

DWS Concept Platow – December 2018 Report

Over, finished, finito. That's probably what most stock investors thought as 2018 came to an end. Year-to-date performance had already been disappointing before the December stock-market rout made an ugly year even uglier. In fact, last December was the worst December on record for the world's most prominent stock-market "index", the Dow Jones Industrial Average, since the depths of the Depression in 1931. Many other stock exchanges experienced steep losses in the final month, turning what had been a weak year into a really bad one.

Germany's stock market, for example, suffered its worst year since the 2008 financial crisis. Unfortunately, this was also the case for the

Top Ten Holdings
Bechtle
Cancom
Datagroup
Hella
Mensch und Maschine
MTU
Puma
S&T
Sixt
Steico
28.12.2018, in alphabetical order

DWS Concept Platow Fund, which ended 2018 with a double-digit loss, as did the DAX and SDAX. This contrasts with the fund's relative performance in 2008 and 2011, when the fund was nowhere near as weak as those two indices. Nevertheless, the fund still managed to outperform the market in relative terms, leaving its significant excess return since its 2006 launch virtually unchanged. It is beyond question, however, that

the fund's performance in 2018 fell short of our own expectations and our long-term track record.

Nevertheless, we will not fundamentally alter the fund's investment strategy. After all, it has served us well for more than twelve years. A couple of weak months during the second half of 2018 do not change that long-term picture. Our investment strategy is designed to deliver an excess return over the long run, regardless whether markets are bullish, bearish or trending sideways. As witnessed in the past, temporary periods of underperformance cannot be ruled out. What

matters more to us is the fund's performance over a rolling five- and ten-year period. Over these periods, the fund has consistently outperformed the DAX and SDAX, even at the close of 2018.

Our performance in 2018 was diminished by the fund's considerable exposure to small and micro caps, a distinctive attribute that had often boosted returns in the past. These stocks tend to struggle during the fourth quarter relative to the broader market and, unfortunately, this was quite clearly the case in 2018. Both the SDAX and the Scale All Share Index fell farther in 4Q 2018 than the larger cap indices.

But there were a few exceptions, for example Mensch und Maschine, which belongs to the Scale 30 index. It became one of the Platow fund's core positions in 2018 (see table) and also generated a pleasing positive performance for the year. Unfortunately, however, only 2 other stocks out of the total of 35 that were in the portfolio at both the start and end of the year managed to deliver a positive performance y-o-y. One of these 2 stocks was our core position MTU. All other 32 positions declined in value, in some cases significantly, led by Covestro, Süss Microtec, PWO, Technotrans, Jungheinrich and Koenig & Bauer, which were about 50% off their 2018 highs when the year ended. And only a few of the stocks that were added to the portfolio during the course of 2018 ended the year higher than the average price per share. One such stock was Puma, likewise a core position.

While pfp Advisory is unhappy with the overall portfolio performance in 2018, it is important to note that the DWS Concept Platow (LU1865032954, LU1865033176, LU1865032871) is and will remain a long-only equity fund, which means it is exposed to the upward and downward swings in stock prices driven in part by the market winds. This also applies to the "Platow Certificate" (DE000DB0PLA8), which tracks the fund's performance. Last year was a stark reminder that warnings about the stock-market volatility are not just platitudes required by law; they actually refer to very real risks. We are confident our strategy will continue to demonstrate its strength over the longer run. And so we too say: 2018 is over, finished, finito. Let 2019 begin.

Investment objective and strategy

The DWS Concept Platow 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 GmbH 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 DWS Concept 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 DWS Concept Platow.

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