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5 January 2021

Investor Letter 15

Dear investors,

Going into 2020, we wrote to you in our Q4 2019 investor letter on January 7th, 2020:

“We conclude that market participants are currently bullish and want to be bullish. That can either run further or be a good setup for disappointment.”

Few anticipated how fast and how far the market would actually run in 2020, with strong momentum also in the final quarter. Increased risk appetite was powered by vaccine approvals and hopes that a new US administration may usher in a period of more political and economic stability. An interesting fact: European equity markets posted their biggest ever monthly gain in November, ahead of all other major global markets. The pan-European Stoxx 600 index recorded its best-ever month, ending 13.7% higher. By comparison, the S&P 500 rose 10.8% in November, and the Dow Jones Industrial Average and the Nasdaq Composite each gained 11.8%.

The fund was well positioned to take advantage of these dynamics. On the one hand, we shifted out of some companies for which the path to recovery was unclear and, on the other hand, we found a few exciting new opportunities driven by attractive valuations and changed market environments. We entered 2020 with 19 core positions. We dropped 7 of those over the course of the year and added 5 new core positions leaving us with 17 core positions going into 2021.

Given that we consciously avoided the hype and momentum trades that largely drove the equity indices this year, the Fund's **+15.3%** return in 2020 with significantly lower volatility and lower absolute drawdown in March made for a good risk-adjusted performance. Most importantly, we believe that the fund is packed with upside potential going into the coming years.

Section 1: Performance Q4'2020

Quarterly performance was **+15.6%** against **+21.4%** for the MSCI Europe Small Cap. 2020 performance came in at **+15.3%** against **+12.3%** for the MSCI Europe Small Cap.

Portfolio Updates:

SLM Solutions AG (market cap € 320m): In our Q2 letter we mentioned SLM was looking to launch its next generation 3D printer later in 2020. This had been one of the key catalysts of our investment thesis. SLM stuck to its timeline and launched the NXG XII 600 on November 10th. It marks a quantum leap in additive manufacturing productivity as the machine's 12-laser system and 600x600x600mm build chamber enables mass-production of larger parts for the first time. One example is the e-drive engine housing for Porsche. Although key end markets like aerospace and automotive are still struggling, SLM made a huge step forward and this is not yet reflected in its market cap. Order intake for NXG XII over the next quarters could serve as another catalyst for narrowing the valuation gap versus other additive manufacturing peers like Desktop Metal (\$4bn market cap on \$20m 2020e sales). SLM has so far contributed 300BP to the fund's overall performance.

Modern Times Group AB (market cap € 980 m): The e-sports and mobile gaming conglomerate had a challenging year, but the shares did well, up 32% in 2020. While the e-sports division suffered from cancelled live events that had to be shifted online, its mobile gaming division thrived. Daily active user numbers for games like "Forge of Empires" experienced strong increases as people spent more time on their phones. There has also been a shift in capital allocation strategy. Going into the year, management had planned to sell the mobile gaming division as the industry is currently going through a consolidation phase. With a CEO and CFO change in Q3 and on the back of strong demand tailwinds for the vertical, MTG took the strategic decision to become a consolidator itself. First results of this strategic shift became visible on December 7th as MTG increased its stake in InnoGames from 51% to 67%. MTG also formed a new TopCo called GamingCo consolidating the InnoGames and Kongregate (another gaming studio) stakes. A day later, on December 8th, the company announced the acquisition of Hutch Games Ltd., a studio focused on free-to-play racing games. While the buy & build strategy in the gaming division and the cash generative nature of the business is a stable leg for MTG, the e-sports division constitutes an implicit option on any kind of normalization in the live event area over the coming year.

Guala Closures S.p.A. (market cap € 550 m). Founded in northern Italy in 1954, Guala is the world's leading supplier of safety and luxury closures for alcoholic beverages such as whiskey, gin, rum and vodka. As Guala's products offer a cost-effective and value-added solution to the counterfeiting problem, they benefit from above-market growth. In the wine market, Guala's sales are driven by the ongoing switch from cork to quality screwtop closures, of which Guala is the global #1 producer. After a 'backdoor' listing on the Milan stock exchange via SPAC, Guala had been overlooked by international investors. When we opened our position in mid-2019, the company traded at just 7.5x EBITDA, 11x EBIT and 8% free cash flow yield to equity. Given its globally leading market positions, we found the valuation to be highly compelling. (Read our full investment thesis in the [Guala-dedicated Equity Ride](#)). Our thesis on the company was finally validated in December 2020 when Italian private equity firm Investindustrial offered to take Guala private at €8.20/share or 10.4x forecast 2020 EBITDA, nearly double the firm's 2020 lowpoint valuation.

va-Q-tec AG (market cap € 400 m). was founded in 2001 as a spin-off from the University of Würzburg and has traded publicly since 2016. With sales of €76 million, the company designs and manufactures vacuum insulation panels (VIPs) which are 10x more efficient than conventional

insulation such a styropor. Demand for their VIPs - which are also more energy-efficient, space-saving and environmentally-friendly than competing products - has been growing strongly. For years, their VIPs have increasingly been used as containers and transport boxes for healthcare and logistics companies, as insulation of refrigeration equipment, for insulating water boilers and pipelines, as building insulation, and as insulation in refrigeration trucks, cars, trains, and aircraft. However, in 2020, va-Q-tec's advanced insulation found a crucial new end-market: the Covid-19 logistics supply chain. First, the company's boxes were used in the distribution of chilled corona test kits. Later, va-Q-tec announced a comprehensive agreement to supply packaging for the distribution of highly chilled vaccines. CCA had done diligence on va-Q-tec over the second half of 2019. We started building an "option-sized" position in early 2020, as we anticipated the company's pivot into sustainable profitability. The unexpected corona-related revenues came on top of the already strong double-digit demand from its core industrial clients. Hence, the fund benefitted from vac-Q-tec's +112% 2020 share price performance. This contributed 167BP to the fund's overall performance. We liquidated a part of the position and took our invested capital off the table.

Section 2: Portfolio positions

The top 10 positions are...

Firm	Weighting	Business
Naked Wines plc	8.8%	Online wine club in the UK and USA
Modern Times Group Mtg AB	7.6%	Operator of e-sports league (ESL) and mobile gaming dev. studios
SLM Solutions Group AG	7.4%	Manufacturer of 3D printers
McBride plc	6.1%	Private label household cleaning products
init innovation in traffic systems SE	4.8%	Software & ticketing for public transportation providers
Encavis AG	4.7%	Solar and wind park operator
Vossloh AG	4.6%	Rail components & services
CareTech Holdings PLC	4.5%	UK's leading private provider of adult care services
Intertrust N.V.	4.5%	Essential business services for corporations and funds
Amadeus FiRe AG	4.4%	Temp staffing agency & job training services

Important new core positions in the fund...

Firm	Weighting	Sector	Country
Amadeus FiRe AG	4.5%	Business services (cyclical)	Germany
M1 Kliniken AG	4.3%	Healthcare / Consumer	Germany

Amadeus FiRe AG (market cap € 700 m): Amadeus FiRe is a fully Germany-focused temp staffing agency. The company is exclusively dedicated to white-collar jobs, i.e. "office" workers like bookkeepers or project managers. The benefit of this concentration is much lower cyclicity than diversified staffing companies which typically also have a sizable blue-collar contingent. In 2019, the company generated €233m in sales and EBIT of €39m. We believe the company is well-managed and is an overlooked small-cap gem with only one broker covering the company. The competitive war in the temp-staffing space is fought on the supply side of the business, i.e. sourcing

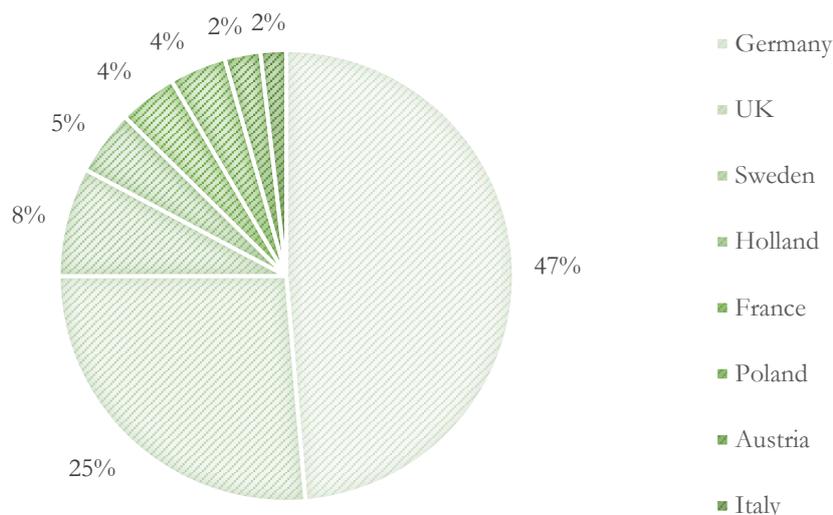
employees. At the end of 2019, Amadeus closed a strategically brilliant deal by acquiring job training company Comcave. The company specializes in re-training and cooperates closely with the German Federal Employment Agency, which often grants education vouchers to unemployed people. Comcave is an attractive cash-generating asset and serves as a platform for rolling up other education providers (such as in September 2020). Moreover, with Comcave Amadeus now sits on a sourcing gold-mine, conveying a competitive advantage. It will be interesting to see how the business performs in 2021 as the job market reconfigures following massive lay-offs at large corporates across Germany.

M1 Kliniken AG (market cap € 170 m): M1 Kliniken is a chain of medical practices offering aesthetic procedures. The group comprises 27 locations in Germany, 8 in other European countries and a fully-fledged beauty clinic in Berlin for more complicated procedures. The value proposition is both simple and intriguing. The aesthetic procedure market is highly fragmented and consists mostly of single local practices. The business is very high margin and most doctors are happy to operate as a single practice. M1 saw this opportunity and is undercutting market prices by 50% due to high volume sourcing of relevant “inputs” like Botox and hyaluronic acid. In addition, M1 has streamlined the treatment process to higher frequency at higher quality (a doctor giving 30 injections a day is better at what he does than a doctor only injecting twice a day). The market is experiencing strong growth as social acceptance for aesthetic procedures is going mainstream. The practices are typically fully booked. While M1 shut down for 3 weeks during the 2020 spring lockdown they remain open this winter due to their classification as medical practices. Given the growth opportunities for opening further locations across Europe, we believe the <10x 2021e EV/EBIT valuation at which the fund established its current position is very attractive. The company targets 100 clinics by 2023.

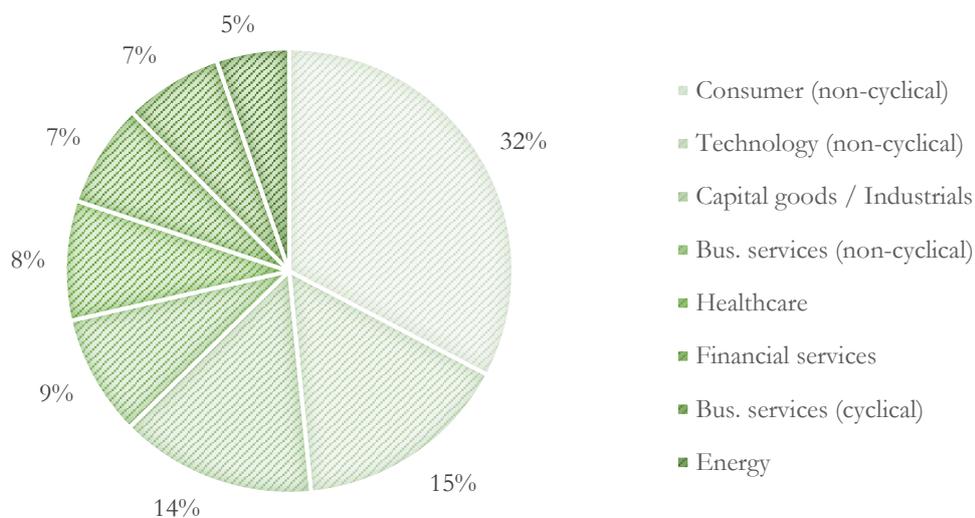
Section 3: Portfolio snapshot

The portfolio currently consists of 17 core positions plus 12 sub-core positions with a lower weighting, as these are either in the process of being built up or reduced. One position is in the microcap area (< €150 million), 19 in the lower small cap area (€150 million - €1 billion), four in the larger small cap area (€1 - 5 billion) and 5 in the mid cap area (> €5 billion).

As we increased the fund's concentration across our core positions in the quarter so did our country allocations. Germany now stands at 47% versus 40% last quarter and UK increased to 25% from 17%.



CCA sticks to its preference for non-cyclical companies. Our allocation in capital goods / industrial increased slightly from 10 to 14%. We reduced a few technology positions (15%, down from 24%) and note an increase in consumer businesses to 32% (up from 24%).



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In these interesting times we would like to make ourselves available for group and one-on-one calls with you. Please follow [this link](#) to book 45-minute time slots with us throughout January and February to discuss portfolio companies, market outlook and allocation strategy.

Kind regards from Frankfurt,

The CCA Team

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