

Investmentaktiengesellschaft für langfristige Investoren TGV

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Dear Investors

We are enclosing the shareholder letter for our Teilgesellschaftsvermögen “Compound Interest” for the year 2023 written by our sub-advisor LMN Capital GmbH.

Yours sincerely

Investmentaktiengesellschaft für langfristige Investoren TGV

Vorstand: Jens Große-Allermann, Waldemar Lokotsch, Ewald Stephan
Aufsichtsrat: Dr. Alexander Erdland (Vors.), Wolfgang Fritz Driese (stv. Vors.), Alexander Pichler (stv. Vors.)
Eingetragen im Handelsregister Bonn HRB 16143
Investmentvermögen mit veränderlichem Gesellschaftskapital

Sub-Fund Compound Interest

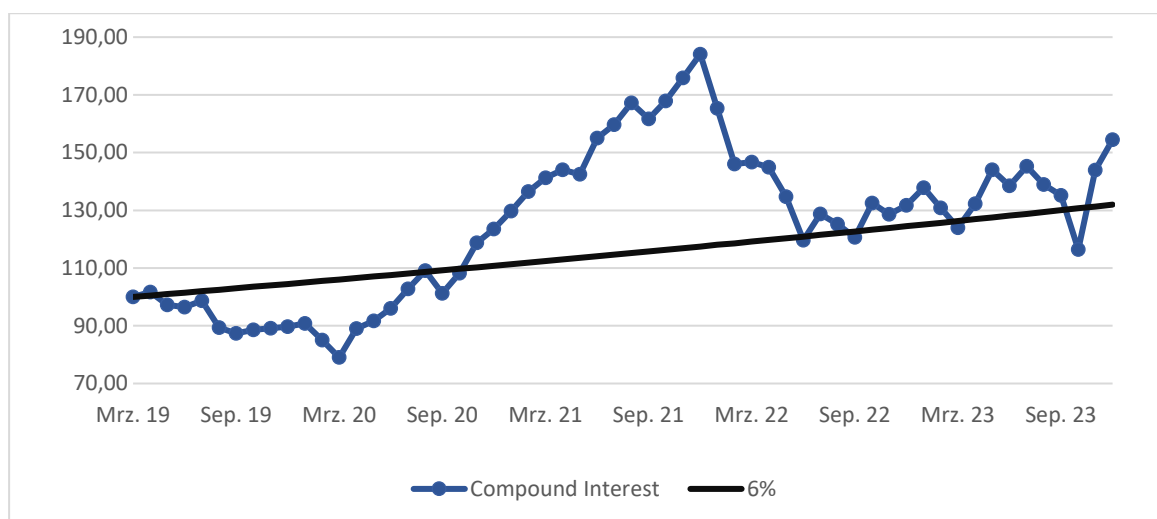
Annual report 2023 of the sub-advisor LMN Capital GmbH

Dear fellow investors/compounders,

I am very pleased to provide you with the investor letter (TGV) Compound Interest as of December 29th, 2023.

In this letter, I am writing in more detail about EQS Group AG for the first time. I have not done so before, as I am a member of the company's Supervisory Board. EQS has now been taken over by the private equity company Toma Bravo. As a result of this takeover, the fund earned 63% with the position in 2023. I will also explain further changes in the 2023 portfolio.

Overview of the development of the portfolio - graphic ¹



The value of a fund unit was EUR 154.51 on the reporting date. This corresponds to an increase after all costs of **17.3%** in 2023, which is a satisfactory result after an unpleasant 2022. Since the fund was launched, the annualised return of the TGV after all costs has been **9.6% per year**.

¹ If you would like to see the graph as a table, you can find it on the last page of this document.

The aim of the TGV Compound Interest is to achieve the highest possible long-term returns with manageable operational risk. Volatility is not a decision-making criterion. To this end, potential investments are analysed from three perspectives:

1. is the team capable, energetic and has integrity?
2. is the business model comprehensible, defensible and attractive in the long term?
3. is the price exciting?

Portfolio overview for the December 30th, 2023

Assets in TGV / Net Asset Value	15,009,834.54 Euro
Cash / liabilities as % of assets	7,43 %
Number of companies	9

The positions in the TGV as at December 29th, 2023 are in alphabetical order:

- About You
- BionTech
- Chapters Group (vormals MediQon)
- EQS Group
- Interactive Brokers
- Intred
- Naked Wines
- Paypal
- Tucows

Portfolio changes

The markets were volatile in 2023. This volatility provided many opportunities to buy great companies at favourable prices and sell those with less attractive prices. I have always recommended the TGV to invest in those companies that I considered most favourable relative to other opportunities. As a result, the portfolio turnover in 2023 was unusually high. In 2023, five investments were added and four were removed. Three of these were both bought and sold: Interactive Brokers, Schibsted and Siltronic.

In the second half of 2023, I recommended the following changes to the TGV portfolio:

Unfortunately, **EQS Group** will no longer be part of the portfolio.

Let's start with the company: EQS is a software company. It offers other companies products and services to fulfil the regulatory requirements for capital market communication and compliance. Both are important components of good corporate governance.

EQS Group, formerly Equity Story AG, has been the undisputed market leader for investor relations software and communication in Germany since 2007. In short: EQS offers software for people who communicate with capital market participants like you and me. For example, when a board member trades in shares of their own company, this must be communicated to the market. It is very similar when quarterly reports are published. In Germany, this is done almost exclusively via the EQS Group. These mandatory disclosures are required by law.

Through acquisitions and organic growth, strong positions have also been established in this segment in Switzerland and Russia. The very attractive Russian business was discontinued due to the attack on Ukraine.

Since 2016, the profits from the Investor Relations business have been invested in modernising the technology and building up the compliance business. The compliance business was expanded both organically and inorganically. EQS has made three acquisitions in this area in recent years: Integrity Line from Switzerland in 2017, GotEthics from Denmark in 2020 and Business Keeper from Berlin in 2021. These acquisitions also made the company the market leader for whistleblowing systems in Europe. The whistleblowing systems are the core products in the area of compliance. For example, if an employee

discovers incidents in the company that are not in order, she can report them anonymously using this software. The company can respond to this report directly in the software and communicate with the employee. Many companies are also required by law to introduce this software. The EU stipulates this for companies with 50 or more employees. EQS has acquired many DAX40 and CAC40 companies as customers in this area. Thousands more customers are expected to be acquired over the next few years.

The company had been courted by various private equity firms for years. For various reasons, the company decided in 2023 to give in to the courtship and initiate a sales process. In November 2023, the well-known software private equity investor Toma Bravo submitted an offer to all investors for all shares in the company at EUR 40 per share. The investment stock corporation accepted the offer. This acceptance also applies to the TGV compound interest. The transaction was completed on 02nd February 2024.

As you know, I have been an investor in EQS Group since 2015 and a member of the Supervisory Board since 2018. I see this transaction with both a smile in one eye and a tear in the other: On the one hand, I believe it was the right step for the company and the team. In addition, TGV is now receiving a large part of the value that the company could have generated in the coming years without bearing the operational risk. On the other hand, there is still a lot of potential in the company that the new owner can now realise. Furthermore, for me personally, an era is coming to an end in a way.

I would like to take this opportunity to once again thank the employees, the Executive Board, the shareholders and, of course, my colleagues on the Supervisory Board for their excellent cooperation in all situations.

The investment in EQS realised a 63% price gain in 2023

Interactive Brokers was bought back after being sold in the first half of the year. Interactive Brokers is an online broker. The company's customers receive very favourable access to trading on stock exchanges at a professional level. The company is simply fantastic: the balance sheet is very solid with equity of USD 14.1bn. The competitive position is getting stronger as most competitors either have home-grown problems or are running out of money to subsidise customers. The number of customers grew by 21% in 2023, despite

little marketing and a still manageable service offering. Management has been doing the right thing for decades.

The biggest risk for the company is that the markets make major leaps to which the systems cannot respond. Historically, the company has been able to cope well with such fluctuations. For example, when the oil price was negative or the Swiss franc was decoupled from the euro, these events drove other brokers into insolvency. Interactive Brokers made a loss of less than 2% of equity on these events and was very profitable in both years. In the first half of 2023, I estimated this risk of major leaps to be higher than before, as there were some prominent bank failures in the USA and Europe and this could well have led to the stock exchanges closing. This risk did not materialise and the opportunity has decreased in my view. In addition, the number of customers continued to grow. Accordingly, I have again recommended Interactive Brokers as a buy. Despite the rally in the second half of the year, the company was still available at attractive prices. TGV was able to rebuild a position close to the selling prices of the first half of the year. Based on the number of customers at the end of the year, I think the company is valued at around 12 times pre-tax profits. I have been following the company since 2015.

Mercadolibre was sold. The company is the leading e-commerce marketplace and fintech provider in South America. Its operational development has been excellent for years. This year, Mercadolibre received an additional tailwind from problems at two major competitors: a large retailer, Americanas, is involved in a fraud scandal. In addition, a powerful attacker from Southeast Asia called Sea Limited had to act less aggressively. Sea's profitable segment is losing sales and profitability. Sea therefore had to scale back its expansion efforts in South America.

The shares in Mercadolibre were sold because I no longer found the price attractive compared to the alternatives due to the rise in the share price. This recommendation has made me look pretty stupid as of today, because the share price has continued to rise since then. I have been following the company since 2014 and will continue to do so intensively. If I find the price attractive again, I will recommend adding Mercadolibre back to the portfolio.

Naked Wines was bought. The company is an old acquaintance: It had been part of the portfolio since the fund was launched until April 2022. As a reminder, Naked Wines offers

its customers an online wine subscription with access to unknown winemakers. Naked Wines is active in the UK, Australia and the USA in chronological order. In 2020 and 2021, the company increased its turnover by more than 60%. The share price reacted more strongly, quadrupling from our entry price of around 220 pence per share.

The party was followed by a hangover: in 2022, it became apparent that the company was not getting a proper grip on operational growth, that new customer acquisition was becoming increasingly unattractive and that the customers acquired during the coronavirus period were less loyal than the previous ones. I therefore recommended selling the company at the time. Despite the fact that the share price had already fallen at the time, TGV generated a significantly above-average return. The last shares were sold in April 2022 at 532 pence.

Operating performance after the sale remained poor. In November 2023, the share price was 26.5 pence, a drop of 95% compared to the last sale. The stock market valued the entire company at £20 million at that time. This did not even correspond to the company's working capital.

In November, founder Rowan Gormley returned to the helm of the company as Executive Chairman and began the post-party clean-up. The first signs pointed to a recovery. I recommended reinvesting in the company due to its very favourable valuation. Since then, the signs of recovery have become even stronger.

Schibsted was bought and sold again after the share price rose significantly. Schibsted is a large newspaper publisher in Scandinavia. I became aware of the company in 2018 when I was analysing the market for classified ads.

Schibsted has a number of parallels with Springer-Verlag in Germany: both publish the largest daily newspaper in their region. Both recognised at the beginning of the 2000s that the old business would change significantly. Both have therefore built up new businesses organically and inorganically and have thus become relevant players in the digital classifieds market.

The classifieds business was a goldmine for newspapers: customers paid a lot of money for each character in order to achieve reach. The biggest advertiser could charge the most per character. Today, most people are familiar with modern classified ad formats under the

names Immobilienscout or Autoscout, for example. In this medium, too, the rule is: the biggest earns the most. The well-managed players in this area, such as Rea Group, Rightmove and Scout24, achieve EBITDA margins well in excess of 40%.

In 2019, the business outside Scandinavia was spun off into the company Adevinta and floated on the stock exchange. After several transactions, it was foreseeable that Adevinta would probably be taken over and delisted in autumn 2023. In anticipation of this value-enhancing measure and due to the favourable valuation, I recommended investing in Schibsted. In November, it happened as expected: a private equity consortium took over Adevinta. The stock market reacted favourably and I recommended selling the shares again, as they were trading much closer to their intrinsic value. TGV earned 22.7% with the position within a couple of months.

In 2020, TGV had already achieved an even more attractive return with Schibsted in a similarly short period of time.

Siltronic was bought in the first half of the year and sold again in the second half following a significant rise in the share price. There are two reasons for this decision. The first, you guessed it, is that the price has risen significantly and the margin of safety has fallen as a result. The second is of an operational nature: I originally assumed that Siltronic had a certain amount of pricing power. This has turned out to be significantly lower than I had originally assumed. This limits the company's potential return on capital. In my view, the intrinsic value has fallen accordingly. The combination of rising price and falling intrinsic value makes the investment less attractive and I therefore recommended selling. TGV earned 27.4% on the position. I have been following Siltronic since 2022 and will continue to monitor the company and the sector.

I have visited five of the nine portfolio companies in the past year and am in dialogue with them on important topics.

In my opinion, all portfolio companies have a differentiated business model with an integer, intelligent and committed management team. The companies should be able to further increase their intrinsic value in the coming years and capitalise on the opportunities. For 2024, I expect significant increases in profits for almost all portfolio companies and significant increases in intrinsic value for all of them. Despite the good performance of the

leading indices last year, I currently see many exciting opportunities to invest, especially in smaller companies. I am therefore looking forward to the coming year with confidence.

Investor Meeting on 8th June, 2024

On 8th June 2024, the annual investor meeting of the Investmentaktiengesellschaft für langfristige Investoren TGV will take place. We will meet again at the Godesburg in Bonn - Bad Godesberg. You are cordially invited and I hope to welcome you on site.

As always, if you would like to share your comments, ideas and criticisms with me, please feel free to email me at <mailto:laurenz@lmncapital.de>. I welcome every opportunity to learn!

Thank you for your trust and I look forward to our continued partnership as investors / compounders in the TGV Compound Interest.

Your Laurenz Nienaber

Appendix

Explanation of the graphic on page 1

The chart on page 1 compares the performance of 100 euros invested in the TGV at the closing prices of 29.03.2019 with the performance of an equivalent investment in the DAX and a safe, annual interest rate of 6%. Why did I choose these two benchmarks? A majority of the investors in TGV today are from Germany and will most likely continue to be from this country in the future. The German benchmark DAX is the simplest and most obvious investment alternative for most of these investors. The second benchmark is a safe investment with an interest rate of %6 p.a.. This represents the limit above which a performance fee is incurred in TGV.

Tabular comparison on an annual basis of TGV, DAX and Hurdlerate

	TGV Compound Interest	6% annual yield	Delta to 6% yield
2019 (9 months)	-10,3%	4,5%	-14,8%
2020	37,7%	6,0%	31,7%
2021	49,0%	6,0%	43,0%
2022	-28,5%	6,0%	-34,5%
2023	17,3%	6,0%	11,3%
sum	54,5%	32,0%	22,5%
annualised return	<u>9,6%</u>	6,0%	3,6%