

Monthly Report February 2019

Stock markets Strong
Performance Underperformance
Investments Invested
Outlook Better

Markets

The increased attention that Switzerland receives from the EU is due to Brexit. The EU is preparing for a painful shrinking process. At the same time, it is gaining with the UK a new, economically potent neighboring country. Like Switzerland, the UK also wants to do business with and in the 27 remaining EU countries. The EU is forced to restructure its relations with its European neighbors. It is determined to make a virtue out of necessity and is returning to its core business: the domestic market. This internal market is - at least until the UK leaves - the largest in the world. Governments from all over the world are queuing up to get the approval for their companies to do business with and in this market. This single market gives the EU external power and at the same time holds the EU community of interests together. Anything that threatens to weaken it is seen by EU countries as an existential threat. Like the British, the Swiss hear: "Without adopting the domestic market law etc., the EU is not willing to talk about new market access agreements." Without a framework agreement, Switzerland's existing bilateral agreements with the EU are unlikely to be in jeopardy, as the EU benefits too much from them. But Switzerland will have to rethink its relationship with the EU in the long term. The latter relies on "EU first", for fear of the disintegration of its functioning internal market. Switzerland will increasingly have to choose between economic proximity and political self-determination.

Performance

In a friendly market environment, the price of Formulafirst Ltd. gained 1.58%. The MSCI Europe rose by 3.91%. The resulting underperformance of Formulafirst Ltd. compared to the MSCI Europe is 2.33 percentage points for the month of February 2019. Since the beginning of 2019, an underperformance of 1.19 percentage points has resulted.

Investments

Q4 2019 was a strong quarter for **Dürr's** paint and final assembly systems business. The project pipeline continues to look very good. The EBIT margin in this area should show a 5 before the decimal point in 2019 compared to a range of 4%-5% in 2018. An EBIT margin of 6-7% should be achieved in 2020. The margin in 2019 will improve because 2018 orders with higher margins could be acquired. The Focus 2.0 improvement program continues. All measures have been initiated. Among other things, simpler solutions and applications are being developed for customers. These must be accepted by the customers before implementation. Dürr has started this program in Germany. In 2019, the focus will be on China and the USA. From 2019, **Henkel** will spend an additional EUR 300 million annually on exploiting growth opportunities, especially in consumer businesses, and accelerating digital transformation. Around two thirds of this amount will be invested in Henkel's brands, technologies, innovations and core markets. One third of the funds will be invested in digital transformation throughout the company. At the same time, the high level of cost discipline will be maintained, efficiency further increased, and structures continuously adjusted.

Outlook

The trade war is likely to pause in the coming months. In addition, GDP growth should pick up again worldwide in the middle of this year, partly as a result of the stimulating measures in China. The movement of the profit growth of the companies proceeds analogously to the GDP development. Share prices normally find the bottom, together with profit growth. EPS growth is expected to turnaround in Q1 and accelerate moderately over the rest of the year. A good development on the stock markets is thus to be expected.

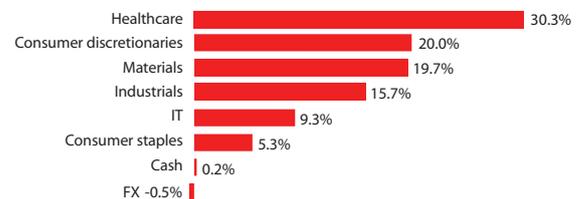
Performance as of February 28, 2019

Net Asset Value	February 2019	2019	3 years	Since inception
CHF 28.26	1.58%	9.03%	3.21%	4.84% p.a.

Share price development as of February 28, 2019 (indexed)



Breakdown by sectors



Country Breakdown



The largest positions



Formulafirst – investing in “smart owners”

Formulafirst: the concept

Investment idea

Experience shows that owners generally invest more successfully than employees. The Investment company Formulafirst focuses on Smart Owners as they are known. The investment universe consists of owner-managed companies in Central Europe (D-A-CH).

Owner-managed companies and those that are controlled by owner-oriented groups of investors are generally distinguished by their consistent strategy of long-term and sustainable growth. Since owner-managers have a substantial share of their wealth and, in most cases, of their working time invested in the company, their strategic business orientation includes goals such as maintaining the company's independence, a smooth transfer to the next generation as well as safeguarding and growing the company's assets. The long-term perspective, in some cases spanning several generations, is a major reason why these companies are more focused on their long-term strategic positioning rather than on the short-term maximization of returns.

Investment criteria

For owner-managed companies to be included in the investment universe of Formulafirst, the following conditions must be met: a) headquarters in Central Europe (Switzerland, Austria and Germany), b) listed on a regular stock exchange, c) minimum market capitalization of EUR 100 million, d) managed by owner-managers holding at least 15% but no more than 75% of voting rights. The universe of owner-managed companies from which the best stocks are picked by Formulafirst for investment includes the 50 such companies with the highest market capitalization.

The companies selected form the basis for Formulafirst's investments.

Investment strategy

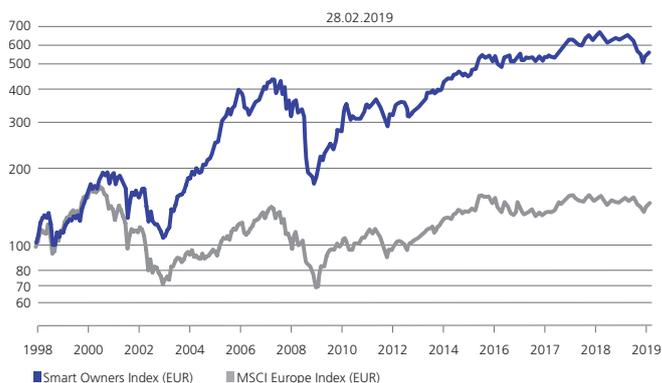
Made up of the 50 owner-managed companies the investment universe is screened by a thorough fundamental analysis in a primarily “bottom-up” approach and the most promising stocks are identified.

Formulafirst invests in equities convertible instruments, options (managing existing positions), futures (to hedge currency and market risks) and shares of holding companies and funds. Investment exposure is 100% of company assets. The investment horizon is long-term and the selection of portfolio positions is limited to a reasonable number. The size of individual investments may not exceed 10% of the portfolio when purchased (cost). The investment style is primarily based on the “value” approach and investments are made in an anti-cyclical manner. The maximum sector weighting in the portfolio should not exceed 30%.

NAV and performance calculation

The Net Asset Value (NAV) of the Company is equal to the total assets less total liabilities of the Company (determined on the basis of International Financial Reporting Standards, consistently applied). The NAV per share is calculated by dividing the NAV by the amount of outstanding shares of the Company on the calculation day of the NAV. The monthly, year-to-date as well as the 3 year performance are calculated by dividing the actual NAV per share by the NAV per share a month ago (27.82), at the previous year end (25.92) respectively 3 years ago (27.38). The performance since inception (18 December 2002) reflects the annualized yield since 18 December 2002 till today, using a start NAV of CHF 13.-.

Smart Owners consistently outperform the market (indexed)



Company details

Company:	Formulafirst Ltd., British Virgin Islands
Board of Directors:	Derek P. Baudains, Paul Broxup, Markus Gresch
Investment manager:	Ztrade group Ltd., Zug
Management team:	Sammy Matter, Martin Treffer, Daniel Biedermann
Auditors:	PricewaterhouseCoopers, Zürich
Corporate structure:	Public limited company
Inception:	18.12.02
Type of stock:	bearer shares
Shares outstanding:	690,381
Market capitalization:	CHF 20 mn
Listing:	Swiss Exchange SIX
Fees:	Management fee of 1.5% p.a., Performance fee 20% current hurdle at CHF 33.19
Security number:	146 29 83
Reuters:	FFI.S
Bloomberg:	FFI SW Equity, FFI SW Equity NAV
Net asset value:	Website daily, Wednesday/Saturday in FuW (Finanz und Wirtschaft)
Address:	Ztrade group Ltd. Baarerstrasse 2, CH-6301 Zug
Investor relations:	Dynamics Group Ltd. Alexandre Müller Tel.: +41 43 268 32 32
Internet:	www.formulafirst.vg
E-mail:	info@formulafirst.vg