

**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.

### KfW and LR Bond 2019 (23)

By money market replacement bonds we mean liquid corporate bonds with an excellent credit rating which, with a short residual maturity of just a few years, are immediately approaching their pull-to-par phase and are therefore not subject to any significant interest rate risk. They provide stability to the fund. At the same time, we maintain the flexibility to exploit opportunities in a volatile capital market environment without having to expose liquidity to the negative interest rate currently set by the ECB via the deposit facility of -0.5% to all commercial banks in the euro zone. We stagger money market replacement bonds over various maturities. In light of the ECB's bond purchase programme, which now has a volume of EUR 2,546 billion, with the intention of repurchasing a further EUR 20 billion a month in bonds starting in November 2019, it is not surprising that the interest rate on euro-denominated securities has slipped significantly into negative territory. Two years ago, we expanded our universe and focused our attention on money market replacement bonds in currencies that we believe have upside potential and could also be considered a safe haven in the event of an economic or political crisis in the euro zone. We found what we were looking for in Norway. Although the capital market there is too small and too illiquid to assume a role comparable to that of Switzerland or Japan as a place of refuge, it is a suitable building

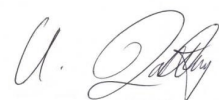
block for our portfolio. The Norwegian krone has depreciated by 40% against the euro since 2013. In October 2019 it reached a record low of EUR 10.29/NOK. The weakness was first attributed to currency repatriations into the euro zone following the containment of the Greek crisis, then to the fall in oil prices and finally to the trade tariff dispute between the USA and China as well as the high level of indebtedness of private households. We don't see these arguments as persuasive. Actually, the Norwegian krone should be soaring: The country is practically debt-free, the assets of the state pension fund grew to almost EUR 1,000 billion, the financial and economic system is stable, the economy is on the upswing, the oil and gas industry is running at full throttle thanks to large deposits and stable prices, and the central bank was one of the few in the world to raise key interest rates once again (to the current level of 1.5%). In this respect, we do not regard the recent sharp drop in the value of the foreign currency as a risk, but rather as an anticyclical opportunity.

We acquired a KfW bond and a bond issued by Landwirtschaftliche Rentenbank (LR) in Norwegian krone, due 2023, at 98.5% of par value each. The annual coupon in both cases is 1.25%. Standard & Poor's assigned the bonds the highest rating (AAA). At the end of October, we held four Norwegian krone bonds with a fund weighting of 4.5%.

Sincerely yours



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