



Investing in the pillars of the German economy: **Berenberg launches new SME equity fund**

Hamburg. Private bank, Berenberg, has set up an equity fund focusing on smaller and medium-sized companies, with Universal-Investment as the capital management company. The Berenberg-1590-Aktien Mittelstand fund (ISIN: DE000A14XN59) invests in a concentrated portfolio with an average of 25 companies and a maximum stock market value of EUR 5 billion. The fund primarily acquires German equities, but can also invest in Austria and Switzerland.

“Smaller and medium-sized enterprises have performed significantly better in recent years than the major DAX corporations,” says portfolio manager, Ingo Koczwar, outlining the reason for launching the fund. According to Koczwar, there are tangible economic reasons behind the greater long-term increases in value: “The German SME sector is home to numerous global market leaders with strong competitive positions, rising profit margins, solid balance sheets and favourable valuations.”

Many of these companies are managed or controlled by the founding family, and the Berenberg fund manager values this in particular. “Active owners pursue long-term strategic goals and are therefore in the same boat as the other shareholders.” In Koczwar’s experience, these SMEs increase their sales and profits faster than major corporations, which is reflected their shares’ stronger performance. However, candidates for the Berenberg-1590-Aktien Mittelstand portfolio are not just MDAX, SDAX and TecDAX companies. The fund manager also sees companies that offer good potential outside of the well-known second-tier stock indices.

Berenberg uses the MDAX as a benchmark index. However, benchmark considerations do not play any role when it comes to compiling and weighting the equities selected. Instead, the goal of the SME portfolio is to achieve sustainable increases in value that are above-average in the long term, based on 25 excellent investment ideas.

Current market environment

In January, the DAX family recorded its worst ever start to a year. “Shares that are dependent on growth in German consumer spending have been very stable, while those that are strongly export-led recorded above-average losses. However, the last similar setback for the MDAX during the Ukraine crisis in 2014 turned out to be a valuable purchasing opportunity in the end,” explains Koczwara.

Taking increased fluctuations into consideration

When compiling its SME portfolio, adequate liquidity is a priority for Berenberg. The portfolio managers also have the option of using derivative instruments to limit risk. “This ensures that the portfolio is hedged when markets are stressed, so that the individual shares don’t have to be sold,” explains Koczwara. Investors need to take into consideration that small and midcaps are not always guaranteed to increase in value. If the markets become stressed, as happened recently in the initial weeks of 2016, second-tier stocks can fluctuate significantly. So although a company might operate in a future-oriented industry, for example, this in itself does not provide sufficient justification for investing in it.

Team of 80 analysts in the background

Every investment decision is based on detailed analyses, which are usually also accompanied by background discussions with the management of the company. In this regard, Ingo Koczwara is supported by a team of more than 80 in-house analysts, most of whom have specialised in small and midcaps.

SMEs are frequently only monitored by a small number of analysts. This lack of interest can be an advantage. “There are good opportunities to develop an information-based advantage through detailed research and, as a result, create

added value for investors,” emphasises the Berenberg fund manager.

Overview of the fund and its share certificate categories:

Fund:	Berenberg-1590-Aktien Mittelstand	
ISIN:	DE000A14XN59	DE000A14XN42
German securities identification code:	A14XN5	A14XN4
Capital management company:	Universal-Investment-Gesellschaft mbH	
Depository:	State Street Bank GmbH	
Tranche:	Retail	Institutional
Launch date:	07/12/2015	07/12/2015
Fund managers:	Ingo Koczwara, Tobias Bänsch	
Fund currency:	EUR	
Minimum investment amount:	EUR 100	EUR 750,000
Management fee:	1.50% p.a. (eff.)	0.75% p.a. (eff.)
Total expense ratio:	1.90%	1.20%

The ten largest positions in Berenberg-1590-Aktien Mittelstand

Wirecard AG	6.78%
CTS Eventim AG & Co. KG AA	6.76%
Jungheinrich AG	6.53%
Aurelius SE & Co. KG AA	6.09%
United Internet AG	5.90%
DUERR AG	5.66%
Fielmann AG	4.90%
Grand City Properties S. A.	4.90%
Nemetschek AG	4.82%
Sartorius AG	4.66%

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About Berenberg

Founded in 1590, Berenberg is one of Europe's leading private banks today, offering services in the divisions of Private Banking, Investment Banking, Asset Management, and Corporate Banking. Headquartered in Hamburg and led by managing partners, Berenberg maintains a strong presence in the financial centres of London, Zurich, New York, and Frankfurt, and has a total of 19 offices in Europe, the Americas, and Asia. More than 1,330 employees carry the bank's long tradition of success into the future.

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