

ACATIS FAIR VALUE SPECIAL

09/2024

Ready for the fall season

The fall season is upon us, and the sunny days of late summer are increasingly accompanied by the cloudy days of fall. Markets are not dissimilar in that respect. Despite the medium- to long-term positive outlook, there will always be corrections, just like the stormy days that are a typical feature of the fall season.

How well prepared is our asset-managing balanced fund - ACATIS Fair Value Modulor Vermögensverwaltungsfonds - for the unsettled market weather?

We got a taste of that on 5 August. On that day, global markets - which had only known success up to that point - held their breath for a brief moment. The Nikkei plunged 12.4%, which was the biggest daily loss in decades. Many prominent equity indices in the West also came under pressure in the ensuing hours and finished the day with significant losses. The S&P 500 and NASDAQ Composite each lost 3%. Highly-capitalised technology companies such as Nvidia were particularly affected, as its share price dropped 6.7% in a single day. Volatility briefly reached historic highs and investors became increasingly nervous. Some media outlets already talked of a market crash. While the indices recovered in the following days and a sense of calm returned, the day nevertheless provided us with a valuable opportunity to examine our current portfolio in action.

In line with our asset-managing allocation approach, we had gradually increased the bond ratio to around 20% over the course of the year, with a focus not just on attractive yields but also on security. Accordingly, the equity exposure

was reduced to 70% and recently hedged with two put options. These options for the S&P 500 and Euro Stoxx 50, which were purchased at their lows and with minimal volatility, mature in March 2025 and reduce the net equity exposure to approximately 56%.

These positions paid off on 5 August. While our equity portfolio lost around 3% along with the market, the allocation contribution was only -2.4% on account of the reduced equity exposure. Our bond portfolio demonstrated its stabilising effect, as there were no losses among the bonds. Moreover, our put options - even though they were not in the money and are designed for a more significant downturn in share prices - improved the daily performance by 0.5%, so that the value development of the fund was only -1.9%.

Therefore, if we should encounter some rainy days in the market in the fall, our all-weather portfolio is well equipped for this situation. And on the sunny days, our investors continue to benefit from our opportunity-oriented equity portfolio that focuses on strong companies in the People and Environment growth fields. The ACATIS Fair Value Modulor Vermögensverwaltungsfonds is not only well positioned for the future, but also well prepared in the case of a correction.

David Houdek, CFA
Co-manager of the fund

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