

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.

Nara Cable Funding Limited 2010 (18)

Cable network operators are in big demand at the moment. Sometimes interested parties engage in bidding wars for their client base and to obtain the few networks that are for sale. The reason - an efficient infrastructure that can be used as the basis for all-in-one packages consisting of TV, internet, telephony and wireless services. Mobile services companies such as Vodafone are intensifying their purchasing efforts to avoid having to build their own networks or market other people's networks.

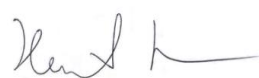
In this sense, Vodafone's interest in Spanish cable network operator Ono - an interest that became publicly known at the end of January 2014 - should not be surprising. Besides Movistar and Sogecable, Ono is a leader in the cable-bound transmission market. The market share in mobile services is around 10%. With almost 2 million customers, the company generates an operating cash flow of EUR 700 million per year. Approximately 70% of the sales revenues of EUR 1.6 billion come from the rapid fibre optic cable network, which was developed in the last 15 years with investments of EUR 8 billion, and which has received multiple awards as Spain's best cable network. The high investment amounts explain the company's not insignificant debt level of EUR 3.5 billion. Various private equity investors own the majority of shares in Ono. Shareholders include General Electric and the

large bank Santander. In February 2014, various news agencies reported that Vodafone had made contact with the owners and offered to buy the company for EUR 7-8 billion, including debt. The price corresponds with the valuation basis that has been used so far by Ono's Board of Directors for its continued efforts to take the company public.

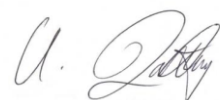
The constellation piqued our interest for a bond that is issued by the Ono financing company Nara Cable Funding in the amount of EUR 1 billion. The capital yields an interest rate of 8.875% p.a. until the maturity on 1 December 2018. Interest is paid semiannually. The bond is collateralised by the company's own cable network ("Senior Secured"). It has a rating of B+. We expect that the bond will be refinanced at more favourable conditions after a change in the ownership structure.

The issuer can cancel the bond at an earlier date with a notice period of 30 days. The redemption amount is staggered in periods that always begin on 1 December of a year: 108.875% (2013), 104.438% (2014), 102.219% (2015) and 100% (2016). A redemption below this amount can also be excluded in the event of a change in control on the part of the issuer. We purchased the bond at a price of 109.25%. The premium corresponds with an interest period of 14 days. In addition, we also receive a monthly coupon of 0.74%. The bond offers a yield of 7% p.a. until maturity.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky