ACATIS GANÉ Value Event Fonds (WKN A0X754)

Investment Report June 2021 **Aschaffenburg, 5th July 2021**

We invest in winners. This 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 value of liquidity

The buoyant recovery of the global economy is not merely positive for investors. This is because it also means that the active support of the central banks will gradually fade away, which means that a central element of the current stock market euphoria will disappear. To overcome the coronavirus crisis, central banks mobilised all their efforts to flood the markets with liquidity and help the economy get back on its feet. This emergency arrangement is now being gradually scaled back. Although monetary policy will remain expansionary for the time being, the rate of growth of central bank balance sheets is already declining. The risk of price declines increases during such transitions towards tighter monetary policy. We are now gradually increasing our liquidity position in response, which we had reduced countercyclically in March 2020. As the DAX crashed by 40% in just three weeks, we wrote in our monthly investment report: *„And we use it counter-cyclically. We are willing to do the same in this crash as well. This is because the historically large yield advantage of equities over fixed-income investments, the abundance of liquidity available in the markets, the prospect of further economic stimulus programmes and an even more expansive monetary policy in response to the global economy, which has been badly hit by the coronavirus pandemic in the short term, all speak in favour of such an approach.“* 16 months later, we are looking back at a stock market recovery of 80%. Consequently, the opportunity costs of a lack of liquidity can be very high. This becomes clear if we take the example of Investor A, who is 100% invested in the market and loses exactly 40% in March 2020. Investor A must then generate a 67% return in order to restore the portfolio to its original level. Investor B, on the other hand, is only 70% invested and, with identical, market-neutral security selection, also loses 40%. The remaining 30% is held as liquidity with a penalty interest rate of -0.6%, which is assumed to be reinvested at the market trough. If the stock market actually rises by 67%, Investor B has a 20% financial advantage over Investor A. This means that Investor A would have to have 1.2 times the initial capital of Investor B in order to have the same amount of assets in the end. To be able to achieve this while being fully invested as compared to being 70% invested during the upward trend, stock market prices would have to have increased by 124% in the period prior to the fall in prices (x = 2.24).

$$100\% \cdot x = 1.2 \cdot [70\% \cdot x + 30\% \cdot 0.994]$$

This type of rally is rather unusual. Conversely, we have neither a market-neutral portfolio nor the power to deploy liquidity at precisely the bottom of the market. However, the more severe a crash is and the more often such events occur, the greater the probability that Investor B will gain an advantage over Investor A. For this reason, and to achieve our fund objective, i.e. an equity-like return with reduced volatility, we hold liquidity.

Sincerely yours

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