Intrinsic Fund (ISIN DE000A2N68Z3)
Half-Year Report 2026 by Sub-Advisor CL Capital GmbH

Dear Co-Investors,

the Intrinsic Fund returned -2.3% after all fees in the first half of 2026. This brought its NAV to €195.8 as of 30.06.2026. The DAX returned +2.1% in the first half of 2026.[1] Since the launch of the Intrinsic Fund on 29.03.2019, the fund has generated an annualised return of +9.7% after all costs. Over the same period, the DAX rose by an average of +11.3% per year.

The 2026 Half-Year Report begins with an overview of the Intrinsic Funds' portfolio structure and performance. While global equity markets have generally risen over the past eighteen months, the fund's price has moved sideways. I am using this as an opportunity to critically reassess the investment theses for MercadoLibre and Nubank. Both shares have fallen by around 30% recently, even though the companies continue to perform very well operationally and are laying the foundations for long-term earnings growth. Their valuations have been weighed down primarily by short-term narratives. Therefore I also examine how such narratives are changing the investment landscape and what this means for traditional value investing.

Portfolio Structure and Performance Overview as at 30.06.2026

Portfolio Structure

NAV as at 30.06.2026	195.8€
Number of Investments	14
Weight of Largest Investment	14.0%
Weight of Five Largest Investments	62.0%
Cash Weighting	0.2%

Alphabetical list of the five largest holdings within the Intrinsic Fund
Argent Industrial
Fomento Económico Mexicano (FEMSA)
Hostelworld
MercadoLibre
Nu Holdings (Nubank)

[1] I consider a global equity index such as the MSCI All Country World Index a more suitable benchmark, but its use would entail substantial licence fees.

Performance Overview

Period	Intrinsic Fund (1)	DAX (2)	Delta (1)-(2)
2019 (9 Months)	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%
2026 (6 Months)	-2.3%	2.1%	-4.3%
Since Inception	95.8%	116.9%	-21.1%
Since Inception p.a.	9.7%	11.3%	-1.6%

There was one change among the five largest portfolio holdings in the first half of 2026: MercadoLibre returned to the top five, while VEF dropped out. In view of their continued strong operating performance, I used the sharp share-price declines at MercadoLibre and Nubank to recommend further purchases. The other core holdings also performed well operationally. Argent Industrial increased earnings per share by 10% over the past twelve months and announced another acquisition in the United Kingdom. At FEMSA, the new CEO's first initiatives are becoming visible: capital allocation is becoming more focused and the fintech strategy is being adjusted. In the second quarter, revenue grew by 10% and profits by 12%. Hostelworld also reported double-digit revenue and profit growth at the half-year stage. At the same time, investments in expanding its social network for “Backpackers” are improving marketing efficiency. Despite this positive operating performance, the Intrinsic Fond's unit price merely moved sideways over the past 18 months.

Since inception, the Intrinsic Fund has generated an annual return of around 10% after all costs. That is solid, but hardly cause for jubilation—particularly as global equity indices have performed significantly better over the past eighteen months. How can this relative underperformance be explained? A concentrated investment approach will inevitably go through periods in which it lags the market; I consider it unrealistic to outperform in every single year. The ability to focus on long-term value creation rather than short-term index comparisons is, in fact, an important competitive advantage for me. Nevertheless, the question arises whether capital markets have changed structurally. In my observation, short-term narratives are exerting an ever greater influence on share prices. Sensationalist newspaper articles or bold posts on X can move valuations significantly. This development reflects a fundamental change in media consumption.

Ideas Can Be Borrowed - Conviction Cannot

In the United States, around 40% of adults did not read a single book in 2025, while roughly half of all books read were consumed by the most avid 4% of readers. If you make it to the end of this investor's letter, you will most likely belong to a minority. At the same time, the consumption of short, condensed content - headlines, feeds and summaries - is growing rapidly. We absorb more information than any generation before us. But how much of it do we truly understand? In my 2023 Half-Year Report, I told the story of Mike May, who regained his sight after decades of blindness. He could see again, but initially could not make sense of what he saw. Whether a woman or a man stood before him, or which object he was looking at, became clear only when he also touched it. Sight gave him impressions; touch made them comprehensible.

In investing, reading is seeing and analysis is touching. Convincing-sounding assessments of almost any company can be obtained from analyst comments, Substack posts or AI summaries within minutes. A robust understanding of a business model, industry and management, by contrast, only comes from analysing annual reports, speaking with customers and competitors, and visiting companies. A familiar quotation captures the distinction succinctly:

"You can borrow someone else's stock ideas but you can't borrow their conviction."

Ideas - and now entire analyses - can easily be borrowed. Conviction still only comes from doing the work yourself. This has consequences for capital markets: the more investors trade on borrowed knowledge, the more strongly short-term narratives move prices and the more quickly positions are abandoned once the narrative changes. Investors who have developed their own conviction are better able to put such volatility into perspective and, at best, take advantage of it. This creates additional opportunities for well-informed investors. One narrative currently dominating capital markets is the disruption of established business models by artificial intelligence.

The Intrinsic Fund is currently not invested in any of the industries whose shares have benefited from the AI narrative. This is one reason why it lagged global equity markets over the past 18 months. That decision was deliberate, but it certainly does not mean that I ignore the sector. In my last investor's letter, I wrote about my trip to Asia; attentive investors noticed the office of Korean memory-chip manufacturer SK Hynix in one of the photographs. Why did I not invest despite my visit? For me, value investing requires a robust assessment of a company's future operating performance. From this, I derive expected earnings growth and the price at which a share would meet my target return. For AI-infrastructure companies, I have not yet been able to make such a forecast with sufficient conviction. Demand for artificial intelligence is likely to grow for a long time. Yet new AI models - some from China - are becoming far more efficient per unit of intelligence. Further efficiency gains and more efficient token use by companies could materially alter resource requirements.

Future supply dynamics are equally difficult to assess. Memory-chip manufacturers Micron, Samsung and SK Hynix will substantially expand their production capacity in the coming years. As I understand it, today's high prices are driven primarily by constrained supply rather than sustainable product differentiation. SK Hynix told me that it currently holds a technological lead in High Bandwidth Memory because it can stack DRAM more efficiently and with less heat generation. At the same time, they say it is probably only a matter of time before Samsung closes the gap. I therefore cannot assess with confidence whether rising demand, efficiency gains or growing supply will ultimately dominate pricing. For this reason, I have not recommended an investment in memory chips; similar considerations apply to several other areas of AI infrastructure.

I have greater conviction about how artificial intelligence will affect existing business models at the application layer. Proprietary data, which companies can use to improve products and make processes more efficient, is often decisive. MercadoLibre (held in the fund since 2019) and Nubank (since 2022) possess extensive proprietary datasets and have been using artificial intelligence strategically for years. Despite their strong operating performance, the share prices of both companies have fallen significantly. It is precisely in such periods that the difference between borrowed ideas and independently developed conviction becomes apparent. I therefore viewed the decline of the prices in the first half of the year as an opportunity to recommend increasing both positions.

Not for the First Time: MercadoLibre Reinvests Today's Profits in Future Growth

> „*When there is so much opportunity ahead at such an early stage in the development of Latin America's digital economy, we choose to invest boldly. The impact of our investments is visible today as a meaningful but deliberate compression of margins in the nearterm, but it is equally visible in accelerating growth, deeper engagement, greater scale, and a strengthening competitive position across Mercado Libre. As our investments mature, we expect their cost to be diluted and their profitability to improve. We believe the choices we are making today position us to maximize long-term cash flow – and we are confident that they will also lead to significantly higher margins over time.*“ – Letter to Shareholders, Q1 2026

As a reminder, MercadoLibre was founded by Marcos Galperin in 1999 and is now Latin America's largest online retailer. Around 150 million buyers purchase goods worth more than 80 billion US dollars through the platform each year. Even so, the growth potential remains considerable: online sales account for only around 14% of retail sales in Latin America, compared with approximately 30% in the United States and about 35% in China. Through MercadoPago, MercadoLibre also operates one of the region's largest providers of digital financial services. More than 80 million users process nearly 400 billion US dollars annually through its digital wallet, credit cards and other payment services. Here, too, there is ample room for growth, as the five largest banks in many Latin American countries still control more than 60% of assets. Despite these long-term growth prospects, the shares have fallen by around 35% over the past twelve months.

In my view, MercadoLibre's strategic decisions over the past twelve months have increased its intrinsic value per share. Nevertheless, the share price was weighed down primarily by two factors:

1. Concern about how artificial intelligence will affect the business model of an online retailer
2. The decline in the EBIT margin from 12% to 7%

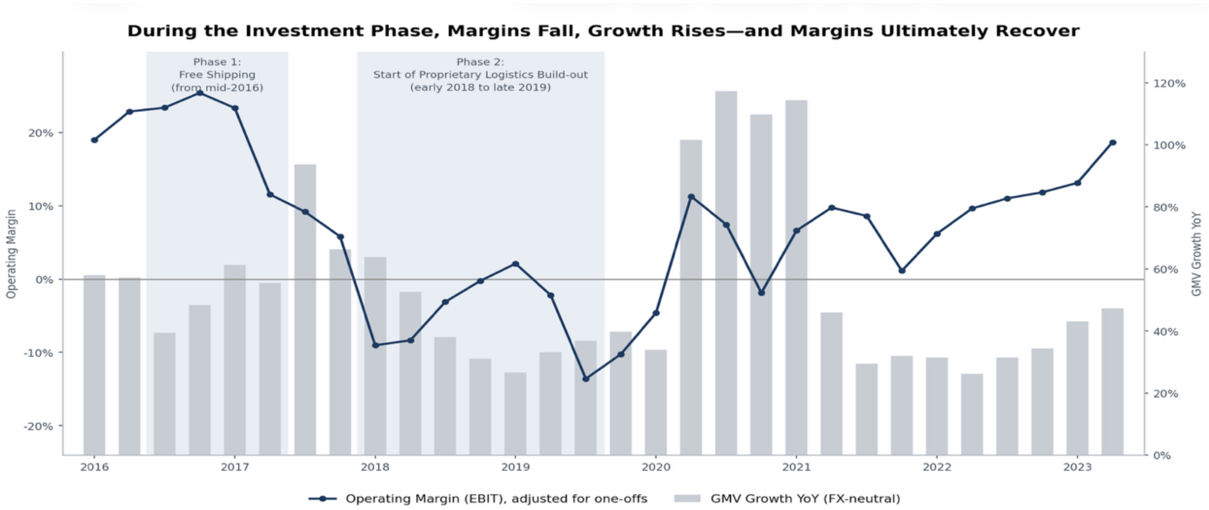
Two questions are at the heart of the concerns about AI. First, what role will an online retailer play if purchases are handled directly through AI models such as ChatGPT or Claude in the future (Agentic Commerce)? Second, what happens to profitable advertising revenues if product searches shift to such models and they begin offering advertising themselves? Both issues appear concerning at first glance. MercadoLibre itself acknowledges that it cannot know exactly how customers will shop ten years from now.

Given its comprehensive ecosystem, however, I believe the company is very well positioned to adapt to changing user behaviour.

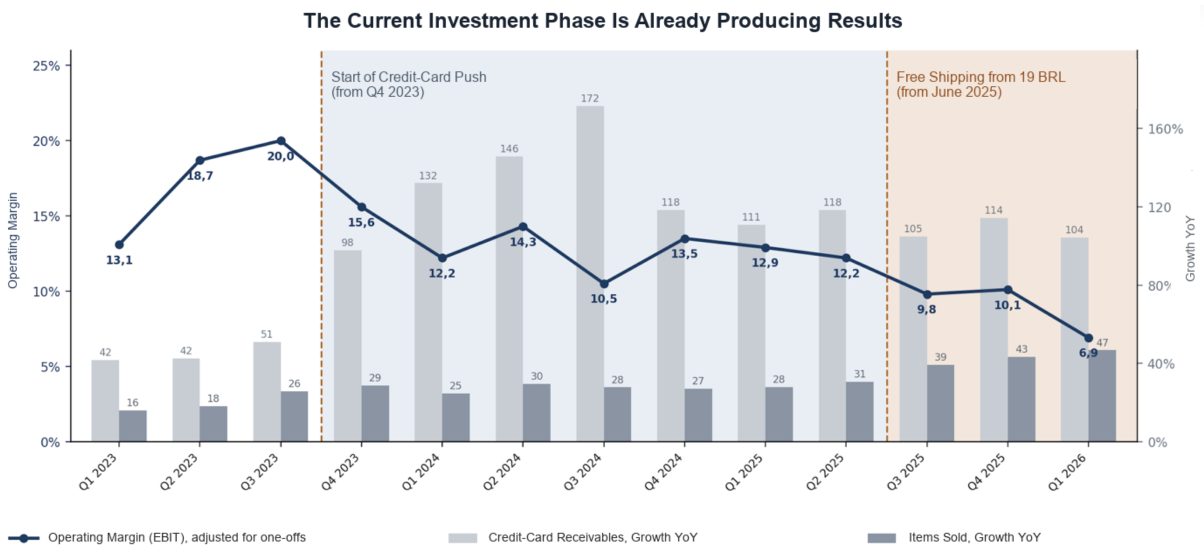
This ecosystem includes financial services for buyers and sellers, credit cards offering benefits on the platform, the Meli+ loyalty programme and a broad product range with short delivery times. The close integration of these services strengthens customer retention and gives MercadoLibre a structural advantage over competitors such as Shopee. A central pillar is the logistics infrastructure built over many years. MercadoLibre now routes 95% of the nearly three billion products it ships annually through its own network (almost 6.000 per minute, 365 days a year, around the clock); a large share is delivered on the same or next day. Even Amazon has so far failed to build a comparable infrastructure in Latin America, while FedEx discontinued its domestic logistics services in Brazil in 2026 after 37 years. I consider it unlikely that OpenAI or Anthropic will build such a logistics network in the foreseeable future.

MercadoLibre should also be able to continue growing its advertising revenues. The platform is particularly valuable as an advertising channel because users generally arrive with a specific purchase intent. At the same time, MercadoLibre possesses extensive proprietary data from its marketplace and financial services - from purchasing and search histories to credit-card spending. Such datasets create high barriers to entry for potential competitors such as OpenAI or Anthropic. Advertising revenue currently amounts to only 2.6% of the gross merchandise value processed through the platform, compared with an estimated 7 to 8% at Amazon. MercadoLibre is therefore, in my view, well positioned to realise its long-term growth potential. Why, then, has the EBIT margin fallen from 12% to 7%?

Throughout its history, MercadoLibre has repeatedly sacrificed short-term profits to strengthen growth and market leadership. The following chart illustrates this: when free shipping was introduced in Mexico and Brazil from 2016, the EBIT margin (dark-blue line) fell from 25% to 6% within a year. When the company began building its own logistics infrastructure in 2018, the margin even moved temporarily into negative territory.



In both cases, growth (grey bars) subsequently accelerated significantly and absolute profit after the investment phase was clearly above its previous level. In my view, this pattern is repeating itself today. MercadoLibre is investing primarily in two areas that weigh on financial results in the short term but should increase long-term earnings: (1) another reduction in the threshold for free shipping in Brazil[2] and (2) accelerated growth in the loan book, particularly through the issuance of credit cards. Both measures explain a substantial share of the margin decline but should also increase the company's long-term intrinsic value.



The hoped-for acceleration in growth is already evident. The number of items sold (dark-grey bars) recently grew by 47%, compared with 28% a year earlier, while gross merchandise value growth in Brazil increased from 30% to 38% over the same period. Particularly important is the rise in items sold per customer from 7,4 to 8,6 in the first quarter of 2026, as it points to deeper user engagement within the ecosystem. If the additional growth is primarily attributable to the new free-shipping policy, MercadoLibre probably sold around 50 million additional items in the first quarter alone. Based on the annual-report disclosures, I estimate logistics costs of around three US dollars per item in 2025 and consider an average negative contribution margin of just under two US dollars per product below 79 BRL (approximately 15 US dollars) realistic.[3]

The approximately 50 million additional items sold would therefore have incurred costs of just under 100 million US dollars. There is also the negative contribution margin on products below 79 BRL that were already being sold but for which customers previously paid shipping fees. With 720 million items sold in the first quarter of 2026 and Brazil accounting for 56% of Commerce revenue, another 70-80 million now-subsidised items with a negative contribution margin of just under two US dollars appears plausible. This would imply an additional burden of around 150 million US dollars. Together, the two effects explain almost exactly the three-percentage-point margin impact communicated by MercadoLibre in Q1 2026. This acceleration allows MercadoLibre to continue expanding its logistics infrastructure and make better use of existing capacity. Logistics costs per item already fell by 17% in the first quarter. This lowers the price threshold at which a delivery becomes profitable and further strengthens MercadoLibre's competitive advantages. The start-up costs of accelerated credit growth can be traced in much the same way.

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[2] In June 2025, the threshold was reduced from 79 Brazilian reais (15 US dollars) to 19 Brazilian reais (4 US dollars).
[3] Estimate based on assumptions regarding the average selling price, items per parcel and the take rate.

Newly issued credit cards in particular initially weigh heavily on earnings. Revenue from interchange fees and interest on revolving balances emerges only as usage increases; provisions for expected credit losses, by contrast, must be recognised as soon as the card begins to be used. A credit-card customer therefore typically becomes profitable only after two to three years.[4] The second chart illustrates this effect: since the fourth quarter of 2023, MercadoLibre has accelerated growth in credit cards (light-grey bars), while the EBIT margin has declined (dark-blue line). In the first quarter of 2026, the number of newly issued credit cards nearly doubled to just under three million. Unused but committed credit-card limits also rose by 230% to twelve billion US dollars, while utilisation of those limits fell from 48% to 36%. If this ratio normalises, further short-term charges will arise first, followed by profitable revenue. The high volume of new business therefore distorts current results. Overall, the credit-card business is probably still generating losses of more than 100 million US dollars per quarter. MercadoLibre has also extended maturities in the loan book and broadened access to credit.

This expansion of the credit business also requires immediate loss provisioning and weighs on margins before profitable revenue materialises. I estimate the additional quarterly burden from the credit business at 200 to 300 million US dollars. Together with the investments in Commerce, these growth-related additional costs of just over 500 million US dollars explain almost the entire margin decline over the past twelve months. Profitability should gradually recover as revenue grows. At the reporting date, market capitalisation stood at 85 billion US dollars. Revenue growth accelerated from 37% to 49% over the past twelve months. MercadoLibre should generate revenue of more than 40 billion US dollars in 2026, while its net profit margin should normalise towards 10% over time. This implies a normalised price/earnings ratio of around 21, which I consider attractive for a company with a long growth runway. The short-term narrative is that MercadoLibre has operational problems. The details, in my view, tell a different story: the company is once again laying the foundations for future earnings growth and is not allowing short-term expectations to dictate its decisions. The share price of the Brazilian digital bank Nubank has also fallen sharply of late. Here, scepticism centres primarily on the credit cycle, geographic expansion and the restructuring of the management.

Nubank is also Investing in Its Next Phase of Growth

Nubank's share price has fallen by around 30% from its year-to-date high of almost 19 US dollars to 13,3 US dollars at the end of June. At the same time, I believe the company's intrinsic value has increased significantly, creating an attractive opportunity to buy more shares in the first half of the year. As a brief reminder, Nubank was founded in 2013 by David Velez, Cristina Junqueira and Ed Wible and, with 135 million customers, is now the largest digital bank outside China. It was founded in response to the dominance of a small number of major banks in Latin America - in Brazil alone, five banks still control more than 60% of assets. The result were high fees, expensive credit and poor service. Since its founding, Nubank's mission has been to break up these oligopolies with simple, transparent and less expensive financial products. In little more than a decade, it has become Brazil's largest private bank by number of customers.

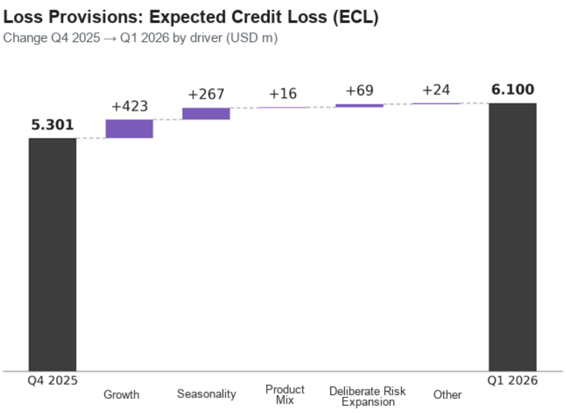
Nevertheless, the growth potential remains substantial. Nubank still accounts for only around 7% of total profits in the Brazilian banking market, while assets remain concentrated among incumbent banks. Nubank

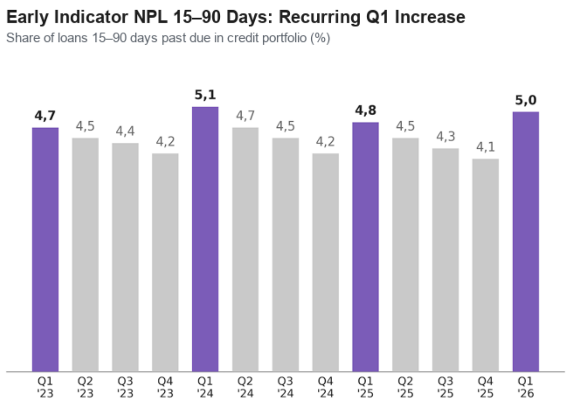
[4] The value of the credit card not only lies in its long-term profitability but also in retaining the customer within MercadoLibre's ecosystem.

is taking market share from them product by product. What, then, caused the weak share-price performance? Three factors appear decisive to me:

1. Higher loss provisions for the loan book
2. Scepticism about further expansion, particularly into the United States
3. Several changes within the management team

The first point is largely comparable to what I explained for MercadoLibre. Nubank, too, must recognise potential credit losses immediately in its financial statements, while profitable revenue materialises only over time. The lower-left chart shows that most of the increase in loss provisions arose from growth rather than a deterioration in the loan book. The loan book is also highly seasonal. As the chart on the right shows, the proportion of overdue loans rises in the first quarter of every year. Reasons include credit-card bills from Christmas purchases, taxes due at the beginning of the year and other annual expenses such as school fees or holidays. On a seasonally comparable basis, overdue loans have risen only slightly. It is a simple point, yet one that gets lost amid the many short-term narratives in capital markets.





Source: Nu Holdings, Q1 2026 earnings presentation (May 2026), slides 15 and 17. ECL = Expected Credit Loss under IFRS 9; amounts in USD. Presentation: own translation.

The chart on the left also shows that the loss provisions increased to a lesser degree because of a changed product mix and greater risk appetite. Nubank slightly increased the share of unsecured lending and began extending credit to higher-risk customer groups. One point is often misunderstood: lending to riskier customer groups, with an associated rise in default rates, does not mean that the company accepts lower risk-adjusted margins. Every loan is priced to remain profitable even if the default rate doubles. Put simply: higher risk, higher interest rates. The expansion into customer groups with higher default risk suggests that Nubank has found more precise ways - particularly through artificial intelligence - to model these customers. At the same time, I do not wish to oversimplify the risks inherent with a lending bank. There will always be credit cycles in which default rates rise and financial results suffer. Management also has some discretion in how the figures are presented. My analysis nevertheless leads me to conclude thus far that Nubank - like MercadoLibre - (1) is expanding its loan book responsibly, (2) slows growth when risks cannot be assessed and (3) possesses a structural competitive advantage over traditional banks because of its technological leadership. Another issue viewed critically in recent months is the expansion into the US market.

In January 2026, Nubank received preliminary approval for a US banking licence. The bank must now be capitalised within twelve months and opened within 18 months. US investors in particular fear that entering the fiercely competitive American banking market could dilute the focus on Latin America. Nubank has, however, made clear that the operating burden in each of 2026 and 2027 should be capped at 100 basis points of revenue. On an expected revenue of just over 20 billion US dollars, this would amount to no more than around 200 million US dollars. If 50-100 million US dollars of this were spent on customer acquisition, industry-standard acquisition costs of around 100-400 US dollars per customer would imply roughly 125.000 to one million new customers. Significantly lower or higher figures would provide an early indication of the success or failure of the US entry. Against expected profits of more than four billion US dollars, I consider it reasonable to invest around 5% of profits in each of the two years[5] to test whether Nubank can build a differentiated offering in the world's largest financial-services market. A third reason for the recent rise in scepticism was the series of changes within the management team.

More recently, four important members of the leadership team - Youssef Lahrech (COO), Jag Duggal (CPO), Vitor Olivier (CTO) and, most recently, Guilherme Lago (CFO) – have announced their departures. The short-term narrative is that the corporate culture is changing and that operational problems exist. Since then, I have held many conversations with the company, former employees, other investors and analysts. My interpretation paints a more nuanced picture: the various departures had different causes, and I have so far seen no fundamentally negative change in strategic direction. Two motives behind the changes stand out: Nubank (1) wants to restore flatter hierarchies and speed up decision-making and (2), in view of its geographic expansion, is looking for executives with experience in building large organisations. One example is the new CFO, Rob Livingston, who spent 18 years at Capital One - one of Nubank's North American counterparts - and headed its Canadian business until 2013. From 2013 to 2026, he worked at Visa, most recently as CFO for North America. He therefore combines credit expertise with the ability to build and lead a large organisation, a combination that should also prove valuable in a longer-term US expansion.

These three factors have caused the share price to fall sharply in recent months. Nubank currently has an excess-cash-adjusted market capitalisation of 61 billion US dollars. The company should generate net income after tax of 4 billion US dollars this year, equivalent to a price/earnings ratio of around 15x. At the same time, earnings are currently growing by 50% per year, and I expect them to continue rising by more than 30% annually over the next few years through a combination of customer growth and higher revenue per customer. As with MercadoLibre, I therefore consider the valuation attractive and have recommended purchasing additional shares.

Conclusion

Congratulations! You have made it this far - and therefore belong to the group of people who still finish longer texts. With this investor’s letter, I want to demonstrate how important it is to develop well-founded convictions through one's own analysis rather than simply following a narrative. At first glance, the capital market sees falling margins at MercadoLibre and higher loss provisions, ambitious geographic expansion and management changes at Nubank. A closer look leads to a different conclusion: a substantial share of the current burden stems from deliberate investments in future growth and the different timing of costs and revenue. Both companies are deepening customer relationships, expanding their ecosystems and thereby strengthening their competitive advantages.

[5] This is in addition to the bank's initial capitalisation.

I am not satisfied with the fund's performance over the past 18 months. A concentrated investment approach will, however, inevitably go through periods in which it lags the market. Independently developed conviction does not mean adhering rigidly to a thesis. Rather, it obliges me to question my assumptions continually and to act when share price and intrinsic value diverge significantly. I continue to regard the investment theses for MercadoLibre and Nubank as intact and their valuations as attractive. I therefore have recommended increasing both positions.

If you have any questions about the Intrinsic Fund, please feel free to contact me by email at clemens.lotz@clcapital.de.

I wish you all an enjoyable and successful second half of 2026.

Clemens Lotz

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