ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report May 2016 **Aschaffenburg, 5th June 2016**

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.

Phillips 66 Company

Phillips 66 emerged as a spin-off from US energy group ConocoPhillips in 2012. While the capital-intensive exploration and production of oil and gas (upstream) have remained with ConocoPhillips, downstream activities such as refinery and distribution and long-distance transport (midstream) were spun off. Today, Phillips 66 consists of the four divisions Refinery, Midstream, Chemicals and Marketing & Specialities.

The group operates 14 refineries with a capacity of 2.2 million barrels a day. Due to steadily growing demand, this division is generating a robust finishing margin. This "crack spread" depends on the price difference between refined mineral oil products and crude oil. At the same time, considerable maintenance investments are required to keep the substance of the refineries in shape, which is why the management group led by CEO Greg Garland is making growth investments in areas that promise both a higher rate of return for the capital employed, as well as a more stable generation of free cash flows. Besides the chemicals segment, which is bundled in the joint venture Chevron Phillips Chemicals (CPChem), this affects mainly the Midstream division. Phillips 66 is responsible for a pipeline system of almost 86,000 miles. This corresponds to approximately 20% of all oil and gas pipelines in the US. Of these, 68,000 miles belong to DCP Midstream, one of the US' largest natural gas and liquid gas producers, half of which is owned by Phillips 66. Following last year's removal of an export ban on US energy that had been in place since 1975, Phillips 66 is now getting ready to export liquefied natural gas (LNG), for which there is considerable global demand. To this end, a USD 3 billion port terminal will start operations on the Gulf Coast in the next few months.

The consolidated result is expected to rise steadily in the next few years, with a higher proportion of earnings that are not dependent on commodity prices ("fee-based earnings"). At the same time, the company intends to reduce investments to an annual volume of approximately USD 3 billion (about two-thirds of this for growth investments) and retain its distribution focus. Since the spin-off, Phillips 66 was able to pay out around USD 12 billion through dividends and share buy-backs, and reduced the number of outstanding shares by 16%. Garland and Warren Buffett, who owns 15% of the shares through Berkshire Hathaway, believe that the market capitalisation of USD 40 billion is too low in view of annual operating cash flows of around USD 5 billion. Behind this excellent profitability is an infrastructure that would be very difficult to reproduce, and which includes not just refineries, plants and pipelines, but also 12,000 rail cars and 10,000 petrol stations. We took Buffett's lead and invested in Phillips 66 in February 2016.

Sincerely yours

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