


We invest in winners. This means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

Prosus N.V.

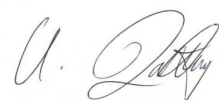
We featured the Dutch investment company Prosus in our investment report for the first time in August 2021. A 29% stake in the Chinese internet giant Tencent remains by far the most important investment. The stake has a value of EUR 84 per Prosus share as at 30 June 2022 and represents approximately 77% of the net asset value. This amounts to EUR 110 per share and exceeds the stock market price (EUR 64) by 72%. Despite multiple efforts, Prosus and its South African parent Naspers have not yet managed to close the valuation gap. Firstly, because 23% of net asset value is accounted for by a hodgepodge of fast-growing digital business models from around the world: internet platforms, fintech, food delivery, e-tail, travel and edtech. Some interesting companies such as Indian payment service provider PayU can be identified. But overall, the investment portfolio is not yet earning money, and must continue to be financed. The stock market does not appreciate this after the recent disenchantment with unprofitable digital companies. Nor does it like China's fractious regulatory intervention in platforms such as Tencent. However, neither of these factors deter us. Prosus has no debt and the Tencent share price has already reacted sufficiently to a decline in monopoly profits with a halving of the share price, in our view. In a massive effort to reduce the conglomerate discount, Prosus struck a major

blow on 27 June 2022, when an open-ended buyback programme for shares in Prosus and Naspers was announced. The acquisition will be financed through the sale of Tencent shares and will take place until the discount of its own stock market value to the net asset value of the holdings has been reduced. This plan brings to mind a historic "whatever it takes" speech. All the more so as the success of the buyback correlates positively with the amount of the purchase volume, depending on the actual valuation discount. First, because Tencent shares can be sold at the market price and Prosus shares can be bought back at a valuation discount. Second, because the value of Tencent in each remaining Prosus share will actually increase, as the number of Prosus shares will decrease much faster than the Tencent net asset value sold. Third, because Prosus intends to acquire additional Naspers shares after receiving regulatory approvals and thus indirectly acquire its own shares due to the cross-shareholding, which further increases the net asset value per Prosus share. Consequently, the buyback should not only close the valuation gap over time, but at the same time increase the net asset value per share. At the current valuation level, a buyback volume of EUR 10 billion would increase the value per share by about 10%. For us, this is an excellent combination of both value and event. We further increased our position and are now invested in Prosus and Naspers with 6% of the fund volume.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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