SYMMETRY INVEST A/S

NEWSLETTER

Q1 2019

SYMMETRY INVEST A/S

CVR: 35056467

Purpose of the newsletter:

Symmetry sends out a portfolio report every month to the company's shareholders. Here we talk about the return on the month, news from our individual share investments and much more. In addition, ongoing analyses of companies are sent out as well as an annual investor letter with a review of our largest positions. This newsletter does not intend to copy or replace the above, to which Symmetry's shareholders have exclusive access. The newsletter, being completely free, will therefore only treat singular individual shares in a very limited measure, being that an argument reserved for investors. Instead, the newsletter will review various developments and trends in the general market as well as it will explain, how Symmetry navigates the different markets.

Now and then, the newsletter will mention specific individual shares. These can be shares, which Symmetry is long in or short in. Or shares that Symmetry has no position in, but has an interest in.

The newsletter aims to increase all our stakeholders' knowledge of Symmetry including current investors, potential investors and other individuals, who follow the stock market. Symmetry will continuously describe our strategy and make it as easily understandable as possible for readers.

We will include quotes etc. from well-known value investors and substantiate claims with graphs and other material, which can be used to support our points.

We hope that as many of you as possible will find the newsletter easily readable and useful, and that it will help get as many people as possible signing up for the newsletter to follow us.

Disclaimer:

In the newsletter we refer to "us" understood as Symmetry, and sometimes "I" understood as Andreas Aaen.

This letter is translated from Danish to English by a professional translation company. For any doubts on translations etc. the Danish letter wins.

Newsletter

In this newsletter we will explain the difference between investing own capital and administrating other people's money. Also, we will have a look at the concentration of a portfolio.

Q1 2019:

Table: History of percentage return

The table shows historical returns and net exposure since its founding in 2013

%	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	FYTD	Avg. Net Exposure
FY13						8,1			7,9			15,0	**34,1**	N/A
FY14			3,2			10,2			2,8			17,0	**36,8**	N/A
FY15			6,8			23,2			-13,3			5,7	**20,5**	76,0
FY16			1,3			10,6			3,5			3,4	**19,9**	44,3
FY17	6,2	3,2	0,7	4,0	5,1	-2,7	1,1	-2,7	0,6	3,3	-2,1	-0,7	**16,8**	46,5
FY18	1,9	-4,5	-4,4	0,8	-0,8	-5,9	-4,5	-1,8	-0,9	-12,8	1,9	0,3	**-27,7**	75,2
FY19	7,3	6,4	4,5										**19,3**	81,7

As always, returns and portfolio updates etc. distributed to shareholders, are monthly shown at the Website.

Table: Performance against MSCI ACWI

Below the long-term and short-term performance compared to MSCI ACWI and Euro Stoxx 600

	2019	Total	IRR
Symmetry	19,3%	166,9%	17,5%
MSCI ACWI	11,7%	52,6%	7,2%
Stoxx 600	12,3%	31,7%	4,6%

How a difference two quarters can be

In Q4 2018 (and indeed throughout 2018), it was as if everything went against us and nothing worked. Even when our companies made good news, the shares did not increase, and in many cases, they fell. It was like constantly running your head into a wall. Whatever we did, it didn't help. However, throughout 2018, we remembered to stay true to our strategy. We learned from the mistakes we made and went into 2019 with a strong portfolio.

The first quarter of 2019 has been a stark contrast. Almost everything has gone our way. Our portfolio companies have continued their positive development and several of them have provided very strong numbers and guidance. It has had a significant impact on stock prices, which has contributed to our positive return in 2019 so far. When I say it

Data are unaudited figures and may therefore be subject to uncertainty. The figures are derived from withdrawals from Symmetry's custodian banks etc., and it is our best belief that they represent factually correct numbers. Return data and net asset value are audited once a year by the company's auditor at year-end.

has been a big contrast, I mean it in other ways as well. Where nothing worked in 2018, it seems that everything works here in 2019. Even the individual companies in which we have shares and in which we thought the results would disappoint, have ended up with rising stock prices. This meant that we have been able to sell the shares with a nice profit despite what we believe were disappointing accounts (primarily two positions). We also experienced situations in which a share rose, we sold a bit, then it felled, we bought, it rose again etc. Seen from another angle; we were also lucky in Q1.

With this, we would also like to emphasize that we cannot deliver a 20% return each quarter. Remember, our long-term goal is 15% per year, so we are already well ahead after only 3 months. Of course, that doesn't mean, that we will close the books for the rest of the year. It means, that we can't expect to have so much luck from all ideas.

We would say this; we would like to point out that most of our portfolio companies perform extremely well. If our companies continue to deliver so well, we expect to continue to deliver great returns in the future.

How Symmetry has done long term?

I have spent some time during Symmetry's first years explaining to our investors and people who followed us, that we couldn't extrapolate our returns into the future. Two things were important before one could really measure us. The first is that you should have a minimum of 5 years on average as a basis for judging us. The second is that we also said that we had to get through a downmarket before we could judge.

Now at the end of March, exactly 6 years have passed since I started Symmetry. We also have been through a down year in 2018. We therefore believe, it is relevant now to start assessing our returns and see how we have managed our numbers over the long term:

Table: Performance compared to MSCI ACWI

Below the long-term and short-term performance compared to MSCI ACWI and Euro Stoxx 600

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During the first 6 years, we have delivered a return of 17.5% on average per year. This is a return which exceeds our target of 15% per annum. Of those 7 financial years 6 have been positive. We are aware that we have gained more and more investors over the years and that some still have losing accounts. The 17.5% on average, thus, is not fair for all investors and the 15% is also only fair to the investors who came in the first few years.

However, regardless of how we measure ourselves over the first 6 years, we are well satisfied with the general development. We have made a good return and have beaten the market significantly. But what’s more important; we have learned a lot from the mistakes we have made, which means that we have developed extremely much. We hope we will be able to spend what we learned during the first 6 years making the next 6 years positive as well.

Can a private strategy be employed in fund management?

One of the things we often hear and see in practice, is how difficult it is for managers to create the same returns in a fund as they could privately. If a private investor makes some good returns, you would basically want to run an investment company with the same strategy to make a living from making investments. Many factors decide why it is significantly more difficult to generate returns as an investment company than as a private individual:

1) The size: The more capital to invest, the harder it is to get in and out of stocks and the longer it takes. As a private investor with limited funds, one can often get in and out of ideas daily.

2) Costs: In running a fund, the usual costs are 0.2-0.5% of the capital. In addition, there are fees to the manager. Costs naturally make returns lower.

3) Risk / spread: The biggest hindrance is that you often cannot/dare to transfer the strategy 100% into a professional setup. Whether you like it or not, as a fund you often tend to diversify too much and take too small positions. As a private investor, you have no problem putting 15-30 % and maybe 50% of your capital into a single share. However, managing other people's money and reporting to them on an ongoing basis, tends to create too much diversification.

When I went full time into Symmetry, I closed my private investment account to ensure that all my investments in the future were only in Symmetry Invest A/S. I do not invest in shares privately except, through my investment in Symmetry (the other few funds I have, are privately managed by others where I have no influence). It is interesting then to look at the returns I made privately before going full time in Symmetry:

-1,9	39,5	15,0	-4,5	28,6	-4,5	-8,9	-26,0	-17,8	5,8	45,4	5,1	65,4
7,3	10,2	-13,2	1,2	3,2	7,5	-11,9	-0,9	2,4	9,6	35,8	16,6	79,0
70,1	-6,5	25,3	5,6	56,4	-32,7	13,1	-10,6	102,8	18,4	-9,2	-3,4	372,1

As can be seen above, the returns for the previous three years were 372.1%, 79.0% and 65.4% respectively. The returns are not created by using extreme leverage. However, leverage has been briefly used. The main reason, when I look back, is that the number of investments was very small. And that the concentration in some ideas was very high. Often the 2-3 largest investments represented +50% of the value of the deposit. But by concentrating heavily on a few stocks and applying some leverage on top of this, one must also expect very large oscillations from month to month. Which I also had, as can be seen from the table further up. A very high part of the value was created through a large investment in Danish Genmab purchased in 2012:

Genmab was a unique case back in the 2012. The stock was shattered, confidence in management was extremely low and their big bet Zalutumumab had failed in trials. At that time, Genmab was trading at a market value lower than their cash in the bank. At the same time, they already had a product on the market in the form of Arzerra that gave them ongoing royalty. They had a new product on the way called Daratumumab which showed very promising data. In addition, they had a new CEO in Jan Van de Winkel who bought a lot of shares over the market. This whole setup provided an extremely attractive investment opportunity and the share also increased from DKK 25-50 to +1,000 within a few years. Or a return of several 1,000 %.

As Warren Buffet has often said, "the ability to do nothing for a very long period is extremely difficult." Very few people manage to wait and wait until real outstanding opportunities arise. Even fewer have the courage to go in massively and bet big, when they finally see these opportunities. The ability to wait and show patience, combined with the ability and psyche to bet big when opportunities arise, is the greatest ability in investing. Those who possess this property earn great returns.

During the 2017 and the beginning of 2018, Symmetry had spread to many investments and too little focus on the individual. We ended up doing what not to do. The management and the Board of Directors therefore decided during the summer that the goal should be, that Symmetry should have a maximum of 20 long positions with about 15 positions as a goal:

Tabel: Fordeling af lange og korte positioner

Overblik over antallet og størrelserne på Symmetrys lange og korte positioner

	Jan	Feb	Mar	Apr	Maj	Jun	Jul	Aug	Sep	Okt	Nov	Dec
Long #	27	22	24	24	26	26	24	21	20	20	21	20
Avg. Size (%)	4,6%	5,7%	5,3%	4,9%	4,6%	4,6%	4,6%	5,4%	6,1%	6,6%	6,5%	6,6%
Short #	32	30	30	33	27	24	27	28	31	27	35	28
Avg. Size (%)	1,4 %	2,1%	1,7%	1,5%	1,9%	1,9%	1,7%	1,8%	1,5%	1,4%	1,3%	1,4%

The consequence was that we started the year with 27 positions which filled 4.6%. At the end of the year, we had 20 positions with an average size of 6.6%. Said in another way; we focused our capital more on the best ideas we had. At the end of March 2019, we are down to 18 positions with an average size of over 7%. It is our hope and strategy that we can become even better in the future when unique opportunities present themselves. While, in the meantime, we have the ability to wait and turn down the risky investments.

Warren Buffet wrote in Berkshire Hathaway's 1993 investor letter:

The strategy we adopted precludes our following standard diversification dogma. Many pundits would therefore say the strategy must be riskier than that employed by more conventional investors. We disagree. We believe that a policy of portfolio concentration may well decrease risk if it raises, as it should, both the intensity with which an investor thinks about a business and the comfort level he must feel with its economic characteristics before buying into it".

David Einhorn of Greenlight Capital explained their portfolio concentration as follows:

"We believe in constructing the portfolio so that we put our biggest amount of money in our highest conviction ideas, and then we view the other ideas relative to that. We find things that we think are exceptional only occasionally. So if we find something that is really set up, where we think its mispriced, where we have a good understanding of why its mispriced, where we think the mispricing is very large and the overall risk is very small, we take an outsized position to make sure we give ourselves the change to be well compensated for getting it right".

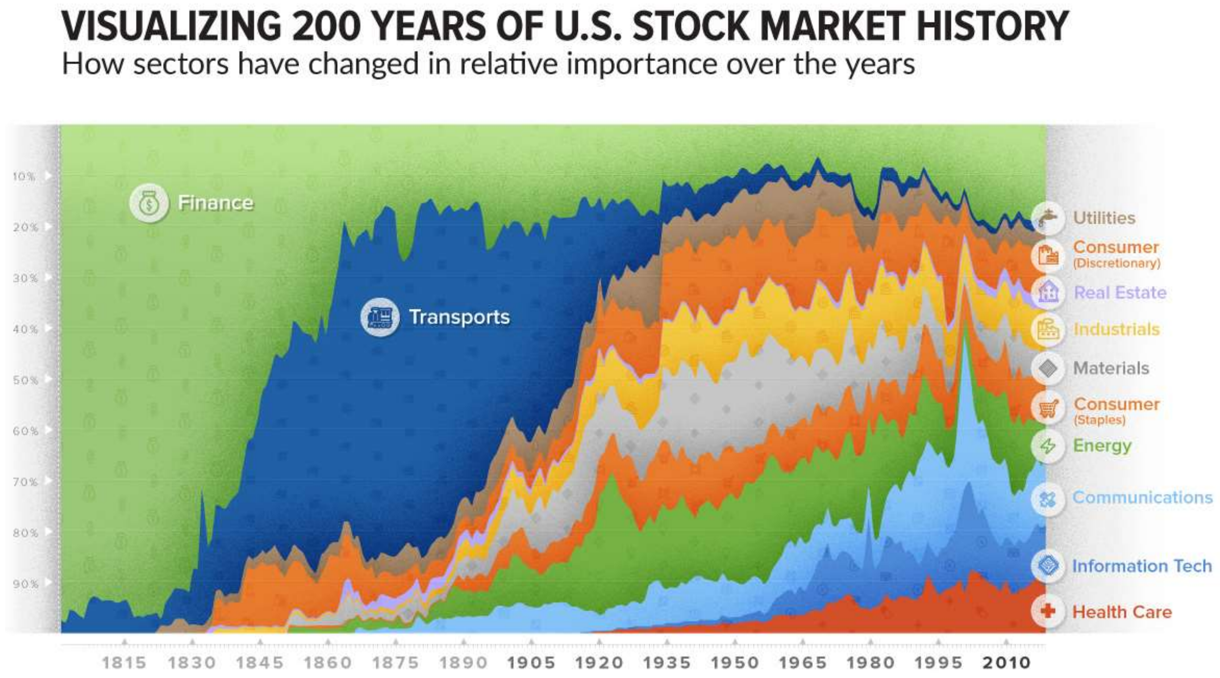
The last quote we will bring in this newsletter, comes from Bill Nygreen:

You can understand why many succumb to the pressure to hug the index, so to speak. But we believe if you go down the road of trying to make sure you'll never do much worse than the index, you're almost insuring that you'll never do well enough to justify your compensation as an active manager.

If the goal of Symmetry were to hold 40-50 shares, our returns would largely follow the market. We could not justify taking fees for our work. In that case, we might as well let our investors invest in a passive index fund. We will continue to find exceptionally good ideas that can create added returns for our investors over time and take great positions in them.

The stock market over time:

Recently I read an article having a very exciting graph:



[1]

It shows the distribution of the US stock market in various sectors over time. As can be seen, the financial sector was the largest in many years. This was taken over by the transport sector (train) for many years. After that there has been a nice distribution over many years with health as the biggest trend. You can also clearly see the IT bubble.

What the graph tells me is, that as an investor you must be adaptive if you want long-term success. There is no point in locking yourself into a single industry or trend to succeed. Which we explained in a previous newsletter. We do not believe it is the ability to collect data that make you a good investor. Most people can collect a lot of data correctly. What is important, is the ability to analyse the data and to manage your own emotions.

[1] https://www.visualcapitalist.com/200-years-u-s-stock-market-sectors/