Investmentaktiengesellschaft für langfristige Investoren TGV

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Dear Investors

We are enclosing the shareholder letter for our Teilgesellschaftsvermögen "Compound Interest" for the first half of 2019 written by our sub-advisor LMN Capital GmbH.

Yours sincerely

Investmentaktiengesellschaft für langfristige Investoren TGV

Vorstand: Jens Große-Allermann, Waldemar Lokotsch
Aufsichtsrat: Dr. Maximilian Zimmerer (Vors.), Wolfgang Fritz Driese (stv. Vors.), Alexander Pichler (stv. Vors.)
Eingetragen im Handelsregister Bonn HRB 16143
Investmentvermögen mit veränderlichem Gesellschaftskapital

Sub-fund Compound Interest

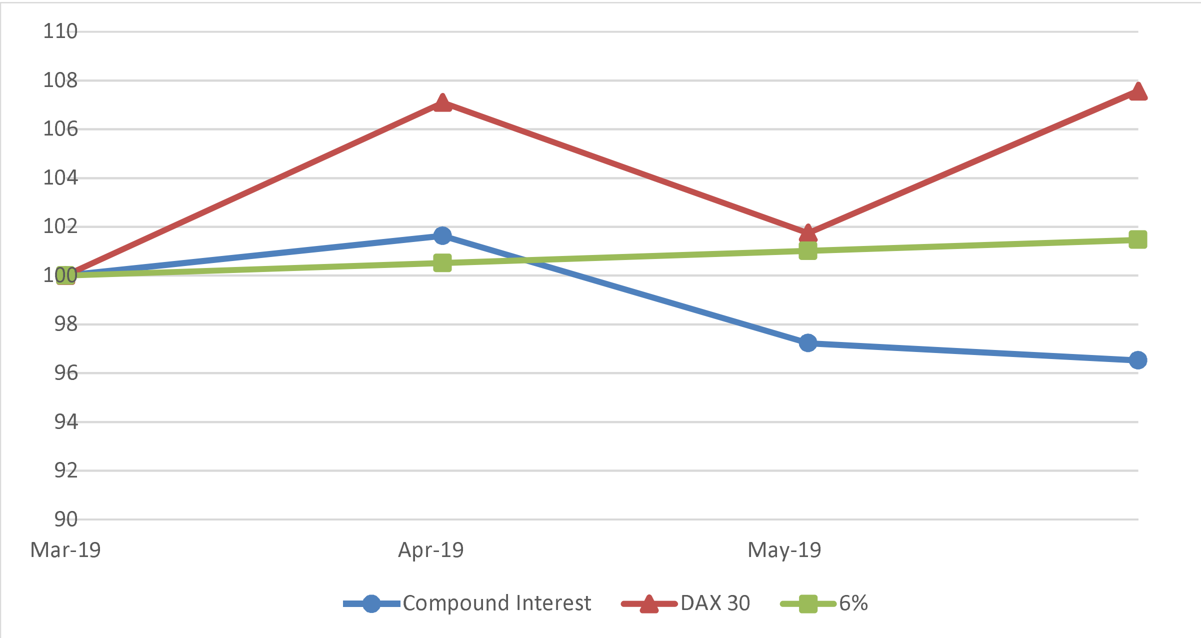
Semi-Annual Report 2019 of the sub-advisor LMN Capital GmbH

Dear co-investors/Compounders,

I am very pleased to present to you the first semi-annual investor letter for the Sub-fund (TGV) Compound Interest.

In the future, you will be receiving an investor letter twice a year from me in my role as sub-advisor of the TGV, one mid-year and one at the end of the year. In the letter, I will elaborate on the development of the portfolio, as well as at least one investment or topic I consider worth mentioning.

Overview of the development of the portfolio



The graph above compares the development of 100 EUR invested in the sub-fund at the closing prices of 29th March 2019, with the performance of a corresponding investment in the DAX and a safe investment with 6% annual interest rate. This graph will be updated in every letter to allow for the comparison of the performance of the sub-fund at a glance.

Why did I choose these two benchmarks? A large proportion of the investors in the sub-fund will most likely come from Germany. The German DAX index is the simplest and most natural investment alternative for most of these investors. The second benchmark is an interest rate of 6% p.a. This is the main trigger above which a performance fee will be charged in the sub-fund.

As you can see, the portfolio has developed significantly weaker than the market. If you had invested 100 EUR in the sub-fund upon inception on 29th March 2019, your investment would be worth 96.52 EUR per 28th June 2019. If you had invested the same amount in the

DAX, 100 EUR would have turned into 107.57 EUR by the reporting date. Accordingly, the Dax has performed 11.5% better than the sub-fund. The annualised return on the sub-fund is as of the reporting date is – 13.2%, a figure that is not meaningful due to the short reporting period. However, it is important to me to mention it in every letter, as over a longer period of at least five years, it is the most important indicator to evaluate my work as subadvisor of the sub-fund.

Now to the portfolio overview as of 28th June 2019, the last trading day in June.

Assets in the sub-fund / Net Asset Value	8.204.465 EUR
Cash in % of total assets	31,21%
Number of investments	7

The five largest positions in the sub-fund are in alphabetical order

- Alphabet
- Majestic Wine
- Mercadolibre
- Rolls Royce
- Tucows

Based on <u>unadjusted</u> financial indicators from the leading financial database CapitalIQ, the portfolio companies had a 5.7-fold increase in revenue over the past 36 months and a 4.7-fold increase in earnings over the past 36 months compared to the companies in the DAX index. Companies that did not report profits are not included in this calculation. The profit of the portfolio companies has developed comparatively weaker than the turnover, as all portfolio companies are investing in continued profitable growth, thus decreasing their current reported profits due to, for example, spending on research and development. If companies in the portfolio would be able to invest more with the same return on capital, I would always prefer this to higher profits today. In turn, the average unadjusted price-earnings ratio of our portfolio companies is 1.7 times higher than the DAX average. In my opinion, this premium is too low for companies with a presumably long and profitable growth path.

Due to the current underperformance of the sub-fund, I would like to address the following two topics individually:

- The performance of the sub-fund has significantly deviated from that of the DAX and, due to its high concentration in the best investment opportunities, it is significantly more volatile than the DAX. This is very likely to remain this way in the future and possibly even increase. I always prefer a more volatile investment with high return prospects and low risk of permanent capital loss over an investment with low volatility and lower return prospects.

- Despite the negative performance of individual investments, I sleep well. The reason is that currently, each of the investments is developing well operatively, and the outlook is positive. For me, price drops without changes in strategic or operational expectations are nothing more than my kind of early summer sale.

Tucows

In the following, I would like to highlight **our investment in Tucows**, as (1) it is an excellent example of the investments I am searching for the sub-fund, and (2) it is the main reason for the sub-fund's negative return at the end of its first quarter.

Tucows is a Toronto-based holding company that invests in business models with recurring revenues in the broadest sense. Elliot Noss has been the company's CEO since 2001 and, together with the rest of the management team, holds approximately 9% of the outstanding shares. With a few exceptions, the leadership team has been with Tucows for more than a decade. Founded in 1992, over the following ten years the company tested various business models and survived the hype and crash of the early 2000s. Subsequently, the company became one of the world's largest resellers of Internet domains with over 25 million managed domains. With profits from this segment, Tucows was able to buy back a little more than 50% of its outstanding shares at a very favourable price and build two new business segments as well. Both developments show that Tucows allocates capital on a long-term, rational, and entrepreneurial basis.

The new business segments operate under the brand "Ting" and provide outstanding customer service. In one of its businesses, Tucows is selling mobile services with no contract obligations to customers in the US based on Sprint, T-Mobile, and Verizon's network. Currently, Tucows has 284,000 customers using this service, a small stake in a country with a population of approximately 327,000,000 people.

In the other business segment, Tucows builds fibre optic networks in small US communities and offers customers access to the Internet, currently with a data transfer speed of up to 1 gigabit per second. At the moment, Tucows is establishing its service in 8 cities – also a small share in a country with about 36,000 cities and municipalities with plenty of room to grow. Both business segments initially cost Tucows money, i.e. for setting up the necessary infrastructure as well as initial customer acquisition costs. Consequently, the reported profit is well below the level that could have been reached by now without the investment. However, both segments are already showing that they are capable of earning significant profits in the long run, and even more importantly, incremental returns on investment above 20%.

I am currently looking for investments that meet the following criteria:

1. Companies with the potential of achieving high returns on investment for a very long time,

2. managed by trusted, rational teams with the same interests (i.e., people who have invested much of their life, wealth and/or reputation in the company), and all that preferably
3. at a price that is well below what the company and the team that makes up the company are worth.

All three aspects apply to Tucows. Why did Tucows still deliver a negative contribution of 2.10 EUR per share to the sub-fund?

The company's share price has slipped from a relatively small initial investment at approximately USD 82.00 to USD 61.02 as of June 28, 2019. Since then, the price has dropped further below USD 50.00. At first glance, that sounds dramatic, but there are reasons for this price movement:

- Tucows has once again become the target of a "short attack". This means that market participants borrow Tucows shares from third parties and then sell them. Meaning, they speculate on falling prices – and in the case of Tucows, successfully so in recent months. This is refered to as short selling. In the case of Tucows, approximately 16% of the outstanding shares are sold short. In recent years, however, there has often been another step after someone has sold their shares short: The media-savvy and negatively written publication of the idea behind the short sale. Like a self-fulfilling prophecy, prices regularly drop after such a publication.

- The price drop was further fueled by Tucows itself, as shortly after the short attack, the company announced that it would switch the partner network for the Ting mobile telephony segment from T-Mobile to Verizon over the next 18 months, incurring one-time costs of $USD 12 million. While this change will help the company in the medium and long term by providing more flexibility in terms of supply design and better purchasing conditions, it will bring down short-term profits and thus the share price as well.

I have been tracking Tucows and its team intensively since 2015, and therefore, it was with a good conscience that I was able to recommend extending the position within the sub-fund significantly. We have made good use of the early summer sale: Tucows is currently the second-largest position in the sub-fund.

I thank you for your confidence and look forward to continuing our partnership as investors/Compounders in the sub-fund Compound Interest.

Kind regards,

Laurenz Nienaber

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