

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.

ATOSS Software AG

ATOSS Software AG already featured in our monthly investment report in January 2010. Continuity, stability and predictability are the hallmarks of the operating performance of this Munich, Germany-based company which specializes in workforce management. In so far, the 2011 financial year was a continuation of its successful past performance. ATOSS achieved a record result for the sixth consecutive year.

This predictability of future earnings is of great importance for our investment strategy. Taking a cash flow-oriented approach and calculating a time-weighted return we make investments in equities and bonds comparable with each other. We invest where we find the most attractive and safest cash flows. A prerequisite for this is a high degree of predictability and safety. With equity investments, future cash flows depend directly on operating profitability and the way capital is allocated by management. Over the past years we were satisfied with ATOSS on both of these counts.

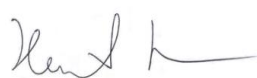
The success of our investment was reflected in capital gains of over 100% and dividends received. All the same, we would welcome it if management invested a large part of the company's existing and growing liquidity, currently equivalent to about 30% of its market capitalization, more actively in operating

profitability or distributed it to the shareholders. Until the end of 2010 priority was given to the argument of "independence and future security". With the motto "safety before return" the cash was invested in time deposits, current account deposits, and short dated German Federal treasury notes.

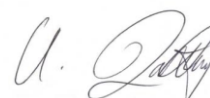
In 2011, management changed its strategy to take account of the present low-interest environment and concerns over an erosion of the value of the company's cash holdings. Since then a broad diversification of its investments has been pursued. ATOSS is investing for instance especially in physical gold and in listed companies with a dividend character. As of 31 December 2011, in first steps, 30% of its cash and cash equivalents were already invested in gold, and 10% in dividend stocks. That is roughly equivalent to two times the company's annual cash flow. The predictable future operating cash flows are thus flanked by less predictable, volatile capital market outcomes.

Regardless of the prospective success of this new strategy, we are guided by the criteria of capital allocation as practiced by Warren Buffett in the management of his enterprises. These criteria provide for surplus cash either to be invested in operating profitability or to be distributed to the shareholders. This is the reason why we have sold off our entire position.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky