

**We invest in winners.** This 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.

### Microsoft Corporation

We have held investments in Microsoft for more than ten years. The acceleration in the networking of business and society due to the pandemic has given a further boost to the technology giant's already high-growth and high-earnings business model. The US company reported new record figures and billions in profits for the past financial year ending on 30 June 2021 (table).

	2021	2020	2019	2018	2017
Sales in billions USD	168	143	126	110	97
Operating margin	42%	37%	34%	32%	30%
EAT, in billions USD	62	44	39	17	25
EPS, in USD	8.05	5.76	5.06	2.13	3.25

Satya Nadella laid the foundation for this dynamic in February 2014. In his first employee email as CEO of Microsoft ("Our industry does not respect tradition - it only respects innovation."), he made it clear how much he was willing to change the strategy and culture of the company. He wanted Microsoft to win back the magic it had lost with customers under his predecessor Steve Ballmer. He dropped the role of defender of Windows and Office. Microsoft saw its future role as a challenger that would put cloud computing and artificial intelligence centre stage. Nadella launched the company's own products for the third-party iOS and Android operating systems.

He made the Azure cloud platform the core product, and it is now used by most Fortune 500 companies. The focus is also on office (Office 365), enterprise (Dynamics 365), communications (Teams, LinkedIn) and gaming (Xbox) applications. Most recently, the company unveiled Microsoft Mesh, a new platform for mixed reality applications that facilitates entirely new forms of digital collaboration. Microsoft has regained its status as an innovation and technology leader while simultaneously benefiting from huge network effects and extremely low variable costs in product scaling to increase margins. Over the course of Nadella's tenure from 2014 to 2021, Microsoft generated USD 31 per share after taxes, of which USD 13 were distributed and USD 18 retained. Earnings per share have risen by USD 5.4 (17% p.a.) to USD 8.1 over the same period. As a result, retained earnings generated an internal rate of return of 30% in 2021. Nadella's capital allocation is effective and enormously profitable. It far exceeds the 12% that Steve Ballmer managed to achieve. The company is also targeting double-digit revenue growth in the future. This is not a surprise: Entire economies around the world are setting out to migrate their IT processes to the Internet. Along with Amazon and Alphabet, Microsoft is the key cloud infrastructure service provider to make this endeavor a success. This means that Microsoft is still a core investment in our fund. The current yield from dividends and share buybacks is now 2.5%.

Sincerely yours



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