

DB Platinum IV Platow Fund – September 2018 Report

Stocks had a bumpy ride September, as so often in past decades. Besides some hefty drops and volatile swings in share prices, this year stock-market waters were also muddled by substantial changes in the rules governing the four main indices within the DAX family.

The most prominent change: Deutsche Börse erased the line that divided the tech sector from the “classic” sectors, which means a stock can now be included in two DAX indices at the same time. Deutsche Börse also increased the number of constituent stocks in the MDAX from 50 to 60 and in the SDAX from 50 to 70. Only three stocks in the DB Platinum IV Platow Fund’s portfolio were affected by these changes. All three had been listed in the TecDAX and, as of September, they are now also members of the MDAX (Bechtle) or SDAX (Cancom, S&T).

Top Ten Holdings
Bechtle
Cancom
Datagroup
Einhell
Hella
MTU
Puma
S&T
Sixt
Steico
30.9.2018, in alphabetical order

Furthermore, Jungheinrich and Leoni were relegated from the MDAX to the SDAX.

At the end of the day these changes are relevant only with respect to the classification of the fund’s investments by index membership. They have zero impact on our investment process. All investment decisions the portfolio managers of the DB Platinum IV Platow Fund make will continue to be strictly bottom-up. Nothing else but the

risk-return tradeoff determines which stocks are selected for the fund’s portfolio. Potential risks and rewards associated with fundamental, balance sheet and technical metrics are evaluated in a complex quantitative process and subsequently undergo a qualitative analysis as well. pfp Advisory doesn’t base its investment decisions on the index a stock belongs to, or on a stock’s index weighting.

Shares of companies belonging to the MDAX, TecDAX and SDAX have accounted for roughly half of the fund’s portfolio since its inception in May 2006 (currently 48%). The fund’s exposure to SDAX stocks and other stocks that do not belong to any of the DAX’s four main indices has historically ranged between 45 and 60%. At the end of September, they accounted for 57% of the portfolio, although this figure is no longer directly comparable with historical data given the fact that stocks may now be concurrently listed in two DAX indices. For this reason, we consider the SDAX the most accurate index for performance comparison purposes, although, as we pointed out, it does not serve as a conventional benchmark.

This small-cap index lost considerable ground in the fickle month of September, as did the TecDAX and MDAX. The DB Platinum IV Platow Fund (LU1239760025, LU1239760371, LU1711555844) and the “Platow certificate” (DE000DB0PLA8) performed better, but still ended the month in the red. This is attributed to sharp losses in Kion, Koenig & Bauer, Mensch und Maschine, SMT Scharf and Steico. Only Nordwest Handel and USU Software made strong gains, both stocks with low weightings in the portfolio.

There were no particular triggers for many of these big moves. Companies that did have breaking news included BASF (which also lowered its guidance), Datagroup (which raised its guidance), Hella and Ringmetall (quarterly results) and Schloss Wachenheim (full-year results). Insider buying was reported by Cancom, Dürr, Jungheinrich, Leoni and Stabilus. Deutsche Post was the only company that reported insider selling during the period under review. pfp Advisory conducted scores of talks with executives of the companies in the fund’s portfolio in September. Its two portfolio managers also attended two capital market events, one in Baden and one in Rhineland, several capital market conferences in the Frankfurt metropolitan area and an investor event in Bremen. For further information on the fund’s strategy and historical performance, please visit 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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