

HOWALDT & CO.



WERTANLAGEN FONDS

Alignment at work in professional investing





Disclaimer – please make sure you read this

THIS DOCUMENT IS DIRECTED ONLY AT PROFESSIONAL AND SEMIPROFESSIONAL INVESTORS WITHIN THE MEANING OF KAPITALANLAGEGESETZBUCH (CODIFIED GERMAN INVESTMENT LAW) AND VALID ONLY IN CONJUNCTION WITH THE SEPARATE VOLUNTARY INFORMATION DOCUMENT OF 1 APRIL 2018 THAT INCLUDES VARIOUS RISK FACTORS AND DETAILED TERMS AND CONDITIONS.

MARKETING OF SHARES IN “WERTANLAGEN” FUND AND DISTRIBUTION OF THIS DOCUMENT IS SUBJECT TO THE PRIOR PERMISSION OF HOWALDT & CO. INVESTMENTAKTIENGESELLSCHAFT TGV.



You have been looking for a good way to pursue long-term investment success for your savings? We are here to help you achieve it.





In our fund, only your investment success counts

- We aim for your investment with us to prosper over time, by owning shares in prospering companies and by seizing the occasional bargain opportunity
- When entrusting our fund, you know that the responsible team has a EUR 10 million personal investment in mind too when making decisions ⁽¹⁾
- Fixed costs are kept low for you and all other investors. Only your success will bring reward for the team





What type of assets do we own to produce good long-term returns?

1 Our typical investment: Shares in c. 12-20 carefully selected, prospering companies

- Typical qualities that we like:
 - a business with good and sustainable reason to exist
 - giving it a growth runway for the next 5 – 10 years
 - a skilful owner on the board, acting in our joint interest
 - high return on equity (15%+)
 - evidence that points to a “rich” business model and balance sheet
- Typical size allocation: 30% large, 50% mid-sized, 20% small companies⁽¹⁾
- Typical geographic allocation: mainly Europe, USA



2 Our occasional investment: Bargains

- Unlike the compounders that we like to keep for the long-term, occasional bargains are bought with an exit in mind

3 A small war chest of cash and cash equivalents

- We tend to keep 10% or more of cash in strong markets to take advantage of opportunities when markets jitter

Note: (1) All three size-brackets are likely to be represented at any one time. Actual percentage allocation varies materially depending on opportunities, prices, liquidations



Both our own experience and inspirations from these investment legends formed this investment approach

Graham



Equity, History
Integrity, Mr. Market,
Margin of Safety

Fisher



Companies for keeps,
Scuttlebutt

Buffett



Commercial goodwill,
Focus on costs,
Love for the product



Taleb



Antifragile qualities

Klarman



Asymmetric situations
in neglected corners

Ashworth-Lord



Invest in the best,
Valuing compounders





Nurturing our “wine rack” lies at the core of our investment process

Global market of listed securities such as equities, bonds, investment trusts

Continuous market screens

Securities we have followed Networking Admired fellow investors Due Diligence cross-reads Special Situation Newsflow Quant screens

Potential Company Securities

Proprietary Financial History Check

10 year history of earnings quality and trajectory
7 year history of balance sheet strength

Company Quality Check

Management loyalty to shareholders
Business moat/Scuttlebutt
Hygiene factors such as executive pay

Asymmetric risk/reward securities

Special Situation Check

Asymmetric risk/reward validation (e.g. in securities involving entities in liquidation or other out-of-fashion corners of the market)

Wine rack
50-75 desirable securities

Margin of Safety Definition
Define limit prices for buying and selling
Track corporates and securities over time

Mr. Market is fearful, we buy



Mr. Market is very greedy, we sell

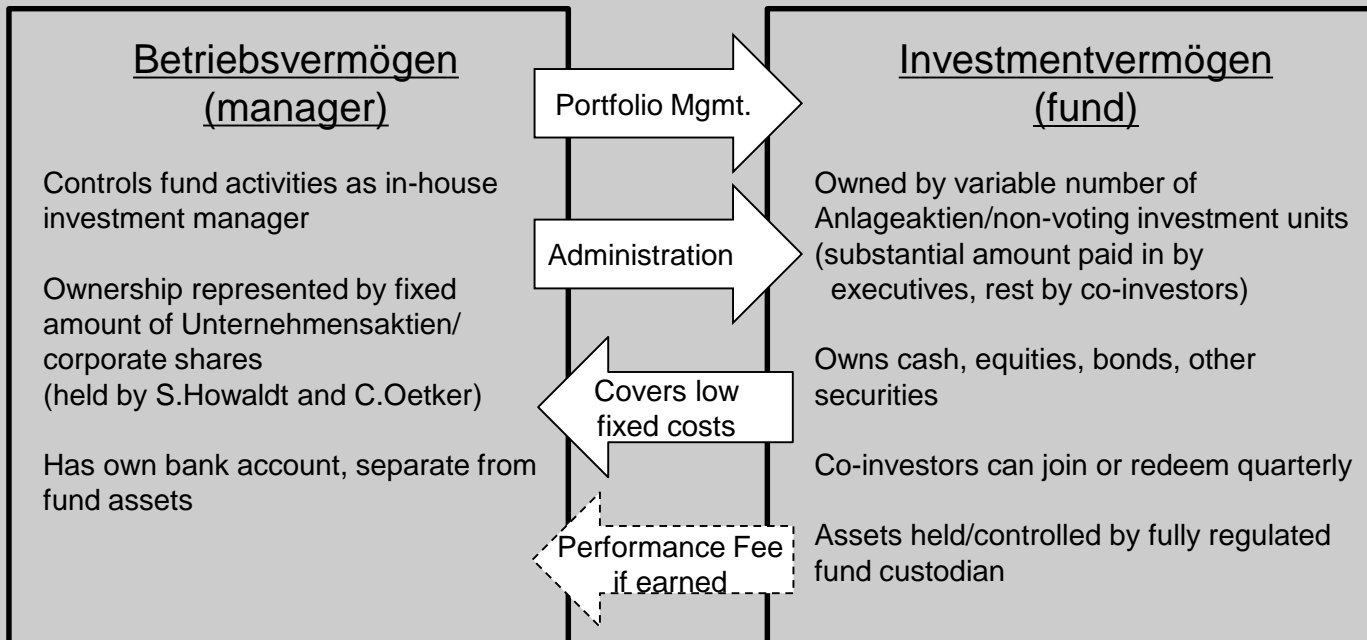
Typical portfolio:
12-20 positions





We are organised as an on-shore German Investment-AG

(BaFin registered)
Investmentaktiengesellschaft

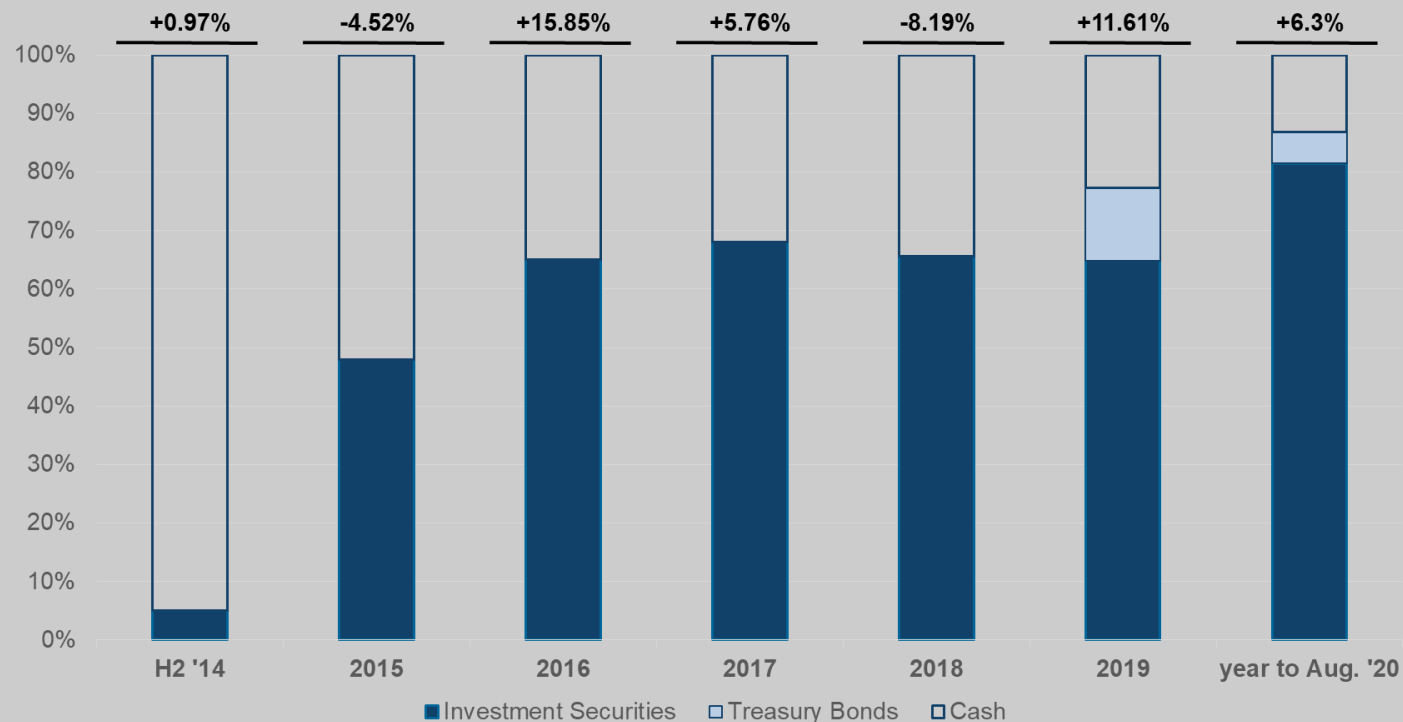


This is where the assets are

- Ring-fenced** – and held by custodian (Verwahrstelle)
- Independently verified** – custodian and annual audit
- Cost efficient** – operation under one roof with manager
- Flexible** – join/redeem quarterly



Investment level and performance



- Performance numbers stated after all costs and are adjusted for distributions paid (assumed re-invested)
- Please refer to our case descriptions document for further investment portfolio information

Note: YTD performance based on net asset value as of 31/08/2020



Allow us to start producing long-term returns on some of your liquid investment assets too. Next steps and key terms:

- Take step 1 of 2 by filling in our investor-identification-form (download at www.howaldt.com)
- bear virtually no management fee and no hidden distribution costs
- benefit from low fixed costs not to exceed higher of 22 basis points or EUR 80K for all investors together ⁽¹⁾
- in return, share 1/5 of any annual growth in net asset value per investment if it exceeds 5% p.a. (with high watermark to protect you)
- if you need some or all of your capital back, you can withdraw quarterly with 40 days prior notice
- to encourage long-term investing a redemption discount of 5% applies during the first 5 years ⁽²⁾



Notes:

(1) 22 basis points p.a. will be reached with c. EUR 36 million under management; principals alone and their families contribute a substantial portion of these; the EUR 80K minimum charge was set in Q1 2020 and can be indexed for inflation. EUR 86K run-rate in Q1 2020 owing to exceptional depository costs for one international investment

(2) Any such discount would be distributed for the benefit of all investors according to their share in remaining net asset value of InvAG. Example: Co-Investor A redeems within the first 5 years of his investment units with a net asset value of EUR 100 each. He would receive EUR 95 for each unit redeemed (subject to further trading or similar costs) and EUR 5 of each of his units would be distributed among all remaining investors. Executive Founder investors and their families will be able to redeem without redemption discount, reflecting the fact that they have committed nearly all their liquid assets to InvAG and need to fund living expenses from time to time.

(3) All data refer to Wertanlagen TGV sub-fund, Class A investment shares. Class B investment shares are not subject to performance fees



Appendices



Tax strategy - efficient but no sleepless nights, please ⁽¹⁾

- German on-shore fund vehicle
- Suitable for private, corporate and institutional investors
- Classification as Alternative Investment Fund in line with § 1 (1) and Equities Fund in line with § 2 (6) InvStG of Jan 2018, leading to tax treatment as follows:
- Taxation of any net gain mostly happens upon investor returning fund units one day in the future

At such time:

- private individuals benefit from a 30% discount of any German taxes
- corporate investors (e.g. GmbH) benefit from a 80% discount of any German taxes

Until such time:

- Capital gains within the fund can be re-invested without being taxed
- Interest income within the fund is tax free
- dividend withholding taxes are mostly lower than for securities held in a private or corporate account
- a small tax amount at the investor level occurs annually, and only if the fund value has risen (2019: 0.07%)

Important note (1):

In matters taxation nothing is ever certain nor simple. Please read the full tax description in our exhaustive voluntary information document, available in German only



The Investor Team – Executive Board



Stephan Howaldt, born 1966, has been Chief Investment Officer since the formation of Howaldt & Co. Investmentaktiengesellschaft TGV in 2014. Stephan is also a member of the board of curators at Deutsche Schutzgemeinschaft für Wertpapierbesitz.

In investment management, he was previously founder, head and a member of the Investment Committee of the multibillion-Euro Hermes European Focus Funds and Chief Executive of its management company Hermes Focus Asset Management Europe Ltd., regulated by the FSA in the UK. Within the wider Hermes Group (USD 100 billion in funds under management) he was a member of, inter alia, the Group Executive Committee (comprising the group's six most senior managers) and the Group Risk and Compliance Committee.

In the corporate world, he was previously Chairman of the Supervisory Board of Vapiano SE (global chain of restaurants with some 5,000 staff directly employed or some 12,000 if including franchisees), a non-executive director of Unisphere Networks Inc. in the United States (majority-owned by Siemens - telecoms equipment), an Executive Director at S.G.Warburg/UBS Warburg (investment banking), and an executive at Treuhandanstalt.

Stephan holds a PhD in economics, lic.oec.HSG (both from St.Gallen University) and IDP-C from INSEAD, is a former scholar of Studienstiftung des deutschen Volkes and reserve officer in the German army.



The Investor Team – Executive Board



Carl Oetker, born 1982, joined Howaldt & Co. in early 2018 as both an investor and a member of the executive board.

Prior to joining he worked as an Investment Manager and Partner at ARCUS Capital AG, a private equity company. His main focus was on reviewing new investments and supporting the existing investment portfolio.

Previously, he was a consultant at Boston Consulting Group (BCG), where he was involved in numerous projects in the industrial and consumer goods sectors. Before joining BCG, Carl acquainted himself with the investment business during a string of stints within investment banking at both Lehman Brothers and Ermgassen & Co in London and New York.

Carl holds a B.A. in International Business Economics with a focus in Finance from the University of Maastricht, and a Master in European Business from ESCP Europe.

Between them, Stephan and Carl own 100% of InvAG's corporate shares.



The supervisory board



Prof. Dr. Annemieke Roobeek
 Professor for Strategy, non-executive director ABN AMRO, KLM, Abbott Pharma Netherlands. Member of the Supervisory Board



Prof. Dr. Stephan Schüller
 Former General Partner and CEO at Lampe Bank and Vereins- und West-Bank, Germany. Chairman of the Supervisory Board



Claus Zellner
 General Counsel, Head of Real Estate Investment and former CFO at Venus Management Co. (Niarchos Family Office), Monaco. Member of the Supervisory Board



Dr. Michael Fischer
 Financial services lawyer, specialising in compliance and regulatory matters. Partner at Jones Day, Germany. Former General Counsel of UBS Germany. Senior Adviser to the Supervisory Board



Stig Christensen
 Management Consultant and professional non-executive board director, Denmark. Senior Adviser to the Supervisory Board

