

## Monthly Report as of 31.10.2025

The divergence in market performance between the AI-driven US markets and European exchanges has been quite pronounced again.

### Current Assessment

Although dark clouds had been gathering on the horizon for some time, interest rate cuts in the eurozone, hopes for similar moves in the US and potential efficiency gains from artificial intelligence recently supported investor sentiment and fuelled new index highs. Movements in the US equity market in particular were driven by a small number of heavily weighted mega caps that have benefited strongly from the AI boom. Towards the end of October and into the first weeks of November, sentiment weakened somewhat both in the US and in Europe.

We are not calling a bubble in individual US stocks, nor attempting to predict the timing of a potential correction. However, the reciprocal investment commitments among these companies increasingly display the characteristics of a pyramid-like construct. Valuations in Europe remain significantly lower in comparison especially in less observed market segments where even small reallocations can trigger pronounced price movements. We see this as one of the most attractive relative opportunities for the Eu-

ropean equity market.

As mentioned in our previous report, many corporate representatives remain cautious in their outlook. We remain convinced that European small and mid caps are attractively valued. Many of our holdings trade at substantial discounts to historical valuation levels and offer potential upside of more than 50 per cent when confidence improves and visibility increases.

Despite short-term risks, we remain cautiously optimistic about an economic recovery in Europe. Most importantly, we see idiosyncratic opportunities in selected individual stocks that may perform independently of the broader market.

### Market Developments in October

During the month, European large caps again outperformed small and mid caps. The STOXX Europe 600 TR gained 2.5% while the DAX ended the month almost unchanged. The MDAX and SDAX declined by 1.8% and 1.2% respectively. Surprisingly strong outflows from the category continued to weigh on the smaller market segments in November. In the US, the indices recorded a strong month with rises of more than 2% each.

The strongest European sectors were uti-

lities and basic materials (both +7%) as well as oil and gas (+6%). Declines were recorded in automotive stocks (-3%), media (-2%) and insurance (-2%).

## Fund Performance

**The GS&P Fonds – Family Business (G)** rose by **0.3%**, while the broader European market measured by the STOXX Europe 600 TR increased by 2.5%. This discrepancy is mainly explained by the outperformance of large caps versus small caps as well as several weaker individual holdings. **YTD**, however, the fund is still slightly ahead of the index with **+15.9%** compared with +15.4 per cent.

Strong contributors included **Zalaris** (+13%), **PSI Software** (+45%), **Schaeffler** (+23%) and **KSB Pref.** (+4%).

Negative contributors in October were again our two top-10 renewable energy holdings, **Energiekontor** (-21%) and **ABO Energy** (-4%).

**INIT**, which we had reduced in September, lost 8% over the month. **Jumbo** (-4%) and **JET2** (-5%) also weighed on performance. **2G Energy**, which we had reduced ahead of rather weak expected figures, fell by 12%.

## Company Assessments

As part of the strategic review currently underway at **ABO Energy**, we expect further insights in the coming months, which could result in a change of control and a possible

takeover offer – likely by an infrastructure fund. In such a scenario, we expect a significantly higher valuation.

By contrast, a sale of **Energiekontor**, the other family-owned business, is highly unlikely, as the two founders transferred their holdings into foundation structures earlier this year. While this reduces the short-term likelihood of value crystallisation, it provides long-term stability and supports sustainable earnings quality. Energiekontor regularly transfers about half of its developed pipeline, usually the most profitable assets, into its own portfolio, which currently amounts to around 450 megawatts, and grows steadily, generating rising recurring revenues. In our view, the existing portfolio alone already covers the entire current market capitalisation of about EUR 450 million. The pipeline of more than 11 gigawatts, including 19 projects under construction with more than 610 megawatts, is not adequately reflected in the current share price. Additional headwinds, such as weak wind conditions for the past three years, and regulatory delays, continue to burden short-term earnings quality. Once these factors dissipate, expected from 2026 onwards, numerous highly profitable projects should contribute to revenue and earnings, resulting in an exceptionally attractive P/E ratio of around 6x.

Further upside could arise from a normalisation of wind-related earnings, valuation spill-over effects from potential takeovers of ABO Energy or PNE and additional research coverage.

It is noteworthy that US CleanTech companies are currently benefiting from the substantial energy demand of new data centres and are delivering strong share price gains. European providers offer the same attractive economic and environmental characteristics at significantly lower valuations, but have so far merely lacked comparable levels of data-centre investment.

The recent sell-off in the share is difficult to justify. Beyond sentiment, we attribute it to technical factors such as position reductions by Union Investment and quant-driven short-selling activity.

As anticipated in our penultimate report, our top holding **Zalaris** delivered a very strong third quarter. Revenue rose by 10%, adjusted EBIT increased by 27% and the EBIT margin reached a new Q3 record of 12.6%. One of our key catalysts was also realised: the refinancing of the company's expensive bond. By switching to a much cheaper and more flexible credit facility with Nordea, the interest margin falls from around 525 to 185 basis points, resulting in annual interest savings of NOK 16–18 million. This lifts earnings per share by more than 10% and strengthens the balance sheet, as net debt to EBITDA already stands at only 0.9x. This gives Zalaris additional room for future capital returns, while broader research coverage should support the equity story. A strategic sale or takeover remains a realistic optional bull case, as Zalaris is now more attractive both technologically with the SAP partnership extended to 2040 and financially.

**Schaeffler** (+23%) also reported encouraging results. The company was able to raise its guidance for the current year and stands to benefit from increasing demand in the field of humanoid robots, whose manufacturers may increasingly rely on Schaeffler's key components, such as actuators and joint modules.

We also made a short-term, tactical investment in **PSI Software**. After the company confirmed that three interested parties were reviewing a potential takeover offer, we considered a formal bid highly likely. We therefore built a small position of around 1% of the fund, which generated a gain of 45% within only three days. Close monitoring of the German market was particularly advantageous in this case.

### Portfolio Changes in October

In addition to the transactions in **PSI Software** and the disposals in **INIT** and **2G Energy**, we exited the remaining position in **HelloFresh** without losses. This decision followed indications at a conference that operational challenges persist in the promising ready-to-eat segment, which burden the investment case. We also reduced or fully sold our positions in **Porrr** and **LVMH** due to above-average valuation levels, supported by share price strength. We reinvested the freed-up capital in the IPO of Ottobock.

### IPO: Ottobock

**Ottobock** is the global leader in advanced

prosthetics and orthotics. The underlying market is structurally growing. Worldwide, the number of amputations is rising, mainly due to diabetes and demographic trends, and the market is shifting from basic mechanical prosthetics to microprocessor-controlled and significantly more capable systems. For patients, this means a clear improvement in mobility, and for providers higher average selling prices and more stable demand.

In this environment, Ottobock holds a unique position. The company is a technological leader with a broad premium portfolio and is directly involved in patient care in many countries. This combination creates advantages. First, the products disproportionately benefit from the transition towards higher-end bionic solutions, such as Kenevo or C-Brace, especially since the reimbursement expansion for K2 patients in the US. Second, the vertical integration through its own clinics ensures independence as well as stronger and longer-term customer relationships than pure component manufacturers can achieve.

Core revenue recently grew by more than 13%, driven by all regions and product lines. The technology-driven B2B segment posted particularly dynamic growth with 17% organic expansion. Earnings benefited from an improved product mix and scale effects, as core EBITDA rose by 29%, with a margin exceeding 24%, while leverage fell to 2.8x EBITDA.

Ottobock is also increasingly focusing on

margin-accretive core areas and divesting non-core businesses, such as the mobility segment. New products, including prosthetic feet, bionic knees and exoskeletons, are seeing strong market penetration and contribute to growth momentum.

Fundamentally, Ottobock stands out with double-digit organic growth, gradual margin expansion and a significantly rising free cash flow, which reduces leverage. The competitive environment is also favourable. Competitor Embla, formerly Össur, recently reported slightly better results, highlighting strong demand across the sector. After the first 30 trading days, we expect the first initiation reports with target prices between EUR 80 and 90 (vs. IPO at EUR 66), which we regard as realistic. Given its size, stronger growth and higher margins, Ottobock should trade at a clear premium to Embla in the long term.

The IPO itself was shaped by the starting point. The Näder family was required to sell, as an expensive financing facility was expiring, a well-known fact in the market. The price range was therefore set conservatively to ensure a smooth listing. Nonetheless, several investors received unexpectedly large allocations, as many market participants had anticipated an oversubscribed and “hotter” IPO. This created technical selling pressure in the early trading days.

Notably, the share is currently highly sensitive to the Russia–Ukraine conflict. Since it became clear that no negotiations are expected in the near term, the share price has

trended upwards. The market is currently taking a binary view: a longer war means more amputations and thus higher demand for prosthetics. This view is clearly simplistic, yet it helps to explain short-term price

movements. In reality, it also creates additional upside potential, as management does not include such “spike events” in guidance and therefore plans conservatively.



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