

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.

Oracle Corporation

The world's best-managed companies have one thing in common: they use their IT as a competitive advantage. At the same time, IT requirements are growing. It is estimated that global data volumes will grow tenfold by the year 2025. The majority of this volume will no longer be generated by private households but by companies that must store all of their data in databases in order to organise their most important commodity for their own business success. Oracle is the market leader in this database business. Oracle's regional database was the first database to support SQL. It has developed into an industry standard, helping Oracle to become one of the most popular development environments.

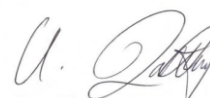
The group has 138,000 employees, 25,000 partners, 17,000 patents and 430,000 customers in 175 countries. Thousands of customized programs and mature IT infrastructures are based on Oracle's databases, which means that the US company enjoys a competitive advantage in the form of the lock-in effect. Oracle's reward for this competitive advantage is an operating margin of 34%. Most revenues are recurring revenues. The business model is neither cyclical nor capital intensive. Nevertheless, the market valuation for this debt-free group is low. It corresponds to 16 times free cash flow. The market worries whether Oracle could be replaced by new database models and Open Source projects.

We believe those worries are unfounded, because the alternatives either belong to a weaker performance class (MariaDB, MongoDB), only depict a limited product spectrum in a company's value chain (Salesforce, Workday), or are much more expensive in terms of total operating costs (PostgreSQL, Amazon). At the same time, large companies are not driven by price but rather reliability, availability, flexibility and application options. In this vein, Oracle expanded its dominant position with takeovers and new developments. At OpenWorld 2017, Oracle introduced an "Autonomous Database Cloud" and an application that detects and fights cyberattacks in real time. The database uses artificial intelligence to work in a fully automated fashion. It is able to continuously update itself, adjust capacities as required, and detect and repair errors. With "Bring Your Own License" and "Universal Credits", on-premise customers also have the flexibility to book Cloud services. The new licensing and usage models improve and simplify the possible combinations of services (IaaS, PaaS, DaaS, SaaS). Therefore Oracle is likely to benefit from the fast transformation of the market environment. Gains in market share, better technology offerings and the transition of the business model to a flexible Cloud provider should drive profit growth in the coming years. We would like to participate in this trend.

Sincerely yours



J. Henrik Muhle



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