GANÉ Value Event Fund (WKN A3D05P)

Investment Report July 2026 **Gräfelfing, 5th August 2026**

We invest in winners. This means we invest in strong companies that create value for their shareholders with sustainable business models, solid balance sheets and high margins. We keep the risks low and invest when our position is fuelled by a positive event. We refer to that as the combination of value and event.

Zoetis Inc. Convertible Bond 2025 (29)

With annual revenue of $10 billion and a market share of approximately 20%, Zoetis is the world’s leading company in veterinary pharmaceuticals and vaccines. The company’s origins trace back to 1952, when Pfizer established an animal health division. Pfizer spun off this business via an IPO in 2013 and fully divested its remaining stake a few months later, establishing Zoetis as a fully independent entity. Zoetis aspires to be the most trusted and respected player in animal health and is widely recognized within the industry for its robust R&D capabilities. Driven by sustained revenue growth and strong profitability, Zoetis became a star on the stock market, crossing the $100 billion market capitalization threshold for the first time in 2021. However, a prolonged downtrend began in 2025, which culminated in a sharp sell-off in May 2026 following a downward guidance revision. Market capitalization subsequently plunged to just $30 billion as top-line growth ground to a near-halt. Several law firms are currently initiating class-action lawsuits against the company, alleging that management misled investors regarding its operational performance. This steep drawdown drew our attention to a $2 billion convertible bond issued in December 2025. The note carries a 0.25% coupon payable semi-annually. Under the terms of the prospectus, principal haircuts and coupon deferrals — even in a loss-making year — are strictly excluded. A BBB+ rating from Standard & Poor’s attests to the issuer’s solid creditworthiness (investment grade). With the equity currently trading at $76, the embedded conversion option is deep out-of-the-money. The conversion ratio is set at 6.7476 shares per $1,000 principal amount, representing a conversion price of $148.20 per share — a 22.5% premium over the reference price at issuance ($121). Zoetis may not call the bond until December 20, 2027, and only if the stock price exceeds 130% of the conversion price. In the event of a change of control, make-whole provisions triggered by a Fundamental Change or Issuer Call protect against option time-value decay by upwardly adjusting the conversion ratio. Concurrently, a capped call transaction mitigates dilution for existing shareholders up to a stock price of $212.

We acquired the convertible bond at 92% of par. Functioning as an enhanced cash substitute, it offers an annualized yield exceeding 3% until maturity on June 15, 2029. Our primary focus is on a potential rebound in the underlying stock price, which would drive capital appreciation via the bond's delta sensitivity. Given the depressed equity valuation and management's response via share buybacks, we have effectively secured a solid yield profile coupled with an embedded call option that the market currently values at next to nothing.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky