JUNO Selection Fund

Fourth Quarter 2016 Report

English Translation

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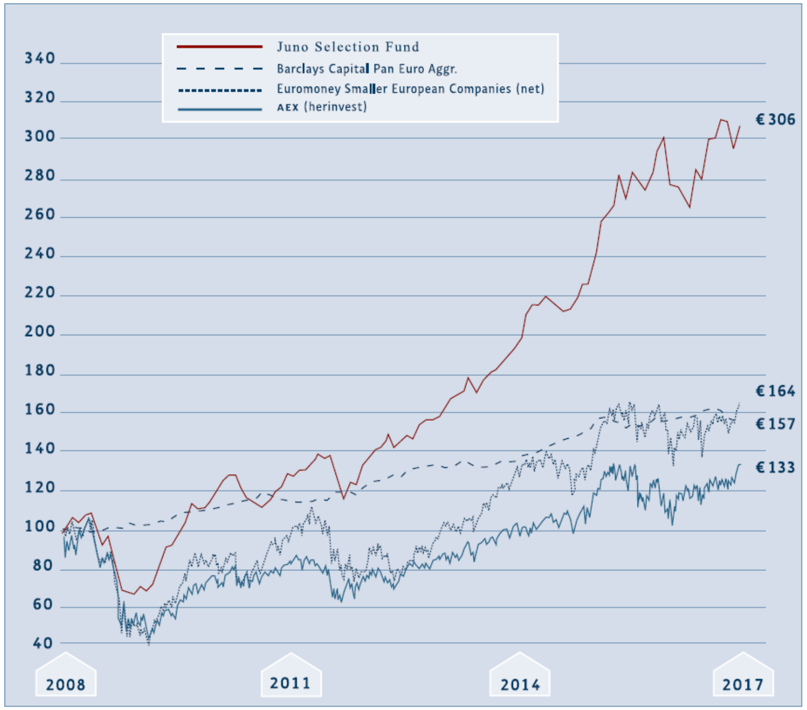
Juno Selection Fund Performance

The fourth quarter, which ended on December 31, finished with a net asset value of **€ 306.42** per share. Although the net asset value showed a -1.0% decrease over the last quarter, for the full year 2016, Juno has generated a slightly positive return of 1.8%.

Since the election of Trump, equity markets gained strength. The shares of companies in cyclical financial service sectors performed especially well. As a result, the Euromoney Smaller Companies Index (net) increased by 4.3% during the last quarter. This index shows an annual return of 2.3%. The Dutch AEX index (including dividends) gained 7.2% in the fourth quarter and ends 2016 with a positive return of 13.1%.



Main developments in the portfolio

Probably the most characterizing aspect of our visit to **Sartorius** past November was the fact that we could no longer find the parking lot. That space had in the meantime been taken up by four brand new buildings. To park our car, we were redirected to a new carpark across the street. The new construction projects are the result of an investment program that started in 2014 and which will be completed late 2020. Over that time period, Sartorius will invest between 110 and 140 million Euros annually in property, equipment, and machinery so that they remain able to meet the rising demand (>10% per annum) for its products. Furthermore, older buildings in the city center of Göttingen were sold and personnel will be relocated to modern buildings in one central location.

Within Sartorius, the Bioprocess Solutions (BPS) division continues to grow the fastest. The market's growing demand is a result of pharmaceutical production processes switching from multi-use to single-use equipment, the introduction of new medicines and the growing popularity of biosimilars. Sartorius has all the products that are needed to produce drugs based on proteins. However, General Electric ('GE') still has a significant advantage over Sartorius in the process stage of 'purification': chromatographic technology. The largest part of Sartorius' R&D expenses within BPS, are aimed at further limiting GE's position within purification. In the coming years, we expect to hear more news in this regard.

The Lab Product & Services (LPS) division's growth improved in 2016. The 2014 reorganization is now beginning to pay off. However, we believe that Sartorius is still missing some scale in North America and that it is considering a takeover in that market. The low interest rates and deep pockets of several private equity companies have resulted in Sartorius' inability to find a suitable company for the right price. Early 2016, only two smaller companies were acquired for the LPS division. Partly because of these takeovers, Sartorius has gained better access to research labs, sites where equipment from the BPS division is already present.

With an expected 16-18% sales growth in 2016 and earnings growth of up to 22-25%, Sartorius can look back on an excellent year. However, we cannot extrapolate this growth because 2015 and 2016 were helped by the fact that its clients introduced a relatively large number of new medicines and there was a sizable buildup of biosimilar capacity in Asia. We do believe that annual earnings growth will remain at approximately 15%.

During our meeting with **Salvatore Ferragamo´s** CFO in April 2016, it became clear that they were planning significant personnel and organizational changes within the group. After years of significant investments in new stores in new regions, Ernesto Greco explained that it was time for a new phase; optimization of the production chain, a rationalized product range, and a larger focus on merchandizing, resulting in sales growth and higher profitability of the existing stores.

The Ferragamo family has carefully considered which management capabilities are needed for these new challenges. This resulted in the recent appointment of a new CEO, in line with the long term succession plan. Since 2006, Michele Norsa has headed the investment phase, the IPO (2011), and the growth over the past years. He now steps down in favor of Eraldo Poletto. Previously, Poletto had worked for another Italian family-owned company: Furla. At Furla, Poletto had achieved a remarkable growth resulting in 415 stores and doubled sales since 2010. We will meet with Poletto in February and will discuss his plans for the coming years.

Another notable development is that for the first time since founder Salvatore Ferragamo passed away, a head designer has been appointed for the shoe segment. Paul Andrew, who has made a name for himself at Dior and Gucci, was hired in September. In addition, two other designers, Rigoni and Meilland, came aboard for Ferragamo woman’s fashion and the male clothing lines respectively. They bring relevant experience from Lanvin, YSL and Jill Sander.

Late 2016, news came out that the remaining 20% of Ferragamo’s activities in Korea, Singapore, Malaysia and Taiwan was bought back from partner Trinity Ltd.. These four countries represented earnings in 2015 of 7.4 million USD and are now fully owned by Ferragamo. The takeover can easily be financed from cash reserves. The acquisition contributes directly to earnings growth, considering the attractive price-earnings ratio of close to 11 times net earnings. And there was more good news: the company came to an agreement with the tax authorities that they now qualify for the new Patent Box Tax regime. We believe this will result in significant tax savings of an estimated 10-15 million annually. In December, Juno has further increased its position in Ferragamo.

The Swiss engineering company for positioning and communication chips and modules, **u-blox**, has mixed feelings about 2016. Judging purely on financial results, 2016 was disappointing. The company believes that sales growth will amount to about 12%. Significantly less than the 23% and 25% growth figures of 2014 and 2015.

With its positioning expertise, u-blox continues to impress. Its newly launched product NEO-M8P, was widely praised halfway through 2016 for its affordable price and extreme accuracy (0.5 cm). An important product for, for instance, the fast growing market of autonomous vehicles and drones. On a commercial level, u-blox has managed to achieve an important milestone in another business segment last year. In September, u-blox launched its first in-house developed communication chip. This chip is the first 4G chip in the market that was specially designed for the so called Internet of Things (IoT). The IoT is the network of smart appliances of which the position can be determined and that one can communicate with. Examples of these smart appliances are for instance eCall systems in cars that can call emergency services in case of an accident, containers that continuously communicate their location, or waste bins that signal the local municipal services when they need to be emptied. These appliances use the mobile telephone network in a very different way than smartphones. First of all, these appliances don’t need as much bandwidth as they send only very small chunks of information.

Furthermore, economical use of electricity by these chips is crucial. The appliances have to function on a single battery for years. The new UBX-R3 chip is specially designed by u-blox to meet these unique functional requirements.

What characterizes Juno companies is their willingness to invest for the long term. U-blox started the development of their proprietary 4G chip in 2012 and had accurately foreseen the growing demand for communication chips as a result of the rise of IoT. However, from the investor's perspective, multi-year product development processes such as these do present a number of uncertainties. For instance, u-blox launched its proprietary 4G chip two years later than anticipated. The company's management had initially been too optimistic about the global rollout of the 4G networks, that their chips are reliant on.

Moreover, u-blox has capitalized the significant development costs on its balance sheet as intangible assets. This is compliant to IFRS accounting rules which dictate that costs can only be expensed when the products in question actually generate revenue. The item "capitalized development costs" has meanwhile grown substantially. Now that the company has started selling the product, depreciation of these costs will reduce the high profit margin on this new product in the short term.

Despite the challenges that the 4G chip has posed, we remain confident in the company. The strategic decisions the company made five years ago have given u-blox an important competitive advantage in the communication chip market for the coming years. The fast growing number of new appliances from u-blox's 6000 clients will result in a significant growth in demand. The intellectual property and development competencies gained in the process form an excellent foundation for the next generation u-blox products.

Outlook

There is no reason to assume that European interest rates will rise significantly. Inflation has recently increased somewhat, although this is mainly caused by rising oil and food prices. As long as core inflation is not actually rising to levels above 2-3%, it remains our expectation that interest rates will remain low in the coming years. Even if interest rates would rise by, for instance, a factor of 12, to 3% (the current 10 year German bond interest rate is 0.25%), current valuations of equities are not unreasonable. We therefore see no reason to worry about valuation levels of equity markets.

Again, the listed companies in Europe have not succeeded in realizing last year's optimistic profit scenarios. Energy, mining, and steel companies, as well as financial service companies had a negative effect on European company earnings, resulting in a meager 2% profit growth in 2016. This 2% was in line with the share price development on European equity markets, so valuations did not rise. The ever euphoric stock market commentators expect an earnings growth of 'at least 7%' for 2017. Without further declining interest rates to refinance their debts, and without the possible support of a strong dollar, we believe that will be a challenge.

Compared to a 2% earnings growth for the European market as a whole, the Juno Selection Fund portfolio companies reported an estimated 12% rise in company earnings. Considering the fact that the fund's net asset value only increased by 2% in 2016, the portfolio became 10% cheaper over the year. If you add the prospect of a predictable, healthy 10-15% earnings growth for 2017, you will understand why we remain positive for the coming year, and the longer term.

On behalf of the manager of the Juno Selection Fund,

Frans Jurgens

Lennart Smits

Juno Selection Fund: Historical Returns

	Juno Selection Fund	Euro money 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%	+12%
2015	+33%	+21%	+7%	+2%
Q1 2016	-10%	-6%	+0%	+2%
Q2 2016	+3%	-4%	+1%	+2%
Q3 2016	+11%	+9%	+5%	+1%
Q4 2016	-1%	+4%	+7%	-2%
2016	**+2%**	**+2%**	**+13%**	**+2%**
Since inception *	**+206%**	**+64%**	**+33%**	**+56%**

*) Inception of the fund: January 11, 2008

NB: In September, data became available which enables us to present the Euromoney Index taking into account reinvested dividends. The table above has therefore been adjusted accordingly.

Top 5 Positions

Name	Country
SimCorp	Denmark
Dialog Semi	United Kingdom
Sartorius	Germany
Grenke	Germany
u-blox	Switzerland