

Flash Notes – Fund Update & Manager comments

April 2021



Berenberg European Focus Fund

Dear Partners,

Please find below an update on 1st quarter of 2021 for the **Berenberg European Focus Fund**. It reviews the fund's performance, top / bottom contributors and portfolio activity.

We hope that you will find this communication insightful, should you have any further questions, related to this fund or any other one in the Open List, do not hesitate to contact us, we would be delighted to assist you.

The winners and laggards of Q1 2021

Positive contributors

Our positions in BE Semiconductor, ASML and Softcat made the largest contribution to the positive development of the portfolio.

The positive news from the semiconductor sector has not stopped. Intel's announcement on the expansion of semiconductor production has further boosted the shares of suppliers such as **ASML, BE Semiconductor and VAT Group**. In total, Intel will invest \$20 billion and will build two new fabrication facilities (fabs) in the US out of it and will upgrade the fab in Ireland to 7nm. Other producers such as TSMC have also adjusted their guidance for their investments in new capacity upwards. As part of this, BE Semiconductor of Holland was able to report orders received in the first quarter that were over 100% above the previous quarter and 170% above the same quarter last year, driven by high demand for smart phone applications such as 5G. The positive environment also led to stronger demand for vacuum valves from VAT. The recovery in the share price was very strong and the valuation level has therefore also risen sharply; accordingly, we have taken some profits on this stock. Structurally growing demand for advanced semiconductors for 5G, AI and IoT applications will remain a driver.

The British IT infrastructure provider **Softcat** was able to increase its value by almost 40% in the past quarter. This was due to the company's excellent half-year performance. Despite Covid-19 and Brexit instability, the company managed to increase its revenues by almost 20%. This was due to strong market share gains, especially among SMEs in the UK. The company's management was also very confident for the rest of the year. In the course of the first quarter, we took advantage of some weak phases and steadily added to the stock.

Negative contributors

LSE and Worldline were among the weaker performers in Q1.

The shares of the London Stock Exchange operator and data provider **LSE** suffered a severe setback in the first quarter. In connection with the completed acquisition of the data provider Refinitiv, the company is planning higher costs this year and next year compared to market expectations. In addition, sales are

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expected to remain unchanged in 2021, due to positive one-off effects from last year. This has also surprised some market participants. However, for us this does not change our investment case and we remain convinced of the value-creating potential of the Refinitiv acquisition.

The shares of the French payment service provider, **Worldline**, came under pressure in the first quarter of 2021. A large part of the payment service provider's business takes place in bricks-and-mortar retail. The continuation of the Covid-19 pandemic is having a significant impact on this business and Worldline cannot compensate for the short-term development with countervailing developments that are quite positive for Worldline, such as the strongly growing e-commerce business. However, with the end of the pandemic approaching, we expect a significant recovery of the business and in the long term we remain convinced of our investment case.

Top and Bottom Contributors 30.12.2020 - 31.03.2021

Top 10 Assets

Security Name	Start Weight	Current Weight	Weight Bmk.	Active Weight	CTR Portfolio	Total Return (TWR)
BE Semiconductor Industries N.V.	3.36	3.67	0.00	3.671	1.30	44.06
ASML Holding N.V.	3.40	4.27	2.53	1.741	1.13	33.08
Softcat PLC	2.94	3.59	0.00	3.588	1.06	38.61
Epiroc AB	3.24	3.73	0.23	3.507	0.95	29.76
Téléperformance SE	3.93	4.82	0.21	4.607	0.59	14.76
Infineon Technologies AG	3.70	3.71	0.54	3.172	0.57	16.06
Partners Group Holding AG	3.52	2.97	0.23	2.74	0.41	13.27
DSV Panalpina A/S	0.92	2.34	0.40	1.937	0.34	22.64
Ambu A/S	1.82	2.39	0.08	2.313	0.32	12.81
Prosus N.V.	3.90	3.36	0.53	2.825	0.27	7.28
Sum		34.84	4.74	30.10	6.96	

Flop 10 Assets

Security Name	Start Weight	Current Weight	Weight Bmk.	Active Weight	CTR Portfolio	Total Return (TWR)
Carel Industries S.p.A.	0.98	0.96	0.00	0.959	-0.12	-9.25
Dino Polska S.A.	0.55	1.21	0.00	1.211	-0.15	-12.67
Lonza Group AG	1.71	1.31	0.41	0.906	-0.16	-9.34
SimCorp A/S	1.54	1.00	0.00	1.003	-0.18	-12.35
Grifols S.A.	2.15	1.21	0.08	1.129	-0.18	-6.67
Ströer SE & Co. KGaA	1.70	0.91	0.00	0.913	-0.22	-14.37
adidas AG	2.48	1.94	0.58	1.353	-0.27	-10.67
TeamViewer AG	0.00	0.94	0.07	0.876	-0.29	-21.68
Worldline S.A.	3.49	2.65	0.20	2.454	-0.36	-10.07
London Stock Exchange (LSE)	3.45	2.56	0.30	2.26	-0.71	-19.17
Sum		14.69	1.62	13.06	-2.62	

Source: Berenberg. Past performance is not a reliable indicator of future performance.

Portfolio activity

We added Siemens Healthineers, the leading company in the field of diagnostic imaging, **to our portfolio**. We were already invested in the stock in our Eurozone fund. Siemens Healthineers is by

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far the leading manufacturer of MRIs, CTs and X-ray equipment. Imaging equipment is at the heart of hospitals and many radiology practices, as many medical decisions are based on this diagnostic equipment. Siemens Healthineers' economies of scale allow the company to invest significantly more than its competitors in research and development, which in **turn translates into more innovative products and steady gains in market share.** The company additionally demonstrates strengths in the development of software solutions for its customers. Artificial intelligence, for example, enables accelerated and more accurate diagnosis. As a result, **Siemens Healthineers should continue to achieve growth rates of more than 5% in the coming years and further expand its already industry-leading profitability.** We also see the planned acquisition of Varian Medical Systems, the clear market leader for radiotherapy equipment and services, as a positive, given the clear overlap with the imaging business and similar industry drivers (such as the trend towards more software and AI). In addition, **the acquisition of Varian should further enhance the company's growth profile.** We do not see this reflected in the stock's current valuation.

TeamViewer operates a world-leading connectivity platform that connects all types of devices, regardless of their operating system. Applications range from remote customer and employee support, to remote control, monitoring and management of devices or complex machines and instruments, to augmented reality-enabled workflows. TeamViewer enables companies to create high economic value by increasing process efficiencies, reducing or eliminating manual on-site intervention, improving product & service quality, and fostering connectivity and collaboration. **The company exhibits high growth, driven by global megatrends such as digitalisation, IoT, automation, and changing work environments.** The total addressable market of over 10 billion euros leaves plenty of room for growth and is also expanding at double-digit rates. The **business model is based 100% on SaaS with predictable and stable billings** and a net retention rate of over 100%, which enables very high profit margins and cash generation. The share reacted negatively to the news of higher marketing expenses. TeamViewer signed contracts with Manchester United and Mercedes AMG F1/E Sponsorship and slightly adjusted EBITDA guidance at the same time. **We used this phase of weakness for further acquisitions, as we consider the long-term effects on the company's growth to be positive.**

In the first quarter, **we decided to take a position in the alternative asset manager EQT.** The recently listed company has a long and successful track record and is one of the most recognised asset managers in the world. In its two core strategies, Private Equity on the one hand and Infrastructure on the other hand, EQT has very successful performance figures. The strong brand, combined with outstanding distribution, has enabled EQT to launch ever-growing generations of funds. For example, the company closed 2020 with assets under management of EUR 52 billion. An increase of a whopping 46%. EQT takes advantage of the enormous scalability of the business model. Subsequent generations of funds follow the same investment approach and invest only in larger companies and projects. This requires only marginally more personnel and thus achieves a successive improvement of the margin profile. In addition, assuming a favourable market environment, EQT is able to invest the larger funds at a similar pace. For example, EQT IX is already largely invested less than a year after launch. Considering the large and

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structurally growing demand for alternative asset classes, this all makes us optimistic for the future growth of assets under management and, of course, profits. We believe that these sustainable strengths of EQT and the large growth potential are not adequately reflected in the share price.

Despite a continuing and extremely challenging situation in the global logistics markets and the additional integration of Panalpina, **DSV's** management has brought the company very successfully through these difficult times. Accordingly, DSV's market position enabled it to secure limited transport capacity and to charge high price premiums for the services it provided. The main integration steps regarding Panalpina have now been taken, with a particular focus on the termination of less profitable businesses such as those in the perishable goods sector. Thus, **the company is ready to regain market share and make new acquisitions, accordingly we have increased our position.**

We increased our position in Teleperformance, as the provider of customer connectivity management products and services demonstrated market leadership during the Covid-19 crisis. Rapid response to local pandemic-related restrictions and changing customer demand brought new customers or expanded existing customer relationships. In addition, Teleperformance won a tender regarding the execution of visa services for the United States, which offers great revenue potential for the coming years. The existing visa business in the UK should benefit from recovering travel activity.

We reduced our position in Grifols, the Spanish manufacturer of drugs based on blood plasma. The company is **still suffering from the consequences of the pandemic**, as **plasma donations have still not fully recovered**. This is putting **pressure on the company's growth and profitability in the short term**. However, the bigger risk for the company in the medium and long term is the substitution risk of drugs in clinical development. For example, Dutch biotech Argenx announced in February that it would continue to develop its molecule efgartigimod for the rare nerve disease polyradiculoneuropathy (CIDP) in phase 2 clinical trials. Patients with this disease represent approximately 10-15% of Grifols' sales. Fortunately for Grifols, the Belgian pharmaceutical company UCB abandoned its efforts in this indication. We look forward to further clinical data from Vertex Pharmaceuticals on a potential competitor to Grifols in May or June. **Due to increased uncertainty, we would like to enter this quarter with a smaller position.**

Since the IPO in June last year, the shares of GVS, an Italian manufacturer of filters for medical and industrial products, **have developed extremely positively**. Among other things, the company benefited from the strong demand for medical masks due to the Covid-19 pandemic; growth accelerated noticeably and the company's already very high profitability was further increased. The company had done an excellent job during the pandemic and was able to respond very flexibly to market needs. Nevertheless, the benefits caused by the pandemic are likely to diminish further in the not too distant future and business

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should soon return to normal. **We are therefore taking advantage of the strong share price performance to take some of the profits.**

VAT Group, as described above, **has benefited strongly from the recovering semiconductor markets**, as producers have also had to expand their capacities due to rising demand. The recovery in the share price was very clear and the valuation level has therefore also increased significantly, so **we have taken some profits.**

Following last year's strong performance and regarding the very challenging comparative results to the previous year, we decided to reduce the German meal-kit manufacturer HelloFresh. While we remain confident in management and the business model, we expect that in the coming months investors will significantly question the sustainability of the meal kit trend if demand for the product could stall in the short term due to an end to the lockdown.