

Monthly Report July 2021

Stock market Mostly better
Performance Underperformance
Investments Slightly higher cash
Outlook Higher

Markets

Erecting protective walls is the European Union's (EU) central strategy for developing the EU's internal market. New tariffs are now on the agenda, climate tariffs. Brussels wants to raise tariff barriers at the EU's external borders for CO2 offenders. EU Commission President Ursula von der Leyen uses the instrument of import duties for her climate policy, saying that it is very modern and with its sophisticated cleverness it is in the service of climate protection, namely a good cause. "European Green Deal" is the title under which von der Leyen launched an elaborate subsidy and energy turn in 2019 that aims to push greenhouse gas emissions in the EU to zero by 2050. Taxes, levies, bans, consumption limits and regulations on the choice of technologies are the tools the EU will use to enforce this. That means cost burdens and restrictions on businesses. What if the rest of the world does not share Brussels' ambitions and does not want to strangle the economy in this way? In that case, their imports to Europe will be burdened with a countervailing duty to compensate for the unfair advantage of the CO2 offenders. "Carbon Border Adjustment Mechanism" is the new buzzword. If von der Leyen feels that certain imported goods look too much like CO2 sins, a compensatory payment will be due as a penalty. Compensatory measures were also the name given to the penalties that would have applied in the framework agreement between Switzerland and the EU if Switzerland had not obeyed Brussels' orders.

Performance

In a volatile market environment, the Net Asset Value of Formulafirst Ltd. gained 1.34% in July. The MSCI Europe gained 1.78%. The resulting underperformance of Formulafirst Ltd. compared to the MSCI Europe is 0.44 percentage points for the month of July 2021. Since the beginning of 2021, an underperformance of 7.18 percentage points has resulted.

Investments

As a new medium-term target, **SGS SA** aims to grow in the high single-digit percentage range by 2023. The company intends to achieve annual organic growth in the mid-single-digit percentage range at constant exchange rates. The remainder is to come from acquisitions. SGS now wants to focus on growth in adjusted operating profit, because a margin target could prevent divisions from taking advantage of growth opportunities. SGS accounts for just over 5% of the industry's total market volume of CHF 120 billion. Increasing regulation could prompt governments and companies to increase outsourcing. China is cited as an example, where market opening is still underway. In July, the world's largest watchmaker **Swatch Group** reported a good start to the 2021 financial year. Consumer appetite for expensive watches has returned, particularly in China and the United States. Only in Europe, where the Swatch Group generates around 20% of sales, the business is still lagging behind. There should be a recovery here when tourism returns. The emerging end of the pandemic should give additional momentum to the shares. The CEO expects that this year, despite lower sales, the profit level of 2019 can already be reached again. The company has used the crisis to emerge stronger. Many boutiques were closed to reduce fixed costs. This makes it easier to achieve the targeted margin.

Outlook

Contrary to the previous assurances of Fed Chairman Powell, the FED is now talking about less monetary stimulus and interest rate hikes after all. However, if one examines how the central bank's interest rate forecasts were in the past and then what actually happened, one can hardly take the latest central bank actions seriously. The global economy will normalize after the recovery boom following the pandemic. In addition, the labor supply is likely to increase significantly after the support programs expire. As a result, inflation will not meet the fears of many investors, which will support the stock markets.

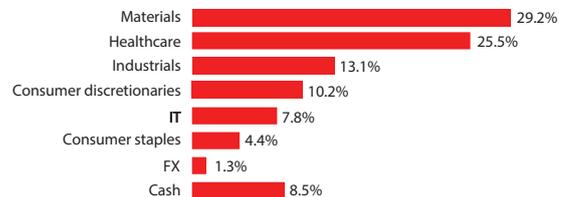
Performance as of July 31, 2021

Net Asset Value	July 2021	2021	3 years	Since inception
CHF 34.70	1.34%	8.44%	3.37%	5.33% p.a.

Share price development as of July 31, 2021 (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 (CHF 34.24), at the previous year end (CHF 32.00) respectively 3 years ago (CHF 33.57). 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: 395,753

Market capitalization: CHF 14 mn

Listing: Swiss Exchange SIX

Fees: Management fee of 1.5% p.a., Performance fee 20% current hurdle at CHF 34.24

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)

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