OYAT ADVISORS – QUARTERLY COMMENTARY

4Q 2024

Investors can reflect on another good year, during which 'risk assets' such as equities performed very strongly, once again driven by the performance of U.S. technology stocks. Wall Street in particular saw impressive returns in 2024 as investors were increasingly bullish on strong earnings growth for technology companies; while on the macro side, inflation moderated somewhat leading the Federal Reserve to cut interest rates, the job market proved resilient, and consumer spending remained strong. Moreover, stocks surged following Donald Trump's reelection in November, as a result of the pro-business policies he is expected to enact.

As shown in the table below, the blue-chip Dow index rose 13% this past year (in USD), while the tech-heavy Nasdaq index gained an impressive 29%. The S&P 500 returned 24% in 2024, posting back-to-back gains of more than 20% for the first time in nearly three decades – the last occurrence dating back to 1997/1998.

U.S. markets vastly outperformed stocks in Europe and Asia in 2024. European economic momentum weakened significantly over the year, with the manufacturing sector particularly hard hit due to a combination of high energy costs, overbearing regulation, and waning export demand. This was compounded by political turmoil in both France and Germany, where fiscal pressures and the rise of populist parties fractured the political consensus.

In Asia, Chinese activity remained weak as the country grappled with falling property prices and weak consumer confidence. Investors were initially unimpressed with the government's response to these challenges, however, a more comprehensive policy announcement in September appeared to convince markets that 2025 would finally see a significant stimulus to jump-start the economy, and Chinese equities rallied in the second half of the year.

Continued optimism about the end of deflation, coupled with a weak yen and ongoing corporate reforms also helped Japanese equities deliver strong local currency returns in 2024.

Stock market index	2024 performance (in local currency)	10y bond	Yield	Yoy change	FX	Yoy change	Precious metals	Yoy change
MSCI World (USD)	19%	US	4.57%	52 bps	USD Index	7.0%	Gold-USD	26.3%
Dow	13%	Germany	2.36%	125bps	CHF-USD	-6.8%	Silver-USD	21.7%
S&P	24%	France	3.12%	201bps	EUR-USD	-5.7%		
NASDAQ	29%	Italy	3.42%	-24 bps	GBP-USD	-1.4%		
Stoxx	9%	Switzerland	0.23%	-60 bps	JPY-USD	-10.1%		
SMI	8%	UK	4.57%	70 bps	CNY-USD	-2.9%		
FTSE	10%	Japan	1.08%	47 bps	RUB-USD	-19.2%		
Nikkei	21%							

Source: LSEG Refinitiv. All data as of Dec. 31st 2024.

Moving on to bonds. The first half of 2024 saw broad based disinflation, and over the summer central banks felt confident they could start normalizing monetary policy. However, the last mile proved harder than markets anticipated and, outside of Europe, investors scaled back their expectations for subsequent rate cuts. Against this backdrop, global government bonds returned -3.1% in 2024. So, after meaningful losses in 2021 and especially in 2022, and despite a small rebound in 2023, last year was once again a loss-making one for many fixed income securities. Considering the typical multi-decade length of bull and bear markets for bonds, we expect to see more losses in fixed income securities in nominal terms, and most certainly in real terms, for some years to come.

Currencies were again fairly volatile throughout 2024. The U.S. dollar index gained 7% as a result of the relative strength of the U.S. economy, leading traders to expect fewer interest rate cuts compared to other geographies. This notion was reinforced by the policies that are projected to be introduced by president-elect Donald Trump – including business deregulation, tax cuts, import tariffs, and a clampdown on illegal immigration – that have the potential to boost domestic growth and add to inflationary pressures. Relative to the U.S. dollar, the British pound was the best performing major currency, as the UK economy performed marginally better than its main continental European peers, leading to a hawkish stance at the Bank of England relative to other developed market central banks. For other major currencies, including the Euro, Swiss franc, and Japanese yen, relative declines ranged from 5% to 10% in 2024.

Lastly, it was a stellar year for precious metals, with gold recording its biggest yearly gain since 2010, increasing by nearly 27% in USD. In CHF and EUR, the price of gold increased by 36% and 34% respectively. Several factors contributed to gold's excellent performance, including aggressive central bank buying, geopolitical tensions around the globe, moderating yet stubborn inflation, and interest rate cuts by nearly all central banks. Furthermore, gold's strong performance in 2024 is finally starting to attract the interest of more non-central bank investors once again; although the precious metal is still largely under-owned, especially by institutional investors.

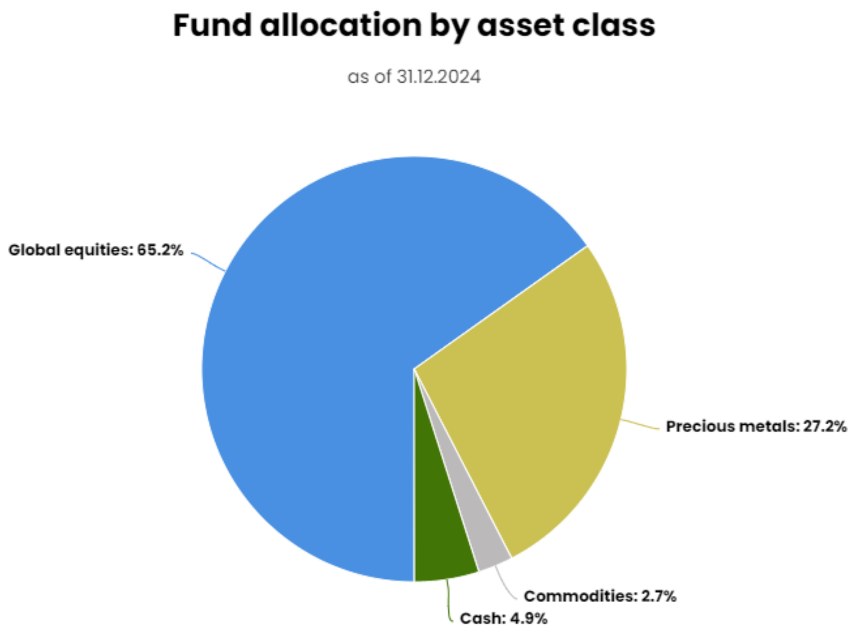
In conclusion, today's investment landscape remains one that is fairly tricky to navigate. On the one hand, certain markets – as represented by their benchmark indices – appear priced for perfection. This is especially true of U.S. stocks, increasingly dominated by large technology companies – a tendency exacerbated by the sheer amount of capital that is 'passively' managed in market capitalization-weighted indices. On the other hand, for the 'active' investor that looks to own individual companies, opportunities to deploy capital in a sensible manner still exist. Such opportunities include smaller, less 'in-the-spotlight' companies that trade at reasonable valuation levels in Europe, the UK, and Japan for instance, as well as in other markets.

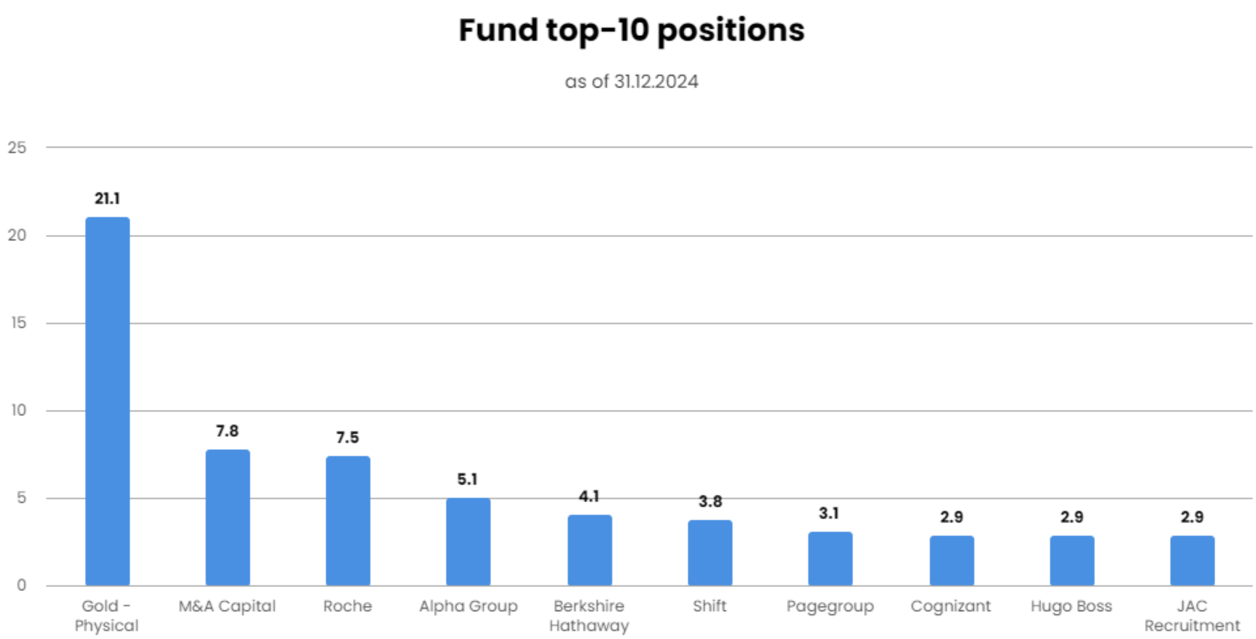
Nonetheless, there are still valid concerns to be had about large fiscal deficits and rising debt levels, mounting geopolitical tensions, the possibility of an economic slowdown, as well as the future trajectory of inflation. On the latter, we continue to believe that while we are currently experiencing a period of disinflation, and might even go through some temporary deflation, the longer-term trend is still a world of higher inflation for some years to come.

As a result, we continue to shun investing in bonds, substituting such a traditional allocation in fixed income securities with a scare and durable asset in the form of gold. As for capital deployments in productive assets, we persist with our long-standing strategy of focusing on 'quality' businesses trading at reasonable prices, oftentimes found in fairly mundane places.

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

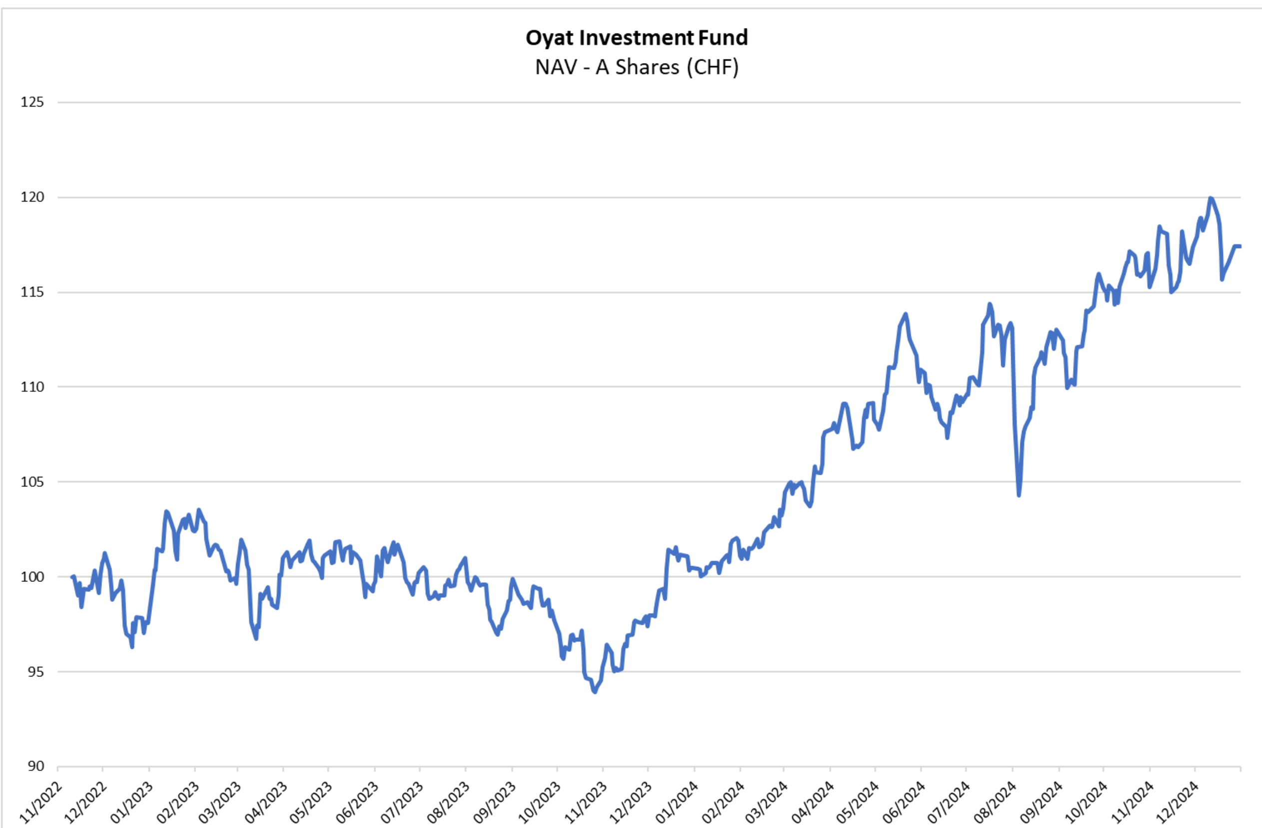
Performance as of December 31, 2024, in CHF

	3m	1yr	3yrs p.a.	5yrs p.a.	Since inception p.a.
Oyat Investment Fund	1.9%	16.9%	-	-	7.8%
MSCI World	7.2%	28.5%	-	-	16.4%

Annual performance as of December 31, 2024, in CHF

	2022*	2023	2024	Cumulative
Oyat Investment Fund	-2.4%	3.0%	16.9%	17.4%
MSCI World	-5.0%	13.3%	28.5%	38.2%

**Inception Date: November 10, 2022*



In the fourth quarter of 2024, the Oyat Investment Fund returned 1.9% in CHF (2.1% in EUR and -5.1% in USD).

For the full calendar year, the Fund returned 16.9% in CHF (15.6% in EUR and 8.4% in USD).

Since inception, the Fund's total annualized return stands at 7.8% in CHF (10.2% in EUR and 10.9% in USD).

With regards to the Fund's performance relative to the reference index, we under-performed the MSCI World for a second consecutive year, as did the vast majority of actively-managed global equity funds. As we discussed in detail in our 4Q23 commentary, this is mainly due to the fact that the Fund is managed independently of the reference index, which leads to a portfolio of assets that bears little to no resemblance to the index. This is especially true regarding the level of risk assumed, a characteristic that is largely ignored by most investors that focus exclusively on the performance side of the equation. Yet, we are convinced that the most important aspect of our work is not simply about performance, rather, it is about the intelligent bearing of risk in the pursuit of investment returns. This remains our focus as of today, given the difficult investment landscape in which we operate.

Let us now briefly discuss some of the Fund's main performance contributors and detractors for 2024. Please note that all return figures quoted below are in Swiss francs.

The Fund's largest performance contributor this past year was physical gold, which increased by a substantial 36% in CHF. The yellow metal, which we consider as the ultimate reserve asset given it scarcity, permanence, and the fact that it carries no counterparty risk, rallied strongly in March, and then again in September/October, reaching a number of new all-time highs in the process. As previously discussed, many of the fundamental drivers for the rise in the price of gold remain intact, including continuing monetary debasement and worries about resulting inflation, robust central bank buying, and persisting geopolitical tensions. At the margin, we also witnessed some growing level of interest, as measured by gold ETF flows, from the broader investment community as the year went on and the price of gold continued its upward trajectory. Overall, physical gold is continuing to fulfil its function in our portfolio construct admirably, and as we scrutinize the exchange ratios of gold relative to other assets, we believe that the time has not yet come for us to consider exchanging a portion of it for other investments.

Berkshire Hathaway also contributed positively to the Fund's performance, increasing by 37% in 2024, driven by strong investment income and the stable performance of its operating businesses. As the year progressed, Berkshire continued to increase its cash hoard to over USD 300 billion by 3Q24, with sizable sales in its equity portfolio, including shares of Apple and Bank of America. As far as stock repurchases are concerned, Berkshire bought back USD 2.6 billion of its own stock in 1Q24, USD 345 million in 2Q24, but then stopped buying back stock in 3Q24 (and likely in 4Q24). As we know, Warren Buffet only buys back stock when 'he believes that the repurchase price is below Berkshire's intrinsic value, conservatively determined', which provides a big clue as to current valuation levels. Throughout the year, we trimmed our holding in Berkshire meaningfully, from approx. 8% of the Fund's asset to slightly over 4% as of the end of 2024.

Last, Hargreaves also contributed positively, with the stock returning over 56% as the leading UK investment platform ultimately agreed to be acquired by a private equity group. As a reminder, we accumulated Hargreaves shares in late 2023 and early 2024 as the price fell due to some degree of cost mismanagement over prior years. We felt that the market was significantly undervaluing the company as a new management team sought to address past missteps and get things back on track. The takeover offer crystalized our investment case in an accelerated fashion, and we eventually divested of our stake.

Other positive performance contributors included Roche, GQG Partners, Hibbett (also acquired throughout the year), Atlas Energy, Shift Inc., M&A Capital, SGS, and Enbridge, to name a few.

Moving on to the less positive news and performance detractors. Our fairly small investment in Focusrite remained challenging to say the least, returning -52%, as the company continued to be impacted by inventory destocking following the huge boost in business it experienced throughout the COVID crisis, as well as supply chain issues and inflationary pressures. Additionally, the launch of some higher-end Scarlett Generation 4 products, originally planned to begin shipping in April, was delayed which impacted sales for the current fiscal year. Having said that, we believe that the company remains in a decent competitive position, and that the sales level of its Focusrite and Novation segments should more or less be back on a normalized trendline. On the Audio Reproduction side of the business, the company's results remain robust. Overall, we adjusted our position as the year evolved, and remain committed to our small investment in the company, currently representing about 1.7% of the Fund's assets.

Pagegroup was also a significant performance detractor, with the stock returning approx. -22%, as the company experienced challenging market conditions throughout the year and a softening in activity levels, particularly in terms of new jobs registered and number of interviews. This led the firm to make a downward revision in its guidance for fiscal 2024. As is typical for Pagegroup, the company is expected to broadly maintain the number of its fee earners to ensure that it is well placed to gain market share as sentiment eventually improves going forward. We see the company as substantially undervalued at present, and have therefore accumulated more shares throughout the year.

Lastly, IPG Photonics also fell nearly 28% in 2024, impacting performance negatively. We did well to trim our position near the 2023 high but rode a smaller position down to the current depressed levels, as the firm was impacted by potentially temporary headwinds related to the Ukraine war and the exiting of its Russian business, as well as recent weakness in its key electric vehicle end-market. We continue to like the firm's dominant market position in the fiber laser industry, and are hopeful regarding the new CEO's actions to address the firm's current challenges. We did not accumulate more shares of IPG Photonics in 2024, but may yet do so going forward.

Other negative performance contributors included Ambev and Fielmann, to name a few.

The year was highly unusual for our style of low-turnover investment management, as we added a number of new positions to the Fund, including Ambev, Jeronimo Martins, Shift Inc., TechnoPro, JAC Recruitment, Hugo Boss, Alpha Group, and Evolution AB. This was in part due to the forced divestments of Hibbett and Hargreaves, both of which were acquired at meaningful premiums. In other cases, overvaluation or the lack of an appropriate margin of safety relative to other investment opportunities led us to divest of a number of holdings voluntarily, including Alphabet, SGS, Gilead, and Enbridge.

All of our newly-initiated positions are described in our last three quarterly commentaries bar one. At the close of the year, we did make one final investment in Evolution AB, a Swedish company that has a dominant position in providing live casino solutions to gaming operators. The firm's fundamental attributes are extremely attractive, including a number of perceived competitive advantages and barriers to entry relating to scale, network effects, as well as switching costs. Moreover, the profitability, free cash flow conversion, and return on invested capital profile of the company is stellar. As always, we also like to see a very strong balance sheet and good stewards at the helm, as interpreted by their past capital allocation decisions which have been sensible and shareholder friendly.

Following a massive run up in prior years, the stock price had been on the decline for most of 2024, on the back of slowing growth and disappointing results from random number games (RNG), which were mostly acquired with the purchases of NetEnt, Red Tiger, and Big Time Gaming. Additionally, the company has been experiencing personnel issues at one of its largest studios, as well as increased levels of cyberattacks in Asia. Finally, in late December, Evolution AB received some bad news as the UK regulator announced a review of the company's operating license after noticing that some of its games were accessible through operators that did not hold a commission license, sending the shares sharply lower despite the UK representing only about 3% of total revenues. This led us to initiate a small position for the Fund.

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