

Monthly Report October 2019

Stock market Friendly
Performance Outperformance
Investments Invested
Outlook Better

Markets

Over the past two years, the EU has swiftly passed new laws to protect the European market from unfair trade practices. Further laws are to offer the possibility to examine foreign investments and, if necessary, to block them if the interests of foreign buyers threaten to endanger the security of the Union. Similar developments will soon be observed in the areas of "public procurement" and "competition law". One is directed against Chinese protectionism. The other is a priority of the new EU Commission, which should give European companies the opportunity to grow into global players. The question is whether Europe is ready for the challenges of the future. For seventy years, Europeans have been trying to forge a genuine political union out of their divergent nations. Europe has always been a promise - perhaps also because it lacked the basic element of political unity - there was no fear of an external threat that would bring people together. The US has offered security guarantees to its allies. At the same time, American society and politics were far too similar for Europeans to perceive the extent of American strength as threatening. This postponed the political union indefinitely. In today's world of giants, the EU must formulate a common foreign policy, which could gradually lead to a federal state.

Performance

In a friendly market environment, the price of Formulafirst Ltd. gained 4.89% in October. The MSCI Europe increased by 0.72%. The resulting outperformance of Formulafirst Ltd. compared to the MSCI Europe is 4.17 percentage points for the month of October 2019. Since the beginning of 2019, an underperformance of 1.75 percentage points has resulted.

Investments

Dürr is confident that the Paint Finishing Systems division will achieve its annual targets for 2019. There are 1-2 larger orders from Europe. These are about to be awarded. They are likely to come from BMW, among others. Competitor Eisenmann is insolvent. This should mean an improvement in margins for Dürr. Orders to Eisenmann are partially diverted to Dürr. Eisenmann is out of the question for new orders. Many good people from Eisenmann have recently switched to Dürr. The gross margin is above the level of 2017. At the beginning of 2019 the EBIT margin was 4.1%. It should be between 4.6%-5% in 2019. For 2020 it should be above 5%. Business at **Fielmann** is better than it has been for a long time. The order values are very good. The recommendations made by the salespeople to customers to purchase higher-quality eyewear are making themselves felt. People have money and spend it. Fielmann has accelerated digitization in order to improve productivity: Acceleration and simplification of processes, pre-selection of glasses on the internet or scheduling of appointments, etc. The grinding of the lenses into the eyeglass frames in the branches is to be reduced from 50% to approx. 25% by further relocation to the Rathenow plant in order to gain more space for customer service in the branches.

Outlook

The US central bank announced that it will buy USD 60 billion short-dated US government papers per month at least until the 2nd quarter of 2020. This would mean that the Fed would reverse its entire reduction of the central bank's balance sheet total. With the new "quantitative easing" policy, with which the European Central Bank will also soon begin, the liquidity figures worldwide will improve significantly again, which increases the probability that a new broad-based stock market upturn can be expected after the usually difficult autumn period.

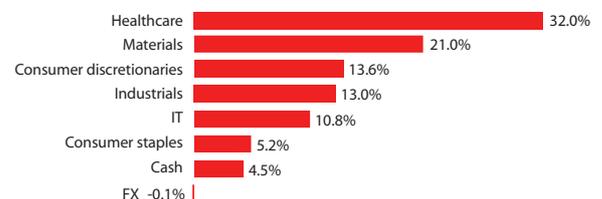
Performance as of October 31, 2019

Net Asset Value	October 2019	2019	3 years	Since inception
CHF 29.84	4.89%	15.12%	6.53%	4.97% p.a.

Share price development as of October 31, 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

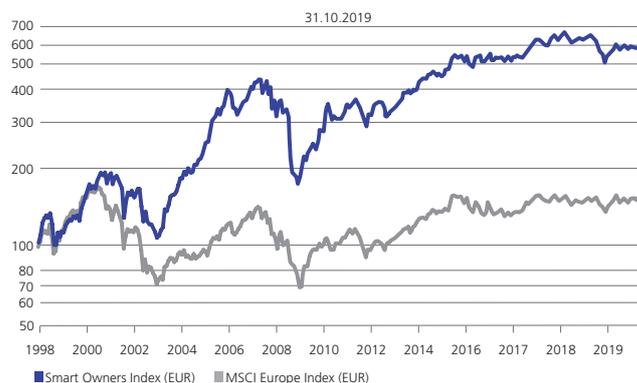
Made up of the 50 owner-managed companies the investment universe is screened by a thorough fundamental analysis in a primarily “bottom-up” approach and the most promising stocks are identified.

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 (28.45), at the previous year end (25.92) respectively 3 years ago (28.01). 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:	686,616
Market capitalization:	CHF 21 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