

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.

Allianz SE Bond 2016 (22/und.)

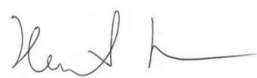
Allianz, founded in 1890, is a global financial services provider with subsidiaries throughout the world. Approximately 88 million private and corporate customers rely on the knowledge, financial strength and solidity of the Group to take advantage of financial opportunities, avoid risks and protect themselves. Allianz is the leading property-casualty insurer in the world, and one of the five largest providers in life and health insurance and asset management. In 2017, the Group generated total revenues of EUR 126 billion and operating profit of EUR 11 billion. Allianz's stability is reflected in our strong Standard & Poor's rating (AA), our high solvency ratio (229%) and abundant capital resources (EUR 66 billion). The Company even remained profitable while weathering the crisis years following the bankruptcy of Lehman Brothers.

This prompted our interest in a bond issued on 7 September 2016 by Allianz SE, the holding company to which the individual subsidiaries are directly and indirectly allocated, with a volume of USD 1.5 billion. The subordinated bond, defined as Tier 2 capital, has no fixed maturity. However, Allianz is entitled to call the securities on redemption for the first time with effect from 7 March 2022 and at any time thereafter, in full and not in part. In addition, it may purchase the bond on the open market or otherwise and at any price. Each bond carries an annual interest rate of

3.875% in relation to its nominal amount. Interest is payable semi-annually in arrears on 7 March and 7 September. A reduction of the nominal value or a default of the coupon is excluded by the prospectus if Allianz should experience a one-year loss.

The bond has come under considerable pressure as a result of the rise in interest rates in the US, where the central bank's key interest rates currently range between 2.25% and 2.50%. The price is 82% of the nominal value. The current interest rate corresponds to an annual yield of 5%. The interest rate is even 8% p.a. based on the first call date. While the interest rate on the 10-year US government bond has fallen again since October 2018 from 3.2% to 2.6%, Allianz's bond remains weak. We purchased the bond at the current valuation level. Allianz could take advantage of any further price weakness to buy back the difference from the nominal value as hard Tier 1 capital. At the same time, the bond offers an attractive yield based on current interest rates and its value recovery potential. This option will be increasingly priced in by the capital market as the first call date approaches.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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