

(Under-) Performance review 2025 – Comment “Mean reversion investing- Banks & Spirits”

Disclaimer: this is not investment advice. The numbers stated are not audited and could be faulty. DO YOUR OWN RESEARCH !!!

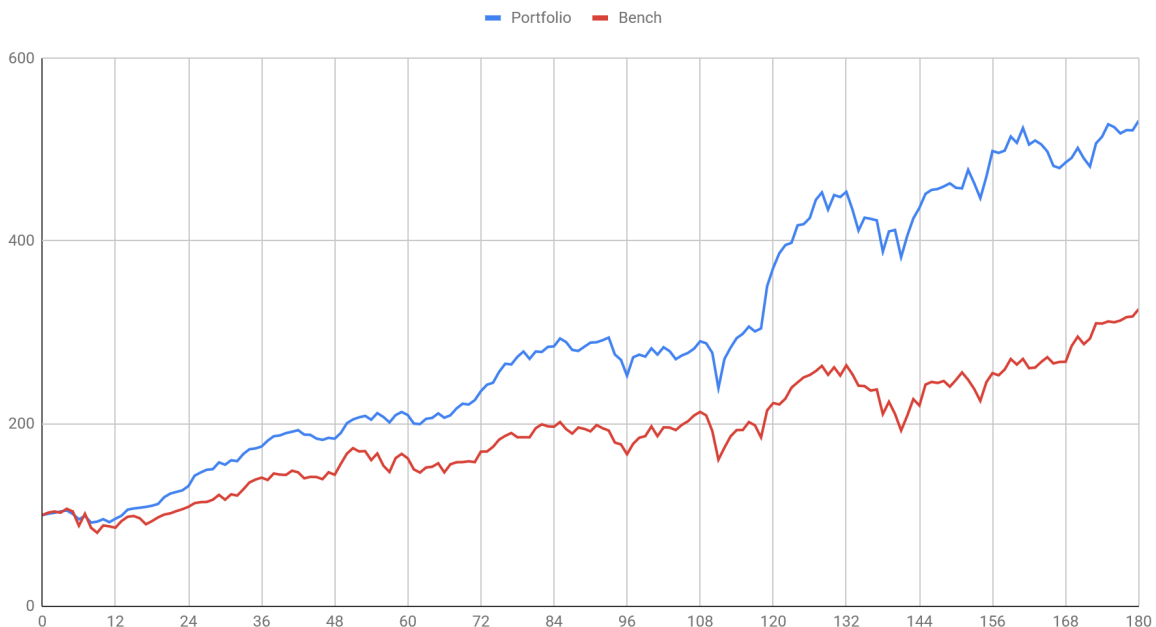
2025 overview

There is no way around it: 2025 was another bad year in relative terms (the third in the row). The Value & Opportunity portfolio gained **+9,4 %** (including dividends, no taxes, AOC fund as of 30.09.2025) against **+21,5%** for the Benchmark (Eurostoxx50 (25%), Eurostoxx small 200 (25%), DAX (30%), MDAX (20%), all performance indices including Dividends). Links to previous Performance reviews can be found on the [Performance Page](#) of the blog.

Over the 15 years from 12/31/2010 to 12/31/2025, the portfolio **gained +429% against +225%** for the Benchmark (before taxes). In CAGR numbers this translates into **11,7% p.a. for the portfolio vs. 8,2% p.a. for the Benchmark.**

As a graph this looks as follows:

V&O Portfolio cumulative vs. BM 12/2010 to 12/2025



Current portfolio / Portfolio transactions & New positions:

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In 2025, portfolio activity was medium busy as already mentioned in the [“23 stocks for 2026”](#) Post. The current portfolio per 31.12.2025 can be seen as always [on the portfolio page](#).

New positions were:

Robertet, Bombardier, Fraport, Wise & Cie Bois Sauvage

Sold positions:

In 2025, I sold Fuchs, Amadeus Fire, Hermle, Sto & Energiekontor.

In & Out positions

In 2025, GESCO and Novo Nordisk were bought and then sold again. In GESCO's case, I decided that I had too much exposure to the German/European manufacturing sector, but I will watch the stock going forward. I sold the stock with a small loss.

In Novo Nordisk's case I realized that I do not understand the business model at all and I was able to exit with a gain of around 11%.

Some Portfolio statistics

The weighted holding period as of 31.12.2024 has been **3,6 years** (3,8 years) and is within my target of 3-5 years. The **10 largest positions account for around 54% (52%)** of the portfolio, the **largest 20 for around 84% (91%)**.

“Active share” vs “do nothing”

The “Do nothing” approach, i.e. just letting the Portfolio run from 31.12.2023 and collect dividends would have resulted in a performance **of ~2,7%**, so my “active contribution” in 2024 was a positive +6,7% (-0,8%). The flipside of this positive number is that I started into 2025 with a portfolio that really wasn't a good fit for what happened in 2025.

Monthly returns 2025

In relative terms, January and April were clearly the most negative months. Overall, 9 out of 12 months were underperforming months which is a lot.

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	Perf BM	Perf. Port	Portf-BM
Jan-25	6.5%	1.1%	-5.4%
Feb-25	3.6%	2.2%	-1.4%
Mar-25	-2.8%	-2.3%	0.5%
Apr-25	2.1%	-1.8%	-3.9%
May-25	5.7%	5.3%	-0.5%
Jun-25	-0.1%	1.4%	1.5%
Jul-25	0.8%	2.6%	1.9%
Aug-25	-0.3%	-0.6%	-0.3%
Sep-25	0.6%	-1.3%	-1.9%
Oct-25	1.2%	0.7%	-0.5%
Nov-25	0.2%	-0.1%	-0.3%
Dec-25	2.5%	2.0%	-0.5%

Annual returns 2011-2025

2025 was now the fourth year in 15 years in which I underperformed the benchmark (and the third in a row). Although a ~9% return is in line with my long term return assumptions, in relative terms this was clearly my worst year ever.

This was what I wrote last year:

Again, this was driven by the significant underperformce of small caps especially in France and Germany as mentioned above. My benchmark consists out of 50% German/European Large caps, in contrast, my only large cap is ACT with a 5% weight and even that stock had a flat performance in 2024.

For 2025 I could write pretty much the same. The small caps that were in my portfolio just didn't perform because they didn't have enough exposure to what is hot.

This is the table:

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	Perf BM	Perf. Port	Portf-BM
2011	-13.8%	-4.1%	9.8%
2012	26.6%	37.4%	10.8%
2013	29.3%	32.8%	3.5%
2014	2.2%	4.9%	2.7%
2015	12.5%	14.1%	1.7%
2016	4.6%	12.4%	7.9%
2017	16.1%	20.9%	4.7%
2018	-15.3%	-11.3%	4.1%
2019	27.9%	15.0%	-12.9%
2020	4.5%	27.7%	23.1%
2021	18.5%	22.5%	3.9%
2022	-16.7%	-3.9%	12.8%
2023	16.1%	14.3%	-1.9%
2024	4.9%	-2.5%	-7.4%
2025	21.5%	9.4%	-12.1%
CAGR 2011-2025	8.2%	11.7%	3.6%

Long term, I am still better than my Benchmark, but the outperformance is melting away. As we can see, 2025 was in relative terms the second worst year, almost at par with 2019.

Mistakes made in 2025

In perfect hindsight, I should have cleaned up my portfolio better. Why for instance do I own two companies that are both exposed to domestic French construction activity (Smase, Thermador) ?

Especially for my older positions, I am maybe a little bit too much focused on my “average portfolio age” KPI and hesitate too much to reduce them if things change fundamentally. One example here is TFF Group, where I have clearly seen for at least a year that there are some longer term fundamental shifts at work that are definitely not good for the business.

Another mistake was (again) to underweight some of my best ideas like Bombardier. Although I actually did increase the initial position when the price started to move up, my overall investment was clearly too small.

Another more long term mistake that I made is clearly a mistake of omission. Other than most other value investors, for a long time I had invested in banks. Over the years I had shares in KAS Bank, Lloyds TSB, Handelsbanken, Gronlandsbanken (Yes !!!), Van Lanschot, Pfandbriefbank. Despite a few losses, my realized returns were quite decent.

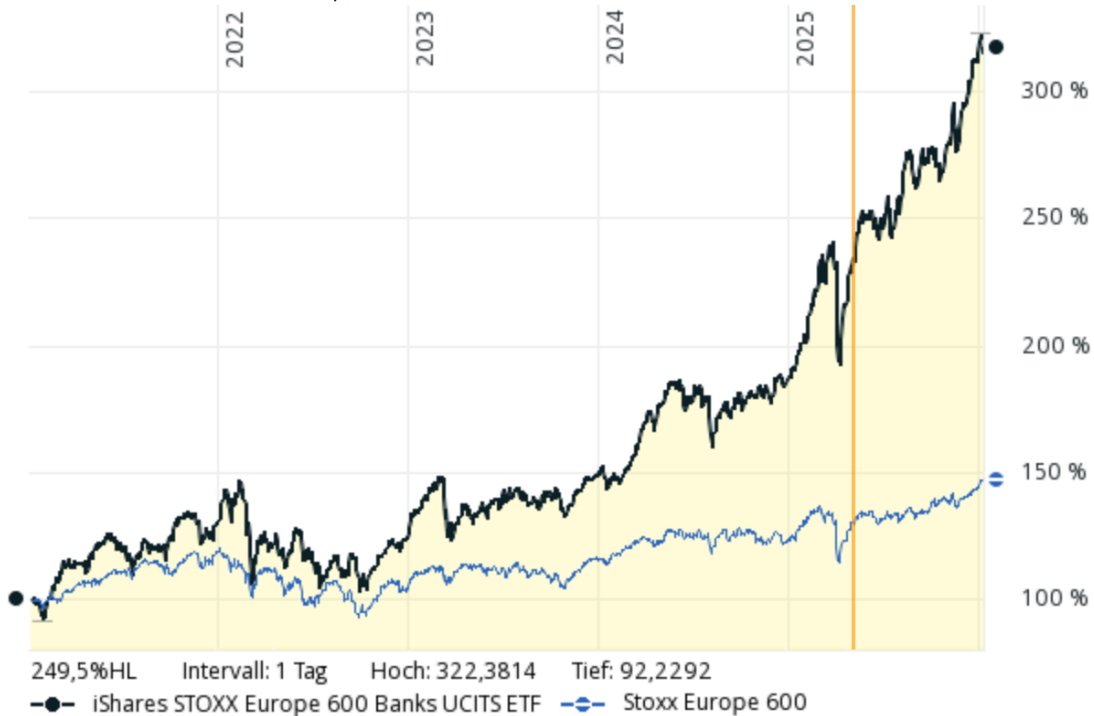
However, for some reason, I stopped investing in them altogether some years ago. More on this in the comment.

Looking at the relative chart of the Eurostoxx 600 and the Eurostoxx 600 bank subindex, this was clearly a mistake:

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30.06.2025 - Kurs: 249,3286

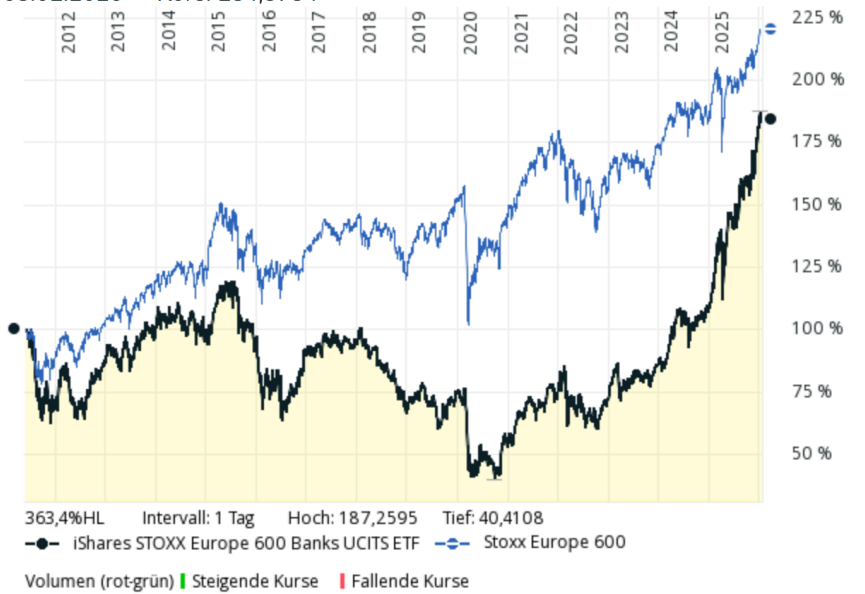


I should have kept some of the good banks on a watch list and look at them again, once interest rates went up in 2022.

By the way, the lack of exposure to banks in my opinion explains a certain amount of underperformance for most typical Value Investors in recent years.

If we look at a longer chart, we can see that not investing into banks led to an automatic overperformance until 2020/2021 before the tide shifted.

08.01.2026 - Kurs: 184,3734



What went well in 2025

In a year with such significant underperformance, obviously not that many things can be listed here.

I think I took some baby steps in further improving my research process and infrastructure. I especially think that paying more attention to positive momentum prevented me from doubling down on badly performing stocks which I might have done even 2 or 3 years ago.

I also started to add to positions when prices went up, but not to a large extent. But at least it was a start,

Lessons learned 2025

The major lesson I learned is very similar from what I wrote last year:

Another lesson that I learned is clearly that my underlying strategy, which is not to explicitly look for winners but to mostly avoid losers, does not work well in a market where the returns are driven by a few stocks. In the next weeks I will therefore review the strategy including the benchmark more thoroughly.

2025 was once again a year where you had to have exposure to certain sectors/narratives, otherwise you do quite poorly. In the current market, "A rising tide" clearly does not lift all boats.

Comment "Mean reversion investing - Banks and Spirits"

When I look back at what I did in the past as an investor, a lot of the cases can be characterized as "mean reversion" investments.

The "mean reversion" concept in investing basically is the assumption, that in case a company faces temporary difficulties and/or distress (such as a Financial crisis 2007/2008, Covid etc.), margins and valuation multiples will only be temporarily depressed and will sooner or later return to their long-term averages.

This worked quite well for some time, as recent business cycles were "typical", i.e. a recovery always started after 1 or 2 years and I successfully avoided most structurally declining sectors such as Newspapers etc.

More recently however, "mean reversion" investing has become more difficult. The current business cycle in Europe is a quite strange one after the zero/negative interest rate cycle ended. A lot of factors are at play, US tariffs didn't help either. So maybe 2026 will be the year of the recovery, maybe not.

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But in any case, “mean reversion” investing in my opinion has become harder and I want to show this quickly with two examples: Banking and Alcohol.

Banking

As mentioned above, Banking has done very well in the last 2-3 years and there has been obviously some “mean reversion” happening here. The only issue with banking is that it took a VERY LONG time for this to happen, especially in Europe.

This is the Chart for the Price to Book ratio for Deutsche Bank since around 2006. As a rule of thumb from the 90ties to the GFC, for a “normal” bank, a Price to book ratio of ~1x was considered a normal valuation.



If we look at Deutsche bank, we can see that before the GFC, the stock traded at almost 2x book value, which in perfect hindsight was clearly too rich.

What I find more interesting however is the fact for how long the stock traded between 0,2 and 0,5x book value. Basically for 15 years. Only recently, the valuation is once again approaching 1x book value.

In the case of the European banks, I think the recent recovery is a combination of two factors: Many of the banks have become better operationally, i.e. thinning out their branches etc. However, the main trigger was clearly the increase in interest rates which allowed them to once again earn decent interest margins especially on their low interest deposits and current accounts.

The difficulty for any investor here was clearly to hold out 10 or 15 years in order to see the reversion here and I guess not many had the patience. At least I didn't.

Alcohol/Spirits

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The Alcohol/Spirits industry is currently clearly in a tough situation. As this chart shows, all large players are struggling after a short post-Covind boost:

Diageo

1.623,50 GBX

↓ 46,56 % -1.414,50 5 J.

9. Jan., 09:00:38 UTC · GBX · LON · Haftungsausschluss

1 T. 5 T. 1 M. 6 M. YTD 1 J. 5 J. MAX



Diageo

1.623,00 GBX

-1.415,00 GBX

↓ 46,58 %

Davide Campari-M...

5,85 €

-3,01 €

↓ 33,97 %

×

Pernod Ricard

74,82 €

-83,13 €

↓ 52,63 %

×

Brown-Forman

25,86 \$

-47,73 \$

↓ 64,86 %

×

Constellation Brands

147,96 \$

-82,25 \$

↓ 35,73 %

×

Many of the issues are well known. I will list a few:

- to aggressive price increases during/after Covid
- overstocking at retail level
- less alcohol consumption of Gen Z
- less alcohol consumption due to GLP-1 drugs
- less alcohol consumption due to the current longevity hype
- Tariffs (China, US etc.)
- popularity of "influencer liquor" brands (Clooney, Beyonce etc.) that increase competition for the premium brands

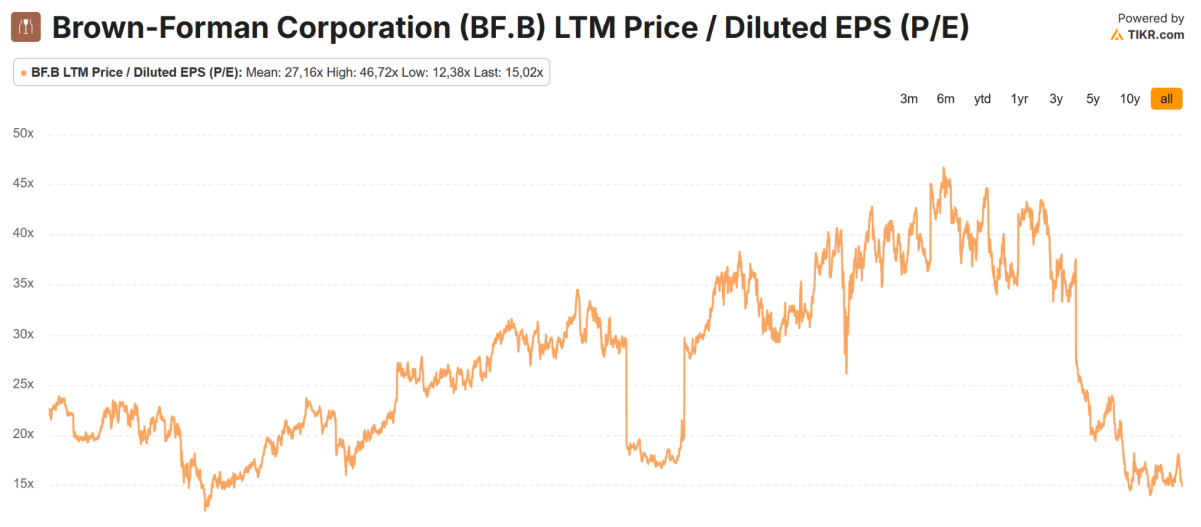
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All in all this looks like a perfect storm. I have read a couple of write-ups on Spirits stock and the story is always quite similar: Alcohol has been “the friend” of humans for thousands of years, this is only a temporary drop and sooner or later these players will prosper again.

Side note: There seems to be proof that alcoholic drinks have been around for at least 13.000 years [according to Wikipedia](#).

Let's have a look at Brown Foreman, the US based distiller famous for Jack Daniel's American Whisky. Based on their historic PE ratio, there is significant mean reversion potential from the trailing 15x P/E they are trading at the moment:



TIKR tells me that the long term average P/E is 27, so that alone would be a +70-80% upside.

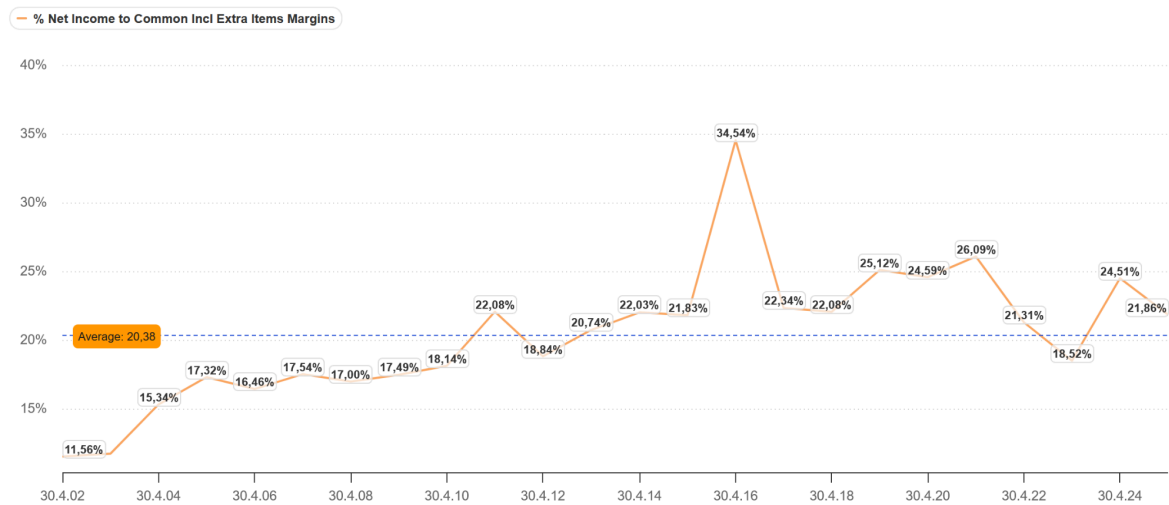
If we look at long term net income margins, the margins are still slightly above average but not much.

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BF.B (Brown-Forman Corporation) % Net Income to Common Incl Extra Items Margins

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So a very simple “mean reversion” approach that assumes that sooner or later stocks will trade around their long term “mean” will conclude that this is a great investment opportunity.

There is of course a probability that exactly this will happen and maybe even sooner than later. On the other hand, we have two other issues to think of:

- 1) How long will it take until the stock will trade again at its mean valuation ? As we have seen with the banks, in some cases this can take FAR longer than anyone assumes
- 2) And even more important: Maybe there is a structural shift which will permanently impact the business negatively.

It’s very difficult to assess both points but in my opinion I see a decent probability that we currently see a clear structural shift.

The big brands have all been trying to move up the ladder with price (and sometimes quality). Premiumization was cited as one of the big trends. With premium drinks they are clearly targeting the more affluent and maybe also more educated part of the population. “Joe the plumber” might not be able to buy many bottles of a 120 EUR 10 year old whisky.

However, in my perception, especially among the richer and more educated part of the population, the current longevity trend and also GLP-1 use is maybe the highest.

For many years, the general opinion was that a few drinks here and there do not hurt, but a lot of newer studies claim that any intake of alcohol is bad. Obviously, if you wear a sleep tracker, you will find out that sleep is much worse when you have drunk alcohol. So for any one trying to optimize longevity (which is a growing part of the population), alcohol intake will continue to decline. “Dry January” for instance is something I see now for a large percentage of the people I know. This wasn’t a thing 5 years ago.

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At the same time, more and more people seem to use GLP-1 drugs to lose weight. In the US, 12% of all adults have at least tried them. And I guess usage will even increase if GLP-1 can be taken as a pill compared to an injection. There seems to be ample evidence that GLP-1 use significantly reduces alcohol intake.

In addition, when I ask friends with teenage or slightly older kids, alcohol seems to have become really unpopular with the youth. They don't go out that often, a lot of clubs are closing down. And they consume a lot less alcohol in general.

So overall, I clearly cannot predict the future either for Spirits, but for me it doesn't look like just a temporary blip but a more structural shift.

Maybe this changes for some reason or the other, but for now, I personally will not add to my existing alcohol exposure (TFF, Laurent Perrier) but rather the potential opposite.

Mean reversion in this case, if it happens, could take a very long time.

On the other hand, I think it is also important that I don't make the same mistake as with the Banks: I will continue to watch the sector and not totally discard it in order to see if and when things will get better.

Bonus track: "Spinning Wheel" - Blood Sweat and Tears

Blood Sweat & Tears - Spinning wheel

P.S.: Full disclosure: I added the very last paragraph only after I let Gemini critically review my post. It pointed out that I should not make the same mistake with alcohol as with Banks. Which is a very good point. But I have written the paragraph myself ;-)