



First Quarter 2023 Report
English Translation

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Juno Continuation Fund Performance

The Juno Continuation Fund ended the first quarter of 2023 with a net asset value per participation of **€87.31**, a +5.2% increase. The index for mid-sized European companies, the MSCI Europe Mid Cap Index, grew by +8.1% over the past three months while the Dutch AEX-index (reinvested dividends) showed a +10.1% increase over the quarter.

Main developments in the portfolio

During the quarter, almost all portfolio companies reported their 2022 figures and in most cases also a 2023 outlook. The 2022 figures were mostly as expected, in some cases better than expected (Rational, Scout24, ICON) but there were also disappointments (Hello Fresh, Logitech and Ubisoft). The latter three experienced a significant setback after the very successful years during the pandemic. After the exceptionally high figures for 2020 and 2021, we had expected a decline in results in 2022, but in all three cases the decline was stronger than expected and the outlook for 2023 is uncertain. These three positions were sold during the quarter. As a result of the general share price drops in 2022, quality companies are now valued a lot more attractively and the proceeds from these sales were therefore invested in existing positions including ICON, Dechra and ALK. In addition, a new position was acquired in the Danish company Chr. Hansen. The position in Elekta was reduced during the quarter due to a strong share price increase.

Straumann once started with the development and production of alloys for watchmakers in the Basel area. This resulted in the establishment of the research institute Dr. Ing. R. Straumann Research Institute AG by Reinhard Straumann in 1954 with help from his son Fritz Straumann. Under the leadership of Fritz Straumann, the institute expanded its activities into various end markets including dental and orthopedic implants. In 1974, the foundations for the current Straumann Group were laid with the development of the first titanium dental implant. Fritz Straumann died prematurely and the heirs decided to sell most of the company. The orthopedic implants branch was sold to division leader Rudolf Maag. Today he is still a shareholder of Straumann with about 10% of the shares. The 27-year-old grandson Thomas Straumann continued as CEO of the relatively small but promising dental implant business. Thomas Straumann is currently a member of the Supervisory Board and still owns 16% of the

shares. In 2022, sales amounted to CHF 2.3 billion and the company has 10,400 employees.

Straumann is known for its clinically proven products and documentation. This is based on the establishment of the International Team for Oral Implantology (ITI) in the 1980s in collaboration with the University of Bern. To date, it is the largest international scientific organization in dental implantology. The institute provides continuous professional training to implantologists and dentists and has strong links with universities. Many dentists and implantologists are trained with Straumann's dental implants. Later in their career, Straumann's products, which are known for their high quality, are often preferred as a result.

Several internal developments accelerated the adoption of dental implants as an alternative to crowns, bridges and dentures. An important breakthrough was the surface treatment called SLA ("sandblasted, large grits, acid-etched") in 1997. This allowed the implant to fuse with the bone more quickly (osseointegration), which halved the recovery period between operations to six to eight weeks. In 2005, the successor SLActive reduced the recovery time to four weeks. The material Roxolid (85% titanium and 15% zirconium), introduced in 2009, made the implant more stable and stronger, allowing smaller and narrower systems to be used, which resulted in less invasive procedures.

The dental implant market is dominated by five major players who together have a market share of around 80%. The remaining 20% of the market consists of many smaller producers. Straumann has a leading position with a 30% market share and is particularly strong in the premium and parallel-wall segment. The difference between parallel-walled and tapered is the shape of the implant. The parallel-walled implants benefit from over 30 years of documentation and are renowned for their periodontal performance. However, tapered implants have gained ground in recent years due to the possibility of immediate treatments. The tooth or molar is extracted in the same treatment as the implant and the crown or prosthesis is placed. The company now has a market share of almost 20% in tapered implants. Straumann has a 50% market share in the premium segment and more than 50% in parallel-walled implants.

Historically, Straumann only produced premium parallel-walled implants, but after the financial crisis they decided to expand and diversify their implant portfolio. In 2012, Straumann took its first step into the so-called value (cheaper) segment through the

acquisition of the Brazilian market leader Neodent. This was followed by the acquisition of the French company Anothgyr with a strong position in the value segment in China and the German multi-platform value developer Medentika. The company now has a market share of approximately 15% in the value segment. In addition to the acquisitions of tapered value implants, among others, it also introduced internally developed premium tapered implants such as the TLX and BLX.

Straumann is steadily gaining market share in dental implants, but the underlying market is also showing solid growth. Worldwide, the number of missing teeth is estimated at 30 billion, of which 20 billion are suitable for implants. In most cases, treatment is not covered by insurance and only 10% of the global population can afford implants. In 2021, 'only' 32 million implants were placed. There is expected to be more than enough growth potential in the market in the coming years, driven by an aging population and a growing middle class. All regions have experienced double-digit growth for Straumann in recent years, but in the coming years more growth is expected to come from emerging countries, where penetration is significantly lower.

Today, dental implants and dental restorative solutions contribute approximately 75% of sales and the company is also expanding its portfolio in related markets such as clear aligners, software and intra-oral scanners. In 2017 Straumann bought the American clear aligner manufacturer ClearCorrect. Before the patent expired, the clear aligner market was dominated by the inventor Align Technology. ClearCorrect is one of the alternatives in this fast-growing market. In 2020, the acquisition of Dr Smile followed, giving Straumann access to the direct-to-consumer market for clear aligners. In total, orthodontics now accounts for approximately 10% of sales and Straumann has only a 5% market share in clear aligners. Penetration is also still low in orthodontics and in particular with clear aligners. There are about 500 million potential orthodontic cases worldwide, of which only 21 million people actually received orthodontic treatment in 2022 and only 4 million opted for clear aligners. Clear aligners are particularly gaining ground among adults and benefited greatly from the pandemic. After 50% growth in 2021, the market fell by a few percent in 2022. Straumann's ortho division, on the other hand, grew by a double digit due to increasing market share.

Although Straumann is one of the larger companies in the Juno Continuation Fund with a market value of around EUR 20 billion, the company continues to grow steadily. In 2022, revenue grew 16% organically, on top of a strong revenue growth of no less than 40% in 2021, which more than compensated for the 5% decline in 2020. Despite

significant growth investments, especially in digitalization, the operating earnings margin was 26% in 2022. The company expects to grow around 10% in 2023 and achieve an operating earnings margin of around 25%. This will be driven by both dental implants and orthodontics and the increasing digitization of dental practices. Thanks to its strong market position and years of track record in innovation, the company has an above-average return on capital of no less than 35% in 2022. In addition, the company has a very solid balance sheet with a net cash position.

Several members of Juno's management team have known Straumann since its IPO in 1998. The company was added to the portfolio at the launch of the Continuation Fund in February 2020, but the uncertain impact of the pandemic on dental procedures led us to sell the position. Due to a combination of good operating results and a sharp drop in valuation, we became a shareholder again at the beginning of 2022. During a company visit to Basel last September, we gained further confidence in 2023 and the coming years and the position was further expanded.

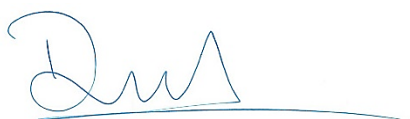
Outlook

The effects of the interest rate rises are now becoming increasingly visible. The failure of the American bank SVB and Credit Suisse made it painfully clear that taking too much risk with borrowed money entails serious risks, especially in times of rising interest rates. Although lower energy prices mean that the extremely high inflation seems to be abating, core inflation remains too high. The ECB will therefore continue to raise interest rates for the foreseeable future. This has been announced frequently and should no longer come as an unpleasant surprise for the markets.

Now that money is no longer free, we see companies rethinking their working capital. Companies that invested headlong last year in replenishing their inventory, just when prices peaked, now have well-stocked warehouses, but filled with expensive components. Now suddenly phasing out is the motto which is reflected across the entire supply chain. The effect is that the world economies have to take into account a temporary drop in manufacturing.

The 2022 earnings growth of the Juno portfolio companies was very good in most cases, as were the recent expectations communicated for 2023. We do not yet see this excellent performance, achieved despite strong inflation, logistical challenges and staff shortages, reflected in the share price developments. So far, rising interest rates were to blame. The valuation of the portfolio has fallen very sharply in 2022, in anticipation of possible further interest rate rises. These additional interest rate hikes seem plausible to us, because central banks do not want to take the risk of sustained inflation by ceasing rate increases. With the current valuation of the portfolio, we now seem to be in line with a higher interest rate level. This lower valuation therefore gives us confidence that share prices will develop more in line with the healthy earnings growth which we expect from our companies in 2023 once again.

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



Rob Deneke



Duncan Siewe



Lotte Timmermans

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%
2022	-29%	-19%	-12%	-19%
Q1 2023	+5%	+8%	+10%	+2%
2023	+5%	+8%	+10%	+2%
Since Inception*	-13%	+11%	+36%	-18%
CAGR	-4.2%	+3.4%	+10.3%	-6.0%

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

Top 5 Positions

Name	Country
Teleperformance	France
Scout24	Germany
ICON	Ireland
Bachem	Switzerland
Soitec	France

Disclaimer:

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