VALUE-HOLDINGS
Capital Partners AG

FUND REPORT
Q1 2022

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1. Stock market development

War in Europe was no longer imaginable for most people on our continent. The Russian invasion of Ukraine on 24 February surprised and shocked us. For us, it is inconceivable that all efforts to find a peaceful settlement to the conflict have failed to bear fruit. This caesura will not only change geopolitical security thinking, but also the way we do business, where we produce and from where we source our raw materials and inputs. The changes will be huge and permanent. A return to former habits seems impossible. It is not yet clear what economic damage, not to mention human suffering, the war will cause. Therefore, we are likely to face a prolonged period of uncertainty.

Russia's invasion of Ukraine has sent shock waves through the financial markets. As a result of the conflict, the oil price peaked at USD 130 per barrel. Gas prices had tripled in the meantime and due to our high dependence on Russian gas, our security of supply may be doubted. This has a dampening effect on the economy. And although Russia's importance for the world economy seems small in terms of gross domestic product, the country is an indispensable supplier of important raw materials. Supply bottlenecks, however, further fuel inflation and, in extreme cases, can even lead to production stoppages.

Uncertainty is poison for the stock markets. Every new piece of news has led to ups and downs in share prices in recent weeks. Each further escalation of events has sent prices down another notch. But fear is a bad advisor. Crises always offer opportunities as well. We don't know what will happen tomorrow, but fear-related discounts lead to shares being offered at bargain prices. We will therefore continue to look for good investment opportunities in order to lay the foundation for future success. We cannot predict how longwe will have to be patient until these successes occur. However, we are convinced that our stringent selection process will enable us to select the companies that will continue to be successful in the future.

The German DAX share index got off to a subdued start in the first quarter of 2022. In the first six weeks of the year, the index lost around 1,000 points starting from 16,000 points. After the start of hostilities on 24 February, the slide accelerated. The low point of the first quarter was 12,832 points on 7 March, a drop of 19 % since the beginning of the year. By 31 March, the DAX had recovered slightly to 14,415 points, down 9.3 % since the beginning of the year. The development of European shares was almost parallel. The EuroStoxx 50 fell by 9.2 % to 3,903 points in the first quarter of 2022.

2. Value-Holdings Deutschland Fund

The Value-Holdings Deutschland Fund started well into the first quarter of 2022, reaching a new high of **€** 4,582 in mid-January. However, from the beginning of the Russian invasion of Ukraine, the fund also lost ground. The fund unit price was **€** 4,063.18 as of 31 March 2022. This means a decline of 8.1 % for the first quarter, which is nevertheless above the general market development.

The negative stock market trend in the first quarter led to some positive developments in the individual securities, but for the most part negative performance. The largest price declines were recorded by SAF-Holland (-38 %) and Deutz (-28 %). The decline in SAF-Holland's share price occurred after the presentation of the final 2021 financial figures. However, this was not triggered by the 2021 figures, which were in line with expectations, buby the outlook for 2022.

SAF-Holland has already taken into account possible negative effects of the war in its outlook and therefore expects a slight decline in sales in the current year despite full order books and fully booked production capacities, which, together with the sharp rise in costs for raw materials (especially steel and energy), logistics and personnel, would lead to an EBIT margin significantly below the previous year. This outlook was received with disappointment. In view of the circumstances, however, we consider the forecast to be realistic. However, we are also convinced that SAF- Holland has the opportunity to realise significant sales and earnings growth in a friendlier market environment, which is why we took advantage of the low share prices to increase the position. At Deutz, the sudden departure of the CEO has irritated investors. However, this does not seem to have been about fundamental strategic differences or poor business performance. Rather, it seems that no agreement was reached between the CEO and the supervisory board on the appointment of the entire board in accordance with the legally required quota of women. We also remain committed to Deutz, as the company's market potential is not reflected in its current stock market valuation.

The short list of share price winners is headed by Takkt (+8 %), and Freenet (+4 %) also made a small gain. Takkt had announced that it would also pay a bonus of **€**0.50 for the 2021 financial year in addition to the basic dividend of **€** 0.60 per share. The total payout of **€** 1.10 per share leads to a dividend yield of almost 7 %. Freenet is also one of the stocks with a high dividend yield. Due to the slight increase of the basic distribution to **€** 1.57 per share, the yield for the past year reaches almost 6.5 %.

In the first quarter of 2022, we exchanged some positions in the portfolio of the Value Holdings Deutschland Fund. At the beginning of the Ukraine war, we sold K+S, Gesco and Daimler Truck, each at a gratifying profit. We also sold the entire Ceconomy position at cost in order to further increase the cash position. The fund's liquid assets thus increased from 14 % at the beginning of the year to 25 % in the meantime. This gave us sufficient flexibility to take advantage of the falling prices in March, to increase or buy companies whose prices were trading at sell-off levels in our view. For example, we almost doubled our holdings in q.beyond, which were still small at the end of the year, and also, as mentioned above, SAF-Holland. In addition, we invested in Traton, Henkel and Lanxess for the first time. As a result, the cash ratio had fallen back slightly to 20 % by the end of the quarter.

We expect the stock markets to remain volatile in the coming months. We want to take advantage of this to buy new first-class companies with stable business models at the depressed price level or to further expand existing holdings.

3. Value-Holdings Dividenden Fund

The Value Holdings Dividenden Fund also initially performed well in the first months of the new year and hadclearly outperformed the relevant indices. With the outbreak of the Ukraine war, industrial stocks in particularlost disproportionately due to the numerous uncertainties about the further economic development and the direct and indirect effects. Even though the quarterly performance of -5.6 % is in negative territory, the fund nevertheless outperformed the overall market in the first quarter.

The number of holdings in the portfolio increased by two net positions to 36 in the quarter under review. On the one hand, the fund, like the Value Holdings Deutschland Fund, built up its first small position in Traton. On the other hand, we invested for the first time in Cliq Digital, a provider of entertainment/streaming products.

In addition, we took advantage of lower prices in existing positions to increase our respective holdings. This purchases concerned Semperit, SAF-Holland and Deutz. In the case of Deutz, we bought back the partial position sold in the summer of 2021 at a price more than 40 % lower.

We financed the purchases through partial disposals, primarily at K+S and Takkt. K+S is by far the best with a price increase of more than 80%, K+S is by far the best-performing stock in the fund since the beginning of the year. The drivers were, on the one hand, the preliminary annual figures for 2021, which turned out higher than the last company forecast. In addition, the first outlook for 2022 was also significantly higher than the previous analyst consensus. On the other hand, current potash prices on the world market remain at a high level or are even rising further. Together with the sanctions against Russia and Belarus, where important global potash producers are located, the expectation is that the high price level will now last longer than recently thought.

The leading global satellite operator SES (+19 %) continued to make gratifying gains, benefiting from various corporate announcements (including business figures for 2021, dividend increase, acquisition in the USA, new long-term contracts). It was certainly also helpful that the operating business is hardly affected by the effects of the war or the massive increase in input costs for energy, logistics or many raw materials. The shares of the Italian fruit trader Orsero also rose by +19 %, which on the one hand reported good 2021 business figures, and on the other hand surprised all the more with its outlook for the new year, which was significantly above previous market expectations.

On the negative side, as in the Value Holdings Deutschland Fund, are to be found. SAF-Holland (-38 %) and Deutz (-28 %). EMAK (-33 %), one of the best-performing stocks of the previous year, is also on the losing side. The companyreported record figures for 2021 and also raised its dividend payment by two-thirds as a result. In addition, management reported a very robust order book at year-end 2021 and solid order intake in the first two months of the new year, which suggests revenue increases in the first quarter compared to the already goodprior year. However, inflationary pressures in materials and other costs have intensified with the outbreak ofwar, leading the company to fear a lower margin than last year. We believe the share price declines are exaggerated and remain invested. After the transactions described above, the liquidity ratio is stable at around 2 % at the end of the quarter (31.12.2021: 2 %).

With regard to the current price level of the fund, it should be noted that the annual distribution was made a few days ago. At € 0.46 per unit, a yield of 3 % is calculated based on the 2021 year-end price of € 15.20. This is at the level of our target distribution. Compared to the previous year's value of € 0.36, the distribution will increase by 28 %, and even by more than 80 % compared to 2020.