Chatrier Value Fund
Investor Letter Q3 2025

Value Strategy

September 30, 2025

Top 10 Equity Positions (in %)

1.	SEABOARD (SEB)	**8.1 %**
2.	HAL TRUST (HAL.AS)	**5.1 %**
3.	VALTERRA PLATINUM (ANGPY)	**4.7 %**
4.	SWATCH GROUP (UHR.SW)	**4.0 %**
5.	ASHMORE (ASHM.L)	**3.6 %**
6.	FRESNILLO (FRES.L)	**3.4 %**
7.	SILICOM (SILC)	**3.1 %**
8.	NOKIAN RENKAAT (NRE)	**3.0 %**
9.	NOVO NORDISK (NVO)	**3.0 %**
10.	WINPAK LTD. (WPK.TO)	**2.8 %**
Sum		**40.8%**

Percentages rounded as of 09/30/2025.

Portfolio Changes

New pos.	NOVO NORDISK (NVO)
New pos.	KOITO MANUFACTURING (7276.T)
New pos.	HEARTLAND EXPRESS (HTLD)
New pos.	SMC CORP. (6273.T)
New pos.	TFF GROUP (TFF.PA)
New pos.	UTAH MEDICAL PRODUCTS (UTMD)
Added	SEIKAGAKU (4548.T)
Added	WACKER CHEMIE (WCH.DE)
Added	BASF (BAS.DE)
Added	LANXESS (LXS.DE)
Added	K+S (SDF.DE)
Reduced	FRESNILLO (FRES.L)
Reduced	HENKEL (HEN.DE)
Sold	ALTRIA (MO)

Notable events

New positions in Japan, France and the United States
Increased exposure to German Chemical and commodity stocks

Dear Fellow Investors,

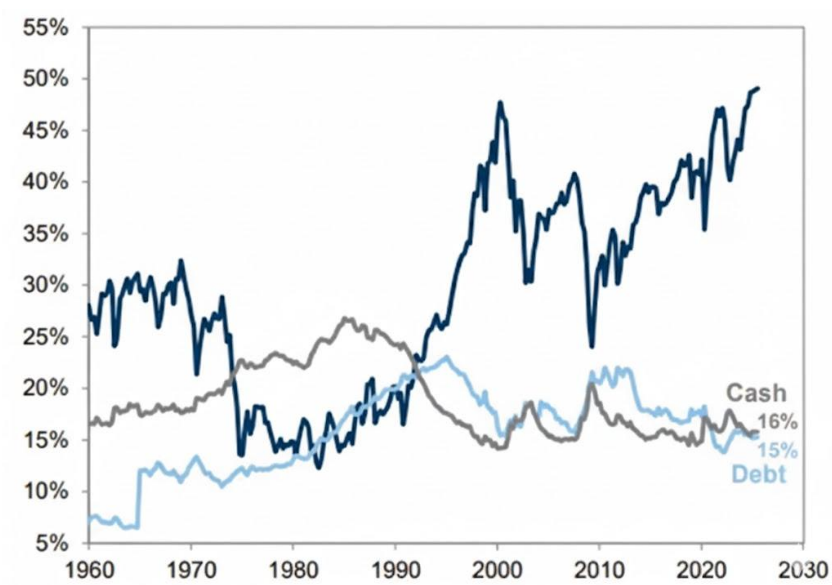
Chatrier Value Fund returned 12.76% in the third quarter, bringing the year-to-date performance to 35.07% in USD.

Market update

As in the first half of the year, we continue to observe a persistent valuation gap between overpriced US growth stocks and significantly cheaper equities outside the US. At the same time, signs of saturation are beginning to appear in segments such as cloud infrastructure and artificial intelligence, where capacity is expanding at a faster pace than actual demand. We believe this imbalance is likely to lead to margin pressure among the dominant platform companies by late 2026, with free cash flow growth slowing or turning negative. Capital markets tend to anticipate these developments well in advance, often repricing long before fundamentals deteriorate.

This disconnect is also reflected in household asset allocation. Due to the extraordinary bull market of recent years, the equity share of US household financial assets has reached a record level of nearly 50 percent, exceeding even the peak seen during the dotcom bubble in 2000. Median equity holdings have now surpassed 300,000 dollars per household for the first time in history, up by 100,000 dollars since March alone. While broad-based stock ownership is a positive structural feature of the US financial system, such extremes in allocation have historically coincided with market tops and episodes of excess such as 1968 or 2000.

Figure 1: US Household Equity Allocation at All-Time High



Source: Federal Reserve, Goldman Sachs Global Investment Research

Meanwhile, market leadership remains heavily concentrated in a handful of tech stocks. The boom in artificial intelligence has further accelerated this concentration. Market narratives remain focused on the transformational potential of AI to reshape labor markets and drive productivity gains. This enthusiasm comes with risk - a fact the market appears willing to ignore. According to McKinsey, AI infrastructure may require up to 5.2 trillion dollars in cumulative capex by 2030. To fund this, Big Tech has entered an aggressive debt cycle. In September and October alone, firms such as Meta and Oracle issued 88 billion dollars in new investment grade bonds.

Among major hyperscalers such as Oracle, Meta, Amazon, and Google, total new debt related to AI infrastructure is estimated to reach 350 billion dollars this year and 400 billion dollars in 2026, a steep increase from current levels. Credit markets are beginning to reflect this stress. Oracle's five-year CDS spreads, which serve as insurance against default, have doubled since mid-year. Morgan Stanley now projects Oracle's gross debt could exceed 200 billion dollars by 2028.

The core issue is that free cash flow is already negative for companies like Oracle, where infrastructure outlays now exceed operating cash generation. If AI-related revenues scale and datacenters begin to throw off cash, the leverage may prove manageable. But if monetization falls short, competitive dynamics shift, or projects underdeliver, capital markets will not wait. These names will be repriced swiftly and severely.

Past cycles provide useful perspective. Apple traded at roughly 12 times earnings in 2017, Microsoft at a similar level in 2012, and Meta around 8 times in late 2022. Even the strongest franchises are not immune to multiple compression after periods of excessive enthusiasm. For contrarian investors, such moments tend to offer compelling entry points.

The fund remains positioned to benefit from a gradual but decisive rotation toward undervalued segments of the market, led by opportunities outside the US.

Portfolio update

During the third quarter, we made a number of changes to the portfolio. Our positions in Fresnillo and Altria were initially reduced after both stocks had rallied sharply and approached our estimates of intrinsic value. Later this quarter we sold the remaining Altria position. Over a holding period of more than six years, the position delivered an average annual total return of 13.5 percent, including dividends. We also exited our investment in Hi-Lex, which we had entred in late 2023 at 1,185 JPY per share. We sold for 2,410 JPY p. share, corresponding to a gain of 103 percent. Henkel was further reduced to reallocate capital toward companies offering greater upside potential.

The proceeds were selectively redeployed into chemical and commodity businesses in Germany. These include Wacker Chemie, BASF, Lanxess and K+S. In our view, the valuations of these stocks now reflect extreme pessimism with multiples that have only been seen during periods of exceptional dislocation over the past thirty years.

In parallel, we initiated seven new positions that add to our core focus areas in the portfolio. **TFF Group** is a French family-owned specialist in oak barrels and aging solutions for wine and spirits. **Utah Medical Products** is a U.S. supplier of single-use medical devices in the areas of obstetrics, neonatology, and women's health. **Ruger**, one of the most trusted names in the U.S. sporting firearms industry, adds an uncorrelated component to the portfolio and trades at just three times peak EBIT. Additionally we bought **Novo Nordisk**, the global leader in insulin production with one of the highest Return on Assets in the industry. For our category of strong balance sheets, we bought further Koito Manufacturing, a Japanese automotive supplier valued below its liquidation value as well as Heartland Express, an american freight transport company. Finally, we added **SMC Corporation**, a global leader in factory automation. SMC holds a dominant global share in pneumatic components, operates with minimal debt, and generates industry-leading margins.

Each of these additions were made at valuations well below long-term averages and this will contribute to the portfolio's resilience, quality and differentiation from broader market narratives.

New Position - TFF Group (TFF.PA)

TFF Group is the global leader in oak barrels used for the ageing of wine, whisky, and bourbon. The company has been run by the founding family for more than three decades, operates without debt, and holds inventories worth over 400 million euros, roughly in line with its current market capitalization.

Over the past ten years, TFF generated an average EBIT of 53 million euros, peaking at nearly 92 million euros.

We acquired our position at 0.9 times tangible book, one of the lowest valuations in the company's history, despite its continued expansion in the fast-growing bourbon segment and a long track record of revenue growth.

Overview (Values in EUR million)	TFF GROUP
Business Model	Production of oak barrels and maturation solutions for wine, whisky, and bourbon
Headquarters	France
Category	Family owned
Market Cap	406
Avg. EBIT (last 10 years)	53.2
Price / Tangible Book at purchase	0.9x
Inventories	451

The stock trades today at a lower valuation than during the global financial crisis of 2009 or the Eurozone crisis of 2012, despite a significantly larger revenue base and operating footprint.

Figure 2: TFF Group (TFF.PA) - Price to Tangible Book Value (P/TBV), 2003 to 2025

Source: Koyfin

New position - Utah Medical Products (UTMD)

Utah Medical develops and markets medical devices for obstetrics and women's health. With its capital-light business model, the company has generated stable free cash flows for many years and currently holds a net cash position of approximately 84 million USD, equivalent to around 45 percent of its market capitalization.

Despite these solid fundamentals, the stock is trading at valuation levels last seen during the global financial crisis.

Since early 2024, the company has reduced its share count by 11.7 percent through buybacks. We built our position at one of the lowest valuation levels of the past two decades, both in terms of free cash flow and book value.

Overview (Values in million USD)	UTAH MEDICAL PRODUCTS, INC.
Business Model	Medical device specialist for obstetrics, neonatology, and women's health
Headquarters	US
Category	Special Situation
Market cap	186
Net cash	84
Highlight	Asset-light business model with reliable earnings base

New position - Sturm Ruger (RGR)

Sturm Ruger (RGR) is one of the leading US manufacturers of hunting, sporting, and personal defense firearms. The company maintains a debt-free balance sheet with a net cash position of USD 99 million, equivalent to around 15 percent of its current market capitalization. We initiated our position at approximately three times peak historical EBIT.

Overview (Values in million USD)	RUGER
Business Model	Manufacturer of hunting, sporting, and self-defense firearms
Headquarters	US
Category	Special Situation
Market cap	685
Net cash	99
Highlight	9% stake disclosed by Beretta

In September 2025, Beretta Holding disclosed a 9 percent stake in Ruger. Beretta is one of the most storied names in the global firearms industry - the oldest continuously operating arms manufacturer in the world. Founded in 1526, Beretta has remained family-owned for nearly five centuries and continues to consolidate the fragmented global firearms industry through targeted acquisitions. This creates room for multiple strategic outcomes, including a potential acquisition. Ruger adds another defensive, uncorrelated component to the portfolio.

New Position - SMC Corp. (6273.T)

We initiated our position in SMC Corporation at approximately 1.4 times tangible book value, a level significantly below the 20-year average of 2.2 times and well below previous peak valuations.

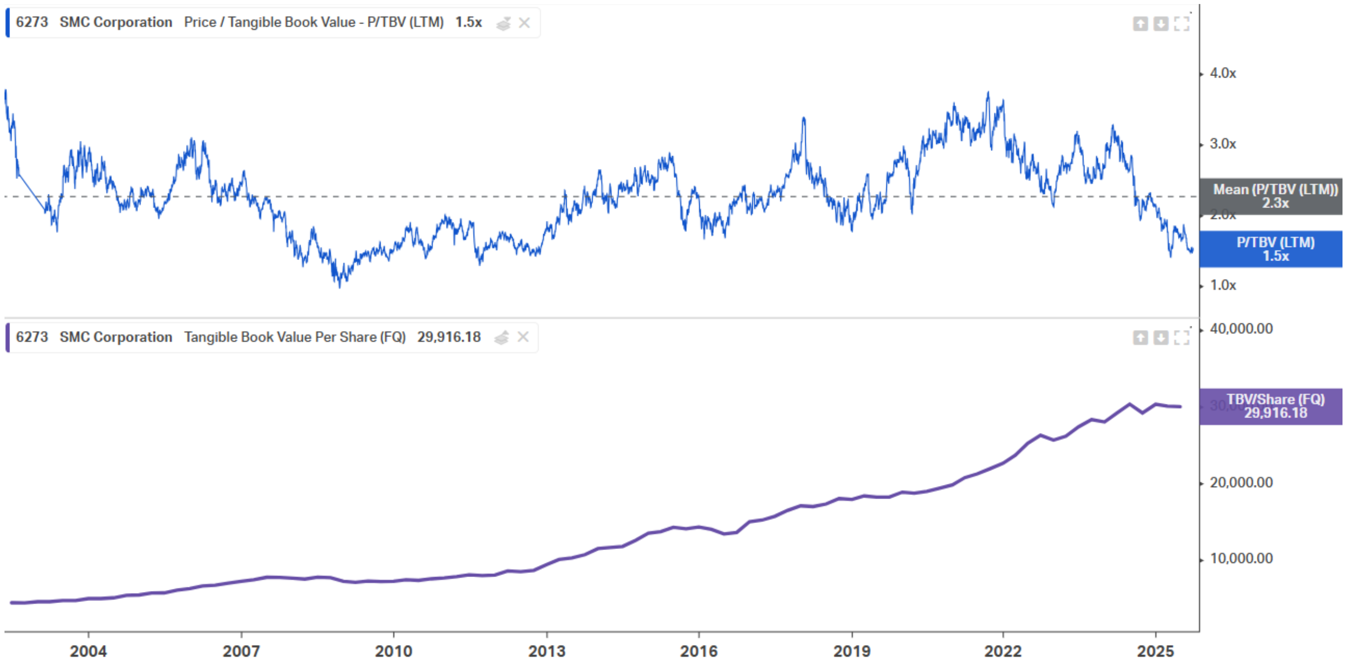
Overview (Figures in JPY billion)	SMC
Business Model	Global leader in automation and control systems
Headquarters	Japan
Category	Quality business at a fair price
Market Cap	3,600
Equity Ratio	91%
Net cash position	780
Price / Tangible Book Value at entry	1.4x
20-Year Average Price / Tangible Book Value	2.2x

With a global market share exceeding 35 percent, SMC is the leading supplier of industrial automation solutions, serving key sectors such as semiconductors, electronics, automotive, and machinery.

Since 2009, the company has compounded tangible book value per share by roughly 10 percent annually while maintaining a pristine balance sheet and achieving a peak return on assets of about 10 percent. The company holds a net cash position exceeding JPY 780 billion and reports an equity ratio above 90 percent.

SMC was founded by Yoshiyuki Takada and is currently led by his son, Yoshiki Takada, who, together with his family, controls more than 10 percent of the company's voting rights.

Figure 3: Price to Tangible Book Value and Tangible Book Value per Share (2002–2025)



Source: Koyfin

As always, comments, questions or feedback are welcome.

Best regards,
Your Chatrier Funds Team

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