

Chatrier Value Fund

Investor Letter Q2 2024

Value Strategy

June 30, 2024

Top 10 Equity Positions (in %)

1.	SEABOARD (SEB)	8.4 %
2.	HENKEL (HEND)	6.1 %
3.	FRESNILLO PLC (FRES.L)	6.0 %
4.	PHILIP MORRIS (PM)	5.6 %
5.	HAL TRUST (HAL)	5.4 %
6.	SWATCH GROUP (UHR)	5.3 %
7.	NOKIAN RENKAAT (NRE)	4.2 %
8.	BASF (BASd)	4.2 %
9.	VOLKSWAGEN (VOW3d)	3.8 %
10.	ASHMORE PLC (ASHM.L)	3.8 %
Summe		52.6%

Percentages rounded, as of 06/30/2024

Portfolio Changes

New pos.	AMBEV S.A. (ABEV)
Added	SEABOARD (SEB)
Added	ASHMORE PLC (ASHM.L)
Added	FRESNILLO PLC (FRES.L)
Added	SILICOM (SILC)
Sold	WELLS FARGO (WFC)
Sold	SOLVENTUM (SOLV)
Sold	SINTOKOGIO (6339.T)
Reduced	HENKEL (HEND)

Notable events

Companies with high RoA contribute significantly to performance

Industrial cyclicals and luxury sector suffer from weak demand from China

Small caps historically attractive in relation to mega caps, both in the US and worldwide

Emerging market equities historically cheap compared to the US

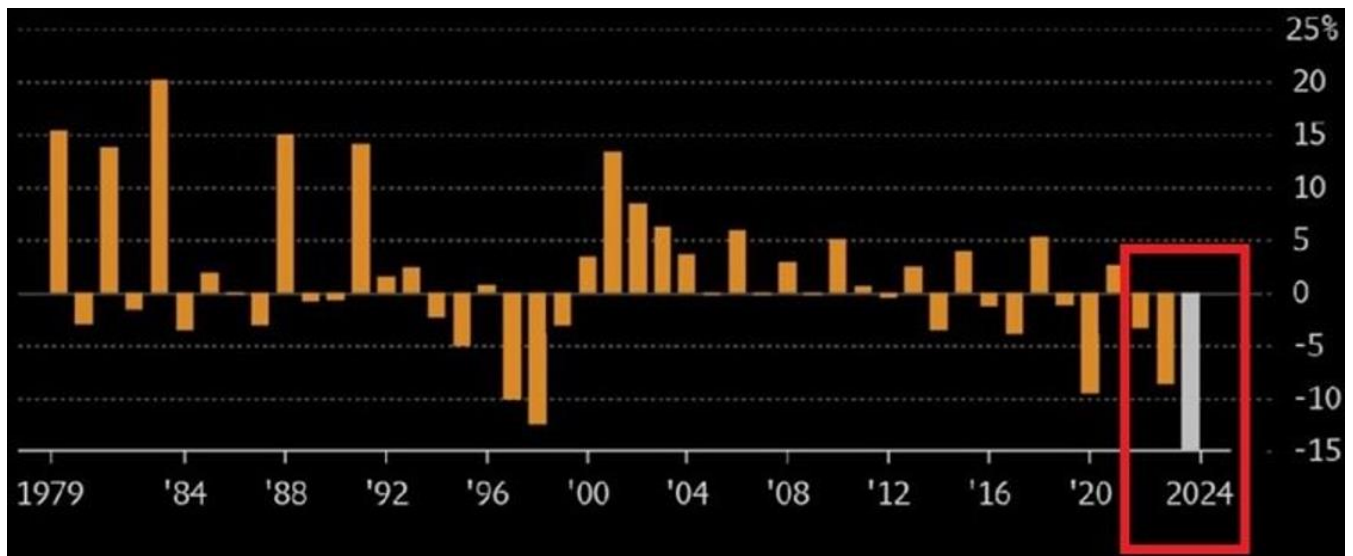
Dear Fellow Investors,

Chatrier Value Fund ended the first half of 2024 with a decline of -4.53%.

US Small-Caps Historically Cheap Compared to the S&P 500

Small- and mid-cap companies (Russell 2000) experienced an historic underperformance in the US in the first half of 2024 compared to large-caps (S&P 500). This disparity in relative performance is reminiscent of the period leading up to 2000, at the height of the Dot-Com bubble, as illustrated in the following chart. Notably, a similar divergence is also evident in Western Europe.

Figure 1: Russell 2000 with Worst First Half Compared to S&P 500 in History



Source: Bloomberg, data as of June 30, 2024

Market Concentration Reaches Historic High

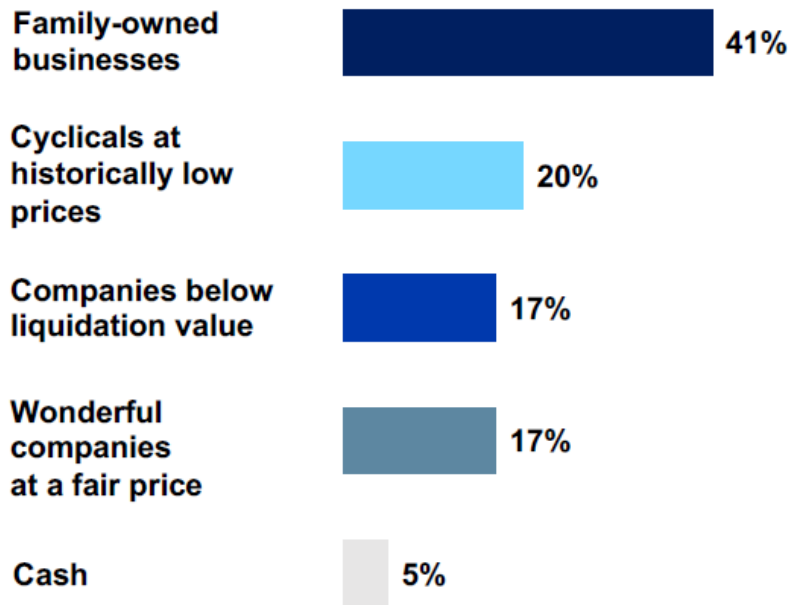
This has led to an exceptionally high market concentration in individual stocks today. Since the beginning of the year, only 24% of stocks in the S&P 500 have managed to outperform the index. Such a concentration of returns on an annual basis is unprecedented in the last 50 years. Nvidia (NVDA) alone contributed 4.6 percentage points to the S&P 500's return of 15.3% year-to-date. From our perspective, most fundamental indicators currently show a similar pattern, mirroring what was observed in 2000.

Portfolio Update

In the second quarter, our "Wonderful Companies at Reasonable Prices" segment delivered the most significant contributions to our performance. Non-cyclical, reliable consumer staples like Henkel (HEND), 3M (MMM), Philip Morris (PM), SK Kaken (4628.T), and Altria (MO) all exceeded expectations and raised their guidance. This success strengthens our conviction to invest in dominant, capital-efficient companies with dependable free cash flows, as long as we can acquire them at attractive valuations. Additionally, some of our "Companies Below Liquidation Value" holdings also contributed, notably FutureFuel Corp (FF), which rewarded us with a special dividend of 43% and generated capital gains.

Despite being attractively valued, European industrials, mining stocks, and cyclicals weighed on our performance in the second quarter. BASF and Volkswagen have provided steady dividends but have yet to deliver significant capital appreciation since our initial investments. Nokian Tyres continues to be affected by subdued economic demand, though the construction of its new tire plant in Romania remains on track. Lanxess reported improved figures and indicated that demand for chemical products may have reached a bottom. Meanwhile, muted consumer demand in China is putting pressure on the luxury sector, including Swatch Group, which, along with its competitors, reported declining sales and profits, particularly in the Asia-Pacific region.

Figure 1: Sector Weighting Chatrier Equity Fund as of June 30, 2024



Source: Chatrier Value Fund Investor Presentation Jun 24, Page 17

From our perspective, the market is once again taking a short-term view of current developments. We have used the discounted prices of Swatch, Ashmore, Seaboard, and Fresnillo to further increase our positions. Many of our holdings are currently trading at fundamental multi-decade lows. In some cases, even slightly better news could be enough to lift the stock prices. However, in most cases, the solid business models and brand strength of these companies should lead to valuations moving back into a more normal range.


We find companies with top-tier balance sheets but currently declining or stagnating earnings particularly promising. Examples include Seaboard, Swatch Group, Nokian Renkaat, Fresnillo, and Lanxess. We expect the earnings of these companies to normalize over the next 3 to 5 years, which should lead to corresponding adjustments in their valuations.

After a holding period for over eight years, we fully exited our successful position in Wells Fargo in the second quarter. The company has provided a guidance for declining net interest income, attributable to an unfavorable yield curve. Additionally, the risk in the commercial real estate sector does not yet seem fully reflected in the stock price. We were able to sell Wells Fargo at a fair average price of USD 60.04 per share and believe that the capital can be better deployed elsewhere. Furthermore, we promptly exited our position in the 3M spin-off Solventum following its IPO, which also positively contributed to our returns.

New Position – Ambev S.A. (ABEV)

Ambev S.A. is the leading beverage holding company in Latin America, owning brands such as Skol, Brahma, Antarctica, Quilmes, and Presidente. Headquartered in Brazil, Ambev commands near-monopoly market shares across the entire South American continent. This strong market position enables the company to achieve exceptionally high profitability and a robust free cash flow.

In addition to its core brewing business, Ambev holds exclusive rights for the bottling and distribution of PepsiCo products in Brazil, including Pepsi, Gatorade, and Lipton Ice Tea, through a partnership with PepsiCo. Furthermore, Ambev markets products from its majority owner Anheuser-Busch InBev under licensing agreements. AB InBev, which holds 62% of Ambev's shares, is the world's largest brewery. The principal shareholders of AB InBev are Jorge Paulo Lemann, a Brazilian-Swiss investor, and the Belgian families Van Damme, de Mevius, and de Spoelberch.

Overview (Figures in billion USD)	
Business model	Beverage manufacturer
Company headquarters	Brazil
Investment criterion	Wonderful Company at a Reasonable Price
Majority Shareholders	61.74% Anheuser-Busch InBev (including Jorge Paulo Lemann, the Van Damme family, de Mevius, and de Spoelberch)
Market capitalization	36,46
Equity ratio	59.4 %
Net financial position	2.14
EV / EBIT at purchase	9.96

Fundamentally, Ambev is the most profitable brewing holding globally. While many competitors, such as Carlsberg or AB InBev, have high levels of debt due to corporate acquisitions and therefore achieve only modest returns on invested capital, Ambev consistently delivers high returns on invested capital (ROIC) of around 20%. This exceptional profitability is attributed to its dominant market shares in key Latin American markets, such as 81% in Argentina and 68% in Brazil. Additionally, Ambev has a positive net financial position, effectively making it debt-free.

Table 2: Average ROIC (2014 - 2024) and Net Debt to EBITDA

Company	Average ROIC (%)	Net Debt to EBITDA
Ambev S.A.	20%	0 (debt free)
Heineken N.V.	6%	2.5x
Carlsberg A/S	7%	2.0x
Anheuser-Busch InBev	5%	4.0x

Source: Chatrier Funds Research

As always we encourage any comments, questions or feedback.

Sincerely,
INFIBA Vermögensverwaltungs AG, Liechtenstein

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