

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.

IBM Corporation

Over the last 100 years, IBM has been playing a key role as a motor of progress. Whether hard drives, computers, laser printers, notebooks, barcodes, ATMs or the development of semiconductor chips: numerous achievements of modern living can be traced back to the innovative power of this US company, which was founded on 16 June 1911. For 19 years in a row, IBM has been the company with the most patent applications worldwide. Annual investments into research and development of 6 billion dollars are the result of a focus on innovation and basic scientific research. The company's corporate culture is behind the creative power that continuously increases benefits to customers and IBM's value.

Following an impressive transformation of the business model during the last decade, IBM is now one of the world's largest consulting and software companies. Every year, the company sells 85 billion dollars of high-margin software products and services, such as the operation of complete IT infrastructures and the design/transfer of business processes. Only 20 billion dollars are generated with low-margin server and storage solutions, and another 2 billion dollars with financing solutions. Today's business model is characterised by recurring and organically growing sales revenues, low capital requirements and high profitability. Since 2000, profits after taxes grew by approximately 6% per year to 16 billion dollars in

2011 - without increasing the company's minimal debt levels. During the same time period, earnings per share have grown by 10% and dividends per share by 19% annually.

This development is the result of an excellent capital allocation. Since 2000, the company has invested 81 billion dollars into the business model and distributed 133 billion dollars to shareholders through dividends (22 billion) and share buybacks (111 billion). This has reduced the number of outstanding shares by 33% to 1.2 billion shares. An impressive aspect in this context is the commitment with which management has implemented its plans.

The Road Map 2015 likewise provides for clear steps to accelerate growth and increase profitability. The steps are accompanied by an intention to distribute up to 18 billion dollars annually, approximately one twelfth of current market capitalisation, to shareholders.

Because of the attractive valuation, own shares at a value of three billion dollars are bought back every quarter. At the moment, every fifteenth share that is traded on the stock exchange is purchased and retired to ensure an accelerated growth in earnings per share. The longer IBM is able to buy back shares at this rate, the more we will benefit from this in the coming years.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky