FOREWORD

Dear Reader/client,

After the sharp market recovery in the second half of last year, volatility re-emerged as speculation moved from vaccine roll out to longer term economic policy. In equities there was a notable shift from lockdown winners to sections of the market more sensitive to economic re-opening and recovery.

This is positive. This time last year we were grappling with the unknown implications of the Covid-19 pandemic - people were becoming seriously ill, economies around the world were collapsing in lockdown and equities were some 50% lower. We are not out of the woods yet a year later but there is clear momentum towards a resumption back to life pre-Covid.

Inflation and the interest rates have come to the forefront of market outlook. As we write in this quarterly, an easing of lockdown should lead to an economic rebound to support rising yields and inflation rates. Domestically we are optimistic that UK equities will move out of the shadows of Brexit uncertainty and, taken together with a successful vaccine roll out, this presents interesting opportunities not seen for some time.

It has been a promising start to 2021 and we continue to be watchful of any risk of derailment. Our portfolios need to remain adaptable to any change in circumstances.

Yours sincerely,

Richard Brass
Head of Wealth & Asset Management, UK

ADVISORY

IN A NUTSHELL

- Positive market sentiment continues despite rising inflationary concerns
- High proportion of US and UK population have been vaccinated and lockdowns are easing
- Global savers have amassed an extra USD 5.4tn since start of pandemic which should bolster short-term consumption
- Added AstraZeneca and TechnoGym to portfolios

Overview

Falling infection rates and rapid vaccination resulted in a strong positive shift in sentiment, not just in equities but also in economic surveys. Investors expect that large scale re-opening of economies will begin in the summer, making this a strong year for GDP growth. Consequently, inflationary concerns have been the main driver of volatility over the quarter, which has been further fuelled by the recent USD 1.9tn US Fiscal Stimulus package. Growth stocks in particular have been lagging during this period as their future cashflows are more tilted towards the long end and will be worth less in Net Present Value terms if interest rates were to rise. Our portfolio holdings at large have lower valuations, reasonable organic growth rates of up to 10% and strong pricing power. Hence, we believe we are well positioned even if inflationary concerns will materialise in the future.

As optimism grows, we sought the addition of positions that stand to recover from the easing of lockdown measures and rollout of the vaccines, namely TechnoGym (which is further discussed in the Thematics section). In addition to that, we bought an initial position in AstraZeneca in January as the valuation has become very appealing following a c.20% drop since July. Whilst AstraZeneca has received a lot of media attention over the last months on the basis of its vaccine, our investment is based on the existing strong product suite that promises double digit organic growth per annum over the next years. The company is not planning on making a profit out of its Covid-19 vaccine.

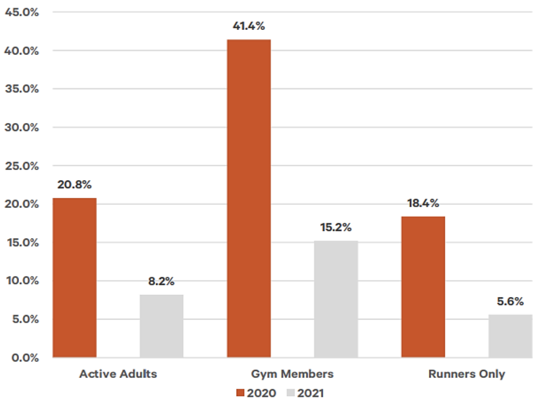
Two of our portfolio holdings stood out during the Q4 reporting season: Criteo and Under Armour. Whilst we have argued for a long time that the former is grossly undervalued, recent results have been promising and eased some of the concerns about the headwind that is obvious due to the gradual abolition of third party cookies. The stock rallied nearly 70% YTD. After years of restructuring, Under Armour's efforts seem to bear fruit and the profitability of the company has improved a lot. The decrease of inventory combined with higher pricing and subsequently gross margins in addition to a nimbler cost base and increased eCommerce sales are promising. We believe the company is able to enhance its product offering and grow organically by 5-10% p.a. over the years to come.

THEMATICS

As indicated in our initial Quarterly Review, every quarter we discuss a key topic within one of the four core themes[1] to raise the awareness of them and display how these trends feed into our stock selection. For this quarter we delve into the theme of Future Health & Wellness, namely the trend of at home fitness.

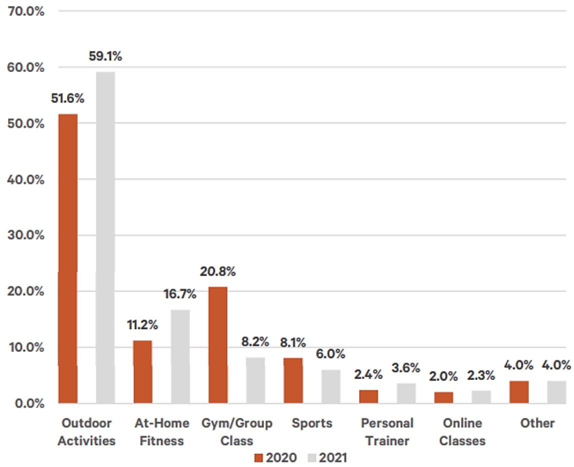
Working it out

Following lockdown restrictions, most gyms were forced to close, thus prompting gym-goers to find alternatives to maintain their fitness. As found by Berenberg (2021) and RunRepeat below, gym visitation has consequently decreased:



Source: RunRepeat, Berenberg Capital Markets

Further, of these consumers, many seem to have broadly shifted their activities to the outdoors and at-home fitness activities:



Source: RunRepeat, Berenberg Capital Markets

Interestingly, it is not only the closure of gyms that has affected visitation, but the underlying motivations of gym-goers have played a part also. Berenberg Capital Markets Research (2021) discussed a study conducted by The Wall Street Journal whereby consumers were more willing to travel further to more expensive and/or boutique gyms as opposed to cheaper offerings.

The weight is over

With the trends above in mind, we believe TechnoGym is well positioned to benefit from the easing of lockdown measures as well as growing its direct to consumer sales.

A Selection of TechnoGym's Products

Source: Company reports, Berenberg Research

TechnoGym is a leading player in the fitness equipment market. Since its foundation in 1983, the company has rapidly grown to become the market leader in the European fitness sector with a 13% market share, 2x larger than US-based Life Fitness/Cybex. TechnoGym also benefits from a leading position in the commercial segment, which represents c.63% of the global fitness equipment market. TechnoGym's strong competitive edge and premium positioning can be seen, in our view, by its above average margins and capital returns.

[1] (i) Demographic change (ii) Innovative and disruptive technologies (iii) New energy and resource management (iv) Future health and wellness

What is also apparent, is the increasing demand for consumers to track their health progress. TechnoGym was one of the early providers of a digital offering with the launch of its TGS Key, the world's first wearable device, in 1996 (Berenberg Equity Research, 2018)[2]. Since then, TechnoGym has developed a 'Total Wellness Solution' which encompasses equipment and portable devices that are integrated with the 'MyWellness' cloud open platform to facilitate the monitoring of users' progress and customisation of workouts.

In terms of the broader market the company has significant potential to outgrow its peers. While Peloton has garnered more attention, we note the following comparable metrics.

	Peloton	TechnoGym
Market Cap (GBP)	24.0bn	1.7bn
Enterprise Value (GBP)	22.9bn	1.6bn
Revenue (GBP)	1.3bn	0.4bn
Adj. EBITDA margin	6%	19%

Source: Factset and Bloomberg as at 31 March 2021, Peloton Annual Report (2020), TechnoGym FY20 results
Note: Figures are rounded to the nearest whole number or 1 decimal point.

We expect revenue to grow at least by c.5% p.a., driven by: a) a leading position in higher growth product segments such as treadmills; b) further market share gains in Europe as it continues capitalising on the sector transition to digital wellness; and c) the ongoing implementation of its new marketing strategy in the US.

With positive growth prospects, margin expansion should provide support to strong cash generation. We expect EBITDA margins to increase driven by operating leverage, better product/service mix and an improvement in TechnoGym's sales-force productivity. In our view, rising profitability will be the main driver behind a higher free cashflow. This will support an average dividend yield of 2% and will also leave some room to de-lever its already solid balance sheet. We currently do not cover the stock via our equity research department but believe the increasing trend towards fitness at home is an attractive opportunity. TechnoGym's Live solution will be a key competitor to Peloton.

[2] Please note TechnoGym is currently not covered by Berenberg Equity Research.

The following section includes excerpts of portfolio manager commentaries. Should you wish to have further details on a particular strategy, please contact the authors of this document.

BERENBERG BASKETS

IN A NUTSHELL

- Strong performances across the board
- Q1 was a continuation of the positive trend that started in spring 2020

HEALTHCARE

The first quarter was marked by significant volatility. While both cyclicals and especially growth stocks initially made gains, the situation started to change in February. The strong and rapid rise in bond yields triggered a pronounced rotation in equity markets. The relative winners were cyclical stocks and what are commonly perceived as value sectors such as financials and energy, on the other hand defensive sectors and highly valued growth stocks suffered. Consequently, the European Healthcare index underperformed the Stoxx Europe 600 by about 6 percentage points. The Healthcare strategy fared well in the beginning of the year and had already generated an outperformance of c. 5% until the strong rotation by early February. Towards the end of the quarter, nearly the entire outperformance was eaten away by the rotation. This was particularly driven by a correction in more highly valued growth stocks, which carry a larger weight in our strategy relative to its benchmark. These market movements are common and usually occur very rapidly; often lasting for only a few days. In contrast, large-cap pharma stocks, which are about 75% of the Healthcare index, have moved sideways.

Winners & Laggards

After a weaker share price performance in Q4 2020 due to the market rotation out of "COVID-winners" into lagging and more cyclical stocks, **Sartorius**, a leading bioprocessing company, was again a strong performer in the first three months of the new year. In January, the company pre-announced a stellar end to the year with top-line growth of +32% and the order book being up +81% in Q4, which represented an acceleration over previous quarters. The company also upgraded its 2025 revenue guidance. In March, the company upgraded growth guidance for 2021 to reflect the strong momentum in its business. Without a doubt, the company is benefiting from tailwinds derived from supplies to COVID-19 vaccine manufacturers. However, the remainder of the business continues to be very strong as the development of biologics is driving demand for Sartorius' products.

Carl-Zeiss Meditec, a German ophthalmology company, has also considerably contributed to the performance of the portfolio. The company pre-announced numbers for its fiscal Q1, which were significantly ahead of analysts' expectations on revenue (+c. 16% vs. expectations) as well as the EBIT line (+c. 92% vs. expectations). The results were driven by a faster than expected recovery in recurring consumable sales. The Asia business had recovered the fastest from the COVID-19 impact and today is close to normal. We remain confident in the company's growth profile given the exciting product launches over the next quarters.

Siemens Healthineers, a market leader for diagnostic imaging equipment and services, also contributed positively to the overall performance. The company posted +13% sales growth for Q1, which was driven by strong growth among all three divisions of the company. Investors were rather nervous ahead of the results as many still feared that the pandemic led to a longer period of weaker demand for capital equipment. In fact, Siemens Healthineers saw good momentum in Europe and Asia, while North America was lagging. In addition to that, the Diagnostics division performed strongly, also helped by some COVID-testing tailwinds. We continue to be positive on the business' the acquisition of Varian Medical Systems which should further boost the growth profile of the company in the long term.

Lonza, the Swiss contract development and manufacturing organisation (CDMO) for pharma and biotech clients, was one of the main laggards in the portfolio. While the underlying business continues to perform strongly with +12% sales growth in 2020, investors were slightly disappointed by the margin performance of the company. Lonza continues to invest strongly into its business, which is a headwind to short-term profitability. However, we regard these investments as a positive, as the company has a strong visibility on the demand for its services. Hence, investments in capacity today should translate into more revenues and profits tomorrow. This is the reason why we are not overly worried about recent underperformance; short-term expectations have simply been too bullish. Lonza remains a high conviction position for us.

MorphoSys, a German biotechnology company, also contributed negatively to overall portfolio performance. Since the announcement of the partnership with US biotech company Incyte for tafasitamab/Monuvi in early 2020, shares have underperformed significantly. Investors were looking for a larger partner and fear that Incyte's limited commercial organisation in Europe limits the potential outside the US. Furthermore, the COVID-19 pandemic has created an environment in which new drug launches are significantly exacerbated. This quarter, MorphoSys issued a rather conservative guidance for Monjuvi in 2021. We believe that the new management team is simply taking a conservative stance at this point of the year and on purpose announced a conservative guidance that they can beat later in the year. MorphoSys also holds more than EUR 1bn in cash, which leaves the company in a great financial condition and provides firepower for licensing or M&A deals.

The German dialysis company **Fresenius Medical Care** had issued a profit warning in early February. The company guided for a net income decline of up to 25% for 2021 driven by a higher mortality of its patients base and higher costs associated with the COVID-19 pandemic. While the higher-than-normal costs can be considered as one-off costs and hence not too worrying, the headwind to the business driven by the reduction of its patient base could have a longer-lasting impact on the business. Dialysis clinics carry significant fixed costs and hence small variations in patient traffic can significantly affect the company's profitability. To our disappointment, Fresenius' communication and disclosure was again vague and rather qualitative.

Transactions

In mid-February, we bought a new position in the Swedish small cap company **Cellink**. We topped the position up shortly after the first purchase. Founded in 2016 by the three young entrepreneurs Erik Gatenholm, Dr. Hector Martinez and Gusten Danielsson, Cellink is a high-growth life science company developing products and equipment for disease and tissue modelling, analysis and diagnostics. After its foundation, the company initially focused only on 3D bioprinting, i.e. the printing of living cells. The technology is still very young, but the potential is enormous. Already today, Cellink's 3D bioprinters and tissue-specific inks are used for the printing of skin for the testing of cosmetics. This is an enormous help and improvement as animal tests have been banned in 2013. In addition, pharma customers like AstraZeneca already use Cellink's products today. Entire tumours could be printed, which are then used for further research purposes and the development of better medication as these models should be superior to animal models. At some point in the future, even entire organs could be printed using Cellink's technologies, but this market is still very nascent today. Over the last 2-3 years, the company has, through strategic acquisitions, expanded into adjacent markets like cell line development and single-cell analysis, which are high-growth markets by themselves but also nicely complement the bioprinting offering. In these segments, Cellink pursues a similar strategy compared to bioprinting: it is not the first company to enter the market, but it is the first to bring costs down significantly to allow wider adoption of the technology. Hence, we view the competitive position as strong, also against US peers like 10X Genomics and Berkeley Lights. The track record of management is impressive: revenues have increased by > 100% p.a. over the last 3 years. The company targets > 35% organic growth over the medium term and we expect this already high growth to be complemented by value-accretive acquisitions.

We topped up our already significant position in **Siemens Healthineers**, the leading diagnostic imaging company, in late January. In addition, we topped up our position in **Chemometec**, the Danish provider of cell counting equipment for pharmaceutical companies engaged in cell and gene therapies. We completely sold our small position in **Fresenius Medical Care** after the company had issued a profit warning due to the COVID-19 impact of higher infection rates on the mortality of its patient base. While management's reduced guidance may have been very cautious, we continued to view the news as a longer-term overhang on the shares. We came to the conclusion that we hold more attractive investment cases in the portfolio and will therefore use the proceeds to finance these alternatives.

GLOBAL

Winners & Laggards

Interactive Brokers reported strong new customer growth and record levels in trading volumes and margin loans. The global expansion strategy together with positive market sentiment is reflected in the stable numbers. Possible interest rate hikes in 2022 or 2023 should, in addition, have a positive impact on revenues.

KKR reported a strong increase in profits due to the acquisition of General Atlantic. This is supported by both strong demand for private equity investment solutions and a historically high rate of new investment strategies being launched.

WIX.com reported strong growth and a solid outlook for 2021, with a particularly positive comment on growth at professional agencies. Market entry at such agencies leaves room for long-term growth, as the market is many times larger than the DIY market and products are concluded at higher prices.

Huya's performance was weak as the company announced further investments in their content library. However, after Tencent's comments, we are optimistic about the merger with Douyu and the company's ability to build one of China's leading gaming communities. However, as expected, the transformation will take 2-3 years.

The **Xero** share price weakened after the strong performance in the last quarter. The valuation is currently at a relatively high level, so the outlook for regional expansion and further product launches will be crucial.

Transactions

Teladoc Health is a leading global telehealth company and a pioneer in digital healthcare. Teladoc's platform connects 51.8 million paying patients and consumers with over 11,000 physician practices and hospitals in the US alone. Importantly, the product strongly integrates with the workflows and software landscape of insurers as well as hospitals and doctors' offices (e.g. electronic medical records) to ensure effective patient care. Teladoc estimates the total addressable market in the US to be USD 121 billion and their sales next year to be about USD 2 billion. The estimates do not yet include possible international expansion. Prior to the Covid-19 Crisis, less than 1% of all doctor visits were delivered digitally. During the pandemic and periods of lockdown, physical doctor visits were limited and many patients were exposed to telehealth for the first time. Although digital doctor visits as a percentage of total visits will subside once the pandemic subsides, the absolute number is likely to continue to rise. Teladoc is the largest telehealth provider with the broadest product portfolio. Thus, insurers and employers - should they see the benefit of telehealth - have little incentive to offer their insurance or employee telehealth offerings through platforms other than Teladoc. The stock suffered heavily from the pronounced market rotation triggered by rapidly rising interest rates and traded at more attractive valuation levels, which we are using to build the position.

We added **Huya**, one of the largest providers of video game live streaming in China, to our portfolio. Video game live streaming originated in the computer gaming sector, where users watch other top players play computer games. The Western equivalent is Twitch.com. China's largest game developer, Tencent, has acquired a majority stake in Huya and plans to merge with Douyu, the number two player in the game live streaming market, in the coming months. In the event of a merger, Huya/Douyu would be China's largest gaming platform with opportunities to greatly reduce costs and further increase monetisation. Tencent plans to enter the cloud gaming market. Huya/Douyu would be a strategic asset as a gaming community. The merger is still under review, but we expect the green light from the regulator, as the game live streaming market does not hold a significant position in antitrust law. Additionally, similar to Tencent Music, we expect a subsequent secondary listing in

Hong Kong. The growth potential should be very attractive: there are 700m active gamers in China and Huya/Douyu currently have a userbase of 300m. Additionally, we expect revenue per user to increase through advertising and other monetisation efforts. The cloud gaming market offers the most potential, as Huya/Douyu could charge a distribution fee for new games. However, it will probably take 2-3 years to leverage the potential.

Health Assurance Acquisition Corp is a SPAC with a mission to better drive down the cost of US healthcare by helping patients detect diseases early and counteract them through behavioral interventions. The team consists of the founders of Livongo, one of the leading companies in the US health tech sector and General Catalyst, one of the leading investors in the sector. Based on numerous interviews, we believe the SPAC will acquire Color Genomics and possibly Commure. Both companies are holdings of General Catalyst and this should give the founders very good knowledge of their potential. Color Genomics has a strong position in large population genetic testing. Combined with Commure's IT expertise, they could build a strong database of health data from large segments of the population. As the investment case is still at an early stage, we have built a small position for now.

We increased our position in **ServiceNow**, the US cloud software company. We also increased our position in **Infineon**. The company performed positively along with the entire semiconductor sector. After the strong share price performance since purchase, driven by the recovery in the online advertising market and strong market share gains of the company, we took profits on **Pinterest**. **Charter Communications** already reported weaker new customer growth in the last quarter. The latest comments from management were also cautious for the coming quarter. We therefore reduced the position and invested in stocks with better risk-reward ratios.

Trupanion, the US provider of pet insurance, had presented good figures for its fourth quarter. In addition, the company's latest acquisitions, together with the Aflac partnership, should further strengthen its market position. However, we see this largely reflected in the price and therefore sold our small position. The **AIA Group** share price has recovered strongly after the sharp sell-off in March last year. In addition, there is further uncertainty regarding the recovery of the insurance market in Hong Kong. We continue to monitor the expansion in the Chinese market, which could provide surprise potential. However, we see better opportunities elsewhere and sold the position.

MITTELSTAND

Winners & Laggards

Suess Microtec again performed very well due to solid figures for 2020 and a very strong order intake in Q1 2021, which was significantly above market expectations. The company is currently benefiting from the growth momentum in the semiconductor market, especially from a significant customer: Taiwan Semiconductor Manufacturing Company (TSMC) from Taiwan. In addition to that, the company announced that it would resume scanner production, but only at the Taiwan site to serve one of its most significant customers: TSMC. The US site, on the other hand, had finally closed last year due to low orders and subsequent low capacity utilisation, which will significantly relieve the future cost ratio. Even though there is currently no order intake, this is a very positive signal as it allows the company to benefit from their superior technology. Last but not least, the company announced a new CEO and COO, both of whom bring many years of industry experience. The current long-standing CEO, Dr. Richter's departure was already anticipated in the market due to his age. The addition of a COO to the board is a very positive sign to further support the recent good operational development.

PharmaSGP shares developed less positively in the past quarter. Sales and profitability were significantly lower due to logistical problems and the consequences of Europe-wide lockdowns in response to the spread of Covid-19. Furthermore, some product launches in countries such as France were postponed. As the company invests a significant portion of its sales (c.40-45%) in marketing and contracts with TV stations as well as magazines, where negotiated in advance, the company was not able to reduce these investments in the short term, which weighed on profitability.

Morphosys' stock price developed less positively in the past quarter. Despite solid figures for the full year 2020, the outlook, especially with regards to its core product Monjuvi, disappointed the market. However, the outlook for 2021 should prove to be very conservative as the management team leads with caution on the further roll-out of the cancer treatment Monjuvi for relapsed or refractory diffuse large B-cell lymphoma (DLBCL), among others. In addition to the existing pipeline, we remain positive on the company. This is underpinned by Monjuvi's very strong data and current cash position of over EUR 1 billion, which should enable the company to fund various future organic as well as external growth opportunities.

Transactions

In the past quarter, we added positions **in Aixtron, Secunet, KWS Saat** and **Verbio** to the fund. The positions in **NFON**, **KWS Saat, Encavis, Bechtle** and **Knaus Tabbert** were added to. Positions in **Eckert&Ziegler**, **Sartorius, Elmos, Suess Microtec** and **Duerr** were reduced. Positions in **Jenoptik**, **Siltronic** and **Akasol** were sold.

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