

Monthly Report August 2017

Stock markets Mostly slightly down
Performance Underperformance
Investments Invested
Outlook Better

Markets

When Reagan was elected president in 1980, he had sixteen years of political experience behind him. Donald Trump had only fifteen months to get used to his new role as a politician during the election campaign. He would have first thought about governing, after he has won the election, otherwise he would never arrive in Washington. Trump now has to find out what works and how he achieves his goals. But he is described as extremely smart with a very good memory. Instead of avoiding mistakes, he acts. The speed is based on the ability, to recover more quickly from errors, than these can harm him. This is how he develops lasting momentum. Always full on attack. He acts faster than the opponent can react and thus the latter becomes virtually irrelevant. Trump is of the opinion that he has 2 to 3 big topics per month, but he should not care about details. He has made great progress in deregulation, but practically nothing has been taken up by the media. Because it does not fit into the image of Trump that media cultivates. But he will also strongly influence the republican party, so that it will again become a party of genuine change. For the mid-term 2018 elections, the Republicans have to understand, that job creation is an absolutely necessary condition for the survival of the Trump-government. That means you have to simplify the tax law.

Performance

In a weak environment, the price of Formulafirst Ltd. slid back by 2.03%. The MSCI Europe fell by 1.05%. The resulting low underperformance of Formulafirst Ltd. against the MSCI Europe is 0.98% -point for the month of August 2017. Since the beginning of 2017, a significant outperformance resulted of 4.65% points.

Investments

In China, sales of paint systems are growing again, which also continued in Q2. For 2017, **Dürr** expects a double-digit increase in order intake. One also makes good business with local Chinese car companies, which have taken market share from VW etc. The Chinese car manufacturers want to export their products more and more. For this purpose, they must, improve the paintwork, and now Dürr helps them. To this day, the Chinese car manufacturers have mainly been buying Chinese paint systems because they have been cheaper. The acquisition of Akorn Inc. is an important step for Kabi of **Fresenius SE** to generate enough revenue after 2020 until the biosimilars will contribute to sales from 2022/23 on. The small molecules segment contributes to growth until 2020. The biosimilars are larger and more complex molecules. Kabi will mainly sell such products from oncology and auto immunology. While Akorn Inc. is profit accretive from the first day, the biosimilars are watering down the profits for the time being. The biosimilars should break-even in 2022. Kabi wants to launch approximately 5-6 biosimilars. With Akorn Inc., Kabi has tapped new products, such as eye or ear drops and the existing product range strengthened by further IV drugs. New distribution channels have been opened as well, such as specialized pharmacies.

Outlook

US investors have not only returned value equity funds but also sold a total of US equity funds (including ETFs) of around USD 40 billion since March. So far, US stock market inflows have not yet been made this year, while approximately USD 140 billion of new capital has been invested in US bond funds. This reflects the prudence of the investor, which is exactly the opposite of the year 2000. A stock market euphoria like 2000 is thus not to be observed either in the USA or in other markets. This suggests that the second half of 2017 can be better in world stock markets than is generally expected by the pessimists.

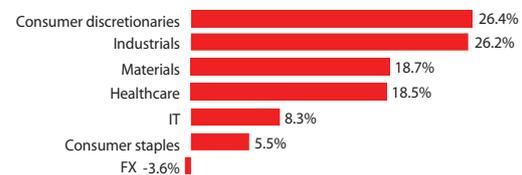
Performance as of August 31, 2017

Net Asset Value	August 2017	2017	3 years	Since inception
CHF 31.32	-2.03%	7.67%	28.94%	6.07% p.a.

Share price development as of August 31, 2017 (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: 1,021,002

Market capitalization: CHF 32 mn

Listing: Swiss Exchange SIX

Fees: Management fee of 1.5% p.a.,
Performance fee 20%
current hurdle at CHF 31.95

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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