AGT Partners

Q2 2025 Shareholder Letter

Dear Shareholders,

For 1H2025, our fund generated a net return of +26.3% for Class A shares and +33.7% for Class B shares.[1] (For 1Q25, net returns were Class A +7.45% and B + 8.94%). During the quarter, we have employed gearing opportunistically, ranging from 120% to 190%.

Global equity markets have rallied since mid-April, driving up valuations, including our portfolio holdings. In response, we've made minor adjustments, trimming lower-conviction holdings exposed to external trade and tariff risks while maintaining or increasing investments in domestically focused companies. Although short-term overvaluation risks are rising, potentially leading to a correction, our priority is to remain invested. The risk of missing out on long-term growth far outweighs the risk of a short-term price decline.

Long-term Investments Portfolio (70-75% AUM, 12 – 15 Companies)

The ideal business requires minimal capital yet achieves significant growth, with management that sensibly allocates surplus profits to shareholders. Conversely, businesses that demand continuous capital infusions without generating corresponding earnings growth are less desirable. Most businesses fall somewhere in between, and our task is to allocate capital wisely, prioritizing the former type of business at a reasonable or attractive price.

We currently own a portfolio of large, high-quality businesses with strong returns on capital, growing earnings power, and competent management that prioritizes minority shareholders' interests. These companies have sustainable competitive advantages, long track records, and entrenched industry positions, making their futures bright over the long term. We intend to hold most of these investments forever, using periodic share price weaknesses as opportunities to add. Examples include Apple, BYD, KKR, Sheng Siong, Tencent and TSMC, among others. However, investing in this category often poses a valuation challenge, as these businesses are widely recognized and tend to trade at premium prices, except during severe macroeconomic crises or temporary company-specific downturns.

We also own promising smaller companies with interesting near-term prospects, currently selling at low valuations (single-digit earnings multiples). These companies are often neglected and unloved by the broader investment community, resulting in possible

[1] Differences in returns between both classes were due to FX differences and fees structures.

undervaluation. While their 10-year prospects may be uncertain to us, a sufficiently high level of margin of safety can make them quite attractive investments.

We have recently invested in a major Hong Kong commercial landlord, a Malaysian offshore supply vessel owner, a Malaysian department store chain, and a Singaporean construction company. Our purchases were made at attractive valuations, with the Hong Kong landlord trading at 0.35x price-to-book and the others at 3-5x price-to-earnings multiples. The Hong Kong landlord's share price has performed well following management's aggressive divestment of non-core assets and share repurchases. The other three investments have also benefited from the broader market rally. Ultimately, our success hinges on whether their underlying earnings power improves. Time will tell. We hope to build meaningful positions in these companies, ideally before they gain wider recognition.

Despite high valuations in most equity markets, we continue to seek intelligent ideas to deploy your capital. Certain industries, such as US commercial property, US homebuilders, China property developers, regional oil and gas offshore supply vessel companies, and Indonesian thermal coal companies etc., are trading at depressed valuations due to oversupply and sluggish demand. These industries have been in bear markets for years, resulting in low valuations and a good margin of safety. However, their cyclical nature and lack of strong competitive advantages make low valuations justified in the near term. As weakened competitors reduce capacity or exit, supply will decrease. If demand stabilizes or declines at a slower rate, the oversupply situation will eventually correct itself, leading to improved economics for the remaining companies. While the timing and duration are uncertain, we recognize the higher risks but also potential for good value in this category. We will continue to research closely and act decisively when opportunities arise.

Active Long/Short Trading (20-25% AUM)

We will continue to capitalize on trading opportunities arising from market volatility and idiosyncratic events. Our trading team successfully generated profits in the second quarter, particularly by being opportunistic, staying nimble and focusing on risk management. We traded across various industries, including banks, industrials, real estate, REITs, semiconductors, and oil and gas. These gains helped mitigate the April decline and contributed to subsequent months' gains. While we can't guarantee consistent trading profits, we will continue to seek attractive reward-to-risk opportunities. If none exist, we'll refrain from trading and hold cash. Our experience shows that patience and waiting for the right trades can yield good returns – a principle that also applies to long-term investing.

Quantitative Strategy (5% AUM)

Our Quantitative Strategy returned ~10% in 1H 2025. While this outpaced the S&P 500 Index (+6%), it lagged regional benchmarks—most notably the Hang Seng Composite Index (HSCI), which rose +23%.

This underperformance was largely due to regional allocation timing and cash drag. In February and March, the portfolio was heavily tilted toward the US, which fell -7%, and underexposed to Hong Kong, which rallied +14% on the back of aggressive stimulus and state-led interventions. The rebound was led by high-beta, lower-quality, albeit cheap stocks—segments our model is less likely to favour given their weaker alignment with our factor framework. The portfolio has since adjusted itself toward a more balanced markets exposure to reduce concentration risk and better capture diverse factor opportunities.

Our strategy is designed to focus on companies with sound fundamentals and historically persistent return drivers, rather than chasing short-term, policy-driven rallies. This emphasis on resilience and repeatability may lead to short-term underperformance in speculative periods.

Additionally, sector performance also contributed to the performance divergence against the Hong Kong market. In Hong Kong, the Healthcare sector surged +47.4%, nearly double the index, driven by policy support for biotech, medical devices, and R&D. Our strategy excludes this sector, along with the banking sector, due to structural and modelling incompatibility. Banks follow distinct accounting frameworks, making the traditional financial metrics incomparable with the others. Meanwhile, pharma and biotech firms face binary risk events and irregular earnings—characteristics that don't align with our systematic approach. Excluding these sectors helps preserve signal integrity and model robustness.

From a factor perspective, Hong Kong saw strong performance in Value and Momentum, especially among Large-caps, while Quality and Low Volatility lagged—reflecting a speculative tilt. In the US, Quality and Momentum tracked the index, while the Value factor underperformed significantly. Still, the main cause of underperformance against the HSCI/HSI index was our under-allocation to Hong Kong, the market that delivered standout performance for the period.

To prepare for periods of heightened volatility and speculative excesses, the strategy has long maintained a conservative factor tilt, requiring stocks to meet minimum thresholds in Quality and Value. This disciplined filter limits exposure to speculative stocks that tend to outperform during short-lived, sentiment-driven rallies. While this positioning constrained early participation in the rally, it proved effective in preserving capital during the subsequent mean reversion.

In response to escalating US-China tensions and headline-driven volatility, we also implemented a moderate cash buffer. Though it created a modest drag during rapid rebounds, it provided flexibility to de-risk, maintain optionality, and deploy capital into high-conviction opportunities during dislocations.

To broaden our opportunity set (i.e. expand the universe of the strategy), we have begun migrating the strategy to a new platform that enables larger universe construction, scalable back testing, and more robust factor research.

While short-term dislocations may challenge performance, we remain confident in the strategy's long-term resilience. Our disciplined process, enhanced by thoughtful and incremental improvements, remains focused on harvesting durable factor premia with the goal of delivering consistent, long-term risk-adjusted returns for the shareholders.

Introduction of Fund-Level Expenses

Since the fund's inception in 2019, AGT Partners has absorbed all operational expenses of the fund. Given the fund's small initial size and manageable costs, we deemed this approach suitable. However, as the fund size has grown and operational requirements have increased, expenses have risen steadily. We can no longer sustain absorbing these costs indefinitely. Moving forward, these expenses will have to borne by the fund.

We estimate these expenses to be approximately 0.3% per annum, covering operational costs such as fund administration, auditing, and data subscriptions (e.g., Bloomberg, FactSet). To illustrate the impact, had these expenses been applied in 2024, Class A's NAV returns would be 59.8% instead of 60.1%, and Class B returns would be 51.2% instead of 51.5%. This change will **take effect starting January 2026** and will apply to both Class A and Class B shares.

Furthermore, we expect **the expense ratio to trend lower over time** as we aim to grow assets under management faster than expenses. We are proposing this change only because we believe it's a fair and sustainable arrangement for all stakeholders. We want to assure you that only relevant expenses will be charged, and we remain committed to maintaining a frugal culture across our organization. We appreciate your kind understanding in this matter and are committed to transparency and fairness in our fee structure.

Closing Thoughts

Our wealth, aside from our primary residence, is largely invested in this single fund (increasingly so for our young team as well). Our primary motivation is to maximize the fund's performance, driven by a desire to develop our intellectual abilities and execute them with conviction and integrity. Having an audited public track record for 30 years and knowing that we have added value to our shareholders/partners is much more satisfying than doing it all with our own money. In a way, we will much prefer to have scored an A grade or even A- for a strategy that greatly benefited many others than scoring an A+ grade for a strategy that only benefited the principals.

We admit this was not our original mindset, having closed the strategy in our initial years. However, it's been heartwarming to receive gratitude from shareholders for our work over the past two years. The added responsibility of managing external investments has been a valuable discipline, as we've been entrusted with funds meant for future generations. This accountability has helped us channel our energy and aggression into prudent decision-making, ensuring we prioritize long-term success over short term profit and loss.

While we can't guarantee results, we can assure you that our interests are closely aligned with yours, with a significant portion of our wealth invested in this fund. We'll maintain our disciplined approach towards investing and a performance-oriented culture. (If you notice a deviation from this approach or consistent underperformance compared to a low-cost index fund, you should redeem your investment.)

Despite some success so far, we must remain rational and prepared for market volatility. Given the current geopolitical tensions and trade uncertainties, we advise you to temper your expectations and use recent gains as a buffer for future challenging periods.

Thank you and speak to you again soon. Please contact us directly if you have any questions regarding your investments.

Best regards,

Greg, on behalf of the whole AGT team

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