ACATIS GANÉ Value Event Fonds UI (WKN A0X754)

Investment Report March 2011 **Aschaffenburg, 5th April 2011**

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.

Microsoft Corporation

This company from Redmond, USA, which was established in 1975, is the world's most important software manufacturer. With a market share of more than 90%, Microsoft dominates the market for computer operating systems. It´s quasi-monopoly has made it possible to quickly distribute new developments, such as Office applications, within the market. In the last fiscal year, the two segments Operating Systems and Office achieved operating results of USD 12 billion each. They form the basis of a highly profitable company with an EBIT margin of 40% and which generates free cash flow of 30 cents for each USD it earns. Most recently, Microsoft's revenues were USD 62 billion per year. Competition for the leadership position with regard to mobile terminals and associated operating systems involves Apple, Google, RIM and Microsoft. While Apple (iPhone, iPad) and Google (Android) have gained the favour of consumers and hold considerable market share, Microsoft seems to have been left far behind in this particular segment. In our opinion, Microsoft's ability to establish itself in new markets through patient investments is being underestimated. The new Windows Phone 7 Microsoft platform should be able to gain market share through the Smartphone cooperation with Nokia. On the other hand, Microsoft has a lot of competitive advantages which protect its core business. Of the 400 million PCs sold worldwide per year, tablets (such as the iPad), which are used mainly by private consumers, make up less than 5%. The remainder relates to stationary computers such as Netbooks and Notebooks, whose installed operating systems and programs underline Microsoft's enormous networking effect. It is likely that 80% of gross profits are generated with corporate clients. In addition to licensing costs, replacement costs are also higher than in the private clients' area. Licensing costs do not play a big role when compared to the salary and training costs required for employees and the cost of potential productivity losses. Therefore companies have little incentive to replace Microsoft.

In the past, capital allocation was also characterized by less successful market introductions (e.g. Kin mobile phone). Such misinvestments have a negative impact on the profit series. Notwithstanding, Microsoft is valued at historically low levels (10 times earnings). This is not only the result of concerns over the competition with Apple and Google but also the continued repurchases of own shares. Since the year 2000, USD 150 billion have been distributed to shareholders through repurchases (less share options) and dividends. This total corresponds with approx. 67% of current market capitalization. Thanks to net liquidity of USD 30 billion, strong cash flows and still existing organic growth of 5-10% p.a., it is likely that the high level of distributions will continue. Sooner or later, this should have a positive effect on the share price.

Sincerely yours

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