ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report August 2015 **Aschaffenburg, 5th September 2015**

We invest in winners. That 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.

The value of liquidity

On 24 August 2015, the DAX-30 was exactly 3,050 points away from its historic high on 13 April 2015. It lost 25%. As early as June 2012, we introduced the value of liquidity in our investment report in the context of the price drop in the year 2011. We are fully invested if we find irresistible and equally numerous opportunities. Otherwise we will hold variable amounts of liquidity and wait patiently until our yield requirements for stocks and bonds are met. This differentiates us from continuously fully-invested actors as well as top-down investors, who hold liquidity or hedges for timing reasons and use these to represent their assessment of future market developments.

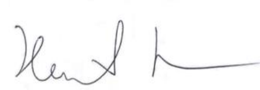
The opportunity costs of non-available liquidity can be considerable at times, because a highly-volatile market offers attractive buy or sell opportunities. Anyone who is fully invested must not only endure higher discounts on his portfolio during a crash, but is also unable to take advantage of deep price cuts. The mathematical disadvantage becomes obvious when, for example, Investor A is invested 100% in the market and loses exactly 25% during the crash of 2015. After that, he must generate a return of 33% to achieve his starting level of 100%. Investor B, on the other hand, is only invested 70% in the market and also loses 25%, assuming an identical and market-neutral selection of securities. He holds the remaining 30% in liquidity without interest, which he presumably reinvests when the market hits bottom.

If the market now actually rises by 33%, Investor B has a 10% pecuniary advantage over Investor A. Thus Investor A would have to have 1.1 times the capital of Investor B at the beginning to obtain the same amount at the end. To achieve this 1.1-fold advantage with a 100% degree of investment as compared to a 70% rate of investment during the recovery phase, market prices must have risen by 44% in the time before the crash. This amount rises to 45% (x = 1.45) if Investor B is able to generate a return of 1% on liquidity with short-term investments.

$$100\% \cdot x = 1.1 \cdot [70\% \cdot x + 30\% \cdot 1.01]$$

Obviously, this example is based on model-like assumptions. We do not have a market neutral portfolio or the visionary capacity to utilize our liquidity at exactly the lowest point. The stronger the crash, and the more frequently such an event occurs, the higher the probability that Investor B will achieve a pecuniary advantage over Investor A. This is why our liquidity ratio fluctuates. As in 2009, 2011 and 2015, we want to use liquidity when our yield requirements are met and we are well compensated for taking on risks.

Sincerely yours



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