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January 23, 2025

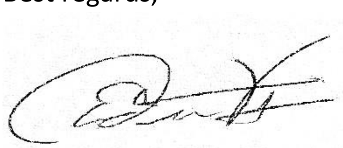
Dear Partners, Friends, and Family,

Enclosed you will find our year-end update of our funds and our business. This letter is 9 pages, including some discussions on our holdings.

Separately, it has been more than a year since Charlie Munger's passing. We learned that Charlie loved fishing, so on the last page we included a fishing story by Li Lu, founder of Himalaya Capital. Both fished together in Minnesota every summer. We hope you find it both entertaining and meaningful at the same time.

We welcome any constructive feedback or comments that you may have on our letter.

Best regards,



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International Small Cap Focus Fund (*ending December 31, 2024*)	**Gross**	**Net**	**MSCI EAFE Small Cap Index**
Quarter	+2.01%	+1.71%	-8.31%
Year-to-Date	+26.64%	+22.49%	+2.30%
Since Inception Cumulative*	+47.89%	+38.93%	+0.37%
Since Inception CAGR*	+15.20%	+12.60%	+0.13%

**Performance is for 2 years and 9 months - Start Date as of April 1, 2022.*

Global Opportunities Fund (*ending December 31, 2024*)	**Gross**	**Net**	**MSCI[1] World Index**
Quarter	+5.10%	+4.36%	-0.07%
Year-to-Date	+23.43%	+19.70%	+19.22%
Since Inception Cumulative**	+42.48%	+40.15%	+47.95%
Since Inception CAGR**	+16.30%	+15.50%	+18.10%

***Performance is for 2 years and 4 months - Start Date as of September 1, 2022.*

CAGR = Compound Annual Growth Rate since the inception of the fund.
Please note that performance among different partners may vary depending on their time of initial investment.
Fees are calculated using our management fee of 1% and performance fee of 15% after a 6% return.

Portfolio Update

For the year, Mr. Market was exuberant, and quality stood out. For 2025 we will continue upgrading our portfolio where and when we can. Certainly, we prefer to buy our superior businesses at much lower prices, and if the markets do hit a few bumps along the road in the short run, which inevitably they do, then we would like to be ready with subscriptions in hand. Some partners have already expressed such an interest. It is wonderful that our partners think like us, underscoring the importance of partner selection. Generally, we know that the investing public dislikes markets when they are at their weakest. But as we have learned through the decades it is usually the best time for all investors, especially for us because it is one way to generate a higher return with lower risk. We will discuss more on the concept of value investing, Mr. Market, and Ben Graham later in the next section.

As of this writing, we have 12 companies in the International Small Cap Fund, and 13 companies in the Global Opportunities Fund, with about 2% and 1% cash, respectively. Last quarter we sold our small position in Brunello Cucinelli, in the International Small Cap Fund, and reduced our holding in Dole PLC in the 4th quarter – this brings turnover to about 9% for the year. We felt that allocating money to Jumbo SA in Greece and Topicus in Canada presents a better opportunity to generate returns in the years ahead. In the Global Opportunities Fund we also reduced our

[1] The MSCI World Index performance is primarily driven by seven companies out of 1,395 that are in the index. It is a market cap weighted, global developed market benchmark. Specifically, most of the gains were driven by Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla for 2024. The index increased 19% and these seven companies added fifteen percentage points to this performance. In other words, without these seven companies the index gained only 4% this past year. For comparison, the equal-weighted version of the MSCI World Index, which includes these seven companies, was up 8% during the same time frame. As of December 31, 2024, these seven companies represented 24% of the index and their proportion is greater than the country weights of Japan, UK, France, and Canada combined (14%).

position in Dole PLC and sold DigitalBridge Group Inc. We reallocated to Danaher and Copart, which we believe have much better prospects going forward. As a result, turnover in this fund ran about 13% for 2024.
Keep in mind that we are benchmark "unaware". If you asked us what is in the benchmark you will get back a blank stare. Furthermore, we do not keep tabs on our competitors. Many of our competitors in the market focus on the short term. Part of the reason why there is so much emphasis on Fed moves and quarterly reports along with minute-by-minute updates on CNBC. Don't get us wrong, we would love to make money in the short run. However, it is not our temperament nor our skill. Thus, we take the much less competitive route, a 5-to-10-year orientation (and as a result, no TV in our office, just books – and time to think). For us although interest rates and quarterly reports are important, they barely move the needle. We are lethargic at best. We are lucky to get past 20% turnover for the year.
We only include what we believe are relevant benchmarks as a point of reference above. Our goal is not to beat the benchmark, but to deliver long term returns that are comparable to many of our investment heroes such as Joel Greenblatt, Nick Sleep, Monish Pabrai, and Guy Spier. If we do that, then we should be much above the benchmark over the long-term.[2]

Rethinking Ben Graham – it is more of a mindset, than a style
When we entered the business in 1996, we focused on value investing – we did what Warren Buffett did, following Ben Graham and his acolytes. Why not follow the best? This method was influential, particularly since I graduated from Columbia Business School, the home of Ben Graham, and then worked at Templeton, an international value shop founded by renowned value investor Sir John Templeton. Marty and I spent our time finding companies much cheaper than they were worth, taking advantage of Mr. Market when the opportunity arose. We looked for companies trading below the cash on their balance sheet. We searched for and invested in low Price to Earnings (PE) and low Price to Book (PB) stocks. Yes – we perceived it as a low-risk strategy. However, at the same time, many of our companies were also lower quality and riskier with their lower valuation. In other words, many were cheap for a reason in our opinion. After years of looking for undervalued companies, we realized that we misunderstood Benjamin Graham. We were shocked to find out that he made most of his money in a growth stock (not in value investing) and that he left the business in 1956, 20 years before he passed away. We were surprised that he left so early in his career. Was the father of 'securities analysis' not dedicated to his craft? Why not stick around like Warren and Charlie? As investors, we did ok many years ago, but not to the level that we expected. We wanted to improve. Moreover, we realized that we misunderstood Ben. Today we believe we adopted his winning mindset, and our results have improved accordingly. For Ben, it is about beating the market by using an intelligent fundamental framework. Ben was a brilliant man – speaking 7 languages, entering Columbia University at 16 years old, and finishing in three and a half years. Furthermore, graduating second in his class he was offered teaching positions in English, math and philosophy.
Born in 1894, Ben's early investing years started in 1914 at Newberger, Henderson and Loeb after graduating Columbia. He learned to arbitrage between the value of the net working capital (including the cash and securities on the balance sheet) and the market capitalization of the company (i.e. net – nets). He also examined the cross ownership of holdings among conglomerates, where sometimes the ownership value of the holdings were higher than the market cap of the conglomerate (Guggenheim Exploration Company dissolution January 1916)[3]. The backdrop was that the market at the time was rife with these special situations because most investors were chasing short-term gains and there was little

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[2] "Nick and Zak's Adventures in Capitalism" – The Rational Cloner. Much of our thinking was shamelessly cloned from the ideas of Nick Sleep and Qais Zakaria, which are contained in their partnership letters from Nomad, their highly successful investment partnership. The way they conducted their business with their partners resonated with us. We hope to continue their legacy.
A full collection of their letters is free at:
https://igyfoundation.org.uk/wpcontent/uploads/2021/03/Full_Collection_Nomad_Letters_.pdf

[3] "The Einstein of Money – The Life and Timeless Financial Wisdom of Benjamin Graham, p.81" – Joe Carlen
Free copy available on the internet at the PDF Room. https://pdfroom.com/books/the-einstein-of-money-the-life-and-timeless-financial-wisdom-of-benjamin-graham/QpdMNbJygaX

security analysis being done. This innovative way of using fundamental analysis was a huge advantage and allowed Ben to prosper magnificently into his mid to late 20s on Wall Street. In 1923, at 29 years old, Ben started his own firm called Graham Corp. Unfortunately, due to failed negotiations with a major investor, Ben closed his shop after 2 years and restarted with fellow broker Jarome Newman a year later forming Graham-Newman Corporation in 1926. Moving forward, Ben wrote "Securities Analysis" (1934) and the "Intelligent Investor" (1949), and subsequent revised editions. In these editions he would take out formulas and passages that no longer worked and would incorporate new techniques, focusing on how to better generate returns with a margin of safety. He offered new rules and screening techniques. For example, later in Ben's career he knew that net-nets no longer worked because such opportunities were few and far between. He was not simply just focused on cigar-butt investing like some of his students and followers. Some would claim that Warren Buffett is practicing value investing the way Ben laid out almost a century ago. In the early years Warren certainly did follow Ben's methods with his partnerships and with Berkshire. However, Warren has evolved, focusing more on great businesses at a fair price. Even Ben Graham realized this with his investment in GEICO, which would have been considered a quality growth stock at the time. As the story goes, GEICO was an attractive investment in the beginning. It was cheap in terms of both assets and earnings. Meanwhile, Mr. Newman was more impressed by the possibilities. When the share price rose and became expensive Ben was not enamored but he was convinced by his partner Mr. Newman to continue holding GEICO shares. He did and it became his greatest investment, making him a very wealthy man. In the 1973 edition of the Intelligent Investor, Mr. Graham admitted, "Ironically enough the aggregate of profits accruing from a single investment decision far exceed the sum of all others realized through 20 years of wide-ranging operations in the partners' specialized fields, involving much investigation, endless pondering, and countless individual decisions." Finally, Ben left the business after having such a large impact on the industry as 'the father of securities analysis'. Some who knew Ben felt that he was happy with his financial security and would rather concentrate on other intellectual pursuits that appealed to him more than simply beating the market.

In our interpretation, the message from Ben was an intelligent investment framework supported by the following attributes:

1) Patience
2) Independent Thinking
3) Discipline
4) Eagerness to Learn
5) Self-Control
6) Self-Knowledge

This certainly does not mean cigar-butt investing or buying formulaic low PE stocks, like we once thought. For us we realize it is these traits that he espoused on how to be a successful investor. These are characteristics that we aspire to and are now embedded into our thinking and investment process. Thanks Ben - we finally got the message.

"The word 'intelligent' in our title 'The Intelligent Investor' will be used throughout the book in its common and dictionary sense as meaning 'endowed with the capacity for knowledge and understanding.' It will not be taken to mean "smart" or "shrewd," or gifted with unusual foresight or insight. Actually, the intelligence here presupposed is a trait more of the character than the brain." – Ben Graham

"Graham constantly retested his assumptions and tinkered with his formulas, so anyone who tries to follow them in any sort of slavish manner is not doing what Graham himself would do if he were alive today." – Jason Zweig

Companies

Below we discuss selected companies that are currently in the International Small Cap Fund or the Global Opportunities Fund:

Amazon.com

We were aware of Amazon for many years but never realized the culture that existed in the company. It became the impetus for our purchase in 2024 for the Global Opportunities Fund. Amazon's culture is driven by Jeff Bezos and the management team where they focus on saving money and making things easier for the customer. In addition, there is a culture of inventiveness that permeates the company. Whether it is an online bookstore expanding into cloud services (Amazon Web Services) or putting up low orbit satellites (Kuiper Project) to provide everyone around the world internet access. New doors keep opening, the market in each area has many years of growth ahead. Online shopping still only represents 15% of all retail sales. These North American revenues grew 9% year over year in 3Q24 for Amazon while operating margins were 6% and growing. Looking closer, these North American margins include the contributions from their other important business lines, third-party retail and advertising, which on the surface currently add very little to overall profits. However, we believe both are temporarily suppressed because of the amount of investment that Amazon is dedicating to growing these high margin businesses for the long term. At the same time, the growth of Amazon Web Services (AWS) is accelerating with firms moving to the cloud and with the advent of Artificial Intelligence (AI). As a result, AWS is the fastest growing segment. In fact, sales grew 19% in 3Q24 compared to 3Q23, and operating margins continued to expand, currently at 38% in this very scalable business, which is now 60% of overall operating profits. Generally, by sharing economies of scale with its customers, Amazon is increasing its moat in many facets of its business. For instance, customers can save more online with increasingly faster delivery and more choices, subsequently bringing in more customers and then more products from third-party providers. In AWS, the company is saving time for programmers with faster chips (Trainium II) and off-the-shelf foundation models for its users creating AI applications (Bedrock) in the cloud. Nevertheless, despite all its growth, the share price has been lackluster for the last four years. In fact, Amazon was trading this year several times at the same price as it was in 2020, partly due to its high valuation at that time. Since then, the valuation has halved, coming down from 77x to 35x PE for 2025 estimated earnings per share. Over that time frame, revenues increased 61%, operating cash flow 71%, and net profits 134% from calendar year December 2020 until the last 12 months ending September 2024. Moreover, it looks like profits will continue to expand from here as Amazon is cost focused and is investing aggressively in its cloud infrastructure to meet double digit growth in cloud services and triple digit demand for its AI offering. When the shares were trading closer to 26x PE in April, May, and August of 2024, we felt that it was a fair price for this excellent business. Although the PE ratio was above the market average of 25x, after adjusting the margins to compensate for Amazon's spending on growth, we estimate that the valuation was closer to 18x when we purchased the shares.

"What's dangerous is not to evolve." – Jeff Bezos

Sygnity SA

Sygnity is based in Poland and started as Computerland in 1991 and listed on the Polish exchange in 1995. For over 30 years it has become a leading producer of mission critical software which generated approximately 230mln Zlotys ($57mln) in 2023 sales. We followed this company for several years, and it was a poorly performing software business that provided services to the Polish government and municipalities (38% of sales), financial institutions (29%), and utilities (20%). Customers include the Polish Social Welfare and Benefits system, the Polish Postal Service, the Polish Central Bank, and the Polish operations of Deutsche Bank, Veolia (waste management), and EDF (electric generation). The company's weak profitability partly stemmed from its focus on the development of software for the local government and its ministries. Sygnity created the software but the government owned the intellectual property (IP).

In essence it has the rights over the software and therefore Sygnity cannot sell to other clients. As a result, the firm was then contracted only to service and maintain its software. In addition, the government must allow other competitors access to the same maintenance and service contracts, making Sygnity compete on price. These contracts also stipulated negotiated pricing with clients instead of automatically passing through annual inflation increases. This led to further difficulty in improving margins, especially with the government as a major customer. Consequently, restructuring of the business began in 2018 and in March 2022, Total Software Solutions (TSS) took a 73% stake in the business at 12 Polish Zloty/share (64/share as of this writing). This division is a part of Topicus.com, which is a subsidiary of Constellation Software. Mark Leonard and his management teams have started to implement best practices. This includes the termination of unprofitable contracts, revising the pricing policy, and eliminating unfavorable contract terms. Already, we have seen significant improvement in the company's finances, which led us to purchase shares midway through the year for the International Small Cap Fund. In addition to delivering best practices the management team is incentivized to grow the business through the acquisition of other small vertical market software companies in the region. This is the same successful formula that the other Constellation businesses have been using for decades. In 2024, the M&A strategy was kicked off. Both Poland-based Edrana Baltic (enterprise resource planning software) and Sagra Technologies (business analytics software) were acquired. The geographic focus for Sygnity is Central Eastern Europe. The requirements are that prospective software companies must be at least 5 years old and have more than EUR 1mln in sales with at least 50% from recurring maintenance fees. Moreover, these businesses must have a churn of less than 10% and have a diversified customer base. Already the financial picture has begun to improve. After TSS took a stake, from December 2022 to 2023 sales have increased by 6% and EBITDA by 24%, improving these margins from 19% to 22%. The balance sheet is net cash. For the first 9 months of 2024, the improvement continues, we can see sales accelerate 31% and cash flow from operations more than doubling from the same period in 2023. The share price has responded in kind. Currently it has a $400mln market cap of which only 27% floats. Some would ask why leave the small float. One is for the benefit of the employees as they are required to own shares in the business. In addition, M&A targets like to see their acquirer's credentials and history on the public market. Finally, Mark Leonard claimed that it is for the benefit of local investors to participate in the Constellation Software Eco-System. Overall, we plan to be long-term holders of this business, which can grow larger over time with one of the best management teams in mission critical software. In our opinion, the biggest risk is geopolitical with Russia next door and its possible aggression toward NATO.

"Since you are all familiar with Constellation and TSS…we will have a very similar approach." – Mr. Maciej Rozycki, CEO Sygnity.

IMCD NV

Dutch-based International Mueller Chemical Distribution (IMCD) is a global company (32% of sales in the Americas, 44% in Europe Middle East & Asia, 25% in Asia Pacific) and is considered one of the highest quality businesses in the sector, concentrating on specialty chemicals (48% of sales to life science companies, 52% to industrial customers). We have followed the business since it became public in 2014. In general, specialty chemicals generate higher margins (from 6% in 2013, growing to 10% over the last 10 years for IMCD) and higher returns on capital (10% to 14%) than commodity chemical distributors. The company grows organically (slightly more than GDP) and through the acquisition of smaller chemical distributors around the world. Specifically, there are more than 100,000 small/mid-sized operators in the sector, which has led to an ongoing consolidation driven by the largest players. IMCD has made 60 bolt-on acquisitions between 2013 and 2020. The largest competitors are Azelis in Belgium (3.5% market share of the €125bln specialty chemical industry and direct competitor), Brenntag in Germany (3.3% market share), and Univar in the US (2.0% market share). IMCD has a 3.5% share. Generally, chemical manufacturers (aka principals – Solvay, Dow Chemical, Dupont, BASF, etc.) generate 80% of their revenue from 20% of their customers. To be efficient, they focus on their large customers and leave the chemical distributors to service the low volume small/medium sized businesses (specialty chemicals are typically sold in small lots). To expand their reach, principals work with chemical distributors to access certain geographies and customer types. Unlike commodity chemicals (such as ethylene), pricing for specialty chemicals tends to be stickier; there is usually a service component, such as a specific formula (ex. active pharmaceutical ingredients) that is tailor-made for the customer. In response, prices for specialty chemicals tend to increase annually in contrast to bulk chemicals, which are more volatile. When it comes to acquisitions, IMCD works together with principals to grow into a specific area. For example, IMCD may have an established network in the country and speak the local language, which is almost immediately beneficial to the principal, allowing it to grow and get established quickly. IMCD also maintains world-class computer systems, where the principal can get direct and real time information from the distribution channel, broken down by industry, geography, and/or customer. For distributors the relationship to the principal is more valuable than the relationship to the end customer. Principal relationships tend to average closer to 20 years for specialty distributors as they are oftentimes exclusive three-to-five-year arrangements between a principal and a distributor when it comes to certain chemicals for certain areas. These arrangements make it difficult for principals to switch distributors. Relationships change when there are technical problems, quality control issues, or when a principal switches from a local distributor to a global one. When IMCD acquires a small family-owned distributor, almost immediately best practices are instilled, raising profits and cashflow, and the target company gets added to IMCD's global computer network. IMCD in turn gets the customer base and can therefore generate more volume for the principal. The small customer of the target business can work with IMCD for most of its needs without having to have multiple distributors and to get important technical support, helping to develop new formulas to enhance their product line in moisturizers or disinfectants, for instance. More recently, specialty chemical distributors have been out of favor as volumes and pricing came under pressure because customer inventories were sold down after COVID-related demand fell during the last couple of years. In the 4th quarter, the cycle appeared to be showing signs of improvement, but volumes remained weak. In response, throughout the year we consistently added to our position to IMCD for our International Small Cap Fund. We believe it is an opportunity to buy a high-quality business during this challenging period in the chemical industry. We expect the future to be much brighter given the management's excellent track record and the company's ability to generate cashflows and returns, which tend to be resilient in both good and bad economic environments.

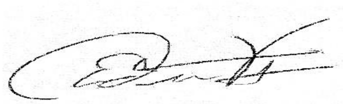
"At the same time the chemical industry will have the potential to triple or quadruple during the next decades, from $3 trillion in 2010 to $14 trillion by 2050. During this transition new companies and industries will flourish, while others will disappear. But certainly, the chemical industry is expected to play a major role in the next industrial revolution, the 'sustainable' one." – Rayfael Cayuela[4]

[4] Rayfael wrote the book, "The Future of the Chemical Industry by 2050". He was global and marketing director at Styron, part of Dow Chemical until 2010.

Business Update

Our increased focus on adding selective partners allowed us to grow recently. We have added one new partner during the 3rd quarter and another that has committed to investment at the end of the year. We also completed our first road show, visiting some wonderful individuals across the country that may have an interest in our funds. Going forward, we will continue building strong relationships with potential partners and we will certainly keep you informed of our progress over the next year. We leave you with our "fish tale" on the next page and look forward to 2025 with you.

Sincerely,



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P.S. For more details, please visit our website at www.el2capital.com. You can access recent quarterly reports and our annual letters. For serious inquiries and/or documents to invest into the International Small Cap Focus Fund or the Global Opportunities Fund please email me at elugo@el2capital.com or text me anytime at 410-258-1452.

Any performance discussed in this letter represents past performance, which does not guarantee future results. Current performance may differ from the figures shown. The Fund's investment return and principal value will change with market conditions.

Not for distribution to the public.

A Fish Story by Li Lu[5]

Mr. Munger and I have a twenty-year friendship. We are both friends and partners. He is both my teacher and my family. Mr. Munger and his family go to a small island in Minnesota (Star Island) every summer for vacation and fishing. Fishing is one of Mr. Munger's favorite activities. My wife, family and I have participated in it every year for the past twenty years. There are about 10,000 lakes in Minnesota, and Star Island is located in the middle of a large lake. But what's interesting is that every time we go fishing, Mr. Munger will take us to different places. First, we have to take a boat out of the island in the middle of the lake, transfer to a truck towing a fishing boat on the shore and then drive an hour to other lakes to fish. The location is different every time. Later I asked him, Charlie, there is such a big lake next to Star Island, why don't you fish directly here? He said, you can try it. I really tried it once, but I found that there were almost no fish in the lake, and it was difficult to catch them. But the small lakes we went to were full of harvests every time. Later, I discovered that every time Mr. Munger went fishing, he didn't know which island to go to beforehand but was led by a fishing guide. His name was Leroy. Two generations of his family had been in the bait business, so he went to different lakes to look for bait all year round. By looking for bait, he knew which lake had fish. The species, growth, season, and location of fish in each lake were different. This was his exclusive knowledge. So many people bought bait from him to find out where there were fish. Mr. Munger asked Leroy to take us every time. I initially thought that there were so many fish in each lake, but the failed experience of Xingdao Lake made me realize that each lake is indeed different. Therefore, Mr. Munger summed up the fifth concept: **Investing is like fishing, you have to fish where there are fish.** He said there are two rules for fishing. The first is to fish where there are fish; the second is, never forget the first rule. For investors, the fifth point is also very important. There are more than 10,000 lakes in Minnesota, but we don't need to fish in the largest lake. The same is true for individual investors, including institutional investors, who don't need to fish in the largest lake. China's GDP is 18 trillion US dollars, with many industries and companies. Some of them are not performing well, but there are also many excellent companies, companies that are not fully understood by everyone, and many companies that are completely mispriced. Investors do not need to understand all companies, do not need to master all macroeconomic parameters, government macro policies, and do not need to accurately predict the situation in the next ten years. The key is to find the "lake" where you can catch fish. So, Mr. Munger said that fishing where there are fish emphasizes the importance of selection. Later, I also noticed that every time I went fishing with Leroy, there was only a group of us in the lake all day, which ensured that we could catch the most and largest fish there. Insufficient competition is a very important reason for mispricing.

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[5] This excerpt is taken from Li Lu's keynote speech on December 7, 2024 at the Columbia University Global Center (Beijing) part of the Value Investment course at Peking University. The speech is titled "Global Value Investment and the Times". The paragraph above is on page 29 of the transcript. This speech will be included in the revised edition of Mr. Li Lu's book "Civilization, Modernization, Value Investment and China". Munger Academy is authorized by Mr. Li Lu to exclusively publish this speech.   A PDF of the full speech in English is in the link below.

https://shared.outlook.inky.com/link?domain=assets-v2.circle.so&t=h.eJxFjUsOgyAUAK9iWLeCj4qflVdBeIgtFQW0Nk3v3rDqdiaZ-ZA9ONIXxKa0xp5SGSOmeD2gVHNQDsvoqbRHCvNpj7CADZvaXs_zDm4RnQZyKcgjBxZMPkwmVQxuHW8ERbdPfkAHSq5zkq5U_kmZGbEFw0bFGY5aczkyqaExTBvBWqBVw0Ul2q6qy6atOTCeD5gPqHMRhre03udaNjqbP_n-ACKeQXc.MEUCIQDtEX3jULo66phwSos3PuE3yfCqoINmQXk_tcKyIQftmgIgcrG1hyMofXwQNb_pQHEaJ3bo9WL7ea52YF7ISQ8ZcPs