

Monthly Report March 2018

Stock markets Volatile
Performance Underperformance
Investments Invested
Outlook Better

Markets

Against the background of expected interest rate hikes by the central banks, the question arises as to whether the latter want to hurt people at all. There are many indications that they would rather be popular. The game was started in the 1990s by the US Federal Reserve Chairman Alan Greenspan. When the stock markets were in turmoil, he always used a cash injection to keep the price losses within bounds. This continued with the Fed leaders Bernanke and his successor Yellen. In the Eurozone, the Frenchman Trichet started rescue operations first, followed by the Italian Mario Draghi who was elected in 2011, who went full in. In Europe, companies have only inadequately adapted to the new conditions under the money flooding. According to the Flossbach von Stork Research Institute, one fifth of companies in Germany alone would get into difficulties today if interest rates rose by three percentage points. These companies absorb money and people who actually have much better things to do. A few dosed stock market crashes, which would throw such companies out of the market, would be necessary. But then certain countries would also be in trouble. Experienced monetary politicians consider it unlikely that the ECB will raise interest rates if this were bad for individual countries. Since the representatives of the more unsound Southerners have a majority in the Governing Council, they will immediately stop interest rate hikes as soon as the first pain itches. For Europe, this means no crashes, no recovery.

Performance

In a volatile market environment, the price of Formulafirst Ltd. slid by 4.57%. The MSCI Europe lost 2.35%. The resulting underperformance of Formulafirst Ltd. compared to the MSCI Europe is 2.22% points for the month of March 2018. Since the beginning of 2018 a marginal underperformance of 0.57% points was achieved.

Investments

The Access Solutions Asia-Pacific division of the **DormaKaba Group** posted strong growth in Australia and even a double-digit growth in China. Good sales growth was also achieved in Southeast Asia and India. New products were an important sales driver. The integration is on schedule and several major projects were acquired on the basis of the combined product portfolio. Cost reductions more than compensated for higher raw material costs. Divisional sales increased by 17.1% (organic growth 6%). The EBITDA margin increased from 11.5% in the previous year to 14.1%. Market share gains were achieved in this area. Group-wide, Dormakaba expects growth to accelerate in the second half of the fiscal year. In the medium term, **Sonova's** topline should grow by approximately 5-7% and EBITA by 7-11%. An improvement in margins of 50-60bp per year should be feasible. Sonova can cope with this growth with a cost increase of only 2-3% p.a. and therefore achieve economies of scale. The Cochlear implants even grow topline by 6-10%. Cochlear is the market leader. AudioNova shows a margin in the middle to higher 10% range. The wholesale business achieves a margin in the mid 20% range. In Asia, the focus is primarily on China. Simpler products are sold which are easy to use. In part, Sonova has to train audiologists itself in order to create a market for hearing aids.

Outlook

Fundamentally, there is still no need to worry about share prices. For decades, the global economy has not improved evenly across such a broad spectrum as it is actually doing. So far, there is no sign that this trend will end. Particularly as a result of tax cuts in the USA and the repatriation of large sums from tax havens back to the USA, US investment and consumption (companies pass some of their savings on to their employees) should continue to expand.

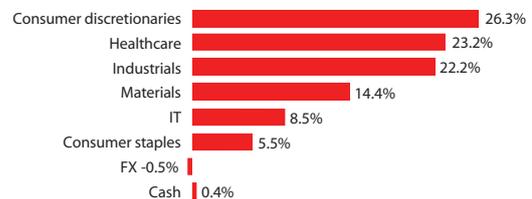
Performance as of March 31, 2018

Net Asset Value	March 2018	2018	3 years	Since inception
CHF 31.09	-4.57%	-5.44%	10.60%	5.78% p.a.

Share price development as of March 31, 2018 (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%.

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: 767,883

Market capitalization: CHF 24 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