

# Chatrier Value Fund

## Investor Letter Q4 2024

### Value Strategy

December 31, 2024

#### Top 10 Equity Positions (in %)

1.	SEABOARD (SEB)	7.5 %
2.	FRESNILLO PLC (FRES.L)	7.2 %
3.	SWATCH GROUP (UHR)	5.2 %
4.	HAL TRUST (HAL)	5.2 %
5.	HENKEL (HEND)	5.1 %
6.	SILICOM (SILC)	4.2 %
7.	NOKIAN RENKAAT (NRE)	3.9 %
8.	ASHMORE GROUP (ASHM.L)	3.7 %
9.	SK KAKEN (4628.T)	3.4 %
10.	AMBEV S.A. (ABEV)	3.3 %
<b>Sum</b>		<b>48,7%</b>

Percentages rounded, as of 12/31/2024.

#### Portfolio Changes

New pos.	SCHOELLER-BLECKMANN (SBO.VI)
Added	SEABOARD (SEB)
Sold	NETGEAR (NTGR)

#### Notable events

U.S. market highly concentrated: 10 stocks contributed 60% of the S&P 500's return in 2024

Value remains attractive: Small Caps and international equities trade at historical discounts

Portfolio changes: Sold Netgear (+80%), increased allocation to commodity stocks

Dear Fellow Investors,

Chatrier Value Fund ended 2024 with a return of -6.75% in USD.

### Market update

Reflecting on 2024, parts of our portfolio - particularly European small caps, China-exposed exporters, and defensive food production stocks - faced challenges. This was reflected in an excessive decline in their share prices, with many of our holdings now trading at even deeper discounts to their intrinsic value than at the end of the previous year. While this prompts us to critically assess our performance over the past year, it also reinforces our optimism for the year ahead. Should market conditions normalize, we believe our portfolio is well-positioned to generate outsized returns.

**Figure 1: Top 5 Performers 2024**

Position	Ticker	CTR%
Philip Morris	PM	1.66%
Netgear	NTGR	1.39%
Altria	MO	1.36%
Henkel	HENd	0.93%
Fresnillo	FRES.L	0.81%

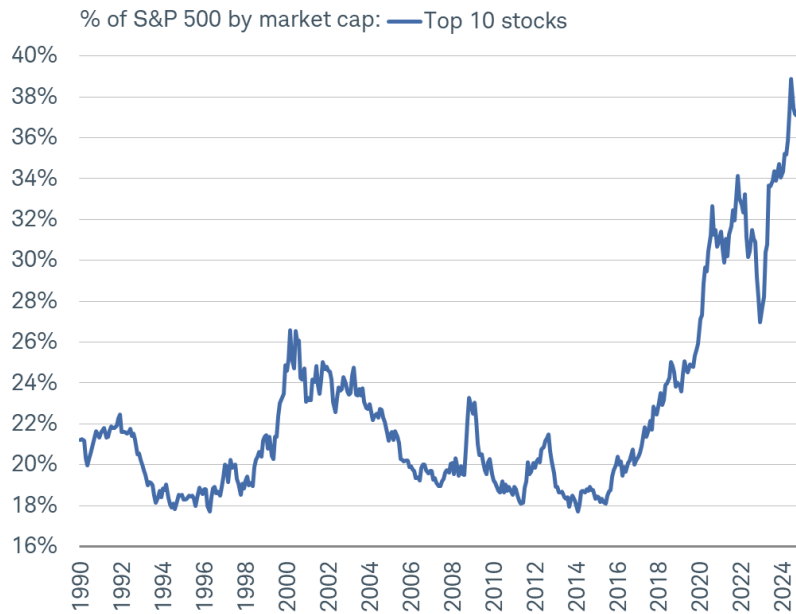
**Figure 2: Bottom 5 Performers 2024**

Position	Ticker	CTR%
Intel	INTC	-2.52%
Seaboard	SEB	-2.25%
Swatch	UHR	-1.68%
Ashmore	ASHM.L	-0.62%
Ambev S.A.	ABEV	-0.54%

### Euphoria in U.S. Markets

In contrast, a handful of U.S. mega-cap technology stocks dominated the market in 2024, driving the S&P 500 to a return of over 23% and the Nasdaq to nearly 29%. These gains were fueled by the Magnificent 7, which surged by nearly 67%, along with a few other mega-cap stocks. As a result, the top 10 stocks in the S&P 500 now account for nearly 40% of the index - a historic record!

**Figure 3: Market Concentration of the Top 10 Stocks in the S&P 500 at an All-Time High**

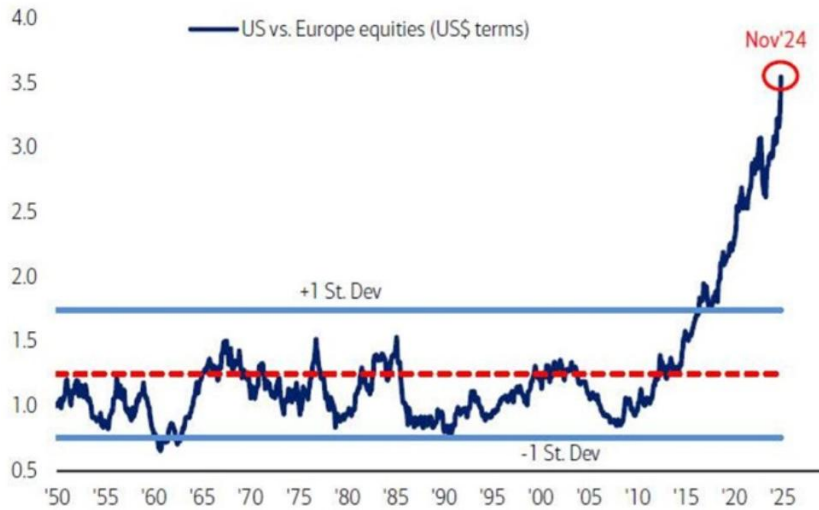


Source: Charles Schwab, Bloomberg 31.12.2024

**The Mother of All Bubbles: The Overheated U.S. Stock Market**

We are now at the peak of a 15-year bull market, with valuation and concentration levels comparable to the largest asset bubbles of the past 120 years. We believe that U.S. equity markets are trading at historic valuation highs, reminiscent of past market peaks such as 1929 or 1974 during the height of the Nifty Fifty era. Between January 1973 and October 1974, the S&P 500 lost half of its value due to inflationary pressures and excessive price-to-earnings (P/E) ratios. Today, we see many parallels: high-quality companies are trading at extreme premiums compared to the rest of the world.

**Figure 4: U.S. Stocks Are Extremely Overvalued Compared to European Stocks**



Source: BofA Global Investment Strategy

U.S. equity valuations are at record highs - higher than at any other point in the past 100 years. The valuation premium of U.S. stocks over European equities now exceeds three times the historical norm of the past 75 years. This trend highlights the massive capital rotation into a handful of large U.S. growth stocks, while many international value stocks remain overlooked.

Companies with strong earnings growth are rewarded with excessive valuation multiples, driving prices higher on a weekly basis. However, this is only one side of the story. International companies with stagnant earnings are being penalized by the market, with their stocks trading significantly below historical valuation norms. In contrast, similar overvaluations in U.S. stocks often go unnoticed by investors.

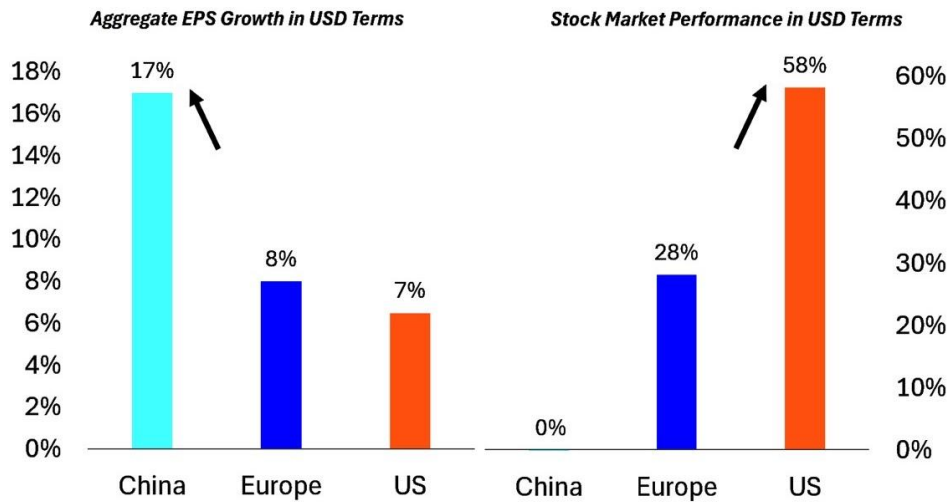
Take Tesla as an example: Despite delivering fewer vehicles in 2024, the company continues to trade at absurd valuations. Automotive margins (excluding regulatory EV credits) stand at just 6.5%, and net income has declined in 2024. Yet, Tesla's stock price rose by an astonishing 62% in 2024, in stark contrast to the performance of established competitors, further underscoring the valuation disconnect.

It is a well-documented behavioral tendency: investors cling to strategies that have worked well in the recent past, often ignoring price and risk. Herd mentality drives capital into the same assets - regardless of valuations or fundamentals. Why would anyone invest in areas where recent performance has been weak?

Meanwhile, international equities in Europe, Latin America, and Asia are trading at historically deep discounts, with some European industries priced as if they were on the verge of extinction. This dynamic presents compelling opportunities for disciplined, value-oriented investors willing to look beyond the U.S. market frenzy.

A closer look at earnings growth across global markets reveals that international markets outside the U.S. - particularly Europe and China - have actually shown higher aggregate earnings growth than the U.S. However, this reality is not reflected in stock market returns, as illustrated in the following chart.

**Figure 5: U.S., China, and Europe: Corporate Earnings vs. market returns, Data from 1/1/2023 to 12/1/2024**



*Indicies Used for Respective Countries: MSCI China. Stoxx Europe 600. S&P 500 - Chart As of 12/18/2024*

Source: Crescat Capital LLC

### **Our Contrarian Positioning: No Overvalued U.S. Stocks**

While 36% of our portfolio is allocated to U.S.-listed equities, our exposure to S&P 500 or NASDAQ stocks remains negligible.

### **What Will Drive Returns and Support Our Portfolio’s Momentum?**

- **Earnings Recovery in Selected European and U.S. Industrials:** Cyclical companies such as Seaboard, HAL Trust, BASF, Silicom, Schoeller-Bleckmann, Lanxess, and Innotec are well-positioned to benefit from improving market conditions and an earnings rebound.
- **Normalized Earnings in Seaboard’s Operations:** Seaboard is expected to return to a \$400 per share earnings run rate in the mid-term, supported by a recovery in its U.S. pork and liquid fuels segments.
- **China Recovery:** Positions such as Swatch, Volkswagen, Alibaba, and Baidu will benefit from a rebound in China’s economic activity and consumer spending.
- **Price Reversion to the Mean:** Undervalued holdings like HAL Trust, Ashmore, Silicom, Resources Connection, and FutureFuel are well-positioned to close valuation gaps and revert to historical mean valuations.
- **Outflow from Overvalued U.S. Tech:** If tech valuations correct, capital will likely rotate into undervalued sectors, including mining, European small- and mid-caps, emerging markets, and Japan.
- **Stocks Below Liquidation Value:** Our Japanese net-nets could see significant revaluation

- Metals and Commodities Exposure: We hold positions in silver and gold (Fresnillo), ferronickel (Pacific Metals), and PGM metals (Anglo American Platinum), which have historically outperformed in previous bull cycles. Additionally, commodities often move counter-cyclically to the broader market.
- Emerging Market Growth: Ambev S.A. is positioned to benefit from an emerging markets recovery, supported by a weaker U.S. dollar.
- Weakening U.S. Dollar: Could higher debt-financed government spending trigger a long-term U.S. dollar decline? If so, non-U.S. allocations could gain significant tailwinds.
- High-Quality Growth Companies at Fair Prices: Leading companies in our portfolio - Henkel, Fuchs Petro-lub, Winpak, Philip Morris, and Altria - offer steady, long-term earnings growth.
- Key Catalysts: Some of the most important opportunities include a normalized pork cycle, which would drive Seaboard's earnings recovery, margin improvements at Nokian Tyres following the launch of its new tire plant in Romania, and a rebound in metals such as PGM, nickel, gold, and silver.

### Portfolio Update


In November, we sold our position in Netgear (NTGR) at \$24.12 per share, realizing a gain of over 80%. Netgear was a classic "Net-Net" investment, which significantly contributed to our overall performance.

The proceeds were used to increase our position in Seaboard (SEB), which was trading at historically attractive valuations. By the end of the year, the portfolio was nearly fully invested, with targeted reallocations into under-valued deep-value stocks.

### New position – Schoeller-Bleckmann Oilfield Equipment (SBO.VI)

Schoeller-Bleckmann Oilfield Equipment AG (SBO) is a global leader in the production of high-precision components for the oil and gas industry. The company supplies critical parts for drill heads and tools used in demanding deep drilling applications. SBO benefits from structural investments in energy infrastructure, particularly through increased exploration activity and the growing importance of efficient drilling technologies.

The company maintains a strong balance sheet, with an equity ratio of approximately 50% and low debt levels. As a cyclical stock, SBO is subject to market fluctuations but has historically traded at a price-to-book (P/B) multiple of 3 to 4 in boom phases - comparable to levels seen between 2010 and 2013.

Overview (Data in million EUR)	
Business Model	Manufacturer of High-Precision Components for the Oil & Gas Industry
Headquarters	Austria
Anchor Investor	Berndorf Industrieholding AG (BIH AG)(33.40 %)
Market Capitalization	452
EBIT 2023	108
Equity Ratio	49%
Net Debt	87
P/B at purchase	1.01

Even during a normalized market phase from 2016 to 2021, the stock consistently traded above its long-term average P/B valuation. Our entry point was slightly below book value, placing it at the lower end of its historical valuation range.

On an earnings valuation basis, SBO is currently trading at an Enterprise Value of approximately €580 million - a historically low level, particularly in comparison to its valuation peaks over the past decade. While previous market cycles have resulted in significantly higher valuations, this presents a compelling opportunity for long-term investors.

The combination of financial strength, attractive valuation, and increasing investment in the oil and gas sector supports the case for a potential revaluation in the coming years. SBO remains a leading player in a strategically critical industry, with a proven track record of strong capital returns during periods of rising investment budgets.

### **Lessons Learned and Looking Ahead**

The past years have highlighted the importance of focusing on high-quality, high-return-on-asset (RoA) businesses. These “wonderful companies” with resilient, capital-light models will take on a more prominent role in our portfolio. Additionally, we continue to identify opportunities in smaller net-net (NCAV) stocks, where deep value remains overlooked by the broader market. A key takeaway has also been the importance of maintaining longer holding periods, allowing intrinsic value to materialize fully over time.

As we move into 2025, our strategy continues to focus on unique opportunities, targeting undervalued assets with asymmetric return potential.

Given the striking parallels between today’s market and past bubbles, we close this report with a quote from Jean-Marie Eveillard, one of the most successful value fund managers of his time.

In 2000, at the peak of the dotcom mania, he masterfully captured the reality of investor risk appetite with the following statement:

"I would rather lose half of my clients than half of my clients’ money."

The rest is history - a reminder of the importance of disciplined risk management, a principle we continue to uphold in our investment approach.

As always we encourage any comments, questions or feedback.

Sincerely,  
Infiba Vermögensverwaltungs AG, Liechtenstein

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