OYAT ADVISORS – QUARTERLY COMMENTARY

1Q 2025

'There are decades when nothing happens; and there are weeks when decades happen' is a quote that many geopolitical observers will have been reminded of in recent times. The world of geopolitics has indeed been changing at a very rapid pace, and we expect such matters to continue to underpin some of the main structural trends that shape the global investment landscape for years to come.

As history tells us was bound to happen, the post-Cold War unipolar, U.S.-centric world order is receding, under intensifying pressure from a number of factors, both external and self-induced. In its place, the advent of a multipolar world order gradually ensues, with many people wondering how this transition process will take place. For our part, we hope that it will be as peaceful and least economically-damaging as can be. The annals of history show that this is far from a given, with very few instances of such transitions having avoided falling into Thucydides' trap.

As this transition process unfolds, we expect to continue to witness the rise of nationalism and the prevalence of national interests, which will likely result in an increasing level of interventionism and 'state capitalism', including in the Western world. This will manifest itself in various ways, but the end-result will likely be less freedom for the flow of trade, capital, and labor – in other words, some degree of deglobalization of the world economy, and a more adversarial character to international relations. This is unwelcomed news across the board, including with regards to future economic and investment prospects.

Concurrently, much of the Western world appears to come to the end of the road with regards to its socio-economic model. Having initially based many of its social security mechanisms on flawed demographic assumptions, the issue was then compounded by the rapid proliferation of states' bureaucratic apparatus, to the point where our democracies increasingly resemble bureaucratic technocracies with immense, ever-growing tutelary powers.

The financial expense and inefficiencies that result from this is something which we can ill afford, and are partially responsible for persistent deficits and debt accumulation. Over the past decades, our collective fiscal and monetary policy response to this deteriorating position has been nothing short of irresponsible. Lured by the erroneous notion that deficits can forever be financed by fiat money creation and debt accumulation, essential structural reforms have been shunned, while we've doubled-down on stimulative policies at the first hint of any economic or financial stress in the system. Fast-forward to the 2020s, and the result is the predictable return of inflation and higher bond yields, hopefully bringing us one step closer to the abandonment of the flawed economic and monetary policies of the past, and a return to sounder doctrines.

Such is the current state of affairs. A present-day example of the preeminence of national interests in Western countries can be found in the trade barriers that are being erected by the new U.S. administration in the form of tariffs. Proponents of such policies[1] argue that this can serve to *'reform the global trading system and put American industry on fairer ground vis-à-*

[1] Miran: A User's Guide to Restructuring the Global Trade System (2024)

vis the rest of the world, [by addressing] the root of the economic imbalances [that] lies in persistent dollar overvaluation … driven by inelastic demand for reserve assets.'

In our humble opinion, such policies are unlikely to achieve their stated objectives. It seems doubtful to us that trade tariffs will significantly alter the U.S.' balance of trade near-term, as targeted countries will most likely enact corresponding retaliatory tariffs, thus largely nullifying their impact.

On the other hand, we do acknowledge that being the world reserve currency is a double-edge sword – an apparent blessing in the short-term in that it enables lower borrowing costs and thus the ability to finance untenable spending levels – but an inevitable curse in the long-run because of the necessity to supply the world with an ever-growing amount of U.S. dollar, mainly via a persistent trade deficit. However, it is dubious that tariffs will effectively address this issue, at least not the way in which their proponents intend. From a domestic viewpoint, tariffs must be compensated by a corresponding currency appreciation, so as not to become a likely source of inflation – thus how can they be expected to solve dollar overvaluation? But indirectly, the imposition of trade tariffs is the latest of a series of actions that make it ever-more undesirable for nations to hold U.S. dollars and Treasury notes as a reserve asset. And perhaps in the not-too-distant future, these actions will finally supplant the U.S. dollar as the world reserve currency, hopefully to be replaced by a neutral reserve asset, most likely combined with a basket of fiat currencies. If only there was a historical precedent for such a viable neutral reserve asset.

Advocates of tariffs also claim that they will help reduce the U.S. fiscal deficit by means of additional federal revenue. That may be the case, when looked at in isolation. But clearly, the overall impact should be assessed holistically across both the public and private sector, and under the assumption of retaliatory tariffs. And if tariffs are indeed *'ultimately financed by the tariffed nation'*, then American citizens will in turn be financing the retaliatory tariffs imposed by foreign nations, to say nothing of the loss of income from a probable reduction in economic output, or the loss in consumer choice as people switch to alternative goods and services that do not face tariffs.

Overall, it is difficult to comprehend and subscribe to the arguments presented by the supporters of trade tariffs, in a way that is reminiscent of one of Frédéric Bastiat's *Economic Sophisms* transcribed below[2]:

'A poor vine-dresser of the Gironde had trained with fond enthusiasm a slip of vine, which, after much fatigue and much labor, yielded him at length a tun of wine; and his success made him forget that each drop of this precious nectar had cost his brow a drop of sweat. "I shall sell it," said he to his wife, "and with the price I shall buy fabrics sufficient to enable you to furnish a trousseau for our daughter."

The honest countryman repaired to the nearest town, and met a Belgian and an Englishman. The Belgian said to him: "Give me your cask of wine, and I will give you in exchange fifteen parcels of fabric." The Englishman said: "Give me your wine, and I will give you twenty parcels of fabric; for we English can manufacture the fabric cheaper than the Belgians."

But a Customhouse officer, who was present interposed, and said: "My good friend, exchange with the Belgian if you think proper, but my orders are to prevent you from making an

[2] The Bastiat Collection (2007)

exchange with the Englishman." "What!" exclaimed the countryman; "you wish me to be content with fifteen parcels of stuff that have come from Brussels when I can get twenty parcels that have come from Manchester?" "Certainly; don't you see that France would be a loser if you received twenty parcels instead of fifteen?"

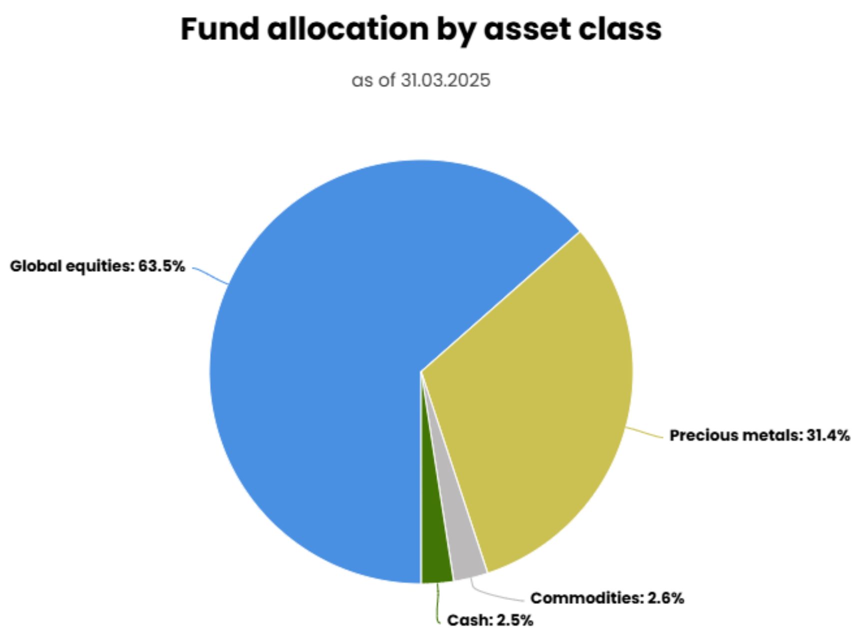
"I am at a loss to understand you," said the vine-dresser. "And I am at a loss to explain it," rejoined the Customhouse official; "but the thing is certain, for all our deputies, ministers, and journalists agree in this, that the more a nation receives in exchange for a given quantity of its products, the more it is impoverished."

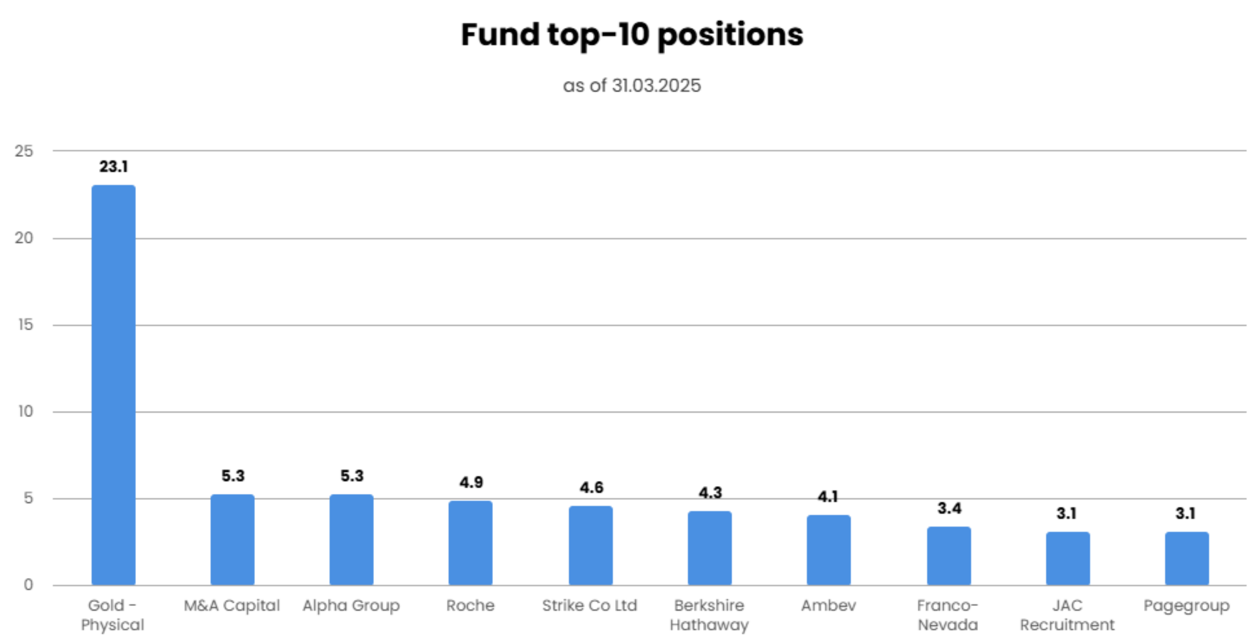
The peasant found it necessary to conclude a bargain with the Belgian. The daughter of the peasant got only three-quarters of her trousseau; and these simple people are still asking themselves how it happens that one is ruined by receiving four instead of three; and why a person is richer with three dozen towels than with four dozen.'

While it is difficult to interpret this latest development in a positive light – whether from an economic, investment, or geopolitical viewpoint – all is not doom and gloom. For one, there are real benefits to be had in the long-term from a more balanced geopolitical world order, as well as a hypothetical return to sound economic and financial policies. Getting there could prove to be a turbulent period, but the ultimate end-goal might very well be positive. Moreover, for investors, there are proven ways to mitigate the negative impact of such a transition period, as our strategy has demonstrated in the recent past. Overall, while tariffs create a new layer of complexity in the investment landscape, our investment process – focused on owning 'quality' businesses trading at reasonable prices, as well as holding liquid reserves in the form of physical gold – should enable us to successfully navigate such changing policy environments.

Asset allocation

The graphs below display the Oyat Investment Fund’s allocation of capital across asset classes, as well as the Fund’s top-10 positions:





Performance

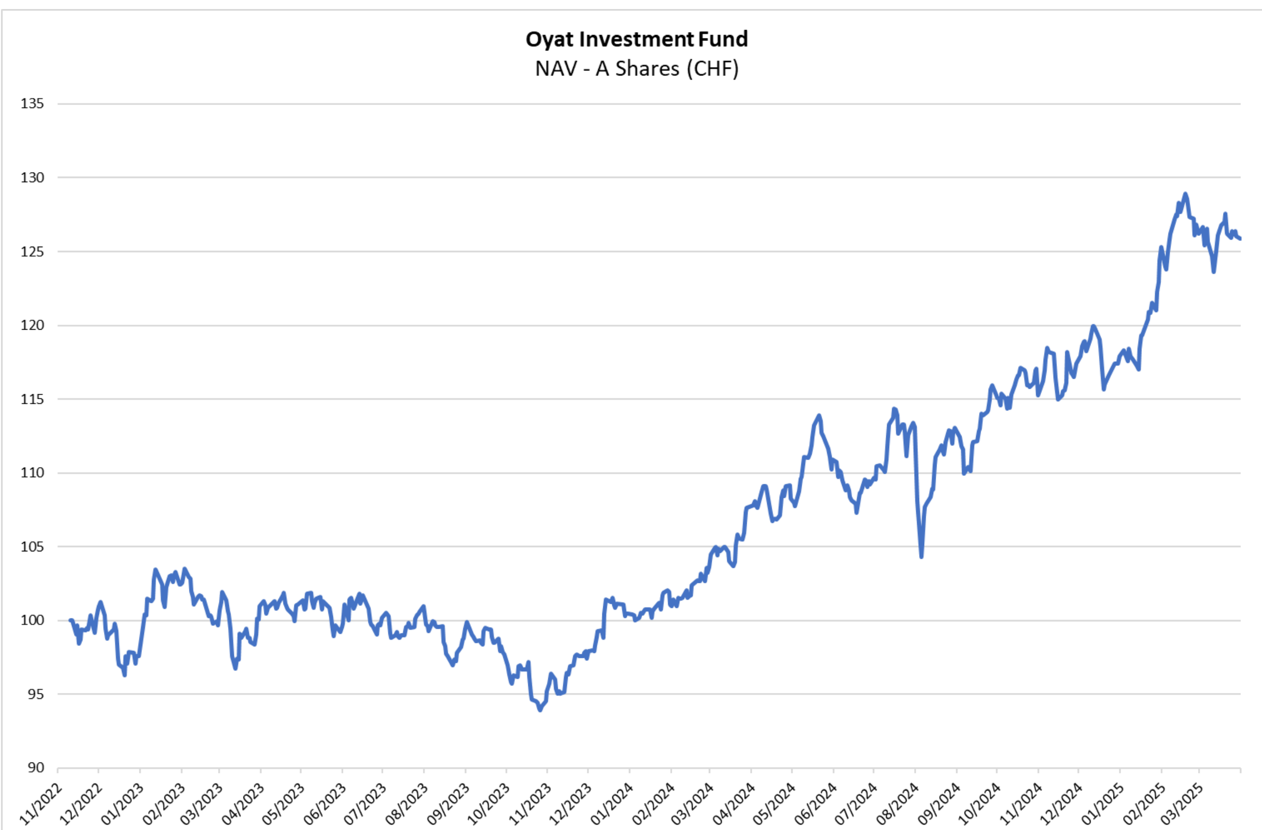
A-shares: Performance as of March 31, 2025, in CHF

	3m	1yr	3yrs p.a.	Since inception p.a.
Oyat Investment Fund	6.8%	17.3%	-	10.3%
MSCI World	-4.2%	5.5%	-	12.6%

A-shares: Annual performance as of March 31, 2025, in CHF

	2022*	2023	2024	2025
Oyat Investment Fund	-2.4%	3.0%	17.7%	6.8%
MSCI World	-5.0%	13.3%	28.5%	-4.2%

**Inception Date: November 10, 2022*



In the first quarter of 2025, the Oyat Investment Fund returned 6.8% in CHF.

Since inception, the Fund's total annualized return stands at 10.3% in CHF.

With regards to the Fund's performance relative to the reference index, the MSCI World returned -4.2% in CHF in the first quarter of 2025.

Let us now briefly discuss some of the Fund's main performance contributors and detractors this past quarter. Please note that all return figures quoted below are in Swiss francs (CHF).

The largest performance contributor was our position in physical gold, which recorded its biggest quarterly gain in four decades, appreciating by over 15%. As always, it is difficult to attribute this rise in the price of gold to any single factor, with all of the previously discussed drivers still very much intact, including robust buying from a number of central banks, high debt levels and budget deficits, the gradual lowering of interest rates by central banks, continuing worries about inflation, and rising geopolitical tensions. Yet one factor which we haven't previously discussed in much depth does stand out, which is growing struggle to settle physical deliveries of the precious metal. For instance, we can point out to the unprecedented strain facing the London gold market over recent months, with lengthening delays (of 4-8 weeks, compared to the 2-3 days promised) in physical gold deliveries from the London Bullion Market Association (LBMA) to the U.S. Comex. While many commentators have claimed that this is due to the rapidly accelerating level of deliveries to the U.S. Comex in anticipation of trade tariffs, others believe that something else might also be at play here, as we do. Namely, the discrepancy between financial claims on gold (i.e. 'paper gold') and actual physical gold. This is something that has long concerned us, which is the reason why our Fund holds actual physical gold, stored safely in Switzerland, unencumbered by any third-party claims, and available for delivery.

Roche also contributed positively to the Fund's performance, increasing by over 17% in the 1Q25 (including the quarter-end dividend payment), driven by a strong set of financial results for fiscal 2024. One of the main positive aspects was robust sales growth, with the pharmaceutical and diagnostics business increasing year-on-year by 8% and 4% respectively (at constant exchange rates). Encouragingly, the 'Covid impact' on sales of diagnostic products now seems to be entirely behind us, so that growth for this segment can return to its normal rate going forward. Moreover, solid cost containment increased the operating profit margin, and cashflow generation was fairly strong. The company achieved a number of key milestones in 2024 with regards to regulatory approvals and drug development, and further newsflow is expected this year. On the whole, as the stock re-priced closer to our estimation of fair value, we took the opportunity to trim our large position in what remains a core holding in our investment strategy.

Last, Franco Nevada also contributed positively, increasing by over 30% in the first quarter as the price of gold moved higher, and due to the changing political situation regarding the Cobre Panama mine.

Other positive performance contributors included Ambev, M&A Capital, and JAC Recruitment, to name a few.

Moving on to the less positive news and performance detractors. Our ever-smaller investment in Focusrite remained very challenging, as has been the case for some time now, declining by another 38% this past quarter. The Content Creation segment is experiencing continuing market softness, while on the other hand the Audio Reproduction side of the business is doing well. Still, the situation is less than ideal, with the firm's financial position increasingly becoming a cause for concern, while the impact of trade tariffs will also be meaningful. Thankfully, we had reduced our position throughout 2024, so that this decline in the stock, while unwelcomed, isn't having too large an impact on our overall performance.

Hugo Boss was also a significant performance detractor, with the stock declining by approximately 20%, as the company released an underwhelming set of financial results for fiscal 2024. As expected, sales growth was rather subdued as a result of challenging market conditions, but the main disappointment was arguably profitability levels, as well as guidance about margin expansion in 2025. On the other hand, cashflow generation was strong, with good management of working capital leading to strong free cashflows, which enables the company to continue to grow its dividend to shareholders, as well as tout potential stock buybacks in 2025.

Finally, Strike Co Ltd was also a performance detractor, declining by approx. 15% in the quarter. Strike is a position that we newly initiated during the first quarter of 2025. Similarly to another company we own in the Fund – M&A Capital – Strike is engaged in the business of M&A brokerage services, predominantly for Japanese small- and mid-cap companies. Founded in 1997 by its current CEO, one of its main differentiating characteristics is its high percentage of M&A introductions received via its website, launched over 25 years ago, which features an extensive database of selling and buying information and enables counterparty search. From a fundamental point of view, the company exhibits a very impressive historical track record, with organic sales growing at a compounded annual growth rate (CAGR) of over 30% over the past decade, high profitability levels with operating margins of over 35% on average, return on capital levels that are well above our hurdle rate, and a very strong balance sheet. While we do not typically own direct competitors in the Fund, we felt that in this case an exception was warranted. As is not uncommon in this industry, quarterly results can be greatly impacted by the timing of deal closures, especially if these are larger deals. As a result, sales can come meaningfully below expectations, with profits margins also suffering as a result of a lower fixed costs absorption, especially if investments for future growth are just being ramped up. This is precisely what happened to Strike in its first quarter (ending in December 2024), which led to a sizable repricing of the shares and created a buying opportunity for us. As of the time of writing, Strike trades at a forward PE of less than 10x, and an EV/EBIT of about 4x, which we see as incredibly cheap relative to its fundamental attributes.

Other negative performance contributors included Atlas Energy, Pagegroup, and Thor Industries, to name a few.

We did make one final addition this past quarter, as we welcome back Novo Nordisk A/S to the Fund's holdings. Novo is a company that we know well, having first invested into it in September of 2016. The company was a core holding for us over the years, and one of our largest performance contributors, until we unhappily decided to divest of our stake in late 2023 as the stock became largely overvalued, in our opinion. We did not quite manage to time the very 'top', as we never expected we could, but less than 2 years later, we've had the opportunity to become partial owners of the company once again, at a price that is over 20% lower than where we sold it, all the while earnings have continued to grow at a very rapid pace. As most readers will be aware, the main development for Novo over the recent past has been its breakthroughs in weight loss drugs, which have led to extremely fast sales growth. But as expected, competition has quickly intensified, with Eli Lilly and just about every other pharmaceutical company in the world working feverishly to develop and commercialize their own weight loss drugs. Still, we believe Novo to be in a formidable competitive position, as a result of its unique drug discovery process, current patents, manufacturing excellence and available capacity (which competitors do not have), as well as first-mover advantage in seeking regulatory approvals for additional labels relating to a wide variety of medical conditions, including cardiovascular, kidney and liver function, auto immune diseases, Alzheimer's, and sleep apnea, to name a few. With the stock once again trading at a reasonable valuation level in view of the firm's fundamental characteristics, we were more than happy to become partial owners of the company once again.

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