ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report December 2014 **Aschaffenburg, 5th January 2015**

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.

Nordea Bank AB Bond 2004 (09/unb.)

Nordea is the largest financial company in Northern Europe. The bank resulted from the merger of various Scandinavian banks in the year 2000, in an effort to consolidate the market after the Swedish banking crisis in the early 1990s. Therefore Nordea has a strong presence in its home markets. Around 95% of the bank's EUR 350 billion credit portfolio is based in Sweden, Denmark, Norway and Finland. The number of retail customers (11 million) and business customers (0.6 million) is growing steadily. The technology-driven development of the company's own banking business and the reputable asset management segment (volume of EUR 250 billion) represent significant competitive advantages.

Nordea is managed in an efficient and riskconscious manner, has always been profitable and features low volatility in terms of results. The historical default rate of the credit book is 16 basis points. Even at the height of the financial crisis, this rate was so low (at 55 points) that revenues were sufficient to generate a profit of EUR 2 billion on the basis of a cost-income-ratio of 50%. This stability also affects the cost of financing. In 2014, Nordea again proved that it was one of the world's most secure banks, when it issued additional capital instruments with the lowest coupon of all comparable titles issued in the market. Nordea passed the ECB's stress test with flying colours. The tier 1 capital ratio (CET1) is 16%, while the total equity ratio (TLAC) is 20%. Thus Nordea already meets the Basel III requirements and the additional strict requirements imposed by the Swedish banking regulator.

We purchased a Tier 1 bond (BBB-), which was issued in 2004 at a volume of EUR 500 million. It does not have a final maturity. The coupon payment is dependent on the bank's reserves ('available distributable funds'), and is non-cumulative. The coupon corresponds to the 10y Swap rate (ICMS) plus 5 basis points. The bond is listed considerably below its nominal value due to the historically low rates (the coupon is still 1.29% at present). Our buy rate is 67%. An important factor for us is that the bond no longer meets the Basel III criteria due to its coupon structure, and loses 10% of its eligibility for tier 1 capital annually (since 1 January 2012). Time is on our side. First, there is the price potential resulting from rising Swap rates. And the closer we get to 31 December 2021, the more likely that Nordea will purchase the bond with a profit (buyback) or terminate it at a nominal value of 100% (termination). The terms of the bond exclude a reduction in the book value in the event the bank incurs a loss. And Nordea would have to suddenly lose 11.5% or EUR 17 billion of its present tier 1 capital for the worst case scenario of a "bail-in" to come true.

Sincerely yours

J. Henrik Muhle Dr. Uwe Rathausky