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Letter to Partners #13

Q3 2021 *(07/01/2021 - 09/30/2021)*

October 29th, 2021

Dear Partner,

In the third quarter of 2021, our fund returned -0.2%. The performance (net of fees) in the first nine months of 2021 amounts to **+31.6%**. The fund volume stands at EUR 27.8 million at the end of the quarter.

EUR 100.00 invested at the start of the fund in mid-2018 was worth EUR 172.48 at the end of the quarter. The **overall gain since inception is +72.5%** and the **compounded annual gain is +18.2%** (compared to +35.9% or +9.9% p.a. for our reference index).

Net performance figures (including distributions), after deducting all costs, the -S-, -R- and -I- tranches:

	-S- Tranche	**-R- Tranche**	**-I- Tranche**	**MSCI Europe S&M Cap**
2018	-2.9%*	-2.5%**	-	-17.2%*
2019	+10.3%	+9.2%	+8.3%***	+30.6%
2020	+22.3%	+20.9%	+21.3%	+5.8%
2021 9M	+31.6%	+30.7%	+31.2%	+18.8%
Since inception	**+72.5%**	**+68.5%**	**+72.3%**	**+35.9%***
Annualized return	**+18.2%**	**+18.5%**	**+21.9%**	**+9.9%***

* Since the -S- tranche was launched on July 2nd, 2018 until the end of 2018 (approx. 6 months). ** Since the -R- tranche was launched on September 7th, 2018 until the end of 2018 (approx. 4 months). *** Since the -I- tranche was launched on January 2nd, 2019 until the end of 2019.
Note: Due to the different starting times and fee structures, there may be deviations in the performance of the individual tranches.
Note: MSCI Europe Small & Micro Cap index; net-return (EUR).

All three tranches of our fund are currently open for investment:
The -S- tranche is closed to new investors. Existing investors can order additional fund units with a minimum investment of EUR 10,000. The -R- tranche can be invested in without a minimum investment amount. In the -I- tranche, the minimum investment amount for new investors is EUR 200,000. Existing investors in the -I- tranche can order additional fund shares without a minimum amount. You can find the respective tranche using the following **ISINs** as well as the links below for further information:

-S- Tranche: **DE000A2JF8Z7** -R- Tranche: **DE000A2JQHQ2** -I- Tranche: **DE000A2N8119**

Portfolio

Volex has been part of our portfolio since February 2020. The company led by Nathaniel Rothschild – he is also the largest shareholder – had developed into an "AIM favourite" among investors in the last few quarters. AIM is the entry-level segment of the London Stock Exchange on which numerous small- & micro-cap companies are listed. The global cable manufacturer based in the UK delivered a very solid annual result for 2020/21. Once the EBIT margin target of 10% had been achieved, we have seen the turnaround of the once unprofitable company as complete and our (initial) investment thesis as fulfilled. Beyond improving the profitability, it has developed into a leading manufacturer of charging cables for e-cars, among other things. Currently, Volex is focusing on the integration of one of its latest acquisitions, the Turkish cable producer DE-KA. Although these developments can be viewed as exciting, the significantly increased valuation presupposes an ambitious development in the medium term and, in our view, leads to the expectation of significantly lower future returns. Against this background, we exited the position with a remarkable profit (>175%) and allocated the funds elsewhere.

The Dutch IT services company **CTAC** is moving further from the sinking of the capital market into the limelight and might even be on its way of becoming a secret star in the Dutch stock market. Since we first analysed the company in depth, it has made very good progress. On the operational side – in particular since Pieter-Paul Saasen took over the CFO seat in September 2019 – the profitability has increased significantly. The strategy has also been streamlined. We like the continuing strong growth in the resourcing business with leading players such as ASML (semiconductor equipment systems) and see potential to further increase its consulting business in strongly growing areas (e.g. cloud solutions). At the company's first Capital Markets Day in June, CTAC's management presented the new strategic direction to a broader audience for the first time. Not least, acquisitions are part of the opportunity. In contrast to many competitors, CTAC is able, due to its relatively small size, to acquire small targets for which competition is more limited at attractive valuations (4-5x EBITDA) and can also in this way further increase its scale and capabilities. Beyond the operational developments, awareness for the stock amongst the investment community has increased notably through greater investor relations efforts (also driven by Pieter-Paul) as well as new broker coverage – ABN AMRO (a large Dutch bank) has initiated research coverage a few months ago.

French catamaran builder **Catana** recently released its full year sales figures. The company grew revenues by 22% to over EUR 100m. This growth comes one year after Catana impressively grew by 7% although operations were completely shut down for almost an entire quarter due to COVID closures.

Catana was originally perceived as a COVID loser due to its reliance on international travel which drives yacht charter sales. Contrary to this (short-term focused) opinion we were convinced of the longer-term opportunity in a structurally growing catamaran market, with a product that very well addresses the increasing trend of people looking for experiences. In a market which is largely dominated by a few players (in particular the French manufacturers Beneteau, Fountaine Pajot and Catana), we view Catana as the best-positioned company for the longer-term thanks to its higher exposure and focus on the faster growing cruising catamaran segment and its innovation capabilities. Beyond the promising long-term outlook, we viewed boating as a generally safe alternative during the pandemic, and with increasing signs of people having higher disposable income, we felt that Catana might be well-positioned even in the short-term. In this regard, we started buying our first shares in late 2020 for prices around EUR 2.30 per share.

One year later, the retail market has even more than made up for the weakness of the charter market. This also puts the company on a stronger and more diversified footing for the next years. We expect the underlying momentum to continue thanks to the resilience of the business model, the continued success of the Bali product line introduced in 2014, and strong retail demand coupled with a return of the charter market for cruising catamarans. Looking forward, Catana has a very positive order book that is over five times the size it was a year ago, at EUR 327m versus EUR 60m. This order book contains EUR 145m for the current financial year, EUR 142m for 2022/23, and EUR 40m for 2023/24. The order book provides a great outlook and the results have forced us to significantly update our financial forecasts, allowing us to stay positive on the remaining upside of the investment opportunity.

In the following section, we introduce to you our new team member Tristan Steenkamp and follow-up on our "Circle of Competence". Finally, we present a new portfolio position in more detail. As usual, you will find further information on our portfolio on the last pages.

We thank you very much for your trust and ongoing support. Please feel free to contact us with questions or comments.

Sincerely yours,

Daniel Gehlen *Marc-Lennart Bräutigam*

Expanding our team and circle of competence further

On October 1st, Tristan Steenkamp has joined our team as the fourth permanent member. We have known Tristan for many years as he studied together with Daniel and Kory at the London School of Economics (LSE). Over the years, we have regularly discussed various investing-related topics and Tristan has collaborated with us on multiple investment ideas. Without stirring up any hopes, our common investments often turned out to be amongst our most successful (including SAF Holland and Basic-Fit).

We are thrilled to have Tristan on board, not only for his character and humour but also because of his exceptional abilities and experiences. After completing his studies at LSE, Tristan has worked for Allianz Global Investors in London as an investment analyst focused on European equities for two years. Following this, he worked as a management consultant helping international corporations with strategic and financial topics at McKinsey & Company in Amsterdam for another two years. Most recently, Tristan worked for the multi-billion-dollar global hedge fund of Advent International ('Sunley House Capital') out of their London office. Tristan left this high-profile role in a much larger fund and joined our team because, in his own words, he is fully aligned with the fund's philosophy and strategy.

We are looking forward to continuing to search for investments in areas in which few professional investors can be active and which sometimes offer exceptional opportunities with this highly-motivated, aligned and passionate team. Beyond having a great time researching companies together, we are excited to further grow the fund in the coming months and years.

As mentioned above, Tristan is a great addition to our fund for many reasons but not least because he helps us expand our circle of competence. In our last letter, we wrote about how we are only looking to invest in companies and industries which we understand reasonably well. Tristan specifically helps us broaden our competence in selected areas of the technology space. In his previous role at Advent, he focused mostly on investing into software and fintech companies. Besides analysing public companies, his role also included (venture) investing in private start-ups, including some of the highest-profile start-ups in the world. As a result, he has built invaluable insights and we are keen to leverage his expertise and experience for our fund.

One could be forgiven for thinking that investing into this segment falls outside our fund's mandate and, these days, is reserved for US-focused growth funds. We don't agree, however. Europe has plenty of tech/software companies, particularly so in the small- and micro-cap space, and sometimes even at very reasonable and in rare cases at very attractive valuations. As many other investors, we like software companies for their obvious attractions such as sticky revenues and (often) very profitable business models (at least for those companies that succeed). Software companies often have high fixed costs but can benefit from low marginal production costs, allowing scaled vendors to achieve (very) high profit margins. Software also tends to enjoy high customer switching costs (particularly for B2B software) which, coupled with the transition from license sales to Software-as-a-Service (SaaS), means that revenues for software companies are increasingly predictable and stable. Lastly, and probably stating the obvious by now, software enjoys very strong secular growth tailwinds as more and more tasks are being automated through its use – as the famous venture investor Marc Andreessen once said: "software is eating the world".

We have a number of software companies on our watchlist, and one – Serviceware SE – already in our portfolio (which Tristan is currently helping us review). In summary, while Tristan will not exclusively focus on tech/software companies, he certainly expands our ability to successfully invest in this area and we are very excited about this.

Endor – the home of sim racing (update)
In February of this year, we have shared our thesis for the investment into the premium sim racing brand Endor (Fanatec). As we have expected, the demand for the products has remained strong and, in our view, there are strong signs for a structural shift which gives increasingly more attention to the sim racing space. However, the company's development has not been completely smooth until today.

Recently, Endor had to adjust its revenue and earnings guidance for the current financial year based on supply chain issues and is no longer targeting EUR 100m in revenue and guiding a lower EBIT. Companies around the world are facing issues with logistics, but Endor's problem is exasperated by the timing of upgrading their product lines. Just as they were about to shift their ecosystem of products to their new quick release hub system, the global supply chain had worsened substantially, leaving Endor without a large inventory of legacy products and having not yet received their new products.

That being said, an outsider might also suspect that the internal processes and the handling of the situation were not as good as they could have been. Endor has seen very strong growth in the past years – from just over EUR 10m revenues in 2016 to nearly EUR 100m revenues. We have always viewed it as one of the major risks that the company has to build new structures very quickly to handle such explosive growth.

There is however good news, as much of the sales are expected to shift into next year which is a year already anticipated to have further tailwinds from the release of Gran Turismo 7 – the racing game with the largest user base, who recently partnered with Endor (Fanatec). Furthermore, there are many exciting upcoming product releases, including the CSL DD which is almost universally thought of as a game-changer due to being the first product in the industry to provide Direct Drive force feedback at a mid- to entry-level price. We are closely monitoring the current supply chain issue but remain confident in the company's long-term prospects as we think the short-term logistics issue and the adjustment of internal processes will eventually be overshadowed by the long-term industry tailwinds and Fanatec's superior product development, as well as its ability to create enthusiasm among its fans.

More recently, Marc attended the ADAC SimRacing Expo at the Nurburgring in Germany. This provided the opportunity for valuable discussions with Fanatec employees and other sim racing enthusiasts at the stands. It was a fantastic opportunity to test and compare the products within Fanatec's range as well as with the competition. At the stand he started on the left with a basic Logitech G923 and moved on to the new Fanatec CSL DD (5Nm). Next was the Thrustmaster T-GT II and finally the Fanatec CSL DD with the brand-new Boost Kit 180 (8Nm) equipped with the beautiful McLaren wheel.

Image 1: Fanatec CSL Elite Wheel McLaren GT3 V2; Fanatec CSL DD Wheel Base. Source: Gehlen Bräutigam Capital.
Image 2: Fanatec CSL Elite Wheel McLaren GT3 V2 & others. Source: Gehlen Bräutigam Capital.

After that he moved on to the very high-end sims within Fanatec's range. The new Bentley and BMW GT wheels are actually being used in real world racing cars as you can see in the appendix of this document.

Finally, Marc tested the Formula1-licensed wheel and was again enthusiastic about the look and feel of the product. In November, we are meeting management at their headquarters in Landshut (Bavaria). Next to the strategic roadmap, we are looking forward to openly discuss the current challenges with them as well as some of the near- and longer-term opportunities.

Guillemot – keeping pace while flying high

During our initial research on Endor over a year ago we became familiar with **Guillemot**, who is a competitor in the sim racing space under the Thrustmaster brand. Guillemot was added to the portfolio in September after the results and share price have finally diverged enough to make it an opportunity we could not resist. Guillemot is a gaming hardware and accessories designer and manufacturer with a diversified product range from racing wheels and flight joysticks to controllers and DJ equipment.

In slight contrast to Endor (Fanatec), Guillemot (Thrustmaster) primarily caters to the lower and mid-market price range, although the two companies are increasingly overlapping. The main benefit of the lower end market is the larger market size, although there aren't necessarily more competitors and the barriers to enter are still high. Guillemot has many customers in this price range and is now increasingly trying to keep them in their ecosystem by providing higher end products. One way of doing this is by leveraging their key license with Ferrari - a recent example is the very positively reviewed Ferrari SF1000 wheel.

Image 3: Thrustmaster Formula Wheel Add-On Ferrari SF1000 Edition. Source: Thrustmaster (Instagram).

We think there is plenty of space in the growing sim racing market for multiple competitors, which is one reason we are happy to hold both Endor and Guillemot. The continued improvements in gaming technology and software mean that more and more sim racers require better hardware to maximize their experience and allow them to take advantage of the new realism. In addition to existing racers upgrading from a controller to a wheel, the market size also grows as existing users upgrade or buy more wheels to accommodate the variety of gameplay. Finally, beyond gaming itself, there are many potential users to be gained from the increasing popularity of racing, namely F1, which is most complimentary to sim racing. For example, F1's recent push into China and the US alone could have a huge impact on sim racing.

The sim flying space is also going through a similar shift as sim racing, which was propelled by lockdowns but has strong underlying drivers such as improving software and systems. Microsoft Flight Simulator has been a huge success and has driven Thrustmaster from relying mostly on combat joystick sales to now enjoying a greater share of revenue from civil aviation. Guillemot has historically enjoyed success thanks to a partnership with Airbus, and this autumn they will begin selling Boeing-licensed products that include their first yoke. Management expects sales from Boeing products to at least match the recent sales in Airbus products, providing a good outlook for years to come. Thrustmaster is the market leader in joysticks with 76% and 63% market share in the key markets, US and Europe, respectively, and covers both the professional and mass market.

In the DJ equipment segment (Hercules; ~5% of sales), Guillemot is in a turnaround phase and finally near breakeven with a clear path to profitability in the coming years. Management is intent on keeping this business unit and sees positive future revenue trends, and margins in line with what Thrustmaster achieves. Controllers make up a small portion of revenue, but sales will benefit for at least the next few years as the new generations of consoles continue to have high demand.

Thanks to these market drivers across products, we expect growth to continue as the market opportunity expands and new customers enter Guillemot's ecosystem. Not including market fluctuations, management expects average growth of 15-20% p.a. alone to be achieved by their own product development. We find this feasible and believe that management's adjustments in marketing and advertising should allow them to properly showcase their innovative products that have benefited from sustained investments in R&D. Additionally, Guillemot management provides a sense of stability with their historical involvement in gaming (via Ubisoft) and Guillemot Corporation's roots as a distributor. This has never been clearer as the company has been able to operate smoothly throughout the pandemic and supply chain constraints, showcasing a superior level of execution at a crucial point in time where huge market opportunities can be hindered by operational hiccups.

In 2020, the company nearly doubled sales to EUR 120m and earned EUR 19m in current operating income. In 2021, they expect to grow sales again by over 25% to over EUR 150m and achieve an operating income of EUR 25-30m. They have done an excellent job managing inventory levels and have been able to capture much of the market growth. We also expect that continued exciting product releases, further industry software developments driving a larger addressable market, and the company's level of operating leverage make for a bright future of increasing cash flows. They also have a very conservative balance sheet which helps limit the downside risk. With a firm value of EUR ~135m the shares are, in our opinion, just (way) too cheap.

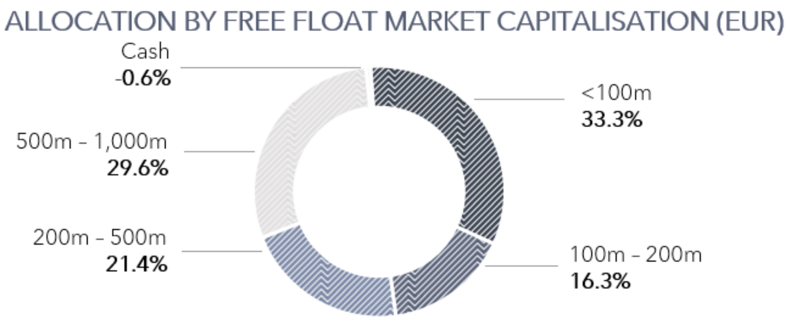
Portfolio overview

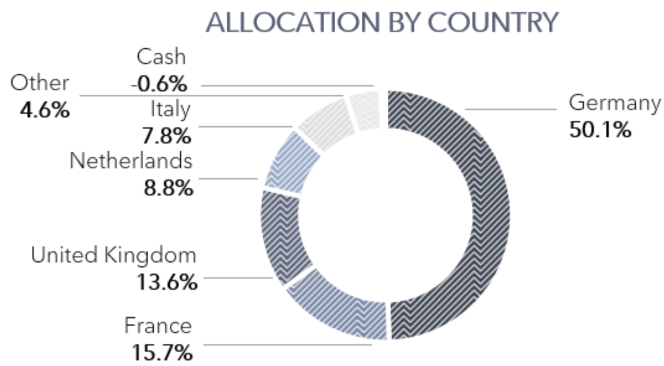
Top 10 positions with respective weightings as of September 30th, 2021:

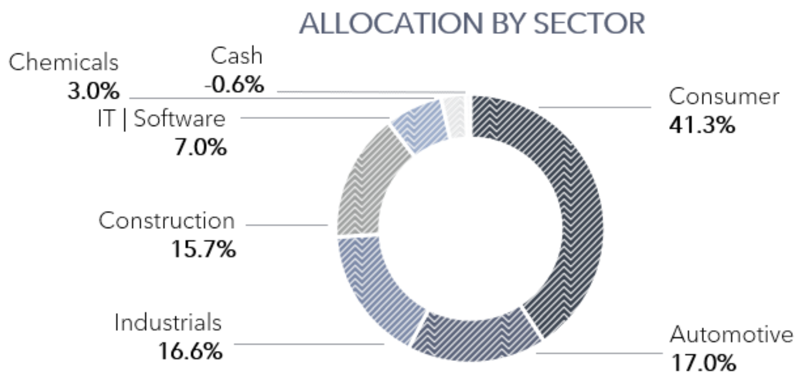
1	The Gym Group	8.9%	6	Naked Wines	4.7%
2	Muehlhan	8.1%	7	Catana	4.6%
3	Akwel	7.6%	8	Traumhaus	4.6%
4	Sto	7.5%	9	Ferronordic	4.6%
5	home24	5.6%	10	Sogefi	4.1%

Source: Gehlen Bräutigam Capital; HANSAINVEST.

Allocations as of September 30th, 2021:

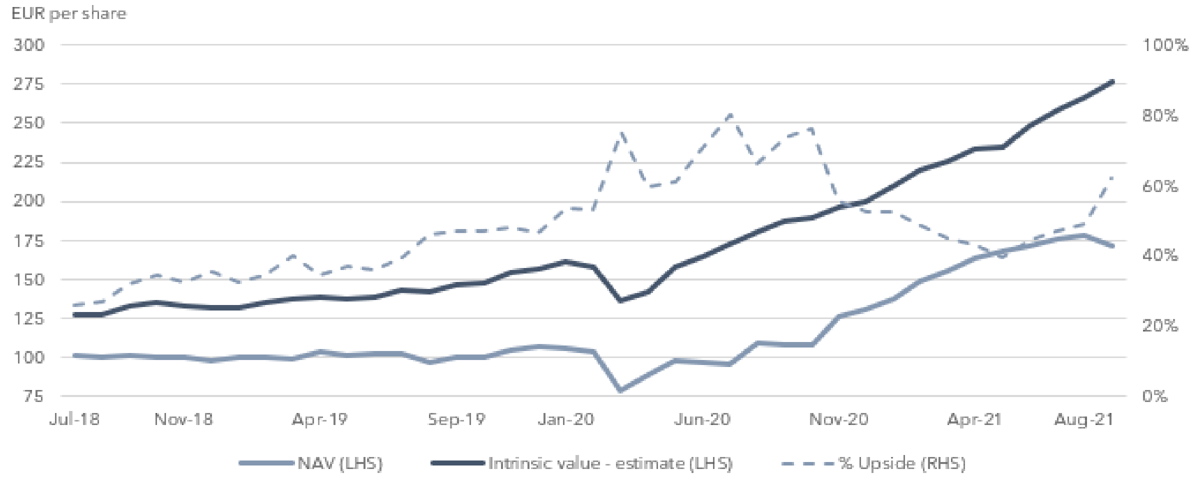






Source: Gehlen Bräutigam Capital; HANSAINVEST.

Development of the intrinsic value estimated by us in comparison to the development of the current price of a unit (NAV) since inception:



Source: Gehlen Bräutigam Capital; HANSAINVEST; as of September 30th, 2021.

Appendix:

Image 4: Fanatec Podium Racing Wheel F1. Source: Gehlen Bräutigam Capital.

Image 5: Fanatec Bentley GT3 Wheel. Source: Gehlen Bräutigam Capital.
Image 6: Fanatec Bentley GT3 Wheel in Bentley GT3 racing car. Source: Gehlen Bräutigam Capital.
Image 7: Fanatec branded Bentley GT3 racing car with Fanatec Bentley GT3 Wheel. Source: Gehlen Bräutigam Capital.

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