



Fourth Quarter 2022 Report
English Translation

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Juno Continuation Fund Performance

The Juno Continuation Fund ended the fourth quarter of 2022 with a net asset value per participation of **€82.98**, a +4.3% increase. Over the full year 2022, the fund lost -28.5%. The index for mid-sized European companies, the MSCI Europe Mid Cap Index, grew by +10.9% over the past three months, which brings its 2022 performance to -19.3%. The Dutch AEX-index (reinvested dividends) showed a +7.9% increase over the past three months and a loss of -11.6% for the year 2022.

Main developments in the portfolio

Early November, a deputy minister in Colombia announced via a tweet that he would launch an investigation into the working conditions at **Teleperformance** (TP) in Colombia. This happened in response to an article published in Time Magazine about the company's content moderation activities. Content moderation is the filtering of unwanted content in all kinds of communications. This often concerns matters such as factual inaccuracies, copyright infringement, distortion of competition or unrealistic representations. To prevent (mostly young) users from being confronted with offensive or illegal images, for example via social media, these are also filtered; initially by an algorithm and in very few cases also by a human analyst. TP was accused in the said article of exposing some of its employees to horrific images/content when providing such services to media and tech companies in general and TikTok in particular. These TP employees would allegedly receive insufficient psychological support and also be underpaid. In addition, the efforts of the local union to gain a foothold within TP would have been frustrated by the company, so the article stated.

TP has flatly denied the allegations and immediately ordered both an internal and external investigation. As soon as early December, the company published the results of the external investigation, conducted by Bureau Veritas. Contrary to the claims in the article, TP employees were found to be paid well above the local minimum wage. The "content moderation" employees even earn significantly more than the average TP employee, they do receive proper support and a psychologist is available if desired. Furthermore, the turnover rate among this group of employees is lower than the average for TP in Colombia. Finally, the investigation shows that the level of exposure to this so-called "egregious content" is exceptionally low, with only one in 1 million images falling under this heavy category.

Nevertheless, after dialogue with customers and investors, the company has decided to distance itself from those content moderation activities where there is an explicit risk of exposure to disturbing content. TP is not only the world market leader, but TP is also one of the most reliable partners in customer contact. The risk of reputational harm that exists by participating in these activities does not outweigh the turnover contribution of only a few percent of the company's total. TP has also taken the opportunity to strengthen ties with the global umbrella union UNI Global Union, although a significant proportion of TP's 400,000 employees worldwide are already unionized. This way, TP once again sends the signal to its customers - on behalf of whom TP provides customer service, among which is Apple, for example - that it does indeed protect its employees and does treat them fairly. For years, TP has received high marks from independent external reviewers when it comes to working conditions; for example, 97% of employees work in a *Great Place To Work* certified environment.

Teleperformance has been a prominent name in the portfolio since the start of the Juno Continuation Fund in 2020 and was discussed at length in the second quarterly report of 2020. We remain confident in TP, also strengthened by the transparent and extensive dialogue with, among others, its shareholders. In addition, the company has shown excellent operational results in recent years and again in 2022. The price reaction – -38% on the low point of which more than half has now been recovered – therefore seemed completely out of proportion to us. Nevertheless, we are still closely following the course of events, including by paying a visit to the operational facilities in Greece as a next step.

The French company **Soitec** is a developer and producer of semiconductor materials for the chip industry. The company was founded in 1992 through a spin-off from CEA-Leti, the renowned Grenoble-based microelectronics research house. Today, Leti still owns more than 7% of the shares in Soitec, which has a market capitalization of approximately EUR 5.5 billion. The Juno Continuation Fund has been investing in Soitec since September 2020 and shares this position with the Juno Selection Fund.

The most well-known semiconductor material is silicon and almost all chips are therefore printed on a silicon base (also called a wafer or substrate). In recent years, however, the end of the so-called 'Moore's law'; a projected two-year doubling of the number of transistors on a chip, is in sight. Also, the multibillion-dollar development costs increasingly outweigh the incremental benefits. That is why other materials and

composites are being researched in order to achieve better chip performance in an alternative way at acceptable costs.

Soitec is a pioneer in this quest with 'silicon-on-insulator' (SOI) as its most important innovation. With this technology, a layer is added to the standard silicon wafer. The process of splitting the silicon wafer and thus adding one or more layers of insulating material at an atomic level is Soitec's core capability, which is protected, among other things, through patents. Thanks to the insulating layer, SOI ensures that the 'leakage' of electrons is reduced. As a result, the performance of a chipset is both more powerful and more energy efficient. Soitec has been working on the patented technology for decades and has achieved a monopoly position in the field of SOI.

In recent years, Soitec has benefited in particular from the strong rise of 5G phones. SOI has been the standard in the transceiver of mobile modems for years and as a result of the strong increase in the number of bandwidths, the square millimeter of required SOI has further increased. Compared to conventional chips, SOI-based chipsets are gaining ground in more domains, such as automotive and IOT (Internet of Things) applications. In addition to the products that already have commercial traction, there are also new developments that will contribute to revenue growth in the coming years. The company has unveiled plans to invest in production capacity for 'piezoelectric-on-insulator' (POI) wafers for filter modules in 5G phones. In addition, a promising application has been found with so-called 'Smart-SiC', or enriched silicon carbide, which is used in electric vehicles for converting DC to AC power. The so-called inverters based on Smart-SiC are smaller and therefore lighter. They also work more efficiently, which further increases the range of electric vehicles. The commercial roll-out of SmartSiC will take place over the next two years with the arrival of new production capacity and the announcement of the first large-scale contract with STMicroelectronics in December gave further confidence in the adoption trend.

Operationally, Soitec is doing very well. Last year ended with a turnover growth of no less than 50% and this year a turnover increase of 20% is expected. The operating margin is around 25% this year and will continue to increase as production is scaled up. The planned capacity expansion amounting to more than EUR 1 billion is now being financed entirely from cash flow. These substantial investments should result in an expected doubling of turnover to approximately EUR 2 billion in the next three years.

The strong underlying operational development is offset by an unexpected development regarding the CEO succession. In January 2022, CEO Paul Boudre's contract was unexpectedly not renewed after eight years of service.

The Supervisory Board, led by former ASML CEO Meurice, deemed a change necessary for the next step in the company's development, which also led to commotion internally. The company's management took notice of the messy state of affairs and chairman of the Supervisory Board Meurice put on the penitent during a series of (video) conversations, including a meeting with the Juno portfolio management team. Juno also spoke to the new CEO, Pierre Barnabé, several times, including in Paris. These discussions give confidence that Soitec will develop according to the already publicly known plan in the coming years without strategic changes in direction. In combination with the attractive valuation, this gives Juno the confidence to keep Soitec in the portfolio with a prominent weight. Soitec currently has a weighting of 8.5% in the JCF portfolio.

Outlook

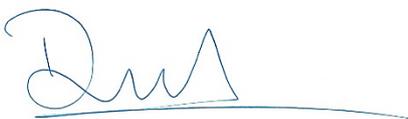
The very sharp rise in inflation in 2022 caused central banks worldwide to raise their interest rates at a rapid pace. This then led to equally violent reactions in the financial markets, with prices falling sharply in virtually all asset classes.

Rapidly rising inflation can lead to a loss of purchasing power among consumers and thus a loss of turnover for companies in many sectors. Inflation can also lead to rising labor costs and thus to lower profitability for companies. The companies that make up the Juno portfolios are selected based on a number of criteria, including the extent to which a company offers a need-to-have product or service that its customers cannot or will not do without. In addition, our companies are often able to pass on cost increases to customers without losing turnover.

As a result, our companies were expected to show healthy underlying earnings growth in 2022 within our desired range of 10-15%. The fact that their share prices also suffered badly in 2022 from the sharp rise in interest rates is therefore disappointing for us in the short term.

However, sustained earnings growth at the selected companies is a much more important and longer-lasting driver of share prices than short-term interest rate developments. After the sharp decline in share prices in 2022, our companies are not only fundamentally in good shape, but are now also priced much more attractively in a historical context, which is an excellent starting point for future share price development.

On behalf of the Juno Continuation Fund's portfolio management team,



Rob Deneke



Duncan Siewe

Juno Continuation Fund: Historical Returns

	Juno Continuation Fund	MSCI Europe MidCap Index	AEX Index (reinvested)	Barcap PanEuro Index
2020*	+10%	+5%	+8%	+1%
2021	+5%	+22%	+30%	-2%
Q1 2022	-15%	-10%	-9%	-6%
Q2 2022	-10%	-13%	-8%	-7%
Q3 2022	-10%	-7%	-2%	-6%
Q4 2022	+4%	+11%	+8%	-1%
2022	-29%	-19%	-12%	-19%
Since Inception*	-17%	+3%	+24%	-18%
CAGR	-6.2%	+1.0%	+7.6%	-7.3%

*) Since inception of the fund: February 1, 2020

Top 5 Positions

Name	Country
Teleperformance	France
Soitec	France
Bachem	Switzerland
Scout24	Germany
Rational	Germany

Disclaimer:

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