

DWS Concept Platow – December 2023 Report

Large caps lead, small caps lag. Those stark words describing the past year on the stock market are not an overstatement. Although "small" actually refers to micro-cap stocks, stocks whose market cap falls below the threshold for inclusion in the SDAX. Many of these tiny stocks did not even show a positive return for the past year. The Scale All Share Index, for example, closed 2023 in the red.

That is all the more surprising considering that the widely recognized DAX index shined bright in 2023 and delivered a clearly better-than-average performance. The mid-cap stocks

Top Ten Holdings
Munich Re
Talanx
Bechtle
KSB
Einhell
Fuchs
Takkt
Stabilus
Kontron
Allianz
29.12.2023, sorted according to weighting

tracked by the MDAX had less swagger but they still showed a very pleasing performance, about the same as that of the DWS Concept Platow. Although the fund's absolute return was solid, and not far below the fund's average annual return since it was launched in 2006, we are not satisfied with its performance in 2023. This is because the SDAX, the index that has traditionally been

the most comparable with the fund's portfolio, made a much better gain in 2023. The fund has still clearly outperformed this small-cap index since inception, but its large lead has shrunk.

The general focus on the strong year-on-year performance of the DAX, the index that attracts the most media coverage, obscures the challenges that stock pickers faced in 2023, especially in the small cap segment. We can illustrate this with the following two proportions: Only about one of every four stocks in the SDAX was able to beat the total SDAX return, which is an exceptionally low proportion in historical terms, and, despite

the strong index performance, about one of every two SDAX stocks ended the year with a negative return! This abnormal performance dispersion made it quite difficult to pick a reasonable number of winning stocks.

In 2023, the top performers in the DWS Concept Platow portfolio were Gerresheimer, Talanx, Kontron and Bechtle, most of which, we're pleased to say, are core positions (see table in the left column). The biggest losers that were still in the portfolio at the end of 2023 were Verbio, BayWa, Ringmetall and Hawesko, all of which are small positions, and we had significantly reduced their weightings during the course of 2023. CropEnergies developed the strongest life of its own of all the portfolio stocks: After its near-continual retreat since the beginning of the year, Südzucker, the parent company of CropEnergies, issued a takeover bid that abruptly reversed the down trend and made CropEnergies the portfolio's best performer by far in December. Speaking of December returns, not a single stock in the portfolio showed a double-digit percentage loss in the final month of the year, which has rarely been the case since the fund's inception.

Is this the calm before the storm? Or are equity investors expecting 2024 to be another year with positive returns? We don't know, but questions like these play no more than a minor role in our investment strategy. We do not try to "time" the market. Instead we focus on selecting individual stocks using our proven investment approach, which is guided by fundamental research and other data, rounded out with technical and non-quantitative inputs. We know that this approach will not function perfectly every calendar year and that awareness is embedded into our long-term strategy. From this angle, then, last year's decent but not stellar return for fund investors doesn't make us uneasy.

Sincerely yours, Christoph Frank and Roger Peeters

Investment objective and strategy

The DWS Concept Platow is a mutual fund focusing on German equity. It was launched by DWS Investment GmbH. pfp Advisory GmbH is the portfolio advisor, which is managed by the managing partners Christoph Frank and Roger Peeters. 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 25 years of market experience and they have used their expertise to advise the DWS Concept Platow.

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