Intrinsic Fund (ISIN DE000A2N68Z3)
Full-Year Report 2025 of the Subadvisors CL Capital GmbH

Dear Co-Investors,

the performance of the Intrinsic Fund for 2025 was +3.9% after all fees. The NAV, as of December 30, 2025, was €200.4. The DAX achieved a return of +23.0% in 2025. Since the launch of the Intrinsic Fund on March 29, 2019, the fund has achieved an annualised performance after all fees of +10.8%. During the same period, the DAX increased by an average of +11.8% per year.

The 2025 Full-Year Report of the Intrinsic Fund first provides an overview of the portfolio structure and performance. Then I use our largest holdings to illustrate how these companies invest early in their next phase of growth—even when those decisions are not yet reflected in reported results. The same principle underpins my own research process. The Intrinsic Fund's first investment in Africa underscores that company visits in new geographies can take years to translate into tangible outcomes. In my case, it took twelve years—despite regular visits to South Africa—before I identified Argent Industrial as a truly compelling opportunity. The company's decentralized operating model, excellent capital allocation, and a price-to-earnings multiple of 5 were key reasons for recommending the stock as a buy.

Portfolio structure and performance overview as of December 30, 2025

Portfolio structure

NAV as of 12/30/2025	200,4€
Number of investments	12
Weighting of the biggest investment	16,4%
Weighting of the five largest investments	64,4%
Weighting cash	0,0%

Alphabetical listing of the five largest positions within the Intrinsic Fund
(in the Half-Year Report 2024, you will find an overview of the investment theses for these companies)
Argent Industrial
Fomento Económico Mexicano (FEMSA)
Hostelworld
Nu Holdings (Nubank)
VEF

Performance overview

Period	Intrinsic (1)	Dax (2)	Delta[1] (1)-(2)
2019 (9 Monate)	9.2%	15.0%	-5.8%
2020	25.2%	3.6%	21.6%
2021	24.5%	15.8%	8.7%
2022	-35.0%	-12.4%	-22.6%
2023	47.1%	20.3%	26.8%
2024	18.5%	18.9%	-0.4%
2025	3.9%	23.0%	-19.1%
Since inception	100.4%	112.5%	-12.1%
Since inception p.a.	10.8%	11.8%	

In 2025, there was one change among the portfolio's five largest holdings. The South African industrial holding company Argent Industrial moved into the top five, while MercadoLibre slipped to the sixth place. At just under 10% of the portfolio, however, MercadoLibre remains a core position. Operational performance across the holdings was largely positive. In the most recent quarter, revenues grew by an average of 20%, and profits increased by 13% year-on-year. [2] Looking ahead, I expect these companies to be able to compound earnings at high rates, and I am therefore optimistic about the years ahead.

Many of our holdings share a common trait: they invest early in their next phase of growth, thereby laying the groundwork for higher earnings over time. Daniel Ek, Spotify's founder, captures this long-term perspective particularly with respect to the company's core metric, lifetime value—succinctly:

> *„Our approach has always been and will continue to be the focus on creating lifetime value rather than optimizing for quarter-to-quarter performance. Lifetime value is such a powerful metric because it inherently captures the balance and trade-offs between chasing short-term opportunities and driving longterm strategic initiatives. It really acknowledges that not every decision will yield immediate returns and that our progress is not always linear. Many of the initiatives driving today's strong user and subscriber growth were started several quarters or sometimes even years ago. And the exact timing of when these efforts flow into tangible results can vary, sometimes that's within our control and sometimes not."* - Daniel Ek, Q2 2025

[1] Rounding differences are possible.
[2] Weighted by portfolio size, for VEF I chose gross profit growth.

Below, I outline what this means for our largest holdings. Over the past few years, FEMSA has launched several growth initiatives that should begin to translate into stronger results soon. Two projects at OXXO are particularly important: First, the expansion into Brazil is progressing well, with OXXO now operating more than 600 stores there. In September 2025, FEMSA acquired the stake of its former joint-venture partner Raízen. I expect this business to deliver attractive growth for many years, alongside high returns on capital. Second, following the acquisition of Delek in 2024, OXXO has also entered the U.S. market and is currently adapting the OXXO concept for North America. The United States could significantly expand OXXO's addressable market. In addition to operational reinvestment, FEMSA expects to return roughly 15% of its market capitalization to shareholders in 2025 and 2026 through dividends and share buybacks.

Over the past year, Hostelworld initiated three major strategic moves. First, in November the company introduced the "Social Pass," laying the groundwork to monetize its social network: for €5 per week, travelers can now access the chat groups previously reserved for customers who had made a booking - even without booking accommodation through the platform. Second, Hostelworld acquired the event aggregator OccasionGenius, bringing a curated layer of experiences like festivals, markets, concerts, and local workshops in more than 500 cities worldwide onto its platform. The acquisition also allows Hostelworld to concentrate event aggregation on the cities where it already generates its highest revenues. Third, since late 2025 Hostelworld has expanded its booking offering to include budget accommodations. In smaller cities, hostels are often fully booked well in advance; until now, Hostelworld has therefore missed out on potential revenue when supply ran out. In parallel, the company repurchased 3% of its shares and is continuing this buyback program.

MercadoLibre remains on an impressive growth trajectory, posting more than 30% growth for the 27th consecutive quarter. For years, the company has leveraged its market leadership to consistently reinvest profits into an improved customer experience. For example, at the end of May it lowered the minimum order value for free delivery in Brazil from 79 to 19 Brazilian reais (around €3). While this weighs on profitability in the short term, it also increases order frequency and strengthens customer loyalty. Consistent with that, growth in units sold accelerated over the past two quarters from 25% to 42%. The share price has recently come under pressure as competitors such as Amazon and Shopee step up investment in Brazil. I am monitoring developments closely, but to date I see no evidence of a structural change to the investment thesis. MercadoLibre has repeatedly demonstrated that it has the strongest understanding of customers in Latin America - in Mexico, it has successfully defended its market-leading position for years despite competing with Amazon.

Nubank is currently investing heavily in geographic expansion. While Brazil is generating impressive returns on capital of above 50%, Mexico and Colombia have not yet reached breakeven, as Nubank is still investing aggressively to scale its operations there. Mexico in particular, with a population of 130 million, could become the next profitable growth market: Nubank has more than 13 million customers there (47% year-on-year growth), manages deposits of over US$6 billion, and has built a loan book of US$1 billion. In addition, Nubank applied for a U.S. banking license in September 2025 and received preliminary approval in January. Over the next twelve months, its U.S. subsidiary must be capitalized, and within 18 months the bank must be opened under the applicable requirements. In the near term, this creates costs without corresponding revenues, but over the long term Nubank is positioning itself for further growth.

VEF has achieved several important milestones over the past twelve months. Its largest investment, Creditas, delivered solid growth in 2025 and raised US$108 million in a financing round in December, at a valuation that was 18% above VEF's internal NAV. Konfío, and Juspay in particular, also performed well operationally. Through the sale of its stakes in Gringo and Blackbuck, as well as two partial disposals of Juspay, VEF generated total proceeds of around US$50 million - each transaction executed at or above NAV, providing further validation of the reported NAV. As a result, VEF should be able to repay the remainder of its outstanding bond this year, continue share buybacks, and regain capacity for new investments over the course of the year. The current discount to NAV of roughly 50% further increases the investment's appeal, in addition to the NAV growth which I expect.

This brief overview of the largest portfolio holdings - the six biggest investments together account for around 73% of the portfolio - illustrates how these companies reinvest profits from their core operations into future growth. Just as these businesses invest early, my research process also requires laying the groundwork well in advance in order to identify new attractive investments. To that end, I regularly visit companies in new geographies. In 2013, I traveled to Latin America for company meetings for the first time, but it took several years to build a robust understanding of the markets there. Today, Latin America is a central component of the Intrinsic Fund, with a weighting of around 40%. By contrast, Asia still represents only a very small share of the portfolio, even though many attractive opportunities are likely to emerge there over the coming decades. For that reason, I have intensified my company visits in Asia over the past eighteen months.

In search of new investment opportunities in Asia

Asia is a fascinating continent: home to around five billion people, delivering roughly 4% annual GDP growth, and characterized by strong innovative capacity. With China, Japan, South Korea, and India, four of the world's five most active patent filers come from these countries. Many new entrepreneurial success stories are likely to be built in that region over the coming decades. For that reason, over the past eighteen months I have traveled twice to India (Mumbai and Bangalore) and also to Hong Kong and Beijing for company visits and conferences. In October, I additionally spent four weeks working out of Seoul and met with a large number of South Korean companies. I was struck by the high number of intrinsically motivated founders and compelling business models.

In the near term, I do not expect investments from Asia to play a major role in the Intrinsic Fund. Building a robust understanding of companies, industry structures, and regulatory frameworks as well as developing local networks with investors and banks takes time. Nevertheless, these trips are valuable. First, they provide important reference points for the fund's existing holdings. Digital platforms in China (such as Tencent or Meituan) and South Korea (such as Coupang or Kakao) rank among the most innovative companies in the world. Insights into their business models, customer behavior, and customer profitability help me better to contextualize the continued development of MercadoLibre and Nubank. Second, an increasing number of Chinese companies are entering global markets and reshaping competitive dynamics.

During my visit to Xiaomi in Beijing, I saw first-hand how a Chinese OEM developed an electric vehicle in just four years that can compete in design and quality with the best models from mature markets. From 2027 on, the YU7 is expected to launch in Europe at a price point well below that of competing OEMs. I also had the opportunity to ride through Beijing in Baidu's self-driving car. Through partnerships with Uber and

Lyft, the technology is likely to reach Europe in 2026, starting with the United Kingdom. China's ambitions in the automotive sector are vast, and after these impressions it seems quite clear to me that Europe's automotive industry is facing substantial challenges.

Impressions of my company/store visits of: Baidu, Mixue, Chagee, Popmart, SK hynix, Hybe und Xiaomi

Third, these company visits give me access to new business models. In China, a deeply rooted tea culture has intersected with publicly listed chains expanding at remarkable speed: Mixue, a low-cost franchise model, operates around 50,000 tea shops, while Chagee has grown in the premium segment from just under 2,000 to roughly 7,000 locations in only two years, with an EBIT margin of over 20%. Both have recently come under operational pressure as online delivery platforms increasingly steer demand and, in doing so, capture the tea shops' excess returns. This underscores how challenging it can be to assess the durability of competitive advantages in new markets. In Seoul, I was impressed by the Korean pop label Hybe. It is benefiting from the global K-pop boom, is already scaling its winning formula into markets such as Japan, the United States, and Colombia, and is expected to stage the most widely attended concert tour of all time this year with the band BTS. In addition, Hybe has built a superfan platform with more than ten million users worldwide.

Even though none of these company visits have resulted in an investment so far, they sharpen my perspective and improve the quality of my decision-making. As I am doing in Asia today, I have been systematically building knowledge and relationships in Africa since 2012. Over that period, I have met with companies in Kenya, Namibia, Rwanda, and Uganda, as well as regularly in South Africa. This work ultimately led to Argent Industrial as the fund's first investment in Africa, and it also serves as an example of the long lead time in my research process: I began my analysis in 2021, first spoke with the company in 2023, had multiple management meetings in the UK and South Africa in 2024, and in 2025 Argent developed into a core position in the fund. While rooted in South Africa, roughly 70% of its profits now come from outside Africa. A price-to-earnings multiple of 5 offers an attractive investment opportunity for the Intrinsic Fund.

Argent Industrial: Decentralized management combined with excellent capital allocation

Argent Industrial is a South African investment holding with 24 companies from the manufacturing sector. Operationally, the businesses are run independently; only capital allocation is managed at the holding level. That capital allocation combines reinvestment into the operating companies, acquisitions of additional holdings, and substantial share buybacks and dividends. Over the past ten years, revenue has grown by an average of 4% per year, operating profit by 20%, and earnings per share by 33%. These figures already indicate that Argent Industrial's business profile has fundamentally changed over the past decade. Following a period of operational challenges from 2015 to 2018, the management has consistently focused on holdings with high returns on capital and has reallocated excess capital into industrial businesses outside Africa.

Argent Industrial was founded in South Africa in 1993 as Scharrig Industrial Holdings by the Dutch entrepreneur Teunis Scharrighuisen. He remains chairman to this day and still owns a 2% stake, while the rest of the management team holds a further 5% of the shares outstanding. The company listed on the Johannesburg Stock Exchange in 1994 and was renamed Argent Industrial in 1999. The name Argent reflects the company's focus on metalworking industries. Until 2015, Argent Industrial was largely shaped by its South African holdings and grew organically and through acquisitions into an industrial holding company with revenues of around €100 million. Political and economic challenges in South Africa then led to recurring operational difficulties between 2015 and 2018, prompting a fundamental strategic repositioning.

During this period, the UK investor Milkwood Capital - whose fund manager I know from Berkshire Hathaway's annual meetings in Omaha - took a stake in Argent Industrial and, together with management, reshaped the company's portfolio structure. Holdings with low returns on capital and a sizeable real-estate portfolio were sold, and the focus shifted decisively toward businesses with high returns on capital. The proceeds were used primarily to acquire interests outside Africa, especially in the United Kingdom. As a result, return on invested capital (ROIC) increased from 3% in 2015 to more than 17% today. At the same time, the number of shares outstanding was reduced through buybacks from 92 million in 2015 to just under 54 million today. The group's businesses are managed on a decentralized basis and encouraged to make entrepreneurial decisions. This entrepreneurial culture has been built over many years by CEO Treve Henry.

<u>The entrepreneurial nerve center: Treve Henry</u>

Treve Henry began his career in 1995 at one of Argent's financial-services holdings. By 1997, he had become CFO of Argent Industrial, and in 1998 the board appointed him CEO. Together with COO Fred Litschka, [3] Treve has shaped an entrepreneurial, no-nonsense management style. They have known each other since their university days in Johannesburg, when they even shared a room. In 2005, Treve persuaded Fred to join Argent and help build the company with him. The company's results-driven approach was already

[3] Fred has been on the board or Argent since 2005 and will retire this year.

evident in my very first exchange with Treve. After I sent an email on 27 December 2023 outlining topics and questions for a call, Treve replied personally the very next day—briefly and precisely, directly within my email, in red:

You asked on which topics I would like to learn more. These are a few topics I would like to learn more about:

1. Culture
   a. How do you see the culture in the Argent Industrial Holding? What are strengths vs weaknesses?
      We push the subsidiaries to be entrepreneurial whilst influencing the culture and controlling the systems , cashflow , insurance and capital
   b. What is the management style towards the subsidiaries? How active, how decentralised? Do you try to add value or leave them by themselves?
      The subsidiaries are decentralized and must run themselves , we pay people to run the subsidiaries
   c. What have been the biggest mistakes in the past (people wise, business wise)?
      Business , buying Alan Maskew People , taking too long in tossing a twit
   d. Incentivization structure for Management and subsidiaries?
      Management and Argent Directors are incentivized on the same scheme .....it is covered in our annual report
      The majority of the subsidiary management have to benefit before the Argent Directors do
2. Capital Allocation
   a. How do you decide how to use surplus cash?
      We are currently looking for an acquisition
   b. How do you prioritise between internal and external use of surplus cash?
      All our internal requirements are already done
   c. Is there a right amount of subsidiaries? How do you manage potentially increased scale 10 years from now? Whats the right management structure for that?
      The current structure would handle it , if not it would require an additional financial accountant , something we continuously train
   d. If you decide to give back money to shareholders, how do you decide between dividends and buybacks?
      We pay back a minimum of 30 percent of our after tax profits ....we plan on maintaining the current Dividend ratio , the rest is done via share buy backs
3. Acquisition process
   a. How do you find deals? Who has the responsibility for the process? How much of process is outsourced?
      We don't outsource anything , we have sell side brokers that send us options , all copied would be involved
   b. How do you set expectations for the acquisitions, who is following up on that?
      We work as a team
      Maintainable income , PE of 6 post tax , manufacturing with a brand of sorts in an environment where we can control the sales direction
   c. What has worked well, where have mistakes happened in the past?
      Everything has worked out well , within reason however Alan Maskew was a disaster .....we did manage to sell it
      In addition we have started new Companies and done a few add on's over the years
      Currently have Xpanda in the UK and a new start up in France
4. Business
   a. What are the main KPIs that you manage the holding with? Which of them are most important for the subsidiaries?
      We try and target 15% of pre tax profit to turnover
   b. How transparent are metrics between the subsidiaries, what ways for sharing of best practices are there (or maybe not)?
      We share an copy all ...no secrets
   c. Cyclicality in the business?
      Depends on the business
5. Geographical focus
   a. You talk in the Risk Mgt section of the AR 2023 about diversifying away from SA – what are your thoughts on that for the next 5-10 years?
      Depends on the opportunities ....SA has a number of challenges , the biggest being BEE (corruption) and the very inefficient legal system
      What are worst case scenarios?
      We are very hands on so we will handle issues as and when they happen
   b. What gives you confidence to find good reinvestment opportunities in UK or other geographies? Why should you ge the good deals?
      The harder we work the luckier we get

This email illustrates how Argent Industrial's results-driven culture is reflected even in its communication style. The portfolio companies operate largely autonomously, and their management teams are compensated through direct profit-sharing arrangements. Argent provides the growth capital required while demanding continuous improvement and development. Excess cash flows are then allocated to acquisitions as well as share buybacks and dividends. Since 2016, the group has completed nine acquisitions, primarily aimed at increasing revenues outside Africa. Today, around 70% of profits are generated in regions beyond Africa.

<u>Argent Industrials refocusing beyond Africa</u>

In the 2017 annual report, Treve Henry signaled for the first time that future capital would be allocated outside Africa:

> „*The groups offshore profit will be, where possible, used to make further investments into offshore brand operations, while local profits and cash generating restructures will be used to reduce the overdraft and buy-back the companies shares.*"

In 2019, the wording became even more explicit:

> *„Argent will continue to disinvest out of its South African companies where it believes that funds would be better invested offshore, buy back its own shares and/or return the excess funds to its shareholders.“*

This is precisely what has been executed since then. As early as in 2020, more than 60% of profits were generated outside Africa, and that share has since risen to around 70%. The first acquisition following this strategic refocusing was the UK company OSA Door Parts in 2017.

During my visit to OSA Door Parts in Runcorn near Manchester in 2024, I encountered a company that is emblematic of Argent Industrial's investment philosophy: acquiring metalworking businesses, typically with an established brand and an existing distribution network. Appropriately, Argent's motto is "Inspired by metal, driven by results." OSA Door Parts manufactures industrial doors—such as warehouse doors or high-speed doors—made to order as bespoke, one-off products. Depending on complexity, a single door can cost up to €10,000, with gross margins of around 40%. The acquisition in 2016 arose from a special situation: after several disposals, the owner wanted to sell the last remaining business quickly and with minimal negotiation, which limited price discussions. As a result, the valuation multiple on after-tax earnings was an attractive 5x. In the year of acquisition, OSA generated £400,000 in after-tax profit; last year, the profit was approximately £1 million.

Argent Industrial's portfolio is diversified across a range of niches within the manufacturing sector, spanning industrial doors (OSA Door Parts), industrial ladders (Castor and Ladder), railway braking systems (New Joules), security fencing (Xpanda), or aircraft refueling solutions (Fluid Transfer). The only meaningful concentration is in mobile fuel storage and refueling solutions, which now account for roughly 25% of profits. The entry point was the acquisition of the UK company Fuel Proof in 2018, whose tanks are used, for example, on construction sites or for energy backups. Two further UK businesses, Fluid Transfer and Flofuel Support, followed. Both were acquired in 2022 during the pandemic, when their business models were temporarily under pressure. Argent's long-term ownership approach enabled it to buy countercyclically at attractive prices.

Since 2017, Argent has completed nine acquisitions at an average purchase multiple of just under 6x after-tax earnings. Over the past five years, Argent has invested a little over €25 million into the existing business and a further €12 million into acquisitions. On this total of €37 million of capital, the group generated an additional after-tax profit of just under €10 million, implying a 26% return on the incremental invested capital. Naturally, not every acquisition was a home run, but over many years the team around Treve Henry and Fred Litschka has demonstrated that it can both embed an entrepreneurial culture across the operating companies and execute acquisitions with a strong sense of value. So how is Argent Industrial valued today?

<u>South African listing creates an attractive investment opportunity</u>

How does the share price of a company evolve when it earns incremental returns on capital of 26%, has grown earnings per share by 30% per year over the past decade, has a compelling acquisition track record, and has reduced its share count by 40%? The answer seems obvious: very well. Over the past ten years, Argent Industrial has delivered an average annual share price appreciation of 23% in South African rand

and 19% in euros, in addition to paying substantial dividends. The Intrinsic Fund has already benefited from this strong performance.[4] The question, however, is what this implies for today's valuation.

In the fiscal year of 2025, Argent Industrial generated revenue of roughly €140 million at current exchange rates. After-tax profit (after minority interests) came in at just over €14 million and is likely to rise to nearly €16 million in the current fiscal year, which ends on 31 March. The company currently has 53.9 million shares outstanding, and the share price is 33.5 ZAR. This implies a market capitalization of ZAR 1.8 billion, or €96 million. On that basis, the price-to-earnings ratio is approximately 6. In addition, Argent currently holds excess cash of €20 million. Adjusting for this cash balance, the price-to-earnings ratio is only just under 5. The key question, however, is if the management can deploy this capital going forward at similarly attractive returns. If it were to remain idle on the balance sheet, a valuation discount would be warranted. Even in that case, though, a earnings multiple of 6 would, in my view, still be far too low.

Argent has demonstrated in the past that it deploys excess cash rationally. I therefore expect to generate a shareholder return of more than 15% annually after currency effects. This return would be driven by the entry yield, a modest multiple expansion, and continued earnings growth from both organic and inorganic sources. Beyond that, several potential catalysts could turn a good investment into an excellent one. One is continued share buybacks, which would require additional capital in South Africa. Argent Industrial still owns Phoenix Steel, a steel trader held from earlier in its history; a well-timed sale could add €10 million to the balance sheet and help fund further repurchases. Another option would be to move the listing to Europe or North America. Comparable companies trade at significantly higher valuations there, which could serve as a catalyst for a re-rating of Argent's shares.

With this investment, we participate in the operational development of a holding company with companies operating in attractive niches - run by intrinsically motivated entrepreneurs. In other words, exactly the kind of business I am seeking with the Intrinsic Fund's investment philosophy. If you would like to get to know the fund in more detail, our annual investors' meeting at the Godesburg in Bonn-Bad Godesberg offers an excellent opportunity. Together with our colleagues from Long-Term Group, we will present our investment philosophy and discuss selected investments from our respective funds. We would therefore be delighted to invite you to our annual investors' meeting on Saturday, 30 May 2026. Registration is available directly here, and a personal invitation will follow in due course.

I wish you a great first half of 2026,
Clemens Lotz

[4] Average entry price is at 22,4 ZAR.

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