

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.

Nestlé AG

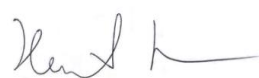
Nestlé's history dates back to the year 1866. Today, the Swiss company is the global market leader in the consumer goods industry, with annual sales of CHF 110 billion. Thirty-one brands with annual sales of more than CHF 1 billion each contribute to this result. The company's portfolio ranges from beverages (Nescafé, Nespresso, Nestlé Pure Life Water, Nestea), ready-made meals (Maggi, LeanCuisine) and sweet goods (KitKat) to baby and pet food (Gerber, Purina). In addition, Nestlé is also the second-largest shareholder of L'Oréal, and also maintains holdings in the pharmaceuticals sector with Galderma, Innéov and Alcon (divestiture of Alcon to Novartis has been initiated). Notwithstanding the current economic crisis, Nestlé managed to generate organic growth during the first half of 2009 and improve its operating earning power (14% EBIT margin).

What makes Nestlé so successful? In the consumer goods industry, high profit margins go hand in hand with having a large market share in the respective product category. Nestlé exploits its size advantage by concentrating its distribution power, innovation and marketing on the most successful products. Nestlé products can be found almost everywhere in the retail trade sector. For consumers, these products have become ubiquitous with an increasing focus on physical wellness and health. Nestlé has generated sustained and

consistent growth for years. It also successfully combines strategic acquisitions of companies in segments with higher growth (ice cream, pet or baby food) with its own innovative power. For example, Nespresso turned into a huge brand that generated organic growth of 40% in 2008 (this increase surpassed the growth in the coffee market by a factor of 20). The considerable popularity of the brands in connection with a clever pricing and target group policy has already allowed Nestlé to gain a large share of sales (19%) in emerging markets. In these countries in particular, Nestlé offers competitively-priced entry products (one example is the Nido Everyday milk product) in order to tie a broad consumer group to the brand and then generate earnings from the longer-term trend of higher-margin "premiumisation" (e.g. Nido Excella Gold).

Nestlé has impressive financial resources. Its net debt level is moderate (1 x EBIT). Profitability and dividends have grown continuously despite the growth. The company bought back CHF 15 billion in own shares during the crisis. Including additional planned buy-backs until the end of 2010 for CHF 10 billion, this sum represents about a sixth of the current market capitalisation. Nestlé is one of the highest-quality companies in the world. We were able to get in at an attractive price, and intend to participate in the value gain in the long term.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky