

Investment Review – 2025 Year-to-Date as of July 31, 2025

August 12, 2025

To the clients of Mittleman Value Partners:

Our representative account gained 21% net of fees YTD through 7/31/25, vs. 8.6% for the S&P 500, 11.9% for the MSCI ACWI, and -0.1% for the Russell 2000; all total returns. After a weak Q1 (-4.14%), we outperformed in Q2 (+23.75%) and added another 2% in July. Our low point YTD was -15% on the Apr. 8th market low of the tariff tantrum, around which time new buys were made as shown below.

Mittleman Value Partners - 2025 YTD performance (as of 7/31/25) for each holding in representative account during 2025 (new holdings highlighted):						
Symbol	Issuer/Security name	USD Price on 12/31/24	Weighting on 12/31/24	USD Price on 7/31/25	Return YTD 7/31/25	Weighting on 7/31/25
AIM CN	Aimia Inc. (Canada)	\$1.84	11.64%	\$2.20	19.7%	11.50%
GRFS	Grifols SA ADR (Spain)	\$7.44	9.44%	\$10.70	43.8%	11.19%
AMA AU	AMA Group Ltd. (Australia)	\$0.0346	7.33%	\$0.0592	70.9%	10.21%
FMS	Fresenius Medical Care AG ADR	\$22.64	2.87%	\$25.34	15.1%	8.83%
NFI CN	NFI Group Inc. (Canada)	\$9.73	4.12%	\$13.79	41.8%	7.22%
CGX CN	Cineplex Inc. (Canada)	\$8.48	7.17%	\$8.03	-5.3%	5.61%
BAYRY	Bayer AG ADR (Germany)	\$4.88	2.06%	\$7.74	59.4%	5.40%
BRSL *	Brightstar Lottery (formerly IGT)	\$17.66	5.60%	\$14.84	3.7%	5.17%
BELFB	Bel Fuse Inc. Cl B	\$82.74	2.62%	\$130.04	58.1%	3.40%
VTIS	Viatis Inc.	\$12.45	3.68%	\$8.74	-27.9%	3.05%
MAT	Mattel Inc.	bot Q2-Q3 cost \$16.30	n/a	\$17.01	4.4%	2.96%
WLN FP	Worldline SA (France)	bought Q2 cost \$3.43	n/a	\$3.66	6.7%	2.56%
VYX	NCR Voyix Corp.	\$13.84	2.93%	\$13.62	-1.6%	2.37%
8715 JP	Anicom Holdings Inc. (Japan)	bought Q2 cost \$3.88	n/a	\$5.20	34.0%	2.35%
1 HK	CK Hutchison Holdings Inc. (HK)	bought Q1 cost \$5.86	n/a	\$6.55	16.4%	2.28%
NEXN	Nexxen International Ltd. (Israel)	\$10.02	4.32%	\$10.28	2.6%	2.15%
HAI CN	Haivision Systems Inc. (Canada)	\$3.59	2.58%	\$3.60	0.3%	2.13%
BABA	Alibaba Group ADR (China)	\$84.79	2.51%	\$120.63	44.7%	2.10%
7270 JP	Subaru Corp. (Japan)	bought Q1 cost \$19.55	n/a	\$18.40	-2.6%	1.93%
ET CN	Evertz Technologies (Canada)	\$8.76	1.85%	\$8.70	2.8%	1.52%
ABSP PM	ABS-CBN Holdings Corp. PDR	\$0.066	1.39%	\$0.070	6.1%	1.23%
AZTECACP MM **	TV Azteca (Mexico)	\$0.0240	0.51%	\$0.027	10.8%	0.46%
468 HK	Greatview Aseptic Packaging Ltd.	\$0.335	25.5%	sold Q1 at \$0.338	0.9%	0.00%
PERI	Perion Network Ltd.	\$8.47	1.58%	sold Q3 at \$10.80	27.5%	0.00%
PUM GR	Puma SE (Germany)	bought Q1 cost \$26.12	(at cost) 2.85%	sold Q3 at \$23.30	-10.8%	0.00%
CASH	Cash		0.46%			4.37%
			MVP REP ACCT ***	YTD TR 07-31-2025 =	20.97% ***	
				S&P 500	8.58%	
				R2000	-0.09%	
				MSCI ACWI	11.86%	
* (Brightstar Lottery (formerly IGT) positive return due to \$3.40 per share in cash dividends YTD as of 7/31/25)						
** (AZTECACP MM trading suspended as of 06-01-23, local price as of 05-31-23 with only FX as variable)						
*** (MVP REP ACCT is actual account representing over 75% of AUM, estimated performance net of fees)						
*** (MVP REP ACCT is large institutional account which pays lower mgmt. fee than average client account)						
*** (your results may differ substantially from MVP REP ACCT, refer to statements from broker/custodian)						

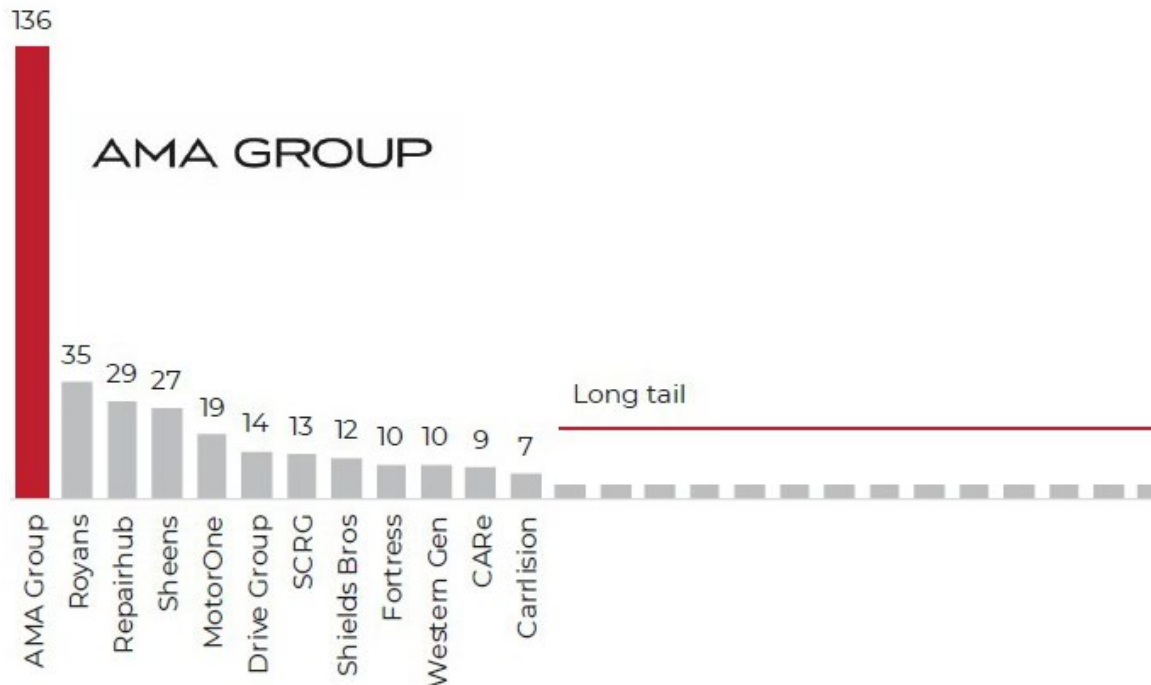
Global value strategies such as ours (77% of portfolio is non-U.S.) got a much-needed boost this year, notably from a weaker US Dollar. But in our concentrated portfolio, idiosyncratic factors are ultimately the most impactful. For example, global healthcare stocks as a sector performed poorly in 2025 with negative returns YTD, yet our four healthcare stocks (**Grifols**, **Fresenius Medical**, **Bayer**, and **Viatis**), which are now 28.5% of the portfolio, gained substantially as a group (nearly 5% pts. of contribution), despite one of the four (Viatis) declining sharply.

The major U.S. small-cap indices were also negative YTD 2025 through 7/31, but global small caps did better with the MSCI World Small Cap Index +9%. We own mostly small caps (median mkt. cap. \$1.6B), but also some large caps like **Alibaba** (\$288B), **Bayer** (\$30B), and recent addition **CK Hutchison** (\$25B).

Small cap **AMA Group Ltd.** (ASX: AMA, A\$0.092, US\$0.0592) was our biggest performance contributor YTD through 7/31/25, gaining 70.9% in USD terms (+64.3% in AUD); more than 5 percentage points of contribution. The ASX 200 Index was +9.5% in AUD, and the ASX Small Ordinaries Index was +9.7%.

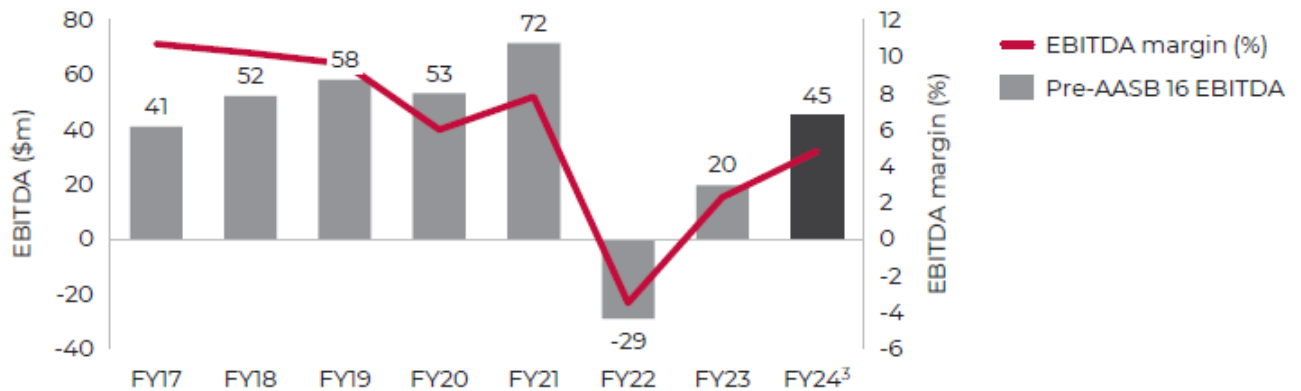
AMA Group is by far the largest collision repair chain in Australia and New Zealand, and until recently, one of the worst investments I've ever made. Buying more on an equity raise at A\$0.042 in July 2024 helped repair some of the damage with the stock now at A\$0.092, but it's still far below fair value. The balance sheet has been de-risked (net debt/EBITDA <1), and the stock is still cheap at 7x EBITDA, while Boyd Group (TSX: BYD, C\$192), at similarly low EBITDA margin but 2.8x net debt/EBITDA, is 12x EBITDA.

Number of Collision Repair Sites by Operator (Australia and New Zealand)



(source: AMA's capital raise presentation July 18, 2024)

When I first bought AMA shares roughly 4.5 years ago at vastly higher prices, my thesis was partly that the business would reclaim its pre-COVID EBITDA margin of 10%, but I misjudged the amount of time it would take to do so, and the depths of the downturn to be endured in the interim, and the immense (relative to AMA's size) amount of equity they would need to raise to get through it. I got it all wrong.



(source: AMA's capital raise presentation July 18, 2024)

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But recent results have been encouraging, and the stock price has more than doubled from the equity offering at A\$0.042 in July 2024. An update that AMA provided on May 1, 2025, saw midpoint EBITDA of A\$60M for their fiscal year ending June 30, 2025 (vs. A\$45M in FY2024), which would still be only a 6.3% EBITDA margin on consensus sales estimate of A\$943M, but substantial (+33%) progress. Also, in that May 1st update AMA stated that the pre-COVID EBITDA margin of 10% is expected to be reached “in the forthcoming years.” I expect updated guidance with the release of FY2025 results on Aug. 22nd.

If the consensus estimate for FY 2026 of A\$72M (7.3% EBITDA margin, pre-AASB 16) is confirmed, then fair value is likely about 10x that still depressed EBITDA which would be a stock price of A\$0.14, which is 52% above AMA’s current level and that value should grow at a satisfying rate over the years to come as margins continue to normalize and acquisitions resume in the still highly fragmented industry.

Aimia Inc. (TSX: AIM, C\$3.04, US\$2.20) was up 19.7% YTD through 7/31/25 in USD terms (+15% in CAD, vs. TSX +12%). After three consecutive calendar years of declines (a cumulative loss of -53% in USD terms from 12/31/21 to 12/31/24), credit for this turnaround appears largely due to Rhys Summerton.

Rhys is the founder and Fund Manager of Milkwood Capital, a UK-based value-oriented investment firm (www.milkwoodcapital.com). Rhys often gets involved as an activist investor, and when he does, good things usually happen to the stock, as has been the case with Aimia, his largest project thus far.

Rhys joined the board of one of our other holdings, ad-tech firm **Nexxen Ltd.** (formerly Tremor Int’l) (NASDAQ: NEXN, \$10.28) on 12/27/23 when the stock was down significantly at \$5.17. Rhys was instrumental in getting that firm to implement an ongoing buyback of its clearly undervalued shares, and NEXN has gained about 100% since then, and still trades at less than 5x TTM EBITDA of \$102M.

He became even more involved with a technology solutions company based in South Africa, **iOCO Ltd.** (SJ: IOC, ZAR 419) that we sadly have not owned, as the share price has risen 2.8x since the ZAR 151 price at which it closed on 5/30/24, the day Rhys became a director. And the shares are up over 100% from ZAR 213 on 2/13/25 when Rhys became Co-CEO of that company.

Rhys became a director of Aimia on 1/28/25 and became Executive Chair on 3/27/25. Over the past few months Rhys’ Milkwood fund has massively increased its investment in Aimia, acquiring just over 11% of the shares outstanding, almost all of which was purchased in private block trades at C\$3.10 per share, which was then a significant premium to the market price. Rhys is a major investor in his fund. The 10.18M shares owned by Milkwood at cost of nearly C\$3.10 per share is a C\$31.6M investment which I believe makes Aimia the largest holding of Milkwood Capital. As Aimia is the largest holding of Mittleman Value Partners as well, I find Milkwood’s level of involvement to be encouraging.

Rhys has overseen a reduction in the size of Aimia’s Board, from 9 directors to a much more suitable 5, a further reduction in holdco costs to <C\$11M, and an acceleration in share buybacks at lower prices. Aimia bought back a total of 3.2M shares at C\$2.80 during the three months of May, June, and July. Since 5/28/24, the share count has been reduced from 99,679,614 to 91,064,985 on 7/31/25, an 8.62M share reduction which mitigates the dilutive effect of Aimia’s prior management having unfathomably issued 5M shares at C\$2.50 per share in May 2024 and 10.475M shares at C\$3.10 in October 2023.

I see Aimia’s NAV per share at C\$5.00 (C\$450M) and growing, with Bozzetto (specialty chemicals, Italy) at 8x EBITDA (TTM C\$60M) and Cortland (ropes & nets, India) likely worth 9x EBITDA (TTM C\$21M).

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In our ongoing dialectic between fixity and change, eight new positions joined the portfolio during 2024 (**Grifols**, **Fresenius Medical**, **Alibaba**, **Bel Fuse**, **NCR Voyix**, **Haivision Systems**, **Evertz Tech.**, and **Perion Network**), and I've described my investment thesis for each of those in prior letters. In 2025 YTD we added another six new holdings as highlighted on page 1 (**Mattel Inc.**, **Worldline SA**, **Anicom**, **CK Hutchison**, **Subaru Corp.**, and **Puma SE**). I will summarize the rationale for those new buys below. In 2025 YTD, three names have exited the portfolio, **Greatview Aseptic Packaging**, **Perion**, and **Puma**.

Adding a net 12 new names over the past 19 months totaling 44% of portfolio value at current weightings is an unusually high rate of change vs. our history. That was due in part to the cash freed up when **Greatview Aseptic** (a 25% weighting) was sold in early Q1 2025 just before its buyout closed, and also enabled by accommodating bouts of broadly lower market prices in late 2023 and early 2025.

Only one of 2024 new entrants failed to generate a positive total return through 7/31/25, ad-tech firm **Perion Network Ltd.** (NASDAQ: PERI), which we sold at \$10.80 on 7/30/25, a loss of 5% versus cost basis of \$11.41 from Q2 2024. My top reason for selling is that the legacy business seems to be shrinking more quickly than the newer high growth business lines (now 53% of sales) are growing, and they spent \$65M of their \$359M in cash on an acquisition of an "AI-powered media buying platform" where the valuation metrics were undisclosed. Also, the exposure in ad-tech we had with Perion was always a bit redundant to our ad-tech exposure with Nexxen (Perion's HQ neighbor in Tel Aviv), and I've come to view Nexxen as a better quality business group with better assets and less risky prospects. The PERI position was a 2.5% weighting at cost, so the 5% loss inflicted minor damage.

The biggest contributor from that 2024 batch of new buys has been **Grifols ADR** (NASDAQ: GRFS), bought throughout 2024 for average cost of \$7.11 and a 9.4% weighting when it closed 12/31/24 at \$7.44. As of 7/31/25 it's at \$10.70, up just over 50% on our cost. As related in my letter of 9/8/2024, Grifols is the #2 player globally in biological products derived from human blood plasma, which I then estimated was worth no less than \$13 per ADR, a fair value target that should grow a lot, soon.

We bought the stock during a panic created by a short seller report which argued that the shares were worth \$0. Later in 2024, Grifols considered an MBO (Management Buyout Out) led by **Brookfield Asset Management** at a low-ball price which would have valued the equity at only €6.45B. The board, under pressure from activist shareholders, wisely rejected that bid. Now the stock is valued at €7.9B, 15.8x the €500M in free cash flow expected for 2026. But FCF should double to €1B by 2028 on cost savings, lower interest expense from deleveraging, and reduced cap-ex. If that transpires, I expect the stock price of Grifols to more than double the current price of \$10.70 over the next 2 or 3 years.

The second largest contributor from the new buys of 2024 was **Bel Fuse Inc.** (NASDAQ: BELFB, \$130.04) which we first bought at \$50.27 in February 2024 on a day when the stock was off nearly 30% on a disappointing quarterly earnings report. More recently on July 24, 2025, the company reported better than expected earnings and the stock is up 30% in the two weeks since. As I described in my letter of 9/8/2024 which introduced the Bel Fuse thesis, I had been watching it since 1992, so I am glad that waiting 32 years to finally buy it did result in a satisfying outcome, with the stock up 2.6x in 1.5 years.

I initially saw fair value at \$87.50 using 11x EBITDA of \$100M and 16x FCF of \$70M and sold some on the way up. Mostly due to an acquisition, est. EBITDA in 2026 is now \$143M with FCF at \$75M. BELFB is now at 13.3x EBITDA and 21.5x FCF, more in line with its larger peers, Littelfuse and TE Connectivity, so it now seems fairly valued. With more compelling ideas in view, we sold it on 8/11 around \$130.00.

New holdings: The largest of our new positions is a 3% weighting in toy company **Mattel Inc.** (NASDAQ: MAT, \$17.01). The buys were made in Q2 and Q3 at average cost of \$16.30 as the stock was sold off on concerns about tariffs which is understandable given Mattel still sources a lot from China. But the tariff impact, which Mattel estimated recently at \$100M, is surmountable (1.8% of roughly \$5.5B in annual sales), via cost savings, a continued shift in sourcing away from China, and price increases. Roughly 45% of their products sell for \$20 or less, so the price increases should be tolerable. 56% of sales are from North America, and 44% from the rest of the world, led by EMEA 25%, Latin America 12%, and Asia Pacific 7%. Shares outstanding declined from 354.4M in 2022 to 322.2M today.

Mattel's Chairman and CEO, Israeli-American Ynon Kreiz, has achieved large gains in profitability in the seven years since he took the helm in 2018. Gross margin was 36.9% in 2017 (on Toys "R" Us chp. 11) and is now 51.4% TTM. He has led Mattel to monetize its IP via movies, starting with box office hit live-action *Barbie* released in 2023, and *Masters of the Universe* (He-Man & Skeletor, etc.) and *Matchbox* (relating to the die-cast toy cars) movies both due out in 2026. Also, a movie based on the *Hot Wheels* toy cars is in development, with director Jon M. Chu (*Wicked*, *Crazy Rich Asians*) attached.

A risk with Mattel is that over 50% of its sales are from just two groups of product lines, with *Wheels* (*Hot Wheels*, *Matchbox*) at 28%, and *Barbie* (dolls, houses, etc.) at 20% of gross sales. *Fisher-Price* is 10% of sales, and a broad "other" category including *American Girl* and *Thomas & Friends* is 42%. Mattel has been innovating and iterating to grow. There will likely be *Barbie* sequel at some point. Mattel's recent deal with F1 (Formula 1 racing is growing fast) is boosting the *Hot Wheels* segment: <https://www.formula1.com/en/latest/article/formula-1-announces-new-multi-year-partnership-with-hot-wheels.7yBhBIS17Bmt8hxLfVxqE2>

Mattel should produce about \$5.5B in sales this year, \$900M in EBITDA (after lease expense), and \$500M in free cash flow. Net debt (excluding leases) of \$1.5B is only 1.6x EBITDA. I estimate fair value is no less than 10x EBITDA and 15x FCF which would be \$23.28 per share (+43% from our \$16.30 cost). The consensus of 14 analysts according to Bloomberg is a \$24.57 per share target price for MAT.

A somewhat comparable company to Mattel, **Hasbro** (NASDAQ: HAS, \$75.16), trades at 11x EBITDA and 21x FCF but that's not an ideal comparison as Hasbro is a much higher margin business than Mattel (72% gross margin for HAS vs. 50% for MAT, and 27% EBITDA margin for HAS vs. 16% for MAT) due to Hasbro's high-margin digital games business (37% of sales). But then again, HAS offered to buy MAT as recently as 2017, and margins improved at Mattel during the current CEO's 7-year tenure. Tariffs will be a set-back in 2025, but the trend up in margins should resume in 2026 with major upside achievable as they continue to transition from a manufacturing business to a capital-light IP licensing business.

An ideal analogy for Mattel is **Marvel Entertainment** (formerly NYSE: MRV) which was shifting from comic books and toys when it released its first movie, *Iron Man*, in 2008 which was a big hit. Then Disney bought the company a year later in 2009 for about \$4B which was 13x EBITDA and 23x FCF.

Before becoming Mattel's CEO in 2018, Ynon Kreiz was CEO of Maker Studios (short-form videos on YouTube) which was bought by Disney in 2014 for \$500M upfront and then received another \$200M in earn-out payments over the ensuing two years, and Maker Studios was supposedly unprofitable when the deal was made. So, if Mattel were to be sold, as was rumored a year ago, and in 2022, and in 2017 (<https://www.reuters.com/markets/deals/buyout-firm-l-catterton-approaches-mattel-with-acquisition-offer-sources-say-2024-07-22/>), (<https://www.pymnts.com/news/retail/2017/mattel-turns-down-hasbro-acquisition-offer/>), I'd expect Mr. Kreiz to get a good price. He owns 1.47M shares worth \$25M at current price of \$17.01.

The 2nd largest new position purchased in 2025 was a 2.6% weighting in French company **Worldline SA** (EPA: WLN, €3.20, \$3.66), one of the largest payment service providers in the world, and likely the largest in Europe. Worldline had just over €4.6B in gross sales in 2024 in countries including Germany €814M, Switzerland €555M, France €554M, Netherlands €464M, and Belgium €464M among others. Worldline did about €3.7B in net sales in 2024, which is how their peers report sales, net after fees.

Nexi SpA (IM: NEXI) is the 2nd largest in Europe with €3.5B in net sales in 2024, with 58% from Italy. **Global Payments** is the next largest with €1.6B in sales in 2024 from Europe, although that will increase substantially now that Global Payments has recently acquired **Worldpay** from **FIS** (Fidelity National Services) for \$22.7B (11x EBITDA of \$2.07B pre-synergies, 8.5x after synergies), a big mark down from the \$41B (23x EBITDA of \$1.77B) that FIS paid for Worldpay when it bought out the then public company in 2019. By comparison, Worldline appears to be trading around 5x EBITDA now.

Most payment firms have declined in valuation over the past 4 years. **Fiserv Inc.** (NYSE: FI, \$139) is down 42% from all time high of \$239, **Fidelity National Information Services** (NYSE: FIS, \$79) is down 50% from all the high of \$158, and **Global Payments** (NYSE: GPN, \$80) is down 64% from all time high of \$221. That was mostly due to those stocks having been too high during an M&A frenzy.

Worldline has suffered most among the majors, from a peak of €85 in 2021 to €3.20 now, a 96% decline, and for good reasons. It was a roll-up of disparate operators around Europe that was never fully integrated. Despite net sales being up from €2.9B in 2021 to €3.7B in 2024, EBITDA dropped from €918M to €773M over that same period. Worldline's EBITDA margin is only 23%, versus industry peers at 40% to 50%. While that shows how poorly the business has been run, it also highlights the upside. Worldline's net sales of €3.7B in 2024 were supported by 18,112 employees; €204K per employee. Nexi SpA's net sales of €3.5B in 2024 were produced by only 9,293 workers; €377K per employee.

We bought at a cost of €2.94 (\$3.43) on 6/25/2025, a day when the stock was down 38% on a report that was orchestrated by short-sellers and, like the misleading short report on Grifols which provided us an excellent entry price in 2024, the short attack on Worldline combined some valid negative truths with exaggerations that rendered the entire report misleading. It rehashed what Worldline already admitted to and addressed in 2023 and 2024: that prior management allowed high-risk (thus high fee) merchant accounts to exist on their system, something German regulators caught them doing in 2023, and which they addressed system-wide shortly thereafter. The short report claims that the violations are ongoing, which Worldline disputes. Regardless, the high-risk accounts in question are a small portion of the total, and Worldline hired Oliver Wyman and another consultancy, Accuracy, to perform independent audits of Worldline's compliance regarding the remaining high-risk accounts, with preliminary findings showing no material need to further offboard high-risk merchants. The final analysis and recommendations of the consultants will be released with Q3 earnings on 10/21/2025.

Europe has shifted from cash to electronic payments more slowly than the U.S., and smart money like Brookfield seems to appreciate the opportunity: <https://www.electronicpaymentsinternational.com/news/signal-ex-worldpay-ceo-hired-by-brookfield-as-it-moves-further-into-payments/?cf-view>

Worldline is likely worth at least €6.00, 100% more than the €3.00 per share that we paid, which would require the stock to attain a 6.5x EV/EBITDA multiple (2026 EBITDA of €650M after MeTS sale & leases) and 10x FCF of €175M, and with a lot of growth likely over the years to come as the new management team rationalizes the cost structure. Net debt to EBITDA is only 2.2x, so leverage is not a problem.

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Our 3rd largest new position in 2025 thus far is a 2.4% weighting in a Japanese pet insurance company, **Anicom Holdings Inc.** (TSE: 8715, JPY 783, USD 5.20). We bought the position at JPY 550, USD 3.88 on 4/22/2025 and the stock is up 34% in USD terms in the just over 3 months through 7/31/25 making this the best performer of our new buys in 2025 thus far. Anicom is the largest provider of pet insurance in Japan, where the increasingly old and childless population increasingly turns to pets for companionship and is increasingly acquiring pet insurance to protect them. Founded in 2007 by Nobuaki Komori, he remains CEO and an 8.5% owner today. Share buybacks reduced count by 8% in past 2 years to 74.9M.

I'm not at all ashamed to admit that I got this unusual idea from some guy who I don't know but follow on Twitter whose handle is GSP @GlobalStockPick (I DM'd him a thank you note). He wrote up Anicom in 2022: <https://www.globalstockpicking.com/2022/09/25/anicom-dominant-japanese-pet-insurance/> which I happened to notice so I kept it on my radar screen and learned about it. Then when it fell during the tariff tantrum in early April 2025, which made no sense, I decided it was cheap enough. At our cost of JPY 550 it was a TTM P/E of 13x and price to book value of 1.5x. For the market leader in Japan, a fast-growing market where pet ownership as percentage of the population is low compared to the U.S. and U.K. and where pet insurance penetration is also low at 17% (compared to 25% in the UK), we paid a good price. The largest pure-play public pet insurance company in the U.S., **Trupanion** (NASDAQ: TRUP, \$47.41) is valued at P/E of 190x (TTM) and P/Book Value of 6x. And in Japan in March 2023, **IPET** (TSE: 7339), then half the size of Anicom, was acquired at 1x sales and 6x book value by **Dai-ichi Life** (TSE:8750). At 1x sales today Anicom would be 50% above current price, and 2.4x book value.

On 4/7/25, Japanese investment company **Hikari Tsushin** (TSE: 9435) filed a 5.2% stake in Anicom, and the stock spiked up because that firm is renown as a Berkshire Hathaway of Japan (a 16% CAGR since 12/31/00 vs. 5.5% Tokyo Stock Exchange (TOPIX)). That news forced me to pay up a bit and I couldn't get as much as I wanted at my price limit. But while I stopped buying after one day on April 22, 2025, Hikari Tsushin continued buying and is now the largest shareholder of Anicom at 10.3%.

Obviously, just because some smart group owns something we own doesn't guarantee success, as we've experienced more than once, so I won't let confirmation bias lead to complacency. But it is particularly comforting to have a smart local take the lead position on the shareholder register when one is investing in Japan as a non-Japanese speaker living on the other side of the world. Japan is an increasingly appealing investment venue, but still somewhat opaque in certain ways.

One other interesting item to note about Hikari Tsushin's interest in Anicom is that three years before buying the stake, in 2022, Hikari Tsushin received a license to sell non-life insurance in Japan (pet insurance is non-life as pets are considered property) which is exactly what Anicom did in December 2007 when they started up and founded the pet insurance industry in Japan. Since Hikari Tsushin has at times bought out completely the shares of a public company, I do wonder if they are thinking about buying out Anicom entirely and making Hikari Tsushin even more like Berkshire Hathaway (owning various insurance companies). Hikari Tsushin has a market cap. of USD 13B and over USD 3B in cash, whereas Anicom has a market cap. of USD 400M, so an acquisition of Anicom would be quite doable.

Also worth noting is that Dalton Investments filed on July 3, 2025, an initial 5.1% stake in Anicom, since increased to 6.3%, making them the 3rd largest shareholder. Dalton, led by CIO Jamie Rosenwald, is a very experienced and successful value investor with a focus on Japan. Dalton led an activist campaign with Fuji Media (TSE: 4676) recently which catalyzed the stock to double this year. I have not discussed Anicom with anyone at Dalton, but I find it encouraging that both Dalton and Hikari Tsushin own it.

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Our 4th largest new holding of 2025 is a 2.3% weighting in **CK Hutchison Holdings** (HK: 1, HKD 51.40, USD 6.55) which I first came to know of when it was known as Cheung Kong Holdings, via a report by PaineWebber in 1993. A lot has changed since then. But it's still controlled by 97-year-old Li Ka-shing, one of the richest men in Asia, called "Superman" by HK locals, although his 61-year-old son has been at the helm for the past 7 years. The #1 symbol on the Hong Kong Stock Exchange gives a sense of the company's importance, which was relatively much greater in 1986 when the new HKSE was formed. But it's still one of the larger companies listed there, with a USD 25B market cap. at current price, that's 10x the USD 2.5B in annual free cash flow (after lease expenses) that the entity generates.

The conglomerate owns ports (16% of EBITDA), retail (16%), infrastructure (29%), telecom (23%), and finance & investments (16%). The company has largely diversified away from China and Hong Kong over the past few decades, with only about 5% of EBITDA coming from assets domiciled there. About 55% of EBITDA comes from Europe (24% UK), and 22% from Asia & Australia.

On March 4, 2025, the stock closed HKD 38.65 and was up to HKD 52.95 two days later on news that Blackrock had agreed to buy CK Hutchison's port business (excluding the China and HK ports) for what the markets viewed as a surprisingly high valuation of 12.6x EBITDA. The stock fell back down shortly thereafter as China expressed displeasure with the deal given a small portion of the ports involved are at the Panama Canal and the buyout by a U.S. firm would give the U.S. a political win over China. Recent discussions about allowing a Chinese firm (COSCO shipping) in on the deal to get it done are ongoing. If the deal closes it would be USD 19B cash inflow to CKH, which is nearly HKD 39 per share.

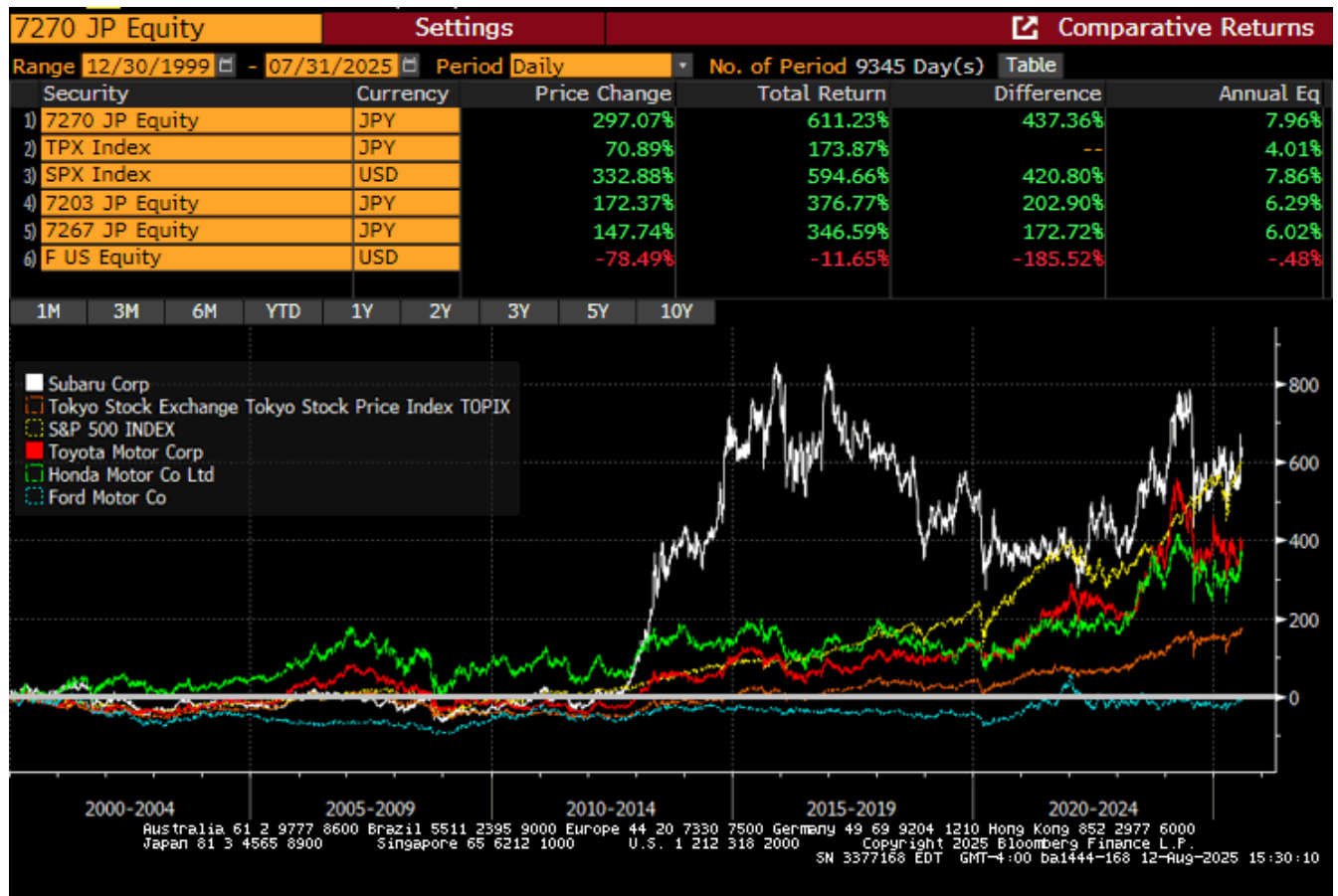
We bought CKH stock on March 18, 2025, at HKD 45.53 (USD 5.86), which is 9x FCF. If the Blackrock deal eventually goes through, and the deal value is substantially the same, then the cash inflow would be of such a magnitude that the market price discount to NAV should narrow significantly. With highly credible estimates of NAV at least HKD 100 per share, a price rise to HKD 70.00 (still a 30% discount to NAV) would seem within reach, which would exceed a 50% gain from our cost basis. For example, **Jardine Matheson** (SP: JM, USD 55), a similarly sized conglomerate in the region, has rallied this year to about a 30% discount to NAV of USD 82, without any monetization of the magnitude pending at CKH.

If the deal is scuttled, then that portion of CKH's value will remain unrealized. That disappointment might lead the share price to revert to what we paid or slightly lower. In the meantime, we collect a 5% dividend yield while the high-quality assets owned by CK Hutchison should continue to grow.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
PERFORMANCE DATA										
Earnings per share for profit attributable to ordinary shareholders of the Company – (HK\$)	36.91	8.55	9.10	10.11	10.33	7.56	8.70	9.57	6.14	4.46
Dividends per share – (HK\$)	2.55	2.68	2.85	3.17	3.17	2.314	2.66	2.926	2.531	2.202
Dividend cover	14.5	3.2	3.2	3.2	3.3	3.3	3.3	3.3	2.4	2.0
Return on average ordinary shareholders' funds (%)	30.1%	8.4%	8.5%	8.9%	8.7%	6.1%	6.6%	7.1%	4.4%	3.2%
Current ratio	1.5	1.4	2.0	1.5	1.4	1.4	1.3	1.3	1.2	1.5
Net debt – (HK\$ million) ⁽¹⁾	172,580	141,806	164,872	207,965	202,648	185,103	166,893	132,042	130,585	128,558
Net debt / Net total capital (%) ⁽²⁾	23.7%	20.5%	21.7%	26.0%	25.3%	22.7%	20.5%	16.9%	16.2%	16.4%
Net assets attributable to ordinary shareholders of the Company per share – book value (HK\$)	101.9	102.2	111.5	115.7	120.4	128.2	133.8	136.7	142.0	139.6
Number of shares outstanding (million)	3,859.7	3,857.7	3,857.7	3,856.2	3,856.2	3,856.2	3,834.6	3,830.0	3,830.0	3,830.0

MITTLEMAN VALUE PARTNERS

The 5th largest new holding of 2025 thus far is a 1.9% weighting in **Subaru Corp.** (TSE: 7270, JPY 2,780, USD 18.40). We bought it on March 18, 2025, for JPY 2,918, USD 19.55. The stock tanked 25% to an intra-day low of JPY 2,174 on April 7th during the tariff sell-off but has since recovered. I've avoided investing in automobile manufacturers (except for the bus and coach business in Canada, **NFI Group**) due to their capital intensity and history of calamitous cash burn during bad times, at least in the U.S. But the Japanese have done much better, and Subaru, with famously high customer loyalty, best of all:



The JPY/USD fell from 102.51 on 12/31/99 to 150.75 on 7/31/25, so an unhedged USD-based investor would have earned a 6.35% CAGR from Subaru, not the 7.96% shown above, but the point still stands. The Japanese auto makers vastly outperformed U.S. peers, two of which (GM & Chrysler), were wiped out in bankruptcies during the GFC. So how does the market reward Subaru for such outperformance?

Using USD for ease of comparison, at the \$19.55 price we paid equals a \$14.3B market cap., minus \$10.6B in net cash, plus \$455M pension liability, equals an enterprise value of \$4.16B, which is less than 1x the \$4.24B in EBITDA produced TTM through 6/30/25, and 1.6x the \$2.6B in FCF. Granted, due to the tariffs and strong JPY, EBITDA is expected to be cut in half over the next 12 months to \$2.1B, but that's still a 2x EBITDA multiple on a depressed level of EBITDA from which they'll likely recover at some point. Meanwhile, Ford is at 3.5x EBITDA and 13x FCF. Like many Japanese companies now, Subaru is buying back shares. And Toyota has acquired over 20% of Subaru in various tranches from 2005 to 2019. I think Subaru will regain its former high of over JPY 5,000 (attained 2015) at some point, implying 70% upside. Assumes a 3.7x multiple on EBITDA of \$4B if they can recover to that level.

MITTLEMAN VALUE PARTNERS

The 6th new position of 2025 had an unusually brief stay in the portfolio of just over 4 months. On Mar. 18, 2025, we bought a 2.9% weighting in German footwear and apparel company **Puma SE** (GR: PUM) for €23.86, USD 26.12 thinking it was worth €40.00. That was based on my assessment, supported by prior management, that EBIT would bottom in 2025 around €500M and grow substantially thereafter as margins recovered. 3rd-party data supported my view that Puma's footwear should be doing better.

Instead, on July 25th the new CEO revised the old CEO's guidance down dramatically, such that EBIT would drop from over €600M in 2024, not to the €500M expected, but into the negative. Now a lot of that will be inventory liquidation, so 2026 should be much better, but the trajectory for recovery is so far off from my initial expectations that I felt the margin of safety was gone on valuation in the near term, as was any semblance of my initial conviction, so I sold it all that day at €19.84, USD 23.30 for an 11% loss on our cost basis just over 4 months earlier. The stock has drifted lower since.

It's rare that I'm confronted with my wrongness in such an undeniable and brutal way that I feel like the choice to change course has been made for me. But it does happen sometimes, and thankfully so, because finding out I'm wrong the way it usually happens for me, little by little, over years, is so much worse.

2025 YTD has been a step in the right direction in terms of recent performance, for global value as a strategy and my version of it in particular. The portfolio has been substantially reconfigured over the past 19 months with 44% of the portfolio now spread over 12 new names, and I expect those changes to help perpetuate our recent gains.

That said, we've had false dawns before, and none more tantalizing than the 100% run over 7 months from 10/31/2020 to 05/31/2021¹, which we subsequently gave back almost entirely before the rebound that began for us in 2024. So, I'm not breaking out cigars quite yet.

Please don't hesitate to call or email me anytime with any questions you may have.

Sincerely,

Chris

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(¹ performance referenced from 10/31/2020 to 05/31/2021 occurred at prior firm, Mittleman Investment Mgmt.)

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