

We invest in winners. That 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.

UniCredit S.p.A.

The Italian financial group UniCredit was created in 1998 by the merger of Credito Italiano, founded in 1870 under the name Banca di Genova, and the Unicredito banking group. Since it was forged the group has expanded very strongly in central and eastern Europe as well as in Italy and the USA through acquisitions and mergers. The major additions include Capitalia (EUR 22bn), Hypo-Vereinsbank (EUR 16bn), Bank Austria (EUR 3bn) and Pioneer Investment (EUR 1bn). Today, UniCredit has total assets of EUR 930bn and operates in 22 countries with 160,000 employees. As one of 29 major banks worldwide, the Financial Stability Board has classified Italy's largest bank as system-relevant. It is subject to strict requirements regarding its capitalization. The bank's equity capital had to be increased by EUR 8bn to meet the requirements of the banking supervisory authority EBA.

The background conditions for this were not good. EUR 7bn had already been raised through two capital increases since 2008. The group had losses of EUR 9bn as of 30 September 2011. This was due to a halving of goodwill to now EUR 12bn as a result of asset write-downs. On top of that, the bank has a high exposure of EUR 38bn to Italian sovereign bonds, while risky assets of the crisis countries of Greece, Ireland, Portugal and Spain are low at EUR 2bn. Although the banking

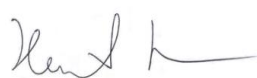
syndicate guaranteed placement of all the shares, the market had doubts whether the rights issue would be successful.

The new shares were offered at the ratio of 2 for 1, i.e. shareholders were entitled to subscribe to two new shares for each old share held. The strong dilution was reflected in a very low subscription price of EUR 1.943 per share. This implied a discount of 60% to the market price of the old shares at the time the rights issue was announced on 14 November 2011. Versus the share price at the beginning of 2011 the discount was about 80%.

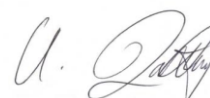
The sell-off prices of the subscription rights traded in the market attracted our interest. We bought them in January 2012 at an average price of EUR 1.35. This enabled us to secure an attractive acquisition price of EUR 2.62 per share for the new shares. At that time UniCredit was valued with a market cap of only EUR 15bn - despite a reported equity of EUR 60bn after the capital increase. The market ignored not only the bank's asset value built up over the past decades but also its ability to generate high current income from its net interest margin. After the capital increase was completed we sold UniCredit at a price of EUR 3.57 per share.

We were able to realize a gain of 36% in a few days. The implied profit on the subscription rights is 141%.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky