

NESTOR Europe Quarterly Report 2/2023



Trier, July 2023

Nordics in currency storm - Greece in celebratory mood

With a performance of +0.88% (V share class), the NESTOR Europa fund posted a disappointing first half-year. Thus, the encouraging gains of January were almost given back. In particular, the very weak Nordic currencies had an above-average impact.

Currency storm in the far north

In recent years, the Nordic countries have brought investors high and steady profits. But with the turnaround in interest rates, fears were raised in the far north about a particularly sharp slump in the real estate market. Since the Scandinavian countries have seen considerable price increases in this sector, these concerns are not entirely unjustified. In this respect, the question of a "soft landing" arises here, which also affects the entire global economy. The statements of the major central banks, which tend to point in the direction of further interest rate hikes, do not exactly make such a soft landing any easier at present. So first of all, the soup has to be spooned out, which has been brought on by years of money printing. On a positive note, we have no exposure to the Nordic real estate sector. Moreover, export-oriented companies actually benefit from a weak domestic currency, namely through higher revenues in foreign currency in the future. We therefore consider the declines in many sectors to be exaggerated.

Heating law unlawful - construction sector weak

The fact that we would certainly benefit from the questionable heating law with the positions H+H International (aerated concrete) and Sto (composite thermal insulation systems) does not make the law any better in essence. Proportionality of laws requires that any measure that interferes with fundamental rights pursues a legitimate public purpose and is suitable, necessary and proportionate to the purpose pursued. A measure that does not meet these requirements, on the other hand, is unlawful. In contrast, setting an example for other countries in the vague hope that they will follow suit cannot justify measures that massively encroach on the property rights of citizens.

The fact that we are nevertheless holding on to the two construction suppliers in the long term is due to the enormous demand for housing, which affects both renovation and new construction. In this respect, we expect a very strong recovery in the currently desolate construction sector

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as soon as interest rates at the long end fall again significantly. Experience shows that markets anticipate such a development, but patience is still required in this sector.

Swedencare with takeover bid - Jumbo in bullish mode

After our initial investment in Swedencare (pet food) initially went in the wrong direction, the major German shareholder Symrise continued to buy in the wake of the share price weakness and, having reached the 30% threshold, has now even had to make a mandatory offer at SEK 37.50, which was naturally not very attractively structured. We see the insider buying as positive and remain committed. This also applies to our only Greek stock, Jumbo (Discount Retail), which went into bullish mode following outstanding figures. Here, years of patience paid off, which was sweetened in the meantime by lush dividend payments. In any case, Greece seems to be experiencing a special boom at the moment.

The Swedish consumer and sporting goods group New Wave Group continues to produce good news. It recently acquired a 100% stake in Tenson AB, another Swedish outdoor company, thus continuing its tradition of integrating brands into its own network. In addition, the Cutter & Buck golf brand will be the title sponsor of the men's Nordic Professional Tour. And in the future (until 2024/25), the CRAFT brand will also be represented on the jersey of Darmstadt 98 in the German Bundesliga.

Outlook

The fact that the economy will slide into a recession due to the very strong interest rate hikes should no longer surprise anyone. But the price gains of the future lie hidden in the recession, even if the patience of investors is severely tested. Sounding out a bottom is challenging, especially in the small and mid cap sector, but is usually rewarded by strong price gains in subsequent years.

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