INVESTOR LETTER – 2023

LIQUID OPPORTUNITIES FUNDS

OXY CAPITAL LIQUID OPPORTUNITIES A, PPR

OXY CAPITAL LIQUID OPPORTUNITIES B

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I. Introduction

During 2023 (since 2nd March 2023, the inception date), the Fund Oxy Capital Liquid Opportunities A, PPR ("Fund A") generated a net return of 14.9% (1), which compares with 12.3% for the MSCI All Country World Index in euros, with dividends reinvested. Also including the first five months of 2024, the Fund's return increased to 28.9% while continuing to outpace global markets. In the case of the Fund, this return is net of all costs and commissions, including management and performance fees.

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

	2023 (since 02/Mar/23)	Cumulative since inception to 31/May/24
Oxy Capital Liquid Opportunities A, PPR (1)	**14.9%**	**28.9%**
Global equities (2)	12.3%	24.5%
Global small cap equities (3)	3.7%	9.2%
European equities (4)	7.3%	18.7%
European small cap equities (5)	2.9%	11.8%
Global high yield credit (6)	12.1%	15.2%
Liquidity (7)	2.9%	4.5%

For its part, the second vehicle following our public equity strategy, the Fund Oxy Capital Liquid Opportunities B ("Fund B"), generated a net return of 4.7% during 2023 (since inception on 12 May 2023), compared to 11.3% for the MSCI All Country World Index in the same period. Including the first five months of 2024, the Fund's return was 18.2%.

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

	2023 (since 12/May/23)	Cumulative since inception to 31/May/24
Oxy Capital Liquid Opportunities B (1)	**4.7%**	**18.2%**
Global equities (2)	11.3%	23.3%
Global small cap equities (3)	10.5%	16.4%
European equities (4)	4.1%	15.1%
European small cap equities (5)	5.0%	14.1%
Global high yield credit (6)	10.3%	13.4%
Liquidity (7)	2.3%	3.9%

(1) With regard to the evolution of the value of the DA category unit, the category held by the majority of 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 current period, this has not been the case, largely because Fund B was launched after Fund A and did not benefit from a period of significant appreciation of the strategy between March and May 2023.

In the table above, we have included the performance of various comparative indices in order to provide a better understanding of the Funds' results. In particular, the weak performance of the European indices compared to the global indices (which, in turn, are supported by the performance of the US market) stands out. Our strategy is currently around 70 per cent allocated to Europe, as a result of our team's bottom-up analysis which leads us to identify better opportunities in this market, which is currently less expensive than the US. Seen from a top-down perspective, this allocation to European markets was therefore a factor that weighed on the performance of the Funds in relation to global indices during the period to date, but which we believe, in the long term, will result in attractive performance combined with lower risk in relation to global indices.

On the other hand, considering the strategy's correlation with global equity markets, we obtain a beta of around 0.5 for both Funds, indicating low market risk exposure. This beta would be even lower if calculated relative to small cap equities. Thus, the above returns translate into an attractive alpha generation of around 12% / year in Fund A and 5% / year in Fund B as of 31 May 2024.

Looking at longer-term performance, we have maintained an annualised return of 27% per year since the strategy began in December 2018, which is the money-weighted average performance of all the vehicles managed by Oxy Capital that follow this investment strategy (currently the Liquid Opportunities Funds and prior to this an allocation within one of our closed-end funds):

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)

	Cumulative	**Annualized**
Oxy Capital [(1)]	259%	27%
Global equities [(2)]	101%	14%
Global small cap equities [(3)]	76%	11%

[(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

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II. Investment strategy and overview of current portfolio

As we communicate to our investors, our strategy is based on three pillars - i) concentration on the highest conviction positions, ii) detailed analysis of each investment following the process already executed by Oxy in its private equity activity, and iii) a long-term perspective – applying them to the universe of capital markets where we believe there are better opportunities to generate high returns – smaller capitalisation companies, especially in sectors where Oxy Capital already has relevant experience and in regions/exchanges less followed by other investors.

The Funds' strategy does not follow any index and the portfolio is concentrated in a restricted number of positions (with 99% of the portfolio value, excluding liquidity, allocated to the top 10 positions at the date of this report in Fund A, and 100% in Fund B) in which we have high conviction. We are therefore not optimising for reduced volatility or relative performance in the short term, but rather for the likelihood of obtaining an attractive return in the long term (which we consider to be at least five years and a "high teens" net annualised rate of return). At the same time, we seek to minimise the likelihood of a long-term loss of capital by closely analysing and monitoring each of our portfolio companies, seeking to actively intervene in their strategy and capital allocation decisions when relevant.

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

By Sector	Fund A	Fund B
Vertical market software	27%	24%
Low-cost fitness chains	21%	29%
Real estate services	20%	22%
Investment holding companies	10%	3%
Industrial manufacturers	10%	11%
Food retail	10%	13%
Cash	2%	(1%)

By country of HQ	Fund A	Fund B
United Kingdom	31%	28%
Portugal	10%	13%
Benelux	10%	13%
Germany	10%	11%
Nordics	10%	6%
Europe total	**70%**	**71%**
Canada	20%	29%
United States	8%	0%
Cash	2%	(1%)

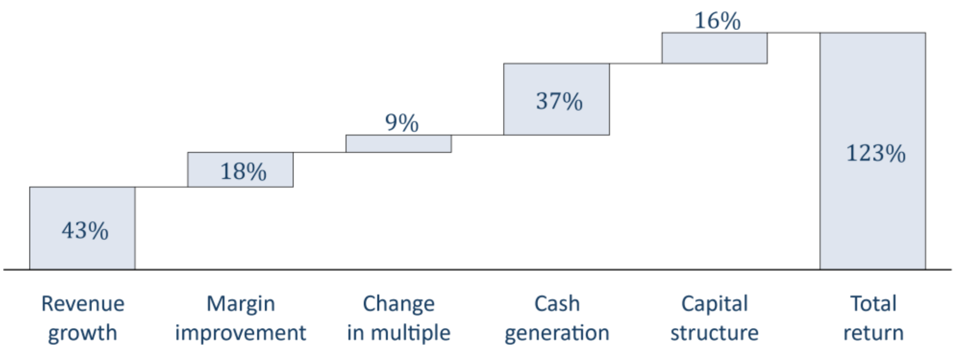
By Market Cap	Fund B	Fund A
Sub €100m	13%	18%
€100-250m	31%	28%
€250-500m	20%	27%
€500-750m	17%	14%
€750m-1bn	0%	0%
>€1bn	17%	13%
Cash	2%	(1%)

By investment type	Fund A	Fund B
Equities – special situations	13%	15%
Equities – long term positions	85%	85%
Credit	0%	0%
Cash	2%	(1%)

Data as of 19/Mar/2024

Based on our financial projections for each position, we currently expect an internal rate of return (IRR) of 20% per year (i.e. +123% cumulative until Dec/2028) for the current portfolio, based mainly on our expectation of revenue growth (+7% p.a.), EBITDA margin improvement (+3% p.a.), and cash generation (+7% p.a.) from each of our portfolio companies.

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 19/Mar/2024)



CAGR	7% p.a.	3% p.a.	2% p.a.	7% p.a.	1% p.a.	IRR 20% p.a.

Note: excludes 3% 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

Taking these same projections into account, the portfolio continues to trade, in line with our 1H23 report, at below-market multiples, despite showing higher growth rates and similar ROE. This strong growth and ROE give us confidence that, even if we do not benefit from an increase in multiple, our positions will produce an attractive return over the long-term driven by reinvestment into profitable growth. We note that the low cash conversion observed for our portfolio below (especially in '19, but also in '23-25) is mainly driven by new openings across our low-cost fitness and QSR positions.

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	10%	14%	10%	8%	8%	7%	6%
EBITDA margin	16%	16%	17%	17%	17%	18%	18%
EBITDA-cash conversion (levered)	15%	27%	30%	29%	28%	37%	40%
Return on equity (ROE)	14%	13%	13%	15%	16%	17%	17%
EV/EBITDA (3)	9x	8x	7x	6x	5x	4x	4x
P/E (3)	18x	15x	13x	11x	9x	8x	7x
Free cash flow yield (levered) (3)	2%	4%	5%	5%	6%	9%	11%
Dividend yield (3)	1%	2%	3%	4%	4%	6%	8%
ND/EBITDA	0.9x	0.8x	0.7x	0.6x	0.5x	0.4x	0.3x
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%	21%	22%	22%
EBITDA-cash conversion (levered)	41%	43%	45%	48%	50%	51%	52%
Return on equity (ROE)	12%	14%	15%	15%	15%	16%	16%
EV/EBITDA (3)	11x	13x	12x	10x	9x	8x	7x
P/E (3)	18x	21x	18x	16x	14x	12x	12x
Free cash flow yield (levered) (3)	4%	4%	4%	5%	6%	7%	7%
Dividend yield (3)	2%	2%	2%	2%	3%	3%	3%
ND/EBITDA	2.3x	1.6x	1.6x	1.1x	0.7x	0.4x	0.1x

(1) Based on Oxy's base case projections for each position as of 17/Jun/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 19/Mar/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.

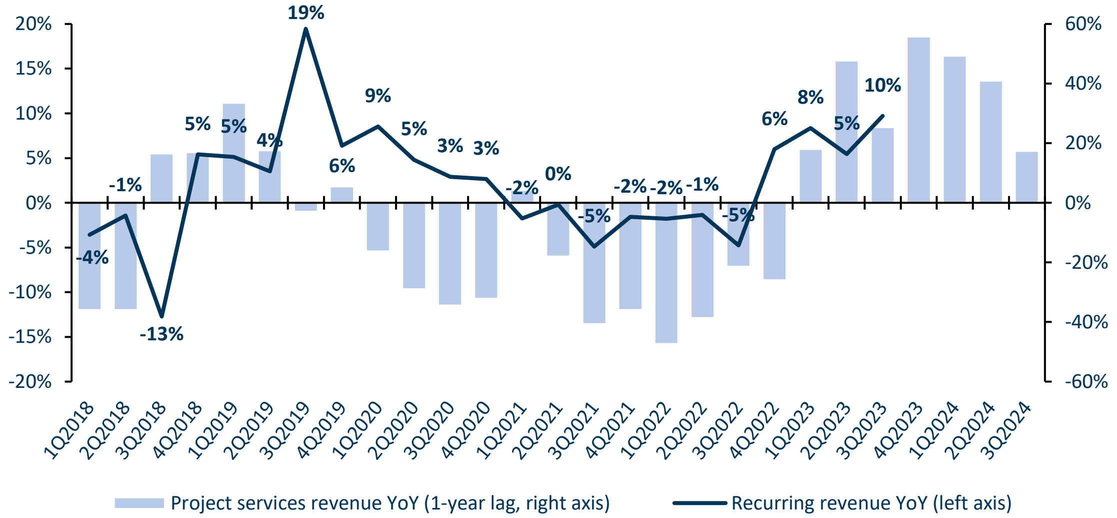
III. Commentary on portfolio positions

Sylogist Ltd and The Gym Group Plc

The two largest positions in our strategy, Sylogist and Gym Group (introduced in our 1H23 report) continued to perform in line with our investment thesis. Each currently represents close to 10 per cent of Fund A and 15 per cent of Fund B's NAV.

In the case of Sylogist, recurring revenue accelerated in Q3 2023 to 10% YoY organic (vs 5% in Q2 and 8% in Q1). Already in early 2024, the shares have appreciated after two new investment banks initiated coverage of the company – a result, we believe, of the effort made by the management team to continue communicating better and more vocally with the market. We remain in contact with the company and have tried to further help calibrate communications with the market after the successful 2023 Investor Day. The shares continue to trade at a 2025F free cash flow yield of 8% on our base case, an attractive valuation considering our expected annual EBITDA growth of ~15-20% p.a. until 2028 (the result of organic revenue growth of ~10-15% p.a. and margin improvement due to operational leverage on current P&L investments in marketing and R&D). The company has started to scale its work with partner distributors, decoupling recurring revenue growth from implementation/project services (as can start to be seen in the chart below) and allowing for higher future margins.

Table 7: **Sylogist's organic revenue growth**
(year-on-year organic growth at constant FX, by type of revenue – recurring vs. project services – since 2018)



In the case of Gym Group, the company recently reported above-consensus revenue in its FY2023 trading update, leading the shares to react positively. It currently trades at 6x our 2024E EBITDA expectation of c. 43m GBP (after leases) and at ~3x potential EBITDA assuming current gyms recover to 2019 EBITDA levels. Assuming an expected EBITDA-cash conversion of 50% (before new gym openings – conservative relative to our experience in private low-cost fitness chains), these multiples would imply a free cash flow yield of 12% for 2024E and 17% normalised.

Recently, our team gave an interview in an investor podcast (Yet Another Value Podcast) about our position in Gym Group to help spread our investment thesis and increase the number of investors following the company.

Finally, we are optimistic vs consensus on 2024 results for Gym Group - analysts aggregated by Bloomberg expect EBITDA growth of around GBP 4m versus 2023, but we estimate that the maturing effect of the gyms opened in 2022 and 2023 alone should already boost EBITDA by GBP ~6-8m – in addition to the GBP +8m effect of price increases, as the company's 2023 price increases for new subscriptions continue to feed through to the member base via the churn and new customer acquisition cycle. We also expect +2m GBP due to normalisation of energy costs, reduced by some increase in other club costs, especially due to the rise in the UK minimum wage by ~10% in April 2024 - leading to an EBITDA projection in total ~10% higher than consensus for 2024 (and ~30% higher looking ahead to 2027 and 2028). In addition to this upside relative to the market's expectation of future results, we expect a progressive improvement in the multiple at which the company trades, as the market realises the resilience of the business (thanks to the trade-down from more expensive gyms in recessions) and the opportunity to continue opening new gyms at 3-year paybacks in the UK (which we believe is currently not priced-in on the shares due to the disruption the company has suffered from energy costs and pandemic restrictions).

Information Services Corporation

Information Services Corporation (TSX:ISV) is a technology services provider in Canada, with a market capitalisation of ~€320m at the writing of this report and founded in 2000 to manage land and business registries in the province of Saskatchewan. After following the company for around two years, the Funds initiated a position in ISV during the second half of 2023, shortly after the announcement of the renewal of the licence to operate the province's registries until 2053. As of today, it is one of the five main positions in our strategy, with a weight of close to 10 per cent in Fund A and c. 14 per cent in Fund B.

The company is currently dedicated to managing these registries (~70% of EBITDA) and commercialising software/services mainly related to the provision of regulatory/corporate information for banks and law firms (~30% of EBITDA), as well as providing consultancy related to the implementation of registry systems in other jurisdictions (for now a residual value of EBITDA, since the recovery of this segment post-Covid is still underway).

The licence that the company recently renewed allows ISV to operate Saskatchewan's registries without competition, benefiting from prices indexed to inflation (around 38% of this segment's revenue) or to the value of real estate transactions in the region (62%), in a business that benefits from EBITDA margins of ~50% and almost zero capex. We expect the registry business to grow in line with the region's GDP, while the other segments should continue their historical growth trajectory closer to 8% p.a., resulting in an expected aggregate organic EBITDA growth of 7% p.a. over the next 5 years. Although not a key pillar of our thesis, we also expect Saskatchewan's GDP to grow at a faster pace than the rest of Canada, as a result of the continued strong population growth the region has experienced in recent years and the region's high productive capacity in fertilisers, agricultural goods and minerals. We believe the registry revenue's exposure to real estate values in Saskatchewan is not a major risk, as the province's house prices are significantly below other regions of Canada and there is an ongoing housing supply shortage (although we are seeing new construction growing – a positive for future volume passing through the land registry).

Given this growth, as well as the resilience of the business (a large part of which is fully protected from competition until 2053) and cash generation (~80% of EBITDA converts into cash flow before interest and ~60-65% after interest payments), we believe that the multiple of 7x EBITDA 2024E at the time of writing of this report is very attractive – resulting in a free cash flow yield (after interest) of 12%. In fact, although there aren't many comparables, the most relevant is Teranet, which similarly operates registries in the province of Ontario, and which was taken private in 2008 by Canadian infrastructure fund OMERS at 12x LTM EBITDA, during a period of uncertainty for the global economy. Some regions in Australia have also tendered similar licences in recent years, with the winning consortia paying close to 30x EBITDA for these.

Taking all this into account, our base projections result in an expected return of 20% per year until 2028, assuming an exit multiple of 10x EBITDA, as shown in the table below.

Table 8: **Operational and financial projections for ISC (Oxy Capital base case)**
(in millions of Canadian dollars, fiscal years ending 31 December)

	2019A	2020A	2021A	2022A	2023E	2024F	2025F	2026F	2027F	2028F
Revenues	**133**	**137**	**169**	**190**	**217**	**234**	**244**	**255**	**267**	**281**
YoY growth %		3%	24%	12%	14%	8%	4%	5%	5%	5%
EBITDA	**38**	**45**	**65**	**62**	**69**	**83**	**86**	**89**	**92**	**95**
% EBITDA margin	*28%*	*33%*	*39%*	*33%*	*32%*	*36%*	*35%*	*35%*	*34%*	*34%*
(-) Capex	(3)	(1)	(2)	(1)	(2)	(2)	(2)	(2)	(2)	(2)
(-) Taxes and working capital	(17)	(8)	0	(18)	(11)	(15)	(16)	(17)	(17)	(18)
Free cash flow (unlevered)	**18**	**36**	**63**	**43**	**56**	**66**	**68**	**70**	**72**	**75**
UFCF % EBITDA	47%	79%	97%	69%	81%	79%	79%	79%	79%	79%
(-) Net interest cost	(1)	(1)	(2)	(2)	(3)	(11)	(10)	(10)	(10)	(9)
Free cash flow (levered)	**17**	**34**	**61**	**40**	**53**	**55**	**57**	**60**	**63**	**66**
Dividends	14	14	14	16	16	17	19	20	21	23
EV/EBITDA	7x	9x	7x	7x	8x					10x
EV/UFCF	15x	11x	7x	10x	10x					13x
Levered FCF yield	6%	9%	13%	10%	12%					7%
EV	**268**	**408**	**459**	**440**	**576**					**987**
(+/-) Net Cash / debt	6	(42)	(1)	(32)	(144)					(84)
Equity Value	**274**	**366**	**458**	**408**	**432**					**903**
(/) Diluted shares outstanding	18	18	18	18	19	19	19	19	19	19
Price per share	**15.7**	**20.7**	**25.4**	**22.6**	**22.8**					**46.7**
Dividends per share	**0.8**	**0.8**	**0.8**	**0.9**	**0.9**	**0.9**	**1.0**	**1.0**	**1.1**	**1.2**

IRR for exit at Dec/2028: 20% p.a. **Multiple of invested capital: 2.3x**

In the table above, the margin increase in our projection stems mainly from the recent license renewal, which will bring 16m CAD of additional EBITDA at a c. 94% EBITDA margin in 2024 (with partial impact in 2023). This increase is then progressively diluted as the non-registry business operations grow faster.

We believe that an exit multiple of 10x EBITDA will be reasonable in five years' time as the current uncertainty surrounding the company – mainly, we believe, centered around ISC's exposure to real estate prices and higher leverage – diminishes, and the business demonstrates the ability to continue growing steadily while deleveraging. We believe a premium is warranted compared to the multiples at which the company has traded in the past since, following the renewal of the Saskatchewan licence, business risk has reduced considerably (ISC went from holding its registries licence for another 10-15 years in 2018-23 to 30 years today). It is also close to the multiple the company traded at during 2013-2014 (post IPO), when the remaining duration of the existing license was similarly longer.

As for the company's resilience, we can look back to the period 2015-2018 to gain confidence in the registry's performance in difficult economic conditions – this period was characterised by a recession in the Saskatchewan region, as a result of the fall in prices of various commodities, but ISC's Registry Operations EBITDA remained practically constant due to its anti-cyclical components – events such as bankruptcies and mergers arising from industry consolidation also generate income for the registry, and exposure to real estate includes not only residential but also farmland and commercial real estate.

Table 9: **ISC Registry Operations EBITDA and Saskatchewan economy 2012 – 2021**
(years with falling real GDP in grey; 23E based on Oxy projections; excludes effect of Reamined acquisition in 2022-23)

	12	13	14	15	16	17	18	19	20	21	22	23E
ISC Registries EBITDA (CAD m)	29	31	30	28	30	30	32	34	35	35	46	44
% YoY	*19%*	*6%*	*(1%)*	*(6%)*	*4%*	*2%*	*8%*	*5%*	*2%*	*2%*	*30%*	*(5%)*
Saskatchewan macro indicators:												
Real GDP YoY	2%	6%	2%	(1%)	(0%)	2%	2%	(1%)	(4%)	(1%)	6%	
Motor Vehicle Sales (#) YoY	11%	5%	(1%)	(6%)	(5%)	8%	(11%)	(3%)	(14%)	2%	(2%)	
Total Urban Housing Starts YoY	40%	(9%)	(1%)	(39%)	(11%)	7%	(28%)	(31%)	36%	34%	1%	

As part of our risk management process, we monitor the performance of Saskatchewan's property market and economy on a monthly basis, which has continued to be positive after a slight decline, already expected, relative to the very strong period of 2022. In January 2024, for example, the volume of home sales in the region grew 24% YoY, with the average sales price growing 1% YoY - much higher than our expected 8% growth for ISC's topline, which also takes into account the effect of the price increase made in July 2023 in the course of the licence renewal. In general, we find that the situation in residential real estate is similar across most developed countries, with a marked lack of supply post-GFC supporting prices, in line with the analysis we regularly conduct of the European market due to our exposure to private building materials companies at Oxy Capital.

Table 10: **Monthly trend in new construction in Saskatchewan January 2019 - September 2023**
(in number of new dwellings)

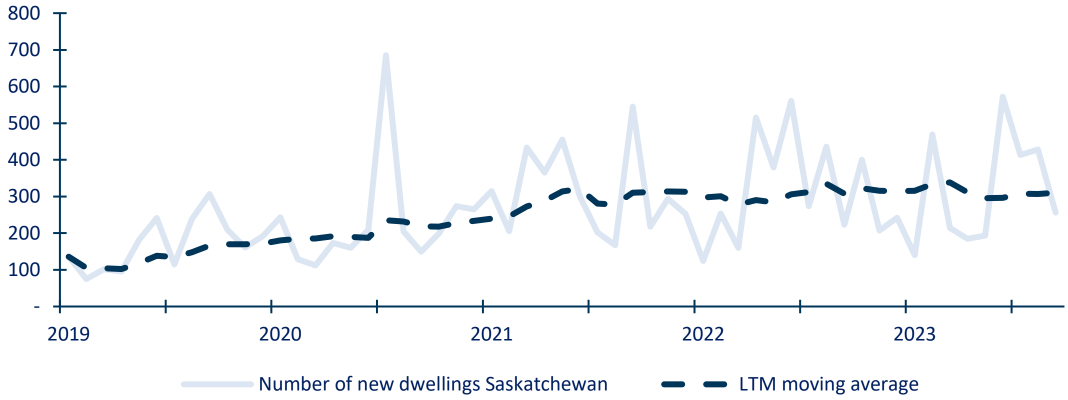


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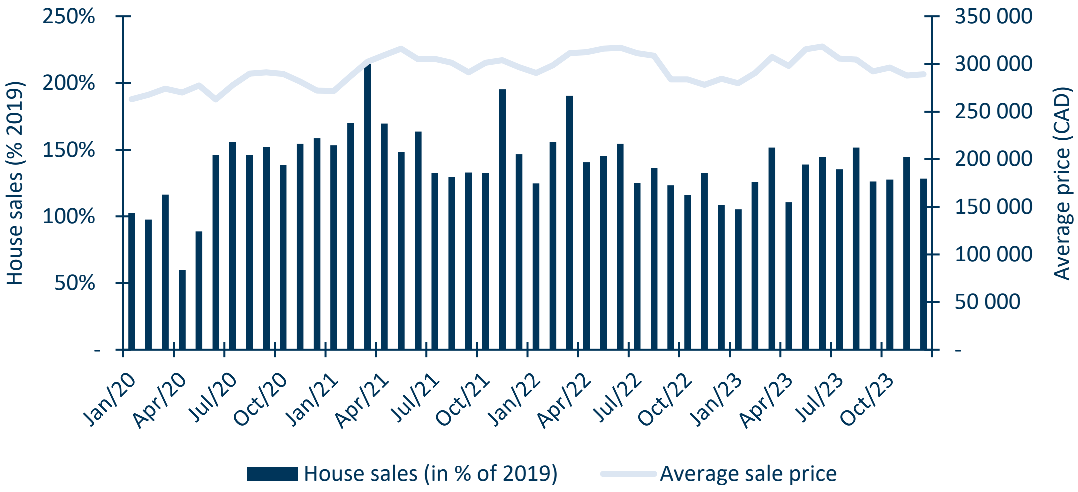
Table 11: **Monthly trend in home sales Saskatchewan January 2020 - December 2023**
(in number of houses sold indexed to corresponding months of 2019 and in CAD for the average price of houses sold)



We also spoke to several people close to the business, obtaining positive feedback. In particular, we met several times with a former senior employee of the company who had a very good opinion of the current CEO and kept a large amount of shares in the company due to his optimistic outlook on the business.

Our view of the current CEO, Shawn Peters, is very positive, not only because of this feedback, but also as a result of the various interesting acquisitions he has executed, the willingness to leverage the company to a reasonable level given its resilience and cash generation (we find that sometimes very recurring and resilient businesses remain underlevered in public markets due to management's desire for easy job stability at the expense of efficient shareholder returns), and the demonstrated ability to negotiate with the Saskatchewan government in order to renew the licence on attractive terms until 2053. In fact, the company agreed a price equivalent to ~15m CAD per year for this licence, which corresponds to ~20% of the annual EBITDA generated by this business area in 2022, but also managed to include a price increase in this renewal that corresponds to incremental EBITDA of 16m CAD per year, more than offsetting the annual cost of the renewal. The CEO holds options on 2% of the company's capital, which in our base scenario should be worth 4m CAD in 2028 (net of strike price), or ~10 times his base annual salary – so that he is incentivised and aligned with us. Most options are in the money or close, so that Shawn is also exposed to downside at the current share price, minimizing the incentive towards excessive volatility.

Special situations

Although the focus of our strategy is on long-term positions in above-average quality businesses, we allocate a portion of the Funds' portfolio to short/medium-term situations arising from market dislocations, i.e. special situations. We expect to allocate an average of ~20% of the portfolio to these types of opportunities, which are characterized by a high discount to the clear value of the assets and the presence of a "hard" short/medium-term catalyst that we believe can unlock this value. Currently, these opportunities represent c. 13% of Fund A and 15% of Fund B. We believe we analyse each of these situations in greater depth relative to most event driven funds (as we can have the "luxury" of only investing in a handful, given this is an opportunistic allocation within our overall portfolio) and with a stronger emphasis on underlying absolute, not only relative, value – helped by our overall focus on longer term positions. We believe these factors applied to the smaller capitalization end of the event driven market helps us generate substantial alpha in this side of our portfolio.

During 2023 and early 2024, the Fund successfully divested two special situations – Silver Spike Investment Corporation ("SSIC") and Arix Bioscience ("ARIX"). Both are listed investment funds (SSIC on the NASDAQ and ARIX on the London Stock Exchange) that traded at steep discounts of 30-40% to the value of their assets, most of which were liquid and transparently valued.

Silver Spike Investment Corporation. At the time of our investment, SSIC was trading at a c. 20% discount to its cash position, and it also held recently made loans to companies in the US cannabis sector (with mostly cash interest rates of ~15-20%, as this sector is currently highly underbanked). After extensively analysing the quality of the loans made – we spoke to several current employees of the companies that received these loans and built a detailed loan-by-loan projection model – as well as the track record and strategy of SSIC's investment team – having met several times with one of the sponsor's partners for this purpose – we developed a positive view of the future expected performance of the loans in the portfolio and of SSIC's ability to deploy additional funds. In line with what we had discussed with management, we expected SSIC to initiate a very significant dividend (yield of ~15-20% against our entry price) throughout 2023 as they invested their large cash position in additional cannabis loans. When this occurred, the discount to NAV shortened considerably (as BDCs almost always trade on a dividend yield basis, being mostly targeted by yield-focused retail investors), leading us to substantially reduce this position with a (we believe low risk and uncorrelated) gain of c. 25% (including dividends) for the Funds.

Arix Bioscience. ARIX is a similar case – a specialist biotech investment vehicle whose shares traded at a discount of c. 10% to the cash position and listed equity portfolio it held, with additional upside through investments in biotech start-ups (which would increase the discount to NAV to ~40%). With the largest shareholder being the US activist fund ValueAct (indirectly, through a listed investment holding company, Acacia Research Corporation), we expected a potential decision to liquidate ARIX soon, following the announcement of a strategic review by the company's board of directors and comments made on Acacia's earnings calls.

A detailed analysis of ARIX's private positions led us to conclude that these had relatively conservative valuations, given the absence of markups over the holding period and a history of low levels of write-downs combined with good performance on the sale of past investments. After initiating our position, we met with ARIX's management to express our preference for liquidating the company or some similar alternative that would provide liquidity for shareholders in the near term.

At the end of 2023, the company ended up, instead of liquidating, being sold to another listed biotech fund at a premium of ~30% to our entry price, albeit with the purchase made entirely in shares. The Funds maintained the position until the transaction was further confirmed and priced in, benefiting from the subsequent appreciation of the buyer's share and narrowing of the merger spread, and divested in January 2024 with a gain of c. 20% in close to 6 months.

Ibersol. After the divestments mentioned above, the main special situation currently in our portfolio, representing the vast majority of this allocation (10% of Fund A's NAV and 13% of Fund B), is Ibersol – a Portuguese company dedicated to operating quick service restaurants (2/3 of revenue, mainly through the KFC and Pizza Hut brands) and travel concessions (1/3 of revenue, mainly coffee shops and restaurants in Portuguese and Spanish airports).

At the end of 2022, the company completed the sale of its Burger King restaurants to Restaurant Brands Iberia, a Cinven portfolio company, for 260m EUR (~7x 2022 EBITDA according to our estimates). Since then, Ibersol has been trading at a significant discount to its historical EV/EBITDA and P/BV (currently 3x EV/EBITDA 24E and 0.7x P/BV vs 7x and 1.6x average 14-19, respectively), as a result, we believe, of the uncertainty surrounding the allocation of the net cash realised in this sale, which makes up a large part of the current market capitalisation (around 60%).

The current EBITDA multiple of 3x translates into a free cash flow yield (before interest, and relative to the EV) of ~20-25% before new openings. In turn, the main European listed peers (AmRest and Sphera Franchise Group) both trade at c. 7x EV/EBITDA 24E based on Bloomberg consensus, respectively, and the closest peer in the concessions segment (Autogrill SpA) recently merged with another operator at a valuation of c. 8x EV/EBITDA NTM. Finally, one of Restaurant Brands International's largest listed franchisees (Carrols Restaurant Group) was recently taken private by RBI itself at 7.5x EV/EBITDA LTM (on top of USD 500m of additional investment in the company planned by RBI – the multiple would increase to 11x adjusted for this investment).

Our team actively sought to engage with Ibersol's management in order to better understand capital allocation plans and strategy and came away with a positive impression. Although the company is effectively controlled by the two largest shareholders/managers and their families (who hold c. 61% of the shares and votes), they have demonstrated, over the 27 years since the IPO, a good ability to grow and increase the value of the company: EBITDA after rent (i.e. pre IFRS 16) grew by 8% per year from 2002 to 2018 – before Covid and the sale of Burger King restaurants – and book value per share adjusted for dividends showed growth of 12% per year from 2002 to 2023.

Based on our interactions, our expectation is that Ibersol will not allocate cash to large and potentially risky acquisitions, nor will it accelerate the pace of restaurant openings. On the contrary, management appears to be focused on continuing a sustainable level of openings of 20-40 new restaurants per year, complemented by tactical tuck-in acquisitions within the company's area of expertise, such as the ongoing purchase of 31 KFC restaurants in Spain. In this way, we expect and have incentivized the company to dedicate its remaining net cash to dividend payments and share buybacks.

In fact, Ibersol is currently executing the buyback of up to 10% of its shares, after having already distributed a dividend corresponding to 10% of its market cap in 2023, this distribution being a significant component of the Funds' gain so far on this position. Since the share buyback has progressed slowly, given the reduced liquidity of the shares in the market, our team is focused on arguing with management for the distribution of a greater portion of the capital via special dividends. We estimate that Ibersol could pay a special dividend of ~150m EUR and still maintain a net cash buffer of ~10m EUR over the next few years, even after the planned openings and acquisitions mentioned above.

On the other hand, we believe that the current low valuation of the shares also stems from some market concern about the company's exposure to a potential recession in Portugal. We believe that this possibility is more than priced in on the shares, particularly as in the last major crisis in Portugal (2012-15) Ibersol's negative performance was undermined by the VAT increase in restaurants in the country – as a result, EBITDA per restaurant fell 51% at the peak of the crisis during this period, vs 35-39% for European peers outside Portugal. This factor, combined with a greater cyclical exposure at the time (since today 1/3 of EBITDA comes from concessions, a segment that didn't exist in 2014 and is less exposed to the local economy), contributed to a cyclical perception that we believe is too penalising in relation to the current business and situation.

We monitor the evolution of the most relevant indicators for the health of restaurants and tourism in Portugal and Spain on a monthly basis, and so far we see no signs of concern. In fact, the proprietary data we have on the evolution of hotel bookings for the upcoming summer is positive, as is the fact that traffic at Portuguese airports remains far above 2019 and that food costs (reported monthly by INE) have recently experienced lower inflation than the prices practiced by restaurants in the country (again based on INE data).

Table 12: **Bookings "on-the-books" in hotels owned by Oxy Capital's funds**
(€m, period from May to August, data for 2024 only available for Hotel 3 today)

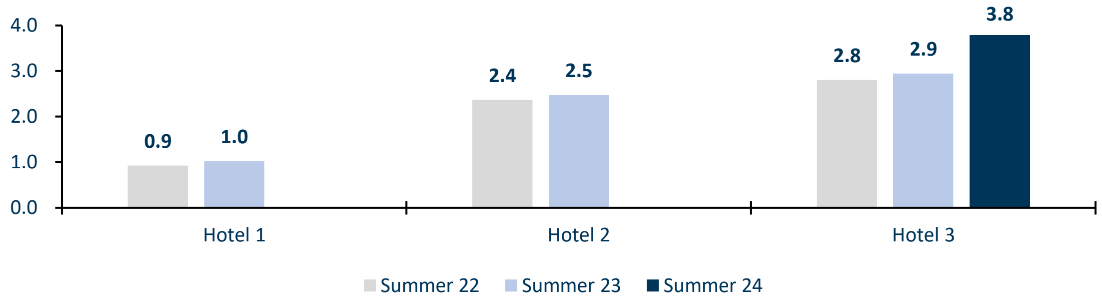
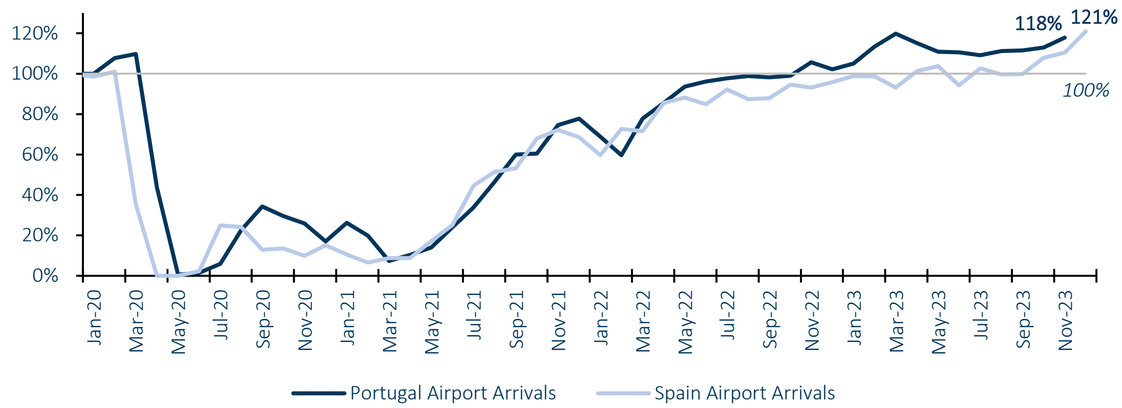


Table 13: **Number of arrivals at Portuguese and Spanish airports**
(% compared to the comparable month in 2019)



We believe that if we are successful in our efforts to positively support Ibersol's capital allocation, its shares should revalue to close to the historical EV/EBITDA multiple, implying an upside of ~70%. Based on our interactions, we believe that, although management effectively controls the company, it is mindful of shareholder feedback and cares about its reputation and long-term track record in leading Ibersol, so there is scope for us to have some constructive influence. Management is also not too far from retirement age, so we believe they are mindful of value preservation and potentially realization of their large equity stake in Ibersol.

That said, even in the case of special situations, we like to be "covered" by a long-term value creation rationale. In this context, considering an exit at a more conservative 5x EV/EBITDA in five years' time, as well as the execution of the special dividend we mentioned above and the historical pace of openings, we foresee a return of 18% per year until 2028 on this position. We note that in reality, a higher regular dividend may substitute the one-off special dividend (given management's conservative nature) but lead to a similar optimization of the capital structure over time.

Table 14: **Operational and financial projections for Ibersol (Oxy Capital base case)**
(in millions of euros, fiscal year ending December 31st)

	2019A	2020A	2021A	2022A	2023E	2024F	2025F	2026F	2027F	2028F
Revenue	**470**	**282**	**349**	**338**	**397**	**444**	**491**	**524**	**552**	**571**
YoY growth %		(40%)	24%	(3%)	18%	12%	11%	7%	5%	3%
EBITDA	**46**	**(31)**	**2**	**37**	**39**	**43**	**48**	**51**	**53**	**55**
% EBITDA Margin	*10%*	*-11%*	*1%*	*11%*	*10%*	*10%*	*10%*	*10%*	*10%*	*10%*
(-) New openings capex	(38)	(20)	(29)	(24)	(22)	(27)	(27)	(28)	(21)	(14)
(-) Maintenance capex	(20)	(8)	(4)	(12)	(10)	(12)	(13)	(14)	(15)	(15)
(-) Taxes and working capital	3	4	3	(12)	(1)	(2)	(3)	(4)	(5)	(6)
Free cash flow (unlevered)	**(9)**	**(55)**	**(29)**	**(10)**	**6**	**2**	**4**	**5**	**12**	**20**
UFCF % EBITDA	(20%)	n/m	n/m	(27%)	15%	5%	9%	9%	23%	36%
(-) Net interest	2	(0)	(8)	(2)	4	4	4	0	0	0
Free cash flow (levered)	**(8)**	**(55)**	**(37)**	**(12)**	**10**	**7**	**9**	**5**	**13**	**20**
Dividends	3	0	29	6	30	4	158	7	10	13
EV/EBITDA	8x	n/m	n/m	2x	3x					5x
EV/UFCF excl. new openings	12x	n/m	n/m	6x	4x					14x
LFCF yield excl. new openings	11%	n/m	n/m	5%	12%					7%
EV	**345**	**292**	**264**	**84**	**102**					**275**
(+/-) Cash / Net Debt	(70)	(113)	(69)	168	170					18
Equity Value	**276**	**179**	**195**	**252**	**272**					**292**
(/) Diluted shares outstanding	38	38	37	42	42					41
Price per share	**7.2**	**4.7**	**5.3**	**5.9**	**6.5**					**7.1**
Dividends per share	**0.1**	**0.0**	**0.8**	**0.1**	**0.7**	**0.1**	**3.8**	**0.2**	**0.2**	**0.3**

IRR with exit in Dec/2028: 18% p.a. **Multiple of invested capital: 1.8x**

Finally, considering a pessimistic scenario that combines the absence of special distributions and a new deep crisis in the Iberia (we assume an EBITDA/restaurant performance similar to that of 2012 and a slow recovery, to levels below the current ones) we still foresee a positive return on this investment, due to the protection associated with a low entry multiple and the portion of the equity value currently covered by cash. A greater risk could be the combination of an adverse macroeconomic scenario and the investment of Ibersol's cash position in a large and risky acquisition, but we are comfortable, after our interactions with management, that this type of investment is not in the plans so far, and we have emphasised this point in our conversations with the company.

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