Marketing Communication

GS&P Fonds | Family Business

Reporting July 2025

Monthly Report as of 31.07.2025

European equity markets remained stable to slightly positive in July, though lacking clear direction. US indices outperformed their European peers in anticipation of upcoming tariff announcements by the US President. Persistent uncertainty surrounds the future course of the trade conflict as well as the outlook for economic growth, inflation and interest rates.

Current Assessment

Despite the challenging economic backdrop and a stream of negative headlines, many market participants are surprised by rising share prices. The impact of Donald Trump's policies remains significant, although financial markets appear to be responding with relative calm. Following the brief correction in April amid escalating trade tensions, many institutional investors now see the "pain trade" firmly to the upside. A broadly conservative positioning means that market pullbacks continue to attract buying interest.

Given ongoing geopolitical risks – especially potential US tariffs and uncertainty surrounding inflation, growth and interest rates – we expect markets to remain in a more volatile sideways pattern. Over the longer term, however, we continue to view equities as an essential component of any viable investment strategy.

Recent fluctuations in the EUR/USD exchange rate have negatively impacted the quarterly results of European exporters. Sharp market reactions to earnings disappointments and downward revisions are partly attributable to the subdued summer trading environment. By contrast, many US companies are benefiting from the weaker dollar – a stabilising influence on both US and global markets. In this setting, investors are prioritising reliability or positioning themselves in momentum-driven segments, particularly in sectors such as European defence and infrastructure. Despite our more cautious short-term view, we remain optimistic thanks to a range of compelling investment cases.

Small and Mid Caps in Demand

Following a prolonged period of underperformance, we continue to see considerable catch-up potential in European small and mid caps, particularly in comparison with their already well-performing large-cap counterparts. The rally has begun, and given recent European policy initiatives, we feel well positioned. We identify numerous beneficiaries of increased fiscal spending – especially among second- and third-tier German companies, which are likely to benefit disproportionately relative to their revenues from the government's sizeable special funds. These businesses are typically less exposed to global trade tensions, as local economic conditions play a more decisive role. Fiscal tailwinds should act as a catalyst for sustained inflows into the segment—exactly what the market needs to maintain momentum.

Developments in July

In Europe, mid caps slightly outperformed large and small caps. Cyclical sectors such as energy (+5%), banks (+7%) and travel & leisure (+6%) led the way, while defensive or consumer-related sectors like food & beverage (–5%), retail (–4%) and media (–6%) lagged behind.

Fund Performance

The **GS&P Fund – Family Business** (G) posted another gain of **+2.9%** in July, outperforming the broader European market, which advanced **+1.0%** as measured by the STOXX Europe 600 TR. **Year-to-date** performance now totals **+16.4%** versus **+9.8%** for the index.

Among the top contributors were **Pfisterer**, which gained **+44%** for the month, and **Ceconomy**, whose share price rose by +21% following a takeover bid from JD.com. **2G Energy** and **Energiekontor** (both +16%) also contributed positively, along with our top holding Elmos, which advanced by +7%. The largest negative contributor was **Jet2**, down –11% due to weakening consumer sentiment.

Portfolio Changes in July

A number of portfolio adjustments were made in July. Further gains were realised in **Pfisterer**, which now accounts for approximately 2% of the fund. Our position in **Elmos** was reduced by more than two percentage points ahead of the Q2 earnings release, following a more than 100% gain in the share price since its April low. While we remain confident in the company's long-term prospects, we see limited short-term upside given the current sentiment. Toward the end of the year, we expect capital allocation to play a more prominent role in driving performance.

The position in **KSB**, which had grown to nearly 5%, was slightly reduced following a half-year report that was solid but unspectacular, particularly in light of a +60% performance year to date. We also scaled back our holding in **1&1** to reallocate capital to other higher-conviction opportunities.

As previously noted, this year – much like the ones before – has been marked by strong momentum in a handful of thematically compelling sectors. In 2025, this particularly applies to those benefiting from substantial spending commitments by the new German government. In response, we have further increased our exposure to the infrastructure segment.

New positions have been added in **ConvaTec** and **Implenia**, which we discuss in more detail below.

In addition, we established a smaller position in **Uzin Utz**, a family-owned company from Swabia and an internationally active full-service provider of flooring systems. The CFO is bringing greater capital market orientation to the business and aims to initiate larger projects to drive both organic and inorganic growth.

Notably, the company has demonstrated resilience during a pronounced downturn in the construction sector: it achieved high single-digit EBIT margins with barely any decline in revenue and, despite a solid balance sheet, is trading at only around 11x P/E. We expect the company to announce new medium-term targets in the autumn, potentially accompanied by some kind of capital measure to finance further growth. In this case, we view this positively, as it would support the company's expansion strategy and the free float. Against this backdrop, we have initially established only a modest entry position.

New Addition: ConvaTec

At the end of July, we initiated a new position in the UK-based **ConvaTec**. Despite delivering solid business results, the share came under pressure following announcements of potential regulatory measures by the US government. In our view, much of the downside risk associated with the politically sensitive US operations is already reflected in the current valuation.

ConvaTec specialises in wound care, stoma care and infusion therapy. After years of substantial investment in innovation and automation, the company is regaining market share under its current management. This should translate into sustained revenue and margin growth, ultimately supporting a re-rating of the stock.

Our discussions with the management team confirmed both their strong capabilities and the clarity of their strategic repositioning. Following a period of underinvestment after the 2016 IPO, the new CEO has, since 2019, prioritised the expansion of the product pipeline. Numerous innovative products have since been launched each year—fully supported by the existing sales infrastructure. Particularly noteworthy are the market share gains achieved against established competitors such as Coloplast, without any need for price premiums.

With a moderate investment ratio of 5–6% of revenue and short payback periods, capital expenditure remains disciplined. The company's EBIT margin target of around 25% (currently just over 21%) appears achievable, supported by structural drivers such as automation, strict cost control, optimised production sites, growing recurring revenue and a strong focus on chronic conditions, which account for over 90% of total sales. The 2025 guidance was deliberately conservative, as it effectively absorbs the impact of both USD headwinds and adjustments to the US reimbursement system.

ConvaTec's strong balance sheet and continued deleveraging create scope for capital returns. We have expressed a clear preference for share buybacks over larger M&A or special dividends. We expect robust double-digit earnings growth per share, which should support a gradual revaluation of the stock in line with its peer group.

New Position: Implenia

Alongside our investment in Austrian construction company **Porr**, we also participated in a placement in Swiss peer **Implenia**. The placement was priced at CHF 52.50, representing a discount of just over 5% to the closing price on the day of the transaction. The offering was part of a clean-up trade by Swiss billionaire and former major shareholder Rudolf Maag. By mid-August, the share price had already risen to CHF 60. We viewed this as an attractive liquidity event in a company we have followed for some time and which is currently benefiting from positive underlying momentum. The largest shareholder remains BURU Holding, led by Philipp Buhofer, known to us from our successful investment in **Schaffner**, which was acquired two years ago by TE Connectivity at a 79% premium.

Implenia is the undisputed quality leader in the DACH region, particularly in highly complex construction projects. Recently, there have also been encouraging developments on the corporate actions front.

We expect additional tailwinds from easing labour market constraints and increasing demand, both of which should support improved pricing power and greater cost efficiency – ultimately driving margin expansion.

Beyond the German infrastructure programme, the anticipated reconstruction of Ukraine is also expected to generate substantial momentum. This may enhance Implenia’s relative negotiating position in its core markets, particularly as competitors redirect their focus toward this emerging opportunity.

In light of these favourable dynamics, we view a further revaluation of the stock – from a high single-digit to a double-digit P/E multiple – as a realistic scenario.

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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.