Returns built on trust: ACATIS Half-Yearly Compass for the

ACATIS Value Event Fonds

A review of the first half of 2026. Guidance for the second half.

Johannes Hesche answers questions about the fund, which he manages together with his colleague Tobias Engl

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What drove the markets in the first half of the year?

It was a half-year of headline-grabbing stories. The AI euphoria propelled a select group of shares from one record high to the next, whilst the rest of the market looked on. Hopes of interest rate cuts came and went, whilst geopolitical concerns persisted. And with each passing week, the gap widened a little further between what is being celebrated and what is being shunned. Rarely has the gap between price and value been so wide across so many sectors. It is therefore all the more important to understand ACATIS's insights into the current stock market situation.

> ***"We deliberately do not get caught up in every wave of AI euphoria. Good companies do not become any worse simply because others are making more noise at the moment."***

Quality is simply not being rewarded on the stock market at present. High returns on capital, strong balance sheets, reliable profits – none of this counts for much in an environment where momentum reigns. Flagship business models with fantastic returns on capital, such as software, are struggling. Microsoft, SAP and Salesforce have seen double-digit losses, not because their businesses have collapsed, but because the market is puzzling over what AI might do to them in an uncertain future. Anyone who's been in the game for a while is familiar with such phases. They feel endless. But they do come to an end.

How did the fund fare in this environment?

Looking at the bare figures: unsatisfactory. The ACATIS Value Event Fund ended the half-year down 2.0 per cent, whilst the benchmark – comprising equal parts of the MSCI World and the euro money market – gained almost 7 per cent. That hurts. However, what's important for you as an investor is to put this into context: the underperformance wasn't caused by mistakes at the companies themselves, but by the shares that the market is currently shunning across the board. Our portfolio companies delivered over the half-year; their share prices, in many cases, did not. Meanwhile, the fixed-income component performed quietly and reliably, making a positive contribution to the return. Incidentally, quality-oriented strategies fared in much the same way globally; this pattern is not unique to us, but a market phenomenon.

What factors made the difference?

The mix: around a third of the fund is invested in bonds and cash. This has dampened volatility and gives us room for manoeuvre for the day when the share prices of undervalued companies fall even further.

The sectors: Technology was our strongest sector, whilst financials and consumer stocks held us back. So we were by no means avoiding AI, just being selective.

The individual stocks: Here, the highs and lows are closely intertwined. ASML, now Europe's most valuable company, rose by almost 80 per cent, raised its annual forecast twice and is manufacturing chips on the latest generation of machines with Intel for the first time. Alphabet and TSMC also delivered strongly. On the other hand, Tencent, SAP and Microsoft held us back – precisely those quality companies whose share prices have fallen whilst their corporate profits continued to grow. This is frustrating for the first half of the year, but bodes well for the years to come.

A look at the MSCI World: who is actually driving the rally?

Anyone wishing to understand why the first half of the year has felt so gruelling for quality-focused investors need only look at which shares have driven the global index higher. It wasn't the reliable profit machines. It was shares with a high beta factor – that is, shares that amplify every market movement – and predominantly those with historically rather modest business models. Leading the way: the memory chip and hard drive manufacturers. SanDisk gained over 850 per cent in six months, Western Digital and Micron each gained more than 320 per cent, whilst Seagate tripled in value. Behind them came Intel, Dell and AMD, with gains of between 150 and 280 per cent.

What sort of companies are these, and what sort of businesses do they run? Memory chips are a commodities business in semiconductor guise: capital-intensive, with interchangeable products, and subject to extreme price cycles in which every shortage is reliably followed by a glut. For many years, these companies have often failed to earn back their cost of capital. Now, the expansion of AI is driving up memory prices, profits are soaring, and the market is behaving as if the cycle had been abolished. Seagate is now valued at around 100 times its most recent earnings, whilst SanDisk is valued at 65 times. Cyclical companies trading at peak valuations at the peak of the cycle – that is a combination that has rarely ended well in stock market history.

The pattern extends into traditional industry. Even a chemicals group like Dow, which was still in the red in 2025, saw its share price rise by double-digit percentages at times, driven solely by hopes of a turnaround in the cycle. The share price itself demonstrated just how quickly these hopes can be dashed: within a few weeks, the share lost around 30 per cent from its high, without any corporate news whatsoever. This is exactly what we mean by 'falling from a great height'. When share prices factor in perpetual scarcity, a mere return to normality is enough to turn triplers into halvers. The first sharp setbacks in the storage sector in June gave us a foretaste of this, and prominent investors are already openly taking positions against some of these high-flyers.

For us, this is not a complaint, but an assessment of the current situation. The index is currently being driven by the most fragile business models at the highest prices, whilst the most robust business models are available at their lowest prices in years. Anyone chasing the index today is automatically buying cyclical stocks at their peak. Those who consciously choose not to chase it, but instead set their compass for quality, are accumulating value at the bottom, which will pay off in the longer term.

Two key questions for the second half of the year

1. Are the previous winners still attractively valued, and where are investors currently being rewarded for their patience?
2. Which sectors and companies stand to benefit regardless of the economic cycle, and where do the greatest opportunities arising from specific events lie?

Both questions lead to the same answer: away from overheated expectations, towards companies whose value does not depend on the continuation of a boom. We set out what this looks like in practice in the outlook below.

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Outlook: This is where the opportunities lie

Why we are sticking to quality right now

One could interpret the current market phase as a defeat for quality. However, it can also be understood as what we believe, based on our conviction and experience, it to be: a rare opportunity. For if quality is not being rewarded, it can only mean one thing: it is available at a bargain price. Measured against their own valuation history, quality shares are currently trading significantly below their long-term average relative to the broader market – a discount that occurs only a few times per decade. History is unequivocal on this point: in just over three-quarters of cases, years in which the quality factor lagged behind the market were followed by multi-year periods of outperformance.

"The greatest danger for investors is often not the risk itself, but the urge to chase new stories."

Furthermore, the profits of quality companies are currently growing faster than those of the broader market. It is therefore the price that has become cheaper, not the value. We cannot predict the exact day the turnaround will occur. We simply need to be invested when it happens, because experience shows that the strongest catch-up rallies occur within a few weeks, and anyone standing on the sidelines at that point will miss out on the bulk of the gains.

Three areas of potential performance

1. **Valuation catch-up:** Measured against their own historical performance, Tencent, Microsoft, SAP, Salesforce, MercadoLibre and Nu Holdings are cheaper than they have been for a long time. Behind these are companies that are earning more quarter after quarter, expanding their market position and buying back their own shares, whilst their share prices tell a different story. Such gaps do not close according to a set timetable, but they do close. Our experience reinforces this: we simply need to hold on to what is good and be able to wait. In the end, it is precisely this that rewards patient investors.
2. **Corporate events:** Events are the fund's second pillar, and the first half of the year has impressively demonstrated why. The finest example comes, of all places, from the waste management sector. Urbaser, a Spanish waste management and environmental services provider serving over 60 million people worldwide, was sold to Blackstone and EQT in February for around 5.6 billion euros. We had previously invested in the owner's high-yield holding company bond, with a clear thesis: The seller used the bond as leverage in the negotiations, and if the deal went through, it would have to be redeemed early at above par. That is exactly what happened. A coupon of over 10 per cent plus capital gains – an equity-like return with significantly limited risk. One might say: rubbish turned into returns. We are also banking on such events for the second half of the year. On the equities front, the potential merger between Glencore and Rio Tinto remains the major event on the horizon. The second attempt failed in February due to issues surrounding leadership and valuation, but both sides have clearly left the door open, and with every month that the iron ore price takes its toll on Rio Tinto, shareholder pressure to unlock the copper treasure of both companies grows. This would create the world's largest mining group. We hold both shares and would be positioned to benefit in any scenario, with the welcome side effect of a broader and more robust portfolio structure. On the equities side, however, the timing of such events is somewhat more uncertain than on the bonds side.
3. **Fundamental performance:** The companies in the portfolio are making money, strengthening their balance sheets and steadily increasing their earnings per share. Share prices may decouple from this for a while, but in the long run they follow earnings. We have seen this after every period of market excess over the past few decades, and there is no reason to believe it will end any differently this time.

What we have changed in the portfolio

Staying put does not mean doing nothing. We have now diversified the portfolio broadly across sectors and countries. Due to higher valuations, our US exposure is relatively low compared with the index. We have sold our holdings in Halliburton, Prosus, Deutsche Bank, KKR, Hershey, Ferguson, Munich Re, Nestlé, LVMH, LSEG and Vonovia, partly because price targets had been reached and partly because we found better opportunities. New additions to the portfolio include Broadcom, TSMC, Schlumberger, Rio Tinto, Glencore, Salesforce, Schneider Electric and Baker Hughes. This allows us to increase the weighting of semiconductors, energy technology and commodities in the portfolio – three areas where tangible events are meeting reasonable prices. Unlike the high-flyers in the MSCI index, we only buy cyclical stocks where the valuation still reflects the business cycle. We remain true to our strategy. We buy value companies with excellent balance sheets and low uncertainty regarding future corporate results, in line with the fund's long-term orientation and philosophy.

Our outlook for the second half of the year

Those who hold first-class companies at bargain prices today do not need a perfect market, but merely a return to normality. Until then, our companies will continue to operate and our bonds will continue to yield returns. We thank you for your trust in our expertise and for joining us on this journey with the ACATIS Value Event Fonds.

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