# Annual Report 2024 of the Sub-Advisor

Dear Co-Investors,

The Rubicon Stockpicker Fund is currently invested in 20 companies and, as at 31/12/2024, was practically fully invested with a cash position of 2.9%.

### List of the top 5 investments

| Name | ISIN | Weight |
|---|---|---|
| United Internet | DE0005089031 | 19,9% |
| Maisons du Monde | FR0013153541 | 15,2% |
| Jost Werke | DE000JST4000 | 8,3% |
| SMCP | FR0013214145 | 7,2% |
| hGears | DE000A3CMGN3 | 6,3% |

| | |
|---|---|
| **NAV on 31/12/2024** | **226,53** |
| Number of Investments | 20 |
| Weight of biggest Investment | 19,9% |
| Weight of top 5 Investments | 56,9% |
| Weight of Cash | 2,9% |

### Performance overview

Since the fund was launched in October 2016, its total cumulative gain as of 31/12/2024 is 127.1%[1]. The Dax has gained 86.7% 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% |
| 2021 | 26,4% | 15,8% | 10,6% |
| 2022 | -24,0% | -12,4% | -11,6% |
| 2023 | 39,4% | 20,3% | 19,1% |
| 2024 | -12,2% | 18,9% | -31,1% |
| | | | |
| total | 127,1% | 86,7% | 40,4% |
| per annum | 10,6% | 7,9% | 2,6% |

With a drop in value of 12.2%, the fund’s performance was less than convincing in 2024, particularly in light of the performance of the German Large Cap index (DAX), which ended the year with a strong increase 18.9%.

1 Since the 2018 annual report, the performance of the Rubicon Stockpicker Fund has been calculated using the BVI method. The differences in percentage return and NAV change can be explained by tax related payouts.

**Performance in the financial year – putting it into perspective**

It's blatantly obvious that nothing annoys us more than poor performance! Permanent losses in value are a particular burden for us and are not easy to digest. In this context, we should certainly consider underperforming by some 30% compared to the Dax (and the huge gap compared with the major US indices) as a massive emotional burden on our day-to-day activities.

In fact, though, we are observing the price appreciations of the major (US) indices with interest, but with limited emotion. We are happy to continue working on the portfolio. We have been thinking about this emotional disconnect for some time. Ultimately, the reason is most likely that we have very consciously taken the risk of a (temporarily) significant underperformance.

In view of the current market situation, a well-known quote from Warren Buffett comes to mind: "In the short run, the market is a voting machine but in the long run, it is a weighing machine." In other words, "In the short term, investor sentiment prevails, while fundamental factors are decisive in the long term."

We already touched on the changing market dynamics in our last half-year investor letter. The steadily increasing use of ETFs and standardisation in asset management means that money flows have been changing for several years now. Large liquid assets are benefiting from ETF inflows, active funds are shrinking and buyers of small illiquid stocks are steadily dwindling. This effect is flanked by the consequences of increasing regulation. Many mutual funds are already shying away from investing in smaller securities for pure technical and regulatory reasons. The daily trading volume in the S-Dax, for example, often breaches important regulatory liquidity limits. In many cases, genuine small to micro caps are becoming more and more uninvestable.

The already well-documented direction of travel is clear: Money is flowing into large liquid assets primarily from the US and flowing out of smaller, more illiquid (European) stocks. Compared to the USA, the perception of German or French SMEs is also overshadowed by the current political uncertainties in these countries.

As convinced "contrarians", we were already searching for opportunities at the half-year stage on the opposite side of liquid, large, US. We had already built-up initial positions in Europe, small and illiquid. With the election of Donald Trump as US president, the momentum outlined above has further accelerated. Major US trend stocks such as Tesla literally took off. With the prospect of further tariffs combined with high energy prices, German SMEs almost became a no-go area from a global investors' perspective.

We are always very wary of such clear sentiment-driven market positioning!

We are, of course, taking very close note of sentiment and money flows. The changed market structure must be taken into consideration and we are also observing an influence on our investment strategy. However, our strategy is explicitly not based on the timing of sentiment or of any flows. We look at valuations and recommend a purchase as soon as the price is right, i.e. where the margin of safety appears sufficiently high. We are convinced that the rules of company valuation apply in the long term and will continue to apply in the current environment. The above mentioned "weighing machine" (in the long term)! If you manage to buy future cash flows at favourable prices, you will always be rewarded in the long run. Even if sentiment goes against you. A classic entrepreneur with an unlisted company will certainly know what we are talking about.

With this mindset, we are looking for additional opportunities in the currently maligned German/French SME sector – and are increasingly finding them there.

Of course, all that glitters is not always gold and the current economic problems in Germany and France are obviously impacting in the local companies. However, looking at the 3-year chart, valuation levels have fallen by 70%, 80% or more than 90% in some cases. At these levels, the risk-reward profiles of some companies appear extremely attractive to us, despite of all the justified concerns, and we have recommended building up significant positions.

**Transactions in the portfolio**

Bearing this logic in mind, we have recommended the sale of stocks that were able to escape the negative spiral outlined above. Examples include Chapters Group AG and Hostelworld. Larger stocks such as BioNTech and Lanxess AG were also sold and our holding in SMCP was reduced when prices rose. In return, the fund has increasingly positioned itself on the opposite side of the "Trump trade" as share prices in this subsegment have continued to fall.

First and foremost, existing positions, among others in United Internet, Maisons du Monde, hGears, 1&1, Aumann and Exasol were increased. The fund also built up a starting position in the industrial holding company Gesco. Last but not least, the fund had the opportunity of acquiring a stake in Viscom SE, a small yet sophisticated machine builder, from a large institutional investor at a rock-bottom price.

We would like to emphasise 2 cases where the fund increased its holdings:

*Jost Werke SE*

We had already recommended an initial position in Jost Werke SE at the half-year stage. Following several further investments, the stock became the third largest in the portfolio at the turn of the year.

Jost Werke SE is a leading global manufacturer and supplier of safety-relevant systems for the commercial vehicle industry. The company’s 4,500 employees produce among others fifth wheel couplings, semi-trailer landing gear and axle mounts.

An obviously cyclical industrial stock, the company’s shares are quickly sidelined. Wrongly so, in our opinion. The business model is asset-light and generates strong cash flows. Moreover, the company has adapted well to the structurally volatile market environment by implementing a production structure that is flexible to the maximum degree. Even in a somewhat more challenging year such as 2024, the company was able to smoothly manage sales fluctuations. Despite a decline in sales in the region of -15%, the EBIT margin is expected to remain solid at between 10-11%. Given its currently rather weaker earnings power, the EV/EBIT valuation is still in the region of 7.

We were also impressed by a recent acquisition made by the company. Hyva, a global leader in the hydraulic cylinder market, was acquired at the currently favourable valuations of such niche industrial players. In addition to a small dividend, the free cash flow is being put to highly attractive use. Who knows, perhaps the perception of Jost will also change as profitability increases. We are already half-jokingly talking internally about Jost Werke being a serial acquirer for niche industrial players!

*CompuGroup Medical SE & Co. KGaA*

The situation surrounding CompuGroup was somewhat different. Here, too, an initial small position existed as the company shocked markets once again with a profit warning in July.

The bare financial figures were one thing, but overall, the company was struggling with a widespread loss of confidence at the time. Starting with the controversial political activities of its founder and ranging from various press articles about the company’s culture and product deficiencies, through to the legal structure of the company as a “*Kommanditgesellschaft auf Aktien* – KGaA” with few rights for minority shareholders. From a peak of over EUR 80 per share in 2021, the value fell to below EUR 15 per share in the wake of the warning. A remarkable development for a software company with relatively stable sales.

We were, of course, not entirely impressed by this situation either. From our point of view, however, it was important to put this into perspective. With an EV/EBITDA multiple of just 7, once adjusted for capitalisations, the valuation was so low that we suspected a certain bottom. On the other hand, we have, on an almost daily basis, observed considerable interest in precisely this type of software assets from private equity investors. The transaction prices then reported were at a consistently and considerably higher level.

From our perspective, this once again presented an attractive opportunity to enter in a situation with high optionality and a presumed manageable risk. Even partial sales of peripheral activities at good prices, combined with share buybacks, would probably have led to attractive increases in the share price. As a result, a significant portfolio weighting of around 10% was recommended.

**Developments in the portfolio**

In fact, a large private equity company apparently succeeded in convincing the dominant owner family to enter into a value-enhancing transaction. Unfortunately, the choice fell in favour of what we consider to be the least attractive option from the minority shareholders' perspective: The family remains fully invested and uses the partner for a delisting purchase offer. In our view, the offer at EUR 22 per share does not even begin to reflect the fair value, thereby confirming the governance issues that were originally identified. Many institutional investors are forced to sell in the event of such a delisting, irrespective of the price. However, with a premium of 51% on the volume-weighted 3-month average share price and a premium of around 35% on the closing price before the announcement, the fund was still able to post a good overall return thanks to the favourable entry price.

**Summary**

Despite many international share indices exhibiting record highs, there is no sign of euphoria among the so-called European small caps. Quite the opposite! For various reasons outlined above, the segment is reviled by international equity investors and is suffering from outflows. This situation is causing us, as anti-cyclical investors, to sit up and listen and we are seeking out attractive risk/reward profiles, particularly in the German SME sector. We are increasingly finding what we are looking for there, in some cases at remarkably favourable valuations.

Beyond the typical equity investors, our impression seems to be shared. It seems that professional private equity funds are buying interesting companies on a weekly basis and delisting them from the stock exchange at attractive purchase price premiums. The fund has also already benefited from this development.

If the outlook for German and French SMEs brightens somewhat in the future, we expect to see significant share price gains for the fund's portfolio companies.

**Organisational matters**

In the meantime, every investor should have received a message from their bank about the successful "relocation" of the fund. We have now brought this chapter to a close. We hope the move was as uncomplicated as possible for you as an investor.

We cannot thank everyone involved behind the scenes enough. A fantastic job was done to ensure such a smooth transition. Thank you very much!

We would be delighted if you, as an investor, friend or companion of the fund, would also save the date 24 May 2025 in your diary.

Together with our colleagues from the former "other TGVs", we want to use this small watershed moment to strengthen the good things and preserve fine traditions.

And we certainly consider the annual investors' meeting at Godesburg Castle in Bonn to be a fine tradition. We would be delighted to meet with you again this year when we can exchange ideas in our usual friendly atmosphere.

Thank you for your trust!

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