

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 2013, 2015 and 2018. Since then, the company has experienced outstanding growth. The ecosystem that has developed around the introduction of the iMac (1998), iPhone (2007) and iPad (2010) is becoming increasingly valuable. The sales figures for the three core products, which sold more than 250 million units in the financial year to the end of September 2019, have reached natural growth limits, but at USD 189 billion still constitute the backbone of sales. However, their significance is diminishing. The Services and Wearables segments now account for USD 71 billion (27%) of sales (table).

	2019	2018	2017	2016	2015
iPhone/iPad/iMac	73%	78%	80%	84%	87%
Services	18%	15%	14%	11%	9%
Wearables	9%	7%	6%	5%	4%

In addition, the gross profit margins generated by Services (67%) are significantly higher than those achieved by Products (32%). Both categories are becoming increasingly relevant in people's everyday lives. The customer base is growing and it is spending more money within the offerings of the Apple ecosystem. The Services segment, which includes various app stores, iTunes, Apple Care, Apple Pay and licences, was expanded in 2019 to include Apple Card (credit card), Apple TV+ (video-on-demand service), Apple News+ (magazines,

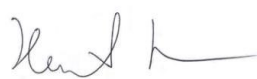
newspapers, news) and Apple Arcade (computer games). The Apple Pay payment system has gained particular momentum. Apple processed more than 3 billion transactions in the past quarter alone. This is twice as much as in the previous year. The Wearables, Home and Accessories segment includes Apple TV, Apple Watch, iPod, HomePod, Beats and AirPods. The line also includes fitness trackers, sports products and options for sleep and health monitoring.

Apple's profit was negatively impacted in the last financial year by a reduction in iPhone sales volume of around 15% to 185 million units (table, non-GAAP).

	2019	2018	2017	2016	2015
Profit in billions	55	60	48	46	53
Number of shares in billions	4.44	4.75	5.13	5.34	5.58
Earnings per share	12.4	12.5	9.4	8.6	9.6

The first 5G variants to be launched in 2020/2021 could once again have a positive impact on sales. The first augmented reality glasses are expected to be ready for the market in 2023. Nonetheless, we are confident that Apple's earnings per share will again pick up significantly in the next few years thanks to the strong operating momentum combined with massive share buybacks. 20% of all outstanding shares were bought back in the last four years alone.

Sincerely yours



J. Henrik Muhle



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