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 2019 written by our sub-advisor Rubicon Equities GmbH.

Yours sincerely

Investmentaktiengesellschaft für langfristige Investoren TGV

Half-year report 2019 of the sub-advisor

Dear co-investors,

As usual, we would like to take stock at mid-year to review the evolution of the TGV Rubicon Stockpicker since the beginning of the year and provide our perspective on the current positioning of the TGV.

The TGV Rubicon Stockpicker funds is currently invested in 8 companies. The cash position as of 28/06/2019 was 3.5%.

List of the top 5 investments:

Rank	Name	ISIN	Weight
1	InVision AG	DE0005859698	22,3%
2	Eurotech	IT0003895668	20,1%
3	Gruppo MutuiOnline	IT0004195308	15,8%
4	La Française de l'Energie	FR0013030152	14,5%
5	Amaysim Australia LTD	AU000000AYS5	12,4%

NAV on 28/06/2019	**109,1**
Number of Investments	8
Weight of biggest Investment	22,3%
Weight of top 5 Investments	85,0%
Weight of Cash	3,5%

Performance overview

Since its launch in late October 2016 up until 28/06/2019 the fund returned 9.4%.[1] The German Large Cap Index (Dax 30) returned 16.3% 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%
H1 2019	5,1%	17,4%	-12,3%
total	9,4%	16,3%	-6,9%
per annum	3,4%	5,8%	-2,4%

For H1 2019 the TGV shows a performance of 5.1% compared to 17.4% for the Dax.

The performance of the TGV is below the performance of the DAX. At the same time, the volatility of the TGV seems low. This comes as a surprise and strikes us as rather random. The analysis of the different portfolio companies shows a very different and much more

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

dynamic perspective – both in a positive and in a negative sense.

On the positive side: Gruppo MutuiOnline has delivered a share price appreciation of +97%, Mediqon Group of +165%, La Française de l'Energie of 55%, and Eurotech has shown a considerable performance at +249%.

These beautiful successes are juxtaposed – on the negative side – to a -37% loss in value for Amaysim[2] and a very painful -70% loss for Max21. But equally, InVision has experienced a price reduction of currently -27%, impacting the TGV performance materially as it is still today the TGV's biggest position.

How do we interpret this interim result in hindsight, and what can be said about the TGV's current positioning in terms of its risk-return profile?

The development of Max21 is clearly disappointing. With this position, the TGV has suffered a permanent loss of value, a situation we try to avoid. Our initial investment thesis was based on 1) a solid business of digitizing traditional mail that slowly but surely picked up speed and 2) a cybersecurity business with a start-up character (a valuable option) that had a solid probability of scaling up. What has happened since the TGV investment? Unfortunately, the cybersecurity start-up had to be closed down without success. Customer demand was below expectations and the company did not have enough financial resources to keep up with the developments of stronger and better capitalized competitors.

At the same time, the mail business was not as mature as expected. We were particularly convinced by the product 'Binect-Cube'. The cube showcased highly attractive unit economics and once we saw purchase orders from many small and mid-sized companies, we recommended a high portfolio weight for the TGV. Unfortunately, we missed one important aspect. Many of the purchase orders never generated relevant recurring revenues. To over-simplify: The managing director bought the box, but office managers were slow to adjust and, instead, continued to go to the post office. Many boxes were never implemented.

As of today, Max21 refocused its mail business successfully on larger customers and exhibits again positive traction. Nevertheless, the Binect-Cube experience was costly and it will take time for Max21 to recover from it.

We do not see any permanent loss of value in the other positions with negative performance. In particular, we consider the share price reduction in InVision to reflect regular market volatility. In contrast, we continue to maintain our view that there is

[2] Amaysim was traded multiple times since the initial investment.

considerable upside potential that combined with the current portfolio weight should have a very positive impact on the TGV performance going forward.

Eurotech, on the positive side, has performed even better than anticipated. As a reminder, we saw the market value of Eurotech at the time of the investment justified almost solely by its Japanese subsidiary. On top of a rather stable business with embedded computers, we saw a lot of potential in the new business of Industrial Internet-Of-Things (IIoT). For a long time, Eurotech was the biggest position of the TGV with a total of 1,200,000 shares. But unfortunately, the TGV did not realize the full potential of Eurotech's tremendous performance over the past two years. In 2017 Eurotech faced several extremely weak and loss-making quarters. There was no good explanation for this and in order to protect the TGV we recommended to reduce the position to 550,000 shares.

Today, following the tremendous price appreciation, we know that the customer reluctance at that time was only a temporary dip that was not grasped even by management. In case such a situation arose again, would we reduce the risk? Probably yes. In this specific case and from an ex-post perspective, however, luck was not on our side.

Looking at the individual investments instead of the aggregate, it becomes obvious that the portfolio can be much more volatile and dynamic than it appears to be. The two extreme cases of Max21 on the one hand and Eurotech on the other hand demonstrate how things could have played out very differently.

Positioning of the TGV portfolio

So much for the past. What about the future prospects of the portfolio?

This question keeps us – as sub-advisor – awake day and night. Today, there is hardly any industry that does not face radical change. Retailers struggle to compete with Amazon, Zalando and the like; the automotive industry faces substantial headwinds that are not limited to the move from combustion to electrical engines; energy providers need to handle the move to renewable energies; marketing brands are slowly losing importance also in the face of new voice assistants ("Alexa, I need batteries / insurance"). At the same time, cloud technology, artificial intelligence and the Internet of Things are disrupting traditional business models. On top, there are political uncertainties such as the looming trade war between China and the US.

This challenging macroeconomic environment is likely to become even more dynamic in the years to come. Just a few weeks ago, for example, Facebook, in conjunction with other powerful players, announced the launch of its own cryptocurrency. The outcome of this experiment is, of course, still uncertain. In our perception, however, the number of such potentially transformative initiatives is increasing daily.

In this context, everybody is talking about technology companies on the Nasdaq that are driving a lot of the disruptive change to come. Of course, we also analyze these companies. Quite often, however, the valuations of these companies are so high that the risk for the investor stems less from the business model but rather from the valuation side. Valuations of 10 to 20 times sales are not unusual for technology companies these days.

Is the current TGV portfolio well positioned to not only navigate through this challenging environment but to also benefit from the opportunities the latter offers?

From our point of view, the TGV has strong companies and management teams in its portfolio. Eurotech and InVision cover the Internet of things and cloud computing area with highly attractive risk-return profiles. In Italy, a market with a comparatively low online penetration, the TGV is invested via Gruppo MutuiOnline in leading price comparison platforms. In addition, Gruppo MutuiOnline’s business process outsourcing division will be able to further bolster its competitive position thanks to continued investments in digitalization.

In Australia, Amaysim has a highly efficient software platform together with a modern contact center in Manila. This combination enables them to offer a compelling product compared to more traditional, shop-based telco and energy distributors. For this reason, the TGV participated in the recent capital increase of Amaysim. At a time when the entire industry is suffering from the current price war, the capital increase further strengthened Amaysim’s competitive position. It now possesses the resources required to aggressively invest in the acquisition of new customers and/or cheaply take over less capitalized competitors. This will certainly pay off in the next up cycle.

In France, the TGV contributes with its investment in La Française de l’Energie (LFDE) to the prevention of harmful greenhouse gases, and benefits from the production of green energy. On top, LFDE has significant and untapped resources of environmentally friendly natural gas which represents an excellent alternative to local coal or gas imports from abroad.

These examples are in our view highly attractive long-term investments and already represent 85% of the TGV portfolio. But even the smaller TGV investments are active in exciting markets with highly attractive products and solutions, such as the Mediqon Group with its data-driven software solution that aims at optimizing the healthcare sector.

Conclusion

In summary, we can see that as of today the very dynamic and volatile individual TGV positions balanced each other to an aggregate portfolio with limited volatility (and performance). This will likely change going forward and hopefully for the better.

In terms of portfolio recommendation, we do our best to avoid any further permanent loss in value, such as Max21. We aim at navigating the TGV portfolio through the macroeconomic uncertainties by recommending investments in exciting companies in future-proven markets with top-notch management teams at attractive valuations. We believe the TGV portfolio is currently very well positioned, and we hope that this will also be reflected in the TGV performance over the coming quarters.

As always, we would like to take this opportunity to express our sincere thanks for the trust placed in us.

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