



Value Investing in European Small- and Midcaps

**European
Smallcaps GmbH**

FORUM



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Mission Statement

- As part of a German Family Office, FORUM European Smallcaps GmbH ("FES") invests **in quoted companies** that create long term shareholder value.
- Our core investment universe are European small-cap and mid-cap companies. The position size ranges from ca € 300 million to € 3 billion.
 - If the opportunity is attractive we will also invest outside of Europe, as long as the business is global.
- Our investment philosophy is characterized by consistent application of the **principles of value investing** as they are defined by Warren Buffett:
 - **solid and stable businesses**
 - **internal compounding by organic or acquired growth**
 - **management** with strong business sense and an owner-mentality
 - **margin of safety**

Investment Philosophy I

- **Rule 1: „Never lose money“.**

we invest only if:

- the strength and predictability of the business
- the integrity and ethics of management
- the valuation

remove the risk of a permanent loss of capital

- **Rule 2: Core Competence and „Circle of Competence“.**

During the last 25 years as investors we formed a deep understanding of some sectors – our Core competence.

- on average 70 - 80% of our invested capital is invested in these sectors
- outside these sectors, risk is increasing, therefore the margin of safety needs to be larger.

- **Rule 3: „Managers make us rich“.**

Finally the manager of a business himself makes the real difference.

- Especially if the target holding period is up to 10 years

Business with Forum Sector Expertise

Business	Historical Investments
1) machinery and products with > 30% Aftersales	Böwe-Systec, D Washtec, D Rieter Holding, CH
2) services and software for companies	Vitec, Schweden Spectrum Interactive, Schweden
3) Branded goods and retail	Wessanen, NL Bijou Brigitte, D
4) Media	GfK, D
5) Medical technology	Pulsion SE, D Immunodiagnostic Systems SE, UK

Investment Philosophy II

- **Rule 4: Understand what we own:**

We seek to know what we own: implying a **highly concentrated portfolio** with a **maximum of 10-12 positions**.

- intensive due diligence

- **Rule 5: patience**

We'd prefer to stay invested forever, but will sell when:

- **valuations are stretched** and price in perfection.

- **we lose confidence in the management** or disagree with major strategic decisions.

- As a result our **portfolio churn has averaged 10-15 % p.a.**



Investment Process

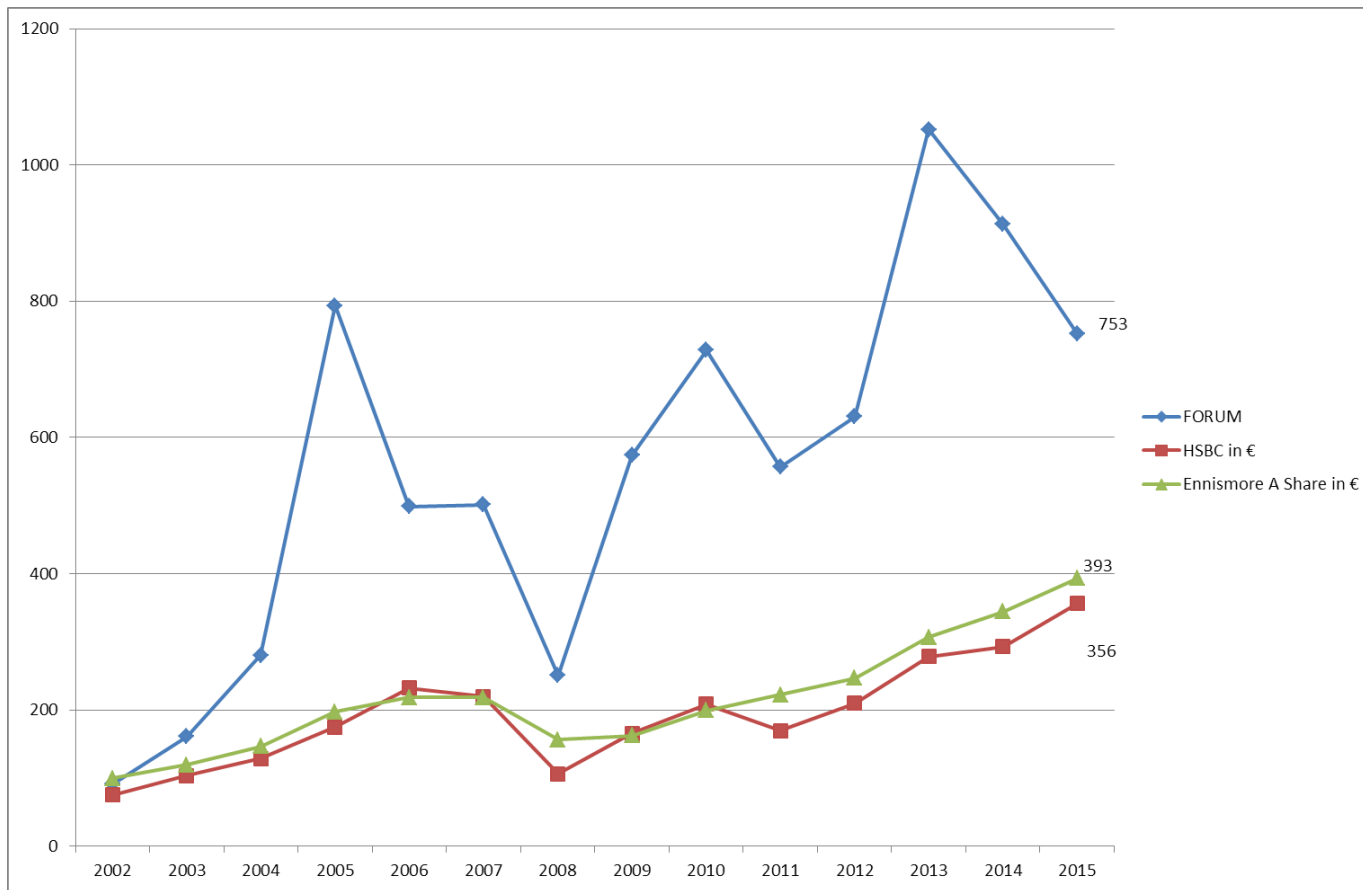
- Our idea-generation is generic: we systematically screen the European stock universe
- Forum's processes for investment decisions in public equity are comparable to those for private equity. They enclose management meetings, interviews with clients and industrial specialists, as well as an intensive due diligence process.
- The process entails:
 - **meetings with management**
 - **interviews with clients, competitors and** industrial experts
 - searching for primary information

Quarterly Results

FORUM Performance Since Inception (2002)	QI	QII	QIII	QIV	Full Year
2002					-9%
2003					77%
2004					74%
2005					183%
2006					-37%
2007					1%
2008					-50%
2009					129%
2010					27%
2011					-24%
2012					13%
2013					67%
2014	-2,6%	5,1%	-13,2%	-2,4%	-13%
2015	2,9%	1,7%	0,4%	-21,5%	-18%

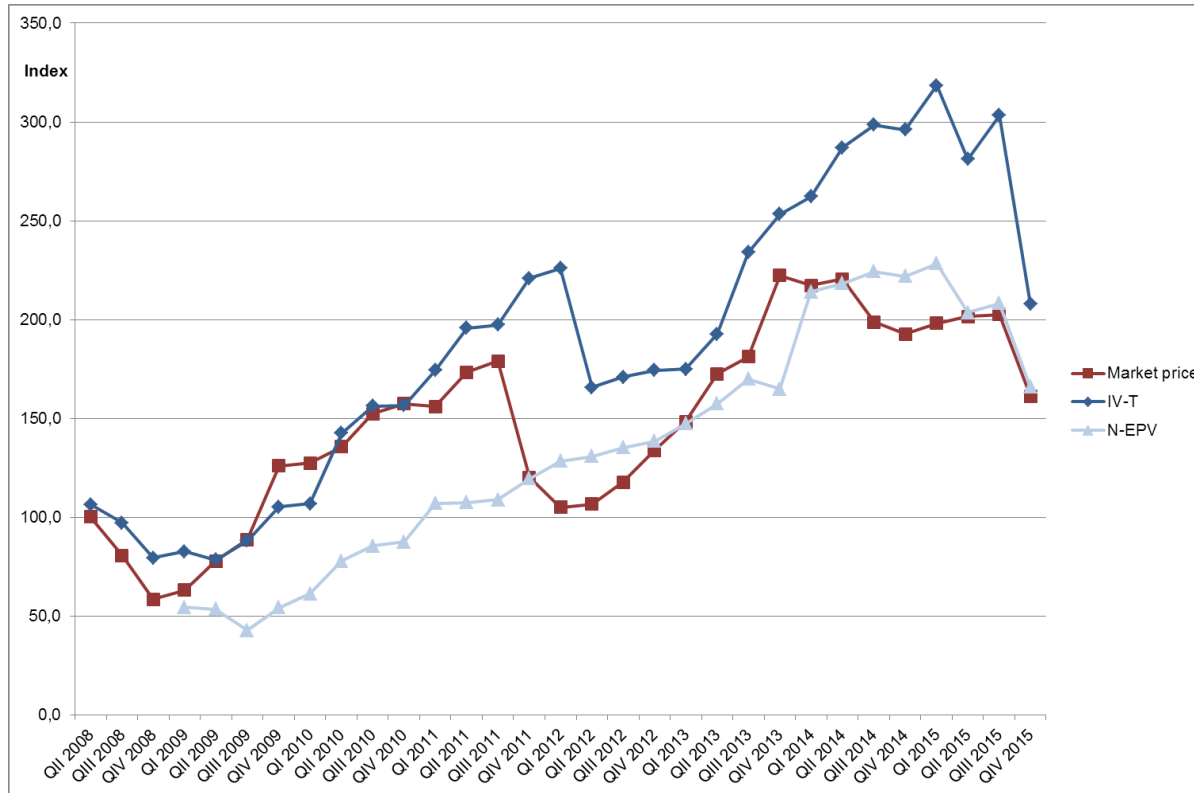
Status as of February 2016

Results since Inception



Status as of february2016

FES Benchmarking of Results



Status as of february2016



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Directions

- **Directions from Munich Airport by public transport:**

You can use either the S-Bahn line S1 or the S8 from Munich Airport. Please change at Hauptbahnhof (the main train station) to the U-Bahn line U4 oder U5 direction Laimer Platz. Exit after one stop at Theresienwiese. Take the exit "Theresienwiese" and walk five minutes from there.

- **Arriving by car:**

There is a parking lot in the back of the house. Please park your car at a space marked "FORUM" or on the street (liability to charges).

