

# 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 2021 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**

## 2021 half-year report of the sub-advisors

Dear Co-Investors,

As of 30/06/2021 the portfolio of the TGV Rubicon Stockpicker Fund comprised 12 positions and was almost fully invested.

### List of top 5 investments

Rank	Name	ISIN	% share	NAV as at 30/06/2021	232.77
1	InVision	DE0005859698	34.6%	Number of investments	12
2	Agfa-Gevaert	BE0003755692	18.2%	% share of biggest investment	34.6%
3	Gruppo MutuiOnline	IT0004195308	15.0%	% share of top 5 investments	86.9%
4	1&1	DE0005545503	9.6%	% share of cash	2.9%
5	MEDIQON Group	DE0006618309	9.5%		

### Performance Overview

Since inception in late October 2016, the fund has risen in total by 133.3% in value as at 30 June 2021.<sup>1</sup> The DAX has risen by 45.6% in 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%
2020	47.4%	3.6%	43.8%
H1 2021	20.9%	13.2%	7.7%
total	133.3%	45.6%	87.7%
per annum	19.9%	8.4%	11.5%

Since the beginning of the year, the value of the TGV portfolio has increased by 20.9%, compared to a 13.2% increase for the DAX.

### The capital markets in the summer of 2021

The first half of 2021 was still significantly affected both socially and economically by the course of the global Covid-19 pandemic. From a European perspective, we had to face further burdensome lockdowns that severely

<sup>1</sup> 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.

restricted social life. Every reader certainly has his very individual memories of this difficult time.

The capital markets clearly fared much better in the face of the global pandemic. Most stock market indices have exceeded pre-crisis levels and some such as the Nasdaq and the DAX are moving towards new all-time-highs. The bond market shows a similar situation. Even the former problem child Greece is now receiving interests from its creditors for short term bonds.

This extremely positive financial environment is based on the continued support measures from the central banks accompanied by the different fiscal stimulus packages from various governments. We had already expressed our support for these measures in our 2020 annual report since without these measures the pandemic would have been even more difficult for our global economy.

In our opinion, we are starting to gradually see the limits of this support, however. Some segments of the stock market show clear signs of euphoria that ultimately lead to sub-optimal allocation of capital. We dare to make some predictions: we will probably look back with disbelief on one or two of the various billion-dollar-SPAC-transactions. Also, a market capitalization of \$ 90 billion for a “fun-coin” like Dogecoin will probably cause us to frown with hindsight. Not to mention the trading strategies (gambling) of the countless "trading app owners". Clearly stock prices are at least in some segments of the market not aligned anymore with the operating business of the companies. Trading in these segments increasingly takes place on the basis of mass psychology aspects and momentum strategies. It is no wonder that in such an environment even companies with highly challenging business models can reach absurd valuations.

We are watching all this with amazement. However, we are very concerned about another potential consequence of this support - rising prices!

Talking to companies, we are increasingly being told of inflationary tendencies. A look at raw material prices, transportation costs or energy prices paints a clear picture. In some cases the price increases are huge. We see the same pattern when talking to local craftsmen and builders: wherever you look there are shortages, with the resulting increase in prices. Sometimes it is even difficult to obtain quotes.

On top of this, we are not yet sure of the full ramifications of the distortions caused by the Covid-19 restrictions. Let's look at just one of the many unknowns: overall the German economy had an extraordinarily high savings rate in 2020. How will this money be used when the pandemic is over?

Regarding inflation, currently the most widespread opinion among economists is that there will be a short-term spike that will level out after a few months.

That is indeed one possible outcome. However, we are not entirely convinced that it is the scenario that will materialize. Extensive research in the container shipping sector also reinforces our view that the high prices in this sector are likely to stay at least for several months due to capacity constraints.

If, contrary to the prevailing opinion, this short-term spike in inflation turns out to be more permanent and spreads to wages, in our opinion the situation will become difficult. Central banks would either have to intervene and put on the brakes, or they would risk a widespread overshooting of asset and goods prices. In both cases there would be turbulence in the capital markets. As a reminder, at the end of June, for example, the European Commission placed a 30-year bond with an interest rate of 0.73%. If long-term interest rates were to change, the impact on prices would be more than significant.

### **Changes in the portfolio**

Against the macro-economic background described above, we still feel very comfortable with the TGV portfolio. The valuation of e.g. InVision AG is, as we will explain further below, significantly influenced by company-specific factors and much less by the macro environment. In the case of Agfa-Gevaert, we consider its enormous substance provides strong protection against risks. It is only with new investment recommendations that we find it much more difficult. Accordingly, there were few transactions in the half-year.

The business of the Australian company Amaysim Australia Ltd was acquired by the network partner SingTel Optus and we recommended in the course of the transaction the complete disposal of the position. A large portion of the proceeds was invested in MediQon Group AG. The company defines itself as a capital allocator who systematically tries to identify investment opportunities in smaller private, i.e. non-listed, companies. After extensive personnel and structural preparatory work, the company launched a major capital increase in Q1 2021. We recommended participating in this capital increase.

On a smaller scale, the pleasing performance of Gruppo MutuiOnline (MOL) against the backdrop of the fantastic Q1 results was used to reduce the participation. However, we do not want this recommended sale to be understood as a more negative view on the company. We still consider MOL to be a fantastic company and a core component of the TGV portfolio!

The great uncertainty with regard to interest rates naturally leads us to think about potential hedging strategies. However, every strategy also entails costs and in some cases considerable disadvantages and risks. Unfortunately, we have not yet been 100% convinced by any hedging strategy. In addition, we generally feel much more comfortable identifying attractive companies rather than recommending macro-driven derivative positions. However, we still recommended a small position with short factor certificates on the Bund Future. We do not currently believe this should become a larger part of the TGV portfolio, though.

Last but not least we want to mention a small TGV investment in 123fahrschule SE. In recent years, the small company has created an interesting software platform that digitizes much of the administration, training and customer communication of a typical driving school. Now the company wants to use this platform and start a consolidation of the extremely fragmented driving school industry. We continue to follow the development of the company with interest.

## **News from the TGV portfolio**

### *InVision AG*

Without any doubt, InVision, which continues to be by far the largest investment, made the most remarkable announcement of all TGV portfolio companies. As part of the 2020 annual report, InVision announced for the first time a medium-term forecast for 2025. And this forecast is highly ambitious: The company plans massive growth of on average more than 30% per year within the next 5 years. As a result, sales are expected to rise to over EUR 50 million. In the course of this, the number of employees will grow from originally around 130 by an additional 400!

Surprisingly, the capital market reacted to this announcement with complete disinterest. On the day of the announcement, not a single share was traded! We, on the other hand, have been eagerly awaiting such an announcement for many quarters. Why?

In a considerable effort over many years, the company has been replacing the existing on-premise software very consistently with state-of-the-art native cloud technology. A difficult undertaking! For a long time, the "new" was inferior to the "old". The existing customers, usually traditional large corporations, did not want to switch to the cloud and some were lost. New customers, on the other hand, faced onboarding problems. Instead of revenue growth, the company had to focus on software development to improve the platform.

The focus on software development over revenue growth seems to be over. In our view, the communicated growth plan indicates that the cloud platform is now sufficiently mature. We also note with great interest that even the aforementioned traditional large German corporations are currently increasingly looking for a way to the cloud. In sum, we consider it very plausible that the company will soon be experiencing significant growth spurts. We see the migration of existing customers to the cloud, the acquisition of new larger customers through Injixo-Advanced, as well as addressing the long tail with the highly automated standard solution Injixo-Essential. We are confident that in the end, the hard work and foresight of the management will be adequately rewarded. We see the latest announcement just as a starting point. The seeds are planted and the organization is in place! Now the fruits of the company transformation are being harvested.

## **Conclusion**

The current capital market environment is certainly challenging for value investors like us. The interest rate policy of the central banks has stimulated the stock markets and raised asset prices across the board. Some observers may already recognize signs of euphoria when it comes to SPACS or IPO prices. Fueled by the gamification of the stock market through trading apps, it seems like select stocks became victims of a pure speculation frenzy.

However, historical safe havens such as bonds, real estate or stable and low-risk business models are

unfortunately not an attractive alternative at the moment. Their interest rate risk is significant.

We therefore continue to focus on the specific risk-reward profiles of individual companies. If these are not attractive, we prefer to remain passive rather than compromise on the valuation. In our view, new ideas are few and far between in the current environment.

Consequently, our recommendation of concentrating the TGV portfolio on its "flagship investments" Agfa-Gevaert and InVision has not changed. We described the enormous substance of Agfa-Gevaert together with the hope of value creating corporate action in our last investor letter. We hopefully clarified why we see significant opportunities at InVision in this letter. But even beyond the "flagships" we see great companies in the TGV portfolio!

All in all, we are looking forward to the future full of confidence (although with a good portion of respect)!

Thank you for your trust!



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