Investmentaktiengesellschaft für langfristige Investoren TGV

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Dear Investors

We are enclosing the shareholder letter for our Teilgesellschaftsvermögen "Rubicon Stockpicker Fund" for the year 2019 written by our sub-advisor Rubicon Equities 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

2019 report of the Sub-Advisor

Dear Co-Investors,

As of 30/12/2019 the portfolio of the TGV Rubicon Stockpicker Fund comprised 13 positions and was almost fully invested.

List of top 5 investments:

Rank	Nom	ISIN	Weight
1	InVision AG	DE0005859698	31,0%
2	Gruppo MutuiOnline	IT0004195308	16,7%
3	La Française de l'Energie	FR0013030152	13,9%
4	Vente-Unique.com	FR0010766667	8,7%
5	Home24	DE000A14KEB5	7,2%

NAV as of 30/12/2019	130,67
Number of Investments	13
Weight of biggest Investment	31,0%
Weight of top 5 Investments	77,5%
Weight of Cash	1,4%

Performance overview

Since inception in late October 2016 up until end of 2019 the fund returned 31.0%.[1] In comparison, the German Large Cap Index (Dax 30) returned 24.2% over the same period.

	TGV Rubicon Stockpicker	Dax	Delta
2016 (2 months)	4,4%	7,7%	-3,3%
2017	1,1%	12,5%	-11,4%
2018	-1,4%	-18,3%	16,8%
2019	25,9%	25,5%	0,4%
total	31,0%	24,2%	6,8%
per annum	8,9%	7,1%	1,8%

For the year 2019, the TGV had a positive performance of 25.9% compared to a similar increase for the Dax 30 of 25.5%.

We are pleased with a fairly successful year 2019 for the TGV. However, and as already alluded to, several stock indices as well as most asset classes were able to record significant increases during 2019.

[1] Performance calculated according to the BVI method. The difference in percentages and changes in NAV are due to annual disbursements from the fund related to taxes.

Significant transactions / developments in the portfolio of TGV

Eurotech S.P.A.

We are particularly pleased with the outstanding performance of Eurotech, and would like to congratulate CEO Roberto Siagri and his team on their success!

We have been following Eurotech for many years now, and learnt to appreciate Roberto as an incredibly passionate and visionary technician. For more than half a decade, he and his team worked unwaveringly and through difficult times on their vision of "Ubiquitous Computing" (or simply, the Internet of Things) in order to develop state-of-the-art hardware and software solutions. For a long time, these efforts and investments went unnoticed, and market uptake was slow. Year after year, Roberto had to ask for patience in his annual shareholder letters.

That challenging time seems to be over now. After a strong finish in 2018, Eurotech was able to increase sales by almost 40% in the first nine months of 2019, with an EBITDA margin of around 20%. On top, the order book continues to be very strong. Thanks to this stellar performance, the share price appreciated from EUR 1.20 to a high of around EUR 10 not long ago. Hats off!

According to our analysis, the market price now reflects a fair share of our investment hypothesis. Reluctantly, we had to recommend a significant reduction of the position. Eurotech is no longer one of the TGV's major positions. However, we will continue to closely follow Eurotech.

Westwing Group AG

On top of the successful Eurotech investment, the TGV landed another splendid return with a rather uncommon trade for us, namely in the German Westwing Group AG.

Westwing is an e-commerce platform for Home & Living in the format of a "Shoppable Magazine".[2] Over the past few years, and with the help of many well-known investors – such as Holtzbrinck Ventures, Rocket Internet, Kinnevik, or Tengelmann Ventures – the company has raised several hundred million euros to create and go live with a top-notch marketing and technology platform.

In October 2018, Westwing went public, and raised EUR 114 million in an IPO, which was supposed to bring the company into break-even. The IPO was at EUR 26 per share, resulting in a valuation of more than half a billion euros. However, the company was unable to immediately meet the high expectations implied by the level of its valuation. Westwing continued to write significant losses, and on top of that historical shareholders started to

[2] Customers are offered a curated selection of products that the company combines with creative content. WestwingNow is their more traditional e-commerce site with a permanent product range.

divest. Less than a year after the IPO, Westwing appeared on our watchlist for the first time, but with low priority at a valuation close to its cash balance.

After an additional material decline in the stock price, we reacted quickly and decisively: we contacted the management and dug deep into the business model. And what we saw seemed to constitute a highly attractive investment opportunity.

Fundamentally, the company seemed solid, focusing on significant value creation over the long term. The whole setup was, especially due to the state-of-the-art technology platform, simply oversized at the current level of revenue. The company required growth to generate economies of scale, and that growth seemed to stall after the IPO.

What makes a company like Westwing exciting, from our point of view, is that traditional valuation models can justify – depending on whether one assumes the required upscaling to work or not – either a very low value or a very high one, as could be seen during the IPO.

A look into Westwing's history reassured us since a temporary stalling of growth did not seem to be uncommon. Since the founding of Westwing, key indicators and data points exhibit considerable ups and downs at times. Parameters such as customer-acquisition costs, customer growth, or customer-lifetime value can be volatile, e.g., due to the competitive environment or internal implementation problems. <u>We viewed this volatility as a great opportunity for the TGV.</u>

We estimated that despite the high losses in 2019, Westwing's net liquidity would still be at least EUR 70 million at the end of 2019.[3] Without a major restructuring, which would have had a short-term positive impact on the share price, we forecasted even for end of 2020 a cash balance in excess of EUR 50 million.

With a company valuation of around EUR 40 million at the time and sufficient cash reserves for another two to three years, the downside looked rather limited compared to the likelihood of improving KPIs in the medium run, which would subsequently lead to much higher valuation levels. Furthermore, we deemed a potential takeover to be more and more likely with the valuation of the company falling short of the latter's cash balance. With this valuable optionality in mind, we recommended to invest – in a very short period of time – a significant portion of the TGV in Westwing.

To our surprise, the optionality materialized even faster than we had hoped for. The former major shareholder, Rocket Internet, took advantage of the extreme uncertainty of market participants, and acquired more than 25% of the company at prices significantly below those at which they had exited just months before. We recommended to sell the majority of the position in the course of these purchases by Rocket Internet. Within a few weeks, the TGV was able to record a profit of more than 100% on these sales.

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[3] On 03/01/2020 Westwing reported the year-end cash balance to be EUR 73 million.

Purchase – Home24 SE / Vente-Unique.com SA

The rapid profit realization was not the only positive side effect stemming from our contact with Westwing. As part of our industry research, we came across two other interesting companies. As it turned out, various companies in the e-commerce Home & Living space had experienced considerable stock price declines. We recommended to purchase two very different companies in this space.

In France we met Vente-Unique.com and were immediately impressed. Vente-Unique sells "good-value-for-money" furniture online all over Europe, generates sales of around EUR 100 million, and positions itself as a clear cost leader. During a company visit we could confirm the company's impressive focus on profitability and a best-in-class purchasing capability.

This focus was deeply rooted in the company's DNA right from the beginning. CEO Sacha Vigna had only EUR 300,000 starting capital to build his vision of a low-cost online furniture retailer. It is impressive, to say the least, what was built up with such limited financial resources. Over the last eight years, the company has grown at an average annual rate of around 12%. Vente-Unique is profitable and currently has a dividend yield in the range of 4-5%. In addition, the company has raised EUR 7 million through its IPO, which are still available on its balance sheet. At a highly attractive valuation of five to six times the EBIT, we recommended an investment.

Around the same time, we met the very different German e-commerce player Home24. While Vente-Unique has five IT developers, Home24 employs more than 150. Vente-Unique was launched with only EUR 300,000, whereas Home24 raised several hundred million euros. While profitability was always a necessary condition for Vente-Unique, Home24 has so far amassed massive losses, e.g., EUR 81.7 million in 2015 alone.

Despite this distinctive approach to the same business segment, we believe in both models and Home24 caught our attention. The valuation of Home24, similar to that of Westwing, reflected in our view too much pessimism. After a hyped IPO, the share price of Home24 plummeted, with the market capitalization falling close to the company's cash holdings.

Thanks to a long and intensive site visit, we realized that Home24's management is highly strategic with a long-term perspective. The company structure and in particular its state-of-the-art technological platform are oversized in comparison to the current sales volume. As in the case of Westwing, this leads to losses. Basically, the entire business model is designed for scale. With increasing sales, the business model becomes more and more attractive, and the initial "start-up losses" are a necessary evil for the long-term value creation. Mirroring this hockey-stick logic, Home24 is currently growing properly and should be in a good position to continue growing for many years to come. The crux of the matter at Home24, however, was and still is the question of whether the cash reserves are sufficient to reach break-even. We see a great chance of achieving break-even without any further capital increase. This is why we recommended the investment in Home24.

We are eager to see how these two strategies prove themselves in the market, and we will adjust our recommendations accordingly.

Purchase – 1&1 Drillisch AG

In addition, we have recommended an investment for the TGV in 1&1 Drillisch. Several quarters back CEO Ralph Dommermuth has announced his strategy to build a fourth MNO 5G network in Germany. Market participants greeted this announcement with skepticism due to the size and riskiness of such an investment. The company's share price suffered accordingly. We, however, do not share these concerns. The company has already sketched high-level investment requirements that look reasonable. From our point of view, there is an interesting opportunity to develop with one of the most successful German entrepreneurs the next generation of 5G network infrastructure. We are curious to see how Mr. Dommermuth will leverage this opportunity to tap into new and exciting markets such as Internet of Things, connected factories/vehicles, etc.

Conclusions

2019 was a good year for the stock market and valuations increased across a number of segments. In this environment, the TGV Rubicon Stockpicker had a performance just as strong, if not stronger. The main driver across indices and asset classes continues to be the low interest rate environment, driving valuations to record highs.

After a ten-year bull market, we should be more cautious than ever – especially in the context of rising geopolitical threats. Having said this, and judging from the TGV portfolio, optimism prevails in our view for 2020 and beyond. We start into the new decade with confidence and high expectations. Even more so as our supposedly best idea representing 31% of the TGV portfolio has not (yet) delivered any contribution with an average buying price of EUR 20.23 and a closing price at year-end of EUR 20.40. We believe there is still a lot to come and to be excited about!

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