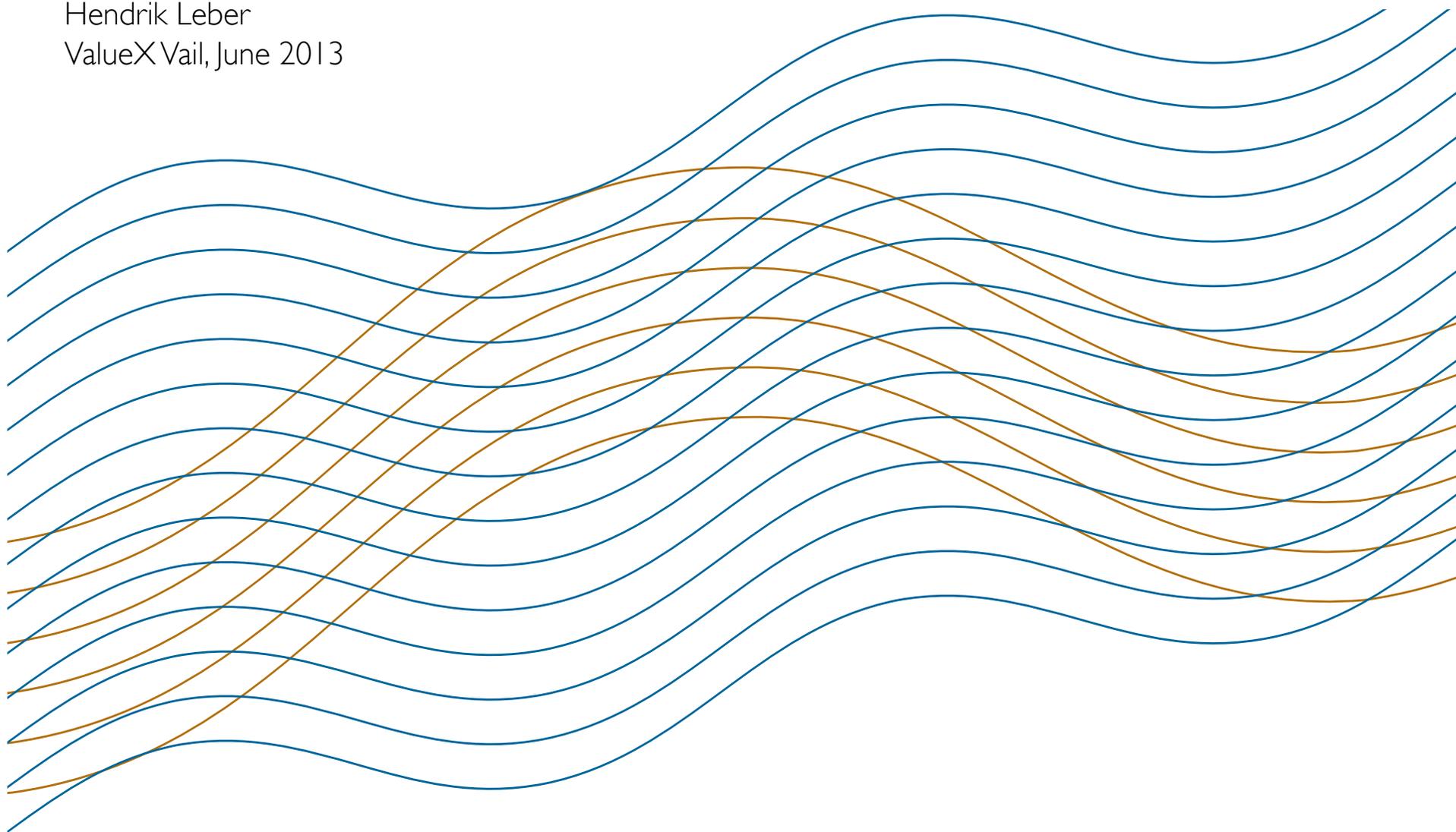


ACATIS A short update on Europe plus three stock recommendations

Hendrik Leber
ValueX Vail, June 2013



ACATIS the value manager – we have values

- ACATIS – asset manager since 1994 based on **value philosophy**.
- ACATIS searches for **undervalued** stocks with a systematic and databased process.
- The monthly investment process is effective and consistent: Our funds achieve **outperformance** over the long run.
- ACATIS offers **value-equity funds, fund of funds, balanced funds** and **bond funds**.
- Assets under management 2.0 bn EUR

Europe update

- No immediate danger for the European Union or the Monetary Union to fall apart
 - Biggest problem in countries who don't recognize their problems – France and Italy, to some extent Belgium and the Netherlands
 - Germany is falling behind with high dependency on exports, idiotic energy policy, lack of reforms, public spending
- Europe is partially converging
 - Public cost cutting in Southern countries
 - Reform of labor laws
 - Reduced wages and labor unit costs
 - Improved competitiveness
- Long term, however, the debt problem is huge and unsolved, not only in Europe

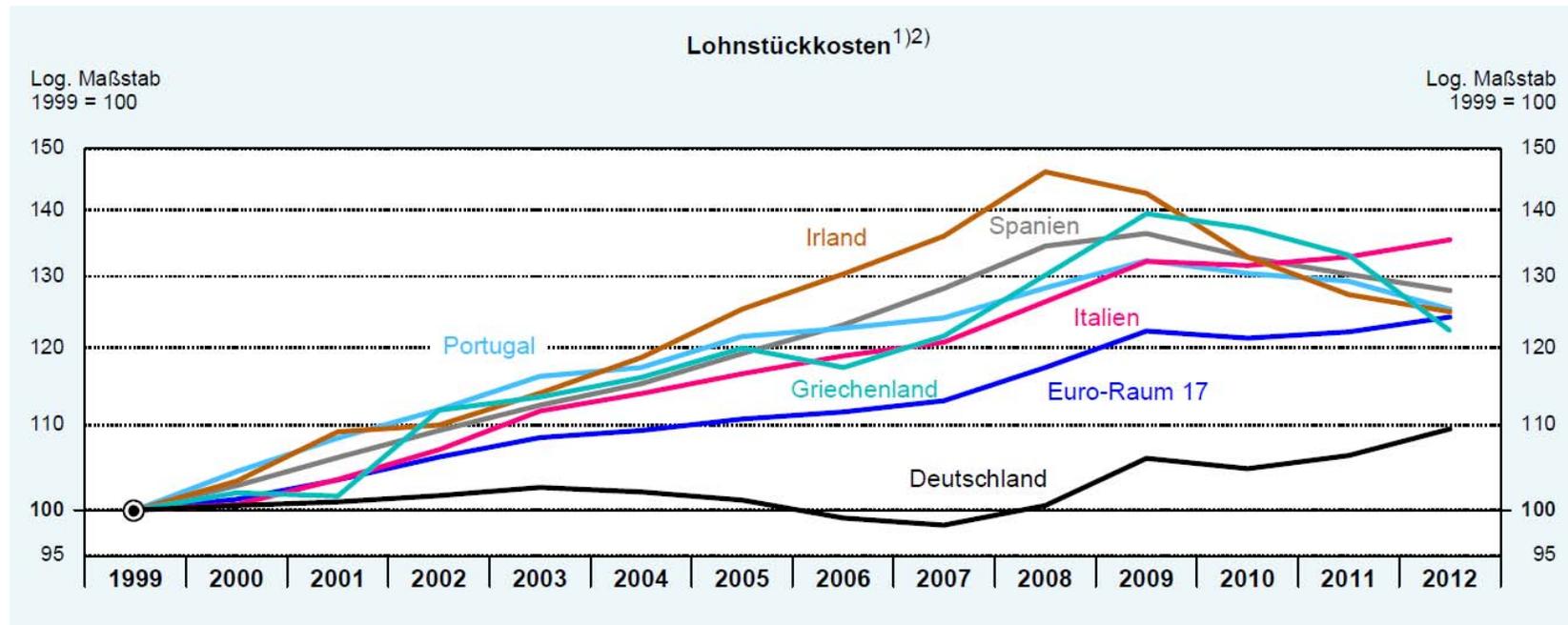
The European Monetary Soccer Team has disintegrated

- The basic rules are clear, but not accepted, and they are being changed all the time
 - Who sets the rules?
 - Who is the coach?
 - Who is the team leader?
 - Who is the referee?
 - What are the rules for admission?
 - What are the sanctions for misbehavior?
 - How do you go bankrupt as a country or a bank?

- Lots of discussions about monetary measures, but not enough on competitiveness, corruption, underground economy, reduced role of the state



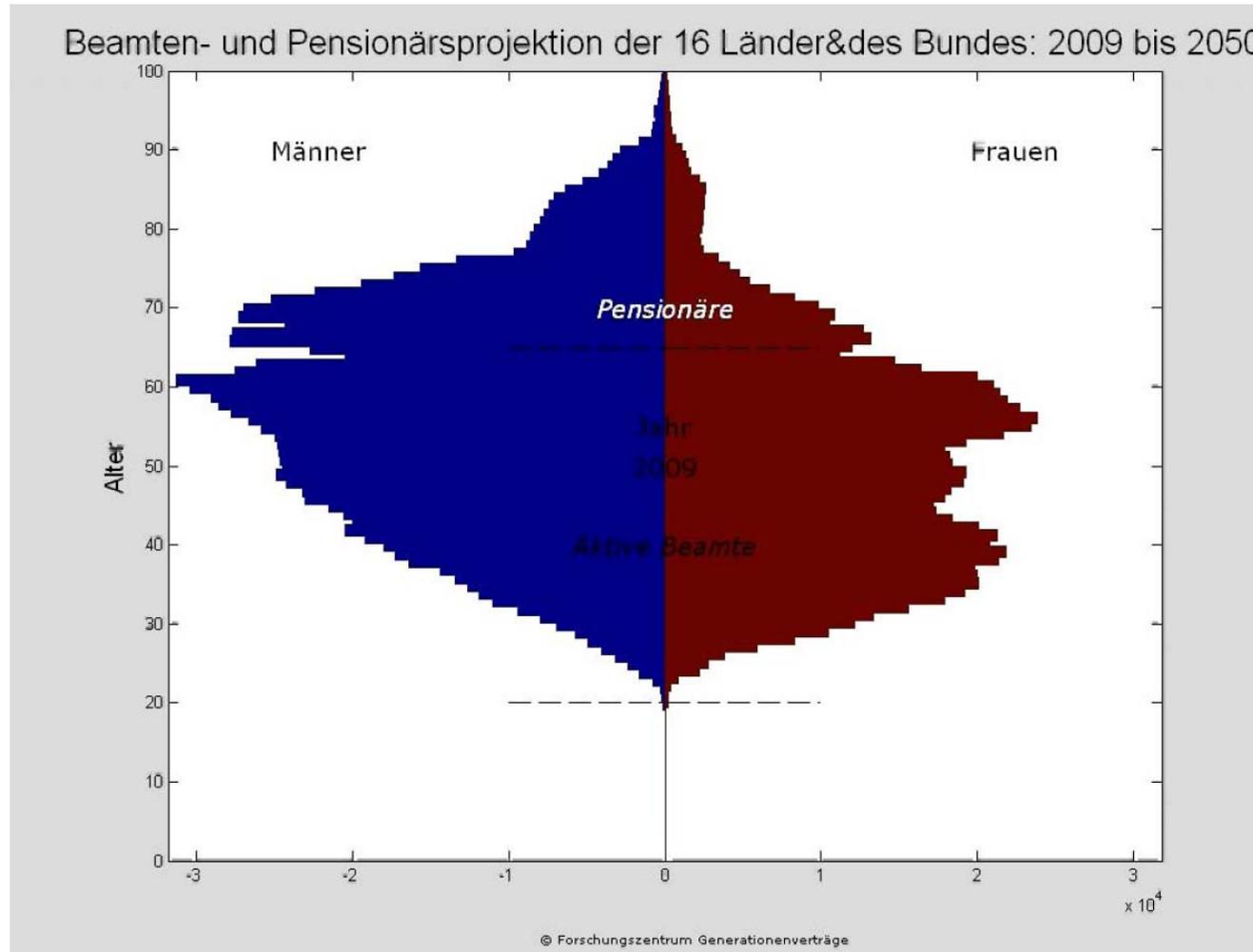
Unit labor costs are coming down, restoring relative competitiveness



Debts are always paid

- Debtors
 - Repayment – very unlikely in Europe, Japan, USA
 - Payment of political price – Taiwan, Korea, Syria
 - Transfer of assets (Sell-out) – Smithfield Foods
- Creditors
 - Expropriation - Cyprus
 - Negotiated debt forgiveness - Greece
- Third parties – in the future
 - Pension recipients (huge problem in Germany)
 - Tax payers (tax increases, wealth tax)
 - Everybody through financial repression
 - Everybody through weak exchange rates and higher import costs

Our German „Beamte“ are getting old and expect their pensions



Source: Prof. Raffelhüschen, Forschungszentrum Generationenverträge

Off-balance sheet implicit liabilities far outweigh the explicit debt of European countries

EU-Nachhaltigkeitsranking 2012

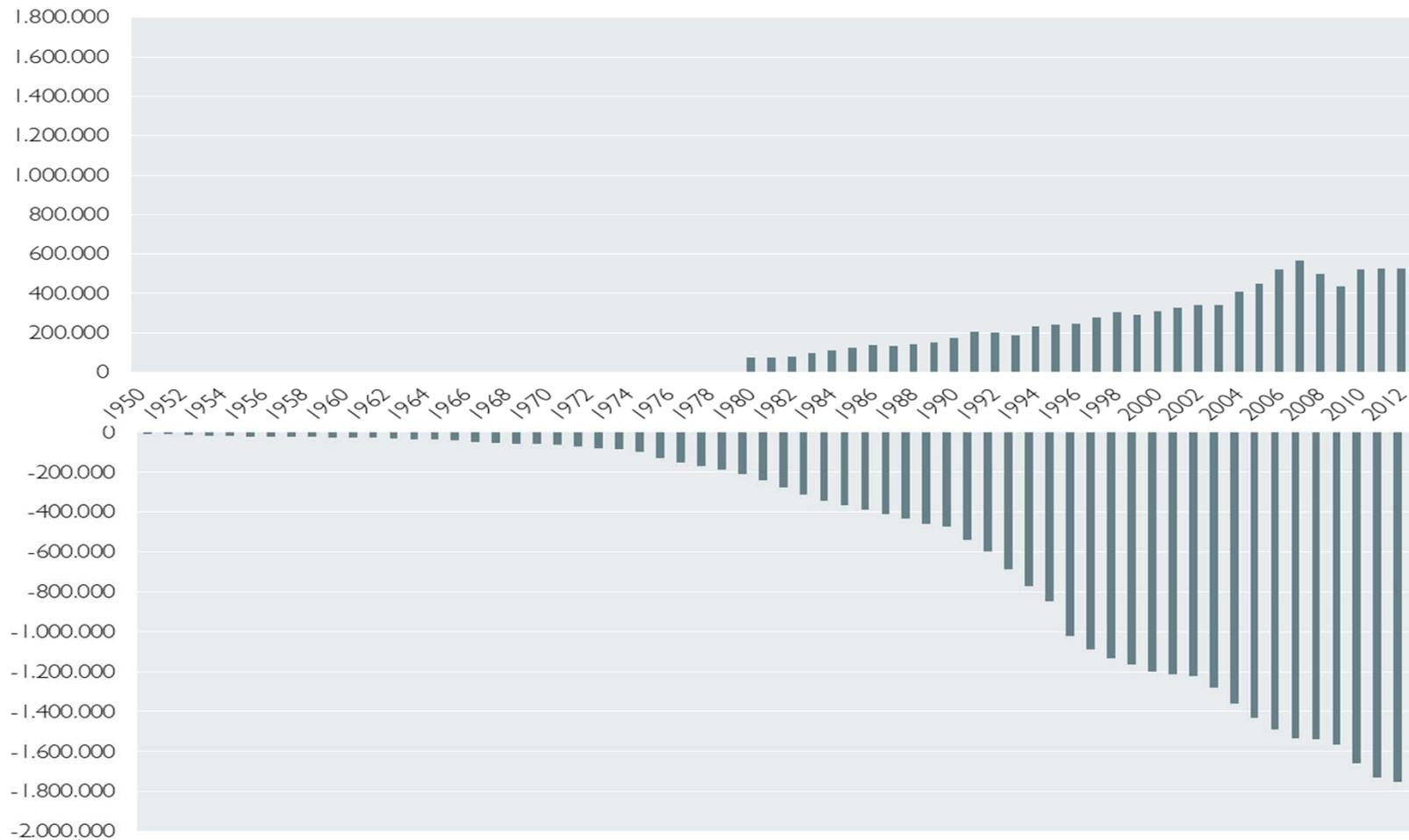
realistisches Szenario, Basisjahr 2011

	in Prozent des BIP	Explizite Schuld	Implizite Schuld	Nachhaltigkeitslücke
1	Italien	121	-123	-2
2	Lettland	43	-42	0
3	Estland	6	75	81
4	Polen	52	74	126
5	Deutschland	81	55	136
6	Bulgarien	16	160	176
7	Schweden	39	138	177
8	Portugal	108	73	181
9	Ungarn	72	109	181
10	Rumänien	33	234	267
11	Litauen	38	264	303
12	Österreich	72	242	315
13	Malta	71	253	324
14	Tschechien	39	379	418
15	Frankreich	86	356	442
16	Dänemark	47	396	442
17	Finnland	49	420	469
18	Slowakei	43	506	549
19	Niederlande	65	499	565
20	Großbritannien	88	550	639
21	Belgien	98	558	655
22	Slowenien	47	620	667
23	Zypern	71	764	835
24	Spanien	69	735	805
25	Griechenland	171	720	891
26	Luxemburg	18	1209	1228
27	Irland	106	1271	1378

Public debt und corporate earnings in Germany

- there is no hope in sight

Corporate profits 1980-2012 (upper scale) and total public debt (federal, state, municipalities) 1950-2011 (lower scale)



Source: Council of Economic Advisors 2012, based on Bundesbank statistic ZR 038 and ZR046

Elections in Germany in September

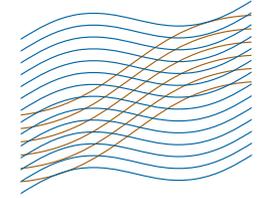
- Ms Merkel likely to be reelected
 - 11% core voters
 - 29% swing voters
- Free democrats and AfD will determine elections
 - Free democrats need to be weak to get „supportive votes“
 - AfD might be the decisive factor
- Social democrats have shot themselves in the foot a number of times
 - Disliked by women
 - Speed limits on the Autobahn?
- The greens want tax increases – not a good recipe for success
- The socialists are weak
- Alternative to Merkel: a social democrat minority government

Wenn am nächsten Sonntag Bundestagswahl wäre ...

Institut	Allensbach	Emnid	Forsa	Forsch'gr. Wahlen	GMS	Infratest dimap	Bundestagswahl
Veröffentl.	22.05.2013	16.06.2013	12.06.2013	07.06.2013	18.06.2013	14.06.2013	27.09.2009
CDU/CSU	39,0 %	41 %	40 %	42 %	41 %	41 %	33,8 %
SPD	27,0 %	25 %	24 %	28 %	25 %	26 %	23,0 %
GRÜNE	13,0 %	13 %	13 %	13 %	14 %	15 %	10,7 %
FDP	6,0 %	5 %	5 %	4 %	5 %	4 %	14,6 %
DIE LINKE	6,0 %	8 %	9 %	6 %	8 %	7 %	11,9 %
PIRATEN	2,5 %	3 %	2 %	–	2 %	–	2,0 %
AfD	3,5 %	2 %	2 %	3 %	2 %	2 %	–
Sonstige	3,0 %	3 %	5 %	4 %	3 %	5 %	4,0 %

Three ideas from last year's meeting

- Fiat +43.8%
- OPAP +36.9%
- Colruyt +27.1%



Three new ideas

- BASF
- William Hill
- Pharmstandard

BASF

- The largest chemical companies in the world
- Market Cap in EUR 68 bn
(3M has EUR 59 bn, DuPont EUR 39 bn)
- PE 12.6
- Price-to-Book 2.5
- RoE 18.7%
- Dividend Yield 3.5%
- Annual value creation of 14.8% over 10 years
- Margin of safety ca 15%
- What is interesting
 - One of the best run companies in Germany
 - One of the best chemical companies in the world
 - Moderate valuation

BASF

				
Chemicals 25%	Performance Products 22%	Functional Materials & Solutions 24%	Agricultural Solutions 6%	Oil & Gas 18%
Petro-chemicals	Dispersions & Pigments	Catalysts	Crop Protection	Oil & Gas
Monomers	Care Chemicals	Construction Chemicals		
Inter-mediate	Nutrition & Health	Coatings		
	Paper Chemicals	Performance Materials		
	Performance Chemicals			

BASF SE	GVKEY: 017436 ISIN: DE000BASF111 Bloomberg: WKN:	Sektor: Chemikalien Land: DEU Währung: EUR Stand Marktdaten: 20130630
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Unternehmensentwicklung



William Hill

- A betting company
 - Betting (35%) and gambling (65%)
 - Main street (85% of amount waged, 66% of revenues and 68% of net profit) and online (13% of amount waged, 32% of revenues, 44% of net profit)
 - US is only .6% of total business
- Market Cap in EUR 4.5 bn
- PE 15.2
- Price-to-Book 3.7
- RoE 19.9%
- Dividend Yield 2.4%
- Annual value creation of 28.3%
- Margin of safety ca 3%
- What is interesting:
 - Well-run and large business
 - Strong profitable growth in online gambling
 - US market promises big growth

William Hill

Money Line

Price Format: Decimal

21 Jun 03:10 CEST 3.50 San Antonio Spurs @ Miami Heat 1.33 + 52 Bets

Match Markets

[Collapse](#)

- [Money Line](#)
- [Total Points](#)
- [Away Total Points](#)
- [Winning Margin](#)
- [Alternative Margin Of Victory](#)
- [Spread](#)
- [Home Total Points](#)
- [Double Result](#)
- [Margin Of Victory](#)
- [Alternative Handicap](#)

Alternative Points

[Collapse](#)

- [Alternative Total Points](#)
- X - Alternative Total Points

Period Betting

- [1st Half Winning Margin](#)
- [Result after Period](#)

Spreads

- [Period - Handicap Betting](#)

Total Points

- [Period - Total Points](#)

Odd/Evens

- [Total Points Odd/Even](#)

Other Markets

[Collapse](#)

- [Will There Be Overtime?](#)
- [Race To X Points](#)
- [Team To Score](#)

Topspiele

-  **Fußball**
-  **Tennis**
-  **Snooker**

Endergebnis		Heim	Unentschieden	Auswärts	
Live um	19:00 MEZ	Elfsborg	-	Gefle	1.36 4.80 8.50 + 106 Märkte  
	Heute 20:00 MEZ	Girona	-	Almeria	2.37 3.00 2.75 + 49 Märkte 
Live um	21:00 MEZ	Brasilien	-	Mexiko	1.33 5.00 9.00 + 191 Märkte  
Live um	20 Jun 00:00 MEZ	Italien	-	Japan	1.73 3.50 5.00 + 191 Märkte  
	20 Jun 02:00 MEZ	Montreal Impact	-	Houston Dynamo	2.05 3.50 3.50 + 94 Märkte  
	21 Jun 00:00 MEZ	Nigeria	-	Uruguay	4.60 3.60 1.75 + 191 Märkte 

X Total Points Odd/Even

Pharmstandard

- The leading Russian pharmaceutical company
- Market Cap in EUR 1.9 bn
- Price-to-Book 2.1
- RoE 29.9%
- Dividend Yield 0.0%
- Annual sales growth rate of 38.0% (9 years), currently down to 6%
- Margin of safety ca 60%
- What is interesting
 - Biggest local player in a big domestic market (growth 17% p.a.)
 - Pharmaceuticals not highly regulated
 - Attractively valued stock

Pharmstandard

Complivit®
Brand development by new sub-brands



TOP-5 ANTIVIRALS		
8.5%	ARBIDOL (PHST)	16.4%
8.3%	KAGOCEL	6.3%
6.0%	INGAVIRIN	2.6%
3.5%	TAMIFLU	1.0%
3.4%	REMANTADIN	0.6%
6.5%		



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