

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.

Munich RE

Munich RE is one of our long-term pillars of stability. We first presented this insurance company, which was founded by Carl Thieme in 1880, in our investment report in 2010. As one of the world's leading risk managers, Munich RE covers the entire insurance and reinsurance value chain, insurance-related risk services and capital market solutions. The company's 140 years of success are founded on its commitment to being a reliable partner and creating value from the assumption of risk. This requires the highest level of skill and discipline in dealing with insurance and financial market risks. Profitability comes before premium growth. This creates both confidence among policyholders in the value proposition and sustainable value for shareholders. The company has successfully survived two world wars, a currency reform and numerous economic crises, stock market crashes and disasters such as the San Francisco earthquake (1906), Hurricane Katrina (2005) and the coronavirus crisis (2020). At the same time, the company regularly achieves top rankings in long-term peer group comparisons for total shareholder return, i.e. the sum of share price gains and dividend payments. Munich RE has now developed a new strategic plan based on this strength. It draws on a strong balance sheet (Solvency II

ratio: 237%), which gives it the flexibility to grow organically and through acquisitions. Implementation has been prioritised in three ways: Increasing earnings power, digital transformation and reducing complexity. Munich RE aims to generate a return on equity (RoE) of 12-14% by 2025. Growth in earnings is expected to be reflected in an increase in earnings per share and an increase in the dividend per share of at least 5% per annum. There has not been a reduction in dividends since 1970. The implicit dividend commitment of past decades has become an explicit goal. Our calculation for this is as follows (table):

	2021e	2022e	2023e	2024e	2025e
Dividend/Share	10.3	10.8	11.3	11.9	12.5
Dividend yield	4.4%	4.6%	4.8%	5.1%	5.3%
Outstanding shares (mn)	136	132	129	125	122

The dividend per share for 2020 is expected to remain constant compared to 2019 (€9.8). It could rise to €12.5 per share over the next five years. Based on the current share price and in view of the zero interest rate environment, this will result in attractive and predictable returns, which could increase if Munich RE succeeds in maintaining the average annual share buyback ratio of the past 10 years (2.8% p.a.) in the future. Both the recent payout ratio (50%) and the targeted Solvency II ratio (175-220%) afford ample leeway to achieve this.

Sincerely yours



J. Henrik Muhle



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