

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.

Alphabet Inc.

Since it was founded in 1998, technology company Alphabet (formerly Google) has become an integral part of our professional and private activities. The company's nine core products alone each have more than one billion active users per month: Android (operating system), Chrome (web browser), Gmail (e-mail service), Google Drive (file hosting), Google Maps (online map service), Google Play (app store), Google Photos (photo and video storage), Google Search (search engine) and YouTube (video portal). They are symbolic of the company's mission to organize the world's information and make it universally accessible. This allows Alphabet to grow continuously, with high profitability and without a large capital investment (table).

	2021	2020	2019	2018	2017
Sales in billions USD	258	183	162	137	111
EBIT in billions USD	78	41	34	28	26
ROCE	36%	23%	22%	22%	27%

Adjusted for cash, cash equivalents and securities, which total USD 137 billion, Alphabet achieves very high operating margins in relation to total capital employed (ROCE). The strong increase in returns over the past year reflects the enormous growth combined with the high degree of scalability of the business model. Advertising revenues remain dominant on the revenue side. They correlate with worldwide internet usage and are driven by

growth, i.e. an increase in worldwide clicks (paid clicks) with a simultaneous disproportionately low decline in income per click (cost-per-click), which increased again for the first time in 2021, as well as very low production costs, which are calculated as the TAC rate (traffic acquisition costs), i.e. payments for network and distribution partners in relation to advertising revenues (table).

	2021	2020	2019	2018	2017
Δ Paid clicks	23%	19%	23%	62%	54%
Δ Cost-per-click	15%	-10%	-7%	-25%	-21%
TAC rate	22%	22%	22%	23%	23%

Thanks to cloud services (Cloud Platform, Workspace), Google Play, YouTube Premium/TV as well as Nest (smart home), Pixel (laptops, smartphones) and Fitbit (Wearables), Alphabet is already generating 19% of its revenues independent of advertising (table).

	2021	2020	2019	2018	2017
Advertising revenues	81%	81%	83%	85%	86%
Other revenues	19%	19%	17%	15%	14%

Alphabet is an innovative digital winner with significant brand equity and powerful network effects. We view the share as a debt-free equity bond with growing coupons and permanent cash value protection. The valuation is favourable. The earnings yield is 5%. As such, Alphabet remains a solid, long-term core position in our fund.

Sincerely yours



J. Henrik Muhle



Dr. Uwe Rathausky

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