ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report April 2010 **Aschaffenburg, 5th May 2010**

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.

IVG Immobilien AG hybrid bond

IVG, founded in 1916 under the name Verwertungsgesellschaft für Montanindustrie (collecting company for the coal, iron and steel industry), is one of the leading listed European property companies. Based in Bonn, the company manages an own portfolio of mostly office properties in German and European cities with a market value of € 4.5bn. Properties worth another € 16bn are managed through investment funds and under management mandates. IVG also constructs and operates underground caverns for storing oil and natural gas.

IVG's balance sheet became overstretched following the expansion of its property portfolio by more than € 3bn in the years 2007 and 2008. The speculation that a tax-privileged REIT portfolio worth € 3.5bn could be floated on the stock market misfired. The upshot was a highly leveraged company with, for the most part, qualitatively very good properties, some of which, however, had been purchased at too high a price. A capital reorganization and operational restructuring became vital for its survival.

A new CEO took over the helm as from November 1, 2008 in the person of Dr. Gerhard Niesslein, following which € 1.3bn of short term credit lines were prolonged to the end of 2012 and properties worth € 1bn were sold. At the same time, the business model was realigned, based on a leaner and more efficient organizational structure, with the focus on own investments and the investment fund business. Since then, the high-risk development pipeline is being worked off and sold.

As a measure to improve profitability we consider IVG's buyback of its hybrid bond as beneficial. IVG generates a return (NOI) of 5.1% on its property portfolio. At present, this is eaten up by administrative and financing costs. While its average cost of debt is 4.2%, the € 400m hybrid bond, which qualifies as equity capital, carries an annual coupon of 8.0%. A refinancing based on the average interest rate would reduce the financing costs by € 15m a year. Given that the hybrid bond, which is due in 2017, is currently trading at 74% of par it is clear that there is no better use of capital for IVG than to buy back the bond.

A reduction of the bond's par value is contractually excluded despite IVG's loss in 2009. The coupon for the past financial year was paid on May 5, 2010 owing to an already existing performance obligation. The bond's annual yield to maturity is 14%. Premature redemption would increase the yield.

Mann Immobilien-Verwaltung AG, as IVG's new principal shareholder, might push for a capital increase to the refinance the bond. A first capital increase last year already strengthened our position as creditor.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky