

DB Platinum IV Platow Fund – July 2018 Report

Takeovers are the cherry on top of a good stock market investment – they're not strictly necessary for success, but they provide an attractive bonus yield. That is why, in advising the DB Platinum IV Platow Fund, pfp Advisory doesn't seek out potential takeover candidates but relishes every opportunity to benefit from the typical price gains before an imminent takeover.

Top Ten Holdings
Bechtle
Cancom
Datagroup
Deutz
Einhell
Hella
MTU
S&T
Sixt
Steico
31.7.2018, in alphabetical order

In July, portfolio member VTG's share price rose to approach the level implied in a proposed takeover – a welcome yield spurt that would otherwise have materialized only over a much longer period of time. As risk-conscious portfolio builders, we also appreciate the way in which such events smooth out the fund's performance over time, since takeover attempts typically happen independently of general stock

market trends. Shares in targeted companies tend to develop a life of their own during and after such an event. That way, they can help the fund achieve positive results even during difficult times.

Even though we don't manage an investment fund focused on M&A, a number of the DB Platinum Platow Fund's (LU1239760025, LU1239760371, LU1711555844) portfolio members have sparked interest from other companies looking to buy. Since 2006, Stada, Kuka, WMF, Demag Cranes, Homag, Impreglon, Teleplan, Integralis, D+S Europe and now VTG have become takeover targets. Strategic

investors seem to apply many of the same criteria as pfp Advisory: They look for sensible valuations, solid and continuous sales and earnings growth, a strong free cash flow, adequate margins, solid balance sheets and a proven business model.

Since the Platow Fund's portfolio currently contains a number of companies that fit the bill, the offer for VTG (which we think is too low) will surely be joined by more of its kind. A number of "our" companies delivered good news in July: Covestro, Deutz, DMG Mori and MTU all lifted their outlook for 2018 following midyear results. Einhell, Jungheinrich, K+S and Villeroy & Boch all reported insider purchases, Datagroup landed a major order. Positive news are, too, that Ringmetall will move into the General Standard and Norway's sovereign wealth fund owned interim a 3% stake in the Platow Fund's largest position Cancom.

On the negative side, Cenit and Friwo lowered their outlook while Frosta and Hochtief reported insider sales. BASF, Fresenius, Hella, Kion, Mensch und Maschine, Nordwest Handel, PWO, Sixt and Steico all reported quarterly results. The month's top performers included a number of companies with little news to report one way or another, among them Bechtle, S&T and Süss Microtec. Despite the takeover offer, VTG did not make it into July's top three – these spots were held by Deutz, Bechtle and Mensch und Maschine. Puma was the only relevant position that was a noticeable drag on the fund's performance.

All these developments added up to a performance roughly comparable to that of Germany's benchmark index DAX and the more closely comparable SDAX. The fund's outperformance over the two indices since its launch in 2006 therefore remains unchanged. Only the very successful TecDAX has recently come out slightly ahead. You can find more information, including on the "Platow Certificate" (DE000DBOPLA8), at www.pfp-advisory.de.

Investment objective and strategy

The DB Platinum IV Platow Fund (LU1239760371, LU1239760025, LU1711555844) is a mutual fund focusing on German equity. It was launched by Deutsche Bank securities. Until August 2016, advising was carried out via the Platow Medien GmbH. pfp Advisory has taken over advising responsibilities since September 2016. An in-depth analysis of the entire German stock market is the basis for all investment processes. Important elements include a tried and tested stock-picking process developed by Christoph Frank, careful balance sheet analysis and hundreds of conversations with executives and other company insiders every year. The opportunities and risks presented by individual companies' equity are crucial, while macroeconomic considerations and inclusion in a stock index are mostly immaterial. That is why the DB Platinum IV Platow Fund's portfolio usually differs substantially from the composition of major stock indices.

pfp Advisory in portrait

pfp Advisory is an investment fund advisory firm located near the Frankfurt Stock Exchange that specializes in the analysis of equity and other securities. The customers are investment funds and professional investors. At the heart of the investment strategy is a systematic and extensive stock analysis that is focused on identifying the opportunities and risks of individual securities („Stock-Picking“). pfp uses a combination of key ratio analysis, knowledge of listed firms and stringent long-term investment principles. The pfp's directors Christoph Frank and Roger Peeters each possess over 20 years of market experience and they have used their expertise to advise the DB Platinum IV Platow Fund.

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