of the restrictions. Since the employment relationship with companies has been preserved, and due to



the pandemic's temporary nature, most workers under the ERTE umbrella have been able to return to work. In October, the number of workers affected by ERTes stood slightly above 602,000, and although it increased again in November due to the further restrictions, the levels are still far from the spring highs.

The ERTE effect has had a noticeable impact on the unemployment rate. Despite the massive contraction in activity, the unemployment rate barely grew by more than two points (December to December) and finished 2020 with an annual average of 15.5%. However, even though this average is 1.4 points higher than in 2019, it hides an upward pattern that will continue during 2021, and given the difficulties absorbing job destruction (highly skewed towards the hotel and tourism industry), it is not expected to decrease significantly next year.

The only labour market indicator that captured the pandemic's true impact on the Spanish economy was number of hours worked. These did reflect both job destruction and the inability to work of many workers included in ERTes.

Financial markets

The uncertainty generated by the health crisis in the overall economic context was also reflected in the financial markets throughout the year, with increased volatility impacting the prices of the main asset classes. However, after a general movement towards risk aversion in the first quarter, prices subsequently recovered overall.

At the beginning of the year, wariness about the pandemic's evolution and, above all, the complete halt in activity, led to a sharp rise in risk premiums on the stock exchanges and in lending. As a result, stock indices accumulated falls of more than 30% in just a few sessions. However, the swift response of central banks and governments with strong economic support measures, coupled with the fact that this crisis was caused by an exogenous, temporary factor as opposed to an economic/financial imbalance, allowed prices to recover rapidly, especially in the US and China. The S&P 500 finished 2020 with a 16.3% gain, which was more marked in the case of the Nasdaq technology index (+43.6%) due to the strong performance of the digital economy during confinements. For its part, the Chinese index rose 27.2%, while the European indices lagged behind with a 5.14% drop in the EuroStoxx 50.

A similar movement was observed in corporate bond spreads. The intense rebound in the first half was followed by gradual normalisation towards more moderate levels, supported by the measures taken by the central banks. 'Speculative grade' debt spreads finished the year with a rebound of 64bp in EUR and 47bp in USD (compared to the increase of over 400bp seen in March), while the 'investment grade' gain was just 6bps in EUR and 1bps in USD.

This situation led to a price increase for safe-haven assets: the Japanese yen appreciated almost 5% against the USD in 2020, while gold rallied more than 20%. The German and US 10-year bond yields, after starting the year at -0.18% and 1.90%, finished the year at -0.58% and 0.91% after hitting all-time lows of -0.84% and 0.49%, respectively.

In the foreign exchange market, the currencies of emerging countries finished 2020 undervalued against the USD in an environment of all-time highs. The general depreciation caused by COVID-19 was not completely corrected in the last months of the year, when expectations surrounding the vaccine and the potential return to normal activity led to a general recovery for cyclical risk assets.



The outlook for 2021 is positive in the financial markets, although the uncertainty created by the pandemic will remain present. The start of vaccination is generating optimism, with the return to normality on the horizon. The gradual recovery of the economy and, therefore, its support for corporate profits and prices, makes the outlook for risk assets positive for 2021. This is especially true in the case of equities, despite the high valuation they maintain.

Financial management of Fondloreto Pensiones in 2020

The total assets of the fund, which amounted to 34,671,824.56 euros, decreased by 1,282,881.19 euros compared with 2019, which means almost a decrease of 3.57% over the amount of 2019. This decrease was mainly due to the net balance of contributions, benefits, incoming and outgoing transfers, which was negative in the amount of 1,393,826.70 euros.

The profitability of the Loreto Optima Scheme in 2020 was 0.69%, while the average of the individual one-year schemes in this category, i.e. Mixed Fixed Income, was -0.39%.

According to data collected and offered by the Association of Collective Investment Schemes and Pension Funds, INVERCO; within the category of pension funds of the individual system, the Loreto Optima Pension Scheme ended the fiscal year as the second most profitable at 15 years and twelfth most profitable at 5 years.

If we compared the performance at 15, 5 and 3 years of Loreto Optima with that of the individual mixed fixed-income pension schemes (with an investment of their assets of up to 30% in variable income), our scheme would be considerably above average. For example, the average 15-year return on Loreto Optima was 3.54%, while the average of the total number of individual schemes was 2.41% (1.20% the mixed fixed-income schemes).

The structure of the pension fund portfolio has been distributed as follows, in accordance with management criteria: 19.12% is invested in the very short term, variable income has gone from 20.40% in 2019 to 21.81% in 2020 and fixed income has increased from 43.33% in 2019 to 59.07% in 2020.

The fund maintains criteria of security, diversification, dispersion and liquidity, in accordance with the regulations applicable to the Pension Schemes, and therefore considers its price, liquidity and cash flow risks to be covered. The fund expects to achieve a level of return that will enable it to remain among the most profitable in its category.

Exercise of political rights

Loreto Mutua, as a Pension Fund Management Company, reserves the right to exercise the rights, depending on the relevance of the political representation available for the volume of units, or where appropriate for the existence of attendance or participation bonuses that could benefit the fund's assets. In 2020, the voting rights attached to the Iberdrola shares forming part of the Fund's portfolio were exercised.



The Annual Accounts and the Management Report corresponding to the financial year 2020 of **FONDLORETO PENSIONES, FONDO DE PENSIONES**, contained in pages 1 to 35 above, all signed by the Secretary and endorsed by the Chairman, were prepared by the Management Company at its meeting held on 24 March 2021.

This document, signed electronically, serves for all purposes as a signature document for each and every one of those that make up the aforementioned Annual Accounts and Management Report.

This document is accompanied by a certificate issued by a qualified service provider (LLEIDANETWORKS Serveis Telemàtics S.A.), which guarantees the identification of the signatories and the integrity of the document and the signature process, in accordance with the regulations applicable to the electronic signature process.



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