

Input 29.11.2018

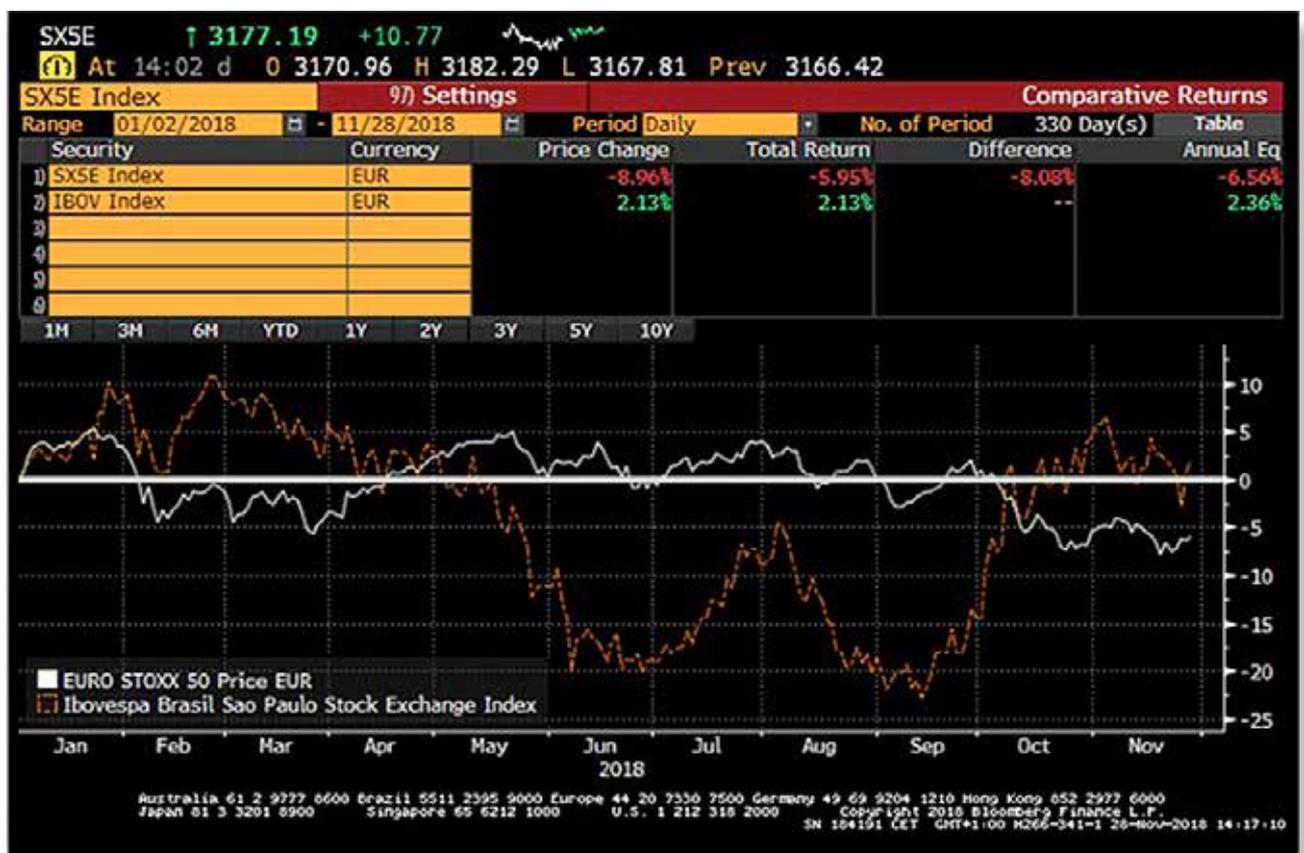
Good morning

Warren Buffett has regularly emphasized that «it's far better to buy a wonderful company at a fair price, then to buy a fair company at a wonderful price.»

Sounds easy, but since September we are facing headwinds with hourly and volatile pricings in the global financial markets. Many valuations are @ fair prices in those days.

Looking back to our October assessment on markets was too optimistic; but on the other side we must remember where we are coming from, and that we focus to invest with a mid- & long-term oriented horizon.

Short term, we should have been shifting the allocation into the Brazilian equity markets...



... but we did not, based on the fact, that we feel that we receive more transparency and information on the European market, and that politics in general is more stable - despite issues around Brexit and the «gilets jaunes» We remain convinced, that the market, and performances, will recover again.

Reported earnings for the past seasons have been outstanding...

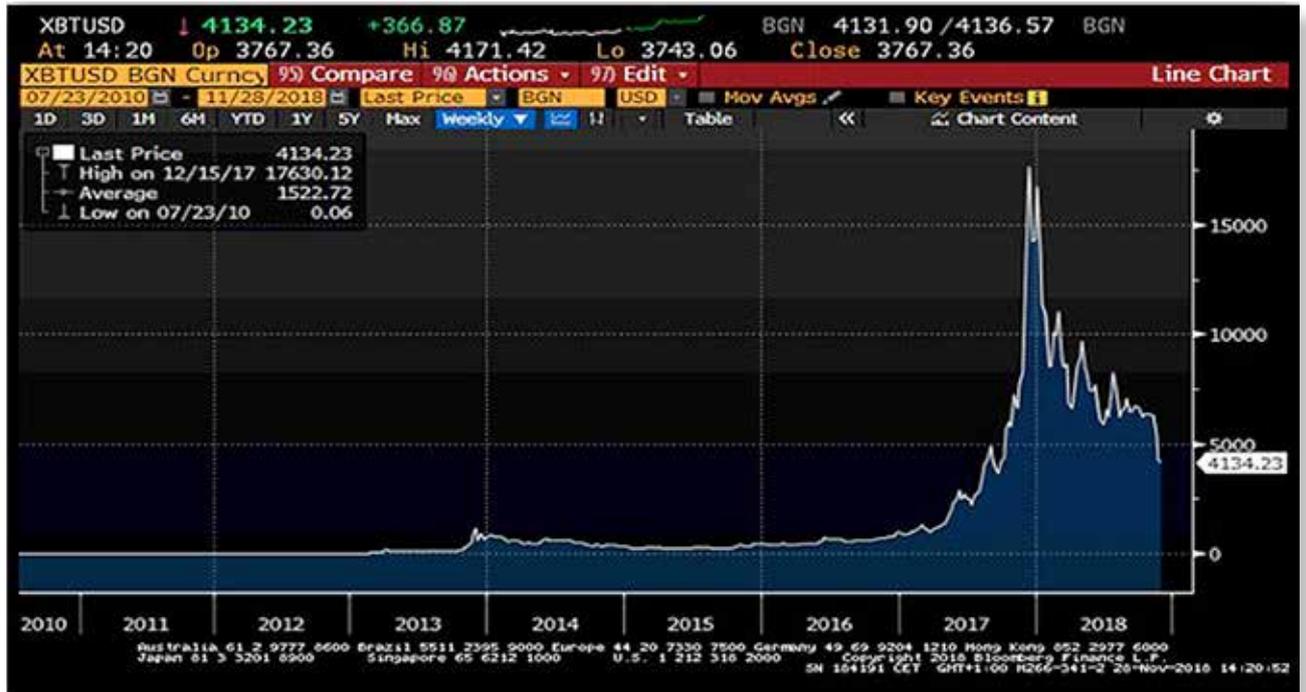


... but as good as it has been, perhaps most impressive is the strong guidance corporate America has provided. As example shares of **APPLE**, year high was at USD 233/share, as we write the price is traded at USD 180/share, end of 2015 the price level was around USD 100/share. The company has been making good money during all years and will with high probability continue to perform. Unfortunately, markets are being disturbed by political elements, such as the Sino American trade war. The world's two biggest trading nations announced dueling tariff plans, but there were signs that a full-scale trade war could still be averted during the upcoming G20 summit

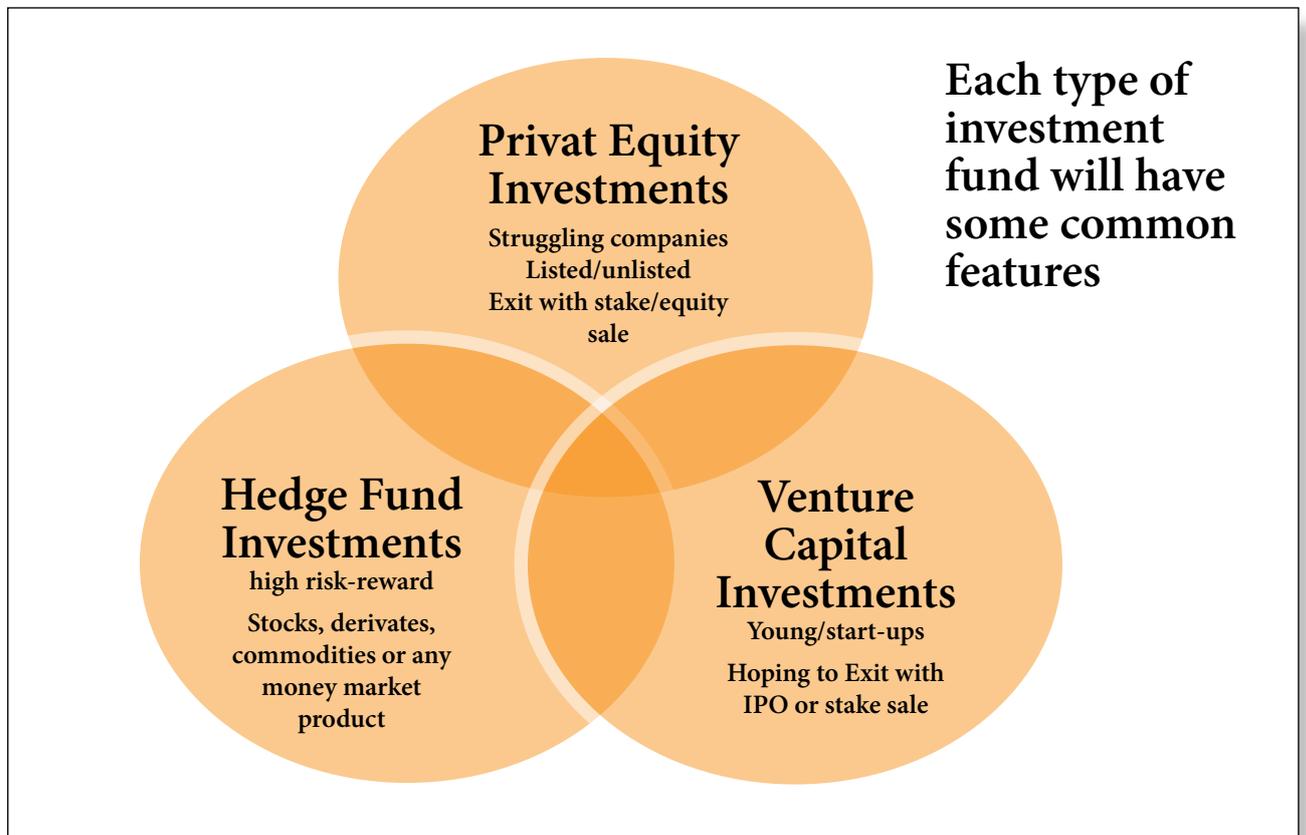
BITCOIN - XBT/USD end of 2015 traded @ 275, price peak in Dec 2017 was around 19'500 and today it does trade around 4'000. A currency, but it is traded as a commodity. Currently, there is a limited supply of this digital currency. As pioneer Bank Frick in Liechtenstein is offering trading of crypto currencies <https://www.bankfrick.li/en/about-bank-frick/media/bank-frick-allows-direct-investments-in-leading-cryptocurrencies>

Unlike an IPO (initial public offering), which gives investors stock ownership in a company, an ICO (initial coin offering) gives out tokens whose use case is based on a promise the platform will be useful in a digital network once it gets built. <https://www.cnn.com/2018/05/31/a-blockchain-start-up-just-raised-4-billion-without-a-live-product.html>

The market forces are responsible for setting the share price of bitcoin just like gold but has not central authority regulating it. This allows users to avoid regular payment processes. It is attractive to lots of users because it means zero inflation. It also attracts cyber thieves who love stealing without leaving a digital footprint. Governments have refused to adopt the currency because financial institutions and banks are concerned about its ability to promote laundering or commit crimes. We did not touch it,



Since Summer 2018 we noticed a sales trend within banks and pension funds: PRIVATE EQUITY and HEDGE FUND investments are promoted through various channels - they also invest long term. But many of them are non-liquid, looking up clients capital between 6-72 months, and valuations are available between monthly to yearly – so of course low volatility in a portfolio, but the surprise on price changes can be more significant.



Private equity fund performance has traditionally been measured by using the Internal Rate of Return (IRR). Some leading academics and other private equity practitioners are skeptical of IRR as a robust performance indicator. One of the most compelling reasons to choose IRR is that given the nature of private equity funds

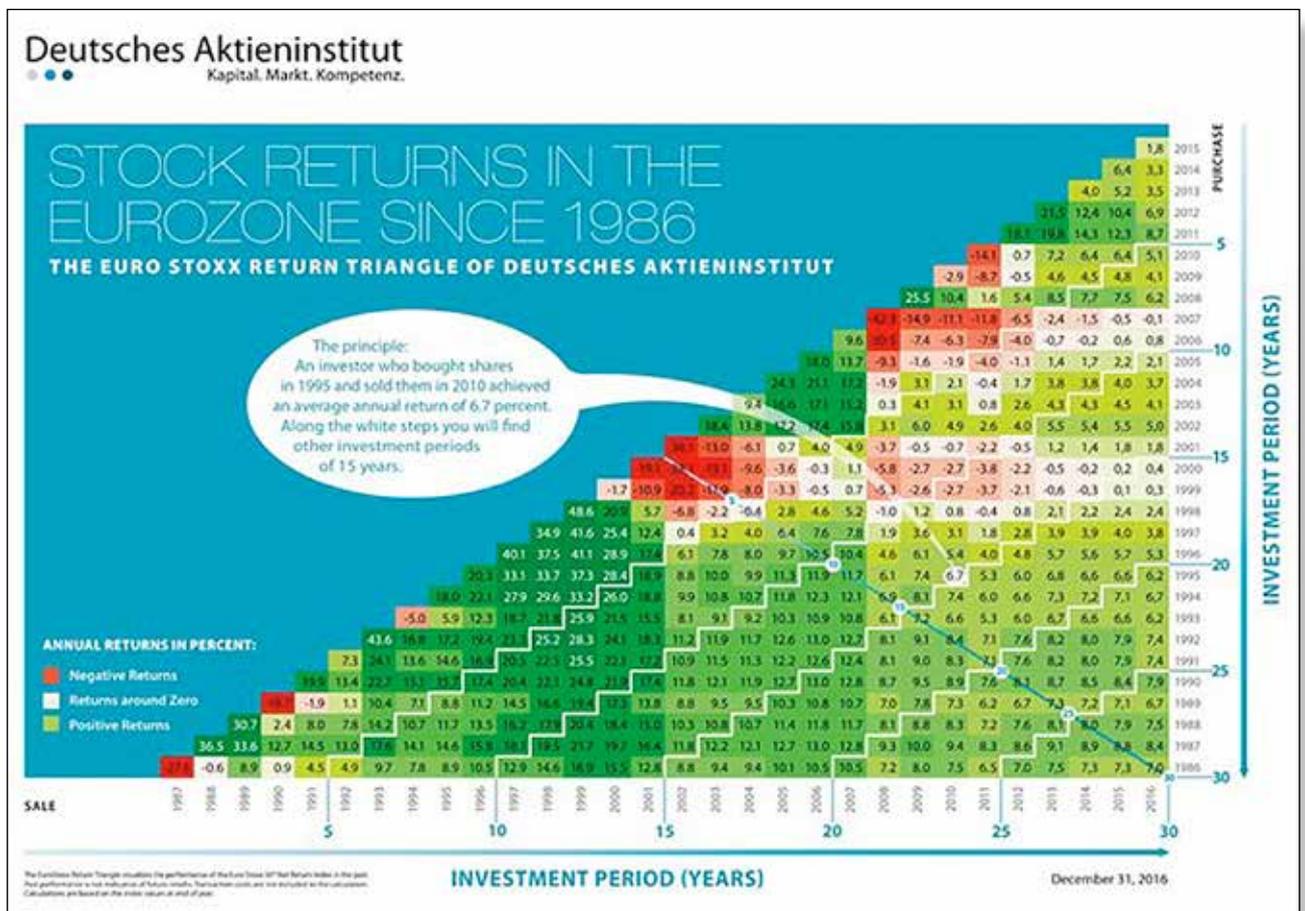
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and their lifecycle, their performance cannot be measured with annualized returns, but should rather be measured on a since-inception basis. Second, IRR considers the timing of the cash flows unlike the multiples which neglect the time dimension.

Josh Lerner, Jacob H. Schiff Professor of Investment Banking at Harvard Business School says: «When you look at how people report performance there's often a lot of gaming taking place in terms of how they manipulate the IRR.»

Valuations in our mandates are focused on good Dividend Yields, attractive Price Earnings, solid Margins plus high ROE, in a nutshell: following a value investors-oriented approach. We feel comfortable with the portfolios established.

The EuroStoxx50 Stock Triangle shows that investing long-term has paid out in the past. Investors who invested into a portfolio of EuroStoxx50 equities for an investment period of e.g. 15 years benefited from an average annualized return of 6.7% p.a.



«Value investing» is an **investment paradigm** that involves buying **securities** that appear underpriced, deriving from the investment philosophy first taught by **Benjamin Graham** and **David Dodd** at **Columbia Business School** in 1928, and subsequently developed. The early value opportunities identified included stock in public companies trading at discounts to **book value**, those with high **dividend yields**, and those having low **price-to-earnings multiples**, or low **price-to-book ratios**, and the principle still apply in 2018.

We are going through of shifts in the industry - CeBIT was the largest and most internationally representative **computer expo**. The trade fair was held each year on the **Hannover fairground**, the world's largest fairground. In its day, it was considered a barometer of current trends and a measure of the state of the art in **information technology**. But since the beginning of the millennium, CEBIT saw a steady decline of visitors and exhibitors, caused by the arrival of digital technologies in the consumer world and the massive expansion of the target group as well as the differentiation of topics:

The Future of Digital Work



*Community-Centric
Open Collaboration*



*Non-Hierarchical
Organizations*



*Borderless Dynamic
Workforce*

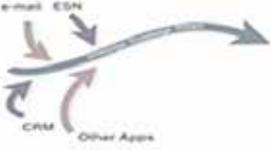


*Sharing
Economy*

New Models of Work



*Enterprise
App Stores*



*Unified Information Streams,
Apps + Data Dashboards*



*Quantified
Enterprise*



*Contextual
Applications*

The Evolution of Apps at Work



Wearables



*Internet of
Things*



*On-Demand
Micro Factories
(3D printing)*

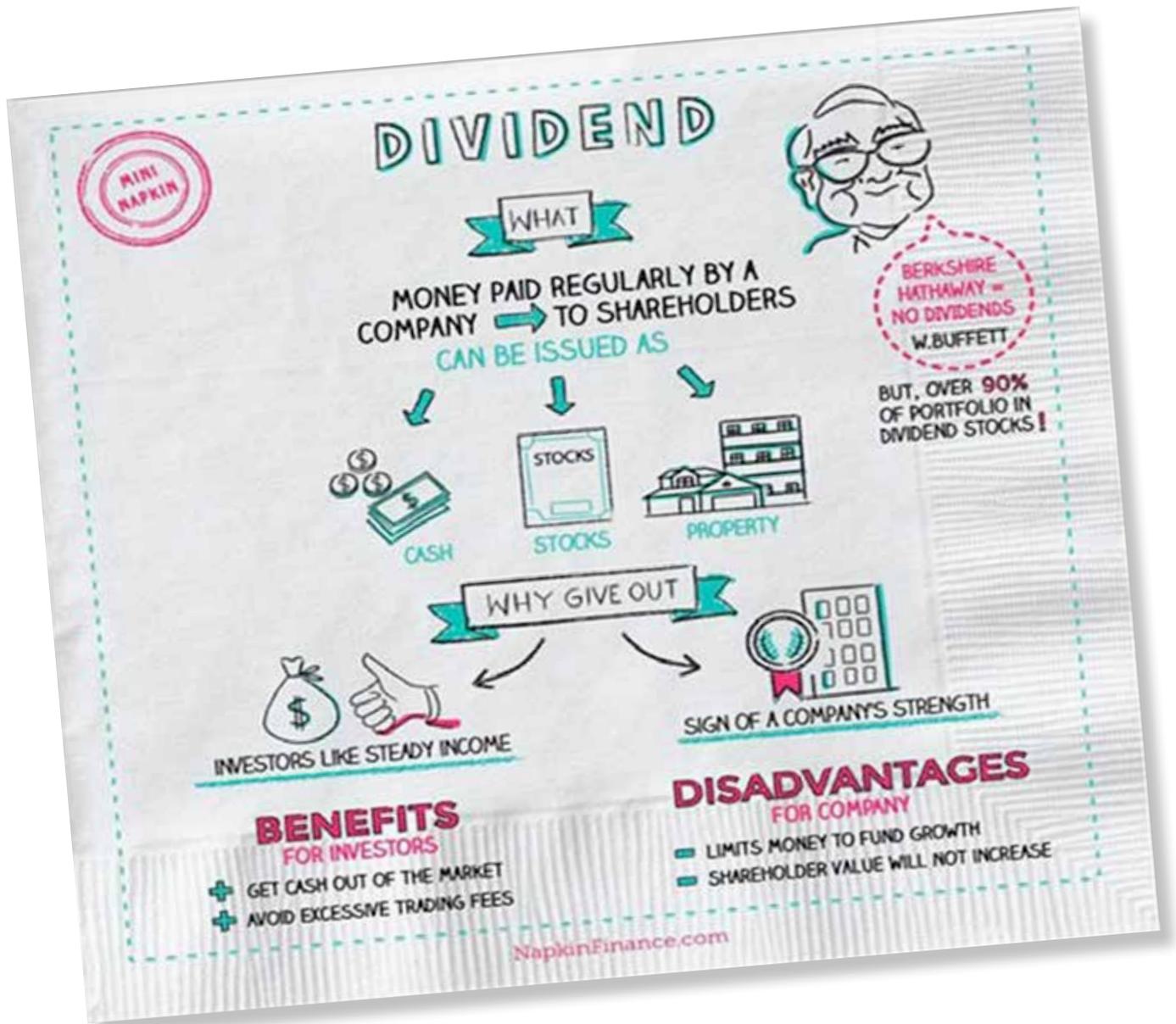


*Workplace
Robots*

New Devices

From <http://zdnet.com/blog/hinchcliffe> on 

www.napkinfinance.com is a fun page to read about various definitions and products. What the team of this company does achieve successfully, is to illustrate complex themes on 1 page, vide on the example of our favored theme «dividends»:



We shall continue with a transparent investment process, using simple and liquid components through all strategies and are looking forward to learning your view and opinion on markets and global developments

Best wishes for a peaceful start into this year's advent season

Björn