ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report September 2013 **Aschaffenburg, 5th October 2013**

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.

The Procter & Gamble Company

When William Procter and James Gamble merged their soap and candle production in 1837, who would have thought that their partnership would continue after 176 years as one of the world's most important consumer goods company. Characterised by concerns over 14 competing manufacturers in their home city of Cincinnati, and based on a deep understanding of consumer needs, the founders always oriented their actions towards the future. Product innovations and winning new markets became an integral part of the corporate culture.

Today, consumers in more than 180 countries come into contact with the well-known Procter & Gamble household and care brands almost 5 billion times a day. Tide (wash detergent), Crest (toothpaste), Pampers (diapers) and Gillette (razors) are leaders in the global market. Twenty-five brands alone, including Pantene, Always and Head & Shoulders, surpass the annual sales threshold of USD 1 billion. A large market share and accompanying scale effects in production, marketing and sales underline the double-digit profit margins and rates of return. Marginal segments in pharmaceuticals, perfume and food were sold during the last ten years, while the high-margin cosmetics segment was strengthened. The takeovers of hair care brands Clairol, Herbal Essences and Wella were completed in 2002 and 2003 for USD 12 billion. Gillette (Gillette Razors, Oral-B, Braun) was bought two years later for USD 57 billion - the largest takeover in the company's history to date.

But Procter & Gamble lost energy after the year 2008. Sales declined and the operating margin fell from 20% to 16%. Complacency and inertia became the order of the day, while the competition became strong in established markets with competitively-priced private labels (e.g. Rossmann and dm) and innovation (e.g. Reckitt Benckiser), and was more successful in implementing the growth strategy in the emerging markets (e.g. Unilever).

Even though Procter & Gamble had been paying dividends for 123 years and increased the payout for 57 years, the share price nevertheless reflected this operating weakness in June of 2012. Based on the entry of activist shareholders and continued share buy-backs, which stabilized the share price, we expected to see a revival of operating strength. We came in at USD 62 per share. In 2013, former CEO Alan Lafley returned to the helm. He divided the group into four divisions, put production costs as well as marketing and administration costs up for review and introduced initiatives to gain a better understanding of consumer preferences. Initial successes in the operating result and on the stock market quickly followed. We sold our shares in August 2013 at a share price of USD 80.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky