INVESTOR CENTER RESEARCH

July-25 Portfolio Update

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Current Portfolio Snapshot

Here's where the model portfolio stands today.

Portfolio Summary	
Portfolio Snapshot Date	July-31 2025
Portfolio Value ($)	103,190
Cash %	79.0%
Invested %	17.9%
Cash ($)	81,480
Portfolio Gain (Ex-Cash)	17.2%
Portfolio Return (Inc-Cash)	3.2%

Name	Ticker	Date Added	Status	Shares	Entry Price	Current Price	Cost Basis ($)	Market Value ($)	Unrealized P&L (%)	Weight %
Evolution AB	EVO/EVVTY	Jun-25	Buying	68	$73.83	$89.9	$5,020	$6,113	22%	5.9%
United Rentals	URI	Jun-25	Holding	7	$698.67	$880.42	$4,891	$6,163	26%	6.0%
Transdigm	TDG	Jun-25	Buying	4	$1414.48	$1620.83	$5,658	$6,483	15%	6.3%
Kaspi.kz	KSPI	Jul-25	Buying	36	$81.98	$81.98	$2,951	$2,951	0%	2.9%
Cash								$81,480		

Figure 1 Portfolio Dashboard as of July 31 2025

Need help decoding the table?
Click here for the Portfolio Glossary, where we break down what each column means.

Portfolio Update

We're pleased with how the portfolio performed in its first month. All three initial positions delivered strong gains, with our deployed capital returning 17.2% versus 6.6% for the S&P 500 and 1.4% for the MSCI World Index.

However, these numbers need context. Our large cash position, held deliberately while we build the portfolio, created a significant drag on overall returns. Including cash, portfolio returns were a more modest 3.2%. This gap will narrow as we deploy capital into fully vetted opportunities over the coming months.

We were fortunate with our timing. These gains came during a strong bull market, and we happened to invest at an opportune moment. It's important to note that we believe anything can happen in the short term, the bull market may continue, or a market shock may roll back our initial gains. But here's what matters more: we believe in the long-term fundamentals of these businesses and the attractive valuations we secured. Short-term market movements, whether up or down, don't change our thesis. While the initial results have been promising, we hope to be judged on our long-term performance.

As always, we're focused on what we can control: finding high-quality companies trading below intrinsic value. The market's daily opinions on the businesses we own are less relevant than their underlying earning power and competitive positions.

Evolution AB – 22% return

Evolution reported Q2 results this month, and the numbers were underwhelming. Revenue growth of just 3.1% year-over-year missed both our expectations and management's. Strip out currency headwinds, and growth was a better 8.8%, but still below the company's historical standards.

EBITDA margins also compressed, falling 2.7 percentage points to 65.8%. This decline stems from Evolution's strategic shift away from lower-cost Georgian studios following last year's protests, forcing the company to use more expensive facilities. The company has launched new studios this year which should improve the cost structure over the medium term.

Two main factors drove the weak results:

1. **European "ring-fencing" measures**
   The UK Gaming Commission recently investigated Evolution after discovering UK players were accessing its games through unlicensed offshore operators. Evolution responded by proactively blocking all European players from these unregulated sites, causing European revenues to drop 5.8% year-over-year.

   This was the right long-term move. Compliance with European regulation protects Evolution's license to operate in its most mature markets. Short-term pain for long-term gain.

2. **Ongoing cybercrime in Asia**
   Third parties continue stealing Evolution's gaming streams and pirating them in Asian markets, meaning Evolution isn't collecting its standard 10% commission on these games. Management claims to have new technology solutions in development, and we're seeing some (very minor) progress: Asian revenue growth improved from 2% in Q1 to 4% in Q2.

   If this piracy issue persists, it represents a significant threat given Asia's growth potential. But early signs suggest the worst may be behind us.

Despite these challenges, Evolution shares gained 22% since our initial purchase. We attribute this to two factors: our entry valuation was attractive, and the market has had time to assess and move past the initial shock of slowing growth.

More importantly, management maintained full-year EBITDA margin guidance of 66-68%. Given Q1 margins of 65.4% and Q2 margins of 65.9%, hitting this target implies stronger H2 performance: exactly what management is forecasting.

Nothing in these results changes our investment thesis. Evolution remains the dominant player in live casino gaming with exceptional margins and a wide competitive moat. The current challenges are temporary and largely self-imposed to ensure regulatory compliance.

We continue viewing Evolution as attractively valued with strong long-term prospects. Sometimes the best opportunities come disguised as temporary setbacks.

TransDigm – 15% return

On June 30, 2025, TransDigm announced the acquisition of Simmonds Precision Products from RTX Corporation's Collins Aerospace unit for $765 million in cash. The transaction will be funded with cash on hand and includes certain tax benefits. Simmonds is expected to generate ~$350 million in revenue in 2025. Importantly, TransDigm management reiterated that this acquisition will generate attractive returns in line with the company's capital allocation framework.

Strategic Fit with TransDigm's Model
Simmonds is a supplier of fuel measurement systems, fuel management systems, and other advanced sensing technologies used in both commercial and military aircraft. The business has roughly 900 employees and primarily sells proprietary, sole-sourced products, the hallmark of TransDigm's M&A strategy. Importantly, approximately 40% of revenue is derived from the aftermarket, a critical driver of TransDigm's recurring, high-margin cash flow base.

The acquisition fits squarely within TransDigm's well-established playbook:

- Proprietary, engineered components embedded in aircraft systems
- Aftermarket exposure with long product lifecycles
- Mission-critical systems where switching suppliers is costly and complex
- Opportunity for operational improvement and margin expansion under TransDigm's "3Ps" framework: Price, Productivity, and Profitable New Business

Capital Allocation and M&A Discipline
This acquisition comes after a period where TransDigm had not announced a large deal and leverage had drifted below its target range of 5x–7x net debt to EBITDA. With this acquisition, TransDigm is deploying capital into an accretive, high-quality asset. It also reaffirms management's discipline, waiting for the right opportunity, rather than forcing a deal to hit an arbitrary target.

Thesis Reinforcement
The Simmonds deal validates the core pillars of the TransDigm thesis laid out in our write-up:

- Aerospace supply base remains fragmented, and TransDigm's acquisition runway remains robust, despite skepticism.
- The company continues to find and acquire niche, defensible businesses with proprietary parts and high aftermarket content.
- TransDigm's capital deployment discipline remains intact, favoring only those acquisitions that meet its strict return thresholds and cultural alignment.

United Rentals – 26% return

Q2 results reaffirm that United Rentals is executing well against a backdrop of uneven macro conditions. With continued pricing discipline, solid Specialty growth, and smart capital returns, URI remains on track to continue to compound value over the long term. We view the business as attractively positioned for long-term compounding. Our investment thesis continues to play out with URI stock +9% after releasing Q2 earnings. Main takeaways from the earnings report include the following:

Capital Discipline Across the Industry
Ashtead (Sunbelt, second largest industry player) recently cut fleet capex, and URI held its own fleet capex guidance steady. This continued capital discipline across the top players supports our view that the rental industry is structurally more rational and less vulnerable to oversupply than in prior cycles.

Specialty Growth Continues
Specialty revenue grew +14% YoY, underscoring the segment's role as a higher-margin, less-cyclical growth engine. This aligns directly with our thesis that Specialty Rentals will continue to drive margin expansion and ROIC uplift over time.

Fleet Productivity Holding Firm
Sequential improvement in fleet productivity (+3.3%) suggests underlying demand remains healthy and pricing is holding steady with no indication of competitive discounting or weakening market dynamics.

Shareholder Returns Remain a Priority

The decision to return the entire cash flow benefit from changes in US tax policy to shareholders through accelerated buybacks highlights the capital discipline embedded in URI's DNA. It reflects management's ongoing commitment to value-accretive capital allocation, a core pillar of our investment case.

Stock spotlight: why we're buying

Kaspi.kz

Kaspi.kz is Kazakhstan's dominant digital ecosystem, operating a super-app that has become essential infrastructure for the country's 20 million citizens. The company commands 77% of e-commerce market share, processes 78% of payment network transactions, and serves 14.7 million monthly active users (~75% of the population) through an integrated platform combining marketplace, payments, and fintech services. Its competitive advantages stem from three reinforcing pillars: (1) structural cost advantages from proprietary payments infrastructure that eliminates third-party fees and enables profitable operation at price points that would generate losses for competitors; (2) deep ecosystem lock-in where users average 75 monthly transactions across multiple services, creating prohibitive switching costs; and (3) superior data insights from processing 3,600+ data points per user, enabling credit underwriting with just 2.1% cost-of-risk versus 3%+ for peers. These advantages have enabled Kaspi to generate 4-year average ROE and net income margins of 105% and 44.6% respectively and 4-year Revenue and Net Income CAGRs of 43% and 41% respectively.

With users engaging with only 2-3 services despite dozens available, significant cross-sell opportunities remain, evidenced by 70% ARPU growth over two years. The recent $1.2 billion acquisition of Turkey's Hepsiburada provides optionality to replicate this model in a market 4x larger. Yet despite strong ROE, 20%+ annual earnings growth, and 75% EBIT margins, Kaspi trades at just 8.2x earnings: a fraction of comparable platforms like Nu Holdings (29x) or MercadoLibre (58x). Management is heavily aligned with 50%+ insider ownership, and the company maintains attractive capital returns through dividends yielding 6-8%. We're initiating a ~3% position and may add if the discount to intrinsic value widens. We've chosen to size this position smaller than our other allocations (on a cost-basis) due to the risks tied to operating in Kazakhstan and Turkey.

Read the full deep dive

We encourage you to read the full research report on Kaspi.kz by clicking this link.

If you haven't set up your member account yet, you can create your password here.

Portfolio Risk Lens

While we build the portfolio deliberately, risk management is already front of mind. With only 18% of capital deployed, our exposure is limited, but the quality and nature of our early positions still matter.

Here are the key risks we're watching across our first four holdings:

- **Macro & rate sensitivity**
  All four companies rely, in different ways, on robust economic activity. A sharp slowdown, or a sustained rise in real interest rates, could weigh on both earnings and valuations. TransDigm's high leverage and Kaspi's lending and payments exposure make this especially relevant.

- **Regulatory overhangs (diversified but present)**
  All four businesses operate in environments that can shift suddenly with policy changes. Although these risks all fall under the regulatory umbrella, they are highly diversified; each company interacts with different regulatory bodies across different jurisdictions, reducing the risk of a single point of failure.

- **Capital allocation execution**
  Each company leans heavily on disciplined reinvestment. Evolution by launching new games, TransDigm by acquiring niche suppliers, and URI by managing capex cycles and Kaspi by launching new verticals. Success depends on staying sharp and avoiding missteps. That said, the management teams at all three businesses have track records of highly effective capital allocation and are well-aligned with shareholders.

- **Currency Risk**
  While the majority of our capital is invested in US business, we are exposed to currencies underperforming the US dollar. Evolution has global operations and takes payment in many currencies. 97% of Kaspi's business is generated in the volatile Kazakh Tenge.

- **Cash drag & currency debasement**
  With a significant portion of the portfolio still in cash, the largest short-term risk is inflation and currency debasement. While cash gives us flexibility and downside protection, it also means we're exposed to the slow erosion of purchasing power until more capital is deployed into productive, high-quality assets. Since we expect to be more than 70% deployed into stocks within the next 11 months, we don't expect this risk to cause a major issue. We view high-margin compounders as the best hedge once deployed.

As always, we're focused on long-term, fundamental risks, not short-term market noise. You can expect us to revisit and reframe our thinking around risk in every monthly update.

Watchlist: What We're Researching Next

In addition to the companies already in the portfolio, we maintain a live watchlist of the names we're most excited about and actively researching. These are businesses we may add to the model portfolio, pending valuation and completion of our deep-dive process.

Here's what's on our radar right now:

- **Coupang (CPNG)**
  The Amazon of South Korea, but with faster delivery and growing optionality across fintech, advertising, and international expansion.
- **Ingersoll Rand (IR)**
  A high-quality industrial platform benefiting from secular tailwinds in sustainability, automation, and mission-critical air systems.
- **Rollins (ROL)**
  The quiet compounder of pest control, with steady pricing power, recurring revenue, and a history of smart M&A.

These aren't the only names we're researching, and not all of them will make it into the portfolio, but they represent the kind of businesses we want to own: durable, capital-efficient, and compounding machines.

Report Cadence Moving Forward

Please expect a new portfolio update and deep dive report in the last week of every month.

We'd Love Your Feedback

As a founding member, your input is incredibly valuable. We're still shaping Investor Center Research, and you have a front-row seat.

If you have 2-3 minutes, we'd love to hear:

- What part of this update did you find most useful?
- Is there anything you'd like to see more (or less) of next time?

Just click this link to input your answers. We read every response.

Keep compounding,

Team Investor Center