ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report June 2009 **Aschaffenburg, 5th July 2009**

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.

LBBW participatory certificate

With a balance sheet total of EUR 448 billion, Landesbank Baden-Württemberg (LBBW) is the largest bank in south-west Germany. The bank offers a solid earnings basis from the growing deposit and loan business. In 2008, the bank incurred a consolidated loss (according to IFRS) of EUR 2.1 billion due to valuation losses for securities and credit derivatives along with defaults, such as the Lehman insolvency, and an increased risk provision in the corporate client business. The German GAAP financial statements, which are authoritative for servicing the participatory certificate, generated a profit of EUR 0.1 billion with the reversal of reserves. This secured the coupon payment. Overall, LBBW offers nine participatory certificates of EUR 2.5 billion (actual circulation is lower and is gradually reduced). The participatory certificate with the number 297865 (formerly Sachsen LB) provided for a distribution of 13.2% on 30 June. It consisted of the current coupon of 6.6% together with a catch-up distribution that was not discernible at first glance. We bought at a price of 66% and collected a 13.2% coupon tax-free at the fund level (which corresponds with a rate of return of 20%), and reduced our economic acquisition price to 53% from the nominal value (100%).

What are the risks of this investment? The terms of the participatory certificate stipulate a loss participation in the annual loss at the ratio of the participatory certificate capital to the other liable equity capital pursuant to sec. 10 subsect. 2, 4, 5 KWG (German Banking Act), and also include a prior-ranking write-up in the following year in the case of a profit for the year. The write-up right ends with the term of the participatory certificate (31 Dec 2011). The liable equity capital of LBBW is EUR 18.3 billion as of the cut-off date. It was increased by EUR 5.0 billion to 23.3 billion as a result of the capital increase by the guarantors. A comparison with the participatory certificate capital shows that the latter carries 11% of the losses that will be incurred in the future. In order to incur a 47% reduction in the nominal value (our safety margin), which would be equal to EUR 1.2 billion of the entire participatory certificate capital, LBBW would have to incur a loss of more than EUR 11 billion, which would be incurred in 2011 or could not be made up by that time, regardless of possible additional coupon payments.

We believe this to be a highly unlikely scenario. It would mean that e.g. all engagements of the credit portfolio (B-CCC) and securitisation portfolio (A-CCC) would default completely, and all at once. As a risk buffer, we also have the state Baden-Württemberg, which protects EUR 15.8 billion of the securitisation portfolio with a guarantee of EUR 6.7 billion. At the current price of 73%, the participatory certificate still offers a rate of return of 18% p.a., which should continue to benefit our fund.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky