

NESTOR Europe Quarterly Report 1/2023



Trier, April 2023

Banking crisis 2.0 or clever manoeuvre?

With an increase in value of +6.50% (V share class), the NESTOR Europa fund had a good start to the year, but fell short of our expectations. The gain in the first quarter was already significantly higher, but the uncertainties in the banking sector weighed on the special stocks sector in particular.

Jumbo with strong result - patience pays off

The Greek retailer Jumbo has been a fixed component of the NESTOR Europa fund for years and there are several reasons for this. One of them is the management's ability to adapt to the most difficult circumstances again and again. But also the successful expansion into new regions and countries has been mastered excellently so far. With the exception of the high dividends, however, the successes have not been sufficiently reflected in the share price for a long time. But since Jumbo announced a 45% increase in turnover for January at the beginning of the year, the share price has risen strongly. Although these figures cannot be extrapolated to the full year, the company's expected earnings growth of around 15% for 2023 is probably a conservative estimate. Despite the share price increase, we still consider the stock to be grossly undervalued.

Insulation specialist Sto AG is also convincing

Building insulation has been a much-discussed topic for years and there have often been critical voices about it. We have also remained loyal to the southern German building supplier Sto for many years, even though the significant rise in interest rates has been particularly detrimental to this sector. However, we believe that the rise in interest rates tends to boost the renovation sector, which is important for Sto, while new buildings, on the other hand, are putting on the brakes. The rise in energy prices has significantly revived the insulation specialists' sector and created increased acceptance for building insulation. This trend should be maintained not only due to political backing. Sto AG was able to increase Group EBIT by +4.2% in 2022 despite the numerous negative factors. The company's outlook for 2023 by no means assumes a severe slump in profits, but even considers an increase in profits of a good 10% possible at the upper end of the forecast range. Thus "Mr. Market" has also been misled with this stock and caused a largely unfounded halving of the share price.

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Outlook

As in 2020, doomsday scenarios were also making the rounds in 2022. The media and politicians seem to have taken a liking to unsettling the economy and society with negative news and nonsensical laws. Although the stock exchanges have been breathing a sigh of relief since the rescue of Credit Suisse, the question arises whether the emergence of a monopolist was really the only alternative. After all, politicians easily get used to being abused for regulatory sins on the basis of supposed emergencies.

Against the backdrop of numerous stress factors, the stock markets showed amazing resilience. Moreover, we believe that special stocks are currently significantly underestimated, as the two examples above illustrate. Furthermore, the enormous cash holdings, such as at Eurokai or at Ökoworld, are apparently not included in the company value calculation. For us, an environment of general uncertainty offers many opportunities for promising investments at favourable prices.

At present, the German SME sector is surprisingly in a springtime mood. In March, sentiment reached values last recorded in January 2022, i.e. immediately before the start of the Ukraine war. Thus, the development of the core inflation rate remains the deciding factor for stock market sentiment, as the central banks derive their policy from it. Inflation rates are currently moving in the right direction, and next year Germany could again see a 2 before the decimal point. Further sharp interest rate hikes do not seem appropriate at present. An overshoot would be fatal for the economy and the banking world, because such a situation already existed almost 100 years ago. It was the trigger for the Great Depression.

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