

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.

SRLEV N.V. Bond 2011 (21/41) / (16/unb.)

We introduced the tier 2 capital of insurer SRLEV N.V., a former subsidiary of Dutch financial corporation SNS REAAL N.V., in December 2013 (bond 2011 (21/41)) and November 2014 (bond 2011 (16/unb.)) in our investment report. We have now successfully closed both investments.

SNS REAAL N.V. was one of the largest financial institutions in the Netherlands. It resulted from the merger of several insurance companies (REAAL) and savings banks (SNS) in the year 1997. Starting in 2006, the bank segment was negatively affected by the losses (in the billions) generated by a real estate portfolio that was purchased by ABN AMRO in 2006. The group, which already used state aid of EUR 750 million since 2008, failed to restructure its finances and operations. On 1 February 2013, the Dutch finance ministry announced the nationalization of the group.

The shares and subordinate capital of the holding (SNS REAAL N.V.) and the banking segment (SNS Bank N.V.) were expropriated. As expected, the two SRLEV N.V. bonds, as part of the still profitable insurance segment REAAL N.V., were not affected. At the same time, interest payments were suspended on 28 March 2013 at the request of the EU Commission, upon which the bonds' rating fell from BB+ to D. On 18 December 2013, the EU approved the nationalization under the condi-

tion, among others, that the insurance segment was sold off. This sale was a condition for the resumption of coupon payments and the subsequent payment, with interest, required under the prospectus of the omitted coupons in the amount of 9% p.a. (Euro bond) and 7% p.a. (CHF bond).

The sale of Vivat N.V. to Chinese Anbang Insurance was announced on 15 February 2015. The transaction was closed on 26 July 2015 with a symbolic purchase price of one euro. This also recognized the two high-interest bonds, whose price had increased steadily in expectations of a large subsequent coupon payment. At the same time, Anbang Insurance committed to strengthen the solvency ratio of the insurance company with a capital increase of EUR 1.35 billion. Vivat N.V. announced the capital contribution on 23 October 2015. This meant that the condition precedent for the sale of the company and the condition for the interest-bearing subsequent payment for the omitted coupons and the resumption of ongoing coupon payments were met. We used the closing of this event ("change in capital structure") to sell the bonds after a period of consistent additions and a multi-year holding period. The profit on the average purchase price is approximately 30%.

Sincerely yours



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