



VALUE-HOLDINGS
Capital Partners AG

FUND REPORT

3rd Quarter 2023

Value-Holdings Deutschland Fund



Value-Holdings Dividenden Fund



1. Stock market development

After the good performance in the first half of 2023, the German DAX initially reached a new all-time high of 16,470 points at the end of July. Afterwards, the often observed seasonality set in with weaker prices in the summer months. The index lost almost 7 % from the high to the end of the quarter and closed at 15,387 points on 30 September 2023. Since the beginning of the year, however, this still means an increase of 10.5 %. Measured by the EuroStoxx 50, European shares performed very similarly to the DAX and rose by 10.0 % by the end of the third quarter. German small cap stocks were unable to keep pace. The SDAX rose by 8.0 % in the first nine months, while the MDAX only gained 3.8 %.

Apart from the classic seasonality, what were the main negative factors in the past weeks? In addition to geopolitical issues such as the war in Ukraine, the main negative factors were hard economic data. In particular, domestic GDP development indicates a recession - Germany is once again the "sick man of Europe". The German government currently seems unwilling or unable to change this. Rather the opposite. Although the topic of recession had been on the minds of investors and also companies for several quarters, it has now become the focus of increased interest. Market participants also focused more on the development of inflation and its possible impact on the future interest rate policy of the major central banks. As inflation data in the largest economic regions continues to fall, but are still at an elevated level, the most important central banks have announced that they will at least maintain the current interest rate level for the time being. "Higher for longer" - that is the new narrative currently occupying market participants. The hoped-for time for the first interest rate cuts has consequently been pushed back significantly on the timeline. This also raises fears that the massively increased interest rate environment will sooner or later have a negative impact on the economy and thus on companies' results. This fear is already clearly visible in the purchasing managers' indices on the current situation and future expectations of companies as well as other economic indicators.

The recent price declines have made the valuations of cyclical companies in particular even more attractive. The overall valuation of the DAX is currently at a price-earnings ratio of 11, a level at which the index has only ever been quoted in times of crisis in recent years. So it is justified to hope that we are no longer far from the ground. Considering that the stock market always looks to the future, usually with a lead time of 6 - 9 months, optimism could soon gain the upper hand again. Especially when the first glimmers of hope can be seen in the presentation of quarterly figures. We therefore assume that there will be good investment opportunities again in the coming weeks. Against the backdrop of recent geopolitical events in the Middle East, however, we will exercise due caution here.

2. Value-Holdings Deutschland Fund

The price of a unit in the Value-Holdings Deutschland Fund fell by 4.6 % to € 3,875.10 in the 3rd quarter. In the first nine months, the performance is still positive with an increase of 4.4 %. However, the fund did not match the performance of the DAX, which rose by 10.5 % from January to September. As already mentioned at the half-year point, we attribute this to two factors. On the one hand, German small and mid caps have performed weaker than the large-cap stocks included in the DAX so far this year, as a look at the MDAX shows, which has only risen by 3.8 %. On the other hand, shares from the manufacturing industry in particular, currently the investment focus of the fund, have performed weaker than the prices of companies from service-related industries. However, we still believe that this is only a temporary development. At the latest when consumer demand picks up again and the destocking in the industrial sector comes to an end, we expect cyclical industrial stocks to catch up disproportionately. In addition, our cautious investment stance with a fairly high cash ratio has cost us a little performance, but we can get over this in favour of security.

In the third quarter, despite the negative market environment, some of our investments posted double-digit gains. These included Siltronic and Fresenius (+16 % each) as well as Friedrich Vorwerk (+13 %). On the negative side, the unsatisfactory performance of SMT Scharf (-38 %) stands out. After two absolute record years, the operating business is much more difficult this year, so that the company had to correct its already cautious forecast in the summer. Furthermore, it was published that both Managing Board members will leave the company at the end of the year. The so far unsuccessful search for a new anchor shareholder on the part of the largest shareholder has certainly also made its contribution. Despite solid half-year figures, Deutz (-22 %) lost disproportionately. In addition to the generally declining economic development, weaker incoming orders, especially in China, had a negative impact, although this region only accounts for a small part of the sales volume. Our fundamentally positive assessment of the company's positioning and future viability was confirmed during a company visit as part of a capital market day. Hornbach and Sto (-16 % each) as well as Bauer (-14 %) and Lanxess (-13 %) also lost double-digit ground.

Since the beginning of the year, Traton (+41 %), SAF-Holland (+39 %) and Kion (+36 %) performed the strongest. In addition, Siltronic (+19 %) and Fresenius (+17 %) rose disproportionately, mainly due to their performance in the third quarter. In comparison, SMT Scharf (-41 %) and Lanxess (-36 %) lost the most in view of the above-mentioned performance in the third quarter. Ringmetall (-29 %), Metro (-28 %) and Hornbach (-22 %) also suffered more pronounced declines.

We used the declining share prices in the third quarter to further increase existing holdings, especially in stocks that still had a rather small position size. These included Friedrich Vorwerk, Freenet, Bauer, Ringmetall, Sto, Hornbach and Deutz. There were no new acquisitions and no sales were made.

The cash ratio of the fund has decreased accordingly due to the purchases made with no sales at the same time, after we had increased it significantly in the second quarter. It now stands at 23 % as of 30 September 2023, compared to 28 % at the end of the previous quarter. As planned, we were able to take advantage of the expected decline in the stock market for additional or new purchases.

3. Value-Holdings Dividenden Fund

The Value-Holdings Dividenden Fund was also unable to fully escape the downward market trend in the third quarter, but at -2.0 % it lost less than the large DAX or EuroStoxx 50 indices or the German small caps (MDAX/SDAX). Since the beginning of the year, the performance including the 3 % distribution in April is a satisfactory +10.1 %.

A look at the individual performance in the third quarter and in the first nine months shows very different developments in some cases. Of the portfolio positions as of 30 September, some of our holdings were able to post significantly disproportionate gains in the summer quarter. These included BIC (+19 %), Fresenius and Siltronic (+16 % each), SES (+15 %) as well as Friedrich Vorwerk and Orsero (+13 % each). Mostly positive corporate news helped here. However, specific company news was also responsible for the negative outliers. First and foremost, SMT Scharf (-38 %), but also Cliq Digital (-25 %), Deutz (-22 %), Zumtobel (-19 %) and Hornbach (-16 %).

Since the beginning of the year, Traton (+41 %), SAF-Holland and Quadient (+39 % each) as well as Kion (+36 %) performed the strongest. In addition, Hochtief (+52 %) and Heidelberg Materials (+38 %) rose disproportionately until the respective time of sale. In contrast, SMT Scharf (-48 %) lost the most in view of the above-mentioned performance in the third quarter. In addition, EMAK (-18 %), ForFarmers (-15 %) and

Schaeffler (-14 %) should be mentioned with more pronounced setbacks, whereby in the case of the latter three, at least the dividends received should be taken into account to compensate.

As anticipated in the context of the second quarter reporting, we have been given the one or other opportunity to acquire stocks with a sufficiently large margin of safety in view of the economic conditions. In the third quarter, this included increasing the three existing positions in Hornbach, Deutz and Cliq Digital. In the case of all investments, we were able to convince ourselves in the course of management contacts and company visits that, despite temporary share price weakness, nothing has changed in the medium-term outlook.

In addition, we have added the German small cap stock technotrans to our portfolio. The company is a globally active technology and service group whose core competence is application-specific solutions in the field of thermal management. As an integral component of customer systems, these serve to optimise energy and control the temperature balance of sophisticated technological applications. With 17 locations, the group is present in all important markets worldwide and concentrates on the four focus markets of Plastics, Energy Management (including electromobility, high-power charging stations and data centres), Healthcare & Analytics and Print (the original core segment of the group). Technotrans is a classic example of how value investors have to be patient. We have been following the company for many years and have always been convinced by the products, the management and the prospects of the company. However, the valuation on the stock market had been too demanding for our requirements in the vast majority of cases. From the 2023 annual high of just under € 30, the share has lost more than a third. In relation to the all-time high from 2017, the share is currently trading at less than 40 % of the price at that time. Since then, technotrans has grown by around 30 % despite Corona and other crises such as the Ukraine war, and in our opinion will leave this year's temporary weakness in margins behind it in the coming financial years. The company has a clear dividend policy with a payout ratio of 50 % of net profit and has paid dividends every year since 2012. Currently, the expected yield is above 3 %, which we set as a minimum target level for new purchases for the Value-Holdings Dividenden Fund. In the third quarter, our patience was rewarded - we had a sufficient margin of safety and were able to build up an initial position in the stock, which we then increased somewhat during the quarter.

In view of the generally declining prices, not one of our holdings reached its fair value in the past three months, so that we did not sell any.

As a result of the transactions described above, the cash ratio of the fund decreased from 11 % to 6 % in a quarterly comparison. In addition, the RHI Magnesita position of more than 2 %, which was submitted for sale as part of a takeover bid, can be considered as liquidity. However, the timing of the expected cash inflow is postponed from originally mid-October to mid-December, as the competition authorities in Austria and Spain are conducting an in-depth review.

We still have a number of stocks on our buy list that we intend to acquire if prices weaken. In view of the current economic conditions and the current state of the stock market, we can imagine that we will have further opportunities to acquire stocks with a sufficiently large margin of safety in the coming weeks. For this we must continue to be patient.

Thank you for your trust!

Risikohinweis: Wertentwicklungen in der Vergangenheit sind keine Garantie für künftige Erträge. Der Wert der Fondsanteile kann schwanken und wird nicht garantiert. Aufgrund ihrer Anlagepolitik können die Fonds von der generellen Entwicklung der Aktienmärkte abweichen, in denen die Fonds investiert sind. Rechtlich verbindliche Informationen entnehmen Sie bitte ausschließlich den Prospekten mit integriertem Anlagereglement sowie den aktuellen Geschäfts- beziehungsweise Halbjahresberichten der Fonds, welche bei der Fondsleitung und der Depotbank kostenlos erhältlich sind. Dieser Quartalsbericht dient daher nur zu Informationszwecken und stellt keine Anlageberatung, sonstige Empfehlung und explizit kein Angebot zum Kauf von Fondsanteilen, Wertpapieren oder sonstigen Finanzprodukten dar. Der Quartalsbericht begründet daher weder einen Vertrag noch irgendeine anderweitige Verpflichtung oder stellt ein irgendwie geartetes Vertragsangebot dar. Die aufgeführten Informationen beziehen sich ausschließlich auf den Zeitpunkt der Erstellung des Quartalsberichts, eine Garantie für die Aktualität und fortgeltende Richtigkeit kann nicht übernommen werden. Der Inhalt gibt ausschließlich die Meinungen des Verfassers wieder. Eine Änderung dieser Meinung ist jederzeit möglich, ohne dass es publiziert wird. Für den Inhalt, die Richtigkeit und die Aktualität der enthaltenen Informationen übernehmen wir keine Gewähr und haften nicht für Schäden, die durch die Verwendung des Quartalsberichts oder Teilen hiervon entstehen.

