SYMMETRY INVEST A/S

NEWSLETTER

Q3 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:

The newsletter is written and published by Symmetry Invest A/S. The newsletter contains Symmetry's own opinions, assumptions and attitudes. Symmetry does not guarantee the accuracy of the newsletters content.

Shares commented in the newsletter should not be considered a recommendation of purchasing or selling that such stock. Symmetry is a manager of alternative investment funds (AIFM) registered by the Danish Financial Supervisory Authority, *Finanstilsynet*. Symmetry is NOT a registered / authorized investment advisor and, on this basis, does not recommend any specific share. The newsletter only describes Symmetry's own market attitudes and individual shares.

Symmetry is under no circumstances responsible for any loss due to investments based on the use of the newsletter. Symmetry in some cases owns shares in companies mentioned in the newsletter. Symmetry reserves the right to buy or sell shares in mentioned companies without giving notice. Our position or stock price target may be changed on an ongoing basis after the publication of the newsletter. We do not undertake to update in this regard.

Investing in shares is associated with a high risk, and it is therefore always advisable to consult a competent financial adviser before disposing. Images and other material used in the newsletter are copyrighted and cannot be redistributed.

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 the newsletter we will discuss the difference between Public and Private Equity.

Q3 2019:

Table: Percentage historical 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	4,5	-2,4	6,3	0,5	-7,1	5,8				**27,7**	77,1

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

Table: Performance against MSCI ACWI

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

	2019	Total	IRR
Symmetry	27,7%	185,7%	17,3%
MSCI ACWI	15,2%	57,4%	7,1%
Stoxx 600	16,4%	36,6%	4,9%

Q3 was more volatile than the first half of the year. Overall, Q3 ended up at a small minus, bringing our full-year return to 27.7%. These returns are still significantly ahead of the general market. Our historical IRR is now 17.3% against the market's 4.9-7.1%, which is also above our long-term target of 15% annually.

Q3 was, as mentioned, characterized by large fluctuations. This happened to Symmetry as well as to the general market. Although fluctuations in the short term can be “frustrating” for investors, who would rather have a more linear return, these fluctuations create the long-term value for us. In periods of major fluctuations, it’s easier to us to find good investment opportunities on both the long and the short side. At the same time, it provides opportunities to continuously rebalance one's portfolio. At the end of Q3, Symmetry's portfolio consists of 18 long positions and 34 short positions.

Public vs. Private Equity

In the Autumn, we read the Pershing Square Holdings H1 report. It published an analysis of the difference between Public (listed) Equity and Private (unlisted) Equity. Since we thought it was very interesting, we have reproduced it below:

PSH Versus Private Equity

Some have described our strategy as a private equity approach to the public markets, and we think there is merit to this description as our approach to value creation is similar to that of private equity managers. Unlike private equity, however, we do not pay a premium for control in investment banking-led auctions that are designed to maximize value for the seller, nor do we materially leverage the balance sheet of a portfolio company to enhance our returns. Our ability to purchase large influential stakes in portfolio companies at substantial discounts to intrinsic value is an important competitive advantage of our approach when compared to private equity. The universe of businesses in which we can invest is also materially larger and generally of substantially higher business quality as we are not limited to what is offered for sale or the timing a seller would like to achieve.

Our corporate form also provides a number of important competitive advantages and other benefits versus privately placed, private equity funds. These include:

- Investors in PSH do not need to set aside funds that can be drawn on short notice over the usual seven to 10-year commitment period for private equity funds. When you buy a share of PSH, you are immediately invested in our portfolio holdings.
- The overall leverage of PSH—determined by consolidating PSH's leverage with our portfolio companies' leverage—is substantially lower than that of private equity funds, and the debt of PSH and our investee companies is on much more favorable, generally investment grade terms.
- PSH is publicly traded which enables investors to manage the size of their investment on a daily basis.
- PSH's fees are substantially lower than that of private equity.
- The current discount to NAV provides an opportunity for us to enhance returns through the repurchase of our stock at a substantial discount.
- Since there is no limit to the duration of our holdings, we are not forced to sell a business at the end of the life of a fund.
- The returns one generates from an investment in PSH are the actual stock price returns of PSH including dividends from the time of an investor's commitment of capital until the time of exit of one's investment. In private equity, the reported returns are different from an investor's actual returns as they are calculated only from the time that an investor's capital is drawn down until it is returned, and do not include in the calculation the nominal and highly dilutive returns on capital that investors set aside to meet future capital calls during their commitment period to the private equity fund. [1]

Although Symmetry is by no means an activist fund, we believe, that much of the above also applies to Symmetry:

1) Symmetry invests very long-term in the investments we make. We have owned several of the shares we have today for several years, and some of them since the first years of Symmetry´s foundation. This long ownership period of our underlying shares, of course, means that we have less spread and brokerage costs. But it also means, that we often

[1] Pershing Square Holding H1 2019 rapport

build up some strong and deep relationships with the managers of the companies, we invest in. We have ongoing correspondence with the managers of our portfolio companies either by mail, telephone or from time to time physical meetings. In some cases, Symmetry is also a significant shareholder in the companies and holds 0.5% - 2.5% in some companies. In some periods we have been even higher up. Symmetry will never be an "activist" investor in the sense that we go out and throw management at the gate, topple a sitting board or similar. If we do not like the management or the board, we will not buy a share to begin with. And if the sitting management should disappoint us, too often we would just sell our shares instead of trying to change the management. However, we always try to be very constructive in our approach to communicating with management. It is important to us, that it is not just a one-way conversation where we ask questions and they answer back. We continuously try to use our experience and relationships to make suggestions for improvements, etc. In addition, we also make sure to hand out criticism when doing this. We also believe, that this approach helps maintain good communication with the companies, as well as they would like to talk to us, because they feel they are getting something in return.

2) Symmetry also has a fee structure being significantly lower than both Private Equity and Venture Capital.

3) Our leverage is also significantly lower than Private Equity in particular. We operate with net leverage at the fund level lower than 100, and most of our portfolio companies have negligible debt or a larger cash portfolio.

4) The returns we report to investors, are actual returns according to all fees and costs. As the entire investor commitment is always fully invested in the fund, one can always expect, that the net return also corresponds to one's final return.

5) We provide investors with ongoing liquidity. You can get in and out of Symmetry monthly. Unlike Private Equity, where you often have your money tied up for up to 10 years.

We therefore believe that our investment philosophy, strategy and setup have many advantages over private investment. The big "disadvantage" we have, is that we must make mark-to-market on our investments every day. No matter how it goes for our investments, the value in the market fluctuates daily. This means, that our monthly return is volatile. However, it is only a problem, if you as an investor choose to focus on this. Doing like I do myself, focusing only on the long-term returns, such inconvenient therefore does not exist.

It also should be remembered, that there is often an illusion of no volatility in private investment. The fact that Private Equity only makes mark-to-model once a year etc. does not mean, that the value does not fluctuate more than that. Actually, their value often fluctuates even more than Symmetry, due to their much higher leverage.

The same thing happens if you buy, for example, an investment property and lend it with 80% debt and 20% equity. As an investor, you might think that you get a nice stable long-term return from the property. But, a 5% change in property value corresponds a 25% change in investor return / equity. If you get independent assessments of your properties every month and make mark-to-market statements, your return would also fluctuate month by month. You just tend not to focus on this, because you can't see the fluctuations.

If you tend to be emotionally affected by both positive and negative returns, we recommend that you as an investor only look at the returns every 6 or 12 months. Of course, we would much rather deliver positive returns than negative returns. And as mentioned, we expect to continue to deliver significantly positive returns to you as investors over time. But it is useless to take a single data point (which we think a single month is) and either be up in the sky of joy or down in the basement of disappointment; just because a single month is good or bad. Our job as the manager of your money is to have complete control over our emotions and make the decisions which create the most value over time for you.

> **Thomas Gayner**: *"We only want to invest in management teams with equal measures of talent and integrity, because one without the other is worthless. The talent part largely speaks for itself through an objective look at performance, especially over time. Integrity is a bit harder to judge, but it's one of those things that you know when you see. Think about how you decided whom you were going to marry. You spent lots of time together. You met her family. You met her friends. You learned what she cared about and her basic value structure. We do the same types of things to get to know management of the companies we invest in. its imperfect, but to our way of thinking nothing is more important."*

Kind regards

Andreas Aaen