

Aug-25 Portfolio Update

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Current Portfolio Snapshot

Here's where the model portfolio stands today.

Portfolio Summary										
Portfolio Snapshot Date	August-2025									
Portfolio Value (\$)	102,936									
Cash %	79.1%									
Invested %	18.1%									
Cash (\$)	81,418									
Portfolio Gain (Ex-Cash)	15.8%									
Portfolio Return (Inc-Cash)	2.9%									

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	\$86.5	\$5,020	\$5,882	17%	5.7%
United Rentals	URI	Jun-25	Holding	7	\$698.67	\$952.34	\$4,891	\$6,666	36%	6.5%
Transdigm	TDG	Jun-25	Buying	4	\$1414.48	\$1399.00	\$5,658	\$5,596	-1%	5.4%
Kaspi.kz	KSPI	Jul-25	Buying	36	\$83.68	\$93.7	\$3,012	\$3,373	12%	3.3%
Cash								\$81,418		

Figure 1 Portfolio Dashboard as of August 29, 2025

Need help decoding the table?

[Click here for the Portfolio Glossary](#), where we break down what each column means.

Portfolio Update

Our portfolio remains flat month-on-month but continues to deliver strong returns since inception. Excluding cash, we're up 15.8% versus 6.2% for the MSCI World Index and 7.9% for the S&P 500. Behind this seemingly flat month lies significant movement: strong gains from Kaspi and United Rentals offset by TransDigm's decline. Details follow below.

Stock returns rarely move in straight lines. They typically drift sideways for extended periods, then surge or plunge suddenly. DataTrek Research found that just 9 days generated all of 2024's stock market gains, a reminder why patient, fully-invested positioning matters. As long-term investors, we focus on business fundamentals rather than short-term price swings. Still, we're pleased to see our invested capital doubling the S&P 500's return.

This month we tried something different. After numerous subscriber requests, we analyzed the "cult stock" Copart. Our extensive research revealed that Copart's supposedly indestructible moat is weaker than it appears. Since many subscribers own or are considering Copart, we're sharing our bearish analysis to inform your own decision-making. Given our negative conclusion, we didn't add a position.

For those eager to see new portfolio additions, we've already identified September's new position. Stay tuned.

Now for individual company updates.

Evolution AB – 17% return

Evolution's share price is down 4.7% this month, driven by newly public court documents. Black Cube, a private intelligence agency working for an unnamed client (likely a competitor), submitted these documents defending their explosive 2021 report that accused Evolution of operating in sanctioned markets like China and Iran. That report triggered regulatory probes in New Jersey and Pennsylvania (both closed without action, suggesting Evolution wasn't at fault).

Black Cube's new filing includes secretly recorded videos of Evolution employees discussing operations in prohibited jurisdictions. Evolution dismisses this as recycled allegations, stating they've "run through every data point" and the claims have been "proven false and dismissed in court."

Investor Center Research reviewed the 978-page affidavit. While it suggests Evolution knows its customers' customers operate in black markets, it's not smoking-gun proof. The strongest evidence, secretly recorded interviews with senior executives like Kfir Kugle (Commercial Director for Africa/Latin America), has limitations. Some testimony is hearsay, some comes from former employees describing potentially outdated practices, and without full context, it's hard to assess credibility. Still, there's substantial evidence these practices occur.

Here's how it allegedly works: Evolution doesn't touch end users directly. Games reach black markets through aggregators like SoftGamings or Coingaming, who provide complete gambling infrastructure to offshore casino operators who target black markets. This buffer lets Evolution avoid direct regulatory exposure in illegal markets. Evolution supplies aggregators, who supply operators, who serve prohibited markets.

Two key risks emerge if the allegations are true. First, penalties from regulated markets (fines, license revocations). This seems unlikely: US regulators already investigated and cleared Evolution in 2021. Why? Regulators care most about their own jurisdictions, and Evolution blocks access in illegal US states while taking measures against European offshore access. Plus, legal liability typically falls on players and operators, not suppliers two steps removed.

The second risk is that authorities in black markets could block access entirely. This would kill revenues from those markets and hurt Asian growth prospects. The affidavit suggests Hong Kong and Singapore represent 4-8% of global revenues, South Korea perhaps another 3-5%. Mainland China appears less significant due to existing internet restrictions placed on its citizens via the Great Fire Wall of China. While the total exposure is unknown, our best guess it amounts to roughly 10-20% of global revenues. Even losing all simultaneously (which is unlikely given that it's diversified across multiple jurisdictions), Evolution would likely recover within two to three years through growth elsewhere. (Although if this did happen, the multiple would likely compress further, causing more downward pressure on the share price). Moreover, blocking access would require China-style internet restrictions, which would be a politically difficult move that would anger citizens, given the collateral damage. Given the technical challenges and diversified, limited exposure, the risk seems manageable.

This report may pressure Evolution's multiple near-term, but we believe it's unlikely to meaningfully impact long-term EPS compounding in the base case scenario. Once the market grasps this, we could see multiple expansion.

TransDigm – (1)% return

TDG stock was down ~13% in the month of August as the market reacted negatively to TDG's recent quarterly results. TDG reported EBITDA that was below consensus expectations due to a larger-than-expected slowdown in Commercial Aftermarket. For context, TDG has beat EBITDA for 35 of the last 38 quarters, including the past 13 quarters in a row.

As background, the majority of TDG's products are in the components and airframe of a commercial plane. As part of TDG's strategy, they tend to avoid selling products related to the engine of a plane. Engine parts tend to be high dollar and represent the largest bucket of the cost associated with maintaining a commercial plane. As a result, engine parts are more susceptible to PMA competition and customers have more price sensitivity. Recently, growth in engine related sales in Commercial Aftermarket have outpaced that of components and airframe. This has caused TDG's growth to be less than that of its peers that have more engine exposure, such as General Electric and Howmet.

We continue to view TDG as a strong operator with a best-in-class portfolio of Aerospace and Defense businesses. We view the sell off as overdone and disconnected to the underlying fundamentals of the business. The company continues to follow its capital allocation strategy, announcing a \$90 per share special dividend paid to shareholders in September. Even with this large special dividend, we estimate that TDG remains capable of continued meaningful acquisitions. Put simply, the TDG playbook of attractive organic growth through the cycle, combined with returns focused capital allocation (M&A, sizable special dividends, and repurchases) means intact.

United Rentals – 36% return

United Rentals stock price increased ~9% in August as the market became more excited about potential lower interest rates in the United States. United Rentals is highly exposed to US construction, which is sensitive to interest rates. Cheaper financing makes it easier for contractors, builders, and industrial companies to fund new projects. Lower rates reduce the cost of borrowing for customers investing in construction, infrastructure, and expansion, which tends to increase equipment rental demand. More project starts and higher utilization of URI's fleet translate into stronger revenue and earnings for the company.

Kaspi.kz – 12% return

Kaspi reported Q2-25 earnings shortly after we added it to the portfolio. Revenue and net income grew 20% and 14% YoY respectively; impressive in absolute terms, though net income growth fell short of Kaspi's typical pace due to two factors.

First, Kazakhstan's central bank rate sits at 16.5%, well above the 9.25% long-term average. This squeeze hits Kaspi's FinTech division, which must offer competitive deposit rates to attract savers. The result: FinTech net income grew just 8% YoY. There's a silver lining, though: term deposits surged 207% YoY. These new savers typically become embedded in Kaspi's ecosystem and spend more on other services over time, fueling future growth.

Second, new smartphone registration requirements in Kazakhstan temporarily disrupted sales (down 17% YoY). Since smartphones represent 18% of marketplace GMV, this dragged on the vertical's growth. Management expects the disruption to clear by H2-25. Excluding smartphones, Marketplace GMV grew a healthy 31% YoY.

The quarter had bright spots. Payments delivered strong operational leverage with net income growth outpacing revenue growth. Kaspi launched a new restaurant payments product and plans to roll out adjacent restaurant services gradually: validating our thesis that ARPU growth through complementary product expansion will drive returns. Eventually, Kaspi could offer a full suite of restaurant business tools that boost transactions per user profitably.

Marketplace revenue also significantly outpaced GMV growth, driven by higher-margin services like Kaspi Delivery and Advertising where the company commands premium take rates. This is a promising sign, demonstrating that Kaspi is getting more efficient at monetizing its platform over time.

Kaspi's expansion into Turkey showed momentum after Q1's retail disruptions. Hepsiburada (Kaspi's Turkish acquisition) returned to growth with 7% YoY purchase increases in Q2 versus Q1 declines. GMV grew 16%, revenue 23%, and EBITDA 42%. The outsized EBITDA growth signals Kaspi is rapidly applying its high-margin playbook to turn the narrowly loss-making business profitable, though meaningful results will take years.

Stock spotlight: why we're passing on Copart

Copart operates the leading online salvage vehicle auction platform, commanding ~70% market share through its network of 205 owned yards and proprietary digital marketplace connecting insurers with 800,000+ global buyers. The business generates exceptional economics, 60-70% EBIT margins on minimal capital requirements, and has historically compounded earnings at 20%+ annually. The consensus view celebrates Copart's supposedly insurmountable competitive advantages: (1) an irreplaceable yard footprint providing superior proximity to accident sites; (2) unmatched operational performance delivering 100+ basis points better net yields for insurers; and (3) deep network effects from its dominant scale creating a self-reinforcing moat.

Our extensive research challenges each pillar of this thesis. First, our geographic analysis of 450 simulated crash sites across 15 major metros found IAA (a competitor) was actually closer 54% of the time, with IAA offering comparable or superior coverage in 221 of 250 MSAs. Second, operational gaps are narrowing rapidly. The former SVP of Claims at GEICO (the second largest auto-insurer in the US) confirmed the net yield advantage has compressed from 100bps to negligible levels as IAA closes performance gaps. Third, Copart's concentration creates vulnerability rather than strength: State Farm and Progressive (where Copart has minority share) represent 35% of industry volume and are growing faster than peers, while Copart's 87% share among the remaining 23 top insurers leaves only downside. A modest 5-point share shift would impair earnings by ~10%, yet the stock trades at 30x earnings, pricing in perfection.

The asymmetry is particularly concerning given IAA's improving execution under new ownership. After years of underinvestment during private equity ownership, IAA has closed operational gaps in cycle times and disaster response that previously drove share losses. With sufficient yard

capacity (4,849 acres plus Ritchie Bros facilities) to absorb incremental volume and the ability to waive seller fees entirely while maintaining profitability through buyer fees, IAA has multiple levers to compete for insurer contracts. Meanwhile, industry volume growth is decelerating to just 1-2% annually as total loss rates approach natural ceilings.

At 30x earnings versus IAA at 15x, Copart is priced for sustained high-teens growth despite mature industry dynamics and concentrated customer risk. While Copart remains a high-quality operator, the risk/reward is unfavorable: modest upside if everything goes perfectly versus material downside if share shifts even slightly. We prefer to wait for a more attractive entry point where the margin of safety compensates for these structural risks.

Read the full deep dive

We encourage you to read the full research report on Copart 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. Heightened interest rates in Kazakhstan are weighing on Kaspi's net income growth while the prospect of lower rates in the USA is driving positive sentiment on United Rentals.
- **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. Regulatory and legal risks are driving negative sentiment towards Evolution stock.
- **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 10 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.

- **Prosus (PRX)**

A Dutch holding company with deep exposure to Tencent and high-growth technology companies around the world. The company trades at a significant discount to NAV and has developed an effective capital allocation strategy.

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.

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