ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report July 2011 **Aschaffenburg, 5th August 2011**

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.

Heid. Druckmaschinen AG Bond 2011 (18)

Following a successful investment in the shares of the world's largest producer of sheet offset printing machines as part of a restructuring capital increase in the fall of 2010, this crisis-ridden company has again shifted into our focus area. As a result of decreasing demand for print media, this segment is facing a permanent structural crisis. Therefore Heidelberger Druckmaschinen AG cannot be described as a "winner", which is why we will not be able to commit to a long-term investment in shares. Rather, we are interested in a bond of EUR 304 million, which was issued on 15 April 2011. The bond has a coupon of 9.25% p.a., which is paid semi-annually, and a term of seven years. The bond can be terminated by the issuer in 2014 (106.9%), 2015 (104.6%), 2016 (102.3%) and 2017 (100.0%), and by the investor (101.0%) in the case of a "Change of Control".

The company's market volume dropped by half during the crisis, and recovery has been sluggish. Notwithstanding the increasing trend towards digitalization, we do not think that the printing machine sector, which has been around for 200 years, is destined to disappear. Instead, it is likely that the consolidation of excess capacities along with pressures to lower costs and increase efficiencies and innovation will continue. Heidelberg is an industry leader that is addressing this challenge. Using the bond proceeds and a new credit facility for more than EUR 500 million, which ends in 2014, Heidelberg was able to pay off existing loans, some of which were secured by state guarantees. The capital increase of EUR 400 million contributed to a significant reduction in debt in advance of the bond issue. Operating costs were reduced by the same amount. Thanks to these measures, the company has been able to lower net financial debt from EUR 700 million to EUR 250 million, or from 120% to approx. 30% of equity (EUR 900 million), which are levels that are even lower than those that existed prior to the crisis. The equity ratio increased to 33%.

We bought the bond based on an interest rate of 9.5% p.a. After the recent drop in the share price, this bond features an internal rate of interest of 13% p.a. Growth in emerging economies may help Heidelberg to meet the forecast of a positive pre-tax result. Regardless, we are only interested in whether the debt can be serviced. This scenario was tested during the crisis. Based on the current asset, financial and earnings position and the option of again utilizing the resources offered by capital markets, we are expecting that the relevant interest and principal payments will continue to be paid in the future. At the same time, we are not excluding the possibility of an earlier redemption of the bond as well as a "Change of Control", as the current value of debt and equity of only EUR 700 million (EUR 3 billion in sales) could be interesting for Asian investors.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky