

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.

McDonald's Corporation

The company from Illinois (US), which was founded in 1940, is the world's top-selling chain restaurant. Every day, more than 60 million people in 117 different countries visit one of the company's 32,461 fast food restaurants. What makes McDonald's so different from most other companies is that it offers all of the characteristics that make it a "winner". It has been able to continuously increase its operating earning power by growing sales revenues and improving its operating margin. Since opening the first restaurant outside of the US in 1967, the company has added another 18,467 restaurants around the globe. With one restaurant per 22,000 inhabitants in the US, and 60,000 in Germany, this statistical benchmark increases to 0.3 million inhabitants in Brazil. The numbers in Russia (0.6 million), India (12.8 million) and China (1.1 million) highlight McDonald's considerable growth potential in just the BRIC states alone. Only 7% of restaurants have been opened in these countries.

In the meantime, McDonald's has increased its share of franchise restaurants to 81%. This contributes to improving the high operating margin, as do the company's efforts to continuously optimise processes, along with consistently higher sales revenues per branch location. The company's operating strategy can be described as "Plan to Win". It addresses the needs of customers via a marketing mix

(People, Place, Price, Promotion and Product). McDonald's also adapts to new trends by changing and expanding its product range (frappés, smoothies, wraps) and new business segments (McCafé). It has shed its image as a fast food outlet. Current health trends are addressed with salads, low-fat products, high-quality ingredients, nutritional information and organic milk.

McDonald's is a good capital allocator that benefits from its consumer monopoly position and consistently generates very high rates of return on equity. The company generated earnings of USD 11.80 per share between 2004 and 2008, of which USD 6.45 per share were retained. Over the last five years, earnings per share have grown by USD 2.31 per share, or 18% annually to USD 4.11 per share. This means that retained earnings in 2009 generated an extraordinarily high internal yield of 36%. Another contributing factor in this regard is the buy-back of own shares. In the last five years alone, the company bought back 15% of outstanding shares from retained earnings. Dividend distributions grew by 30% p.a. during the same time period.

We view McDonald's as an equity bond with a growing coupon. The initial rate of return is 6%. We expect that it will grow at a double-digit rate per year.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky