Volkswagen: a turnaround candidate

Article by Tim Habicht, fundview, 13. August 2026

Despite the sense of crisis: Hans-Peter Schupp stands by his Volkswagen position

The Wolfsburg-based group is once again in the media spotlight, and VW shares have lost over 30 per cent over the course of the year. For value manager Hans-Peter Schupp of Fidecum, however, the car manufacturer is a turnaround candidate.

German car manufacturer Volkswagen is once again in the media spotlight and, according to media reports, plans to cut up to 100,000 jobs worldwide; the possible closure of plants in Germany is also on the cards. Furthermore, Volkswagen is coming under increasing pressure from Chinese competitors. All of this is reflected in the performance of VW's share price: since the start of the year, it has fallen by around 30 per cent. Despite all this, value manager Hans-Peter Schupp of the fund boutique Fidecum is sticking with Volkswagen.

In its Fidecum Contrarian Value Euroland Fund (ISIN: LU0370217092), Volkswagen is currently the second-largest holding, accounting for 6.8 per cent. Volkswagen has been in the fund's portfolio since September 2024. During the recent crisis, the holding was not increased, but its size within the portfolio was maintained.

Why does Schupp continue to stand by Volkswagen despite the crisis?

In an interview with Fundview, he says: “The negative coverage of Volkswagen is mainly coming from the media; by contrast, the outlook and analysis provided by many analysts are decidedly more positive. But of course Volkswagen has problems and is under pressure – we are well aware of that. However, there is now a strong sense of urgency and a strong drive for restructuring at Volkswagen.”

Renault is also among the top contenders

The situation is certainly not an easy one for Volkswagen, but with a current P/E ratio of four, the valuation of VW shares is certainly attractive. “This is because Volkswagen traditionally holds a high proportion of cash and owns a 75 per cent stake in the sports car manufacturer Porsche – although Porsche is currently valued even higher than Volkswagen. These factors, combined with the strong commitment to restructuring, make Volkswagen an exciting turnaround stock with corresponding investment potential,” explains Schupp.

Generally speaking, the European car industry is under pressure from Chinese competition. European cars need to become more affordable by international standards, or at least be produced more cost-effectively. “Overall, the presence of Chinese cars in Europe is growing,” says Schupp, adding: “At the same time, consumers are unsettled by the different technologies and shifting policy directions – from internal combustion engines to hybrids and electric cars. This is leading to a corresponding reluctance to buy cars, which is also affecting the industry.

As well as Volkswagen, Schupp also invests in the French car manufacturer Renault through his European value fund. Renault currently accounts for 6.8 per cent of the portfolio and is one of the strategy's top holdings.

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