3th Letter to Investors

As of December 31, 2020

Siegsdorf, January 26th, 2021

Dear investor,

In 2020, WertArt Capital Fund's („the Fund") unit price rose by 18.0%. Below you can find the annual performance since inception in euros and compared to the MSCI World Index[1]:

Year	WertArt Capital Fonds	MSCI World Gross TR
2019 (since inception on March 11)	-5,8%	17,3%
2020	18,0%	5,9%
Annual return	6,0%	12,5%
Return since inception	11,2%	24,2%

The Fund held 30 positions at the end of the year. The average weight was 3.0%. The ten largest investments made up 43.7% of fund volume. 9.5% of fund volume was available as cash. 0.1% were invested in options.

[1] The performance calculation is based on the BVI method and takes into account annual distributions.

The following table shows the attribution analysis for 2020:

Westwing	+6,8%
Naked Wines (Majestic Wine)	+5,4%
Derivate	+3,4%
Flow Traders	+1,8%
Sprott Inc	+1,1%
Contribution to 2020 performance	
Gym Group	-1,2%
Equiniti	-1,6%
Frank's International	-1,8%
Tidewater	-1,8%
Costain	-1,9%

Westwing and **Naked Wines** made the biggest contribution to performance in 2020. Both companies profited from increased online penetration and the numbers they reported throughout the year confirmed that they have scalable and profitable business models.

I would also like to address the contribution of **derivatives** to fund performance. At the beginning of 2020, options were priced very cheaply because the implied volatility lingered at the lower historical average. The Fund therefore bought a small position in put options on the NASDAQ 100. The option price soared in March due to the stock market crash. Consequently, we generated liquidity, which we reinvested in long equity positions. We continue to invest only a very modest share of the fund capital in options.

Major detractors to fund performance were our energy stocks. The decrease in demand for crude oil and the further reduction in capital expenditures for fossil energy projects weighted on the prices of our holdings in **Tidewater and Frank's International**. You can find further information on these companies on page 3 of the letter.

Equiniti's business activity came under pressure due to the pandemic as corporate customers demanded less services. Equiniti supports listed companies, for instance dividend and share programs for employees and corporate actions. These high-margin services declined as they are not essential for customers. The sharp decline in US interest rates also led to a fall in interest income. In addition, Equiniti encumbered significant debt after an acquisition in the US. My original investment case was based on the assumption that the management could increase cross selling to customers. Along with the successful integration of the US business, the company would be able to gradually increase profitability. In hindsight, the company had to little financial leeway to avoid setbacks (e.g. due to Covid-19) on its way. Meanwhile, the company tries to sell non core assets and the management team has been renewed. From my point of view, it is currently not foreseeable what measures will still be necessary to stabilize the business. Therefore, I recommended the disposition of Equiniti shares in September. **Costain** (I provided my post mortem analysis in the 2nd letter on June 30th, 2020) and

Equiniti are the two major investment mistakes in 2020. It might be a coincidence that both oft them are headquatererd in Britain. What both companies have in common, however, is that their business model is less stable than I originally assumed at the time of investment. I have drawn my conclusions from these mistakes and included them in my investment process.

This year we've added a number of companies to the portfolio. In 2020, the extreme volatility provided a range of attractive opportunities to the Fund. Like last year, I would like to share with you the development of our companies on the following pages.

Naked Wines (YE weighting: 7.3%; contribution to performance in 2020: + 5.4%)

For Naked Wines (formerly Majestic Wine) the separation from stationary retail last year was perfect timing in hindsight. The company benefited greatly from the rise in e-commerce. Naked Wines „angel“ customers are mostly private individuals who appreciate crafted wine. Naked Wine's sales increased by 80% for the 6 month period March through September 2020. As the company has further increased its investment in customer acquisition during that period, it still shows a loss on the income statement. However, excluding new customer acquisition costs the company was able to increase its pre-tax profit from GBP 4.0 million to GBP 26.0 million compared to last year. This indicates that the model is working. Despite the sharp rise in the share price, the valuation at 1.8 times sales for the fiscal year 2020/2021 is moderate. Over the next few years, Naked Wines profitability should become more obvious leading to greater investor appreciation.

Westwing (5.8%; + 6.8%)

Westwing's share price rose 340% from the time of our investment in June 2020 until the end of the year. During this period management regularly increased its revenue targets for the full year. In addition, the scalability of the business model became clear to market participants. After investing in the business over the past few years, existing capacities could be fully utilized in 2020. In the third quarter, Westwing achieved an impressive EBITDA margin of 11%. Much of the growth can be ascribed to changes in consumer behavior due to the pandemic. Many people spent more money on their home and thus on Westwing's offers.

This year, sales growth will probably be significantly lower. I also expect that Westwing will invest more in sales and distribution in 2021, which might impact the short term profit expectations negatively. Over the long term however, I see Westwing in an excellent competitive position. Internet penetration in the furniture & home accessories sector is still relatively low in Western Europe. In addition, Westwing is gradually increasing the proportion of higher-margin private label products. Moreover, the Westwing club model increases customer loyalty. The marketing through social media and the focus on customer inspiration sharpens the differentiation from the competition. I see therefore plenty of growth potential for Westwing over the coming years.

Flow Traders (4.7%; + 1.8%)

I wrote about Flow Traders in my first investor letter:

“The company can realize higher profits when there is market volatility. The last time this was the case in 2018. Flow Traders is therefore also a hedge for the fund portfolio. As markets fall, volatility usually increases, resulting in additional profits for Flow Traders. "

As you know, 2020 was a very volatile year in the financial markets. Flow Trader's trading systems functioned well throughout the turbulences in March and April 2020. In the first nine months of 2020,

the company was able to increase its profit more than 8 times over the previous year. The management still owns a substantial stake in the company. Flow Traders distributes a large proportion of its profits to shareholders as dividends and opportunistically repurchases its shares. Flow Traders remains my first choice as a negatively correlated investment to the stock market.

Tidewater, Frank's International and Pason Systems (4.5%; -4.8%)

The Fund continues to hold positions in three oil service companies. As mentioned in the last letter the oil industry was already in a difficult environemnt pre-pandemic. This year's reduction in oil demand let to a sharp decrease in the stock prices of energy companies. A first recovery only occured with the vaccine notification from Biontech / Pfizer on November 9th.

Throughout the year, all three companies reported solid results despite the lower demand for oil. Although revenues fell between 25% and 35%, the companies were able to genertae positive free cash flow. Consequently, they were able to maintain balance sheet strength.

The fossil energy sector has almost disappeared from market participants‘ perception. From my perspective, crude oil should remain an important factor in our economic system for the foreseeable future. Our three companies offer a cheap opportunity to participate in an economic recovery in 2021.

Vossloh (4.3%; + 1.0%)

Over the last 24 months Vossloh sold the US customized modules or turnout systems business segment and sold the locomotives unit. The restructuring of the French customized modules business is still ongoing and there will be cash outflows of additional EUR 10 m to EUR 15 m over the next two years. From my perspective, chances are high that this concludes the strategic shift Vossloh started in 2014.

Today, Vossloh offers rail fastening systems for high speed trains, concrete / plastic ties, turnout systems, rail maintenance and stationary welding. Management is increasing efficiency, cross selling opportunities and vertical integration of these business units.

A new factory for fastening systems in Werdohl will be finished by mid 2021. By then, fastening systems for high speed trains will be produced automatically. In addition, they will manufacture additional components around the fastening systems by themselves rather than buying them from suppliers as was the case in the past. Together with a 50/50 JV partner in China, Vossloh is currently entering the fastening market for metro and conventional (non-high speed) trains. In addition, the joint venture partner gives Vossloh access to “clip” fastening systems technology – a technology that has so far been dominated by Vossloh’s competitor Pandrol.

In 2017, Vossloh acquired the North American concrete tie business. So far operations have lagged expectations as North American Class I railroad operators are holding back on investment. In addition, 90% of ties are still made of wood. Concrete has an advantage over wood but the implementation of a new material into the existing system takes time. In the meantime, Vossloh is rolling out plastic ties for the North American market that can be combined with wooden ties. Moreover, cross selling of concrete ties and fastening systems resulted in first time profitability of the fastening unit in North America in 2019. In 2018, Vossloh acquired concrete tie producer Austrak in Australia which is performing well and again offers market access for other Vossloh products (see fastening systems based on “clip” technology for example).

According to the company, rail maintenance offers the hightest growth potential of all units. The company owns an excellent market position in track grinding and milling. Vossloh offers their services

and also sells maintenance equipment. Vossloh is just in the process of going international by entering the US market this year and starting to sell maintenance equipment for the 30.000 km Chinese high speed rail network.

Vossloh offers a recurring revenue business model in an oligopolistic industry. Management targets a 10% EBIT margin and 4% revenue growth over the coming years. On this basis, Vossloh shares offer an attractive investment opportunity.

SOL (4.0%; + 1.1%)

Italian SOL is one of the companies that have steadily generated high return on investment over decades. Since the company is 60% family-owned and hardly interacting with investors, it receives little attention on the stock market. For us, this offered the opportunity to invest in a high-quality business at an affordable price in 2019.

SOL was able to continue the long-term positive development in the first half of 2020. Vivisol has now grown to become the dominant business segment at 62% of total sales. Vivisol supplies around 350,000 customers with medical equipment in 14 countries. Currently the company plays an important role in fighting the pandemic since Vivisol also supplies oxygen and ventilators. Demographics and the need to contain health care cost should however be the main growth factors over the long term.

Osisko Gold Royalties (3.8%; + 0.7%)

At the end of the year, Osisko spun off its mining business. Osisko has therefore become a pure play royalties business. Osisko participates in the financing of mining projects (mainly gold and silver). If the project can be successfully brought to production, Osisko will receive a part of annual production over the life of the mine. Currently, the company owns 15 royalty streams that are producing precious metals. More locations are expected to go into production over the next years, therefore increasing Osisko's income stream.

DeNA (3.7%; + 0.2%)

DeNa’s different ventures provide the Fund with great optionality. In 2020, this became evident due to the sudden and largely unexpected increase in profit contribution from the company’s live streaming segments. In China and Korea, this area of social media has been around for a long time represented by companies such as YY and HUYA. DeNA with its brand Pococha achieved great success in Japan in 2020. The number of monthly average users tripled compared to the previous year and sales doubled. At JPY 1.6 billion, Pococha provided 20% to the quarterly operating profit ending September.

A year ago, I reported to you that DeNA was heavily investing in the mobility business. In recent years, management allocated large amounts of capital to this venture which weighted on the company’s overall profitability. In 2020, DeNA merged its taxi app with the main competitor’s product. Together they set up an independent entity. With Toyota Motor and NTT Docomo two large Japanese companies recently joined the new formed entity called Mobility Technology.

In addition, the mobile gaming business seems to be doing better again. *Slam Dunk* is very successful in China and management decided to also launch the game in Europe, South America and Southeast Asia. The games launched in partnership with Nintendo are also showing an improved performance.

DeNA seems to be very well positioned operationally. In addition, the company’s net cash position in addition to its holdings in Nintendo and Cygames cover DeNA's entire market capitalization. The stock

market accordingly values DeNA's operating business at zero Japanese yen. The management and the supervisory board have already taken action as they recently repurchased 15% of shares outstanding.

eBay (3.6%; -0.1%)

eBay is expecting a revenue increase of 20% for 2020. Compared to other internet marketplaces like Etsy, Redbubble or Amazon, this growth rate appears low. The market therefore prices the company with a free cash flow rate of return of 8%[2]. For a capital light business this appears cheap in today's market environment.

The eBay model is widely considered to be outdated and growth has fallen behind the competition over the past decade. Can the company break this trend in the future? I believe chances are high for eBay to achieve that. After the disposition of the classifieds segment, eBay can focus on its core segment. Here the company occupies a range of lucrative niches, such as trading in used watches, sneakers, auto parts and refurbished electrical products. After the separation from Paypal, eBay now offers its customers an in-house payment service. This service should provide additional revenue streams in the future. Finally, like its competitors, eBay is benefiting from the rise in e-commerce penetration. As I expect the increase in goods sold on the internet to continue in the the coming years, eBay should benefit from the renewal of its business model and its existing market presence.

Software AG (3.3%; + 0.7%)

In 2020, management made good progress in the company's transformation. The realignment of the sales team in the US was completed and new orders from North America started to make a bigger contribution to total incoming orders. Also the new partner network with the likes of Microsoft, Adobe and AWS is bearing fruit. According to management, the network has already contributed to 27% of incoming orders in the first nine months of 2020.

Last year, however, the focus was mainly on transitioning from on-premise to software-as-a-service. Customers no longer pay the high purchase price when purchasing the software license, but rent the company's software for significantly smaller monthly amounts. For the next two years management expects lower revenues and profitability due to a shift in revenues and capital investment. From 2023 on, the positive effect of the transition should be noticeable in revenues and operating income. Software AG is valued at less than 3 times sales and 13 times the free cash flow based on 2019 numbers (before the start of the transition).

Uranium Participation (3.3%; + 0.9%)

Uranium Participation offers participation in the price of Uranium. In recent years, the major uranium producers, Cameco and Kazatomprom, gradually reduced their output. Due to the pandemic, Cameco had to close additional mining capacity.

Currently, mining companies and many utilities are in the process of renegotiating long term supply agreements for the coming years. These negotiations are likely to encounter a shortage of uranium.

The demand for uranium has stabilized after nuclear disaster in Japan in 2011. Germany is planning to phase out nuclear power completely in the next few years. At the same time, Japan is likely to increase

[2] Including the proceeds from the sale of the classifieds business to Adevinta. eBay receives after closing of transaction 540 mil. shares in Adevinta plus an after-tax inflow of USD 2.0 billion

nuclear energy production again[3]. France is the largest net exporter of electricity and the second largest producer of nuclear power in the world[4]. Probably because of its economic importance[5], the French President sees nuclear power as part to a solution towards a more sustainable energy supply[6]. The production of nuclear energy in France, as well as the world's largest producer, the US, is likely to remain stable over the next years. At the same time, the production of nuclear power is increasing in China and India[7]. It is difficult to predict when the price for uranium will rise. The chances that the price is higher in the medium term than today seems high given the current supply and demand situation.

Zardoya Otis (3.1%; + 0.2%)

Zardoya Otis is active in the manufacture and maintenance of passenger elevators. In its home market Spain, the company has almost 300,000 maintenance contracts in place. Spain has a high density of elevators, which makes maintenance work easier and leads to high returns on capital for the business. The majority of profit is generated by maintenance while selling elevators is mainly used for customer acquisition. Zardoya regularly acquires smaller maintenance service providers to consolidate its market position.

The American parent company Otis holds 50% of the shares in Zardoya. Both companies are closely connected. For example, Zardoya already uses Otis technology for remote maintenance of the elevators for around a third of the maintenance work. Otis itself was spun off from United Technologies in 2020. I believe Otis is considering a take out of the other shareholders given low financing costs and the relative attractive valuation of Zardoya shares.

During the pandemic the share price has come under pressure, offering the Fund a 5.5% free cash flow yield based on 2019 numbers. This is seems cheap as Zardoya has a mature portfolio of maintenance contracts that make up two thirds of sales. The operating margin is well above that of the competition. In addition, Zardoya pays out almost all of its profits to the shareholders and yields 4.5%.

The uncertainty comes from potentially falling maintenance prices. Over the last years, the average maintenance price per elevator and year fluctuated around EUR 1,800. This is already 30% below the level of the Spanish housing boom, which lasted until 2007. Before the Corona pandemic, prices were stabilizing. The investment in Zardoya is therefore also a bet on Spanish hotels reopening and workers returning to office buildings. At the same time, Otis will probably not let a good opportunity go to buy the remaining 50% owned by minorities. Therefore, I believe that the share price has some downside protection.

ConvaTec (3.1%; + 0.3%)

ConvaTec is a provider of medical products for the treatment of chronic diseases. This includes wound care, ostomy care, continence and infusion devices. ConvaTec has few competitors and occupies a leading position in all of its segments. The main competitor is the Danish company Coloplast. Entry barriers for new competitors are high. The products are highly regulated, sales representatives have built strong relationships to doctors and hospitals over the years. And patients do not like to change a

[3] https://oilprice.com/Alternative-Energy/Nuclear-Power/Will-Japan-Ever-Reboot-Its-Nuclear-Industry.html
[4] https://www.world-nuclear.org/information-library/country-profiles/countries-a-f/france.aspx
[5] https://www.world-nuclear-news.org/Articles/Macron-stresses-importance-of-nuclear-energy-for-F
[6] https://www.connexionfrance.com/French-news/Macron-Nuclear-energy-is-the-future-for-eco-friendly-France
[7] https://www.world-nuclear.org/information-library/country-profiles/others/asias-nuclear-energy-growth.aspx

product once they got used to it. The demand for ConvaTec's products is growing due to demographics, the increase in diseases like diabetes and increasing usage of health care in emerging countries.

Novo Holdings, which owns almost 20% of ConvaTec, has influenced decision making since the beginning of 2017. The holding company has extensive expertise in the medical field and is related to Novo Nordisk, a leading insulin manufacturer. With the help of Novo Holdings the management team was renewed and improvements in product development and cost structure initiated. At the end of 2019, Karim Bitar, the long-time CEO of Genus plc, an animal genetics company, became ConvaTec CEO. Karim Bitar is now refocusing ConvaTec on its core markets, introducing new products and thus enhancing profitability.

Should management succeed in increasing the operating margin over the next few years, I expect the stock to rerate.

BigBen Interactive (3.0%; + 1.0%)

In early 2020, BigBen spun off its video game division Nacon. Nacon produces AA video games with a budget of up to EUR 10 m. Nacon is also selling gaming equipment. Nacon plans to increase sales by 24% in the fiscal year ending March 2021 to EUR 170 m. Management targets an operating margin of 18% for the same period. Nacon's share price increased by 50% in 2020.

BigBen Interactive is still holding around 77% of Nacon. At the end of the year, BigBen‘s share price was still trading at a 15% discount to their Nacon holding. Apart from that, BigBen operates a segment that is selling accessories for smartphones and speakers. At the beginning of the pandemic, this segment came under pressure, but has recovered since. For this segment management is targeting an operating income of EUR 10 m over the mid-term. Nacon's profitable growth potential, the possible turn around of the smartphone business as well as the favorable valuation of the BigBen share price make the investment attractive.

Grenke (2.9%; -0.6%)

Grenke‘s share price was again highly volatile in the second half of the year. The reason for this was the publication of a short seller who accused Grenke of fraudulent behaviour. Short seller Viceroy released the report on Monday, 9/15/2020. In the course of the week, Grenke‘s share price lost up to 50%. From my point of view, the allegations were almost entirely false. In addition, I assume that the short seller wanted to upset shareholders by comparing Grenke to Wirecard. Like Wirecard, Grenke is also a German financial services provider. In addition, Grenke’s accounting is complex, which makes the company vulnerable.

Beyond that, however, I see no comparability. Grenke has a proven business model and, as far as I can see, a trustworthy and responsible management team.

However, the discussion about Grenke led to an important point. In my opinion, the criticism of the lack of disclosure related to the ownership of international entities is justified. Management has already announced that they will use a more transparent structure for international expansion in the future. From my point of view, Grenke has countered the attack desisively so far. I expect management will use the attack to provide more transparency in the future. This should rebuild trust in Grenke shares over the coming years.

Redbubble (2.8%; + 0.7%)

The Australian company sells bulk goods such as T-shirts, duvet covers, cell phone cases or posters over the internet. However, designers and artists make Redbubble's products special. Their images and designs are printed on the products in Redbubble's warehouse centers after the customers ordered them on Redbubble's webpage. The artists receive a share of the selling price in exchange for their design. For the artists, working with Redbubble is convenient, because they only have to upload their design to the Redbubble marketplace and receive a fee for every sale. Procurement, printing and delivery is organized by Redbubble. Customers can chose from the work of 800,0000 artists.

In the current fiscal year, Redbubble might reach an operating income of AUD 100 m. Based on a market capitalization of AUD 1.5 bn, this looks like an attraktive price for a three sided marketplace with established network effects.

Cogeco Communications (2.8%; + 0.1%)

The Canadian company offers its users access to the Internet via its cable network. Over the past decades, the company acquired several regional operators in Canada and the United States, realized cost savings and increased profitability - one of the highest in the industry.

At the same time, Cogeco Communications is investing in its existing infrastructure. 70% of connected households in Canada can already be supplied with up to 1 Gbit / s. Cogeco competes with Canadian telco Bell as well as a number of resellers. In the US, Cogeco primarily competes with companies that only offer DSL. Here, too, the company invests in its network and acquires cable operators from time to time.

The Audet family has controlled the company for over 60 years. The ownership structure is comparable to a number of Canadian companies. The Audet family controls the voting rights, but only owns a relatively small economic share in the company. Louis Audet, the longtime CEO, handed over to Phillipe Jette in 2018.

In September 2020, Cogeco received a takeover offer from Altice and Rogers, valuing the company at only 9 times EBITDA. Altice and Rogers tried to convince the Audet family, by offering CAD 800 m for their voting shares representing a premium to the last share price of over 100%. At the same time, other shareholders would have been left behind with an insignificant premium. The Audets clearly rejected the offer in a press release.

Management has increased dividends to its shareholders for years. The long-term strategy of regional takeovers has so far proven to be successful. At the same, the company carries a limited amount of debt. The company's price is cheap compared to comparable companies, which can be attributed to the control by Audet. From my point of view however, the family has kept minority interests in mind and the long term strategic orientation provides a competitive advantage.

Kirkland Lake Gold and Torex Gold (2.8%; + 0.5%)

Gold producers are usually a difficult investment. Uneconomic capital allocation decisions and rising cost bases during times of gold price appreciation destroyed large amounts of shareholder capital in the past.

Since the industry consolidation had started in 2012, new management teams with a focus on prudent capital allocation took the lead at many producers.

With Torex and Kirkland, we are holding a position in two producers with promising mines. Both of them were able to produce ample amounts of free cash flow in 2020 despite restrictions on production due to the pandemic. Cost control measures and a rising gold price helped to improve profitability. Both management teams invest cautiously in new projects and pay attention to the interests of shareholders. Should the gold price at least remain stable against the US dollar, I expect the two companies to continue to develop well.

Sprott Inc. (2.8%; + 1.1%)

The Canadian company fully meet my expectations in 2020. Supported by rising gold and silver prices, Sprott was able to increase assets under management by 82%. Sprott's share price also benefited from a secondary listing on the New York Stock Exchange. Due to the very good share price performance, we realized part of the profits during the year. Sprott's future development depends on the capital flows into the precious metals sector. So far, many institutional investors have a relatively low allocation to this sector. In addition, the number of competitors in this sector has been falling during the market shakeout from 2012 to 2018.

Datalogic (2.7%; + 0.1%)

The company headquartered in Bologna suffered from the expiry of some large projects and the consequences of COVID-19. Sales fell by 21% in the first nine months and the profit margin declined from 9.0% to 1.3%. The daughter of the company‘s founder, CEO Valentina Volta, continues to focus on the development of innovations in the field of automatic data acquisition and factory automation. A new set of mobile computers was introduced last year. Here, Datalogic wants to gain share from market leader Zebra. The pandemic made it difficult to introduce new products to clients. However, the share of new products as a percentage of sales increased compared to last year. Also, sales of mobile computers increased by 44%.

Datalogic's hardware helps their customers from retail, transport & logistics, industry and healthcare to make work processes more efficient. Datalogic should continue to benefit from the increase in automation and digitization. Consequently, I expect that stronger demand will return over the next two years and that Datalogic will set new all-time highs in sales and profits.

Fairfax Financial (2.4%; -0.5%)

After we sold our position in Fairfax in March 2020 (as described in the letter dated June 30, 2020), I recommended the fund to re-enter a position in November. The fund was able to buy its stake in Fairfax at 20% below the selling price in March.

There were two reasons for re-entering the investment. First, the CEO Prem Watsa bought shares worth USD 149 m in the open market from his personal wealth in June 2020. With the insider purchase he seems to underline his confidence in the future business development of Fairfax. In addition, with

the release of Q3 2020 numbers management indicated that the P&C insurance industry might enter a hard market after years of pricing pressure for insurance premiums.

Fairfax's investment division has proven to be problematic over the past 10 years. The Investment team invested in out of favor deep value equities. They also put in place hedges on the US equities market which turned out to be very costly for the company. The question is whether management has learned from these mistakes. According to management, this is the case and the investment process has already been adjusted. The current market price implies a lot of these uncertinties and provides substantial potential for a rerating. At the end of 2020, Fairfax shares traded at 0.7 times book value.

Tucows (2.4%; + 0.6%)

Tucow's management announced the transition to a mobile services enabler model from an MVNO model and the sale of the vast majority of the TING mobile customer base to DISH Networks. Tucows will no longer serve individual customers in the mobile segment, but provide its services to DISH Networks via their in-house developed service platform. Tucows will receive fees from DISH which will depend on the number of users that will use the DISH mobile network in the future. It is not clear yet whether DISH will be able to become an established service provider in the US.

For Tucows, however, the agreement does not increase the operational risk, but creates additional optionality. Tucows will receive down payments for the existing TING customer base over the next years. If DISH can successfuly enter the US market, Tucows will participate as DISH will grow its mobile business. And potentially, Tucows will bring additional providers onto the service platform in the future.

The demand for fast and reliable internet connections increased rapidly in 2020. Tucows' fiber business could hardly catch up with demand. Management is therefore accelerating the expansion of its network. According to management, they see a lot of influx of capital into US fibre. However, as management points out, it is not a lack of capital, but a lack of operational capabilities that provides the opportunity in US fibre. Therefore, investors pay very high prices for existing fiber-to-the-home networks. At the same time, Tucows can use ist existing resources and expertise to add new households at a substantial discount to market prices. Therefore, management is accelerating the expansion of the network in order to benefit from this divergence for as long as possible.

The Gym Group (2.3%; -1.2%)

The British gym operator had to temporarily close its locations due to COVID-19 several times in 2020. This weighted on the operational development of the company. The number of members fell from 796,000 to 639,000 over the period from end of 2019 to October 2020. The company responded by raising equity, which diluted our stake in the company by 20%.

For the following reasons we are nevertheless holding on to our investment.

The company continues to be the leading low cost gym operator in the UK. At GBP 18 per month customers have access to well equipped studios. Price awareness of potential customers should further increase and the value for money proposition GYM Group is offering seems very competitive.

In addition, for many people the gym visit should stay a regular habit due to social interaction, the motivation that stems from training with other members or just being away from home after the end of the pandemic. My research this year also suggests that the company has developed a relatively good service culture in comparison to competition.

In addition, the company now has a lot of room to negotiate with its landlords. The demand for retail space is decreasing due to e-comerce competition. At the same time, landlords value Gym Group as a solvent tenant.

Interactive Brokers (2.2%; + 0.5%)

Interactive Brokers is currently benefiting from increased trading activity and risk appetite of its customers. The company was able to improve its market position last year with the introduction of new products. However, lower interest income weighted on profitability. Hence, Interactive Brokers might be a major beneficiary, if interest rates rise again.

Knight Therapeutics (2.0%; -0.8%)

In 2020, Knight acquired the remaining 48.8% in the Brazilian Grupo Biotoscana (GBT). Knight paid a total of around CAD 360 m for 100% in the licensing pharma company that is active in 10 South American markets. However, business activity collapsed in 2020 as the the company's sales teams could hardly be active due to COVID-19. In addition, doctors often postponed treatment. Also, GBT was not able to deliver new licensing agreements. Moreover, the integration of GBT into the Knight group turned out to be more complex than anticipated as traveling from Canada to Brazil had been restricted. In addition, the Brazilian Real fell sharply against the Canadian dollar, which in turn negatively impacted Knight's consolidated accounts.

Just before the end of the year the company announced that it might raise up to CAD 360 m in equity or debt to finance further acquisitions. This came as a surprise, since Knight still has CAD 400 m in cash on its balance sheet. Therefore a relatively large transaction could be in preparation.

The strategy to become a leading pan-American (excluding US) pharma licensee seems promising. On the way there, however, management is facing a number of headwinds. The upheavals of the pandemic make the integration of GBT difficult. Another major acquisition could further increase the complexity of running the company. On the other hand, management's expertise and the company's high financial strength do favor the investment. In addition, the share price is relatively cheap in relation to the existing assets.

Groupe Bruxelles Lambert (2.0%; + 0.3%)

GBL's shareholder structure was simplified in 2020. As a result, free float rose from 50% to over 70% and liquidity of the shares therefore increased. GBL is still trading at a 30% discount to NAV. 85% of net assets are listed companies such as Adidas, Pernod Ricard, SGS and Lafarge Holcim. The costs for the holding company are only 0.3% of net assets per year. The Freres / Desmarais families keep around 28% of the share capital and around 49% of the voting rights. In my opinion, they have acted in the interest of minorities in the past. GBL is constantly increasing the dividend and the stock is currently yielding 4%. In the coming years, investor interest in European equities might return as US markets have outperformed European equities significantly over the last ten years. This might be supportive to GBL's performance.

Frequentis (1.8%; + 0.0%)

Frequentis provides control centre communication and information solutions for safety critical areas. The company is focusing on civil aviation, defence, public safety, maritime and public transportation. Frequentis has earned the trust of its customers over decades.

Every year the company implements around 400 projects and has an installed base in control centers of 25,000 work places in 140 countries. Each new installed system enables maintenance and follow-up orders. The company currently receives 90% of its orders from existing customers and aims to acquire 15 new customers per year.

On the one hand, the company is very specialized, but at the same time offers a turnkey solution for control centers worldwide and thereby differentiates itself from competitors. The company develops new products in-house and acquires new products anorganically as well. Frequentis recently acquired a 15% stake in Spanish Nemergent, whose technology helps public services to switch to LTE / 5G technology. The remote tower is one of Frequentis' own innovations. Smaller airports can be remotely monitored using the technology. On the one hand this saves personnel costs (the operator needs fewer air traffic controllers) and on the other hand its camera technology is superior to the human eye, especially at night.

After the recent IPO, the founder kept the majority in the company. During the pandemic, many institutions are taking advantage of the reduced traffic volume to carry out projects. Frequentis was therefore able to report a surge in its order book in the first half of 2020. In Asia, Frequentis is also benefiting from the implementation of many infrastructure projects. In addition, new technologies like the remote tower but also the control of drones by government entities should lead to rising operating activity over the next years.

Slack (1.3%; + 0.5%)

Slack offers efficient communication solutions / collaboration software for businesses. Slack sees its software as an alternative to email not only because of data security but especially since communication within a company is better designed and organized with Slack. With Microsoft Teams there is a comparable product from a strong competitor. In my opinion, the market is large enough for two major competitors. In addition, many potential customers are looking for solutions outside the Windows operating system. In December, Salesforce announced the acquisition of Slack. The share price rose by more than 40% in a few days. In January 2021, the Fund sold its shares in the company.

Dispositions in 2020

All of the companies sold in 2020 taken together detracted Fund performance by 1.6%. As mentioned above, **Costain and Equiniti** were the major detractors. At the same time, **Virtu Financial** contributed positively (see letter dated June 30, 2020) and a number of short term held investments added to positive performance during the year.

You will receive the next investor letter for the first half of 2021 in August.

I wish you health and all the best for 2021. I am at your disposal if you have any questions.

Kind regards,

Benedikt Olesch, CFA

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