

**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. Bond 2009 (50)

UniCredit was already introduced in our investment report for January 2012. At the time, we were able to generate a profit of 36% within a few days in line with a EUR 8 billion capital increase for restructuring purposes. Currently, we are again invested in UniCredit, although not in stocks but rather a bond, which was issued as a result of a failed capital increase in 2009, in the midst of the financial and economic crisis. During the term of the subscription period at the time, the exchange price of the Italian financial group traded below the issue price of the shares to be issued. As a result, 99.5% of subscription rights were not exercised. Mediobanca, Italy's largest investment bank, which had guaranteed the success of the capital increase, had to assume 967.6 million shares at a value of EUR 2.983 billion.

To turn the failed placement into a success, a CASHES bond (Convertible And Subordinated Hybrid Equity-Linked Security) was issued in February 2009 through a trustee (BNY Mellon), with the 967.6 million shares as collateral. Following a reverse split (10:1) during the course of the subsequent restructuring capital increase, 96.76 million shares are still available today. The conversion price increased accordingly by a factor of 10 to EUR 30.83 per share. The bond is due on 15 December 2050 and cannot be terminated at an earlier date. It is redeemed by conversion into 3,244 shares

for each of the 29,830 shares at EUR 100,000 each. The present value of the nominal repayment is relatively insignificant given the long term. Rather, it is the annual coupon that determines the attractiveness of the payment flow. It corresponds to 3M Euribor plus 450 basis points. The payment is not cumulative, but is made quarterly depending on the net profit and dividend payment by UniCredit. At the end of February 2016, UniCredit announced a profit of EUR 2 billion and a positive dividend recommendation for the year 2015. The company intends to distribute approximately EUR 5 billion or 40% of annual net income until 2018. This would secure the coupon payments for the next few years.

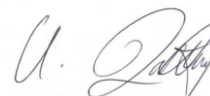
If the bank should encounter trouble and the current "Total Capital Ratio" (TCR) falls from 14% to below 6%, the shares would be subject to compulsory conversion. However, for this to happen UniCredit would have to generate an almost inconceivable loss of EUR 33 billion, combined with an inability to take measures to comply with the strict minimum requirements under Basel III (TCR=8% and CET1=7%). They protect the CASHES bond.

Therefore we took advantage of panic selling in the European banking sector and purchased the title at a price of 38% in February 2016. The current annual yield is high at 12%.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky