JPMorgan Chase

The most important bank in the world?

JPMorgan Chase was formed in 2000 through the merger of Chase Manhattan Bank and J.P. Morgan & Co. In mid-2004, it acquired Capital One, then the fifth-largest U.S. bank, and its CEO, Jamie Dimon, has since served as President and CEO of the combined company.

During the 2008 financial crisis, JPMorgan Chase first took over Washington Mutual, the largest U.S. savings bank at the time, and later the investment bank Bear Stearns, both of which were saved from impending bankruptcy. Since then, JPMorgan Chase has been the largest U.S. bank by revenue. It is subject to special oversight and stricter capital requirements because the Financial Stability Board classifies it as one of the 30 systemically important banks, and it holds the top position as the most systemically important bank in the world.

The banking giant operates globally and is regarded as a model institution with strong risk management. JPMorgan excels in investment banking and capital markets and is also a leader in digitalization.

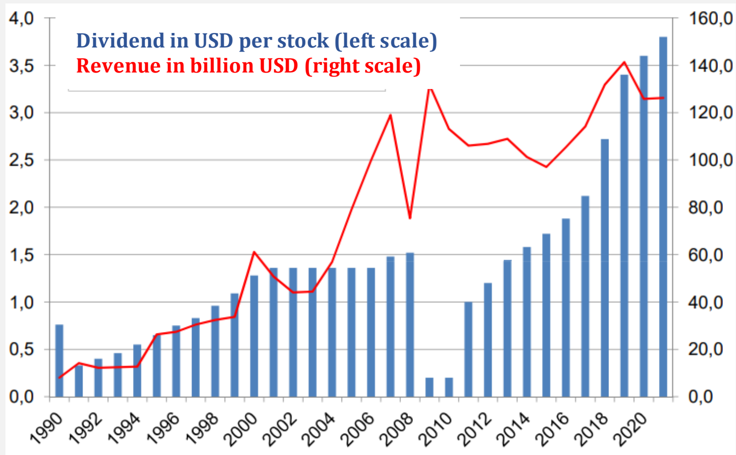
Interest Rates and Capital Markets

The development of interest rates and the capital markets have a significant impact on business. For years, declining interest rates led to a shrinking interest margin, reducing profits. However, the U.S. Federal Reserve's interest rate reversal has now triggered the opposite effect, allowing the bank to earn significantly more from lending while avoiding equally substantial and costly rate hikes on savings deposits.

On the other hand, rising central bank interest rates are increasingly weighing on the economy, reducing loan demand and increasing the risk of loan defaults. As a result, JPMorgan Chase must set aside higher provisions, which negatively affect its earnings. Another side effect of rising rates is declining stock market prices, leading to lower corporate takeover activity and, consequently, reduced fees in the bank's M&A business.

While earnings in asset management and investment banking are declining in the current environment, they are rising in credit card and trading fees. JPMorgan Chase remains the undisputed market leader in this area, particularly earning strong and consistent interest income from the popular credit card business in the U.S.

Dividend and Revenue since 1990



JPMorgan Chase has always been a reliable dividend payer, with the exception of the financial crisis. Even in 2009 and 2010, the bank maintained a minimum dividend payout of 5 cents per share per quarter. Since resuming regular dividend payments in 2011 at $0.25, the dividend has since quadrupled, with an average annual increase of 14% over the past five years.

The payout ratio is around one-third of earnings, which ensures it is well-covered while also providing room for future dividend increases.

JPMorgan Chase

Profitability

Among the largest U.S. banks, JPMorgan Chase boasts the highest net profit margin, even though it has declined from 30% to 24% since the end of 2020. Correspondingly, the bank's return on equity (ROE) is also leading at 13.7%. This is particularly impressive given that its Tier 1 capital ratio, at 14%, is the highest among U.S. banks, further underscoring the bank's financial strength.

JPMorgan Chase regularly pays dividends, and over the past decade, despite the sometimes challenging environment for the banking sector, these payouts have consistently increased. At the same time, significant funds are allocated to stock buybacks, which generally support the stock price and increase earnings per share.

Key Figures

ISIN	US46625H1005
Country	USA
Industry	Banking
Market Capitalization	385.34 billion USD
Performance over the last 10 years	+344%
Revenue Growth 5 Years p.a.	+4.9%
Earnings Growth 5 Years p.a.	+19.8%
Free Cash Flow Growth 5 Years p.a.	+31.1%
Equity Ratio 5-Year Avg.	10.1%

Dividend Data

Payout Interval / Month	Quarterly / Feb.-May.-Aug.-Nov.
Dividend Last Fiscal Year	3.80 USD
Dividend Yield Last Fiscal Year	2.80%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+5.6%
Dividend Growth 5 Years	+102.1%
Payout Ratio 5-Year Avg.	31.1%
Foreign Withholding Tax (Reduced to an applicable 15% when deposit bank is registered as a "Qualified Intermediary")	30%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (USD)	3.80	4.00	4.20	4.50	4.66
Dividend Yield	2.80%	2.95%	3.10%	3.32%	3.44%
Earnings per Share (USD)	15.37	11.66	12.80	13.75	14.55
P/E Ratio	8.8	11.6	10.6	9.9	9.3
Revenue (in billion USD)	126.22	129.20	139.99	141.92	150.48

Novartis

Biotechnology and pharmaceutical stock from Switzerland

Novartis AG was formed in 1996 through the merger of the specialty chemicals company Ciba-Geigy and Sandoz. In the following years, the specialty chemicals and agricultural sectors were divested, so the Swiss company is now structured as a biotechnology and pharmaceutical conglomerate. With a market capitalization of around 200 billion Swiss francs and annual revenues of nearly 52 billion dollars, it ranks among the world’s leading pharmaceutical companies.

Novartis divides its business into two main segments: Innovative Medicines and Sandoz. The Innovative Medicines segment focuses on patented drugs, while Sandoz consolidates the group's generics activities, dealing with medications that are no longer under patent protection.

Patented Drugs

The core business of Novartis consists of patented drugs. This segment accounts for approximately 80% of the company’s revenue and nearly 90% of its profits. In contrast, generics contribute about one-fifth of the revenue and 10% to the overall profit.

Corporate Restructuring

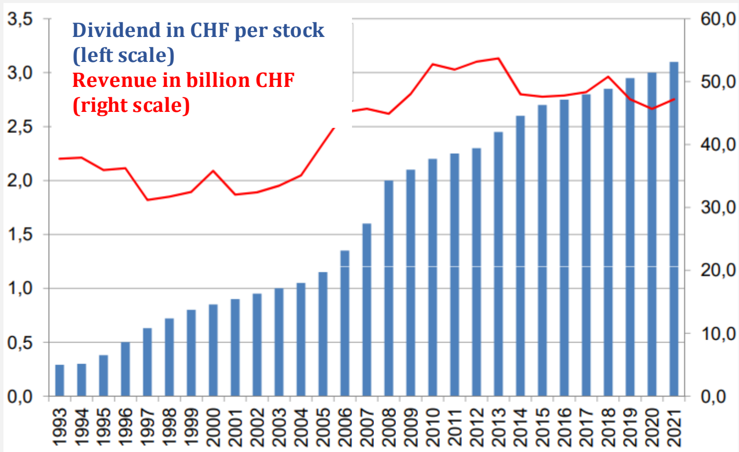
The company has been undergoing a significant transformation in recent years. On one hand, non-core areas such as animal health, the vaccine business, antibiotic research, and its stake in the major competitor Roche have been divested. On the other hand, a series of acquisitions has been made to enhance expertise in areas such as cell therapy, gene therapy, RNA therapy, radioligand therapy, and protein therapy.

Future: Drug Pipeline

Novartis forecasts that its drug pipeline has an estimated revenue potential of at least $20 billion. The company aims to use this potential to offset or even exceed any potential revenue losses from expiring patents by 2026.

Initial signs of success from the restructuring are evident, although the turnaround does not yet seem complete. After years of stagnating revenue, growth in both revenue and operating profit is projected for the current fiscal year in the mid-single-digit range. Key medications such as the heart drug Entresto, the cholesterol-lowering drug Leqvio, and the MS treatment Kesimpta have recently performed better than expected. These are promising indicators for the coming year.

Dividend and Revenue since 1990



Despite the challenges in recent years, Novartis has been a solid dividend payer, and most stock analysts expect the dividends to continue increasing in the coming years.

The dividend has been consistently raised over the past 25 years, with an average annual growth rate of 9.6% over the last decade. However, the relatively high payout ratio, averaging 59.5% over the past five years, suggests that substantial increases may be limited. Nevertheless, the current dividend yield of approximately 3.7% is already relatively attractive.

Novartis

Spin-Off of the Generics Division?

Sandoz is under significant competitive pressure and has recently contributed less to Novartis's overall success. After a year of evaluation, Novartis has decided to spin off the generics division and list it as an independent company on the Swiss stock exchange. Sandoz, a global leader in biosimilars that includes brands such as Hexal and 1A-Pharma, is the third-largest generics manufacturer in the world, after the U.S. company Viatris and Israel's Teva Pharmaceuticals, and the largest in Europe. The spin-off is scheduled to be implemented by mid-2023 and could provide new momentum for Novartis.

Key Figures

ISIN	CH0012005267
Country	Switzerland
Industry	Pharma
Market Capitalization	185.85 billion CHF
Performance over the last 10 years	+134%
Revenue Growth 5 Years p.a.	-0.2%
Earnings Growth 5 Years p.a.	-13.7%
Free Cash Flow Growth 5 Years p.a.	+5.7%
Equity Ratio 5-Year Avg.	57.5%

Dividend Data

Payout Interval / Month	Yearly / March
Dividend Last Fiscal Year	3.10 CHF
Dividend Yield Last Fiscal Year	3.68%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+3.3%
Dividend Growth 5 Years	+12.7%
Payout Ratio 5-Year Avg.	59.5%
Foreign Withholding Tax (15% automatically credited, remainder refundable upon request)	35%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (CHF)	3.10	3.32	3.37	3.58	3.63
Dividend Yield	3.68%	3.94%	4.00%	4.25%	4.31%
Earnings per Share (CHF)	9.79	6.00	6.37	6.89	7.17
P/E Ratio	8.6	14.1	13.2	12.2	11.8
Revenue (in billion CHF)	47.20	50.98	51.91	53.51	53.79

Lockheed Martin

Beneficiaries of Rising Defense Spending

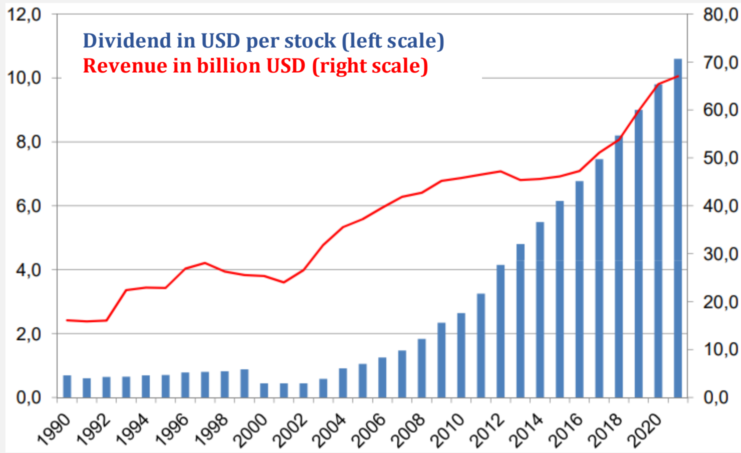
Lockheed Martin is the largest defense contractor in the world, specializing in the development, manufacture, and marketing of aerospace, submarine, and space systems. The Lockheed Martin Corporation was formed in March 1995 through the merger of Lockheed Corporation and Martin Marietta Corporation.

The flagship product in the defense sector is the stealth multirole fighter jet, the F-35. In addition to the F-35, the company also produces fighter bombers, reconnaissance aircraft, transport planes, and helicopters. Notable products include the Trident intercontinental ballistic missiles and the Patriot missile defense systems. In the space sector, Lockheed is also a leading provider. The commercialization of space has been significantly driven by private companies such as SpaceX, founded by Elon Musk, Blue Origin, led by Jeff Bezos, and Virgin Galactic, established by Richard Branson. This trend has dramatically reduced costs and opened up new application possibilities. Among Lockheed's notable contributions is the Hubble Space Telescope. The company is also at the forefront of laser technology, researching new laser weapons that are intended to be more precise, faster, and cost-effective compared to traditional weapon systems. Additionally, the drone sector is expected to offer substantial growth opportunities.

Main Customer is the U.S. Government

The heavy reliance on the U.S. military is both a blessing and a curse for Lockheed Martin, as the U.S. government accounts for approximately 70% of the company's revenue. The U.S. defense budget, the largest military budget in the world, ensures a steady stream of income. However, this dependency also means that Lockheed is heavily reliant on individual defense contracts, which can span many years. Additionally, the effort required for research and development is substantial, necessary to maintain its position as a leader in technological advancements.

Dividend and Revenue since 1998



Lockheed Martin is on track to become a dividend aristocrat. There has been no dividend cut in the past 21 years, and the payout has been increased annually for the last 19 years, with an average increase of nine percent per year over the past five years.

The payout ratio, at just under 42%, is low enough to allow for further dividend increases, even if profits stagnate in a given year. This could occur if major defense contracts experience delays beyond the fiscal year. Forecasts predict continued increases in dividends.

Globally Rising Military Spending

Defense contractors are significant beneficiaries of the Ukraine war. Governments around the world are increasing their defense budgets, and even European NATO countries, which have traditionally been more reserved, are placing a renewed emphasis on national defense. Additionally, many outdated weapon systems are being supplied to Ukraine and must be replaced with modern systems. This will drive and sustain demand for many years, as will the increasing global tensions between China and the U.S. or in the Arab world.

In addition to selling new weaponry, these systems require regular maintenance to remain operational. Lockheed Martin profits from this as well, with revenue from maintenance, repair, and material replacement growing as more weapons are sold.

Significant Barrier to Entry

The number of suppliers is limited due to high barriers created by primarily government clients. This applies to the defense, aerospace, and space sectors. New competitors find it difficult to establish themselves, which protects the established players. Additionally, the industry is consolidating through acquisitions. For example, Lockheed Martin acquired helicopter specialist Sikorsky Aircraft in 2015.

Key Figures

ISIN	US5398301094
Country	USA
Industry	Defense Industry
Market Capitalization	128.10 billion USD
Performance over the last 10 years	+597%
Revenue Growth 5 Years p.a.	+7.2%
Earnings Growth 5 Years p.a.	+5.2%
Free Cash Flow Growth 5 Years p.a.	+13.3%
Equity Ratio 5-Year Avg.	-1.5%

Dividend Data

Payout Interval / Month	Quarterly / Mar.-Jun.-Sep.-Dec.
Dividend Last Fiscal Year	10.60 USD
Dividend Yield Last Fiscal Year	2.17%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+8.2%
Dividend Growth 5 Years	+56.6%
Payout Ratio 5-Year Avg.	48.2%
Foreign Withholding Tax (Reduced to an applicable 15% when deposit bank is registered as a "Qualified Intermediary")	30%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (USD)	10.60	11.40	12.20	12.88	13.54
Dividend Yield	2.17%	2.33%	2.50%	2.63%	2.77%
Earnings per Share (USD)	22.77	21.66	27.04	28.60	29.18
P/E Ratio	21.5	22.6	18.1	17.1	16.8
Revenue (in billion USD)	67.04	65.26	65.59	67.61	69.70

Munich Re

The largest reinsurer in the world

Munich Re was founded in 1880 and has been operating under the international label Munich Re since 2009. Munich Re is a German primary and reinsurance company and, based on premium income, is the largest reinsurer in the world.

The reinsurance segment contributes the majority of the company's business, while in the primary insurance sector, Munich Re operates as the parent company of the Ergo Insurance Group. This group previously included the insurance companies D.A.S, Hamburg-Mannheimer, DKV, and Victoria.

Primary Insurance

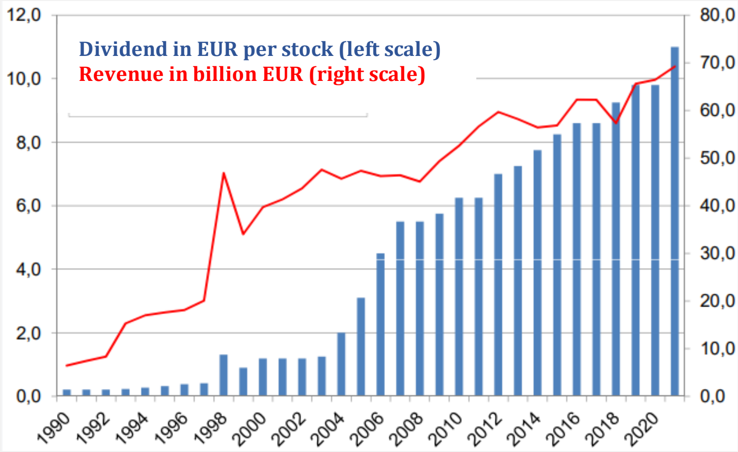
In primary insurance, risks are covered for customers, and premiums are set to be as adequate as possible. This is a relatively straightforward business model focused on numbers and probabilities. The insurance company collects regular premiums from all its policyholders and pays out claims to individual customers. Ideally, the company achieves a surplus, which it then retains as profit.

Additionally, there is often a significant time gap between the payment of premiums and the disbursement of insurance benefits. During this period, the insurance company can invest the funds to its advantage, managed by Munich Ergo Asset Management GmbH. Warren Buffett is known for his appreciation of the insurance business model and the "float" it generates, which forms the backbone of his significant investment success.

Reinsurance

Reinsurance is fundamentally similar to primary insurance, but instead of insuring individuals, companies, or states, reinsurance involves insurance companies themselves. These insurers transfer portions of the risks they cover to other insurers to spread the risk. As a result, even major catastrophes like Hurricane Katrina or the Fukushima nuclear disaster no longer derail insurance companies, as the burden is distributed across many shoulders.

Dividend and Revenue since 1990



The dividend development at Munich Re has generally been upward. For the past 28 years, the dividend has not been cut, although there hasn't been an increase every year.

Over the last five years, the average annual dividend growth has been 5.9%, with the payout ratio approaching its upper limit at nearly 73% over this period. This is primarily due to weaker profit years in 2020 and 2017, which have lowered the average.

The stock is at a 20-year high, and therefore the dividend yield is relatively low at around 3.6%.

Premium Growth and Claims Incidence

The profits of reinsurance companies can fluctuate significantly depending on the occurrence of major loss events. For example, the recent flooding disaster in Germany triggered substantial payouts, impacting the results of reinsurers. On the other hand, this increased claims activity forms the basis for the level of insurance premiums in the following year. This results in higher premium income, which, in the absence of even larger claims, can lead to substantial profit increases in the subsequent year.

As long as an insurance company does not make severe miscalculations, it can relatively safely and steadily earn money in this sector. A negative example is the world's largest insurance company, AIG, during the 2008/09 real estate crisis, when it was the only company worldwide offering mortgage default insurance (CDS) for subprime bonds. These defaulted all at once, leading AIG to face insolvency and require government support.

A Workhorse, Not a Racehorse

Insurance companies, particularly Munich Re, are not racehorses when it comes to revenue and profit growth; rather, they are solid workhorses. They form the foundation of a balanced dividend portfolio.

Key Figures

ISIN	DE0008430026
Country	Germany
Industry	Insurance
Market Capitalization	41.73 billion EUR
Performance over the last 10 years	+264%
Revenue Growth 5 Years p.a.	+3.0%
Earnings Growth 5 Years p.a.	+5.3%
Free Cash Flow Growth 5 Years p.a.	+10.8%
Equity Ratio 5-Year Avg.	10.5%

Dividend Data

Payout Interval / Month	Yearly / Apr.
Dividend Last Fiscal Year	11.00 EUR
Dividend Yield Last Fiscal Year	3.64%
Dividend Increases / Decreases in the Last 10 Years	8 / 0
Dividend Growth 1 Year	+12.2%
Dividend Growth 5 Years	+27.9%
Payout Ratio 5-Year Avg.	72.9%
Foreign Withholding Tax (this rate may be reduced or eliminated if there is a double taxation agreement (DTA) between Germany and the recipient's country of residence)	26.375%

Forecasts

Figures	2021	2022e	2023e	2024e	2025e
Dividends (EUR)	11.00	11.55	12.15	12.78	13.75
Dividend Yield	3.64%	3.83%	4.03%	4.23%	4.56%
Earnings per Share (EUR)	20.93	23.73	29.52	32.23	34.60
P/E Ratio	14.4	12.7	10.2	9.4	8.7
Revenue (in billion EUR)	69.23	66.66	69.18	73.04	76.17

Cisco Systems

The Infrastructure for Digitalization

Cisco Systems is the global leader in network infrastructure. Its hardware, such as routers and switches, forms the backbone of the internet and ensures smooth digital data flow. In 2000, when the internet was still in its infancy, Cisco briefly became the most valuable company in the world. However, when the dot-com bubble burst, Cisco's stock lost much of its previous gains and has not reached a new all-time high since. This is partly because modern networks are now driven not only by hardware but also primarily by software. Cisco struggled to keep up in this area for a long time, losing ground to newer and younger competitors.

More than two-thirds of Cisco's revenue still comes from product sales, although the share of services is steadily increasing. Cisco is particularly focused on expanding its software and cybersecurity business and has seen increasing success in these areas. However, the company has not yet been able to compensate for declining trends in its core router and switch business, resulting in long-term revenue stagnation. Since 2013, revenue has increased by an average of only six percent, despite numerous acquisitions, some worth billions, in its new business areas.

Huawei Ban

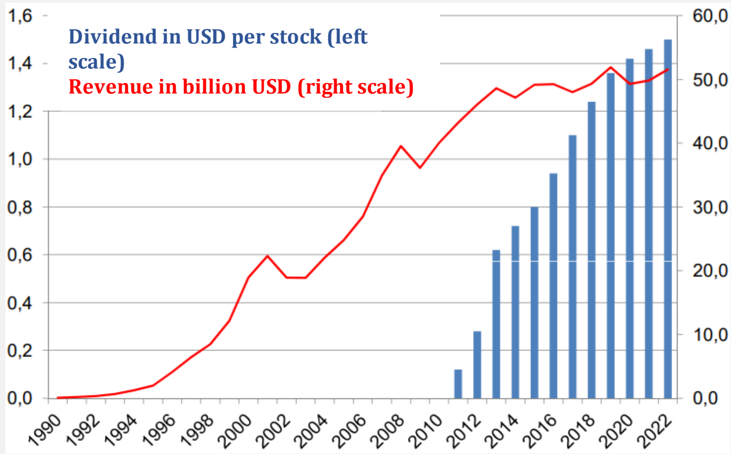
Wit In recent years, Chinese companies have increasingly encroached on Cisco's territory, with Huawei being particularly targeted by security concerns from the US and other Western countries. Under President Trump, Huawei was blacklisted due to its close ties with the Chinese military, leading to its exclusion from bidding on network equipment contracts, including for the new 5G mobile standard.

Under President Biden, the ban continues, as the Federal Trade Commission (FTC) imposed a prohibition on the import and sale of Huawei devices in the US at the end of 2022. Cisco, as a leading manufacturer in Western countries, stands to benefit from this situation, especially since its own business in China has diminished significantly.

Increasing Profit Margin

Since 2013, Cisco has become a cash machine and an expert in capital allocation. Despite stagnant revenues, Cisco has steadily increased its share of recurring revenues and continuously improved its margins, with the profit margin growing from 23 percent in 2013 to 27 percent today.

Dividend and Revenue since 1990



Cisco Systems has been paying a dividend for only eleven years, but it has been continuously increased since then. Over the last five years, the dividend growth has been 36.4%, or about six percent per year.

The payout ratio, recently at 53%, is in a healthy range and well below the five-year average. Additionally, the increasing cash flow signals potential for further dividend increases, despite the also significant stock buyback rate.

Cisco Systems

High Shareholder Return

Cisco uses its substantial and steadily increasing financial resources for acquisitions, attractive dividends, and extensive stock buybacks. Over the past ten years, the average annual dividend growth has been 187%, while an $18 billion stock buyback program is ongoing. Additionally, the stock price has seen an average annual increase of ten percent in recent years, resulting in a shareholder return from price appreciation and dividends that is significantly above average.

Key Figures

ISIN	US17275R1023
Country	USA
Industry	Tech
Market Capitalization	197.88 billion USD
Performance over the last 10 years	+218%
Revenue Growth 5 Years p.a.	+1.4%
Earnings Growth 5 Years p.a.	+8.1%
Free Cash Flow Growth 5 Years p.a.	-0.2%
Equity Ratio 5-Year Avg.	39.7%

Dividend Data

Payout Interval / Month	Quarterly / Jan.-Apr.-Jul.-Oct.
Dividend Last Fiscal Year	1.50 USD
Dividend Yield Last Fiscal Year	3.11%
Dividend Increases / Decreases in the Last 10 Years	10 / 0
Dividend Growth 1 Year	+2.7%
Dividend Growth 5 Years	+36.4%
Payout Ratio 5-Year Avg.	65.9%
Foreign Withholding Tax (Reduced to an applicable 15% when deposit bank is registered as a "Qualified Intermediary")	30%

Forecasts

Figures	2022	2023e	2024e	2025e	2026e
Dividends (USD)	1.50	1.55	1.59	1.64	
Dividend Yield	3.11%	3.22%	3.30%	3.40%	
Earnings per Share (USD)	2.82	3.55	3.81	3.98	
P/E Ratio	17.1	13.6	12.6	12.1	
Revenue (in billion USD)	51.56	54.45	56.50	57.92	