

**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.

### Hapag-Lloyd Bond 2010 (15)

Some 95% of global trade is handled by sea. In 2010 shipping companies carried 7 billion tones of goods across the world's oceans. 560 million standard containers (TEUs) were shipped. The figures make it clear that shipping is of elemental importance for the functioning of a steadily growing world trade.

Hamburg-based Hapag-Lloyd AG, whose origins date back to 1847, is one of the biggest scheduled line service shipping companies. Today, it accounts for over 4% (600,000 TEUs) of world shipping capacity. In order to be able to respond flexibly to market volatilities Hapag-Lloyd AG seeks to maintain a fleet of currently 137 ships consisting roughly equally of own and chartered vessels. Nonetheless, it was hit head on by the sudden global recession. For the first time in the industry's history there was a drop in annual container traffic. Freight and charter rates slumped by over 50%. The company's survival was only assured by a guarantee with which the German government and the city of Hamburg stood surety for 90% of a loan of EUR 1.2bn. To stabilize its position the shipping company had to make cost cuts in the billions and strengthen its equity base. The situation has since reversed impressively in operational and financial respects.

2010 was the most successful year in the company's history with a net profit of EUR

428 million. In the years 2008-2010 its equity was increased by about EUR 2bn to EUR 3.4bn. The conversion of debt and hybrid capital into equity improved the equity ratio to 52% of the balance sheet.

Our interest was drawn to a bond issued in 2010 in a nominal amount of EUR 480m. It carried a fixed coupon of 9.0% p.a. which is paid half-yearly. The bond was issued for a term of five years and is due on October 15, 2015. It can be called in 2013 at a price of 104.5% and in 2014 at 102.25%.

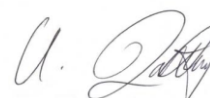
Owing to concerns over the future development of freight rates after the nuclear accident in Japan the price of the bond came under pressure. It fell from 110% to 103% of its par value. We took advantage of the price fall and built up our fund position on the basis of an expected return of 8.25% p.a. If Hapag-Lloyd AG calls the bond prematurely the return rises to 9.25% (8.50%).

After the company's extensive restructuring measures we consider the quality of the bond to be higher than reflected in Standard & Poor's placement rating (B). Hapag-Lloyd AG is seeking an improvement in the rating in order to further optimize its financial profile and reduce its financing costs. This is not only in the shareholders' interest but also in our interest as bondholders.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky