

**We invest in winners.** This 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.

### **GRENKE Finance PLC 2019 (25)**

When a British short seller released a report containing serious allegations of fraud against GRENKE AG on 15 September 2020, it briefly looked to the public as if the Baden-Baden-based company could become the second Wirecard case, but the allegations did not prove to be true. Many of the allegations were quickly refuted, and a number of expert opinions by auditors led to the dismissal of some important points. Overall, it can be summed up today, as Dr. Lipp, Chairman of the Supervisory Board, stated in an interview, that “the allegations made by the short seller have essentially proven to be unfounded” and that GRENKE AG is now the “best-audited financial services provider in Europe”. Necessary improvements in the areas of prevention of money laundering, compliance and governance were launched. Packages of measures agreed with BaFin are being implemented step by step. At the same time, the company is successfully overcoming the coronavirus crisis. In addition, all outstanding franchise companies will be taken over and integrated into the GRENKE Group by 2022. The leasing specialist should resume its profitable, long-term growth trend starting next year.

Starting on 18 September 2020, we took advantage of the price distortions of listed GRENKE bonds and in the subsequent months we acquired six different GRENKE Finance PLC securities, which were issued as bonds in the

framework of a EUR 3.5 billion Debt Issuance Programme for the medium-term financing of the Group. The bonds represent unsecured and unsubordinated liabilities of the issuer. GRENKE AG has issued an unconditional and irrevocable guarantee on their behalf to ensure the orderly and timely payment of principal and interest. A reduction of the nominal value or a default of the coupon is excluded by the prospectus if GRENKE AG should experience a one-year loss. The Standard & Poor’s rating is BBB+ with a stable outlook. Our average cost price is between 80% and 91% of the nominal value, depending on the term of the bond. In some cases, we were able to acquire current interest rates of 10% p.a. and more. Today, prices are back to approximately 100% of the nominal value. We will now collect the remaining coupons until the maturity of the securities and will consider our investment, which we currently have weighted at 3.6% in the fund, as a money market substitute. The interest rate risk is low. The redemption dates are between the years 2022 and 2025. The bond with the longest maturity was issued on 12 November 2019 with a volume of EUR 0.3 billion. It matures at par value on 9 January 2025. The annual coupon is 0.625%.

Sincerely yours



J. Henrik Muhle



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