

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 presented Apple in our Investment Report back in May 2013 and again in September 2015. Since then, the company has experienced outstanding growth. The network of communication and entertainment electronics created with the introduction of iMac (1998), iPod (2001), iTunes (2003), Apple TV (2006), iPhone (2007), App-Store (2008), iPad (2010), CarPlay (2014), iWatch (2015) and HomePod (2017) is becoming increasingly valuable. Their products and services are playing an increasingly important role in people's everyday lives. The customer base is growing and spending more and more money in the Apple ecosystem. iTunes and the App Store are today two of the world's largest distribution channels for digital products. In combination with AppleCare, Apple Pay and licensing, they already pump one out of every six dollars into the US company's coffers. In September, the company posted record figures for the 2018 financial year, in which the two billionth device with the iOS operating system was delivered (table).

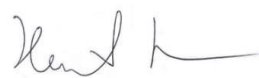
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|------------|------|------|------|------|------|------|
| Revenue | 266 | 229 | 216 | 234 | 183 | 171 |
| Net income | 60 | 48 | 46 | 53 | 40 | 37 |
| EPS | 11.9 | 9.2 | 8.3 | 9.2 | 6.5 | 5.7 |

Net income climbed 23% to USD 60 billion. Earnings per share developed even more positively, rising 29% to USD 11.9 on massive


share buybacks. In the course of the year, the company acquired treasury shares worth USD 73 billion at an attractive valuation level. Apple's earnings power is enormous. Although Apple does not even have a 20% share of the smartphone market, it generates more than 80% of global profits in this segment.

Apple's price-setting power is based on innovation and the ability to focus on a limited number of products featuring a high level of technical craftsmanship, while reducing their complexity and offering only the best-in-class on the market. The Apple Stores play an important role in this context. This is where the company literally celebrates its products, which are increasingly perfectly coordinated with a common operating system. This business strategy originated in the luxury goods industry. Apple inspires a sense of desire and combines this with a kind of meta-scarcity. They sell huge quantities, but their products can only be afforded by a small fraction of the world's population. Writer Scott Galloway sees this as an instinctive urge to use the acquisition of luxury items as a way to transcend the human condition, to feel closer to divine perfection, and to appear more attractive to potential sexual partners. Apple succeeds in making the act of spending money an experience in itself. As a luxury brand, Apple is the first technology company that has the chance to be successful in the long run. Warren Buffett has been an Apple shareholder since 2016 and claims that he would like to own 100% of the shares.

Sincerely yours



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