

ACATIS Value Event Fonds

Investment report April 2024

Frankfurt, April 5, 2024

We invest in values. The stability, sustainability and intrinsic value of a company are the key criteria for our stock selection process. We do not speculate on short-term price fluctuations. We acquire participating interests in companies that are traded at a hefty discount to their “fair” value.

Hamburg Commercial Bank Floater 03/2031 USD

HSH Nordbank, now known by the name Hamburg Commercial Bank (HCOB), has undergone a remarkable transformation, both with regard to its business strategy and financial stability. Following an intensive restructuring process and a realignment towards more sustainable business segments, the bank has strengthened its position in the German banking sector. The newly purchased bond currently offers approx. 6.2% with a risk profile that is similar to a government bond.

The HCOB bond is characterised by a unique guarantee structure that is based on the so-called “guarantor liability”. This liability allows creditors to make direct claims against the guarantor, which represents an extraordinary guarantee. As a result, the bond enjoys a rating of Aa1/AAA, which puts it five levels above the issuer's prior-ranking liabilities, as they are ultimately guaranteed by the government.

The reasons behind the guarantor liability are deeply rooted in German banking history. It requires the guarantor to step up in the event the credit institution becomes insolvent or is liquidated. This liability has no expiry date, nor is it limited in terms of an amount, which provides creditors with a high degree of certainty. It is also important to note that the guarantor liability for liabilities that were incurred before 18 July 2001

is maintained without restrictions. This also applies to the HSH Nordbank bond that was issued on 21 March 2001, which is why it received such an extraordinary rating. Bonds that were issued at a later date do not offer this guarantor liability.

Moody's most recent upgrade of HCOB's subordinate liabilities from Aa1 to Aaa in March 2024 reflects the perception of the guarantor's individual creditworthiness. This rating also takes into account the default guarantee that was granted at time of issue, and which was updated when HSH Nordbank AG was founded. This rating upgrade strengthens confidence in this bond.

Based on the solid guarantee structure, high rating and attractive yield of over 6.2%, the HSH Nordbank bond represents an impressive investment opportunity, which must definitely be preferred over an investment in government bonds due to the significant yield premium. In a volatile capital market environment, this bond provides a rare combination of yield and security. Therefore it is a good match for the fund's risk profile and with a current yield of 6.2% offers exactly what we are looking for. Due to its status as a floater, the bond price is also not subject to the interest change risk, since the interest rate is always adjusted.

Sincerely yours



Johannes Hesche