ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report March 2013 **Aschaffenburg, 5th April 2013**

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.

JPMorgan Chase & Co

The large American bank JPMorgan, which traces its roots back to 1832, is the world's largest financial institution measured by its total balance sheet. As at 31 December 2012, it was responsible for USD 2,359 billion in financial assets. It is one of the few large American banks that did not find themselves at or over the edge of the abyss during the 2008 financial crisis. The institution generated profits of USD 6, 12, 17 and 19 billion in the years 2008 to 2011. This success is directly linked to the name of its CEO, James Dimon. He resisted the trend and did not engage in expensive takeovers during the years leading up to 2007. Instead, he withdrew from structured loan products (CDO) and sold subprime mortgages. Finding itself in a strong position, JPMorgan, with the support of the US government, took over collapsed investment bank Bear Stearns and defaulted savings bank Washington Mutual in 2008. Both takeovers paid off despite the enormous write-offs on a total of USD 700 billion in assumed assets.

The bank's reputation as a winner lasted until 10 May 2012. On that day, the bank announced a loss of USD 2 billion as a result of a hedging strategy gone awry. Until the final elimination of the opposite credit default swaps, the loss increased to 6 billion, and within a matter of days JP Morgan had lost USD 40 billion of its market value. The bank thus traded below its adjusted equity capital ("tangible book value"). At the same time, the bank generated an average return of 15% p.a. on this amount. We used this opportunity for a purchase, once we were able to assess the extent of the trading position and the one-time loss resulting from the same.

The market ignored the size and stability of cash flows that JPMorgan generates from interest and fees from managed client assets (USD 18,835 billion), client deposits (1,194 billion) and approved loans (USD 734 billion). The mortgage loans have experienced temporary but double growth since the launch of HARP ("Home Affordable Refinance Program") in 2009. The government aid program supports home-owners and limits the credit defaults of banks. At the same time, banks make a lot of money from implementing the programs. Between 2009 and 2012 expenditures from provisions for credit defaults were USD 32, 17, 8 and 3 billion. At the same time, income from mortgages ("mortgage fees and related income") doubled from USD 4 billion to USD 8 billion.

Despite the trading loss, JPMorgan made more than USD 21 billion in 2012. We took advantage of this obvious operating dynamic and sold our shares once the market value reached 1.3 times the adjusted equity capital.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky