

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.

Achmea B.V. Bond 2005 (15/und.)

Achmea B.V. traces its roots back to 1811, when Ulbe Piers Draisma founded a company in a small Frisian village by the name of Achlum for the purpose of offering people "insurance at reasonable prices". Today, Achmea B.V. is the largest insurance group in the Netherlands. It is the result of the merger of numerous cooperative insurers during the last few decades. The current owner structure of the unlisted company reflects its origins. The main shareholder is "Vereniging Achmea", which corresponds to the structure of a German Versicherungsverein auf Gegenseitigkeit (VVAG) (mutual insurance association), i.e. policy holders are members and sponsors of the association. Together with the cooperative Rabobank, which added its insurance subsidiary to the group in 2005, the insurance association holds around 95% of the share capital. To that extent, it is in line with the company's strategic purpose of generating conservative and balanced added value for all Achmea B.V. stakeholders.

The group wants to be the best, most customer-oriented and most innovative provider of life, health and property insurance. 21,000 employees in eight European countries insure eight million Dutch and five million international clients. The premium volume is EUR 20 billion. A high solvency ratio of 212%, a good risk profile for the EUR 44 billion in capital investments, along with EUR 10 billion in eq-


uity capital, are proof of a solid and strong balance sheet.

We were particularly interested in one of the three hybrid bonds that Achmea B.V. has outstanding in the amount of EUR 1.3 billion. This bond, which features a volume of EUR 500 million, was issued in 2005. It offers an interest rate of 5.125% p.a. until 24 June 2015 (First Call). After that date, the quarterly interest rate will be at the level of the 3M Euribor, plus a margin of 280 basis points. The terms for the bond exclude a reduction in the nominal value. Dividend payments require the insurance to service the bond. Defaulted interest must be paid.

There are several reasons leading us to expect that the bond, which has received a rating of BBB from Standard & Poor's, will be redeemed in 2015. For one, it will lose its deductibility against tier 1 capital pursuant to Solvency II due to its specific interest structure (stepup). Also, Achmea B.V. already announced the redemption of the institutional bond on 22 May 2012. This announcement does not apply to the two other bonds, which are placed with private investors ("Retail hybrids will only be redeemed if this is economically viable.").

We purchased the bond at an average acquisition price of 92%. The current share price is 98%. This results in an on-going bond interest of 6% p.a. until the First Call.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky