

Annual letter

2025

“Quality is never an accident; it is the result of intelligent effort.”

John Ruskin.

@ConserValue

5 April 2026



The year in review

This letter marks the fourth anniversary of this journey. Despite consistent efforts in advancing the refurbishment works that began in 2024 after moving to a new house, these activities have taken a significant portion of my private time and the activity here has been minimal. However, I feel happy to have found the time to explore new mental models amidst doors, flooring and paint works. Although inactive and somewhat slower returns than I would have wished for a couple of years ago, this period has been incredibly satisfactory for several reasons.

First, the development of our companies' operations has been outstanding. It is only a matter of time that the market reflects such increases in their intrinsic value -in fact, as we will see, had it not been for the impact in the relational exchange rate of foreign currencies to euro, our market performance last year would have been 14.7 percent, a figure which is more in line with the annualised growth pace of our holdings.

Second, having limited availability has pushed me to be more selective with the material I focus on. This has led to fewer areas of study but in greater depth: namely the broad world of general semantics (GS) and the history of the U.S. and Canada and its entanglement with railroads. I deeply recommend the study of Alfred Korzybski and Wendell Johnson's contributions -the GS tools, although simple, have proven to be exceptionally powerful devices to see through the noise in investing as much as in other areas in life.

Market performance

If anything, last year was marked by a striking depreciation of most currencies relative to euro. The negative impact of the latter's strength⁽¹⁾ was 5.5 percent in fiscal 2025, making the cumulative detraction from overall performance due to currency fluctuations 5.4 percentage points since inception, or 1.3 percent annually. As a result, last year our return in local currency (the "true" performance) was 9.2 percent.

The S&P 500 (selected as our opportunity cost) returned 4.6 percent in fiscal 2025 in euro terms, suffering from an even greater forex headwind (the U.S. dollar depreciated 11.8 percentage points compared to euro throughout the year). Thus, our companies outperformed, as a whole, by 4.5 percent our benchmark in euro terms last year.

Since inception, our cumulative performance has been 64.0 percent (12.3 percent per year) after accounting for the relational forex rates which, as of the time of this writing, pose a significant braking component in the four-year period: at constant currency, our cumulative returns increase to 69.4 percent (13.2 percentage points per year).

Although to a lesser extent, we have not been the sole impaired actors in this process. Our benchmark has suffered from it, too: a cumulative forex detraction of 3.9 percentage points since January 2022 has pushed the S&P 500 performance down to 43.5 percent (8.9 percent per year) in euro terms, compared to the otherwise 47.4 percent (9.6 percent per year) enjoyed by an investor in U.S. dollar.

Table 1. Historical returns

Period	Portfolio S&P 500 Difference			Currency fluctuations		Portfolio S&P 500 Difference		
				Portfolio*	USD/EUR			
2022	(9.50%)	(11.24%)	1.74%	(0.40%)	7.37%	(9.10%)	(18.61%)	9.51%
2023	53.51%	22.38%	31.14%	0.73%	(3.88%)	52.78%	26.26%	26.52%
2024	1.61%	32.01%	(30.39%)	1.05%	5.64%	0.56%	26.37%	(25.81%)
2025	9.15%	4.62%	4.54%	(5.52%)	(11.80%)	14.67%	16.42%	(1.75%)
2026 (YTD)	6.43%	(2.37%)	8.81%	1.59%	1.66%	4.84%	(4.03%)	8.87%
Cumulative	64.00%	43.51%	20.49%	(5.40%)	(3.85%)	69.40%	47.36%	22.04%
Annualised	12.34%	8.87%	3.47%	(1.27%)	(0.92%)	13.20%	9.55%	3.65%

Green cells are market performance (incl. dividends), adjusted to euro.

Yellow cells are market performance (incl. dividends) without the impact of currency fluctuations.

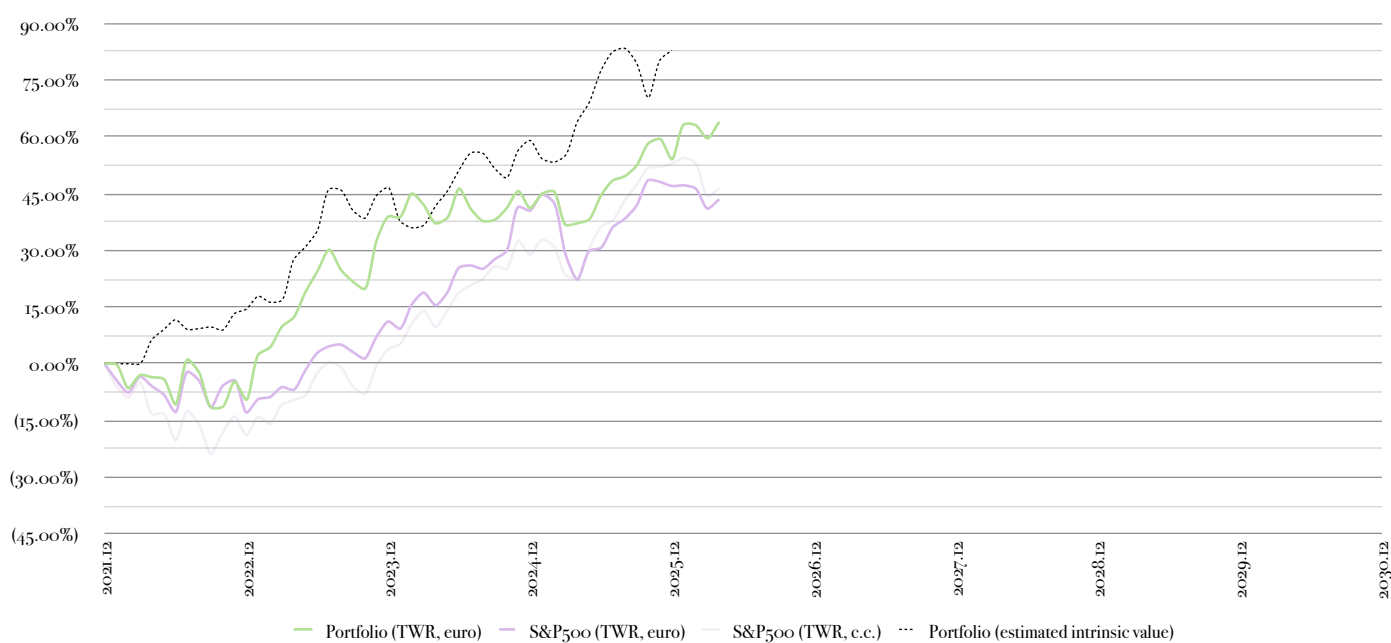
* Weighted impact of the holdings' currencies, adjusted to euro.

⁽¹⁾ I must confess it feels funny to talk about "strength" when dealing here with fractional-reserve, paper money. This, of course, refers to its temporary vigour relative to other fiat currencies and not to its single most important set of prices: the capital and consumer goods. On the latter's front, with an estimated annual HICP of 2.1% across the Eurozone, euro did not fare as well. On the year-on-year inflation, data acc. [European Central Bank](#).

Table 2. Historical market performance

Period	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2022	(0.18%)	(6.28%)	3.70%	(0.59%)	(0.49%)	(7.00%)	13.29%	(3.42%)	(9.43%)	0.19%	7.56%	(5.04%)	(9.50%)
2023	13.15%	1.89%	5.24%	2.25%	6.00%	4.55%	4.62%	(4.14%)	(2.44%)	(1.61%)	10.60%	4.86%	53.51%
2024	(0.12%)	4.52%	(2.09%)	(3.43%)	1.06%	5.58%	(3.72%)	(2.22%)	0.22%	2.16%	3.29%	(3.10%)	1.61%
2025	2.68%	0.45%	(6.08%)	0.30%	0.73%	4.60%	2.73%	0.75%	1.84%	3.89%	0.74%	(3.35%)	9.15%
2026	5.97%	(0.11%)	(2.16%)	2.76%									6.43%
													ITD
													64.00%
													CAGR
													12.34%

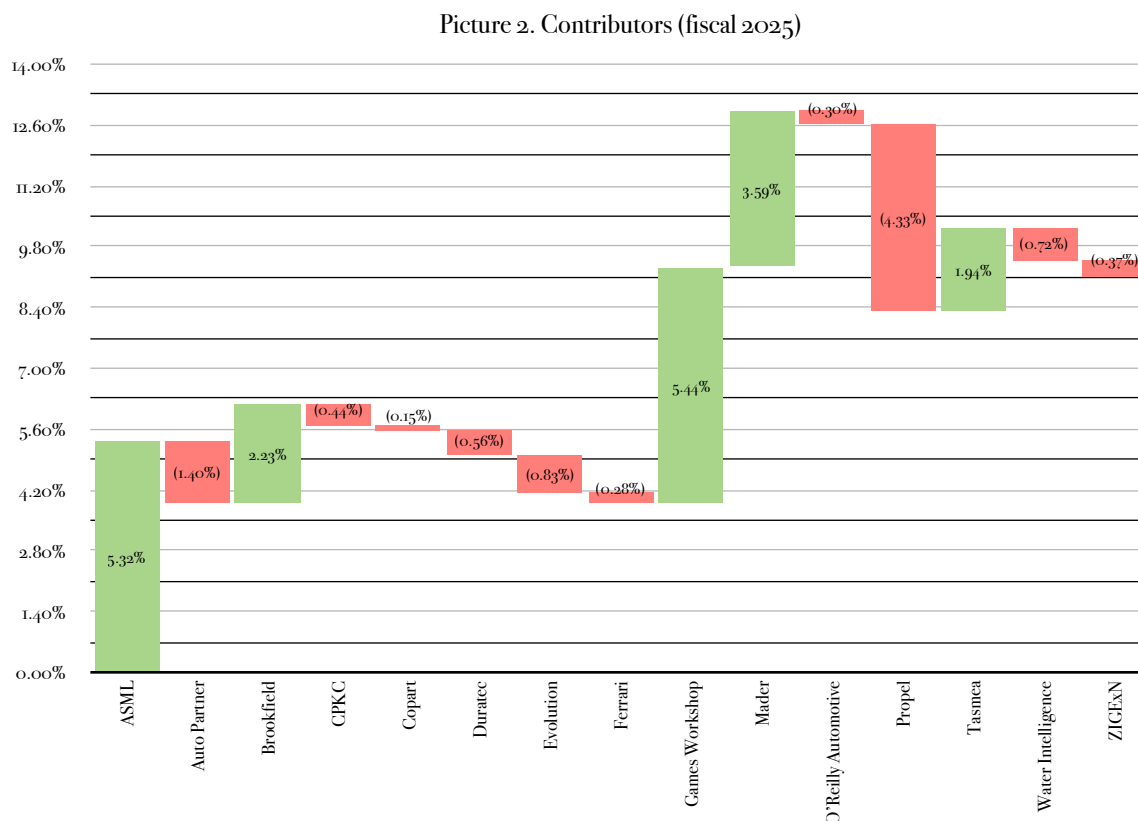
Picture 1. Historical market performance



Contributors

The main contributors to market performance last year were Games Workshop, ASML and Mader. On the other side of the spectrum, our overall returns were mostly detracted by Propel, Auto Partner and Evolution.

The chart in Picture 2 shows the contribution of each holding to the overall returns for the year:



Market returns tend to cluster, both positive and negatively, providing the greatest advancements or detractions in relatively short periods of time. The reader can appreciate, in Picture 2, that our companies are in this regard no different: the main driver of the portfolio's performance last year, i.e., Games Workshop, accounted for more than half the total return alone! Not only that, the cumulative contribution of the top three performers last year (Games Workshop, ASML and Mader) was nearly 60.0 percent in excess of the aggregated performance of the entire portfolio.

Activity

Last year has been one of the most active periods since inception, with a handful of transactions on both the selling and the purchasing fronts. We closed our positions in Duratec, Water Intelligence and ZIGEXN and took an interest in CPKC, Copart and Tasmea, leaving the amount of holdings at year end at eleven companies.

While I do not foresee any irreparable damage to the underlying dynamics in any of the three businesses whose positions were entirely closed, the rationale behind these sales responds to a somewhat slowdown in their growth trajectories when compared to our original expectations. This, per se, is not necessarily a sufficiently strong thesis to support such radical measures, but when considered in combination with the opportunity cost and attractiveness of other alternatives presented by companies that we have been closely following for the past years, I believed it to be the most sensitive decision.

After the merger in fiscal 2022 with Kansas City (KC), the Canadian Pacific (CP) railway has become the only transatlantic freight operator whose network connects Canada, the U.S. and Mexico, making it the owner of what, in my view, is an irreplaceable asset of great value not only for the region but for the global economic trade.

It must be admitted that it took me several months to build the conviction to make the investment. The freight transportation industry is deeply interrelated to the history of the U.S. and Canada themselves, to the point where I found it very hard, if not impossible, to separate the two. Upon this realisation, I found myself lacking substantial knowledge about the history and geography of both countries. Filling that gap has been quite fun, but it has also taken substantial time for the past year.

There is little new to be said about Copart: the owner of the biggest online vehicle auction platform worldwide, backed by salvage and storage locations for which licensing from local authorities is extremely scarce. We had been following the company closely since studying it four years ago, hoping to find it quoted at more attractive valuations. Patience finally paid off this time, and we got the opportunity to start building a position.

The third addition last year was Tasma, an Australian provider of maintenance services for the E&C and mining industries. Roughly two thirds of its order backlog falls under recurrent-revenue contracts in the form of MSA (Master Service Agreements), providing higher visibility to its future operations than lump sum or fixed price contracts. We are familiar with this industry in Australia due to our previous research of Duratec and Mader.

Owner's earnings

I do not see stocks as a trading vehicle but as what they truly are: fractional ownership in real companies. I then feel a responsibility to behave as an owner of the firms I invest in. From this perspective, it seems natural to study their underlying economics, the growth and quality of their earnings and their long-term prospects.

As in previous years, the table below shows the weighted growth in the intrinsic value of our holdings and how it compares to their market performance. Such an approach aims to resemble the idea created by Warren Buffet and its flawless application by François Rochon at Giverny Capital: the owner's earnings.

The aggregated increase in owner's earnings in 2025 was approximately 15.0 percent. Over the last four years, our companies have grown their intrinsic value by a cumulative 82.9 percent, or 15.3 points annually. Comparatively, the S&P 500 is estimated to have increased its intrinsic value by 12.6 percent in fiscal 2025 and by 25.5 percent over the same four-year period (an annual rate of 5.5 percent).

Table 3. Owner's earnings growth

Period	Portfolio			S&P500		
	Intrinsic value ⁽¹⁾	Market ⁽²⁾	Difference	Intrinsic value ⁽¹⁾⁽³⁾	Market ⁽²⁾	Difference
2022	14.46%	(9.50%)	(23.97%)	(11.39%)	(12.25%)	(0.86%)
2023	28.08%	53.51%	25.43%	13.09%	21.31%	8.21%
2024	8.49%	1.61%	(6.88%)	11.27%	32.01%	20.74%
2025	14.99%	9.15%	(5.83%)	12.58%	4.62%	(7.97%)
2026 (YTD)	n.a.	6.43%	n.a.	n.a.	(2.37%)	n.a.
Cumulative	82.90%	64.00%	(18.90%)	25.53%	43.51%	17.98%
Annualised	15.26%	12.34%	(2.92%)	5.50%	8.87%	3.38%

⁽¹⁾ Owner's earnings growth, measured as increase in per-share profits plus cash distributions.

⁽²⁾ Market performance, inclusive of dividends.

⁽³⁾ Data for fiscal 2025's fourth quarter is estimated, acc. [YCharts](#).

In general, in fiscal 2025 most holdings accelerated their value creation process. Some such as Tasmia, ASML or Games Workshop increased their intrinsic values by more than 30.0 percent. Evolution, Auto Partner and Copart were the slowest growers in the portfolio, with estimated increases in their earning power of 2.2, 2.9 and 5.8 percent.

In last year's letter we praised ASML and contended that, although the owner's earnings approximation is a useful tool in estimating what the true earning power of a company is and, most importantly, how it evolves over time, they do not necessarily account for the qualitative changes that might be taking place under the surface and whose development might improve (or worsen) its future competitive and financial position. We did so to defend our stand that, while delivering a decrease in owner's earnings of 1.5 percent in 2024, this should not be construed as a symptom of deterioration of its underlying business. This year I am forced to mention that its growth of 28.8 percent in 2025 is equally not reflective of any major shift in its endogenous capabilities. This responds, in my opinion, to movements in the backlog order that stem from the overall industry slowdown that began in fiscal 2024 and continued for a good part of 2025, characterised by a prudent approach to new investment into the expansion of existing fabs. However, in recent months we have seen how some of the major chip producers worldwide are finally accepting EUV as the way to go, resulting in multiple new system orders.

Table 4. Owner's earnings growth (per holding)

Name		Cumulative	Annualised	Period			
				2025	2024	2023	2022
ASML	Intrinsic value	80.79%	15.96%	28.77%	(1.54%)	41.69%	0.64%
	Market	37.14%	8.22%	36.48%	0.25%	24.92%	(19.76%)
Auto Partner	Intrinsic value	15.09%	3.58%	2.86%	(8.19%)	8.36%	12.47%
	Market	20.85%	4.85%	(15.41%)	(23.12%)	80.37%	3.03%
Brookfield	Intrinsic value	39.09%	11.62%	10.55%	16.17%	8.30%	
	Market	72.49%	19.93%	19.82%	43.20%	0.53%	
CPKC	Intrinsic value	14.70%	14.70%	14.70%			
	Market	0.18%	0.18%	0.18%			
Copart	Intrinsic value	7.20%	7.20%	7.20%			
	Market	(26.21%)	(26.21%)	(26.21%)			
Evolution	Intrinsic value	108.60%	20.18%	4.47%	7.78%	29.59%	42.96%
	Market	(49.44%)	(15.67%)	(25.82%)	(29.02%)	12.29%	(14.48%)
Ferrari	Intrinsic value	79.57%	21.55%	6.60%	23.57%	36.32%	
	Market	39.07%	11.62%	(21.42%)	22.57%	44.39%	
Games Workshop	Intrinsic value	115.36%	21.14%	21.80%	34.52%	18.18%	11.22%
	Market	133.68%	23.64%	45.41%	45.44%	30.55%	(15.36%)
Mader	Intrinsic value	167.25%	27.86%	19.10%	16.80%	32.53%	44.96%
	Market	225.83%	34.35%	27.21%	(11.59%)	89.22%	53.11%
O'Reilly Automotive	Intrinsic value	43.92%	9.53%	9.43%	5.65%	14.32%	8.89%
	Market	101.73%	19.18%	15.38%	24.81%	14.17%	22.70%
Tasmea	Intrinsic value	2.42%	2.42%	2.42%			
	Market	39.28%	39.28%	39.28%			

Table 4 above breaks the weighted increase in intrinsic value of the portfolio as a whole down into the individual businesses for each year since they become holdings, as well as their cumulative and annualised figures. Similarly, the individual performance in the equity markets is included under the rows labeled as “Market”. The goal is to show how, even if market returns rarely match the fluctuation in the intrinsic value of any given company in a single year, over longer periods of time a correlation starts to emerge.

Note that, for a like-for-like comparison, the market returns included in this table are the shareholder performance that an investor would have enjoyed in these businesses should he have held onto his shares for each full year, without further activity. Hence, these figures do not necessarily match our market returns in them (e.g., in those cases where additional contributions are made throughout the year).

Since 2022, one of the most striking discrepancies is found in Evolution: while its intrinsic value has roughly doubled, its market quotation has nearly halved over the same time frame (including dividends). Or ASML, whose cumulative return has been 37.1 percent while delivering a 80.8 percent increase in its intrinsic value.

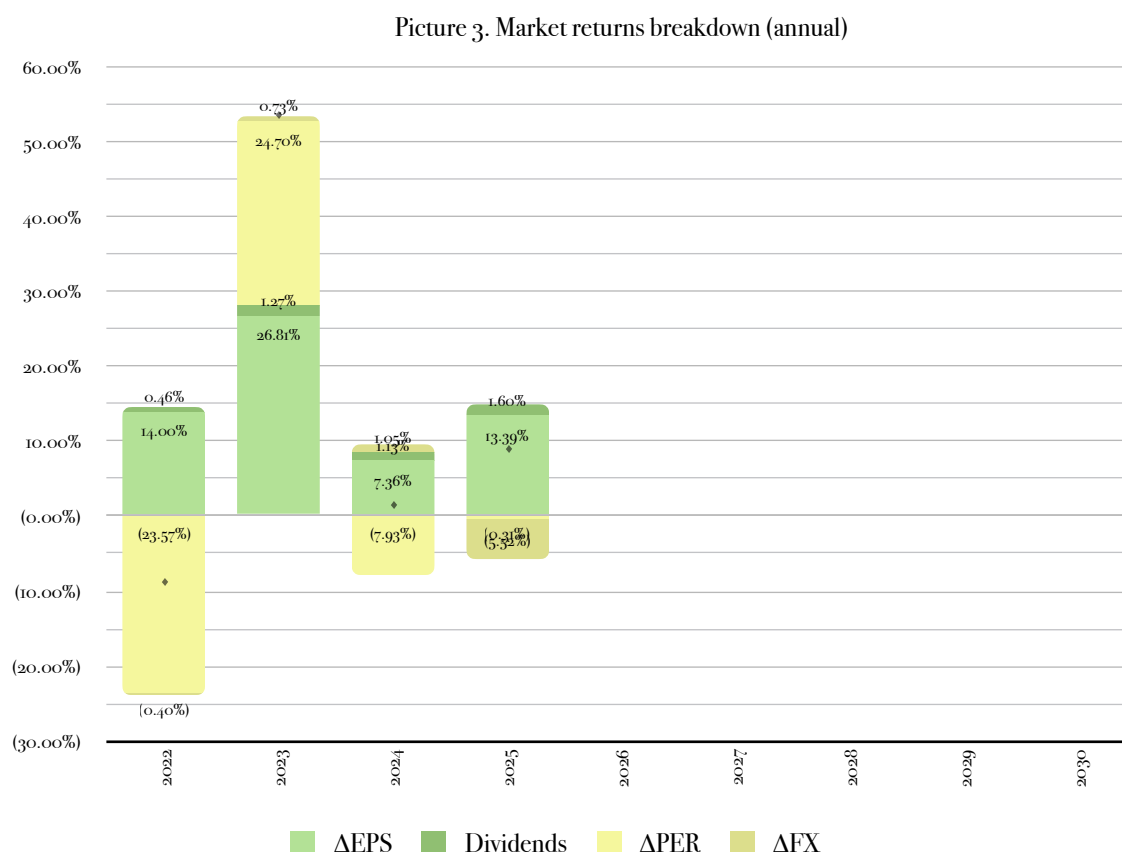
On the other side of the spectrum, the market has overshot the quotation of some holdings relative to the value generated by their underlying businesses: Ferrari and O'Reilly Automotive are good examples. Their market quotations have experienced an appreciation of circa 40.0 and 60.0 percent, respectively, in excess of the estimated increase in their intrinsic values.

Caps like these tend to correct over sufficiently long periods of time (five years or more), making it more interesting for us investors to forget about the ceaseless movement of a stock in the equity markets and focusing instead on the underlying economic reality of its operations.

The makings of market returns

In last year's letter we visited the origination of market returns and initiated this section, where we look at both the annual and the cumulative effects of the different components that make up our performance in the equity markets. Then, we compare these with the drivers behind our benchmark: the S&P 500.

The graph below (Picture 3) shows the annual contribution of both the enterprise and the speculative returns to the total market performance of our companies since the inception of this journey. The green components (Δ EPS -growth in per-share profits; and dividend yield) represent the contribution of the enterprise returns to the total market performance of our portfolio in each one-year period, that is, the annual variations in intrinsic value of the underlying businesses. The yellow constituents (Δ PER -changes in the multiple of earnings; and Δ FX -currency fluctuations) determine the contribution of the speculative returns, i.e., things which are not under the investor's control, to our performance in the equity markets.



Note how the speculative returns (Δ PER plus Δ FX) have been responsible for at least half of the performance over any of the four one-year periods. Volatility is a deeply embedded characteristic of investing (especially when done in individual companies) and such variability in stock quotations is heavily influenced by the changes in market sentiment, particularly when we narrow our investment horizon. This does not seem to be something specific to our companies but an intrinsic feature of the broader market.

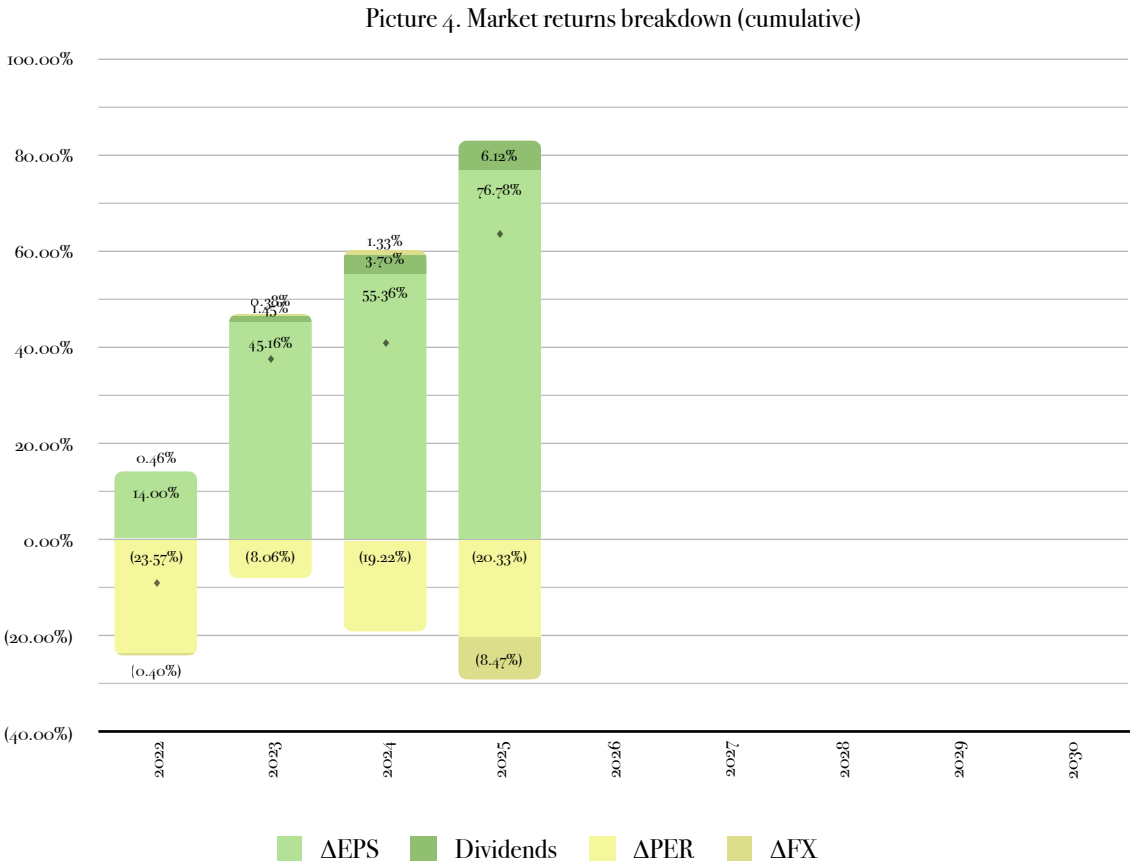
In light of how much impact speculative movements have on total returns over any single year, we might be tempted to think that a sensible investing approach shall therefore put the forecasting of market-sentiment fluctuations at the front. This, in my view, would be a fatal mistake for the average investor, sending him astray into a never ending chase of the "next big thing". Instead, we may invert the inherent volatility of the markets and see it as an opportunity to

make the most of unpredictable movements in stocks while maintaining a long term view, focused on a heritage approach towards businesses that are well understood.

However, a far more interesting insight comes from the behaviour exhibited by the speculative side of investing over the longer term. Given a sufficiently stretched horizon, contractions in the price that the market is willing to pay for each dollar of profit or in the relational exchange rates of currencies (when applicable) in any single year end up cancelling with expansions that take place in others, leading to a total shareholder performance that is very much in line with the evolution of a business' economic reality.

Let's put this in numbers. The market reduced the price it was willing to pay for our companies' profits by 23.6 percent in fiscal 2022 which, added to a further 0.4 percent detraction caused by the effect of currencies during that year, resulted in a speculative return of negative 24.0 percent. In fiscal 2023, however, the market sentiment shifted and our companies were benefitted by a 25.4 percent increase in speculation. In fiscal 2024, speculative performance was again negative at 6.9 percent, and so it was negative 5.8 percent in 2025.

Hopefully the reader sees the point we are trying to make: if we look at the four-year period from fiscal 2022 to fiscal 2025 instead of any single year individually, the cumulative impact of speculation on our market returns decreases relative to the overall performance, as the enterprise components do not fluctuate but contribute positively in most periods (assuming our companies are wisely chosen and continue to flourish). This is best depicted in the following graph (Picture 4), which shows the composition of our returns in a **cumulative** way rather than annually:



During the same four years, our companies have grown their weighted owner's earnings, that is, the enterprise return, by a cumulative 82.9 percent (of which 76.8 percent relate to increases in per-share profits and the remaining 6.1 percent to dividends). In short, while the impact of speculative movements in market performance over any single year accounts for more than half the total return, when we stretch the time horizon to a four-year period it decreases to 25.8 percent.

This is in line with the conclusions laid above and reveals the key takeaway that we should implement in our mental framework: it is a far sounder approach to focus on the real development and the underlying economic prospects of the companies we participate in rather than attempting the exhausting (and dangerous) task of chasing trends. Not only this approach is less frenetic and more enjoyable (hence sustainable over long periods of time), but forecasting

future earnings is also substantially less complicated than doing so with future levels of money inflation, interest rates and the time-preferences that the markets will have at a particular moment.

With this I am not saying that there is no relationship between the expectation that the market has on these topics and its consequent movements, nor that they are not interesting or relevant matters. It is rather their predictability that turns them into noise. For a piece of information to be useful, it not only has to be important but also knowable.

Looking again at fiscal 2025, the weighted increase in per-share profits of our companies was 13.4 percent and we collected a further 1.6 percent in cash distributions, leading us to a growth in owner's earnings of 15.0 percent. This is the enterprise return we had last year. Another way to put it is this: had our companies be privately owned during fiscal 2025, we would have enjoyed a 15.0 percent return on our capital base.

However, the market reduced the price it was willing to pay for each dollar of our holdings' income by 0.3 percent and, as noted earlier, most foreign currencies depreciated against euro last year, detracting from our returns a further 5.5 percent. These effects add to a total speculative return of negative 5.8 percent.

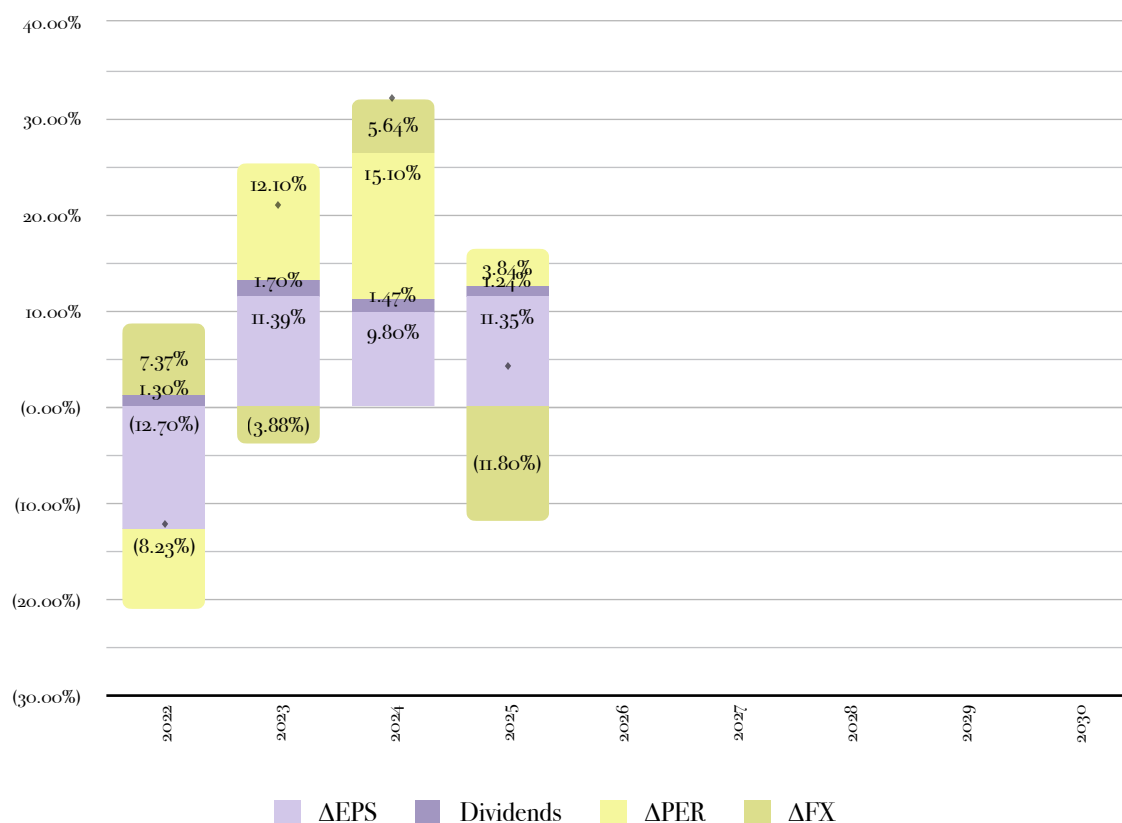
The combination of the enterprise and speculative returns gives us the aforementioned result of 9.2 percent in fiscal 2025.

What about the S&P 500 constituents? Passive investing has become quite fashionable over the past decade. Among the endless alternatives, the S&P 500 is often the most widely known and acclaimed option. The best short-term marketing strategy for any asset is the appreciation of its value in the most recent past. Sometimes this increase might be justified, at least to a certain extent, but when securities appreciate in value, this very process invariably detracts from future profitability. For when prices are bid up by market participants in fast fashion, it usually indicates higher future cash flows being priced in. The upper the price is bid, the bigger the expectation and the tinier room for error.

In a similar way as shown for our portfolio companies, Picture 5 breaks down the annual returns of the S&P 500 as a whole since fiscal 2022. As stressed above, last year's performance of the index, in euro, was 4.6 percent, facing a forex detraction of 11.8 percent.

However, as it happened in fiscal 2023 and 2024, the market benefited from a further expansion of its multiple of earnings: at year end, the S&P 500's price-to-earnings ratio sat at 30.6, having only being higher in 2021 and in the dot-com bubble. If we adjust for the currency fluctuations, roughly 3.8 of the 16.4 percent return delivered by the index in fiscal 2025 (at constant currency) derived from expansions in its multiple, the remaining 12.6 percent coming from an increased profit base and dividend distributions.

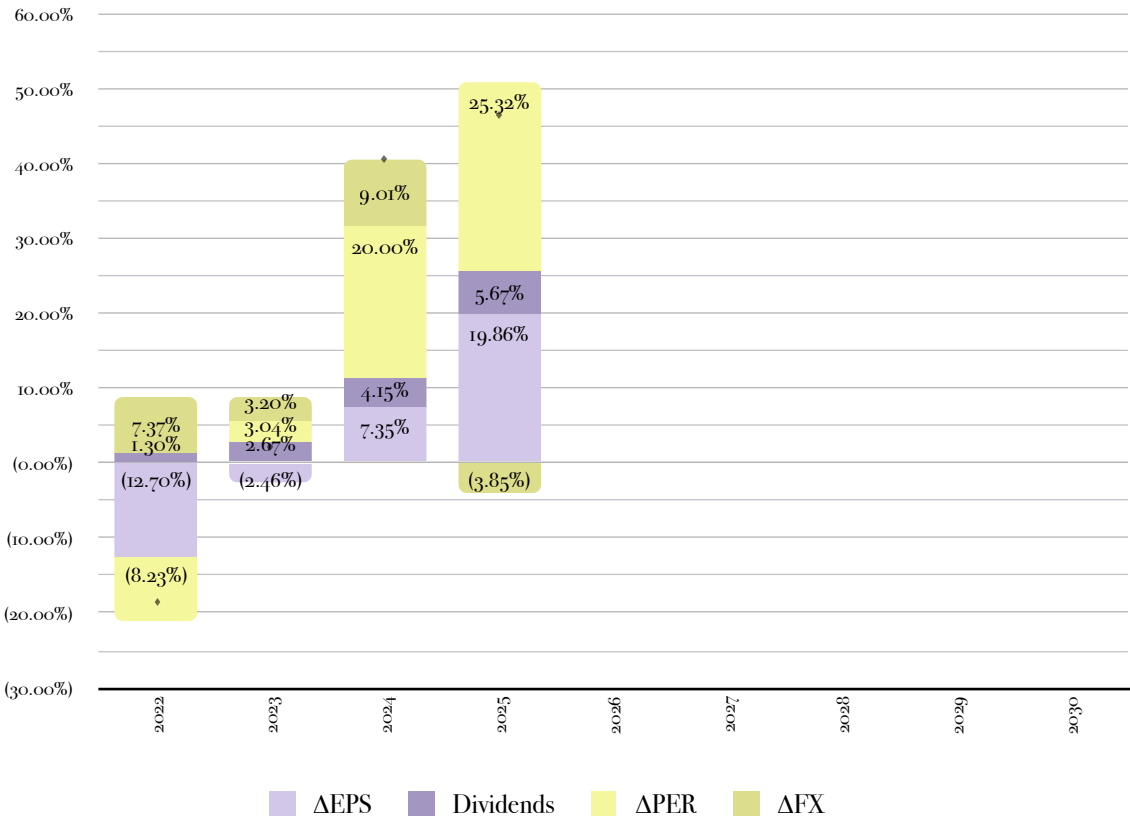
Picture 5. Market returns breakdown (annual). S&P 500



In the four years from 2022 through 2025, the S&P 500 had returned 47.0 percent to investors whose local currency is euro. Behind it the main driver has been speculation, for 25.3 percent has derived from expansion in the earnings multiple (a striking 53.8 percent contribution), whereas enterprise performance has accounted for 25.5 percent (54.2 percent contribution). The remaining detraction of 3.9 percent has been due to exchange-rate fluctuations between euro and U.S. dollar. This is presented in Picture 6, where the performance of the index is shown cumulatively rather than annually.

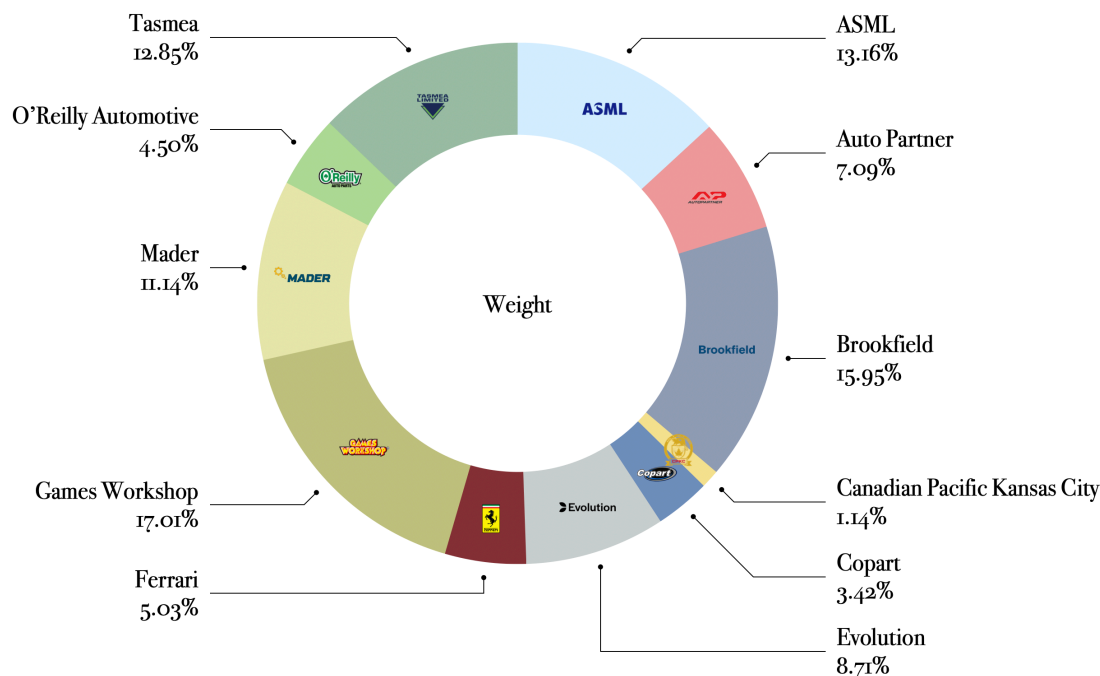
This continued inflation in the price of each dollar of profit of the index as a whole has taken its multiple from a much healthier 23.1 in December 2021 to the level of 30.6 at fiscal 2025's end. Leaving aside the topic of timing (I am certainly not capable of predicting such matters), I would like to issue an honest warning against blindly following the S&P 500 indexing at today's levels. Something that seems to be more certain is that, moving forward, the speculative side of market performance will not continue to be the engine it has been in recent years. For it not only is less likely to drive future returns, but to actually detract from them.

Picture 6. Market returns breakdown (cumulative). S&P 500



Holdings

Our companies continued to deliver strong results, especially on a comparative basis with industry peers and other benchmarks.



ASML

Cumulative return: 235.4% (35.3% p.a.).

Orders intake began to accelerate in the last quarter of fiscal 2025, ending the year with a backlog of circa €39.7 billion. Artificial intelligence is ever present in the news these days, but the reality faced by Nvidia, Google, Meta Platforms, Tesla and other giants in the space is, in my view, the monetisation challenge. As with the Internet in the 1990s, it takes some time for a powerful technological advancement to permeate the different orders of production across society and find its most productive applications. While markets resolve this across the world, semiconductor foundries stay vigilant to the latest developments and cautious not to overinvest in a technology and its associated hosting facilities based on what could (or could not) be a temporary surge in customer demand, with the ancillary opportunity costs that come with it.

For the past year, ASML increased sales by 15.6 percent and per-share profits by 27.8 percent.

Auto Partner

Cumulative return: 46.2% (10.2% p.a.).

Our Polish distributor of after-market components for the automotive industry struggled in maintaining profitability levels, mostly pressured by wage rates. A slowdown in volumes had to do with (a) a residual impact from the strong appreciation of zloty relative to euro that made its way into the first quarter, and (b) an overall deflation in stock keeping units -deriving from a normalisation after the sharp increase in prices experienced in the years following the pandemic.

In the last twelve reported months, Auto Partner increased sales by 7.6 percent, but only managed to translate this into a per-share profit advancement of 1.2 percent. As the industry absorbs the effects of the normalised unit-prices for SKUs and the most recent increases in the cost of labor, the company should return to a double digit growth, with

a few years where earnings appreciate faster. The 30,000 square-meter warehouse in Zgorzelec, which opened the doors in December 2025 and is currently in the process of setting up all the logistic routes, should equally contribute to a rapid expansion of the company's activities moving forward.

Brookfield

Cumulative return: 105.5% (28.0% p.a.).

At the end of fiscal 2025, Brookfield's own capital amounted to US\$162.3 billion, a 4.1 percent increase over the previous year, with the main contributor being its asset management subsidiary (BAM) and the reinsurance business. In a similar fashion, distributable earnings per share before realisations advanced 10.6 percent.

Canadian Pacific Kansas City

Cumulative return: -7.9% (owned for less than twelve months).

After the merger with Kansas City in fiscal 2022, the Canadian Pacific has shifted its focus to making its combined network more efficient, removing duplicated costs and harmonising internal processes. This process may take a few years, lowering the combined operational ratio and leading to enhanced profitability.

The joint enterprise, CPKC, is unique in various regards. First, its network has become the only transatlantic railroad able to build an endogenous connection among Canada, the U.S. and Mexico, providing it with a major advantage relative to peers. Secondly, a prudent approach to cost control and responsible ownership of its network motif the history of the Canadian Pacific, taking a long-term view in both the operation of its assets and in the financial front, as resembled in the early decades of the twentieth century.

During fiscal 2025, CPKC increased revenue-ton miles by 3.8 percent while delivering an operational ratio of 62.8 percent -an improvement of 2.5 percent over the previous year, leading to an increase in per-share profits of 13.6 percent.

Copart

Cumulative return: -18.3% (owned for less than twelve months).

As touched on earlier in this letter, I was captivated by Copart's way of doing business in 2022, when we first looked at the company, and have been closely following its evolution ever since. However, valuation at the time and for the past four years seemed a bit pricey (ranging between 30.0 and 45.0 times statutory earnings) so we decided to wait and watch from the sidelines.

Too often, what happens when we wait for a great business to trade at more reasonable valuations is that we end up seeing it create value year after year, hence justifying that apparently high starting multiple and never correcting enough to consider building a position in it. However, this time we were lucky and got the opportunity to start accumulating shares.

The main reason Copart's quotation has come down to around 21.0 times statutory profits seems, in my view, not so much with the long-term impact that autonomous driving may have on total-loss frequency but with actual short-term headwinds the company is facing: first, unit volumes from insurers have been steadily declining in recent quarters, diminishing inventory turnover and slowing overall growth; second, the average selling price of first but most importantly second-hand cars has continued to normalise after the speedy surge they experienced in the pandemic years (caused by bottlenecks in the delivery of new vehicles) which, since a component of Copart's fees are tiered by vehicle value, results in a direct hit on the sales that derive from them.

As a result, the company has increased revenues and profits over the past twelve months by just 2.4 and 7.2 percent, respectively, a significantly slower pace than its historical record.

My humble opinion in this matter is that the underlying economics of Copart's customers and the vehicle insurance industry as a whole is relatively cyclical, which may cause periods of instability and uncertainty, as we have seen in the past. Looking ahead, my view is that the long-term prospects of the company are not put at risk by recent events, its land-based moat remains intact and is incredibly hard to replicate. Consequently, we feel happy and grateful to have had the opportunity to become partial owners.

Evolution

Cumulative return: -29.0% (-8.4% p.a.).

The trend in Evolution's growth slowdown continued last year, particularly hit by the company's willingness to inflict itself some damage in order to better adhere to European regulations and eliminate fraudulent activities from clients who broadcast its games in Asia. The biggest impact of these actions was absorbed in the first half of the year, ending it with flat sales and profits.

Ferrari

Cumulative return: 7.6% (3.2% p.a.).

The third and final step of the sequenced unveiling of the Ferrari Luce, the company's first fully electric model, is scheduled to be completed in May 25 in Maranello, marking the start of a new family of luxury cars.

My main concerns (and perhaps those of many tifosi worldwide) had to do with an obvious issue of difficult solution. I call it the "no-vroom-vroom" problem.

Although the exact number is not public, the Scuderia Ferrari has protected the very sound its combustion engines make by multiple patents, shielding itself against car manufacturers trying to play these in electric vehicles to gain market share at the expense of the Italian company.

In case you are wondering, yes, you read that right. Some electric vehicles already reproduce the sound of internal combustion engines. That functionality might sound pointless for most people, but for the motor heads out there this might very well be the deciding factor when choosing an electric supercar. At the end of the day, where is the point of having a 1,000.0cv engine if you cannot make "vroom vroom" with it? Now you know where the name of our issue comes from.

Coming back to Ferrari, I don't think the company is perceived as a car manufacturer but as an enterprise that sells status. Most luxury clients don't pay up for having a nice car, but for a feeling of accomplishment and as a means to show themselves, and others, where they stand in the social ladder. After all, that is the very reason that luxury exists. The moment an item is available to most it automatically stops being considered luxurious. The second feature that characterises true luxury, in my view, is a positive social consensus, that is, most people would like to have it. This might sound obvious at first, but imagine having a security team watching your back 24/7, which may cost close to US\$1.0 million a year. We might agree that only a few can afford it, but most people would rather not be in the situation do so. Instead, the people who consume such services are generally doing so because of need, rather than a display of social status. In short, a product only becomes luxury when it is available to few **and** desired by many.

There were basically two options: either no vroom-vroom or playing an sound of a different car than the one it is being played on. My struggles came from reconciling the idea of a **fake** combustion engine sound into an electric vehicle. Fakery is a proxy for lying, and both concepts have a negative social consensus, hence marrying that with a luxury product was extremely hard for me.

Probably Ferrari saw this too, and decided to come up with a solution I could not think of: instead of simply playing a fake sound like many competitors do, they have been working on a technology that reproduces sound based on the real-time vibrations of the electric motor and the back axis. It is like an electrical guitar. There is a key difference between this solution and simply playing pre-recorded audios on the speakers of the vehicle: with this, Ferrari links the real product (Ferrari Luce) to a sound. In other words, fakery is eliminated as the sound naturally stems from the vehicle.

Only time will tell how the EV transition works for the Scuderia Ferrari. I remain confident that, as long as the rules of luxury are not trespassed, Ferrari will continue to thrive in the future.

Games Workshop

Cumulative return: 181.1% (29.5% p.a.).

Last year was another outstanding period for our silent compounder. If I would have to describe how honest and effective management look like, I would simply reference Games Workshop's annual reports. Kevin D. Rountree and the people at the company are, in my opinion, truly exceptional. A marvellous example of how to exploit a terrific intellectual property in a sustainable way: the fantasy worlds of Warhammer.

Although growth slowed down in the second half of fiscal 2025 and the first half of fiscal 2026 (Games Workshop's fiscal year ends in May) compared to the previous comparable period, the company managed to increase sales and per-share profits by 9.8 and 17.8 percent, respectively.

The reason behind this deceleration had to do with a lower contribution of licensing projects which, although very profitable (margins on this vertical are estimated at around 90.0 percent), their very goal is **not** to contribute to the increase of sales directly, but to act as marketing that funnels new customers into their core business. Hence, in my honest view, it is not only common that licensing revenues are more cyclical, but even desirable, as it reflects a prudent approach and a thoughtful nurturing of the company's intellectual property.

Mader

Cumulative return: 203.1% (37.3% p.a.).

In the past twelve months, Mader has increased sales by 16.4 percent and per-share income by 17.7 percent. We keep a close eye on the evolution of its North American locations which, although growing, are advancing at a somewhat slower pace than the Australian peers since the second half of fiscal 2024. We are not overly concerned with this, but the U.S. and Canada pose an untapped opportunity for further expansion in the years ahead and deserve close attention.

O'Reilly Automotive

Cumulative return: 104.2% (20.5% p.a.).

Our North American distributor of automotive spare parts started to recover its historic growth trend after the normalisation of stock keeping units' prices that took place in 2024 and the first months of 2025, increasing sales and per-share profits by 6.4 and 9.4 percent for the year.

Tasmea

Cumulative return: 74.0% (owned for less than twelve months).

The acquisition of WorkPac, one of the biggest private labor platforms in Australia, was closed in December 2025. In the context of a scarcity of technicians, this move may make sense. However, I have still not fully closed my thoughts on whether this alone justifies stepping out of the main business, so we will skip going into details here.

Readings

For the curious reader, below is the list of books I enjoyed the most last year:

- America's Great Depression (Murray N. Rothbard).
- Anatomy of the State (Murray N. Rothbard).
- Blink (Malcolm Gladwell).
- Capital returns (Edward Chancellor).
- Dear fellow time-binder (Christopher W. Mayer).
- For a new liberty (Murray N. Rothbard).
- Hidden monopolies (Patrick J. Wierckx).
- History of the Canadian Pacific Railway (W. Kaye Lamb).
- How do you know? (Christopher W. Mayer).
- Iron empires (Michael Hiltzik).
- Journey to the ants (Bert Hölldobler).
- Meditations (Marcus Aurelius).
- Riding the rails (Robert D. Krebs).
- The case against the Fed (Murray N. Rothbard).
- The great railroad revolution (Christian Wolmar).
- The inner game of tennis (W. Timothy Gallwey).
- The little book of Hermès (Karen Homer).
- The little book of Louis Vuitton (Karen Homer).
- The richest man in Babylon (George S. Clason).
- What has Government done to our money? (Murray N. Rothbard).
- What I learned about investing from Darwin (Pulak Prasad).

I wish you have had a great entry into 2026 and an even better remainder for the months ahead.

Sincerely,
Marcos.