GS&P Fonds | Family Business

Reporting March 2025

GS&P Kapitalanlagegesellschaft S.A.

Monthly Report as of 31.03.2025

After a strong start to the month, European indices also declined, following the correction in US markets. Concerns over a potentially deliberate recession triggered by seemingly arbitrary tariffs announced by the US President weighed on the broader market environment.

In the Global Glasshouse

US President Donald Trump continues to fuel significant uncertainty in the capital markets with his erratic statements and provocative demands. Whether this course is part of a deliberate strategy remains unclear – but the underlying principle is obvious: calculated disruption as a negotiating tactic.

Speculation surrounding the so-called "Mar-a-Lago Accord" leaves room for a wide range of scenarios – from symbolic gestures to a radical realignment of the global trade and financial architecture. The latter – involving, for instance, a targeted weakening of the US dollar and the issuance of long-dated, zero-yield US Treasuries – would have far-reaching, systemic consequences for the global economic and financial order. Implementation of such measures would likely require substantial pressure and leverage.

The chosen path of maximum disruption was swiftly met in April by the most effective corrective force in capital markets: the bond markets.

Only the sharp rise in US Treasury yields – along with its broader implications – managed to force the President into a (temporary) course correction. Without this market-driven signal, his fiscal brinkmanship might have escalated further.

A notable weakening of the US dollar has already taken place – despite rising yields. The key driver appears to be a profound loss of confidence, resulting in substantial capital outflows from the greenback. While this supports the euro, it creates headwinds for export-oriented companies on the earnings side.

Recovery with Reservations

We continue to view the current recovery with caution. If there is indeed a strategic agenda behind the tariff announcements, it remains neither transparent nor complete. During the upcoming earnings season, we expect companies to take a cautious tone – particularly in response to the rapidly unfolding developments in April. Combined with euro strength, this may lead to further downward earnings revisions.

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In these uncertain times, only one thing is certain: volatility persists.

Europe as a Relative Winner?

Germany remains on a fiscal expansionary path. While the historic investment package and planned easing of the debt brake have been agreed, the coalition negotiations have yet to deliver a breakthrough. That said, we believe the investment signal remains at least “light green” – with relative developments easier to assess than absolute ones.

Meanwhile, capital outflows from the US may increasingly find their way into attractively valued European small and mid caps – particularly into companies with a strong local focus and limited exposure to the US economy or trade-related issues. Even modest reallocations can have outsized effects in this structurally underinvested segment.

Market Developments in March

The S&P 500 lost nearly 6% in March – or close to 10 % in euro terms due to dollar weakness – while European markets held up relatively better. German small caps in particular proved resilient, supported by short-term momentum following the German fiscal policy announcements, which may also offer mid-term growth support.

Nonetheless, the broader European market was not immune: the STOXX Europe 600 TR fell by almost 4 %, and the DAX declined by around 2 %. The STOXX Europe Small 200 slightly outperformed its large cap counterpart.

Sector performance was mixed. Cyclical sectors saw marked weakness: Travel & Leisure (-15 %), Automobiles & Parts (-11 %), Technology (-8 %) and Healthcare (-8 %). Meanwhile, defensives such as Utilities (+5 %), Insurance (+4 %), Oil & Gas (+3 %) and Telecommunications (+1 %) posted gains.

Fund Performance

The **GS&P Fonds – Family Business (G)** achieved a gain of over **+1%** in March despite the broader market weakness.

Key contributors included several German small caps with strong operational momentum:

- **KSB** (+21 %) reported excellent results and a solid outlook
- **Energiekontor** (+17 %) initially benefited from renewable investment tailwinds but gave back some gains after issuing a conservative outlook – the share remains volatile
- **Aumann** (+15 %) announced a share buyback, later raising the offer price by additional 15 % to € 14.25
- **INIT** (+14 %) saw a substantial increase in order backlog with a still favourable outlook, though margins remain temporarily burdened by investments

- **ABO Energy** (+13 %) posted results above its recently lowered guidance and expressed confidence for 2025 and beyond

- **United Internet** (+11 %) benefited from a decision by the German Federal Network Agency decision allowing network expansion without an additional frequency auction. This paved the way for a € 1.50 special dividend, resulting in a one-off yield of over 10 %

On the other side, several lower-weighted large caps and more cyclical names weighed on performance. Among the detractors were **Richemont** (-13 %), **Elmos** (-11 %) and **Jet2** (-8 %).

In April, the fund was not immune to the prevailing market weakness. As a long-only equity product, it experienced an interim decline of over **-11 %**, broadly in line with the market.

As at 16 April, the fund has recovered and stands at **+0.4 % YTD**, broadly in line with the STOXX Europe 600 TR.

Portfolio Adjustments

Minor adjustments were made during the month, including two changes. Most notably, our – in hindsight too small – position in **Renk**, which more than doubled within roughly one month, was fully divested. Despite the company's structurally growing profile, valuations now appear stretched, driven by large passive flows into the sector.

New Position: HelloFresh

In a contrarian step, we used freed-up capital to initiate a position in **HelloFresh**, a founder-led company headquartered in Berlin and a global leader in meal kit delivery – especially in the US.

We view HelloFresh as a **multi-year turnaround story**. Following its hypergrowth phase during the pandemic, the company is now sharply focused on **efficiency, profitability and sustainable scale**. That period saw an influx of unprofitable customers and overbuilt capacity – a by-product of a growth-at-any-cost strategy, which is now behind them.

The current phase is one of consolidation: aligning the business with a more rational, durable structure. The market continues to assess the company predominantly through a **Consumer Staples lens**, focusing on revenue growth. In our view, however, **sustainable earnings growth** is now the key driver. HelloFresh is actively shedding low-margin customers and unprofitable revenue streams.

Future focus will be on smaller, but more loyal and profitable customer groups. The product strategy is evolving towards higher quality – with better ingredients, more refined recipes and new formats designed to deliver added value. This, in turn, supports price increases.

Key operational levers include:

- Targeted marketing
- Increased automation
- Streamlining of overbuilt structures (footprint, workforce, share-based compensation)
- CAPEX reductions
- Savings in IT and procurement

These measures should lead to a meaningful improvement in **adjusted EBIT and free cash flow** over the coming quarters, particularly from 2026 onwards.

With this improved financial flexibility, the company continues to execute on its **share buyback programme**. Alongside the activist investor **AOC**, founder **Dominik Richter** remains a significant shareholder via **DSR Ventures (>5 %)**.

Following a drawdown of approximately **-40 %** from recent highs – driven by growth concerns, earnings misses, US consumer headwinds, tariff-related uncertainty and hedge fund positioning – we view the current valuation as an attractive entry point for an initial position.

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The price of the fund units is subject to fluctuations and may particularly in the event of negative economic or stock market developments be permanently and significantly below the purchase price. The fund is not suitable for investors who are seeking a risk free investment or who wish to withdraw their money from the fund within a period of five years.