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 first half of 2018 written by our sub-advisor Rubicon Equities GmbH.

Yours sincerely

Investmentaktiengesellschaft für langfristige Investoren TGV

2018 Half Year Report of the Sub-Advisor

Dear Co-Investors,

The portfolio of the TGV Rubicon Stockpicker Funds is composed of nine investments. The cash position as of 30/06/2018 was 1%.

List of the top 5 :

Rank	Name	ISIN	Weight
1	Invision AG	DE0005859698	21,5%
2	Amaysim Australia LTD	AU000000AYS5	16,1%
3	Now Inc	US67011P1003	13,8%
4	Gruppo MutuiOnline	IT0004195308	13,6%
5	Max 21 AG	DE000A0D88T9	12,9%

NAV on 30/06/2018	**115,36**
Number of Investments	9
Weight of biggest Investment	21,5%
Weight of top 5 Investments	78,0%
Weight of Cash	1,0%

Performance overview

Since its launch in October 2016 up until 30/06/2018, the fund returned 15.4% - very much in line with the performance of the Dax 30, the German Large Cap Index.

	TGV Rubicon Stockpicker Fund	Dax 30	(Delta)	Benchmark 6% p.a.	(Delta)
Since 31.10.2016	15,4%	15,5%	-0,1%	10,2%	5,2%
2016 since launch	4,4%	7,7%	-3,3%	1,0%	3,4%
H1 2017	-2,9%	7,4%	-10,2%	3,0%	-5,8%
H2 2017	4,1%	4,8%	-0,7%	3,0%	1,2%
H1 2018	9,3%	-4,7%	14,0%	3,0%	6,3%

For H1 2018 the TGV had a positive performance of +9.3%. With a negative performance of the Dax 30 over the same period, the outperformance for H1 2018 was 14%. In previous reporting periods, we did not overstate the importance of the TGV’s underperformance, and we should consequently not overestimate the current overperformance.

Having said this, the portfolio evolution shows that the highly concentrated portfolio of the TGV is not necessarily correlated with the overall stock market performance, and is highly dependent on the company-specific volatility of the underlying.

As mentioned in the investment principles, we believe it will take several years to confirm whether or not our investment recommendations systematically outperform over an entire investment cycle. We are deeply convinced by our strategy and approach but the proof will only come in several years. We therefore attribute limited value to the semi-annual performance comparison to the Dax 30, and we prefer to focus our energy on the search for investment opportunities with highly attractive risk-return profiles.

Evolution of the TGV portfolio and the portfolio companies

Sale of maritime assets

The biggest change to the TGV portfolio was certainly the sale of the maritime assets. The sale was not an easy decision as after many years of study we have come to appreciate this special and highly volatile investment segment.

The trigger point for the sale was the acquisition at a small premium by Star Bulk Carrier Corp. of Songa Bulk AS, one of the higher-weighted TGV investments. The TGV could have just exchanged its Songa Bulk position into Star Bulk with no relevant impact on its exposure to the dry bulk market. Instead, we recommended not only the sale of the Songa Bulk position but also of the much smaller Eagle Bulk Inc. investment. Why?

To be clear, we still believe both companies are interesting investment opportunities. We based our recommendation on two aspects:

On the one hand, we expected market participants to be extremely prudent with new orders based on the disastrous experience of the recent past – we just want to remind readers of the near bankruptcy of HSH-Nordbank (at the time one of the biggest shipping financiers in the world) and the spectacular bankruptcy of Korean Hanjin Shipping.

After a timid start into the new cycle, new orders recently picked up again, mainly driven by Asian financiers offering surprisingly attractive conditions. We are still far away from the exaggerations of earlier cycles. But the new orders are making the industry more vulnerable in case of an economic downturn – and after experiencing nine years of economic growth, we believe such a downturn is not all too unlikely. At the same time, the new orders also reduce the upside potential in case of continued growth. As a result, we see a deterioration of the risk-return profile in bulk shipping.

This in itself would not have warranted a complete sale of the position. This second aspect was more critical: We always compare any investment at any given time with alternative investment opportunities. Currently, and as usual from an ex-ante perspective, we believe to have identified a much more attractive risk-return profile.

One interesting aspect in shipping is its cyclical nature that provides us with an opportunity to buy assets at rock bottom prices during a downturn with a perspective of a normalised (or even exaggerated) pricing in the next upswing. This can provide very attractive returns but it is also a one-off effect. We believe it is much more attractive to buy a reasonably priced growth company that has the potential to continuously increase its top- and bottom-line over decades to come. We view InVision AG (the company we already presented in our last letter) as such a growth company with a very attractive entry price today.

The recommendation to sell the maritime assets is, thus, a combination of a deteriorating risk-return profile in the dry bulk market and the emergence of highly attractive investment alternatives elsewhere, most notably InVision.

Increasing confidence in InVision AG

We have already presented InVision in depth in our last letter. We therefore only want to reiterate our core investment thesis that we feel increasingly comfortable about.

From our point of view, Injixo (Workforce Management) and TheCallCenterSchool (TCCS - E-Learning for Call Centers) are two highly scalable cloud-based products that exhibit many characteristics of a truly disruptive technology.

Unfortunately, in today's environment nearly each innovation is (too) quickly labelled as disruptive. When we speak of a disruptive technology, we think about the definition introduced by *Clayton Christensen* in his great book *The Innovator´s Dilemma*. Christensen defines a disruptive technology as one whose innovation path is much steeper than the path of traditional technology paired with a structural advantage in its cost structure.

An example: At the beginning of digital photography, digital cameras with around 0.1 megapixels were clearly less performing than their traditional competitors. Sales were low and they were only interesting for very tech-affine customers. But just comparing as-is features and capabilities would have been misleading with regards to their future potential. It would have been much more relevant to look at their respective innovation path. Thanks to the innovative power of the semiconductor industry, digital cameras quickly improved to 10 megapixels whilst the traditional competitors only showed incremental improvements. As a result, customers quickly moved to the digital incumbent and the traditional champions were quickly left behind. We learn: As soon as the new technology is able to cover certain client needs, the buying decision from customers turns quickly in favour of the disruptive technology.

We see an analogy with today's positioning of InVision. Injixo (and TCCS) have the objective to cover diverse customer needs with a cloud solution, all without a costly and time-consuming need for customisation of an on-premise software. This is a highly ambitious task. As of today, customers use traditional software that can be tailored to their specific needs, and requires the implementation support of a professional services team together with the client for weeks or sometimes even months. This approach is obviously more burdensome than a simple plug-and-play solution but it ensures all customer needs are addressed properly.

InVision's cloud-based technology is constantly improving and will likely one day be able to address most customer requirements without need for on-site customisation and at a much lower cost. On top, the cloud infrastructure thanks to its massive computation power will soon enable very attractive additional features, adding further value. As of today, we believe InVision can only address a limited number of customer requirements, esp. for smaller call centres. However, InVision has a very steep innovation path that will enable the company to grow quickly over the years to come.

We see an additional tailwind for InVision thanks to a general trend towards cloud technologies. As of today, only around 10-15% of worldwide contact centres are cloud based. It is highly likely that at one point in time most contact centres will be cloud based, and those cloud-based contact centres will find that InVision's cloud-based Workforce Management solution has many advantages to more traditional software solutions.

In a nutshell: InVision has a great technology, a very strong company culture and a top management with a current valuation that assumes only limited growth.

Additionally, we see a protection on the downside even in the event of an economic downturn since InVision has already today very stable and recurring revenues that more than cover the cost base. This is a perfect risk-return profile and we therefore recommended a very high weight in the TGV portfolio.

Further investment in Amaysim

Amaysim experienced over the recent month a steep increase in competition triggered by the entry of a fourth MNO later this year. As a result, Amaysim's market capitalisation more than halved. We did not expect such a deterioration of the competitive environment. At the same time, we believe the market clearly overreacted and that the extreme loss in value for Amaysim is not justified. Amaysim has a low cost base, a strong brand and a first-class IT infrastructure. This was confirmed again by the relatively solid performance of the recent months. On top, we expect high cross-selling synergies between mobile and energy that should start materialising in the months to come.

Against this background, we recommended a further investment in Amaysim at rock bottom prices. We will continue to monitor this position very closely, especially with respect to the development of its Energy business line.

Eurotech S.p.A.

While Amaysim experienced a strong stock price decline during the reporting period, Eurotech's stock price more than doubled. Eurotech's management tackled the issues highlighted in our last letter well and presented solid results. At the same time, IoT slowly starts to get the traction we were waiting for. This is a very positive development that the market is finally starting to realise and appreciate. We will continue to monitor the traction in IoT and still see a very attractive upward potential for the years to come.

Conclusion

We tried to be transparent on where and why we recommended changes to the TGV portfolio, and on how the TGV portfolio companies evolved during the reporting period.

We believe today's TGV portfolio is both robust and attractive in terms of future potential. Only the future will show whether our analyses and recommendations are correct. For us the current market environment and the TGV positioning are very exciting. We look forward to following the portfolio companies closely over the months and years to come.

Thank you very much for the trust you place in us!

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