INVESTOR LETTER – FIRST HALF 2024

LIQUID OPPORTUNITIES FUNDS

OXY CAPITAL LIQUID OPPORTUNITIES A, PPR

OXY CAPITAL LIQUID OPPORTUNITIES B

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I. Introduction

During the first half of 2024, the Oxy Capital Liquid Opportunities A, PPR Fund ("Fund A") generated a net return of 13.2% [1]. After the close of the semester, the Fund has continued appreciating and is up 36.0% since inception on 2 March 2023 until 31 July 2024.

Table 1: **Liquid Opportunities A Fund performance and comparative indices**
(in euros, with dividends reinvested, comparative index data via Bloomberg)

	1st Half 2024 (01/Jan/24 – 30/Jun/24)	**Inception-to-date** (02/Mar/23 - 31/Jul/24)
Oxy Capital Liquid Opportunities A, PPR [1]	**13.2%**	**36.0%**
Global equities [2]	14.7%	29.7%
Global small cap equities [3]	4.6%	14.8%
European equities [4]	9.6%	19.0%
European small cap equities [5]	5.0%	12.6%
Global high yield credit [6]	3.2%	18.0%
Liquidity [7]	1.9%	5.1%

For its part, the second vehicle following our public equity strategy, the Oxy Capital Liquid Opportunities B Fund ("Fund B"), generated a net return of 13.4% during the 1st half of 2024 and is up 23.7% inception-to-date until 31 July 2024, as shown below.

In the case of the Funds, these returns are net of all costs and commissions. The returns shown include a provision for our performance fee, which crystallizes every five years – should there be drawdowns until the crystallization date, this provision will be reversed for existing investors, cushioning the decline.

Table 2: **Liquid Opportunities B Fund performance and comparative indices**
(in euros, with dividends reinvested, comparative index data via Bloomberg)

	1st Half 2024 (01/Jan/24 – 30/Jun/24)	**Inception-to-date** (12/May/23 - 30/Jul/24)
Oxy Capital Liquid Opportunities B [1]	**13.4%**	**23.7%**
Global equities [2]	14.7%	28.4%
Global small cap equities [3]	4.6%	22.4%
European equities [4]	9.6%	15.4%
European small cap equities [5]	5.0%	15.0%
Global high yield credit [6]	3.2%	16.1%
Liquidity [7]	1.9%	4.5%

[1] With regard to the evolution of the value of the DA category unit, the category held by most investors outside Oxy Capital
[2] MSCI ACWI Index
[3] MSCI World Small Cap Index
[4] MSCI Europe Index
[5] MSCI Europe Small Cap Index
[6] Bloomberg Global High Yield Total Return Index
[7] Average Euribor 1M during the period

To recap, the two Funds follow the same strategy, with the difference that Fund A is a vehicle only available to Portuguese individuals, with tax advantages for these investors. Fund A is more diversified than Fund B due to legal restrictions on PPRs (i.e. Fund A can only invest up to 10% of NAV in each position), but we expect the performance of both vehicles to converge towards similar values over time, with an advantage for Fund B due to the greater concentration on the strategy's "best ideas".

In the table above, we have included the performance of various comparative indices as a measure of our investors' opportunity cost. However, the Funds' portfolios are very idiosyncratic, carrying on average about ten heavily researched small cap positions. We thus expect performance to diverge significantly from market indices in any given period, but we remain focused on delivering an attractive absolute return over the long term – which is why, similar to our private equity vehicles, the Funds' performance fee crystallizes only every 5 years and is after a high compounded hurdle.

The FY23 letter mentioned the alpha generation implicit in the returns of both Funds, given low market exposure as measured by beta. This has continued to be the case and the Funds are generating annualized alpha of 14% and 7%, respectively for Fund A and B and in both cases net of all fees, against MSCI ACWI.

Finally, updating our long-term performance record – including the period 2018-2022 and beginning of 2023 managing internal capital –, the strategy continues to maintain an annualised gross return of 27%:

Table 3: **Performance of the Liquid Opportunities strategy and comparative indices**
(in euros, with dividends reinvested, since the start date of the strategy on 28 Dec 2018 until 31 Jul 2024)

	Cumulative	**Annualized**
Oxy Capital [(1)]	281%	27%
Global equities [(2)]	110%	14%
Global small cap equities [(3)]	85%	12%

[(1)] Money-weighted average of all vehicles managed by Oxy Capital following the Liquid Opportunities strategy; includes Fund A and Fund B as of their respective start dates and includes results of the public equity allocation of the Cometa FCR Fund managed by Oxy Capital prior to that. Monthly performance data available upon request.

[(2)] MSCI All Country World Index, in euros, with dividends reinvested; source: Bloomberg

[(3)] MSCI World Small Cap, in euros, with dividends reinvested; source: Bloomberg

II. Investment strategy and overview of current portfolio

As our investors know, our strategy is based on three pillars - i) concentration, ii) detailed analysis, and iii) a long-term view – applying them to smaller capitalisation companies, especially in sectors where Oxy Capital already has experience and in underfollowed regions/exchanges.

The table below shows the result of this approach, in terms of the sectors, regions, market capitalizations and types of investments that the Funds are allocated to as a result of our bottom-up research efforts:

Table 4: **Segmentation of the Funds' portfolio as a % of net asset value**

By sector	Fund A	Fund B
Industrial services	17%	15%
Industrial manufacturing	15%	16%
B2B vertical software	15%	14%
Low-cost fitness	14%	15%
Investment holding companies	13%	5%
Property management services	10%	15%
Food retail	9%	15%
Cash	7%	4%

By region of headquarters	Fund A	Fund B
United Kingdom	27%	27%
Portugal	9%	15%
Germany	9%	14%
Nordics	8%	2%
Spain	4%	2%
Benelux	3%	3%
Italy	4%	0%
Europe total	**64%**	**63%**
Canada	20%	30%
United States	7%	0%
Australia	3%	3%
Cash	7%	4%

By market capitalization	Fund A	Fund B
Sub €100m	24%	20%
€100-250m	31%	28%
€250-500m	19%	31%
€500-750m	9%	14%
€750m-1bn	0%	0%
>€1bn	10%	3%
Cash	7%	4%

By investment type	Fund A	Fund B
Equities – special situations	19%	22%
Equities – long term positions	74%	74%
Credit	0%	0%
Cash	7%	4%

Data as of 31/Jul/2024

As shown in Table 5 below, we currently expect an internal rate of return (IRR) of 18% per year for the current portfolio, based mainly on expected revenue growth (+9% p.a.), margin improvement (+2% p.a.), and cash generation (+8% p.a.) from each of our portfolio companies.

Relative to past reports, the portfolio is relying slightly more on revenue growth and less on margin improvement as a driver of returns, with cash generation keeping a similar weight. The expected IRR is slightly lower than in previous communications, as some of our holdings have appreciated – but we believe our conviction in our base case projections is also higher, because of the strong execution of most portfolio companies so far and more time invested in each – getting to know management better, speaking with industry participants, and triangulating additional data sources.

Taking these projections into account, the portfolio continues to trade at below-market multiples, despite growing faster and at a similar ROE, as shown in Table 6. We are not relying on this valuation gap closing for the abovementioned expected returns, but rather in the execution of continued profitable growth at relatively constant and sensible multiples.

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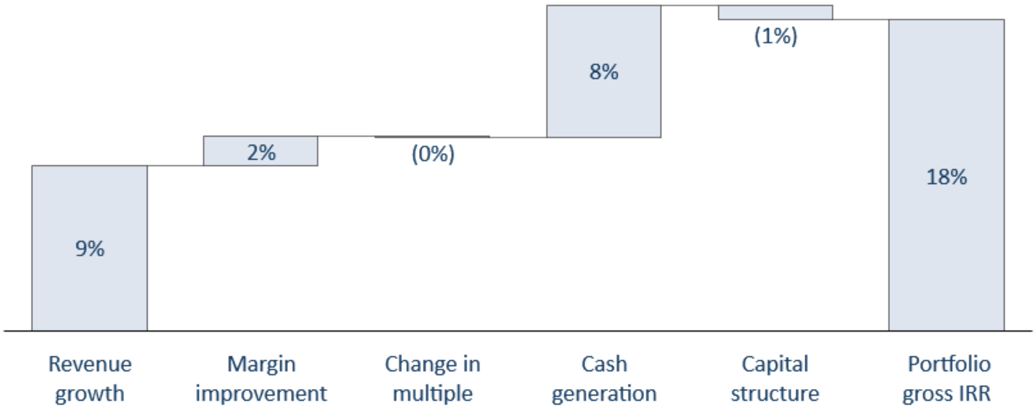
Table 5: **Drivers of the expected gross return of the strategy's positions assuming exit in Dec/2028**
(based on Oxy base projections for each position, assuming market prices as of 26/Jul/2024)



Note: excludes c. 5% of the NAV allocated to positions that are not in line with this return segmentation; data for Fund B (more concentrated portfolio) – data for Fund A is similar and available on request; cap. structure includes share dilution and leverage

Table 6: **Comparison of key metrics between the Liquid Opportunities portfolio and MSCI ACWI**

Fund Portfolio [1]	**2019H**	**2023E**	**2024E**	**2025F**	**2026F**	**2027F**	**2028F**
Revenue growth	9%	12%	11%	11%	10%	8%	6%
EBITDA margin	14%	15%	15%	16%	16%	16%	17%
EBITDA-cash conversion (levered)	17%	47%	33%	34%	34%	43%	42%
Return on equity (ROE)	13%	12%	13%	15%	16%	17%	18%
EV/EBITDA [3]	8x	8x	7x	6x	5x	4x	4x
P/E [3]	16x	16x	14x	11x	9x	7x	6x
Free cash flow yield (levered) [3]	2%	6%	5%	6%	7%	11%	13%
Dividend yield [3]	2%	3%	4%	4%	5%	7%	8%
ND/EBITDA	0.7x	0.4x	0.5x	0.5x	0.5x	0.4x	0.2x
MSCI ACWI [2]	**2019H**	**2023E**	**2024E**	**2025F**	**2026F**	**2027F**	**2028F**
Revenue growth	3%	4%	(3%)	5%	5%	3%	3%
EBITDA margin	17%	18%	20%	21%	22%	22%	22%
EBITDA-cash conversion (levered)	41%	43%	45%	48%	50%	52%	53%
Return on equity (ROE)	12%	14%	15%	15%	15%	16%	16%
EV/EBITDA [3]	11x	13x	12x	11x	9x	8x	7x
P/E [3]	18x	21x	19x	16x	15x	13x	12x
Free cash flow yield (levered) [3]	4%	4%	4%	5%	6%	7%	7%
Dividend yield [3]	2%	2%	2%	2%	2%	3%	3%
ND/EBITDA	2.4x	1.5x	1.6x	1.1x	0.7x	0.4x	0.0x

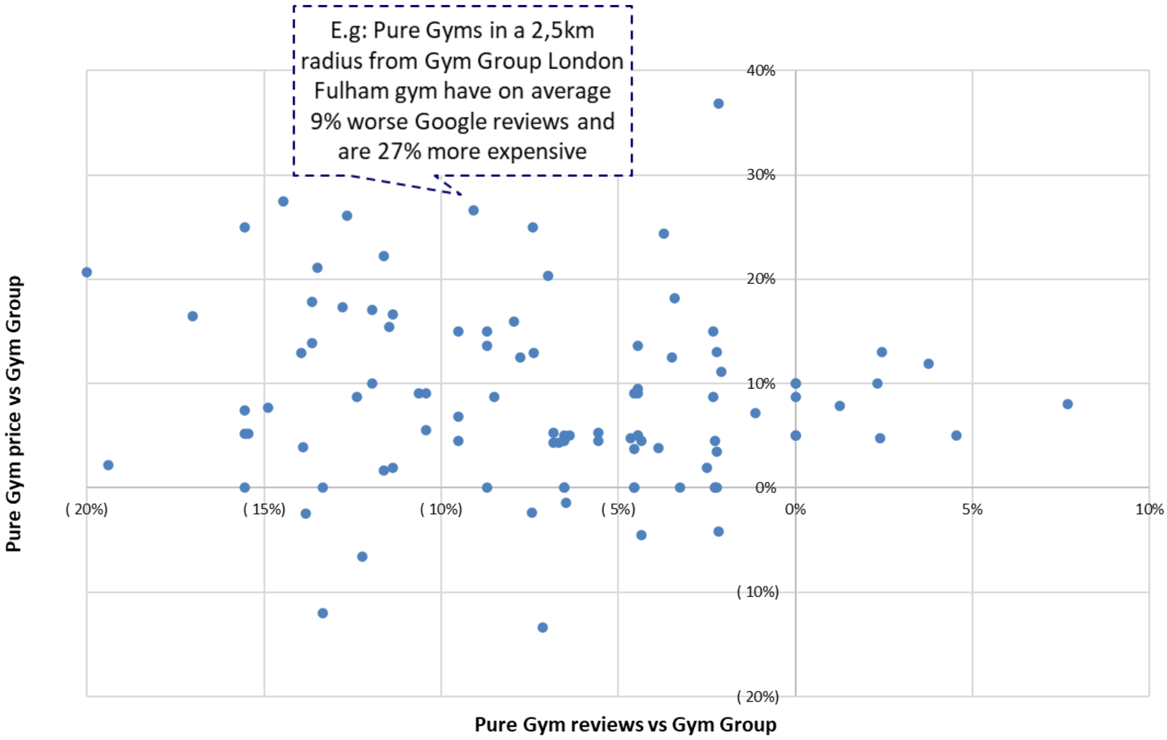
[1] Based on Oxy's base case projections for each position as of 26/Jul/2024; dividend yield includes projected special dividends; data for Fund B – data for Fund A is similar and available on request
[2] Based on Bloomberg consensus projections as of 26/Jul/24
[3] Valuation metrics presented net of cumulative dividends paid (in the case of equity value metrics, i.e. P/E, LFCF yield, and dividend yield) or cumulative cash generation (in the case of EV metrics, i.e. EV/EBITDA), for both the Fund's portfolio and the index

III. Commentary on portfolio positions

The Gym Group

Gym Group, the UK low-cost fitness chain introduced in our 1H23 letter, continues to perform well, adding 1pp return during 1H24 to our Funds. Recently reported 1H24 results showed above-consensus 12% year-on-year revenue growth (vs 8% Bloomberg consensus), prompting a positive market response. This growth, driven by higher prices and minimal churn, strengthens our confidence in the pricing opportunity for the company – our analysis shows that c. 50% of GYM's clubs combine better reviews and lower prices than Pure Gym clubs located in a 2,5km radius. The same is true for 63% of locations near and relative to JD Gyms, the second most important competitor.

Table 2: **Pure Gym and Gym Group standard membership price vs Google reviews in close by gyms (<2,5 km radius ~30 min walking distance)**



Additionally, our analysis shows that incremental Google reviews over the past year have been exceedingly good, with 77% between 4.5-5 stars vs 16% for Pure Gym and 13% for JD Gyms.

Still during the 1st half, the company reduced net debt by £12m, now standing at 1.4x 2023 EBITDA, and refinanced its bank debt, enabling shareholder distributions. The Gym Group currently trades at 7x our 2024E EBITDA estimate of approximately £47m (after leases – vs £43m consensus) but around 4x potential EBITDA, assuming a recovery to pre-pandemic levels. With an expected EBITDA-cash conversion rate of 50% (before new gym openings – a conservative estimate), these multiples suggest an 8% unlevered free cash flow yield for 2024E and 11% normalized – which we believe to still be attractive when considered on top of accretive growth that we expect to occur at 3-year paybacks. The company opened 4 gyms during the semester and plans to open 10-12 gyms this year, with a target of 50 over the next three years, implying annual EBITDA growth of 15-20% p.a. at 3-year paybacks (on top of improvement to current gyms from pricing).

Sylogist Ltd

Sylogist is the accounting/management software provider to the North American public sector first introduced in the Funds' 1H23 letter. In 1Q24, the company reported an year-on-year recurring revenue increase of 9%, consistent with 4Q23 growth. Total revenue grew slower (2%) driven by declining professional services as the company switches to partner-led implementations. Indeed, conversations with partners indicate increased activity in Sylogist-related products, boosting our confidence in achieving management's target of "high-teens" ARR growth as its go-to-market becomes more scalable.

The company acquired Time Clock Now in 1Q24, a time-tracking and scheduling software that can be upsold across its segments (Education, Government, and Non-Profits), and it divested its managed IT services unit – in line with its strategy to create a nimbler and software-focused structure.

Since January 1st, 2024, the company's share price has appreciated by over 30%, as more investors start believing Sylogist's equity story of accelerating growth, leading the company to contribute 4pp and 6pp return to Funds A and B, respectively. Despite this, we believe the company remains attractively valued, with an estimated unlevered FCF 2024E yield of ~4%, but 6% in 2025F, as we expect operational leverage to kick in, leading to a projected IRR in the high teens when combined with double digit organic growth in recurring revenue (which we estimate contributes over 80% of EBITDA).

We expect 2Q24 (company reports on August 8) to show some acceleration of ARR in line with the company's guidance for the year. We see a potential risk in customer losses in some of its legacy software solutions (namely Sunpac in K-12 schools in North Carolina and Bellamy in municipal government software), but our analysis so far shows these to be a reduced portion of ARR and Sylogist to be managing conversion of at least some of these clients into its SaaS solution.

Information Services Corporation

ISC was introduced in our FY23 letter as the operator of the land, personal property and business registries in the Canadian province of Saskatchewan under an exclusive license until 2053. Shares are performing well, adding 2pp of return to both Funds.

The company's 1Q24 results were positively impacted by the contract extension for the registries, which included fee increases, explaining a 15% year-on-year revenue growth and a 34% increase in adjusted EBITDA. On a like-for-like basis, excluding the fee increases, we estimate the growth rates to be 6% for revenue and 5% for adjusted EBITDA. In return, the province required ISC to invest in and improve its digital registry platforms. This increased capex, combined with a one-off share-based cash bonus due to the 2023 share price appreciation, resulted in lower FCF conversion than usual. However, management believes these are non-recurring effects, which would put normalized EBITDA-to-cash conversion in the quarter at c. 60%, already after interest cost (and c. 75% before interest).

The macro environment looks positive, with the latest Saskatchewan Realtors' data implying 15% year-on-year growth in residential transaction value during 2Q24. Additionally, population growth in the province is estimated at 2.5% during 1Q24, as immigration from outside of Canada continues to be a key driver. Non-residential real estate transactions should also be positive judging by investment in the sector in Saskatchewan, which is up 35% year-on-year in 2Q24.

In terms of valuation, we have ISC trading at a ~13% FCF 2024E yield (and 14% 2025F, when registry improvement costs driven by the license renewal should be mostly finished – 2pp lower should we amortize the license renewal cost), with over 70% of its margin coming from a business isolated from

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competition for the next 30 years, with revenue mostly indexed to inflation and future GDP / population growth – resulting in our base case expectation of at least an high teens IRR from here, with potential for more should management execute well on growth ambitions outside Registry Operations.

Ibersol

Introduced in the FY23 letter, Ibersol is a leading Iberian quick service (QSR) and travel concession restaurant operator, operating under the KFC, Pizza Hut and own brands, with a focus on shopping centres and airports. The company contributed 1pp to returns during 1H24 across both Funds.

1Q24 saw revenue growing 13% year-on-year while EBITDA margin increased 3pp. Adjusted for a typical first quarter working capital drawdown, the net cash position is c. 150m or 50% of the market cap. implying 3x EV / 2024E EBITDA at the current share price.

Marking this semester was the increase in dividends announced at the general assembly. In part thanks to pressure from a shareholder group including Oxy Capital, together with management's willingness to hear shareholders' views, dividends were increased from €0.135 to €0.5 per share. We were present at the general assembly to discuss with the board the importance of an efficient capital allocation policy.

Additionally, our analysis on the ground and conversations with other QSR operators has shown some attractive pools of potential acquisition targets in the Iberian market, which we have presented to and discussed with the company – in our efforts to help drive both higher shareholder distributions but also contribute to sensible M&A and organic growth. We believe the company should be able to deliver a sustainable €0.7 / share dividend (implying a 10% dividend yield) while implementing a systematic, returns-focused, tuck-in M&A and new openings plan that would bring it above 2019's scale in 3-4 years, negating any harm from loss of scale on bargaining power with suppliers due to the sale of Burger King operations in 2022 (a concern highlighted by management at the AGM).

Combining this capital allocation plan with a conservatively flat EBITDA / unit our base case IRR is 18-20% exiting at 5-5.5x EBITDA. Currently, the company is trading at 3x EV/EBITDA 24E but it has typically traded between 5 and 7x prior to the sale of BK and subsequent uncertainty surrounding use of net cash.

Finally, our macro KPIs are showing continued positive momentum. We estimate based on INE data that monthly restaurant volumes are stable at 2019 levels whereas prices, after a strong increase in 1Q23, are stabilizing (being 5% above last year's levels). With labor and food costs increasing less than menu prices the result is an estimated recovery in profit margins for restaurant operators across Iberia. As for Ibersol's exposure to airport concessions, airport arrivals are 20% higher vs 2019 both in Portugal and Spain and we continue to see strong hotel bookings for the summer in Oxy Capital's properties. Lastly, consumer confidence is showing positive momentum since the beginning of the year per INE data.

KSB SE & Co KGaA Preference Shares

We take this opportunity to introduce another of the Funds' current core positions, German pumps and valves manufacturer KSB, which added 2pp to returns for both Funds during 1H24.

A first look at KSB would perhaps show a cyclical low margin industrial manufacturer, but closer inspection shows it derives 83% of LTM EBIT from attractive and recurring aftermarket, including maintenance services through its extensive branch network and spare part sales.

Founded in 1871, the company is the global #4 in a surprisingly attractive and stable industry – pumps are critical elements of various industrial processes and generate extensive aftermarket (typical 20-year useful life). In addition, most demand is currently replacement-driven, especially in developed countries, and in recessions the longer use of existing pumps drives stronger aftermarket, which has much better margins. Most peers have been around for centuries and trade for high multiples, highlighting this stability. There is valuable IP, as these are highly engineered and complex pumps. Finally, the industry is at the confluence of multiple structural growth vectors highlighted below.

Contrary to peers, on our numbers KSB trades at c. 4x 2024E EV/EBITDA, 8x 2024E P/E and 7% 2024E FCF yield despite a positive growth outlook, due we believe to governance challenges and low share liquidity that we see improving.

Aftermarket growth vector. Aftermarket revenue carries a 19% EBIT margin (vs 0-3% for original equipment) and is growing strongly (14% 21-23 order intake CAGR), as the company is focused on capturing a greater share of its underpenetrated installed base. In fact, we estimate (based on company reports and triangulation via expert calls) that KSB currently taps 33% of annual aftermarket demand from its installed base, which compares with ~60-70% for peer Flowserve and ~30-40% for Grundfos per interviews conducted by Oxy (despite in the case of Grundfos the company focusing on less aftermarket-driven standard pumps). Competitors interviewed highlighted KSB's extensive service network of 190 service centres and 3,500 technicians – especially in Europe –, and the company's focus on personalized, highly-engineered pumps as key factors that should allow increased penetration.

The mix impact from growth in higher margin aftermarket driven from growing penetration should suffice to reach management's targeted 10% EBIT margin:

Table 10: **KSB operational projections**
(revenue and EBIT margin by new equipment vs aftermarket)

In €m	21H	22H	23H	24E	25F	26F	27F	28F
Pumps installed base TAM (€bn)	3.3	3.3	3.2	3.2	3.2	3.2	3.2	3.2
(x) % Penetration	23%	28%	31%	33%	37%	40%	43%	45%
Aftermarket order intake (€bn)	**0.8**	**0.9**	**1.0**	**1.1**	**1.2**	**1.3**	**1.4**	**1.5**
% Recognized in-year as revenue	*100%*	*93%*	*95%*	*98%*	*98%*	*98%*	*99%*	*99%*
Growth YoY - aftermarket revenue	n/d	11%	11%	12%	10%	10%	7%	6%
Growth YoY - new equipment sales	n/d	9%	9%	3%	3%	4%	4%	4%
Total revenue growth YoY	**6%**	**10%**	**10%**	**6%**	**5%**	**6%**	**5%**	**5%**
Memo: Aftermarket % total revenue	*33%*	*33%*	*33%*	*35%*	*37%*	*38%*	*39%*	*39%*
% EBIT margin:								
New equipment	1%	1%	2%	2%	2%	2%	3%	3%
Aftermarket	16%	17%	19%	19%	20%	20%	21%	21%
Consolidated margin	**6%**	**7%**	**8%**	**8%**	**9%**	**9%**	**10%**	**10%**

Structural tailwinds. The company is at the centre of multiple structural tailwinds, serving mainly the water (28% of LTM order intake), industrial (26%), building services (15%) and energy (13%) markets. The energy market is, we believe, a strong margin contributor due to heavy regulation of aftermarket sales in pumps used in nuclear power plants, a niche sector where KSB is a leader. After a "lost decade" for nuclear since Fukushima, the company is seeing strong growth as India and China (both countries where KSB has JVs in place to produce locally) increase nuclear investments. Water is also a long-term growth vector, as water security and renewal of ageing wastewater infrastructure become top of mind. Across other end markets, the company is also well positioned – pumps are a key element in removing mine slurry water (with growing electrification mineral-driven utilization) and in reducing energy usage of industrial processes through flow optimization, while non-nuclear energy generation is also seeing investments.

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We believe these structural drivers, together with the opportunity in KSB's installed base, provide strong foundation for the company's stated target to grow sales at GDP + 1% per year until 2030.

Improving governance and catalysts. This growth and stability would warrant a higher valuation for KSB, but the company has a checkered history with investors – culminating in a 2017 article in the German press highlighting some self-dealing favouring members of the founding family during 2014. In addition, the foundation set up by the founders controls KSB through a corporate structure (KGaA) that is almost synonymous with poor governance in Germany.

We see this however changing, especially since the arrival of new CEO Dr Stephan Timmermann and new Chairman Dr Bernd Flohr in 2017. Potentially due to interest from the foundation in monetizing its stake in the future, or perhaps as a backlash from the 2017 article, management has been strongly focused on improving governance and transparency – e.g. starting earnings calls, hosting an inaugural investor day, conducting roadshows – and revitalising the company through an ambitious growth and margin improvement plan, centred on a more market-centric organizational structure and growing the aftermarket capture rate. The issues with the founding family mentioned above were investigated and terminated. We visited the company's headquarters in 2023 and were positively impressed with the executive team's drive and interest in hearing shareholders' views on how to further unlock value.

An additional stage of improvement would be a merger of the preference and ordinary shares, which would increase liquidity and reduce asymmetry between the KSB Foundation and minority shareholders. We believe this could be in the cards for the next year, as mentioned by the company in the last earnings call, and we would actively support a move in this direction should the opportunity present itself.

Valuation and risks. We believe that at the current valuation there is strong upside if KSB continues to execute. At a relatively constant multiple, current cash generation (7% FCF yield 2024E) and growth (~7% EBITDA CAGR 24-28 expected, driven by above-GDP topline and growing margins from aftermarket) generate an 18% IRR in our base case, as shown in Table 11.

Table 11: **KSB financial and return projections in Oxy Capital's base case**
(In billions of euros, FY ending Dec 31)

	19H	20H	21H	22H	23H	24E	25F	26F	27F	28F
Revenue	**2.4**	**2.2**	**2.3**	**2.6**	**2.8**	**2.9**	**3.0**	**3.2**	**3.4**	**3.5**
% YoY	*6%*	*(7%)*	*6%*	*10%*	*10%*	*2%*	*5%*	*6%*	*5%*	*5%*
EBITDA pre IFRS 16	**0.18**	**0.16**	**0.21**	**0.24**	**0.28**	**0.29**	**0.32**	**0.35**	**0.39**	**0.41**
% Margin	*8%*	*7%*	*9%*	*9%*	*10%*	*10%*	*11%*	*11%*	*11%*	*11%*
Memo: % EBIT margin	*5%*	*3%*	*6%*	*7%*	*8%*	*8%*	*9%*	*9%*	*10%*	*10%*
Unlevered FCF	**0.06**	**0.06**	**0.08**	**(0.11)**	**0.14**	**0.10**	**0.11**	**0.13**	**0.15**	**0.16**
% Conversion	*33%*	*41%*	*39%*	*(49%)*	*49%*	*35%*	*34%*	*35%*	*38%*	*39%*
Levered FCF [(1)]	**0.04**	**0.05**	**0.07**	**(0.14)**	**0.11**	**0.08**	**0.08**	**0.10**	**0.12**	**0.13**
% Conversion	*24%*	*32%*	*34%*	*(59%)*	*37%*	*27%*	*26%*	*28%*	*32%*	*32%*
ROIC	6%	6%	10%	8%	9%	8%	10%	11%	12%	12%
ROE	6%	(2%)	15%	12%	12%	12%	13%	14%	15%	14%
EV/EBITDA multiple	4.6x	5.2x	4.6x	3.9x	4.6x	4.9x				5.0x
EV/uFCF multiple	14x	13x	12x	n/m	9x	14x				13x
EV	**0.8**	**0.8**	**1.0**	**0.9**	**1.3**	**1.4**				**2.0**
(+) Net cash	0.3	0.3	0.3	0.1	0.2	0.2	0.2	0.2	0.2	0.2
(-) Pension liability	(0.6)	(0.7)	(0.6)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Market capitalization [(2)]	**0.5**	**0.4**	**0.6**	**0.6**	**1.0**	**1.1**				**1.8**
Memo: Implied FCF/mcap yield	*8%*	*13%*	*11%*	*n/m*	*11%*	*7%*				*7%*
(/) Shares out [(3)] (m)	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
Pref. share price (€)	**296**	**222**	**368**	**337**	**574**	**634**				**1,030**
Dividends per pref. share	9	4	12	20	26	31	38	44	49	52
IRR					**18%**					

[(1)] After interest, pension costs, and minority interest share of earnings; [(2)] Based on price of the preference shares; [(3)] Includes pref. and ord. shares

The key risk to our thesis is, we believe, the business turning out more cyclical than we think, and operational improvements seen to date being given back as a result once we see a downturn in the industry. We could see 15-30% EBITDA contraction in such a scenario, looking at long term median and worst-case margins respectively, combined with some revenue decrease. Protecting us from this is our team's regular tracking of market conditions through calls with market participants and competitors, which so far show continued strength.

Benchmarking KSB's performance to the competition also strengthens our view that past underperformance was a result of under-optimization at KSB rather than economic conditions, as is the fact that the company's revenue was stable throughout the post-GFC period, with EBITDA downside having been driven by lower margins (which management indicates were in turn driven by misquoting of projects and high raw material inflation). Regardless, the company is now certainly less cyclical, with lower exposure to mining & energy (20% of revenue vs 33% in 2008) and a higher share of aftermarket. A final headwind in the 2010s was likely the downfall of nuclear after the Fukushima disaster. As mentioned, this sector is now instead a tailwind for the company and we believe it might be one of the crown jewels in KSB's portfolio, given its very high attach rate on aftermarket due to regulation.

Special Situations – Liquidations

In terms of special situations, the Funds invested in several liquidation opportunities during the semester, providing overall 4pp returns contribution to the portfolio. Our team has historically been able to "outsmart" the market in better understanding pools of value (or value destruction) across listed companies liquidating, and timing/implementation/management alignment considerations of said liquidations, leading to strong IRRs with a hard catalyst. We typically do not disclose the names of these positions as they progress due to their liquidity-sensitive nature.

As an example of a position of this kind, during 1H24 we invested in a cash shell that had already announced a large return of capital, while benefiting from a ~6% spread relative to this announced distribution. In addition, our work showed further value in the RemainCo post-distribution in the form of a subsidiary still to be sold (with sale already agreed but pending Competition Authority approval) and reversion of a legal provision that was already legally effective – bringing total upside to more than 20% from our entry point with minimal risk or market exposure. This has mostly played out as we expected, with this value gap closing in ~3 weeks and the Funds exiting. We continue to monitor the situation for additional trading opportunities (and we have been monitoring this company since start of the year, which prompted the initial trade).

Closing remarks

Currently we see our portfolio continuing to present outstanding value in absolute terms and relative to market indices, and we see a number of catalysts ahead, positive trading environment, and opportunities to add value through engagement with the majority of our positions.

Although we cannot promise a given return, we believe our conservatively formulated projections for the financial performance of our companies continue to support strong performance over the long term, even if we cannot rule out – and our investors should always expect – the potential for significant divergence in the short or medium term from stock market fluctuations.

Thank you for your trust – we remain heavily invested alongside you, our investors, and look forward to reporting on progress at year end.