TRIUM BLACKWALL EUROPE L/S FUND

European Long/Short Equity

QTD: 1.10%* YTD: 0.55%*

AUM: EUR 180.4M*

Q2 2017

Dear Investor,

In Q2 2017 the Fund posted an increase of +1.1%, which brings the performance since inception to +10.4%.*

Against equity markets declining slightly in Q2, it was our key investments which contributed positively over the quarter. During Q2, our average net exposure was 6.1% (end of June: 0.4%), compared to the historic average (since inception) of +13.3% (beta-adjusted net long position of approximately +3.2%).

Assets under management were at EUR 180.4m at the end of June.

*Source: Trium. The figures refer to the past. Performance is quoted net of fees based on unaudited figures. Performance from launch (19 December 2014) to 31 December 2014 was -0.10%. Inception date: 19 December 2014. All at 30 June 2017. Beta-adjusted net exposure is calculated using the STOXX Europe 600 (Net Return) Index. Exposure figures are calculated using the average of month end data points.

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Blackwall Capital Investment AG now holds the license as an authorized asset manager of collective investment schemes in Switzerland, granted by the Swiss Financial Market Supervisory Authority (FINMA) on 4th April 2017. The issuance of the license by the Swiss regulator is the culmination of a process that started with the launch of the company and required the verification of all relevant company processes being fully compliant with the regulatory requirements. Considering that the asset management industry today is highly regulated, we are pleased that Blackwall has achieved this status. Going forward, Blackwall is required to permanently adhere to processes and procedures against which the company will be audited during the yearly regulatory audit. This requires a significant undertaking by Blackwall's executive management both as a committee as well as the individual members responsible for each functional area. Also, the board of directors has to perform many tasks to guarantee the required corporate governance and compliance framework.

In addition, as of the 31st May 2017, the Irish Central Bank has approved Blackwall Capital Investment AG to act as an Investment Manager to Irish domiciled investment funds. This will allow Blackwall to act as Sub-Investment Manager of the Trium Blackwall Europe L/S Fund.

A Brief Recap of RIB Software

Following up on RIB Software, which we introduced in our Q1 newsletter, the company continued to show a solid operational performance in Q2. It reported 4 new clients in its core business, and during the month of June announced its second YTWO Formative deal with Chinese MyHome Group. MyHome Group intends to invest about USD 29bn over the next 5 years, of which we expect about USD 12-15bn to be executed over the YTWO Formative platform. Although the share price increased by about 18% over the quarter, we still believe that the market has only started to recognize a tiny fraction of the transformation effect these deals will have on the company and how well RIB Software is positioned to benefit from the revolution that is starting to take place in the construction industry.

Introducing Panalpina

One of our highest conviction holdings, Panalpina, has delivered a positive contribution to the fund, given the 11% rise of its share price during Q2-2017. That performance can be attributed to three factors:

1. The positive market reaction to Panalpina's still rather mediocre Q1-2017 results, but improving outlook for H2 2017
2. The company confirmed its new IT system has been successfully rolled out in Germany, with preparation for the subsequent implementation in the US which has already started
3. Investors have begun to recognise the attraction of Panalpina as a takeover candidate, considering ambitions of Kuehne & Nagel as well as DSV to accelerate market consolidation.

Even though Panalpina's Q1 2017 results came in short of market expectations, due to last year's turmoil surrounding Hanjin's bankruptcy (and hence sudden rate spikes), the share price surged more than 7% on the reporting day. While management's indication of a modest improvement starting in Q2 2017 – which would set up the company for a substantial acceleration throughout H2 2017 and into next year – may have signalled that Panalpina is beyond the trough, the most important short-term trigger for the stock was probably related to a short squeeze. With short positions in the stock still at very elevated level, we expect more of the same in coming months.

In mid-June, Panalpina confirmed that the upgrade of its operational IT platform in Germany went live at the end of May 2017 as planned. Hence, the company's third largest market in terms of transactions is about to be smoothly migrated to the new system, which will soon handle 30% of Panalpina's total global transactions. In the meantime, the company has started to prepare the deployment of its new IT platform in the US, which we expect to proceed throughout H2 2017 (to be followed by China in H1 2018). As a reminder, the efficiency of the operational IT is crucial in freight forwarding and Panalpina expects a productivity increase of about 20% following the global adoption of its new IT platform (and first benefits kicking in from H1 2018).

Finally, Panalpina has started to be recognized as a serious takeover target in the still highly fragmented, but consolidating global freight forwarding industry. This perception has been derived from recent remarks of both (larger) competitors Kuehne & Nagel and DSV. In June, Kuehne & Nagel publicly explained that, following years of bolt-on acquisitions, management has started to consider much larger volume/synergy transactions (i.e. buying many new customers, transitioning them onto its IT platform and sharply streamlining the target's infrastructure). In parallel, acquisitive DSV considers the integration of UTI complete, with management on the lookout again for further complementary targets to accelerate the consolidation of the freight forwarding market and to reinforce DSV's footprint. Hence, Panalpina may well fall into sight of these two buyers, possibly even creating a bidding competition. This

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assumes, however, that the largest Panalpina shareholder (Ernst Goehner Foundation with 45.9%) can be convinced to sell.

A consolidated portfolio view

For better transparency, we consolidate our portfolio holdings on the long side – as well as on the short side – into a notional combined entity allowing us to better illustrate to investors the economics of an average company in the portfolio. Our 'average company' looks like the following:

Long Investments: Typical Company Economics

Financials* (EUR m)	**2015**	**2016**	**2017E[1]**	**2018E[1]**
Sales	4822	5032	5198	5347
Gross Profit	1184	1259	1329	1477
EBIT	457	390	503	574
Net Income	329	340	354	406
FCF	-41	-24	250	325
Net Financial Debt	949	1064	1139	1051

Valuation Ratios*	**2015**	**2016**	**2017E[1]**	**2018E[1]**
P/E	22.1	20.9	17.5	15.2
P/BV	2.5	2.6	2.4	2.1
EV/EBIT	17.1	17.1	13.5	11.3
Net Debt/EBITDA	-2.2	-1.9	-1.1	-1.3
Dividend Yield	2.3%	2.4%	2.5%	2.7%
ROE	14.4	16.3	19.3	24.1
ROCE	15.2	17.1	18.4	23.4

Short Investments: Typical Company Economics

Financials* (EUR m)	**2015**	**2016**	**2017E[1]**	**2018E[1]**
Sales	15284	15796	16931	17006
Gross Profit	3728	3938	4346	4317
EBIT	1686	1704	2047	2048
Net Income	1179	1150	1306	1270
FCF	134	265	1025	1022
Net Financial Debt	4031	6001	5599	5334

Valuation Ratios*	**2015**	**2016**	**2017E[1]**	**2018E[1]**
P/E	19.5	21.6	19.5	**18.6**
P/BV	4.0	3.7	3.9	**3.6**
EV/EBIT	16.1	17.6	16.1	**15.7**
Net Debt/EBITDA	1.3	1.8	1.4	**1.3**
Dividend Yield	2.7%	3.0%	3.0%	**3.1%**
ROE	19.7	17.5	19.4	**18.8**
ROCE	11.6	11.2	12.6	**13.3**

*Source: Bloomberg, Blackwall Capital Investment AG.
[1] Note that there can be no assurance that these estimates will be achieved.

Our investment philosophy is to go long great companies at attractive valuations, with midcaps being our sweet spot, and to short weak and overvalued companies, preferably in the large cap area. The difference in size of the companies on either side, is well underpinned by the average revenues and other fundamental data provided in the tables above. However, there are significant differences when it comes down to EBIT growth, leverage, and valuation:

EBIT growth: We expect the average long company to grow EBIT in the magnitude of 14-29% p.a. in 2017E and 2018E. Furthermore, some of our key holdings show profiles of growth accelerating in the years ahead, benefiting from multi-year restructuring programs and/or structural growth drivers. Although the average short company seems to grow at a similar rate in 2017E, we expect growth rates to collapse towards the zero level in 2018E.

Leverage: Most of our long companies are operating with a net cash position or close to net cash, thus posting an average net cash/EBITDA of 1.1x. At times of potentially rising interest rates, this might provide strategic optionality while others are constraint. In comparison, the average company on the short side is posting a net debt/EBITDA of 1.4x, although this is still well below the market average of 3.4x.

Valuation: In terms of valuation, we use various metrics, with our preferred ratio being EV/EBIT. On average our long portfolio trades at 13.5x for 2017E, with the short portfolio trading at 16.1x. Given stronger growth expectations going forward, the spread increases further with longs trading at 11.3x for 2018E and shorts at 15.7x for 2018E.

In summary, we argue that the companies invested on the long side are substantially more attractively valued with a much higher growth profile and lower leverage than the ones on the short side.

Best regards,

Thomas Karlovits

FOR MORE INFORMATION, VISIT
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