

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.

Novo Nordisk A/S

The most common form of diabetes is Type 2 diabetes. It is present in more than 90 percent of people suffering from the disease. Their body becomes immune to the insulin hormone that is secreted by the pancreas as blood sugar levels rise in order to control the transport of glucose into the cells. This leads to a higher concentration of blood sugar, which results in damages to blood vessels, nerves and organs if levels are not adequately reduced with medication. Being overweight, leading a sedentary lifestyle, abnormal blood values and smoking lead to an increased risk of diabetes. Hence demographic factors and people's lifestyles are becoming a catalyst for a chronic and incurable widespread disease that has been described as a "tsunami" by the American Centre for Disease Control and Prevention (CDC). At this time, approximately 400 million people suffer from diabetes. The International Diabetes Federation estimates that by the year 2035 approximately 600 million people will have contracted the disease and another 400 million will be at risk. Until now only 50% of cases have been diagnosed. Only 25% of diabetics have access to suitable supplies of medication. This offers the prospect of enormous growth for the three large providers of Type 2 preparations. Novo Nordisk is the leader with a market share of 50%. This company, which was formed in Denmark in 1923, generates 80% of its sales from diabetes drugs. This singular market

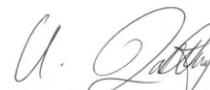
position is a competitive advantage. It is based on 90 years of research, clinical studies and the most diversified range of products in the market. The life-long and usually daily insulin therapy for a patient provides Novo Nordisk with a recurring revenue base. The company is protected through its enormous economies of scale in production, a loyalty to its products driven by habit, and the high exchange costs due to cumbersome and customized insulin treatments administered by a physician. In addition, the company's biopharmaceutical products are protected by patents. However, generic products are usually only of secondary importance even after the term of the patent, since they can only be bio-similar to but not identical with the original product.

Novo Nordisk is a good capital allocator that generates a very high return on equity. The company generated earnings per share of DKK 43 during the last ten years. Of this amount DKK 25 was retained. After-tax profits rose by DKK 8 (21% p.a.) to DKK 9 per share over the same time period. This means that retained earnings generated an internal yield of 32%. Another contributing factor is the continued buy-back of own shares. The net volume of the last ten years alone (DKK 68 billion) generates surplus profits of DKK 5 billion a year for shareholders. And this number is expected to increase. We view Novo Nordisk as a debtfree equity bond with an initial rate of return of almost 5%. We expect that this rate will grow at 10% per year.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky