Semi-Annual Report H1-2026: Partners Fund
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Dear Partners,

The share price of the Partners Fund (WKN: A0RAAW) stood at €228.86 as of June 30, 2026. In the first half of 2026, the fund recorded a change in value, after costs, of − 7.73 %.[1] Over the same period, the DAX returned + 2.06 %.[2]

Year	Partners Fund (1)	DAX (2)	Delta (1–2)
2015 (9 months)	+ 1.48 %	− 10.22 %	+ 11.70 %
2016	+ 16.27 %	+ 6.87 %	+ 9.40 %
2017	+ 20.24 %	+ 12.51 %	+ 7.73 %
2018	+ 0.76 %	− 18.26 %	+ 19.02 %
2019	+ 3.67 %	+ 25.48 %	− 21.81 %
2020	+ 30.47 %	+ 3.54 %	+ 26.93 %
2021	+ 38.21 %	+ 15.79 %	+ 22.42 %
2022	− 33.35 %	− 12.35 %	− 21.00 %
2023	+ 19.61 %	+ 20.31 %	− 0.70 %
2024	+ 4.77 %	+ 18.85 %	− 14.08 %
2025	+ 11.90 %	+ 23.01 %	− 11.11 %
2026	− 7.73 %	+ 2.06 %	− 9.79 %

per annum	+ 7.70 %	+ 6.76 %	+ 0.94 %
total	+ 130.45 %	+ 108.89 %	+ 21.56 %
Past performance, simulations, or forecasts are not a reliable indicator of future performance.			

This means the fund has now trailed the DAX for more than four years. Nobody is more bothered by these numbers than I am. But being bothered and being unsettled are two different things.

Unsettled I am not. The companies in the fund are developing as hoped. On average, their businesses are doing reasonably well – many of them even excellently. To be honest, though, I am somewhat perplexed. Rarely have the businesses and the share prices been as far apart as they are today.

It is an unusual picture: the companies' earnings are growing while their share prices are falling. How or when this contradiction will resolve itself, I cannot predict. But I am convinced: as long as our companies, on average, continue to develop as they have so far, a good long-term result will follow.

[1] Since the 2018 annual report, the performance of the Partners Fund has been calculated and presented in accordance with the so-called BVI method. The differences between the percentage return and the change in the fund price are attributable to distributions made in connection with taxes.
[2] The DAX has been used as the benchmark index since the fund's inception. While it is far from perfect, it offers continuity, includes dividends and represents a familiar point of reference for many of our partners. Naturally, the decisive factor is which index you yourself consider the relevant benchmark for your own investment.

The reasons for the turbulence are numerous: the major indices are being carried by a handful of American technology giants. Structural market changes are draining liquidity from smaller companies. And, above all, one topic currently overshadows all share prices: artificial intelligence (AI). Entire industries are being declared AI losers across the board – without any close look at the actual circumstances.

The Partners Fund holds numerous software and internet companies. By my assessment, around half of the portfolio is directly affected by these fluctuations. Combined with the concentration on a small number of predominantly smaller and mid-sized companies, this acts like an amplifier. What the market does to individual companies feeds through to the fund price almost unfiltered. Currently downwards. In better times, upwards.

I have therefore used the past months for an exercise – a "zero-based budgeting" for the portfolio. You start with a blank sheet of paper and justify every position anew. Nothing is taken as given. So I examined every company once again as if I were seeing it for the first time – with particular scrutiny regarding AI and the future prospects. The result in short: I am very satisfied with the portfolio as it stands today.

At present, however, the share prices are telling a different story than the businesses. One example from the first half-year, which I consider particularly striking: **Moltiply** increased its profit from ongoing operations in the first quarter by around 45 % compared with the previous year – terrific! At the same time, the share at times lost up to 35 % of its value. That is like being slapped in the face for bringing home a straight-A report card.

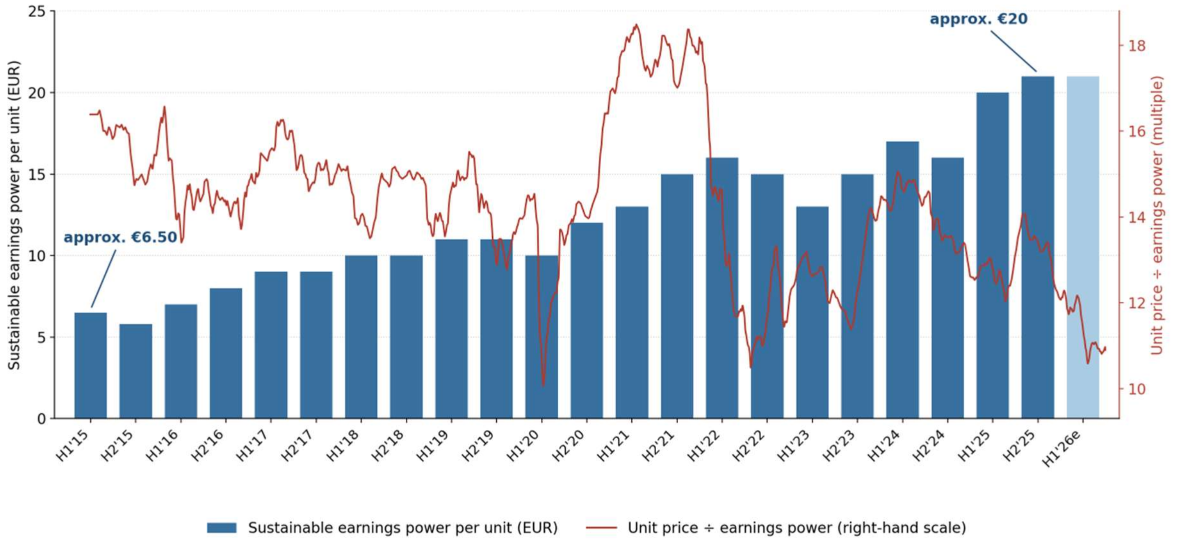
So how do I measure whether the fund has strayed off course? Not by the daily price list, but by the combined sustainable earnings power of the companies in the portfolio. Put simply: the earnings per fund unit that our companies would generate and could distribute if, from today onwards, they no longer invested in their growth. I introduced this concept to you in the 2020 annual report and last updated it in 2022.

Back then I wrote: "*[The sustainable earnings power] is an estimate on my part, based on data and assumptions, of the earnings a company would achieve today if, from that point onwards, it no longer invested in future growth at all. In theory, it could then distribute the sustainable earnings as a dividend but would, conversely, no longer be able to grow. The sustainable earnings power and the share-price development of the companies should go hand in hand over a longer period of time.*

It should be noted once again that this metric is a robust, yet at the same time theoretical construct. On the one hand, I adjust, normalise, and estimate factors influencing the result. On the other hand, I have no control over the investment behaviour of the companies. The assumption that a company will no longer invest "from now on" is something I have only very rarely seen in practice.

Nevertheless, this methodology serves as my guiding star and is part of a broader philosophy for thinking about the valuation and, above all, the reinvestment opportunities of the companies concerned. The combination of today's earnings power and future growth determines the value of a company. Growth requires investment. These investments, in turn, are not available for distribution as dividends."

The following chart shows the development of the aggregated sustainable earnings power since the fund's inception:



This chart is the essential reason for my confidence. By my estimate, the sustainable earnings power per unit has risen from around €6.50 at the fund's inception to slightly above €20 per unit today – it has more than tripled. That is growth of around 11 % per year – through COVID, the interest-rate turnaround, and the AI turbulence. Above all, numerous painful setbacks are already accounted for in these figures – for instance at **Tucows**, **Naked Wines** or **JustEat Takeaway** which weighed on earnings power. Without these effects, earnings and annual growth would be a few percentage points higher today.

The share prices of the companies – and thus, by extension, the fund price – have grown considerably more slowly over the same period. In other words: the overall valuation has fallen. The consequence is shown by the red line: measured against its earnings power, the portfolio is valued as cheaply today as rarely before since inception in 2015. The earnings of our companies are growing while their share prices are falling – and at the vast majority of the companies there are, as presented in the last report, tangible, positive, and structural changes in the business.

This phase therefore changes nothing about the way I work. I can only follow a handful of companies with the necessary depth – and I would rather own a lot of what I truly understand than a little bit of everything. Here I can only ask for a little more patience. I am firmly convinced that better times lie ahead of us. If the fund were closed tomorrow and I were to invest solely my own money: <u>I would choose exactly the same portfolio again.</u>

That this assessment is not mine alone is demonstrated by an event from the first half-year. Someone has taken a very close look at one of our companies – and means business. **DCC** has been an integral part of the fund for years. The company has received a non-binding takeover offer – from a consortium led by the financial investor **KKR**. The timing is cleverly chosen. In my view, the price offered is far too low. Some shareholders see it similarly. Quiet resistance is forming among several larger shareholders.

I do not blame the management for this. After many years of frustration over the low valuation, I understand that it would wave a potential sale through. This is precisely the flip side of a market in which good companies trade below their value for years. At some point, someone rings the doorbell and takes them out of your portfolio at a bargain price.

After four and a half years behind the market, I naturally have to ask myself one question: am I doing something structurally wrong here? My answer can be found in the chart above: the structural mistake is not made by those who patiently hold reasonably growing companies at weak prices. The structural mistake is made by those who give them away at these prices – or allow them to be bought out too cheaply.

The companies in the Partners Fund

Of the 14 companies the fund was invested in as of June 30, 2026, as usual, I list below the ten largest positions in alphabetical order:

- Associated British Foods
- CHAPTERS Group AG
- DCC
- IMCD
- Intred
- Midwich Group
- Moltiply Group
- Naked Wines
- Roper Technologies
- Tucows

These ten companies account for around 85 % of the fund's assets. The largest of these companies has a market capitalisation of around €40 billion, the smallest of around €50 million. Most of the larger positions (**CHAPTERS Group, DCC, Moltiply, Naked Wines, Tucows**) have been an integral part of the fund for many years.

The core investment principles of the Partners Fund have not changed and will not change in the future. When recommending potential investments, I adhere exclusively to the following criteria:

1. Is the company's business model understandable?
2. Does the company have a lasting competitive advantage?
3. Does the management act rationally, with integrity, and does it regard its shareholders as partners?
4. Is the price paid for the company's shares attractive?

Changes in the Top 10

The common thread of this half-year was: "*The better is the enemy of the good*".

With **IMCD** and **Roper Technologies**, two companies have newly entered the portfolio and moved straight into the top 10. I have been following both for many years, but their valuations were always too expensive for me.

That changed in this half-year in two very different ways: at IMCD, the war in Iran and the associated general uncertainty in the chemicals sector opened a window for the purchase. At Roper Technologies, it was the indiscriminate punishment of everything related to software. In both cases, the fear of others brought prices to where I stepped in with great pleasure.

Purchases like these mean deliberately leaning into the prevailing pain: anyone buying amid falling prices must expect prices to keep falling at first. This is especially true in times when existing price trends – "momentum," as the professionals say – are as powerful as rarely before. I nevertheless take this risk deliberately: companies of this quality can rarely be bought at such prices.

To free up funds for these purchases, the shares of **Ferguson** and **Fuchs SE** were sold. This decision did not come easily to me: both are excellent companies. But sometimes the better is the enemy of the good – and the opportunities at IMCD and Roper were, in my view, the rarer ones.

Virgin Wines has dropped out of the top 10 due to a lower share price but remains part of the portfolio unchanged.

Roper Technologies

As Roper Technologies is both a new and a larger position, I would like to introduce the company here in more detail. Roper is a U.S. holding company under whose roof around 30 mutually independent companies operate today.

A good forty years ago, Roper primarily manufactured industrial pumps. Since then, the company has had exactly three chief executives – and a remarkable history. From 1991, Derrick Key transformed the pump manufacturer into a group of niche market leaders and grew revenue from 70 to almost 600 million U.S. dollars. From 2001, Brian Jellison sold off, step by step, the businesses that required a lot of capital and depended heavily on the economic cycle. In their place, he increasingly bought software companies that require hardly any capital to operate. During his tenure, the market value rose from around one billion to roughly 30 billion U.S. dollars. Neil Hunn, in office since 2018, has completed this transformation: most of the remaining industrial businesses were divested, and around 20 billion U.S. dollars were invested in the acquisition of further software companies.

Today, Roper generates almost 9 billion U.S. dollars in revenue, around 80 % of which comes from software. Continuity and change are thus not mutually exclusive here – Roper is the rare example of a company that has combined both over decades.

The business model is easily explained: each of the roughly 30 subsidiaries masters a specific niche – mostly with software without which its customers' business would grind to a halt. With **Deltek**, consulting and engineering firms plan and bill their projects – most of them contractors to the public sector, where every hour must be meticulously documented. Via **DAT**, by far the largest freight marketplace in the U.S., freight carriers find loads for their trucks – and shippers find trucks for their loads. With **Strata**, more than 2,000 American hospitals plan their budgets and keep their costs under control.

All these solutions cost customers little in relation to their benefit and are deeply woven into daily workflows. Switching would be expensive and risky and would ultimately yield little in savings – accordingly, customers are loyal. The subsidiaries run their businesses entirely independently; the small headquarters in Florida concentrates at its core on a single task: deciding where the surplus capital earned is reinvested.

And precisely therein lies the real strength. The profits – most recently around 2.5 billion U.S. dollars, a profit margin of almost 30 % – have historically flowed mainly into the purchase of further niche market leaders. The track record speaks for itself: earnings have grown steadily by around 12 % per year over the last twenty years – likewise through the financial crisis, COVID, and the interest-rate turnaround.

Because of these high, steady, and above all growing earnings and the excellent quality of the individual parts, Roper was regularly highly valued on the stock market. Thirty times annual earnings has been the rule rather than the exception in recent years.

Why can the Partners Fund now buy such a company at a reasonable price? The answer is: "*artificial intelligence*".

Everything related to software is currently being lumped together on the stock market and declared a loser wholesale. The share prices of many software stocks have fallen in lockstep – regardless of how the businesses are actually developing. Within a year, Roper has lost almost half of its market value and stands at a price level last seen in 2018. The business figures tell a different story: since 2018, profits have almost doubled. In the first quarter of 2026, revenue and profit grew steadily by 11 %, and the guidance for the full year was raised.

Contrary to the current market mood, I even consider Roper a winner of this new technology – why I fundamentally see it this way for software business models is described in the next section. In Roper's case specifically, there is more: the subsidiaries are large enough to invest sufficiently in AI – and at the same time small enough to embrace the technology flexibly. With 30 companies, it is possible to keep track, and what one subsidiary learns, the others can adopt. Across all subsidiaries, it is evident that AI is already being built into the products actively and swiftly.

Two examples: DAT has fully automated the brokering of a freight load, which used to require numerous phone calls – made possible by a treasure trove of data many times larger than that of its nearest competitor. And Strata, the financial-planning software for American hospitals, has since this spring been continuously forecasting a clinic's annual result based on the case data arriving daily – work for which controllers previously needed days or weeks.

The sharp fall in valuations for software companies has a second, positive side: it makes buying further companies easier for Roper. In recent years, prices for good software companies had been driven up sharply; here, the mood has now cooled noticeably. For a regular buyer with a full war chest and decades of practice, this means: a larger selection of potential targets at significantly better prices – and thus higher future returns on every dollar invested. And should no acquisition be attractive enough, there is now an obvious alternative: the company's own shares.

For the first time in over twenty years, Roper has put a meaningful part of its capital into buying back its own shares – more than two billion U.S. dollars over the last twelve months, at historically low valuations. That management now considers its own stock the most attractive investment speaks volumes about the valuation.

At prices around 330 U.S. dollars per share, Roper was trading at roughly 14 times expected annual earnings – as low as previously only in 2002 and 2009, in times of greatest uncertainty. Adding moderate organic growth and sensibly reinvested profits, the result is expected earnings growth well into the double-digit percentage range.

If the development of the business remains as stable as I judge it to be, I consider it almost impossible for a shareholder at this price level not to make money over time.

Together with the **CHAPTERS Group** we now own two companies that themselves acquire and own many different software companies. All in all, a broadly diversified portfolio of almost one hundred subsidiaries. The risk of any single product or single niche thus carries hardly any weight anymore.

What remains is the fundamental question of what artificial intelligence will do to software business models overall – for our companies both risk and opportunity at once. Merely hoping for a good outcome would not be enough for me: a great deal of work goes into this question at both companies, as well as on my part personally, and we are close enough to the businesses to accompany the development.

Artificial intelligence: Claude, ChatGPT & Co.

I still remember well how I first used the internet with a browser in 1995. The experience was spectacular and modest at the same time: web pages built up agonisingly slowly, the telephone line was permanently engaged – much to the delight of the rest of the family – and real applications were initially scarce. Nevertheless, it was obvious: a vast unknown world was opening up; something fundamentally new had seen the light of day.

I had exactly the same feeling again when I used **ChatGPT** for the first time at the end of 2022 – and again, considerably more strongly, since I began working intensively with **Claude** around six months ago. I started, as most people probably do, with a Google-like search. By now, I write code myself – “vibe coding,” as it is now called – build internal databases, and have developed autonomous solutions that regularly and independently carry out research work for me – things that were simply unthinkable for me a year ago.

I find it impressive what has become possible: those who work with these systems daily develop a clear sense of what is already feasible today and what is not quite yet – and learn along the way what it costs: billing is based on consumption and usage, in so-called “tokens.” My credit card can confirm that a very real business model stands behind this technology.

From my own experience with the internet and the mobile phone, and from studying economics and history in general, one thing above all is clear to me: this topic is still at its beginning. Where we will stand in five or fifteen years, I do not know – and I would argue: nobody knows for certain. What is foreseeable to me is that ever more complex tasks will in future be completed autonomously by machines and at minimal cost.

For our investments, however, that is not even the decisive question. What matters above all is how seriously the companies in our portfolio take this topic and whether they are beginning to adapt to it today. In 1995, nobody had to foresee that one day we would all carry the internet around in our pockets. But anyone who dismissed it as a gimmick back then had a serious problem shortly afterwards. Of course: individual losers such as the typewriter or the colour-film camera could be identified early. Who would win in the long run, by contrast, was still not fully clear even ten years after my first internet experience, in 2005.

Hardly any topic has occupied me as much over the past twelve months as the question of what artificial intelligence means for the companies in our portfolio. On the stock market, the verdict has already been passed: anything with software in its business model, for example, has been punished across the board. I consider this blanket verdict wrong – for a simple reason.

The value of software has never resided solely "*in the code that was written*". Customers have never paid for a number of lines of code, but for someone solving their specific problems and thereby delivering value to them. If AI now dramatically accelerates and cheapens the writing of program code, the customer's problem does not become worthless as a result – it merely becomes, above all, solvable faster. We are entering an era in which problems can be solved in weeks rather than years. That is, first of all, good news for everyone who takes solving problems for customers seriously. And it is very bad news for companies that regard their customers as hostages to mediocre solutions.

Of course, AI is no panacea, and not every software company will win. What is certain, however, is that in ten years we will be using far more software than we do today. My conclusion is: as always, it depends on the individual case. There will be winners and losers. Somewhat more time in this upheaval will probably be granted to systems that are deeply anchored in customers' workflows and whose data form the foundation in which the company's truth resides: the so-called "*System of Record*". Nobody replaces such systems lightly just because programming has become cheaper. But the winners will certainly be those who keep the benefit to the customer in view and deploy AI effectively for the customer's good. That is exactly the standard by which I measure our companies.

It will be fascinating to see how this whole topic affects the rest of the economy. I am watching particularly intently what the big technology groups – **Microsoft**, **Google**, **Amazon**, **Meta**, the so-called "hyperscalers" – are currently doing. Many hundreds of billions of dollars are flowing into data centres and computer chips every quarter (!). And the chip manufacturers and their suppliers, above all, are currently achieving profit margins of a kind one would otherwise suspect only in illegal businesses – an unmistakable sign that gigantic demand is meeting an extremely scarce supply.

NVIDIA alone sold computer chips worth more than 80 billion U.S. dollars in the first quarter of 2026 – and earned an operating profit of 53 billion on them, a margin of 65 %. More than half of this revenue came from just **<u>three</u>** customers. Historically, this industry's business has regularly moved in sharp waves of boom and bust. At present, however, these companies are being valued on the stock market as if today's revenues and margins were a permanent state. Even third-rate firms in this sector have seen their share prices multiply in recent months without their earnings having jumped accordingly.

This investment wave is growing into one of the largest booms in economic history. This becomes visible in a figure celebrated on the stock market as guaranteed growth: the contractually committed order backlog ("remaining performance obligation") of the large cloud providers. This backlog has grown to more than two trillion U.S. dollars for the four largest companies – equivalent to around 15,000 U.S. dollars per U.S. household.

These commitments, however, can be viewed not only as revenue believed to be secure, but also as a concentrated risk: it falls on a small handful of AI firms that must invest these vast sums and have so far paid their bills primarily with fresh investor money. A circular economy that has worked wonderfully so far. But promised revenue is only worth as much as the customer who ultimately has to pay for it.

At the same time, it is entirely rational for the big players to be right at the front of this boom – loosely following the famous quote of the Citibank chief shortly before the 2007 financial crisis: "*As long as the music is playing, you've got to get up and dance.*" They are the only ones who can shoulder these enormous investments. If the technology does not work as hoped, or if too few paying end customers materialise in the medium term, they will merely have burned "*some money*" – not their competitive position. Annoying, but bearable. If, however, the technology truly is world-changing, they simply cannot afford not to be part of it – especially as all their competitors are dancing. For the second and third tier, this equation does not hold: there it will become apparent who no longer has a chair when the music stops playing.

What remains unclear to me so far is whether the top models developed for hundreds of billions of U.S. dollars – the so-called "frontier models" – can defend their lead permanently, or whether they can be copied comparatively quickly and cheaply. The unanimous view, derived from internet and software business models, is that in the end the winner gets the whole pie ("*the winner takes it all*") – justified by network effects and economies of scale. I have no final opinion on this. But should things turn out differently from what everyone believes today, there will be remarkable side effects once the music has stopped playing.

Two worlds currently exist side by side on the stock market. In one, an exuberant party mood prevails: unlimited funds are flowing into chips and data centres, and share prices are multiplying, so far without corresponding profits. In the other – ours – the profits of solid companies grow over time while their share prices fall because they stand in the supposedly wrong sector.

I do not know when this gap will close. But I do know in which of the two worlds I want to be invested: the one where, for every euro of purchase price, you get more earnings and more substance than ever before since the fund's inception. Patience is rarely comfortable on the stock market. But it is – as the past decade has taught me – one of the last reliable sources of return left to a long-term investor.

Thank you very much for your trust.

Warm regards from Bonn, yours

Mathias Saggau