

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.

The Coca-Cola Company Bond 2016 (21)

Coca-Cola was invented in Atlanta in the year 1886. The US company is the world's largest beverage manufacturer. The company sells approximately 4,100 different products under 500 brand names in more than 200 countries. Every fourth euro that people spend worldwide on alcohol-free beverages goes to the group's product range. The products include water, juices, fruit juices and sport drinks, teas, ready-to-drink iced coffee as well as hot and milk beverages. No other beverage manufacturer possesses such a comprehensive distribution network. The supply chain consists of approximately 300 own or controlled filling operations as well as wholesalers, retailers, distributors and partners. The economies of scale in the distribution division represent an enormous competitive advantage, which guarantees enormous operating margins in relation to the company's fixed assets. The competitive advantage is supported by the power to set prices due to the brand affiliation, and the systematic penetration of existing markets. It was only because of the lethargic and conservative behaviour of management and the lack of energy for the development of new markets (coffee) that we decided to sell our Coca-Cola shares a few months ago. At the same time, Coca-Cola remains a paragon of solidity for both shareholders and bondholders: Dividends have grown steadily without interruption for 56 years, and rating agencies have consistently

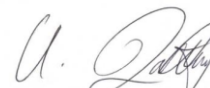
awarded the company a credit rating of "high grade" or "upper medium grade".

And so we became interested in a bond that was issued by Coca-Cola on 1 September 2016 for a volume of USD 1 billion. It matures on 1 September 2021 at the nominal value of 100%. The coupon is 1.550%. Standard & Poor's has issued a rating of A with a stable outlook. A reduction in the nominal value or the loss of the coupon is excluded under the terms of the prospectus, in the event that Coca-Cola should report a loss. Given the significant rise in interest rates in the US (the base rates of the Federal Reserve are currently in the range of 2.00 to 2.25%), the bond has come under pressure. The price is 95% of the nominal value. The yield has thus increased to 3.2% p.a. At present, it corresponds exactly to the yield for 10-year US government bonds. At the same time, the residual term for the Coca-Cola bond is seven years less than for US treasuries. Accordingly, the interest change risk for Coca-Cola is significantly reduced. In our opinion, the chance of an attractive residual yield of cumulative 9.6% for the remaining three years serves as an extended money market substitute. We purchased the Coca-Cola bond at an exchange rate of 1.18 EUR/USD at the current price level. As a result, we protect a portion of the capital against negative interest rates and maintain the required flexibility for taking advantage of new investment opportunities in a capital market environment that could become volatile at any time.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky