

ACATIS FAIR VALUE SPECIAL

01/2025

Explanations regarding current value developments in the ACATIS Fair Value Modulor Vermögensverwaltungsfonds

In the first few days of the new year, the ACATIS Fair Value Modulor Vermögensverwaltungsfonds has delivered a fairly positive performance (+1.8% as at 15 January 2025). In our own ranking list of ACATIS funds, the fund is one of the best performers. Let us hope that we have put the difficult years, which in no way corresponded to our original expectations, behind us for now. At this time, the fund unit price is still below its all-time high at the end of 2021. But we see several key aspects that indicate that this performance weakness may be temporary, and that the fund has the potential to reach new all-time highs in the medium term.

In 2024, we implemented several measures to stabilise performance and reduce volatility. The equity exposure as a whole was reduced, the proportion of more defensive companies with established business models was increased, and the bond exposure was gradually increased to over 20%. This added a lot of stability to the portfolio, and we were able to deliver a more positive and more stable performance contribution, compared to the original allocation. Moreover, we also moved to temporarily hedge the equity exposure by buying put options. This shift towards a more defensive direction in the equity and (particularly) the bond segment should generate a more stable and predictable performance in the future. Slowly but surely, we are once again aiming for the all-time high. The average return on equity in the portfolio is currently at 10.8%. Over the long term, share prices follow the fundamental development of the companies. Moreover, the equity portfolio offers a dividend yield of 1.5%, while bonds generate an average yield of 3.45% p.a., which favours a positive increase in the share price through regular income.

In addition, during the last few years the performance of equity markets was dominated by a one-sided concentration and high valuation of US growth companies and technology stocks. The upturn was not carried by the big mass of companies. Many companies were neglected by the media, which led to decreased analyst (and subsequently investor) interest for these stocks. This resulted in temporary under-performance.

As a broadly diversified, asset-managing and strictly sustainable balanced fund, the ACATIS Fair Value Modulor Vermögensverwaltungsfonds did not really participate in these few winners over the last few years. Rather, large portions of the portfolio trended sideways, as did the aggregate market when the aforementioned few winners are excluded. Such phases of temporary sideways movement and under-performance are not unusual in capital markets. Generally speaking, this is actually the best time to participate in a fund, as new highs have repeatedly been reached following this market phase.

At this time, we do not see a permanent loss of value in the fund or the stocks held in the fund; rather, the current situation provides a snapshot of the higher-level market cycle. The fund strategy remains the same, namely to regularly reach new highs and generate a solid performance in the long term, using to an asset-managing approach and a long investment horizon.

Hopefully this information helps you to assess the current situation and provides a sound basis for evaluating the fund. We thank you for your understanding and your loyalty.

ACATIS Investment KVG mbH

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