ACATIS Value Event Fonds (former ACATIS GANÉ Value Event Fonds) (WKN A0X754)

Investment Report June 2023 **Aschaffenburg, 5th July 2023**

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 2022 (24)

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 of this has been happening for more than a year. The current yield on the one-year US government bond of 5.4% p.a. far surpasses the yield on the ten-year bond of 3.8% p.a. 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 sharp monetary tightening could lead to an economic downturn as it seeks to combat high levels of inflation with a series of interest rate hikes. And the coronavirus crash (2020), the financial market crisis (2008) and the dotcom crash (2000) were indeed 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. 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 interest rates, 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 in anticipation of today's much higher level of government debt (122% of GDP).

For us, the following factor is critical: After the sharp rise in interest rates over the past 12 months, which increased key interest rates to a range of 5.00% to 5.25%, short-dated US government bonds are extremely profitable and can play a role as a safe money market substitute in our allocation of equities, bonds and liquidity. Thus, we acquired, among other transactions, a AAA bond issued in 2022 with a volume of USD 54 billion. The coupon is 2.50%. The bond will be redeemed at the nominal value of 100% on 31 May 2024. The current price stands at 97.4%, corresponding to an annualised return of 5.4%. The duration risk is limited because the bond's maturity is very short and the capital market has already priced in the latest 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 in order to respond appropriately to future stock market events.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky