

## 2025 Letter

*"You are not buying a stock; you are buying part ownership in a business."*

– Warren Buffett

*"In the short run, the stock market is a voting machine. But in the long run, it is a weighing machine."*

– Benjamin Graham

This year turned out to be a strong one for returns, both for our partnership and the overall market, although that outcome was far from certain in April. At that time, newly announced and increased tariffs created widespread fear across the market, regardless of whether individual companies were directly exposed. As the year progressed, many of those tariffs were reduced or eliminated, and those that remained proved less disruptive than initially feared. The widely held expectation of an imminent recession ultimately did not materialize.

**This environment reinforces the importance of viewing stocks as ownership stakes in individual businesses rather than as mere market or macroeconomic bets—and of maintaining a long-term perspective.** I believe, as do the two investors quoted above, that focusing on business fundamentals and long-term value creation provides a durable edge over time. When intrinsic value is well understood, periods of volatility present opportunities to purchase high-quality businesses at attractive prices.

### ***Performance and Market Context***

For 2025, your return on investment was **23.8%**, compared to a **16.4%** return for the S&P 500. Outperforming the index in any single year is difficult, and doing so consistently is even more challenging—but that remains the goal.

This year's performance was driven primarily by growth in underlying company earnings rather than by multiple expansion or overly optimistic assumptions about future growth. **My investment philosophy centers on a company's earning power and intrinsic value, not on speculation or a belief that a stock will simply rise because of market sentiment.**

As noted in last year's letter, the so-called "Magnificent Seven" accounted for a meaningful portion of the S&P 500's return, and 2025 was no exception. These companies remain priced for extraordinary growth and near-perfect execution. While that outcome may ultimately prove justified, I do not have sufficient conviction to underwrite those assumptions and therefore continue to sit on the sidelines with respect to that group.

### ***Key Holdings Commentary***

#### **Nubank**

In 2025, Nubank returned approximately 60%. Revenue and earnings continued to grow as the company expanded its customer base through an exceptional value proposition. This is a business where a long-term mindset is essential, emphasizing future earnings power rather

than short-term price movements. As noted in last year's letter, I do not plan to sell this position in the near future and intend to remain invested as long as the underlying business thesis remains intact.

## **MercadoLibre**

Continuing in Latin America, where value opportunities remain compelling, I initiated a position in MercadoLibre during 2025 and plan to increase exposure if pricing remains attractive. In my view, MercadoLibre combines a strong business model with robust margins.

The company is often compared to Amazon, and while the comparison is understandable, important differences exist. MercadoLibre primarily acts as a facilitator rather than a traditional retailer. It operates logistics infrastructure across Latin America but largely enables a symbiotic relationship between third-party buyers and sellers. This asset-light, platform-oriented model results in lower inventory risk and allows MercadoLibre to earn attractive "toll-like" economics, leading to higher margins than traditional retailers.

Additionally, MercadoLibre's financial services arm further enhances margins and delivers meaningful value to its customers. While this introduces credit risk, I believe the company maintains sufficient reserves and risk controls to manage potential losses. This financial component strengthens the overall business and, in my opinion, contributes to a durable competitive advantage and attractive long-term return potential.

## **Uber and Lyft**

I increased our position in Uber during 2025. Both Uber and Lyft have faced concerns about the potential rise of autonomous vehicle ride-hailing, particularly following announcements surrounding Tesla's robotaxi initiatives. I will not rehash that discussion here (if interested, please refer to last year's letter), but I believe ride-sharing platforms may ultimately complement autonomous vehicle networks rather than be displaced by them. These platforms could even serve as the preferred distribution channel for autonomous vehicle owners. Time will tell.

## ***Closing Thoughts***

As stated in last year's letter, my objective remains twofold: to outperform—or at least match—the market during strong periods while minimizing losses during downturns. I remain committed to this approach for as long as you entrust me with your capital.

Regarding the potential business formation discussed in last year's letter, after further consideration and cost analysis, I determined that formalizing that structure is not necessary at this stage. **That said, I remain open to welcoming additional partners. If you know anyone who may be interested in my services, I would appreciate the referral.**

Thank you again for your continued trust and support. I am always available to discuss performance, strategy, or any questions you may have.

Sincerely,

Tom Wirgau