Constantia Investment Partners

Annual Letter
2025

Dear Partners,

For the calendar year ended 31 December 2025, the AIM Global High Conviction Fund (GHCF) delivered a net return of +4.9%. This brings our cumulative net return since strategy inception to +108.6%, translating to an annualised net return of +12.3%.

Performance to 31 December 2025

	GHCF	Benchmark
Financial Year to Date 2026	-6.1%	+8.7%
2025	+4.9%	+12.4%
2024	+21.6%	+30.8%
2023	+22.7%	+23.0%
2022	-15.6%	-12.2%
2021	+31.1%	+29.3%
2020	+14.2%	+5.6%
2019 (Strategy Inception: 31 Aug. 2019)	+5.3%	+6.3%
Cumulative Since Strategy Inception	+108.6%	+130.3%
Annualised Since Strategy Inception	+12.3%	+14.1%

Total returns shown for the AIM Global High Conviction Fund have been calculated using exit prices after taking into account all the product's ongoing fees and assuming reinvestment of distributions. No allowance has been made for entry fees or taxation. Past performance is not indicative of future performance. The benchmark is a representative index of global equities listed in developed markets and is denominated in AUD, with dividends (net of withholding taxes) reinvested. Refer to our PDS for more detail.

2025 was a year of two halves. In the first half, the Fund returned +11.7%, comfortably ahead of the benchmark's +3.4%. In the second half, the Fund was down -6.1% against a benchmark that continued to grind higher. For the full year, the Fund was up +4.9% vs +12.4% for the benchmark.

We have spent considerable time examining what drove the Fund's returns in the second half of 2025. We detail our findings in **Part One** of the Letter but offer three high-level observations upfront.

Firstly, it is worth noting that several names that declined in the third quarter recovered materially in the fourth quarter. Examples include TerraVest (3Q25: -20.4%; 4Q25: +19.5%), Lifco (3Q25: -16.9%; 4Q25: +12.3%) and Games Workshop (3Q25: -12.2%; 4Q25: +30.6%). We have seen a similar pattern of price action several times in the past: headlines drive share prices in between reporting results, while company fundamentals – as far as we are concerned, arguably the **most** important driver of long-term returns – overcome the noise when businesses release their results.

Secondly: when we decompose the Fund's returns for the second half of 2025, the largest combined detractor (-4.4%) from performance relates to the three vertical market software (VMS) names (Constellation Software, Topicus, and Roper Technologies). What is noteworthy is that all the negative price action has been driven by a change in the 'story' about the software sector as a whole – that artificial intelligence (AI) would disrupt their businesses – rather than any deterioration of fundamentals. At their last report, no AI headwinds have materialised in the numbers of these companies. We discuss this dynamic in more detail in **Part One**.

Finally: as AI is increasingly perceived to affect every aspect of business and society, each new improvement or development in the underlying technology that is perceived to be a risk to a particular business model or sector is being met with a 'sell first, figure it out later' mentality, regardless of underlying business fundamentals. It seems to us that if a business is not anointed as a 'clear' AI winner, there is at present a strong tendency to conclude it then 'must' be a clear loser. We believe that there is a lot more nuance to the debate, and a wide range of outcomes are largely being overlooked by the market. Regardless, the 'sell first' mentality to perceived AI risk is resulting in an abundance of share price volatility, affecting not only businesses that we think are *legitimately* in the firing line, but with it many businesses that are not. We believe this throwing out of the baby with the bathwater has created significantly mispriced opportunities for long term investors focused on business quality.

Despite the price action, the Fund's holdings have reported fundamentals in line with our expectations of them. For the full year ended December 2025, we estimate that our businesses have **grown their intrinsic value** (using cash profits per share as a proxy) by around **+10%**. Given our fundamentals-first, long-term approach, this is a key outcome for our process and provides us with confidence in the philosophy. Put differently, the fundamentals of our businesses have outpaced their share prices in 2025, meaning their valuations have become more attractive.

In this environment, we remain focused on our process and investment philosophy. While share prices of the quality businesses we seek lagged in 2025, we continue to prioritise owning businesses with management teams that are skilled capital allocators, aligned with shareholders, exhibit a degree of trusteeship over the capital entrusted to them, and are not overly promotional.

These traits are rarer than one might expect; right now, the market does not seem particularly interested in rewarding them. We believe this will not always be the case.

Compounding, In Practice

We have said over the years that we want to compound at 12% or better. We seek to do so by owning businesses that can consistently grow their intrinsic value by repeatedly reinvesting their profits at high rates of return.

The best time to buy such a business is when the market prices it like an 'average' one. But herein lies a challenge: if you buy a high-quality business at a reasonable valuation, and the business then delivers on your expectations, the market will likely come around to your view. All else equal, the stock will trade at a premium – leaving the valuation vulnerable to any shift in sentiment or narrative. What then? When do you trim, and when do you hold?

In **Part Two** of this Letter – entitled *You've Bought a Wonderful Company at a Fair Price* – we explore how we think about this challenge, using examples from the past six years to illustrate our approach in practice.

Our Annual Letter

Since our 2023 Interim Letter, we have disclosed every Fund holding together with a brief discussion of their latest results to investors. Rather than the industry standard 'stock stories', we try to offer a frank, 'warts-and-all' view so you know exactly what you own and why. See Annexure A for the full list of holdings and corresponding summaries.

Structure

This Letter has several parts. Each part stands on its own, so you can read them in any order, though we have arranged the parts in a way that we feel makes the most sense. If you are reading this Letter digitally, you can click on any title below to jump straight to that section.

- In **Part One**, we discuss the key drivers of performance for the calendar year.

- In **Part Two**, we discuss the challenge of owning compounders that become expensive – when to hold, when to trim, and when to sell – using examples from the past six years.
- Three **annexures** appear at the end of the Letter:
    - Annexure A shows all holdings as at 31 December 2025 and includes details of their business results for the most recently reported period.
    - Annexure B includes our quality scorecard (with past data for comparison), plus our sector allocations and geographic revenue breakdown.
    - Annexure C is a one-page summary of our investment philosophy.

In Closing

Long-term compounding is only achieved with a level of stoicism to market fluctuations. As we noted in our **2025 Interim Letter**, we normally include the following paragraph after periods of strong performance:

> *We would caution partners against mentally extrapolating the rate of return we have delivered [recently]. There will undoubtedly be leaner periods at some point in the future. The right way to think (and survive) in markets is to have a stoic indifference to short-term results […] and rather focus on our longer-term compounding ability.*

The key point lies in the very first sentence: behavioural finance teaches us that investors are prone to extrapolating the recent past, for good or ill.

As of mid-February 2026, the Fund trades on a free cash flow yield north of 4% – a valuation we find very attractive for a portfolio of businesses of this quality. While it is quite natural to extrapolate the headwinds of the recent past, we believe that at some point business fundamentals will once again reassert themselves, and partners will be rewarded for their patience.

Please call us if you have any questions.

Kind regards,

Etienne, Les, Dan & Andrew

Part One: CY25 in Review

by Etienne Vlok, Daniel Gerdis and Andrew Strasser

'Quality investing' has become somewhat of an overused term in the investing landscape, but as an approach it was arguably best articulated in the 1970s – then expanded on over the years – by Warren Buffett and Charlie Munger.

Quoting the 1983 Berkshire letter:

> *For years the traditional wisdom – long on tradition, short on wisdom – held that inflation protection was best provided by businesses laden with natural resources, plants and machinery, or other tangible assets ('In Goods We Trust'). It doesn't work that way.* ***Asset-heavy businesses generally earn low rates of return*** *– rates that often barely provide enough capital to fund the inflationary needs of the existing business,* ***with nothing left over for real growth, for distribution to owners, or for acquisition of new businesses.***
>
> *In contrast, a disproportionate number of the great business fortunes built up during the inflationary years arose from ownership of operations that combined* ***intangibles of lasting value with relatively minor requirements for tangible assets.*** *In such cases earnings have bounded upward in nominal dollars, and these dollars have been largely available for the* ***acquisition of additional businesses.***

Here's Charlie Munger during the afternoon Q&A session of the 2003 Berkshire annual meeting:

> *[A different kind of] business is one that reports a 12 percent return on capital* ***but there's never any cash****. It reminds me of the used construction equipment business of my old friend, John Anderson. He used to say, "In my business,* ***every year you make a profit, and there it is, sitting in the yard****." And there are an awful lot of businesses like that, where just to keep going, to stay in place, there's never any cash. Now, that business doesn't enable headquarters to drag out all the cash and invest it elsewhere. We hate that kind of a business.*

The key theme linking these statements together is that businesses reliant on tangible assets tend to earn lower returns. They must by necessity reinvest a larger proportion of their profits back into yet *more* tangible assets just to stay in the same place, let alone grow. Conversely, 'capital-light' businesses – those whose moats depend more on intangible assets "of lasting value" (for example: intellectual property, brand affinity, switching costs, or multi-sided networks such as online marketplaces) tend to earn much higher returns on capital and generate much higher levels of free cash flow, which can either be reinvested (whether organically or via acquisition) to generate more growth, or returned to shareholders.

We have always defined the financial characteristics of the type of high-quality business we look for as follows:

1. earning **high returns on capital** (implying the 'capital-lightness' favoured by Buffett and Munger);
2. having **modest levels of debt** (reducing the risk of failure); and
3. having **high levels of cash conversion** (i.e. the accounting profits translate to free cash flow for reinvestment or redistribution as opposed to ending up as more equipment in the yard, as in Munger's example above).

We further narrow down the field to businesses run by aligned management teams with a demonstrable track record of successfully deploying the free cash flow their business generates to capture further growth opportunities. In fact, we specifically own businesses that do so through acquisition – the so-called 'serial acquirer' business model.

With all this in mind, 2025 was a strange year to be investing with a quality lens. In the first half of the year, the 'capital-light' nature of the type of business we prefer – along with the mission-critical nature of the products and services they provide – protected the Fund from the worst of the tariff-induced headline risk.

For many intangible-based business models, there is no cross-border flow of goods, meaning there is no obvious product to tariff. (For example: if someone in the UK uses a software application designed and hosted on a server in the US, is that defined as cross-border trade?) Even our 'real-world' industrial businesses tend to be on the capital-light side, engaged in ‘light’ industry (replacement parts and connectors) as opposed to heavy manufacturing (airplanes and cars), meaning it was easier for them to follow a ‘produce locally to sell locally’ supply chain strategy to navigate the tariff landscape.

This dynamic changed in the second half of the year as the market became increasingly focused on AI. Businesses with intangible-based moats started to underperform or sell off outright. At first, share price weakness was largely confined to software businesses, which came under pressure in August and September as the narrative of AI disrupting their business models gained momentum. Towards the end of the year – and into the starting weeks of 2026 – almost *all* businesses with an intangible-based moat have experienced sharp and rapid declines in share price as the perception of AI risk broadened out. The post-2025 sell-off includes businesses in capital-light industries as diverse as online real estate marketplaces, data aggregators, credit bureaus, rating agencies, medical service providers, online travel platforms and credit rating agencies. As of mid-February, AI fears have even spread to property management companies and freight businesses – industries we think are *very* far away from being disrupted by AI. Right now, it seems that the market believes “if you are not an AI winner, you are an AI loser”.

What *has* worked in equity markets over the past few months? Given the macro-economic uncertainty in the world, hard assets and commodity-facing sectors have fared better. However, the *real* short-term winners have been those easily identified as direct beneficiaries of the AI investment boom (semiconductor companies) or those judged to be beneficiaries of the technology itself, without much regard for the underlying quality of their business models.

This leads to an obvious question: *has* AI fundamentally changed the landscape for businesses reliant on intangible moats? Returning to Buffett, we believe the key phrase is “intangibles of **lasting value**”. At present, markets are actively questioning which such intangibles will have lasting value.

If an AI model can synthesise specialist knowledge across a vast range of domains – knowledge that historically took years to master – and deliver a 'good enough' solution at very low marginal cost, we can see a world where moats built solely around the accumulation of such knowledge are at risk: where you previously needed to hire an external specialist to solve a problem, that may no longer be the case. This development could weaken certain switching cost moats – unless they are paired with *other* moats built around regulation, network effects, or brand affinity.

We believe that moats built around **trust** – whether that is based on human-to-human relationships, product quality or brand promise – become more valuable in a world where it is trivial to simulate ‘expertise’. A trusted relationship paired with a mission-critical product or service seems to us to offer the greatest resilience. In short, quality – that is, intangibles of lasting value – will likely be more narrowly defined going forward, but we don’t think AI renders all intangible-based moats suddenly obsolete.

The Market Perceives All Software Names as AI Losers

Negatively impacting the Fund's performance during 2025 were the positions held in three vertical market software (VMS) businesses that we have owned for several years: Constellation Software, its sister company Topicus and Roper Technologies.

All three of these VMS names exhibit the economic characteristics outlined by Buffett and Munger for a ‘quality’ business: they don’t have excessive levels of debt, they don’t need much investment in tangible capital, and they generate copious amounts of free cash (*without* having to adjust for stock-based compensation, which is a rarity among software companies), which they put to work to buy *other* businesses with the same characteristics.

We assess the moats of these companies as very deep. Their software is 'vertical' - extremely specialised for the needs of narrow end markets (e.g.: power utilities, the paper & pulp industry or court systems, to name a few) as opposed to 'horizontal' (software designed to be broadly useful across a variety of end markets).

Operating in narrow vertical markets means that these businesses have several overlapping intangible moats. First, there's a switching cost moat: no customer wants to rip out and replace core business systems of record that work and are not a huge cost item (maybe 1% - 3%) of their total expenses. Second, there's an 'efficient scale' moat: some of the vertical markets are so niche that it makes no sense for new competitors to enter, as it would result in a price war and market share battle, with both the incumbent and the new entrant eventually earning average rates of return. These two characteristics then lead into the third moat: these companies have built up deep knowledge of their customers' workflow over many years of working together to improve and tweak the software to the customers' needs. In short, the close relationship – more so than the underlying product or technology – helps secure the moat.

We believe that AI poses a greater risk to horizontal software as a service (SaaS) business than to our vertical names. However, the market has made no distinction between such nuances, and the entire sector has sold off.

Constellation Software has long been a sizeable holding and outperformer for the Fund. The stock suffered a -27% drawdown during the year – its largest ever. In addition to being a –1.4% headwind to absolute performance, the opportunity cost was a material drag on Fund performance for the year. Market fears that AI would create obsolescence risk for its business model was part of the reason for the sell-off. However, the untimely stepping down of founder Mark Leonard from the CEO role for health reasons in September 2025 also weighed on Constellation's share price.

Mark Leonard remains an active board member while addressing his health. His successor – Constellation lifer Mark Miller – has capably stepped up into the CEO role.

In September 2025, we actively cut the Fund’s combined holdings in VMS by 39%, reflecting our assessment of the risk and reward for these businesses at the time. In hindsight, we should have cut the positions further, and we own the decision for not having done so. Since then, we have not added to any of these names, nor have we pursued any other names in the software sector. At the time of writing (mid-February 2026), VMS makes up around 7.3% of the fund. Our view remains that the VMS positions in the Fund have a more measured and practical approach to using AI to improve the value they deliver to their customers – leveraging their incumbency as an advantage. We do not believe this is reflected currently in their share prices.

AI Winners & Losers

We divide this section into three brief parts.

<u>In isolation, AI models do not seem to have a differentiated moat</u>

The AI model labs are seen as winners, as the market believes they will capture value through scale and first-mover advantages. It is not clear to us that any AI model – whether built by OpenAI, Anthropic, Google, xAI, DeepSeek, or any of a host of others most readers have never heard of – has a particularly defensible competitive advantage in and of itself. Credible competitors have started from basically nothing over the last three years, and the leading models seem to trade places on independently verified leaderboards every few weeks as newer versions of their models are released. Both observations suggest that anyone with deep pockets and a willingness to spend a very large sum of money can be competitive. Moreover, the margins these businesses will earn remain unclear.

While the buildout phase of this technological wave may eventually prove to be somewhat undifferentiated amongst the current leaders in AI, we await the phase that follows. Just as the business models that were built on top of excess fibre capacity of the late 90s telecom boom ended up capturing the value from that wave (think Facebook, Netflix and Google) we expect new business models will evolve off the back of the data centre boom currently taking place, providing new investment opportunities going forward.

<u>The semiconductor boom and how it has changed behaviour</u>

The semiconductor players are presently printing money as they command a bottleneck during this investment boom. Demand for 'compute' – the catch-all term for the processing power, memory, networking and storage required to run AI models – appears insatiable, leading many to believe we are in a semi-permanent demand cycle for semiconductors. Yet, when a single vendor captures outsized profits during a supply shortage, the economic incentives to find workarounds become overwhelming. Alphabet has created a top-tier AI model without using NVIDIA GPUs, with Gemini having been trained on their in-house tensor processing unit (TPU) – a strong signal to the rest of the market that such a feat *is* possible.

History teaches investors to be very cautious when the market begins to believe a traditionally cyclical sector – and we would consider the semiconductor sector to be one – will no longer experience the typical boom-and-bust cycles of the past. For this reason, it remains a sector we typically avoid investing in over the long term.

We would be remiss if we did not mention that – as the data centres buildout has broadened – we have increasingly witnessed circular financing deals to fund the buildout. (Transactions of the "I will sell you a portion of my company for cash, then use that cash to buy your semiconductor chips"). Several such deals in 2025 appear to us to have been underpinned by NVIDIA, which means that the economic fate of several of the AI winners are now financially intertwined: a stumble by one may affect other players.

Finally, we should also note that up to 2025, most of the buildout has been funded by cash flow from some of the biggest and most profitable companies in the world. As we enter 2026, the source of funding is shifting towards debt; we have also seen some strange off-balance sheet funding mechanisms. In short, funding quality seems to be deteriorating. In isolation, using debt is not a problem, but given the scale of the investments, it does mean that if the boom doesn't play out as planned, the pain will be felt by a much wider audience of capital providers. While the massive buildout of the infrastructure will undoubtedly be useful in the future, the financing may ultimately prove to have been unsound.

<u>Hyperscale may result in subpar returns on capital</u>

Historically, what has made the current crop of tech giants (Amazon, Alphabet, Microsoft and Meta) so impressively profitable and massively cash generative has been the negligible incremental cost to deliver their service to the next customer. 2025 has shown that artificial intelligence workloads require tremendous computing power, meaning that this historical 'zero incremental cost' framework does not apply to the current technological wave.

As a result, virtually all the cash flow generated by these hyperscale businesses (again, Amazon, Alphabet, Microsoft, Meta and – if you take them at face value – someday Oracle) are being invested into physical infrastructure assets in the form of data centres. Collectively, they will spend around USD700bn in capex in 2026. This will have meaningful implications for the future return on invested capital profiles of these businesses, which we expect will drift increasingly lower as they become more capital-intensive.

Returning to Buffett, identifying a change in the nature of the capital intensity of a business is of paramount importance to long-term shareholder returns. In this regard, the *direction of travel* for the hyperscalers is negative. We have owned (and continue to own) some of the AI infrastructure names, as their non-capital-intensive earnings streams continue to compound attractively. However, given the increasing capital requirements, we hold them at increasingly lower weights than in the past. It remains to be seen if merely outspending the competition on infrastructure will bestow a durable competitive advantage or pricing power.

Conclusion

The price action seen in the second half of 2025 and first weeks of 2026 has seen a dramatic increase in the narrative that AI will disrupt many businesses built on intangible moats, resulting in an indiscriminate sell-off of capital-light businesses across the board.

Our view remains that owning capital-light businesses (whether purely intangible based, or 'light industrials') run by aligned management teams will lead to compounding over the years ahead; the vast majority of the Fund is invested in capital-light 'real world' industrials that are by and large not directly exposed to the AI buildout. We remain very optimistic about their prospects.

Performance Drivers

General Observations

Before discussing stock-specific contributors and detractors, we want to briefly highlight three points:

1. *Our businesses continue to consistently grow their cash profits.* Despite much of the stock price volatility in the second half of 2025, none of it has shown up in the fundamentals of our businesses. We calculate the **growth in intrinsic value per share** for the Fund to be **+10.3%** – slightly below our long-term target of 12% per year, but very firmly within our expected range of outcomes.

2. *Valuation multiple contraction reduced the Fund's return modestly.* In the first half of 2025, markets looked ahead at the future growth our businesses were set to deliver prior to the numbers showing up in the financial statements. (Examples include Nintendo – which by half-year had yet to report any numbers with the launch of the Switch 2 video game console reflected in them – or TerraVest, where the sizeable EnTrans acquisition had only been on the books for a few weeks of the March quarter). By the end of the year, the growth caught up with (and then overtook) the market's pricing of our stocks, leading to a **-3.4%** headwind from the valuation multiple.

3. *Currency was a modest headwind to performance in 2025.* Currency movements, particularly the strength of the Australian dollar against the US dollar (-7.2%), Japanese yen (-6.9%) and Canadian dollar (-2.6%) created a **-2.5%** headwind to absolute performance. This was partially offset by AUD weakness versus the Euro (+5.3%) and Swedish krona (+11.3%).

A Brief Note on Cash Levels

Our mandate allows us to hold between 0% and 10% in cash at any point in time. When we see many compelling opportunities, you can expect the Fund to be near the lower end of the 0% to 10% range. Conversely, when we see fewer attractive opportunities, the Fund will be closer to the upper end of that range.

During the past year, the Fund held an average cash weighting of 8.7% which was a minor drag on both the absolute and relative performance of the Fund. This reflected a cautious view on valuations. Given the increased levels of recent share price volatility, the cash position has been reduced as we believe very attractive opportunities have emerged.

Contributors & Detractors in CYH25

Contributors

The top three contributors to our performance for CY25 are shown in the table below.

Business	Top Contributors Total Return (AUD)	Contribution
Games Workshop PLC	+47.9%	+3.0%
TerraVest Industries	+43.8%	+2.1%
Diploma PLC	+25.6%	+1.6%

To provide some detail on each:

- ***Games Workshop's*** share price performance in 2025 reflects the strength of its core miniatures business – which we see as the true engine of long-term value – more than offsetting the expected decline in licensing income post-*Space Marine 2* (released in September 2024). The core business delivered record results, demonstrating pricing power (absorbing tariffs while expanding margins) and continued geographic expansion. Consensus anticipated weak core growth given the prior year's strong result, making the +17%

core revenue growth in 1H26 a positive surprise. The licensing decline was widely expected and should not concern long-term investors; it reflects the lumpy nature of video game royalties rather than a structural issue. Looking ahead, the announced pipeline of major games and eventual media releases should provide future licensing tailwinds, though the timing remains uncertain. The stock's valuation embeds some optionality around the upcoming Amazon TV adaptation, which management states could take "several years."

- ***TerraVest's*** rally in 2025 was largely driven by the strategic logic behind the acquisition of EnTrans, a purchase which was concluded in March 2025. EnTrans manufactures specialty tank trailers from predominantly US facilities, making it a natural fit with TerraVest's existing product portfolio while also reducing the company's exposure to potential cross-border tariffs. Management has also flagged synergy opportunities between the acquired businesses and the existing portfolio. The EnTrans acquisition drove the majority of the +68% sales growth in the year, while organic sales grew by a respectable +7% against a tough backdrop. Looking ahead, the organic outlook for the business will likely remain linked to the health of the US and Canadian industrial economy, although a huge (USD590mn) long-term contract won by a subsidiary of EnTrans will start showing up in the numbers in 2026. The business is also partially exposed to the AI data centre buildout in the form of providing electrical test systems, which should support organic growth. In combination, we expect that the 'slow but steady' growth of the existing businesses will enable TerraVest to continue consolidating the North American market for the foreseeable future.
- ***Diploma*** delivered impressive results for the financial year ended September, growing revenues and earnings in double digits while expanding their returns on capital. Recent capital deployed to the aerospace sector has delivered stellar returns for shareholders. Management continues to demonstrate an exemplary track record of deploying large amounts of capital to value-accretive strategic acquisitions. There appears to us a long runway of capital deployment opportunities going forward with the current management team at the helm.

Detractors

The top three detractors to our performance for CY25 are shown in the table below.

Business	Top Detractors Total Return (AUD)	Contribution
Watsco Inc.	-32.9%	-1.4%
Constellation Software	-27.4%	-1.4%
Roper Technologies	-20.2%	-1.3%

- ***Watsco*** had a difficult year in 2025. Having successfully negotiated an industry-wide technology transition to a higher energy-efficiency standard for air conditioning units in 2024, Watsco began 2025 with a clean stock of inventory, ready to resume its growth trajectory. Subsequently, a slowdown in the housing market reduced the pace at which air conditioning units were replaced, as cash-strapped consumers rather opted to refurbish older units. Consumers also moved homes less frequently, resulting in fewer opportunities for upgrades. Importantly, Watsco has maintained a healthy gross profit margin, indicative of the strength of the underlying franchise in a weak macroeconomic environment. We anticipate this bodes well for future profitability when confidence in the housing market returns. In the meantime, the natural replacement cycle of air conditioning units moves ahead another year. As the dominant player in the market with a pristine balance sheet, we expect Watsco to be ideally placed to further consolidate the fragmented market in which they compete by acquiring smaller, less-well-capitalised competitors.
- The dominant narrative around ***Constellation Software*** has shifted from capital deployment to questions about leadership succession and potential AI disruption.
    - In late September 2025, founder Mark Leonard resigned as President due to health reasons, with long-time executive Mark Miller assuming the role. Miller emphasized "business as usual" and continuity, and Leonard is still on the board (and by all accounts, recovering).
    - Regarding AI: management hosted a conference call where Leonard cautioned against extrapolating AI's impact on software, drawing a parallel to Nobel-winner (and 'godfather of AI') Geoffrey Hinton's 2016 prediction that radiologists would be replaced by AI within five years, which proved to be very

wide of the mark. Internally, Constellation is deploying AI tools to assist with writing code and embedding it in their products where it makes sense for their customers' workflow. Our belief is that Constellation's deeply embedded vertical software products – built on decades of customer-specific workflows – are relatively insulated from AI disruption.

- Like Constellation Software, ***Roper Technologies*** has been impacted by the concern that AI may disrupt traditional software providers, be that by upending their pricing model (i.e. they can't charge per seat), by enabling competition via AI-assisted code generation or by making the product obsolete entirely. We believe the last two concerns are unlikely, as Roper's software products are primarily systems of record that are deeply embedded in their customers' workflows. Additionally, many of their subsidiaries sell dedicated hardware that enables their software (such as payment terminals, or access swipe cards/readers). We think it is unlikely that their customers will seek to build and maintain solutions in-house or switch from Roper as their provider given their software represents a small portion of their customers' overall cost base.

Positions Purchased and Sold: June 2025 to December 2025

Discussion of new purchases and sales is reserved for Constantia investors.

Growth in Intrinsic Value

We invest with a business owner's mindset. We focus on how much each company's **intrinsic value** grows over time.

Intrinsic value is an **estimate** of a company's true worth, based on the underlying fundamentals of a business. In simpler terms, it is the amount of cash the company will return to its owners, from now until it closes. This cash is known as '**free cash flow**'. It is the money left after the company spends what it needs to stay competitive, but before investing for growth. This cash can then be given back to owners as dividends or through share buybacks.

The number of shares outstanding can change over time through issuance or buybacks. As a result, we measure growth in intrinsic value by tracking the percentage change in free cash flow per share. In simple terms, this can be estimated reasonably accurately by adding the **percentage change in free cash flow** to the **percentage change in share count** over each period.

We focus on owning businesses that can **grow their free cash flow per share by +12% or more each year**. We believe that growth of this level should increase their intrinsic value by roughly the same amount over time.

Breakdown of Net Total Return

The chart below breaks down our after-fee total return since strategy inception (August 2019) into the underlying drivers of return for our investors:

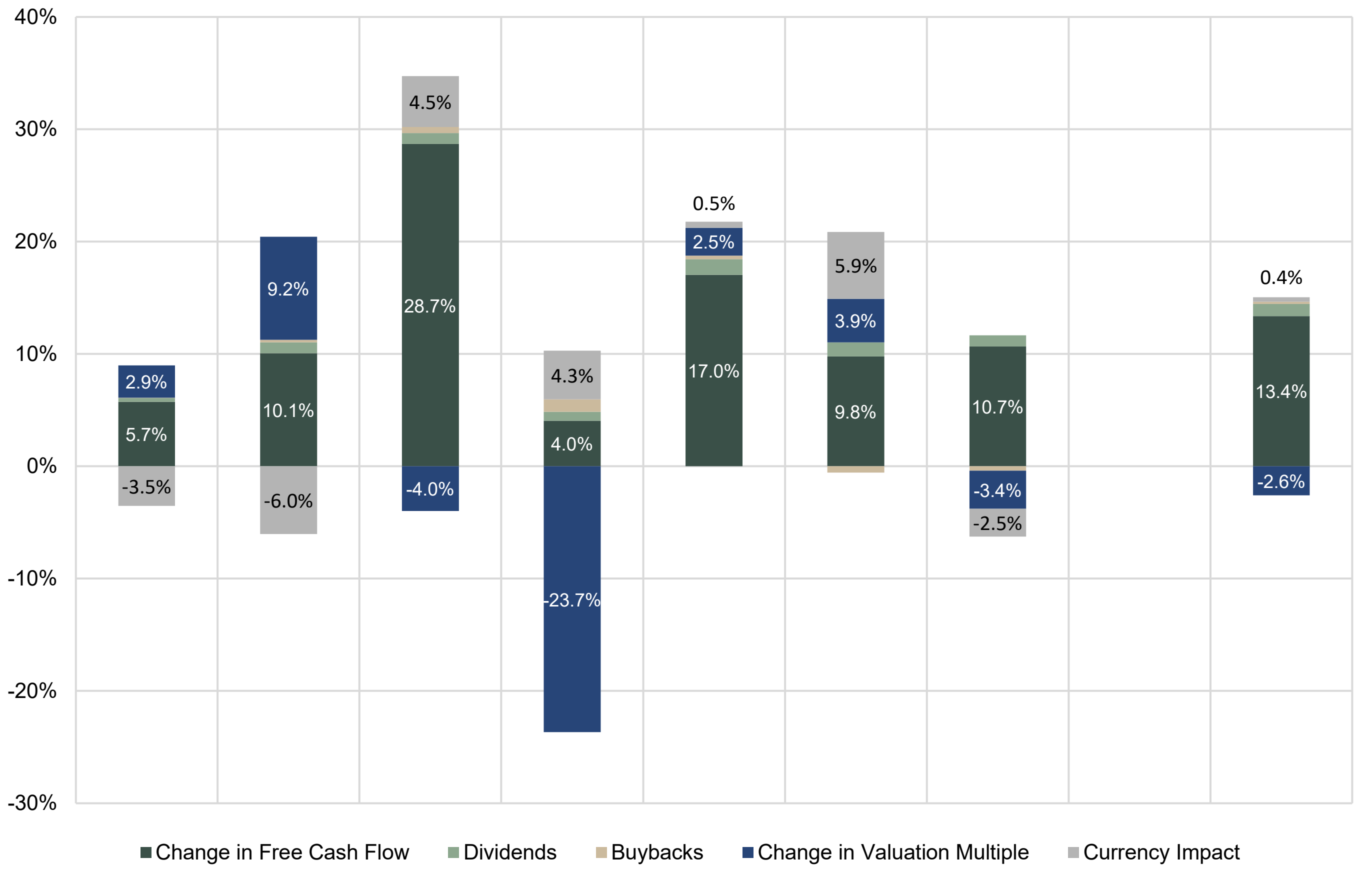
- Year-on-year changes in free cash flow (cash earnings).
- Cash returned to investors through dividends and/or share buybacks.
- Changes in the valuation multiple at the time of purchase versus the time of measurement (or sale).
- Currency effects, because we invest worldwide but report in Australian dollars (AUD).

We base our estimate of intrinsic value on observable, real-world inputs. However, as with *any* calculation of intrinsic value, it remains an **imperfect estimate at best**. We believe it is directionally correct and rooted in sound economics. In the unscientific realm of capital markets, we prefer being 'roughly right' over being 'precisely wrong'.

- The dark blue bar – representing the **valuation multiple** the market is willing to pay for one dollar of free cash flow – has been the most volatile component of our returns over time. This makes intuitive sense, as markets are prone to volatility over short periods. Over the course of 2025, we estimate that the change in valuation multiple decreased our absolute return by **-3.4%**.

- The dark green bar – representing the change in intrinsic value as measured by the **growth in free cash flow** from period to period – has generally been less volatile. In 2025, the free cash flow generated by our businesses increased by **+10.7%.**
  - It is worth calling out that we are currently faced with an unusual situation: *all* three hyperscale cloud providers are spending (or will soon spend) virtually all their operating cash flows on investment in infrastructure for the AI boom. This leads to some very odd growth rates being reported.
  - For example, in 2025, Amazon has reported sales growth of +12%, diluted EPS growth of +30%, operating cash flow growth of +20%, but free cash flow growth of -71% due to capital investment jumping by +59%. While we think free cash flow is the best measure to track over the long-term, we also don't think Amazon's intrinsic value has decreased by -71% this year. In short, we are faced with a timing issue – how do we account for elevated investment now, when profits lie in the years ahead?
  - Our solution is to use **cash from operations minus depreciation and amortisation (D&A)**, which explicitly assumes that the current level of D&A is a proxy for 'maintenance' investment. In the case of Amazon, this ends up being +17%, which we think is a reasonable proxy for intrinsic value.
  - We did consider using diluted EPS, but at present many of our holdings have booked significant once-off revaluation gains that make them even less accurate.
- Dividends (light green) and buybacks (light brown) have been modest but positive contributors over time. In 2025, **dividends** contributed **+1.0%** to the total return. **Buybacks** were a minor (**-0.4%**) headwind over the period.
- The impact of **currency** (grey) has been volatile from year to year but tends to even out over time. In **2025**, currency was a -**2.5%** headwind to the Fund's return.

2019*	2020	2021	2022	2023	2024	2025	Inception* p.a.
+5.3%	+14.2%	+31.1%	-15.6%	+22.7%	+21.6%	+4.9%	+12.3%



Figures at the top show net total return of GHCF for each period. Past performance is not indicative of future performance.
**2019 and strategy inception are measured from 31 August 2019.*

Putting all this together, we estimate that our businesses grew their **intrinsic value per share** by **+10.3%** (**+10.7%** growth in free cash flow and a **-0.4%** change in share count) in 2025.

Since Inception

We believe that the rightmost column – breaking down the Fund's +12.3% per year net total return since strategy inception – is likely the most useful feature of the chart, since it looks through short-term volatility.

- We estimate that our businesses have grown their **free cash flow by +13.4%** per year.
- **Multiple** compression has been a **-2.6%** per year headwind.
- **Dividends** (**+1.1%** per year) and **share buybacks** (**+0.2%** per year) have been steady, albeit minor, positive contributors.
- The **currency** impact – despite being volatile in any given year – has added just **+0.4%** per year.

The estimated growth in **intrinsic value per share** since inception has been **+13.6% per year** (+13.4% per year from free cash flow growth and +0.2% per year from share count reduction).

Over the long term, we believe the return we deliver will roughly reflect the growth in intrinsic value of the businesses we own. Indeed, this belief is foundational to our entire investment philosophy. As such, we will update this chart and present it in every future Interim and Annual Letter, enabling you to track the change in our best estimate of the fundamental value of the businesses owned in the Fund.

Part Two: You've Bought a Wonderful Company at a Fair Price

by Etienne Vlok

We have said over the years that we aim to compound at 12% or better. We seek to do so by owning businesses that we believe can compound their *intrinsic value* by repeatedly reinvesting their profits at high rates of return. In looking for businesses that can do this, we focus on what we consider to be the inputs of long-term value creation: industry structure, barriers to entry, incremental returns on capital, management incentives and capital allocation.

The best time to buy a high-quality business that meets our criteria is when the market prices it like an 'average' business (provided the mispricing is not due to an *actual* deterioration in its long-term prospects).

Herein lies an inescapable challenge (and opportunity) of a strategy focused on owning businesses that can compound in value for long periods of time: near-term drawdowns in the share prices of even the best businesses are inevitable. Additionally, the timing thereof is largely unpredictable. Having conviction in the underlying fundamentals of the business creates the opportunity to buy them at an attractive *starting* valuation. As the business then delivers on your growth forecast, the market will likely then come around to *your* point of view. All else equal, this should cause the market to value the business at a premium once again.

Said differently: even if you follow Buffett's rule of "buying a wonderful business at a fair price", it is almost certain that at some point during the compounding journey it will trade 'expensive', leaving the valuation at risk of any short-term issues, shifts in the narrative, changes to market sentiment, or external economic shocks.

Balancing the goal of owning a high-quality business that can compound in value against the risk of multiple compression from an 'expensive' valuation is one of the most difficult challenges we face. Having a process to think about how to practically manage through such situations is key to the long-term success of our strategy.

Below, we explain our thinking in more detail, first introducing the concept of 'earnings power', and then using some examples from the past six years to better illustrate our approach in practice and avoid a purely abstract discussion.

The Key: Assessing Earnings *Power*, Not Earnings

Ben Graham first defined "earnings power" in his 1937 book *The Interpretation of Financial Statements* as "the earnings that may reasonably be expected over a period of time in the future." We use the term 'earnings power' in the same spirit: it is a view of the *sustainable* level of profitability that normalises for cyclicality and temporary windfalls or headwinds when considering the returns earned on the capital invested in the business. Other notable investors have added to the idea over the years, but all definitions are clear that 'earnings power' differs from *reported earnings*.

We have found this lens helpful in three situations: identifying businesses that are over-earning but priced as if today's conditions will persist; businesses that are under-earning but priced as if conditions will never improve; and businesses investing for future growth where current reported earnings understate the likely longer-term earnings power once those investments become productive.

In practice, we use this concept to translate today's share price into an implied set of assumptions. If the price implies more growth, margin expansion, or execution than we think is realistic, we will trim or sell.

However, the framework works in both directions: as we trim or sell when current prices imply more earnings power than we think is realistic, we add when prices imply less. The latter situation is rarer but more valuable.

Example 1: Games Workshop PLC

Games Workshop (GW) is a Nottingham-based manufacturer of plastic miniatures for tabletop wargaming and the owner of the *Warhammer* IP (including *Warhammer: 40,000* and *Warhammer: Age of Sigmar*). We reviewed the business in 2021 but concluded that relative to a more normal level of profit, GW was over-earning due to a surge in demand during the COVID-lockdowns – a fact not reflected in a 30x price/cash flow (P/CF) ratio in September 2021. As the valuation normalised, we began accumulating in February 2022 (around 22x P/CF), and added meaningfully during the UK 'mini-budget' sell-off of September 2022, when the stock briefly traded around 16x P/CF.

Since our initial purchase, underlying business performance has been strong, with sales up +69%, diluted earnings per share (EPS) up +72%, and operating cash flows up +157%. Over the period, two developments have reinforced our long-term thesis. First, the runaway success of *Space Marine 2* (a video game released in September 2024) demonstrated how licensed media can both support profitability and broaden the fan base. Second, a live-action TV series to be produced by Amazon has the potential to do the same at a larger scale, materially expanding the addressable market for the hobby.

When discussing the inherent tension between short-term profit taking and long-term compounding in our August 2025 monthly note, we used GW as an example, writing:

> *As at the end of August 2025, GW stock is up around 22% in AUD for the calendar year-to-date. Is now the right time to trim, or would the Fund be better served by remaining focused on the long-term opportunity? In our opinion, the current valuation doesn't look particularly demanding. Even if we adjust for FY25's licensing 'super-profits' from Space Marine 2, we estimate that (as of August 2025), the stock trades on around 21.5x operating cash flows – not egregious for a business earning ~60% returns on invested capital, with a low-teens growth outlook, a highly rational capital allocator at the helm, and a 3.6% dividend yield. Trimming now would essentially be a bet on both the stock price falling, and us correctly timing a repurchase at a lower price. Conversely, if the stock does not fall and the opportunity to buy back in at a lower price does not arise, we would merely end up owning less of a high-quality business that we believe can compound over time.*
>
> *There is an inherent trade-off between near-term profit taking to reduce short-term volatility and letting winners run to capture long term compounding. While a 'trim and buy it back later' decision always sounds simple on paper, we find that it is exceedingly hard to consistently execute well in the real world.*

As it happens, GW's results to November 2025 were very strong, and by the end of December 2025 GW was trading at 22.1x P/CF – still not *egregiously* expensive. What to do?

As with anything in investing, there are no hard and fast rules; instead, we look to a set of inputs to guide our thinking. On a sustainable basis, we believe GW can grow profits around 10% - 11% per year, driven by a combination of pricing power, increasing the pace of new product releases, gradual channel expansion, and periodic high-margin licensing opportunities. We also see a plausible pathway for the 'earnings power' of the business to be materially higher in a few years' time if the Amazon show broadens the audience. Combined with a debt-free balance sheet and a commitment to return excess profits as dividends (historically 3% - 4% per year), we'd argue that we are being paid to be patient.

We have trimmed the position slightly (by less than 1%) following the recent run-up in the stock price, but largely due to portfolio construction guidelines rather than having sleepless nights about valuation.

Example 2: HEICO

HEICO manufactures niche, mission-critical aerospace components and electronics. It is the world's largest independent supplier of aircraft replacement parts approved by the US Federal Aviation Administration (FAA). Led by the Mendelson family since 1990, HEICO has grown for decades through a combination of volume growth, market share gains and bolt-on acquisitions. Despite this track record, it still commands only a modest share of a large, fragmented aftermarket. As with Games Workshop, we consider it to be a high-quality company.

We initiated our position in April 2021 via the Class A shares (which typically trade at a discount to the ordinary shares due to reduced voting rights). At the time, the stock traded on a seemingly eye-watering ~37x P/CF, but this was during a period when the airline market and aerospace supply chain were still in disarray due to pandemic travel bans.

We estimated sales and profits were ~30% below normal, implying we were paying closer to ~26x normalised cash earnings. That was not cheap, but we expected a combination of 1) activity normalising from a depressed base, 2) further market share gains, and 3) continued bolt-on acquisitions to support sales growth of roughly 15%–20% per year, with profits and cash flows broadly following.

The business has executed slightly above these expectations, although this is partly due to the May 2023 acquisition of Wencor – the number two player in the market for replacement aerospace parts. Over the period of our ownership, HEICO's sales have risen by 164%, EPS by 153%, and cash flows by 127%.

As of December 2025, HEICO's Class A shares trade at ~42x P/CF following a ~36% rally (in USD) in 2025 – decidedly not cheap, even if the company can continue compounding profits and cash flows at around 15%.

There are no hard and fast rules in situations like this. We think HEICO is now earning around a normalised level of earnings power (or perhaps slightly above). Against that, the company is lightly geared, the aerospace parts industry has high barriers to entry, and we expect further bolt-on acquisition opportunities, even if a Wencor-like deal is unlikely to repeat. Additionally, Boeing and Airbus' delivery constraints should keep aircraft in service longer and support above-trend growth in replacement parts for several years, a backdrop in which we expect HEICO to take share.

Taken together, we see sufficient quality and a credible pathway to higher earnings power to justify owning HEICO, but we have trimmed the position over time: from ~7% at the end of 2021 to much lower today. (Given the share price appreciation, the position would have been well north of 10% of the Fund had we simply left it untouched).

HEICO illustrates the core challenge of owning a compounder: when a quality business trades on a lofty valuation, it becomes more vulnerable to shifts in sentiment. With perfect foresight, we would have been better served leaving the position alone and accepting the volatility. In the real world, as the valuation has come to reflect much of the earnings power we believe the company has (and will build over the next few years), we have trimmed on the way up.

Example 3: Fastenal

Fastenal is the largest fastener distributor in North America and a major supplier of industrial and construction consumables. While it may look like a business selling undifferentiated nuts and bolts, in practice Fastenal is a critical service provider and supply-chain partner – using dense local branches and embedded on-site and vending programs to ensure customers have the right parts in the right place, at the right time, so production lines keep moving. We consider it a high-quality business.

We first bought Fastenal in May 2020, during the early COVID lockdowns. While Fastenal's 'bread and butter' sales of fastening products declined by around -16% due to social distancing protocols, demand for the personal protective equipment (PPE) products it distributed surged by +116%. PPE sales more than offset the decline in fasteners, but with a very different margin profile to a normal period. While paying an optically expensive ~27x P/CF, by our estimate of normalised earnings power it was trading closer to 24x. We believed Fastenal was well positioned to gain market share as a preferred distribution partner for industrial consumables during a period of supply chain chaos. We also believed that the business would benefit from any material push to reshore US manufacturing.

As supply chain disruption eased, growth returned to what we considered a more normalised pace of 7% - 10%, driven by a combination of 1) Fastenal's ability to pass on input price increases, 2) cost discipline, 3) market share gains, and 4) expanding its distribution footprint. However, the US industrial economy remained sluggish throughout 2022, 2023 and 2024, and the above-trend growth did not materialise.

This did not seem to matter to the market, however: by the end of 2024, Fastenal was trading around 38x P/CF. Try as we might, we couldn't come up with a way for earnings power to rise enough to justify this valuation. Even when allowing for an increased possibility of special dividends – a practice management has engaged in historically – we still couldn't get to a 12% forward return. We therefore sold Fastenal in late 2024. Over our holding period, the stock increased by ~117% (in USD), while sales increased by 39%, profits by 45%, and operating cash flows by 41%.

In the case of Fastenal, our decision to sell was not motivated by any concerns around business quality. We simply could not justify a multiple close to 40x for a business we expect to grow at US GDP plus a few percentage points.

Conclusion: Our Edge

To beat the market, an investor needs an 'edge' over the crowd. Broadly speaking, there are three types.

- First, an **informational edge**: knowing something before the market. Setting aside the legal lines one must avoid, any benefit tends to be short-lived: important facts cease to matter once they become widely known.
- Second, an **analytical edge**: looking at the same information as everyone else but drawing a different (and hopefully better) conclusion. Subject-matter expertise can be rewarded, provided one respects the boundaries of one's circle of competence.
- Third, a **behavioural edge**: to borrow from Kipling, 'keeping your head when others are losing theirs'. This costs the least in dollars but is the hardest to do consistently. It means not chasing what is popular on the way up and not panicking out of good businesses on the way down. A spreadsheet might tell you *what* to buy, but temperament will determine whether you make money.

We believe a persistent informational edge is very difficult in today's markets. An analytical edge is possible to cultivate but requires awareness of one's own limitations. A behavioural edge – while difficult – *is* achievable. If the average holding period today is measured in months, anyone with a longer horizon can benefit at the expense of short-term participants. It simply requires tolerating the discomfort of looking 'wrong' in the short term.

We focus on cultivating an analytical edge – drawing a different conclusion from the same information available to all participants – to identify and purchase businesses that can meet our goal of compounding at 12% or better over time. We believe part of our analytical edge comes from focusing on long-term value drivers rather than short-term noise. *That* approach, in turn, relies on a behavioural edge: the ability to be patient and let the compounding play out.

Revisiting our August 2025 note, a common pushback on our approach is: "*why don't you take near-term profits in a compounding stock that has become expensive, and simply find something else that will earn 12% from here?*"

We see two issues with this line of thought:

1. We cannot control when high-quality opportunities trade cheaply enough to justify a purchase, yet near-term drawdowns in share prices are not only unpredictable, but inevitable. Frequently, moments when 'quality goes on sale' provide the best buying opportunities for our style of investing.
2. Many businesses that trade at lower valuations often reflect lower quality economics (lower return on capital, more debt, etc.). Mechanically selling a high-quality winner and replacing it with something cheaper is effectively taking capital from a high conviction idea (locking in taxable capital gains in the process) to allocate towards a potentially lower conviction idea. We do not think this is a favourable trade-off in the long term; if anything, it risks falling foul of Peter Lynch's warning to avoid 'cutting your flowers and watering your weeds'.

To conclude: when following an investment strategy built on the ability of the underlying businesses to compound in value, there will be times when such stocks trade at expensive valuations. We are not dogmatically 'buy-and-hold-forever' types – we are prepared to sell when the market price cannot reasonably allow us to meet our 12% hurdle. However, when the pathway to such returns remains credible, maintaining the position and accepting some volatility comes with the territory.

In that regard, a vital part of our edge lies in the patient and aligned partners we have investing alongside us in the Fund. We have been very fortunate these past few years in not having any pressure to own 'what is working in the moment', allowing us the time and space to find businesses in our niche that can compound. For that, we remain very grateful.

ANNEXURE A: PORTFOLIO BUSINESSES

This section of our letter is reserved for Constantia investors.

ANNEXURE B: FUND METRICS

Quality Scorecard

Portfolio Characteristic	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024	Dec. 2025
Profitability							
Gross Margin	55.7%	49.8%	52.3%	48.1%	43.3%	42.3%	44.4%
Operating Margin	23.5%	20.1%	24.3%	22.8%	21.2%	20.4%	22.9%
Free Cash Flow Margin	18.9%	17.0%	17.6%	16.8%	15.7%	17.6%	19.6%
Returns on Capital							
Return on Assets (ROA)	13.0%	11.9%	13.7%	13.9%	13.0%	12.1%	13.2%
Return on Equity (ROE)	28.3%	24.9%	30.4%	29.8%	26.0%	23.7%	27.6%
Return on Invested Capital (ROIC)	24.0%	16.5%	20.7%	19.5%	21.2%	26.9%	23.2%
Debt Ratios							
Debt/Equity	87.2%	68.6%	78.3%	57.9%	77.3%	64.6%	52.6%
Net Debt/Equity	19.3%	22.1%	27.3%	8.6%	47.2%	33.4%	25.7%
Debt/EBITDA	1.5x	1.6x	1.2x	1.4x	1.7x	1.4x	1.7x
Net Debt/EBITDA	0.4x	-0.2x	0.1x	0.1x	0.9x	0.5x	0.9x
EBITDA/Interest Expense	46.0x	60.5x	56.3x	59.7x	50.3x	31.4x	46.7x
Valuation							
Free Cash Flow Yield	2.8%	3.2%	2.8%	3.8%	3.7%	3.6%	4.0%
12m Forward Free Cash Flow Yield	3.3%	3.6%	3.2%	4.4%	3.8%	3.9%	4.2%
24m Forward Free Cash Flow Yield	3.8%	4.0%	3.6%	5.0%	4.3%	4.4%	4.7%
Holdings							
Number of positions	19	21	21	24	21	19	23
Active Share	86.5%	87.8%	89.0%	89.7%	89.0%	91.2%	90.9%

A few high-level observations about the quality characteristics of the Fund:

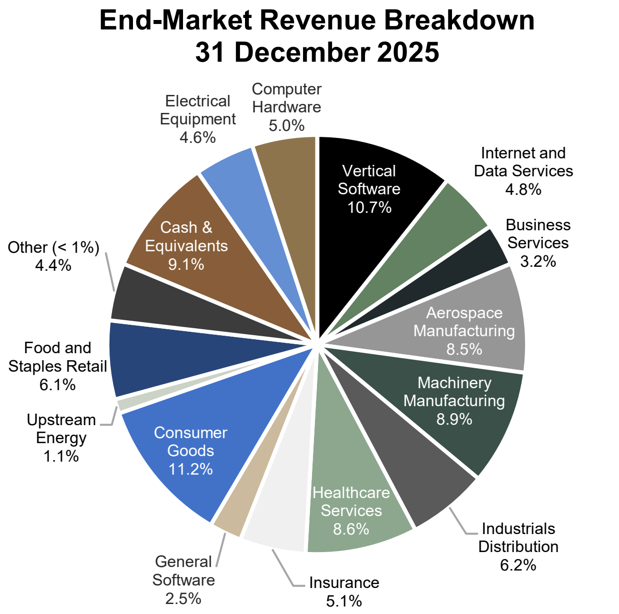
- The underlying profitability of the Fund continued to improve over the course of the year. Despite having a much smaller allocation to technology companies than in 2019 to 2021, the Fund's gross margin of 44.4% is consistent with businesses that have pricing power. Additionally, it is worth noting that the free cash flow margin of 19.6% is the highest level ever achieved in the Fund (eclipsing the previous high of 19.3% in March 2025). Given that three of our holdings (Alphabet, Amazon and Microsoft) are currently in a heavy investment phase, 'normalised' free cash flow margins are higher than what is currently reported. However, even on a reported basis, the Fund's free cash flow margin handily exceeds that of the overall market (11%).
- Return on invested capital (ROIC) remains north of 20%, exceeding the market's ROIC of 8.3%. The year-on-year decline is a function of several businesses in the Fund deploying capital into acquisitions during the year, where the full earnings power of those acquisitions has not yet been reflected in the trailing twelve-month numbers used for this calculation.
- Debt ratios have generally improved since December 2024, with less debt in the capital structure and improved interest coverage (from already well-above-market levels). Debt-to-EBITDA ratios are modestly higher, but for the same reason as in point #2: some of our holdings have made acquisitions where the trailing twelve-month EBITDA figure doesn't fully capture the impact of the higher profitability, whilst the debt is already fully reflected on the balance sheet. Regardless, we should point out that our businesses are very conservatively funded.
- The most notable change since December 2024 has been the expansion in valuation yields, which means the Fund has become significantly cheaper. The expansion in valuation yields occurred despite strong operational performance, reflecting the multiple contraction discussed earlier in this letter.

Fund Breakdown

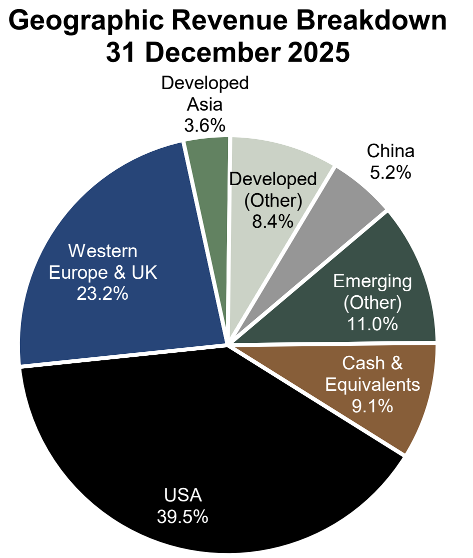
On this page, we present two complementary views of the Fund's exposures:

1. **End-market and geographic revenue breakdowns** show the industries and countries where our businesses *earn* their revenues.
2. **Sector and country breakdowns** indicate the sectors and the countries where each stock is listed, based on index classifications.

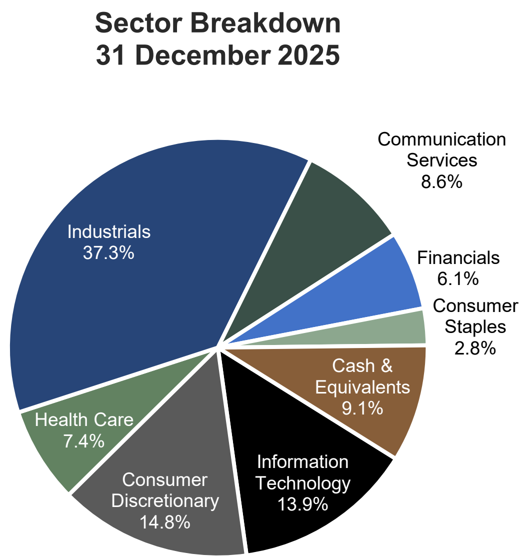
We rely on the end-market and geographic revenue breakdowns for internal portfolio construction because we believe they more accurately capture our businesses' fundamental 'real-world' exposures.



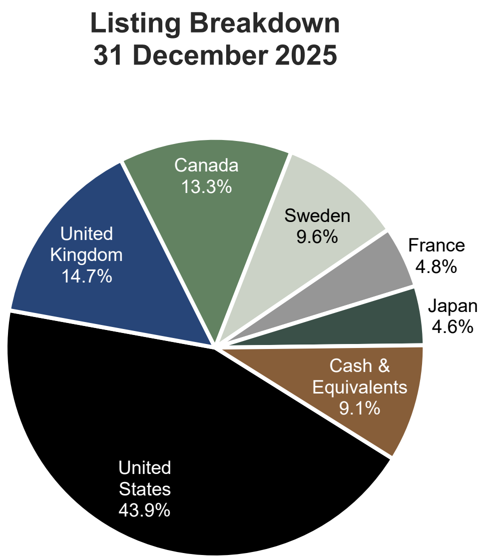
The look-through end-markets in which our businesses earn revenues.



The look-through regions where our businesses earn revenues.



The sectors in which our businesses are classified in the benchmark.



The countries in which our businesses are listed.

Source: FactSet, Constantia analysis.

ANNEXURE C: OUR INVESTMENT PHILOSOPHY

We are ‘business-first’ rather than ‘security-first’ investors, and approach each holding as part-owners of the underlying business. This ownership mindset leads us to focus on the quality of the businesses we own, which we summarise simply as:

‘Exceptional businesses, run by exceptional people, purchased at the right price.’

We define the three key terms as follows:

Exceptional Businesses:

- offer a product or service that is hard to disrupt.
- have strong competitive advantages.
- are highly and sustainably profitable.
- convert the majority of their accounting earnings into cash.
- generate more cash than they need to meet the day-to-day needs of operations.
- have a long runway of opportunities to reinvest the excess cash generated.
- have low debt levels to mitigate the risk of failure.

Exceptional People:

- think and behave like owners.
- are appropriately aligned with minority shareholders through share ownership and fair incentives.
- display a degree of trusteeship or moral responsibility to their shareholders.
- have a demonstrable history of value-creating capital allocation.

Right Price:

The right price is one that allows us to meet or exceed our net return target of 12% per annum over a cycle.

We do not seek to generate returns by constantly having to trade in and out of businesses. Instead, we believe our long-term return will reflect the fundamentals of the businesses we own. As a result, we seek to own businesses for long periods of time – generally, between three and five years, or longer if warranted by fundamentals.

We manage a concentrated portfolio and own between 15 and 25 businesses at any given point.

We are bottom-up, fundamental investors. While we are cognisant of macro-economic risks, we do not construct the Fund to take advantage of such events.

We are an equity fund and intend to be between 90% and 100% invested in this asset class. We operate under the belief that if you entrust us with your capital, you want it managed in line with the process and philosophy we follow; you do not expect us to make an asset allocation decision.

We believe in time in the market, rather than timing the market.

We do not engage in shorting, nor do we use leverage to enhance our returns.

Our investable universe is global, and we are agnostic when it comes to market capitalisation.