ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report August 2017 **Aschaffenburg, 5th September 2017**

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.

Stada Arzneimittel AG

The pharmaceutical firm Stada was founded in 1895 as a pharmacist cooperative for the purpose of manufacturing medication according to uniform standards. Today, the long-established group of companies from Bad Vilbel manufactures and distributes generic and over-the-counter products. In 2016, sales revenues totalled EUR 2.1 billion, with operating cash flows of EUR 0.3 billion. The group's portfolio includes well-known names such as Grippostad, Mobilat, Paracetamol and Snup. In the year 2016, Stada caught the eye of an activist investor after suffering years of bad corporate governance and operational sluggishness. For two decades, Stada had been tailored to a Chief Executive Officer who was publicly criticised for his princely compensation and various investment decisions. At the same time, Stada's management firmly rejected takeover plans by financial investors and competitors (Teva Generics, Sun Pharmaceutical). All this changed at the 2016 Annual General Meeting, which was preceded by an end to the CEO’s regency. At this meeting, shareholders were able to change the composition of the Supervisory Board, reject the compensation system and reverse the restricted transferability of the registered shares. This opened up the race for Stada. Based on market rumours, the company confirmed a few months ago that it had received expressions of interest regarding the takeover of all shares. Following weeks of competing bids, Stada supported the takeover offer of investors Bain Capital and Cinven. They offered 66.00 EUR/share, which corresponded to a value of EUR 5.3 billion EUR for the equity and debt capital, and a 49% premium on the most recent exchange price before the start of the takeover rumours. However, the offer narrowly failed due to the minimum acceptance threshold of 67.5%, and also because of technical factors at index funds. We used the short-term disappointment in the market to purchase 750,000 shares at an average price of 62.87 EUR/share. Our risk was small, since both the bidder consortium and most of the shareholders along with the new Executive and Supervisory Board continued to pursue a takeover. In addition, the employment contracts dated 31 December 2017 for the members of the Executive Board, who were newly appointed following the failure of the first offer, gave a clear signal for a transition period. In light of the above, the removal of the one-year blocking period by the German financial services regulator BaFin pursuant to section 26 (2) WpÜG (Securities Acquisition and Takeover Act), so that another offer could be submitted in short order, was only a formal act, because the first offer did not fail because of objections of the financial supervisory authority. The takeover was finally successful in the second attempt, thanks to a higher price (66.25 EUR/share) and a lower minimum acceptance threshold (63%). With a holding period of seven weeks, we generated a profit of 5.4% on our short-term investment on 24 August 2017.

Sincerely yours

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