ACATIS GANÉ Value Event Fonds (WKN A0X754)

Investment Report March 2022 **Aschaffenburg, 5th April 2022**

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.

USA DL-Notes 2020 (23)

Long-dated bonds typically yield a higher return than short-dated bonds. This is because investors want to be compensated with a higher interest rate for taking on more risk when they commit for a longer period of time. This standard case is reflected in a rising yield curve. In the US, the opposite is currently happening. For the first time in two and a half years, the yield on two-year US government bonds has risen above the yield on ten-year bonds. By the end of March, the shorter-dated bond was yielding 2.5% and the longer-dated bond only 2.4%. As a result, the yield curve was inverted. Many market participants view this phenomenon as a harbinger of recession. For example, the US Federal Reserve's impending monetary tightening could lead to an economic downturn as it seeks to combat current high levels of inflation with rapid interest rate hikes. And it was indeed the case that the coronavirus crash (2020), the financial market crisis (2008) and the dotcom crash (2000) were each preceded by an inverted yield curve. The San Francisco Federal Reserve, one of 12 regional banks that collectively make up the US Federal Reserve System, investigated the issue and concluded in 2018 that an inverted yield curve had preceded all nine US recessions since 1955 – with only a single false positive. Recession usually followed up to two years after the yield curve inversion. However, this study's predictive ability is contentious due to the lack of causal relationships. Critics say the phenomenon suggests that the Federal Reserve has been blithely raising short-term interest rates and realising only too late that its actions are triggering an economic downturn. This worry has returned today. However, the Federal Reserve always has the option of correcting a course it has taken or adjusting it to today's much higher level of government debt.

For us, another factor is critical. After the sharp price slump in recent months, short-dated US government bonds are now profitable once again and can play a role as a safe money market substitute in our allocation of equities, bonds and liquidity. Among other transactions, we acquired a AAA bond issued in 2020 with a volume of USD 58 billion and a nominal value of 100% that matures on 15 December 2023. The coupon is 0.125%. The current price is at 96%. In our opinion, the duration risk is limited because the bond's maturity is very short and the capital market has already anticipated some immediate interest rate rises via price discounts. In addition, the US dollar plays an important diversification role for protecting capital, especially in times of heightened geopolitical uncertainty. By doing so, we are maintaining the necessary flexibility to be able to react appropriately to future stock market events.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky