



Fourth Quarter 2022 Report

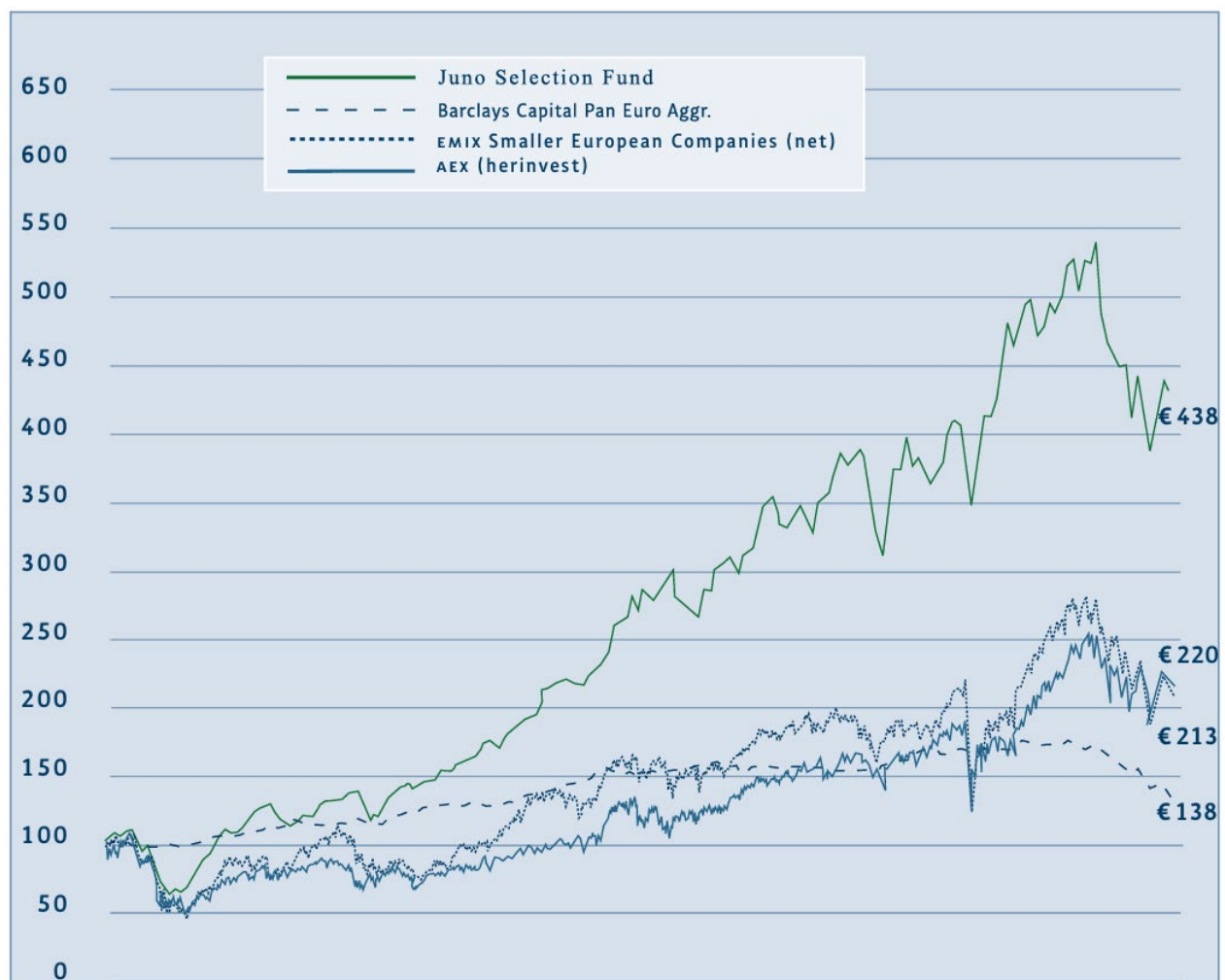
English Translation

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Juno Selection Fund Performance

We ended the fourth quarter on December 31, with a net asset value of **€437.71** per participation, a +11.6% increase over the previous quarter. This brings the overall return for 2022 to -19.5%.

The index of European small and medium-sized companies, the EMIX Smaller European Companies Index, increased by +10.4% over the quarter and ends the year 2022 with a -23.3% loss. The Dutch AEX index (with dividend reinvested) showed a positive +7.9% performance over the past three months, and a negative return of -11.6% for the year 2022.



Main developments in the portfolio

The desire or regulations that force us to measure the quality of the air around us have only increased since the COVID pandemic. This can be seen in the field of industrial applications (where sensors are used in air purification, ventilation and gas meters), in medical applications (such as ventilators and sleep apnea devices) and in the automotive market (where sensors monitor fogged windows and cabin air quality). There is a need to accurately measure air humidity, temperature, CO₂, particulate matter and the toxic formaldehyde gases. Governments have introduced regulations that set minimum standards for air quality and ventilation in public buildings. All this explains the increasing need for sensors to meet higher measurement requirements and to bring smart solutions and applications.

In 2018 we spoke to the management team of the Swiss company **Sensirion** for the first time. The company is a leader in the field of sensor technology. It had just listed on the stock exchange, but was not yet profitable. Their accounting was very conservative and all R&D was charged directly to the profit and loss account, but the strongly growing sales could not yet fully absorb these costs. We have followed developments closely over these years. Sensirion's investments paid off and we therefore bought a small position in the portfolio for the first time in 2022.

Sensirion was founded twenty four years ago by two PhD students at the ETH University of Technology in Zurich, Felix Mayer and Moritz Lechner. They are still active in the company as shareholders and co-chairs of the Board of Directors. Miniaturizing different sensor techniques onto a single computer chip, has been their big challenge from day one. Smaller chips are more economical to produce in large numbers (less silicon) and much easier to implement in increasingly smaller measuring equipment (which Sensirion does not produce itself). They achieved their first success with humidity sensors, a product category in which Sensirion is still the leader, with a market share of more than 50%. Upon their introduction to the market, the Sensirion sensors were often ten to fifteen times smaller than existing solutions.

Sensirion is known for its highly disruptive product innovations, which have made new applications possible through higher measurement precision, miniscule dimensions and/or lower material costs. Sensirion is therefore a real R&D organization. It owns more than 200 patent families and more than 20% of the employees have a PhD. Sensirion also regularly scores high in the rankings of best employers in Switzerland.

Sensirion's customers are device manufacturers who use Sensirion's small but precise measurement sensors in their products. Sensirion often provides significant design

support because the accuracy is very sensitive to the placement of the sensor within the device and extensive instrument calibration is also required. The largest end market is industrial applications. By being closely involved in the development of new products of its customers at an early stage, Sensirion has a good idea of the quantities of its chips that need to be delivered in the near future. The applications that their customers come up with are often of essential importance to the end customers, which means that demand turned out to be practically non-cyclical in economic downturns. Sensirion has outsourced chip production to major chip manufacturers such as TSMC, but part of the testing, calibration and packaging is carried out by the company itself in Switzerland and Hungary.

Financially, the company is still managed conservatively. It has no debt, development costs are taken directly as costs instead of capitalizing them on the balance sheet and the communicated sales and earnings expectations are invariably beaten. The free cash flow is largely reinvested in future growth. Over the next five years, management expects to achieve average sales growth of 15% per annum. This is due to both the growth of its existing products and the introduction of completely new types of sensors. In 2021, it achieved a turnover of CHF 287 million with an operating margin of over 27%. Due to the disappearance of the one-off revenue from ventilators for COVID patients, we expect the 2022 earnings to be roughly at the same level as 2021. However, we believe there is an underlying earnings growth of approximately 10%. The decline in the share price last year gave us the opportunity to buy our first small position in this excellent company.

The German company **Sartorius AG** has been part of the Juno Selection Fund portfolio since 2014. At the time of our initial investment in the company, we were particularly interested in their activities in equipment and consumables for the production of biological medicines. These types of medicines, for example antibodies used in immunotherapy, have been on the rise in the past decade. When these types of medicines are approved, all production resources that are used, are recorded and filed in protocols. Changing suppliers is therefore a rare and costly affair. In combination with the fact that medicines are usually in production for a very long period of time, this gives us the desired long-term predictability.

Since his appointment as CEO of the company in 2004, Joachim Kreuzburg has been working to bring together the entire range of products and technologies needed to manufacture biological medicines within Sartorius, making it a so-called "one-stop-shop". The acquisition of the French company Stedim in 2008 and some of Danaher's activities in 2019, were particularly important in this respect.

Cell culture media is very important for growing modified cells that produce the final biological medicine. Until 2018, Sartorius had a collaboration with the Swiss pharmaceutical company Lonza. Joachim recognized that cell culture media are not only important for producing biological medicines, but that they are also essential for manufacturing the rapidly emerging cell and gene therapies, which also use living cells. This insight brought Joachim to end the collaboration with Lonza and gain the necessary cell culture media knowledge and production techniques by making small acquisitions, with the final step being the acquisition of Albumedix in August 2022.

Albumedix recombinantly manufactures Albumin, an important human protein that is used, among other things, in cell culture media. An essential acquisition because in the future, the current animal materials that serve as basic material for cell culture media, will no longer be allowed for the production of cell and gene therapies.

While Sartorius' turnover was still EUR 0.9 billion in 2014, it is expected to rise to more than EUR 4 billion in 2022. Underlying earnings increased from EUR 64 million to almost EUR 700 million over the same period. This underlying earnings growth translated into a share price appreciation of more than 1000% in the intervening period.

Sartorius' growth is largely organic, the acquisitions that Sartorius makes are generally very small and targeted. Acquisitions often revolve around a specific technology that Sartorius does not yet possess, but can use immediately at group level. As a result, the new activity immediately adds value. In order to grow organically, Sartorius annually invests more than 10% of its turnover. Since this percentage will not decrease for the time being, the company itself also sees more than enough growth opportunities. The return on capital continues to increase every year, which is a sign that the resources used by the company add more and more value.

We expect annual underlying earnings growth for Sartorius of 15% for the coming years. As long as Sartorius continues to grow in this predictable way, we are happy to remain a shareholder in this unique German company.

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 brutal 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 usually able to pass on cost increases to customers without losing turnover.

As a result, our companies are expected to show healthy underlying earnings growth in 2022 within our desired range of 10-15%. The fact that their share prices 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 our 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 Selection Fund's portfolio management team,



Frans Jurgens



Lennart Smits



Ernest van Tuyll

Juno Selection Fund: Historical Returns

	Juno Selection Fund	EMIX Smaller Europe Index (net)	AEX Index (reinvested)	Barcap PanEuro Index
2008 **	-33%	-49%	-47%	+1%
2009	+70%	+63%	+42%	+8%
2010	+12%	+17%	+9%	+4%
2011	+3%	-23%	-9%	+6%
2012	+19%	+27%	+13%	+11%
2013	+22%	+33%	+20%	+1%
2014	+19%	+5%	+8%	+11%
2015	+33%	+21%	+7%	+3%
2016	+2%	+2%	+13%	+2%
2017	+6%	+17%	+16%	0%
2018	-5%	-15%	-8%	0%
2019	+34%	+29%	+28%	+7%
2020	+21%	+7%	+5%	+4%
2021	+9%	+23%	+30%	-2%
Q1 2022	-16%	-11%	-9%	-6%
Q2 2022	-10%	-15%	-8%	-7%
Q3 2022	-5%	-9%	-2%	-6%
Q4 2022	+12%	+10%	+8%	-1%
2022	-19%	-23%	-12%	-19%
Since inception *	+338%	+113%	+120%	+37%
CAGR	10.4%	5.2%	5.4%	2.1%

*) Inception of the fund: January 11, 2008

Top 5 Positions

Name	Country
Paradox Interactive	Sweden
Melexis	Belgium
Soitec	France
Stratec Biomedical	Germany
Bachem	Switzerland

Disclaimer:

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