

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.

P&I Personal & Information AG

As a provider of integrated software solutions for human resource management the Wiesbaden, Germany-based P&I AG has been operating in the market for over 40 years. With the two segments of payrolling and personnel and time management the product portfolio covers all the main human resources processes. Some 3,000 clients use P&I's payrolling software to process close to 5 million payroll transactions a month in a total of fourteen different European countries. With a market share of 11%, P&I is the third largest provider in the small and mid-sized enterprise (SME) segment in Germany after SAP and DATEV in terms of revenue.

P&I AG has a well-established and very high quality business model. The 2009/2010 financial year closed with yet another record result. Out of each of the 63 million euro of revenues earned roughly 20 cent is left as free cash flow. The maintenance, consulting and licensing segments all contribute to this.

The recurring maintenance business accounts for almost 40% of revenues. The relative weight of the maintenance revenues is the result of the highly profitable sale of licenses in previous years. The growth in maintenance revenues in turn results in a continuous improvement in profitability because the cost of maintaining the software is virtually independent of the number of customers served.

Despite the robustness and high profitability of the business model, the share price plunged 50% after the failure of the investment bank Lehman Brothers in September 2008. With the exit of the Carlyle Group as principal shareholder in August 2007 and the placement of 67% of the share capital of P&I AG with 34 institutional investors, the stock fell into "weak hands".

We took advantage of the sell-off prices and in spring 2009 weighted P&I AG as the biggest equity position at 7% of the fund's assets. Our investment was supported by two key events (positive changes in the capital and shareholder structure) which drove up its value. Firstly, P&I AG used its high cash resources profitably. Since 27 October 2008 it continuously bought back own shares. Secondly, the Carlyle Group, as new and old principal shareholder, acquired 29% of the share capital of P&I AG. It continued to build up this equity interest until finally on 7 December 2010 it controlled 75% of the share capital so as to be able to conclude a control and profit transfer agreement with P&I AG.

In the course of this process we sold off our shares. Although we added to our position in the stock over the last two years, its weighting as a percentage of the fund's total assets sank as a result of the fund's growth. We were able to almost double the capital we invested.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky