

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.

Dt. Telekom AG Bond 2016 (20)

In December 2015 and June 2016, we already introduced two short-term money market substitute bonds (Delta Lloyd and Volkswagen). These are liquid corporate bonds with excellent financial standing, which are just before their pull-to-par phase with a remaining maturity of one to two years, and therefore are not subject to the interest change risk. They give the fund stability. At the same time, they provide us with the flexibility to take advantage of investment opportunities in a highly volatile capital market without having to subject the liquidity to the kind of negative interest rates that are currently specified by the ECB through its deposit facility of -0.4% for all business banks in the euro zone. We scale the money market substitute bonds using different maturities. Their yield ranges from 5 to 20 basis points.

With the debenture issued by Dt. Telekom on 23 March 2016, we purchased a bond whose remaining maturity, given a maturity on 3 April 2020, exceeds the designed two years but nevertheless is free of interest change risks. Rather, it offers an opportunity with regard to changes in interest rates. As a so-called “floor floater”, the bond comes with a variable coupon that is linked to a reference interest rate, and cannot fall below a minimum interest rate. The coupon corresponds to the 3M Euribor plus a margin of 35 basis points. Interest is paid quarterly. While the

3M Euribor still reached a high of 5.4% in 2008, no positive yields can be identified at present given the current interest rate environment. The interest rate is at a historically low -0.3%. If the mathematical interest rate for the variable interest falls below 0%, the interest rate for the interest period will nevertheless remain at 0%. The current yield of the bond until maturity is 5 basis points at present. It is above the yields of comparable fixed interest bonds of Dt. Telekom, all of which feature negative interest. General expectations regarding inflation or rising interest rates could also boost the attractiveness of the variable interest bond.

The bond was issued by Dt. Telekom International Finance B.V. at a volume of EUR 1.25 billion. The sole purpose of the company, a wholly-owned subsidiary of Dt. Telekom AG, is to finance the group. The bond profits from a guarantee by Dt. Telekom AG. This guarantee establishes an irrevocable, unsecured and non-subordinate obligation by the guarantor, which is at minimum equal to all of the guarantor's other unsecured and non-subordinate obligations. Both a decrease in the nominal value as well as the cancellation of the coupon are excluded under the terms of the prospectus. Standard & Poor's has assessed the bond with a rating of BBB+ (“Lower medium grade”).

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky