Investmentaktiengesellschaft für langfristige Investoren TGV

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Rüngsdorfer Str. 2 e · 53173 Bonn · Germany

Investmentaktiengesellschaft für langfristige Investoren TGV
Rüngsdorfer Straße 2e
53173 Bonn
Germany

Telefon: +49/228/368840
Telefax: +49/228/365875

E-Mail: info@langfrist.de

Dear Investors

We are enclosing the shareholder letter for our Teilgesellschaftsvermögen "Rubicon Stockpicker Fund" for the year 2016 written by our sub-advisor Rubicon Equities GmbH.

Yours sincerely

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TGV Rubicon Stockpicker Fund
2016: Memo of the sub-advisor – Rubicon Equities GmbH, Lars and Thorsten Ahns

Bonn, March 2017

Dear Investors,

The TGV Rubicon Stockpicker Fund was launched on 31 October 2016 and we are very happy to provide our first letter to the investors.

When starting the letter, we asked ourselves what best-in-class reporting requires. After long discussions, two themes emerged: we obviously want to explain the evolution of the portfolio and share performance figures (our first objective), but we believe it is even more important to explain our investment theses and how the portfolio's companies evolve operationally (our second objective).

The first objective is quite intuitive. Of course, we need to cover the composition of the portfolio and detail the performance figures. We believe that bi-annual reporting fits well with our investment approach. We have a long-term horizon and will not recommend material changes to the portfolio composition from one month to the next. However, we would report more frequently if the portfolio changed quicker than expected.

We will not only share the performance figures but we will also assess and compare performance. On top of the 6% hurdle, we have decided to use the DAX - the German large cap index. But such a comparison is only sensible over a long period. We believe it is much more important, at least in the first months and years, to explain our investment theses and the evolution of the companies the TGV is invested in (hence, our second objective). It is of utmost importance to us that the investors understand why we recommend a company and how we assess its risk-return-profile. To track whether and how our different investment theses work out over time is much more meaningful than the performance against a benchmark over a short period.

Besides this, we love to explain the business model of companies we believe in and we hope that some of the investors share our entrepreneurial zeal. At the end, it all comes down to a performance figure. But in the meantime, the TGV invests in real companies full of people, ideas, hopes and products that try to be successful in a competitive market place.

2016 Performance Review

The fund was launched on 31 October 2016. The 2016 performance therefore only covers November and December 2016.

	TGV Rubicon Stockpicker Fund	Dax 30	(Delta)	Benchmark 6% p.a.	(Delta)
Since 31.10.2016	4,4%	7,7%	(-3,2%)	1,0%	(3,4%)

Who are the companies the TGV invested in so far? We are a stockpicker, i.e. we take a bottom-up approach seeking to identify attractive risk-return-opportunities. This is not easy in today's market environment. The bull market is now in its eighth year driven by quantitative easing of the leading central banks. Our focus area, European small & midcaps, continue to show strong inflows of money despite (or probably because of) record highs for the main indexes. Former bond investors are now also moving into stocks to protect themselves from potentially rising interest rates. This is clearly not the most favourable context for identifying undervalued assets.

The TGV should not invest to be invested. We seek to identify attractive risk-return-profiles. If we do not find such opportunities, we recommend to hold onto the cash, even if this is a psychologically challenging decision in rising capital markets. Against this background, we are more than happy that on 31 October 2016, the fund was already 55% invested in a total of 7 stocks. We are very confident in all these companies and we will explain the rational of our recommendation for three of the five top investments in more detail below.

List of the top 5 investments:

Rank	Name	ISIN	Weight
1	Eurotech S.P.A.	IT0003895668	17,9%
2	Max 21 AG	DE000A0D88T9	14,1%
3	Gruppo MutuiOnline	IT0004195308	11,6%
4	Songa Bulk AS	NO0010778095	5,4%
5	Invision AG	DE0005859698	3,7%

NAV on 31.12.2016	**104,41**
Number of investments	7
Weight of biggest investment	17,9%
Weight of top 5 investments	52,7%
Weight of cash	43,7%

Eurotech

Eurotech (the portfolio's largest investment) is an Italian provider of embedded computers. The company has around 330 employees and is global in nature with significant revenues not only in Europe but also in Japan and North America. At first glance, Eurotech does not look attractive. It has stable or decreasing revenues and a negative bottom-line. But it is worth scratching the surface: Eurotech's Japanese subsidiary Advanet is a highly attractive asset that we believe generates a material profit. Eurotech uses the profits of this cash cow for two loss-making businesses:

1) With HPC, Eurotech has a second business unit that develops super computers for universities and research institutes amongst others;
2) Eurotech has another business that it does not (yet) report on separately, i.e. Industrial Internet of Things (IIOT).

1) HPC: in itself a fascinating business at the forefront of computing, HPC has unfortunately not yet found its market. There are several reasons but at the end it costs the company probably EUR 1-2M per year. There are only two options for HPC: generate revenues or close down / sell the unit.

2) IIOT: while we expect that the HPC unit will stop losing money in the short to mid-term, we are much more positive about the IIOT unit. IOT, i.e. connecting machines and systematically mining their data, is an undisputable so-called 'megatrend' that will shape the years to come.

Eurotech started to invest the money from its Japanese cash cow many years ago in order to create an appealing IOT offering in the B2B space. What does this mean in practice? IOT means that objects, most notably machines (e.g. tractors, heating systems, pumps or jet engines) have a sensor that transmits information about the machines. This information is received by a Gateway which transmits the information to a cloud platform / data centre which can be leveraged by business applications. In this context, Eurotech not only offers the Gateway but also a proprietary software based Gateway Framework and a Cloud Platform. We believe it will not be long before a select number of IOT ecosystems will emerge as market standards. As noted by certain market research institutes, these ecosystems will connect up to 50 billion devices.

Obviously Eurotech is not the only player in this field. Many industry giants like Amazon, Microsoft or Bosch are already developing their own solutions, placing the comparatively small Eurotech in a challenger position. Nevertheless, Eurotech, who started its IOT development many years ago, has already successfully executed several projects and created a strong ecosystem with highly attractive partners. For example, Eurotech launched a promising open source strategy for IIOT with Red Hat. We are convinced that this cooperation in particular, as well as Eurotech's partnership with Hitachi, has great potential.

Our investment thesis can, hence, be summarized as follows: Eurotech's current market capitalisation roughly reflects the value of its Japanese subsidiary. The investor gets a highly attractive IIOT start-up for close to nothing. If even part of Eurotech's technology integrates with one of the big IOT ecosystems, it will unlock great value to investors.

Max21 AG

Max21 is a holding company with two relevant operating entities that need to be analysed and valued separately: the Binect GmbH and the KeyIdentity GmbH.

<u>Binect GmbH</u>

The Binect GmbH offers a digital posting solution for companies of all sizes. Specifically, it offers customers the ability to electronically send their letter post to Binect. Binect then prints the mail, stamps them and manages the delivery through Deutsche Post.

Customers not only experience process improvements but actually receive tangible cost savings thanks to the discount for large orders that Binect shares with its customers. Binect offers solutions for companies of all sizes and is the chosen technology provider for Deutsche Post's e-Post Business Box. However, we see the biggest potential in its proprietary solution for mid-sized customers with approximately 1000 letters per month. The Binect Cube is the perfect solution for these clients. It is plug & play and rapidly yields tangible benefits for customers.

Once in place, the Cube generates a constant revenue stream with attractive margins. If you consider the average life-time of a customer and compare it to the customer acquisition costs, you will find very attractive economics for Binect. Furthermore, we are not only talking about some niche markets. The addressable market is significant: every local government, every car dealer, every fitness centre. In short, every mid-sized company/institution is a target customer.

Max21 developed this technology years ago. But why do we only recommend the company today for an investment? A great company requires both top-notch technology and an effective organisation that can bring the product to market. On the latter aspect, Max21 performed a drastic transformation over recent months. Götz Mäuser, ex-chairman of ProSiebenSat.1 Media AG and a former Permira Partner, bought a material share of the company and took over as chairman of the board. The company is now focusing on sales as much as it used to focus on developing products and features – a much overdue shift in our opinion. The company changed the first and second tier management of its operating entities and hired top calibre people in order to focus the entire organisation on sales and execution. We like the new setup and mindset. Very frequently, success boils down to having the right management at the right time. We truly believe the new management can bring Max21 from district to premier league.

KeyIdentity GmbH

Whilst we believe Binect has a proven technology, a sizeable addressable market and first data points that underpin the growth potential, we see KeyIdentity as an early stage investment with enormous potential.

We believe companies will increasingly secure their workstations with 2-factor-authentification, i.e. users will need to enter their traditional password but also a number combination that they can access through an app, a text message or a hardware token. The rapidly rising number of ever more complex passwords in combination with rising cyber security concerns will increase this trend.

End users already have attractive cloud offerings from the likes of Google, Microsoft or Amazon. We believe these solutions have great potential. But companies are unlikely to adopt such end user solutions. For companies, there are only a limited number of solutions that cover their requirements. Additionally, these solutions are frequently closed proprietary systems with potential backdoors. Other providers used to focus on selling hardware tokens leading to a potential vendor lock-in.

KeyIdentity aims at aggressively entering this space. Its solution is simple, flexible and cheap. It has an open core strategy where users can verify the source code and ensure it has no backdoors. We believe KeyIdentity has the ideal solution for companies that require optimal security at low costs.

A strong team of experienced professionals is currently marketing the offering through a key account strategy. The company was able to secure some smaller accounts and recently won the German federal office for IT security (Bundesamt für Sicherheit in der Informationstechnik – BSI). But to breakeven, the company needs to win several large cap customers. If the company starts to win these kinds of customers, the growth potential is significant. Just imagine a large cap implementing the KeyIdentity solution across its entire organisation!

As a whole, we see tremendous value creation potential in Max21. In the unlikely event that KeyIdentidy went bankrupt, we still feel comfortable that the current market capitalisation is justified by the future growth potential of Binect alone.

Songa Bulk AS

Besides our daily work of analysing single stocks, we have been studying the shipping market for over two years. The ongoing slump in the shipping market is now – depending on the segment – in its eighth to ninth year with vessel valuations we have not seen for decades. Obviously, there are good reasons for the crisis, especially in the container and bulk segments. We are conscious about the complexities of the price mechanism in this very special market with its countless variables: the time gap of the order book if demand varies, distorted prices from the shipyards, the specific agenda of banks as major debt holders, the ship-owners escape forward, regulation and volatility of the scrap value to just name a few. And this list does not even consider the often erratic behaviour of demand.

Nevertheless, market mechanisms are strong. Over the long run investors need to earn the cost of capital. Hence, an investment at historical lows should represent an attractive opportunity.

Having said this, we believe it is paramount to not only identify the most favourable market segment but also an attractive investment vehicle. Listed shipping companies frequently have legacy issues, significant debt or governance problems, i.e. the interests of the management and the shareholders are not aligned.

Song Bulk AS is both a highly attractive investment vehicle and active in the Dry Bulk segment (the segment where we currently see most upside potential).

The Dry Bulk segment is in deep crisis. Chartering rates are so low that in 2016 rates were below operating costs for five months. The order book for new bulker is below 10% of the active fleet, i.e. at a 15-year low. Vessel prices on the secondary market are significantly below book value (e.g. for a 5-6 year old Kamsarmax, prices are at 40-60% of the book value). This is not sustainable. With these kinds of secondary prices, it simply does not make sense to order a new bulker. Without new orders, the market will sooner or later come back to equilibrium. We therefore believe it is a valid strategy to buy 5-6-year-old bulkers at currently distressed prices. If chartering rates recover, we can expect a handsome return.

What is important? Current chartering rates are not sustainable. Yes, but it is not clear when rates will actually recover. Some shipping companies will not live long enough to benefit from the recovery. They will go bankrupt beforehand. Hence, it is important not to be fragile, i.e. not to have leverage. This is exactly Songa Bulk’s strategy. Songa Bulk was launched at the end of last year with USD 70M and the objective to buy bulkers on the secondary market without leverage. Arne Blystad, a renown shipping investor, is behind Songa Bulk and provided USD 15M seed money. Operationally, the company is managed by Hermann Billung (ex-CEO Golden Ocean) and Kristian Aamlid, a person close to Mr. Blystad. Both have incentives that are closely aligned with shareholders, i.e. the management can buy up to 7,5% of the company at IPO price if the stock price raises by 75%.

We see Songa Bulk AS as the perfect shipping investment. It aims at a mid-term recovery of the bulker market, has no leverage, no legacy issues and an experienced management whose interests are fully aligned with those of the shareholders.

A look into 2017

As mentioned before, we are extremely happy with the current portfolio. 2017 will be an interesting year for all portfolio companies and we look confidently into the future. At the same time we are conscious about the challenging macroeconomic environment: Brexit, elections in Germany, France and Italy, Trump and the situation in Turkey to just name a few. Nevertheless, we are convinced that we will identify further attractive investment opportunities, thus recommending a gradual decrease of the cash position. We will not compromise on the investment criteria – we will only recommend companies with highly attractive risk return profiles.

Also against the background of the above macroeconomic challenges, we will not restrict our research approach. Aiming for long-term wealth creation we will – as with Songa Bulk AS – also consider investment opportunities beyond the Euro area.

Last but not least, we want to take the opportunity to invite all the investors of the TGV Rubicon Stockpicker Funds to the investor day of "Investmentaktiengesellschaft für langfristige Investoren TGV" in Bonn, Germany. You will receive a separate invitation in the upcoming months. You are more than welcome to bring along your families in order to meet the team from Bonn in person as well as the sub-advisors of the different TGVs.

Thank you for the confidence and trust you place in us.

Lars Ahns

Lars.Ahns@Rubicon-Equities.com

Thorsten Ahns

Thorsten.Ahns@Rubicon-Equities.com