

During the fourth quarter and full year of 2019, equity prices increased significantly. Sifter Fund NAV increased by 4.6% and full year increase being 31.3%. During the year, Sifter exited Rolls-Royce, 3M, Raytheon and Air Liquide due to deteriorating earnings models or consistently disappointing business performance. Sifter also invested in two new companies: Disco and Atlas Copco, seeing that they hold a strong competitive position.

	2019%	3 years % (p.a.)	5 years % (p.a.)	Since inception % (p.a.)
R-class	31.3	11.0	9.0	8.9
PI-class	31.8	11.4	-	-
Difference to Index	+2.4	+0.8	-1.0	+0.5

Table 1: Sifter Fund performance vs Index (MSCI ACWI)



Graph 1: Sifter Fund performance (2003/06/19 - 2019/12/31)

FUND PERFORMANCE

- **Total return since inception** (2003/6). Sifter Fund has returned 307.7% for the investors
- **Annualized return** since 2003/6 is 8.9% (vs 8.4% for comparison index, (MSCI ACWI) → The Fund has performed better.
- **Historical volatility** being 11.5% p.a. (vs 12.2% p.a. benchmark index). → The Fund is less volatile than the index.

OUTLOOK

Global political tensions continued during Q4 2019 and reflected on the macro. Meanwhile, central banks took steps towards more accommodative monetary policy: the Federal Reserve cut interest rates for the third time in 2019 while the ECB restarted asset purchases. In the US, domestic consumption supports the economy but growth in the Euro Area is weak and Purchasing Manager Indices reflect low expectations. Considering the economic background, we do not expect a significant macro tailwind in the near term. However, we believe that the high-quality Sifter businesses are well equipped to weather storms and prosper in the long-term.

Annual return (Net)				Monthly return (Net)											
				JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
2003	13.9 %	6.4 months							-1,2%	1,7%	3,6%	-1,3%	4,0%	0,3%	6,2%
2004	8,0 %			1,5%	2,1%	-1,6%	0,3%	-1,3%	0,5%	-0,8%	0,5%	2,1%	-1,0%	4,2%	1,5%
2005	27,5 %			0,8%	3,1%	-1,3%	0,0%	2,4%	3,7%	3,7%	0,6%	6,8%	-3,0%	3,5%	4,7%
2006	11,3 %			4,6%	1,6%	1,3%	1,6%	-5,9%	0,3%	1,1%	1,2%	0,0%	2,5%	0,8%	2,0%
2007	13,2 %			0,4%	-0,9%	1,1%	3,4%	3,5%	1,2%	1,2%	-2,5%	4,0%	2,3%	-3,0%	2,1%
2008	-35,6 %			-7,6%	0,9%	-5,1%	3,7%	0,7%	-8,1%	-2,0%	-2,4%	-10,7%	-8,8%	-2,1%	-0,7%
2009	25,7 %			-4,2%	-2,8%	1,9%	8,6%	5,1%	0,7%	3,8%	1,1%	2,6%	-0,1%	2,4%	4,6%
2010	6,7 %			-2,1%	1,0%	4,7%	-0,2%	-2,0%	0,6%	-2,2%	0,0%	0,2%	2,0%	0,9%	3,9%
2011	-9,1 %			-2,6%	-0,1%	-0,4%	0,3%	0,7%	-2,2%	0,3%	-10,3%	-1,5%	5,8%	-3,5%	4,9%
2012	12,4 %			4,8%	4,1%	0,8%	1,6%	-5,3%	1,2%	5,5%	-0,2%	-0,3%	-1,7%	2,1%	-0,3%
2013	22,5 %			2,4%	5,3%	4,3%	1,0%	3,3%	-2,4%	2,0%	-1,8%	1,7%	1,7%	1,9%	1,4%
2014	24,4 %			-0,3%	2,6%	1,4%	0,6%	3,2%	1,4%	1,2%	2,3%	1,9%	0,1%	5,1%	2,8%
2015	6,1 %			3,6%	4,1%	1,2%	-0,1%	1,3%	-5,7%	3,3%	-6,6%	-4,4%	10,3%	3,0%	-2,7%
2016	6,1 %			-6,5%	2,5%	1,3%	0,2%	1,7%	-0,4%	5,1%	-0,9%	-1,6%	0,5%	2,7%	1,8%
2017	8,5 %			0,6%	3,7%	0,8%	0,5%	0,1%	-2,3%	-0,4%	-2,9%	3,5%	6,1%	-1,4%	0,2%
2018	-4,1 %			2,2%	-0,1%	-3,7%	2,0%	6,0%	-1,8%	1,7%	1,9%	0,0%	-7,3%	3,3%	-7,3%
2019	31,4 %	(YTD 31.12.2019)		8,9%	5,0%	1,2%	5,2%	-5,5%	2,5%	5,1%	-1,7%	3,1%	1,7%	3,1%	-0,2%

Table 2: Fund's monthly total returns since inception.

CONTRIBUTORS AND DETRACTORS

2019

Top 3	%*	Bottom 3	%*
Lam Research	+123.4	Ain Holdings	-8.8
TSMC	+67.8	Rolls-Royce	-6.7
Microsoft	+60.5	Koito Mfg.	-5.9

*Total return

Q4

Top 3	%*	Bottom 3	%*
Lam Research	+23.4	Hexcel	-13.1
TSMC	+22.3	Cisco	-5.0
Disco	+22.3	Safran	-4.7

*Total return

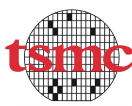
Lam Research Corp.

Lam Research Corporation, which makes semiconductor manufacturing equipment mainly for the memory chip sector, saw its price increase in this quarter as the commentary from customers and the outlook for the memory sector turned positive. This sector has previously suffered from overcapacity and oversupply as the main memory manufacturers invested too much in manufacturing capacity between 2016-2018 which oversaturated the market with memory chips (hard drives). The excess has by now been mostly digested by the end users and the memory manufacturers expect prices, and in turn, revenues to recover during this year which should lead to more capital investments towards the end of this year or the next, which in turn leads to increased revenues and profits for Lam Research.



Taiwan Semiconductor Manufacturing

TSMC is engaged in the manufacturing, selling, packaging, testing and design of integrated circuits and other semiconductor devices and the manufacturing of photomasks. TSMC is a pure-play semiconductor foundry business, focusing on manufacturing clients' product designs. TSMC holds ~50% market share in the foundry market where large capex requirements are a significant entry barrier. During the quarter, TSMC upgraded the 2019 capex guidance 40% to USD 14.5bn (~40% of revenue) mostly driven by the stronger than expected 5G momentum. The company guides high capex also for 2020. TSMC kept its long-term revenue targets intact, implying double



digit revenue growth for 2020 and 2021. Traditionally, TSMC's targets have been conservative.

Disco Corp.

Disco manufactures precision industrial machinery for cutting and grinding purposes. The products are used in the semiconductor, electronics, and construction industries. Disco is the market leader in wafer and semiconductor dicing and grinding business with ~70% market share, resulting in a large installed base and profitable aftersales business. In the latest quarter, net sales declined at 12% yoy rate due to slow equipment sales but the profitable aftermarket sales kept operating margin unchanged at 29%. After a period of weak demand, Disco finally guides a qoq and yoy (+3%) upswing in next quarter shipments, as inquiries from Taiwanese customers have increased and semiconductor investments in mainland China are expected to strengthen. Chinese semiconductor investments are a longer-term trend that could intensify further due to the trade war. China is already Disco's largest market.



Safran

Safran S.A. is a French multinational aircraft engine, rocket engine, aerospace-component, defense, and security company. The joint venture together with GE dominates the narrow body aircraft engine market with 70% market share. Large installed base of engines secures profitable aftersales. Safran is ramping up the production of the new LEAP engine, while winding down the production of CFM56 engine. LEAP is sold at a small loss. The engine is used particularly in the currently grounded 737MAX, which limits short term growth outlook. The long-term outlook is still strong and supported by Boeing's and Airbus' multiyear order backlogs. Safran reports semi-annually, next time in February 2020.



Hexcel Corporation

Hexcel develops, manufactures, and markets composite materials and engineered products. Commercial aerospace market represents 68% of revenue. Other markets include space and defense, electronics, general industrial, and recreational markets. Hexcel's competitive position is supported by the limited number of competitors in the field of aircraft primary structures, partly due to long contracts and



certification requirements. During the quarter, Hexcel lowered 2019 growth guidance by 230bp to 8.3%, reflecting lower sales volume for the 737MAX along with rising uncertainty in the global economy which impacts some of Hexcel's industrial markets. The grounding of 737MAX seems to merely postpone demand: airlines are under pressure to increase capacity and the order book for the alternative, Airbus a320neo, is several years long. Hexcel's mid-term growth guidance for 2018-2021 remains at 6-9% CAGR while Commercial Aerospace sales are expected to grow at 4-7% CAGR.

Cisco

Cisco offers networking solutions. Approximately 60 % of revenue comes from switches and routers, 25% from services and 15% from applications and security products. Cisco recently issued a weak



guidance for the next quarter: 3-5% yoy decline (in contrast to 0-2% increase previously), driven by macro. The downgrade is somewhat consistent with the weakening momentum in the overall IT spending. Cisco's long-term outlook is still positive: the company forecasts that internet traffic increases threefold in 2017-2022, which should fuel the demand for networking equipment. In that business, Cisco holds leading market shares. Software-defined networking is a potential disruptor but Cisco's vast r&d spending should help the company to adapt. Cisco is also on track to generate 50% of revenue from software and services by the end of 2020 while software subscriptions recently reached 71% of total software sales.

SIFTER BUSINESS HEALTH CHECK

In our mind businesses are the backbone of the economy. Stock prices are unpredictable. But business returns are real and can be analyzed, and to some extent forecasted by an experienced team.

The table below presents the key performance indicators for Sifter businesses at the end of Q4/2019. These have been compared to the S&P500 median. Based on the given KPIs, one can say that Sifter businesses are of high quality.

Instead of speculating on countries, sectors, or market timing, Sifter's focus on searching for quality businesses to be acquired at a reasonable price (buy price / anticipated earnings). Currently, Sifter Cylinder (portfolio) is invested in 28 businesses across 19 subsectors and in 9 countries.

Table 3. Key Performance Indicators (KPI's) for Sifter businesses vs SP 500.

Q4 2019 results*	Sifter businesses	S&P500
ROIC	15 %	10 %
Operating margin	25 %	16 %
Sales growth	6 %	4 %
Net debt / EBITDA	0.5x	2.2x

*median

ROIC (Return on invested capital) is an important indicator for us when following the health of a business. We think one sign of a good company is that it creates added value to every euro/dollar invested in it. In Sifter portfolio, the median ROIC of 15% for 28 businesses, is better than the median ROIC for S&P 500 businesses (10 %).

Operating Margin demonstrates the business' ability to make profit for every euro/dollar they sell in products or services. Sifter companies are clearly better (25 %) than those in the comparison group (16%). We dislike businesses which have not been proven to make money (Money Making Capacity).

Sales growth is important to us, but only when the business is making money. Sifter businesses' median sales growth rate is stronger than that of S&P500 companies (6% vs 4%).

If **Net debt/Ebitda** is high for a business but investments are well chosen, and the business is able pay off its debt, the debt is not a problem. However, sometimes companies take too much risk with debt. That might lead to financial troubles, drawing management attention too much on survival instead of building future growth. Therefore, Sifter businesses are mostly debt free.

FACTSHEET 31.12.2019
Basic Information

INCEPTION:	19.06.2003
CURRENCY:	EUR
NAV (31.12.2019):	408.69
FUND AUM (29.11.2019):	119.9 MEUR
LEGAL STRUCTURE:	SICAV I
REGISTERED:	Luxembourg & Finland
CUSTODIAN BANK:	KBL European Private Bankers
FUND ADMINISTRATOR:	Adepa Asset Management S.A.
MANAGEMENT COMPANY:	Adepa Asset Management S.A.
INVESTMENT ADVISOR:	Sifter Capital Ltd
AUDITORS:	Ernst & Young
SUPERVISION:	CSSF (Luxembourg)

Investment fees*

Management fee:	R-class: 1.4 % I-class: 1.4 % PI-class: 1.0 %
Performance fee:	15% of performance exceeding higher of 5% or 12 months' Euribor, with high-water mark.

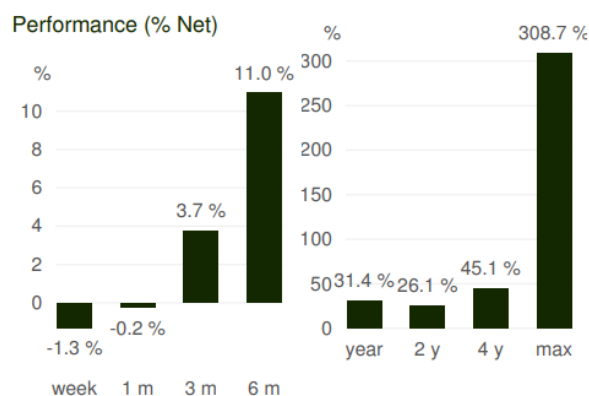
* see KIID for full information on fees / TER

Trading Codes:

ISIN code R - min 100k EUR	LU0168736675
ISIN code I - min 500k EUR	LU0168577939
ISIN code PI - min 5M EUR	LU1194076995

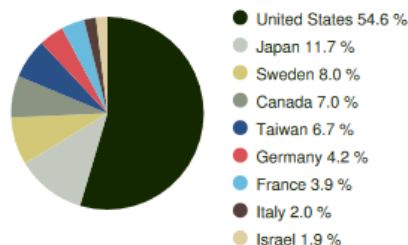
Dividend policy: all dividends are reinvested

Performance Chart Since Inception

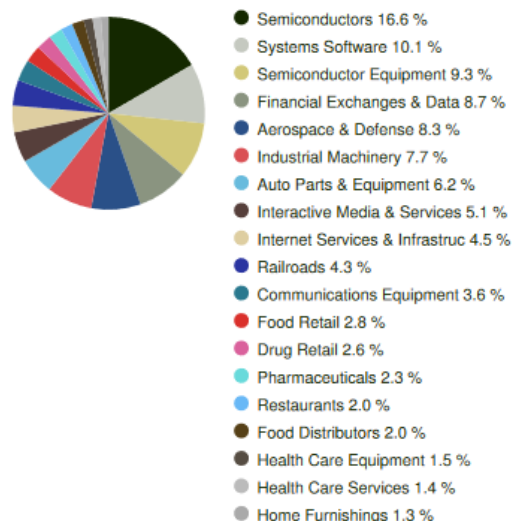
Performance (% Net)

10 largest holdings, representing 52.3% of total portfolio (31.12.2019)

Company name	Continent	BDP Ticker
MICROSOFT CORP	North America	MSFT US
TAIWAN SEMICONDUCTORS-SP ADR	Asia-Pacific	TSM US
LAM RESEARCH CORP	North America	LRCX US
INTEL CORP	North America	INTC US
ALPHABET INC	North America	GOOGL US
TEXAS INSTRUMENTS INC	North America	TXN US
S&P GLOBAL INC	North America	SPGI US
VERISIGN INC	North America	VRSN US
HEXCEL CORP	North America	HXL US
CANADIAN NATIONAL RAILWAY	North America	CNR CN

Geographical allocation



Sector allocation



FUND IS RECOMMENDED TO INVESTOR WHO

Requires an actively managed global equity portfolio,
Understands the benefits of systematic and disciplined investment process based on company fundamentals rather than short-term trends,
Requires long-term steady growth of capital,
Can set aside capital for at least 3-5 years

INVESTMENT POLICY

Fund's investment strategy is based on consistent fundamental company analysis, which involves a systematic and disciplined stock screening strategy developed in house. The method integrates bottom-up and top-down approaches. In order to reduce risk further, the fund will diversify globally into different countries and sectors given the prevailing market conditions.

INVESTMENT OBJECTIVE

Fund's investment objective is to provide steady long-term capital appreciation of more than 8 per cent annually by investing in equities globally.

RISK PROFILE

Fund's NAV is calculated daily and offers daily liquidity.

Fund cannot invest more than 10% of NAV into a single equity issuer. There are no restrictions to how much the fund can invest into a single country or sector.

Fund does not use leverage or derivative instruments.

HOW TO SUBSCRIBE

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