

Press Release

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Lupus alpha Smaller German Champions: return on German small and mid caps exceeds 1000 per cent in 20 years DAX performance at over 170 per cent in the same period

The Lupus alpha Smaller German Champions fund (ISIN: LU0129233093), which has been investing in German small and mid caps since 3 August 2001, has generated a total return of 1041 per cent over its lifetime to date (as of 30 July). Its benchmark index, which consists equally of both the SDAX and MDAX, achieved 585 per cent over the same period – far more than Germany’s leading index, the DAX, which gained 171 per cent. The fund therefore demonstrates two things: firstly, that investments in German small and mid caps are a profitable complement to large caps, and secondly, that active management is capable of achieving consistent excess returns over the long term.

Lupus alpha Smaller German Champions has outperformed its benchmark by 456 percentage points in total. At 18.31 per cent, the fund’s volatility is also slightly below that of its benchmark and well below that of the DAX (23 per cent). “You can only expect outperformance if you have a clear opinion that differs from the consensus,” said **Björn Glück, Portfolio Manager of Lupus alpha Smaller German Champions**, on the fund’s performance. “We only invest when we understand a company well and are confident about how it is run. That’s why a one-to-one discussion with senior management is essential for us,” Glück added.

The **long holding positions** that often result from this process are one of the reasons for the fund’s strong performance over time. For example, shares in plant manufacturer **Krones** formed part of the fund’s portfolio for 14 years without interruption, while shares in lubricant manufacturer **Fuchs Petrolub** featured for almost 12 years. Portfolio companies have an average holding period of 1,042 days across several buying and selling cycles. **Björn Glück:** “We like companies that deliver steadily growing cash flows or those with high revenue growth.” On the other hand, there are many cyclical stocks in Germany with impressive corporate governance but whose business model requires flexibility on the part of the portfolio manager. **Aixtron**, for example, as a plant manufacturer for the cyclically sensitive semiconductor industry, has been bought and sold 17 times over the years.

Another way of outperforming with German small and mid caps is by **investing in an early phase of the stock market cycle**. Lupus alpha accompanies companies as they rise through the index segments in the SDAX and MDAX and participates in their growth potential. At present, there are also nine companies in the DAX that were part of the Lupus alpha Smaller German Champions portfolio before being admitted to the leading index, including aircraft engine manufacturer **MTU Aero Engines**. Lupus alpha has invested continuously in potential DAX member **HelloFresh** since its IPO in 2016. Another DAX candidate, laboratory services provider **Sartorius**, first featured in the fund's portfolio in 2008.

The third consistent feature on the road to outperformance is the ability to **adapt flexibly and undogmatically to capital market trends**. This means that Portfolio Manager Björn Glück is not bound by a particular investment style such as value or growth. It is also clear that today's price trends are much more pronounced than before and last longer – a consequence of the growing popularity of passive funds, robo-advisors and trend-following models. **Björn Glück:** "Nowadays, a stock can look cheap at eight euros and then halve in value again. This is often attributable to trend-following algorithms." Active portfolio managers need to take developments like these into account when making their investment decisions.

One current striking feature of the fund is the significant proportion of companies from the industrial goods sector and the comparatively low share of tech stocks. For Björn Glück, the debate over the **technological weakness of the German economy is a spurious one**. Many companies from traditional industries have managed to successfully integrate new technology into their business models, allowing them to position themselves as innovation leaders on issues of the future such as digitalisation, robotics, Industry 4.0 or autonomous systems and thus reinforcing their status as global market leaders in their particular niche. **Björn Glück:** "The strength of German small and mid caps over the long term is clear to see from the performance of Lupus alpha Smaller German Champions."

About Lupus alpha

As an independent, owner-operated asset management company, Lupus alpha has been synonymous with innovative, specialised investment solutions for over 20 years. As one of Germany's European small and mid-cap pioneers, Lupus alpha is now one of the leading providers of liquid alternative investment strategies as well as specialised fixed-income strategies. The Company manages a volume of approximately EUR 14.0 billion for institutional and wholesale investors. For further information, visit www.lupusalpha.de.