ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report October 2017 | **Aschaffenburg, 5th November 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 Bond 2013 (2018)

On 24 June 2016, the day after the referendum on the UK's exit from the European Union, the DAX-30 lost more than 10% in just a few minutes, closing at 9,226 points. On 1 November 2017, just 16 months later, the index reached a new record of 13,489 points. The unusual increase of 46% was accompanied by a 64% decrease in volatility to a historic low of 12%. Statistically speaking, this increases the possibility that sooner or later, we will once again be asked to utilise a market upheaval to the benefit of our investors. To this end, it is important to observe the value of liquidity. This issue was already addressed in our investment reports for June 2012 and August 2015. In the discussion, we used the impression of previous market downturns to model the mathematical advantage compared to the asset position of a consistently market-neutral investor.

Highly-volatile markets always offer attractive buying or selling opportunities. Anyone who is fully invested must not only endure higher discounts on his portfolio during a crash, but is also unable to take advantage of deep price cuts. We are only fully invested if we find numerous and irresistible opportunities. Otherwise we will hold variable amounts of liquidity and wait patiently until our yield requirements for stocks and bonds are met. This differentiates us from continuously fully invested actors as well as top-down investors, who hold liquidity or derivative hedges for timing reasons and use these to depict their assessment of future market developments. At the same time, as yields decline, so does the attractiveness of liquid assets. Such a situation exists at the moment, because the ECB is imposing negative interest rates through the deposit facility, which the commercial banks are passing on to their customers. Therefore we are turning to money market substitute bonds - liquid corporate bonds with excellent financial standing, which are just before their pull-to-par phase with a remaining maturity of one to two years, and therefore are not subject to the interest change risk.

For this reason, we invested in a Stada bond, which was issued in 2013 at a volume of EUR 350 million. The coupon is 2.250%. Because of the missing rating for the bond, and the takeover of the strong cash flow issuer by a leveraged private equity consortium a few weeks ago, this title will deliver a positive yield of 25 basis points until it matures on 5 June 2018. As a result, we protect a portion of the capital against negative interest rates, and maintain the required flexibility for taking advantage of new investment opportunities when volatility returns to the currently euphoric capital markets.

Sincerely yours

J. Henrik Muhle   Dr. Uwe Rathausky