ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report October 2012 **Aschaffenburg, 5th November 2012**

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.

TESCO PLC

The British supermarket chain TESCO was founded in 1919. Today, the group is considered one of the world's most important retail chains. In the last ten years alone, TESCO was able to increase both sales and profits by more than 10% p.a. with a six-fold increase in the number of stores. During the last business year ending in February 2012, 406,000 employees in 6,234 stores generated sales of GBP 65 billion and an after-tax profit of BGP 3 billion. Thanks to a real estate substance that has grown over time and can be sold using "sale-and-lease-back", the stability of a profitable business model and the realization of scaling effects, TESCO has been able to finance growth without having to resort to major debt. The company generates most of its sales in its UK home market (65%), but Asia has now become the most important and also fastest-growing market with a 17% share in sales revenues. The remaining portions are made up of Europe (15%), the US (1%) and TESCO Bank (2%), which was established in 2009.

TESCO has been able to generate consistently high equity returns of approximately 16%. During the last ten years, the company generated earnings of GBP 2.40 per share. Of this amount, it disbursed 62% and retained 38%. Since after-tax profits per share grew by GBP 0.23 during the same time period, retained earnings generated internal interest of approximately 25%. The high return on capital employed probably also puts a smile on Warren Buffet's face. Berkshire Hathaway increased its position in TESCO from 3% to 5% in January 2012. However, this was preceded by an unusual downturn in the share price.

TESCO demonstrated what had already been noticed by consumers: The quality of existing stores suffered from the rapid growth in new markets. In addition, the company was not able to achieve a scalable and profitable size in all 14 countries in which it is represented. TESCO appears to be taking the right measures. The rate of growth will slow down and concentrate on those regions that already display the necessary market penetration. The money-losing business in Japan with 117 stores was sold. The 185 stores in the US are operating on probation. At the same time, more resources will flow into the modernization and services for existing stores, and the range of high-quality products will be expanded ("Loving the stores we have"). In addition, the company intends to further strengthen its already good innovative culture and drive forward the expansion of sales channels ("Multi-Channel Retailing").

In our opinion, the market is underestimating the long-term effects of this initiative. Until such time as they take effect, we will become part of an attractively valued company with a P/E ratio of 10 and a dividend yield of 5%. We estimate the hidden reserves for the real estate balance sheet item at a conservative 50%.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky