

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.

Oslo Børs VPS Holding ASA

The history of the Norwegian stock exchange goes back to 1819, the year it was founded. It was another 62 years before the first securities were traded. Electronic trading was introduced in 1988 and the exchange has been operating purely as a computerized trading platform since 1999. The operator's shares have been admitted to trading on the OTC market since 2001. The group's product and service portfolio spans the full process chain from stock market introductions and the trading of financial instruments, clearing and settlement, through to the provision of market data. Accounting for over 70% of turnover, the Oslo Stock Exchange is the central market platform for securities trading in Norway.


Since the introduction of the Financial Markets Directive (MiFID) in 2007, with which the EU wishes to promote competition between the exchanges, the traditional operators are facing stronger competition from alternative platforms. Among the established exchanges this is resulting in reduced market share, margin pressure, and an accelerated consolidation process within the industry. So far the Oslo Stock Exchange has not joined the merger process of the pan-Scandinavian exchange OMX. Instead, by virtue of its own strong position in the natural resources, energy, and shipping sectors it has entered into an alliance with the stock exchanges in Toronto and Singapore.

Despite the competitive environment, the Oslo Stock Exchange is very profitable. It is offsetting negative effects through growth in trading volumes, cost efficiency, and innovation. From every Norwegian Krone of turnover it is generating an operating cash flow of about 40 Øre. The business model is neither cyclical nor capital intensive. So the entire free cash flow of 35 Øre generated per Krone of turnover can be distributed to the shareholders. In addition, the financially sound company had a net cash position of NOK 500 million at the end of the 2010 financial year.

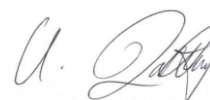
We bought our portfolio position at an attractive price, which values the company at 9x free cash flow, in the course of a change in the close shareholder structure. Our investment was driven by management considerations to have the company's share listed on the regular exchange.

In the meantime there has been a dividend payment (9% dividend yield), with a total payout of NOK 344 million or NOK 8 per share to the shareholders. The ex dividend mark-down was recouped after the company announced on 26 May 2011 its plans for a full listing. A listing will increase the share's tradability and, in our view, will reduce its valuation discount to other stock exchange operators. In the meantime we will happily look forward to the next dividend.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky