

**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.

#### Apple Inc.

We introduced Apple as part of our investment report in May 2013. Just a few weeks before, the company announced the distribution of USD 100 billion through share buy-backs and dividends. We purchased the stock immediately following the announcement of this massive capital measure, which corresponded to approximately 25% of the company's market capitalisation at the time, bet on a positive announcement effect and sold our investment after just two weeks with a profit of 11%. That was a mistake. We should have kept our shares. In the meantime, Apple has returned USD 120 billion to shareholders, the market capitalisation increased to USD 630 billion, and the company's global accumulated liquidity position, less debt, is USD 150 billion.

We therefore took advantage of the global market turbulences in August 2015 to remedy our mistake ("failure by omission"). We bought Apple shares again. The positive change in the capital structure (Event) continues unabated. Apple is willing to expand the distributions to USD 200 billion by March 2017. Our assessment of the quality of the well-managed and attractively-valued business model (Value) has improved. While two years ago we were still unsure whether an "abundance of new competitive products" would put pressure on future earnings and margins, we now see Apple as a provider of a superior network. Super-

rior products are made superior by the fact that as incomes increase, demand for these products increases disproportionately to the increase in income. Apple created such a network of luxurious communications and entertainment electronics with the introduction of the iMac (1998), iPod (2001), iTunes (2003), iPhone (2007), App-Store (2008), iPad (2010), CarPlay (2014) and the iWatch (2015). It is increasingly becoming a fixture in our lives. This success is based on the ability to concentrate on just a few products, simplify their complexity and handling, offer only the best in the market and set the trend with a courageous innovation culture. The next steps are indicated in the area of home monitoring and auto-mobility.

According to Statista.com, Apple is the most valuable brand in the world at USD 247 billion. The company has an impressive ability to set prices. During the first nine months of the business year, which ended on 30 September, Apple generated sales revenues of USD 182 billion and approximately USD 42 billion in profits. The iPhone, which forms the nucleus of this success, generated two-thirds of earnings with 123 million units sold. At the same time, the average share price set a new record at USD 670. And the trend continues unabated. The new iPhone 6s was released on 25 September 2015. Three days later, Apple reported a new record of 13 million units sold. We have now added the growth of an attractively-valued winner company to our portfolio.

Sincerely yours



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Dr. Uwe Rathausky