

**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.

### **Chipotle Mexican Grill Inc.**

When Steve Ells started Chipotle in 1993, he did not believe that healthy fast food was a mutually exclusive concept. He focused on sustainability and fresh food, and turned the business into a legendary success story under the “Food With Integrity” label. To him, a burrito is not just a burrito, but a “hand-rolled, incredibly fresh delicacy”. As loyal consumers, we agree with this message. Ingredients are cut and fried in front of the guests. Where possible, the meat must be free of hormones and antibiotics. Genetically modified ingredients, as well as flavour enhancers and food additives are also spurned. Vegetable production is tested for CO2 emissions and environmental values. Suppliers who fail to comply with the strict standards are rejected. With this strategy, Chipotle opened 2,000 restaurants in the US. Guests expressed their gratitude for the combination of quality and social responsibility by generating almost USD 2.5 million in annual sales per restaurant. At the same time, shareholders were also celebrating. The company's share price reached a record high of USD 758 in 2015. This corresponds to a factor of 34 since the IPO in 2006.

Then came the fall of 2015, when E. coli bacteria were found in restaurants in nine US states. At the same time, norovirus was discovered at other restaurants. Hundreds of guests became sick, dozens of restaurants

closed temporarily, the food inspection authorities got involved and lawyers were preparing writs. The share price was cut in half. Sales dropped by 30 percent.

We used this situation in January 2016 to buy shares at USD 400 following initial signs of positive developments. Chipotle reacted quickly and convincingly to the threat. Massive investments in health prevention are supposed to win back customer confidence. Suppliers and employees were sworn to a comprehensive “Food Safety Program”, which includes DNA testing of products as a standard feature. In the future, ingredients will be blanched, tomatoes and lettuce will be washed three times, cut and packaged centrally, and no longer at the restaurants. The company wants to send the message that Chipotle will not just be the highest-quality but also the safest fast food corporation in the US.

We expect that Chipotle will quickly return to its former profitable growth levels. The potential is huge. The company has so far only opened 22 restaurants outside of the US. McDonald's, under whose roof Chipotle was raised, came under pressure for similar allegations in 1982 and 1991. Since then, the share price of the burger outlet has multiplied many times. Chipotle's share price has already returned to USD 500, driven by new restaurant openings and share buy-back programs.

Sincerely yours



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