ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report August 2010 **Aschaffenburg, 5th September 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.

Phoenix PIB Finance Bond 2010 (14)

Germany’s pharmaceutical wholesale trade serves as the link between the roughly 1,500 manufacturers of pharmaceutical products and the over 21,000 pharmacies operating in Germany. The 15 members of the German Federal Association of Pharmaceutical Wholesalers assure that the population is supplied, as required by law, with over 60,000 drugs and roughly 35,000 other products.

The Mannheim-based Phoenix Pharmahandel GmbH & Co. KG is the biggest company within this organization. The group is the market leader in Germany with annual sales of EUR 21bn and, along with Celesio and Alliance Boots, one of the top pharmaceutical wholesalers in Europe.

The sector’s wholesale margin is fixed by the German drug pricing ordinance, which sets a graduated scale of declining maximum markups for the services. As a result, Phoenix’s operating (EBIT) margin is very low at 2%. Nonetheless, the business model is robust. The integrated network, size and market coverage constitute a high market entry barrier for competitors.

Phoenix is part of the Merckle empire (HeidelbergCement, Ratiopharm, Kässbohrer), which was on the verge of collapse during the financial and economic crisis as a result of over indebtedness and was taken over almost completely by creditor banks in a fiduciary capacity. Hence, despite its stable and profitable business, the Phoenix Group, which was heavily indebted itself, came to be involved in a lengthy transitional financing process.

This has since been successfully replaced by a sweeping refinancing package that places Phoenix on a solid financial footing. Its main components are a EUR 2.6bn syndicated loan, an increase of EUR 500m in equity, and the successful placing of a subordinated bond in the same amount.

The bond aroused our interest. It has a fixed coupon of 9.625% p.a., payable pro rata half yearly, for the first time on January 15, 2011. The bond has a life of four years and falls due on July 15, 2014. Phoenix was forced to offer such a high coupon because of its poor rating. Standard & Poor’s gave Phoenix a corporate rating of CCC and the bond a rating of CC.

Ludwig Merckle meanwhile completed the capital increase after Teva Pharmaceutical Industries Ltd. of Israel had paid the purchase price for the generics manufacturer Ratiopharm which had had to be put up for sale. Standard & Poor’s thereupon upgraded Phoenix’s corporate rating to B+ and the bond’s rating to B-. Despite the gratifying price rally in recent weeks the bond still offers a yield of 8% p.a. at the current price of 106%. Our fund should also benefit from this attractive return in future.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky