AGT Partners

2Q 2026 Shareholder Letter

Dear Shareholders,

During 1H26, our fund generated a return* of +32.4% for Class A, +30.2% for Class B and +31.0% for Class C. Our gearing levels were largely stable and maintained at around 140% to 170% through these 6 months.

So far this year, we have added meaningful value for shareholders despite a highly uncertain external environment. We have had to navigate volatile energy prices arising from the ongoing US–Iran conflict, elevated interest rates in the US, and expensive valuations across many parts of the AI and semiconductor space.

Looking ahead, it is even more important that we focus on long term business values, and remain disciplined, both in the businesses we choose to own and in the valuations we pay.

Internally, we are keeping our return expectations modest, and we hope you adopt the same mindset as well. Our first priority must and always will be the prevention of a permanent loss of capital, followed by seeking a reasonable rate of return on our investments.

Long term investments portfolio

Great Businesses

We want to own companies that earn high returns on capital. But high returns on capital, by themselves, are only a snapshot of where the business stands today.

The more important question is whether those returns can be sustained over time. To make that judgement, we need to understand the durability of the company's competitive advantages—whether that comes from branding, cost position, scale, network effects, customer relationships, technology, regulatory position, or other forms of economic moat that allows it to keep earning attractive returns despite relentless competition.

In other words, high returns on capital tell us that a business may be good today. Sustainable competitive advantages help us decide whether it can remain good tomorrow.

** Note that all three share classes of shares are invested in the same securities. Any difference in performance is primarily attributable to (1) foreign exchange movements between SGD and USD and (2) differences in the fee structure. Performance figures for Class B and C shares are based on the initial series. Actual investor performance may vary depending on the specific share series held, due to the effects of series accounting and the timing of each investor's subscription.*

We continue to own several such great companies in our portfolio (DBS, TSMC, Tencent, CNOOC, Sheng Siong, KKR, Apollo, Microsoft etc.) and have selectively added onto them in the past quarter. We have also recently purchased a position in Alphabet.

Alphabet (Google)

In brief, Alphabet's main upside lies in its ability to turn AI from a perceived disruption risk into a further extension of its competitive moat. With Search, YouTube, TPUs, Gemini, Android, Workspace, Google Cloud, and consumer subscriptions, Alphabet controls multiple scaled platforms through which AI services can be distributed and monetised. Its paid subscription base has also reached 350 million, further broadening its revenue base beyond advertising.

The key question is whether AI disrupts Google's search economics or strengthens its moat by improving user experience, expanding monetisation surfaces, leveraging on its vast amounts of data and accelerating Cloud adoption. So far, the business has remained resilient, with Search still growing strongly and Google Cloud becoming a more meaningful second engine.

Another important risk is capex discipline. Like other US hyperscalers, Alphabet is now spending aggressively on AI infrastructure. Over time, investors will need evidence that this spending strengthens its Cloud competitiveness, enables AI monetisation, and supports durable revenue growth.

Its recent 2Q results provide encouraging evidence that these infrastructure investments are beginning to bear fruit: Cloud revenue grew 82% year-on-year, operating margins expanded meaningfully to 36%, and backlog increased to US$514 billion. Nearly 90% of Fortune 100 are using Gemini Enterprise, with Alphabet's management noting from discussions with many CEOs that enterprises are still in the very early stages of exploring what AI can do for their businesses. (The more evidence we see of rising AI adoption translating into real AI monetisation, the more it can strengthen the broader investment thesis for semiconductor chip manufacturers, equipment suppliers, and the wider semiconductor supply chain, all of which stand to benefit from sustained investment in AI infrastructure.)

While concerns have emerged around Alphabet reaching negative free cash flow in this quarter, we do not view this as a major concern so long as the spending is disciplined, demand-backed, and directed toward assets that strengthen the business's economic moat over many years.

If one is building a toll road, negative free cash flow during the construction phase is not necessarily a problem. What matters is whether, upon completion, the asset becomes a valuable infrastructure platform capable of generating strong cash flows for decades. So far, the evidence suggests that these investments are beginning to produce strong tangible results.

While it remains a relatively small position for us today, we will continue to learn and monitor the AI transition closely and assess the business as developments unfold. Should the thesis strengthen further and valuation remain sensible, we would look to increase our position at the right time.

Great Bargains

Under our Great Bargains category, we own a diverse group of companies across industries such as oil and gas, shipyards, container shipping, commodities, property, and construction. While many of these businesses do not enjoy the high rates of return on capital near that of our Great Businesses holdings, they compensate for this by being available to us at much cheaper valuations. Importantly, these companies are not in "sexy" or currently fashionable sectors. As a result, they tend to be less followed by the broader investment community, which creates more opportunities for mispricing. They therefore offer fertile ground for intelligent stock-picking, provided we truly understand the underlying economic characteristics and remain patient enough for value to surface. In some cases, we have been actively engaging managements to help create and unlock value and we intend to step up on our efforts in this regard. To do so, we have engaged the expertise of a highly experienced manager and friend to assist us. I will share more below.

Shareholders may have noticed that we have recently surfaced as a substantial shareholder, with more than 5% ownership, in several local listed companies, including OKP, Marco Polo Marine, Nam Cheong, and ISOTeam. These were not sudden purchases. We have followed each of these companies for many years and have patiently accumulated our stakes over time.

Each company has a long operating track record, a strong value proposition within its respective industry, and is led by highly experienced founder-management teams with sizeable and, in some cases, increasing ownership. Importantly, we have also observed how these management teams behaved during difficult periods—when business conditions were tough, capital was scarce, and difficult decisions had to be made.

We are glad to be associated with such capable managers, and our intention is to remain long-term owners as they continue to build and strengthen their businesses.

Active long/short trading

SK Hynix

We have invested in SK Hynix on your behalf since early 4Q25, driven by factors such as: high barriers (technological and capital related) to entry, rising importance of memory such as High Bandwidth Memory (HBM) in an Inferencing and Agentic AI era, a semiconductor chips manufacturing structure where supply takes years to expand meaningfully, increased earnings stability due to longer-term customer contracts, improving capital discipline, and a cheap valuation during the time of purchase.

2-3x single stock ETFs on SK Hynix and Samsung Electronics; High volatility in share price

In recent months, we have observed what we view as clear signs of speculative excess in parts of the Korean equity market. SK Hynix's share price rose nearly 5x from approximately ₩$650,000 at the beginning of this year to a peak of nearly ₩$3 million in June, before retreating by about 40% to around ₩$1.8 million at the time of writing.

On 27th May, the Korean Exchange allowed the listing of multiple leveraged ETFs linked to major Korean semiconductor names such as SK Hynix and Samsung Electronics, with some products offering 2x–3x exposure. (South Korean retail investors are only required to complete 3 hours of mandatory risk education courses to trade such highly risky products.) Separately, reports pointed to a sharp increase in borrowing from Korea's five largest banks in early July, with a meaningful portion believed to have been used for stock-purchase financing.

We are of course highly dismissive of such activity. In our view, encouraging the public to take leveraged, short-term bets on already volatile stocks serves little useful purpose. It does not improve capital allocation, strengthen businesses, or help investors build long-term wealth. More often, such products merely turn the stock market into a casino-like venue, where the most predictable beneficiaries are brokerages, product issuers, and intermediaries collecting fees, while the eventual losses are borne by retail participants seduced by the promise of fast, easy profits.

This is certainly not investing as we understand it. It is pure speculation, nearing the edge of outright gambling. We certainly have no interest in participating in such behaviour.

What public good can come from encouraging gambling behaviour in the stock market? Very little, in our opinion. The stock market should be a venue for allocating capital to productive businesses, not a mechanism for amplifying retail speculation. It is therefore unsurprising that by middle of July, Korean regulators have expressed regret over allowing such highly leveraged products to be listed and have taken steps to curb stock speculation (increasing margin requirements drastically, banning new similar products etc.). However, the damage has been done. These speculative excesses have led to exactly the kind of negative outcome one would (and should) expect without fail. Both SK Hynix and Samsung Electronics have each declined 30–40% from their recent share price peaks. Reports of retail investors suffering losses of 70–80% in such leveraged ETFs are surfacing daily.

We want to be clear that our thesis has always been anchored on long-term business fundamentals. (Not on joining a leveraged crowd chasing short-term price movements; and we certainly will not use your money to engage in reckless behaviour.)

These are the factors that matter to us. We are interested in the long-term earnings power and industry structure of the business (not speculative products, leveraged flows, or short-term price momentum that can push share prices artificially higher or lower.)

Throughout this roller-coaster ride in SK Hynix's share price, we have not done much other than make modest opportunistic additions whenever prices corrected sharply.

We did not chase the stock during periods of speculative strength, nor did we panic during the subsequent drawdown.

Our position size remains anchored by our assessment of long-term fundamentals, industry developments and valuation, not by short-term price action.

<u>Aggressive memory chips pricing strategy unsustainable</u>

We also want to mention on the aggressive pricing behaviour of the three major memory-chip makers. Both DRAM and NAND prices have risen relentlessly for many consecutive quarters, with some price increases reportedly near 70% in a single adjustment. This has resulted in very strong profitability for memory-chip producers and share prices have of course risen sharply correspondingly.

Initially, there was limited pushback from major customers, partly because memory chips prices were recovering from a very depressed base following the 2022-2023 downturn. However, as prices continued to surge without concrete signs of moderating, resistance has started to emerge. Large customers such as Apple, and government bodies (Office of US trade representative (USTR) is exploring broad ranging tariffs on Korean semiconductors), are increasingly unwilling to allow memory suppliers to capture all the excess profits without challenge.

This pace of price increase is clearly unsustainable. To be fair, aggressive pricing during upcycles has always been part of the normal memory-cycle playbook: under-supply leads to rising ASPs, profits surge, producers expand capacity, and eventually the cycle turns. Our hope is that this time, things will evolve differently.

What we would much prefer to see is more sustainable value creation for all parties: slower and more measured price increases, greater emphasis on customers' long-term interests, and more long-term contracting arrangements that improve visibility for both suppliers and buyers. If the industry can move in this direction, memory companies may gradually deserve higher-quality earnings multiple. If not, the current profitability surge risks being viewed once again as just another cyclical peak.

Due to the concerns discussed above, we are currently reluctant to increase our exposure to this holding and are content to keep it at a single-digit percentage of the portfolio, unless and until the facts change.

<u>Indonesia's surprise decision on setting up state-controlled export committee on key export commodities.</u>

On May 21st, Indonesia announced a surprise policy shift, introducing a more centralised export framework for selected strategic natural-resource commodities, including crude palm oil, coal, and ferroalloys.

This resulted in our two palm oil holdings share prices to decline by more than 30% within a month, as investors grew concerned that potential export controls and centrally determined pricing mechanisms could affect business operations, existing customer contracts, and ultimately, profitability.

While our longer-term thesis has been anchored on supportive supply–demand dynamics and well-run operators with good cost control, this episode is a reminder that commodity-linked businesses also carry policy/regulatory regime risk—and shifts in the "rules of the game" can compress valuations quickly.

<u>Insider purchase / Subsequent easing of policy</u>

During this price decline and policy confusion period, we note that the key founding family/CEO in one of our two companies made substantial insider purchases. While insider buying is never a guarantee—executives can be wrong, and policy risk can still evolve—we view meaningful insider purchases (relative to personal wealth and compensation) as a constructive signal that management sees value at current prices and remains confident in the long-term prospects of the business.

Taking advantage of more favourable valuations, we have likewise meaningfully increased our positions in the company.

Subsequent official comments have helped ease some of these concerns. Indonesian officials clarified that the government's intention was less about taking over commercial trading activities, and more about tightening monitoring, improving transparency, and reducing under-invoicing or revenue leakage. The trade minister also indicated that existing palm-oil export rules, including the domestic market obligation framework, would remain unchanged.

So far, both companies' share prices have recovered to within 10% of its previous peak (at the time of writing). CPO spot price has also largely remained stable during this whole episode.

We are monitoring developments closely to assess whether this is a temporary adjustment or a more structural change that could impair long-term economics. We are of course hoping it is the former. We will update shareholders as clarity improves.

Successful investing requires long-term capital; Challenges and opportunities in small-caps investing

If we look deeply enough, there is almost always something intelligent to do in the less efficient parts of the stock market—particularly in undiscovered small caps (defined broadly as companies <$1billion market cap) or companies at the bottom of their cycles.

We have benefited handsomely from such opportunities in the past. One notable example was Dyna-Mac in 2024, when its market capitalisation was approximately S$350 million. We invested near the bottom of its earnings cycle at a single-digit P/E multiple, and the value of our investment roughly doubled within the calendar year, contributing meaningfully to that year's returns.

However, this outcome did not come without discomfort. Our monitoring, accumulation, and holding period lasted several years, during which we had to contend with the natural characteristics of small cap investing: lower liquidity, higher volatility, and periods where share prices did not reflect improving business fundamentals. This is precisely why small-cap opportunities require patient capital, and the temperament to endure uncertainty while the underlying thesis develops.

At the same time, one challenge in public markets is that management teams of many listed companies are often forced or tempted to think in terms of quarters. Most shareholders are impatient and demand immediate profits, but true value creation takes time. Turning around a company or steering a company away from cyclical end-markets toward more secular sources of demand requires tremendous effort. This is especially true for promising smaller businesses, where the opportunities may be real and material, but the journey can be long and uneven due to constraints such as limited capital, management bandwidth, or the time required to assemble a stronger team and build new capabilities. This is one reason smaller companies can occasionally offer attractive opportunities to patient investors. Because they are less followed, less understood, and often still in the early stages of change, the market may not fully recognise the value of a successful transition until much later.

Academically, this is sometimes referred to as the “small-cap premium” or the Fama-French SMB factor (Small Minus Big), the historical tendency for smaller companies to outperform larger ones over long periods. However, while influential and material initially, the SMB factor has shown to be period dependent, weaker outside certain historical windows and fluctuating widely depending on construction methodology. Most importantly, the factor returns were often dragged down by many low quality, highly indebted small companies.

Afterall, if it’s that simple, every one of us can just purchase a broad, low-cost small-cap index ETF and capture the excess return. However, in reality, most of these small caps indices are constructed almost purely based on quantitative factors. They do not put sufficient consideration in important qualitative factors such as future earnings power and management quality. Thus, many weak, poorly governed, or structurally challenged businesses are included in the index just because their numbers look good temporarily.

At our fund, we do not buy small companies simply because they are small. Our interest lies in a narrower subset: under-followed companies with decent current economics and future earnings prospects, aligned management, resilient balance sheets, appropriate capital allocation policies and potential catalysts for intrinsic value growth. In these cases, small size is not the source of return by itself; it is the reason the opportunity may still be mispriced. **(We are fishing for companies that are both cheap and good, hence the word “Great bargains”, we are not interested in companies simply because they are small.)** Also, where appropriate, we may also engage selectively with management teams of our investee companies to help accelerate the pace of value creation—a point I will elaborate on further below.

However, this requires both patience and sticky capital—patience for management to execute and time for the market to recognise improving fundamentals (and for liquidity to improve as the business re-rates), and sticky capital to withstand the higher mark-to-market volatility that small-caps often exhibit.

At first glance, a monthly-liquidity fund like ours may not appear to be the perfect fit. We want to assure you that we have thought this through carefully, and we have deliberately structured our fund’s share classes to reflect this reality.

<u>Class A’s sticky capital and fair fees structure across all 3 share classes</u>

<u>All share classes have monthly liquidity terms and invest in the same underlying group of securities</u>. That said, Class A, which currently represents around 30% of the fund’s capital, is predominantly owned by the three founders and internal staff (~25%), and a small group of long-term partners (~5%). This commitment comes with an explicit understanding that this capital is intended to be very long-term and highly sticky, and we

fully expect it to remain invested through cycles. (Since inception, redemptions from Class A have amounted to less than 1% of the class's assets. Most of these redemptions took place in the early years, primarily to cover living expenses when the fund was still small and management fees were negligible.)

Class A's stable capital base thus gives us the ability to maintain approximately 30% of the fund's exposure in smaller-caps opportunities. The remaining 70% is invested across larger and mega-cap companies, where liquidity is typically much deeper and can be used, if necessary, to meet monthly redemption requests from Class B and Class C shareholders.

There are, of course, nuances. A large company can become a small cap after a temporary share price decline, while some large companies can still be less liquid due to limited free float or concentrated ownership. Conversely, a smaller company can sometimes be reasonably liquid if it has a high free float and active trading volume.

We therefore do not rely on market capitalisation alone. Internally, we assess liquidity based on actual trading volume, free float, shareholder structure, position size, and stressed-market assumptions. The goal is to pursue attractive small-cap opportunities without compromising the fund's ability to meet monthly liquidity obligations prudently.

Overall, we believe the 3 classes of shares and their respective fees structures are a fair arrangement for all parties:

- We view Class A as long-term capital that helps stabilise the fund's capital base, enabling us to pursue less efficiently priced opportunities for the benefit of all investors. In return, Class A investors enjoy lower performance fees—reflecting the understanding of long-term, patient capital.
- Class B and C shareholders may value greater flexibility in capital allocation, hence the slightly higher performance fees, reflecting the monthly liquidity optionality embedded in the structure.

"To use a simple analogy: if you are paying the captain and crew to steer the ship (Class A shareholders), you would not expect them to be the first to disembark when the ship sails into stormy weather".

Over time, we do hope every shareholder, across all share classes, to be increasingly like Class A shareholders. This high level of trust and long-term orientation takes time to build, and we fully understand that. Meanwhile, this structure has served us well. It is also within Class A that your fund managers routinely reinvest a significant portion of the fees we earn, continuously adding fresh "dry powder" that allows us to act when less efficient, less liquid opportunities present themselves.

Appointing Mr. Lim Ah Cheng (AC Lim), ex Dyna-Mac CEO, as Fund advisor

Over the past few years, a meaningful portion of our alpha has come from our good fortune in being able to buy a range of businesses when they were either near the bottom of their respective industry cycles — in areas such as offshore & marine, shipyards, construction etc — or simply neglected because they operated in industries that the market considered dull or unexciting.

This source of opportunity remains important to us. However, looking forward, I think we can do better. Our edge must continue to evolve, and our industries' domain knowledge must continue to deepen. In selected companies (where managements are more receptive and enthusiastic about creating value), alpha generation should not come only from passive stock selection and waiting for the market to re-rate a cheap share. Increasingly, we believe it will also come from acting as a more constructive long-term shareholder: engaging management teams, asking better questions, encouraging sensible business and capital allocation decisions, and where appropriate, helping management think through strategic directions or value-unlocking initiatives. We have in fact over the past year been more involved in this kind of work, but we are only barely scratching the surface.

It is therefore both an opportune time and our good fortune—as well as yours—that Mr AC Lim has agreed to join us as an adviser, bringing with him tremendous wisdom, operating experience, and industry perspective.

AC's Background

AC is well known in Singapore's corporate space, particularly for his role as CEO of Dyna-Mac, where he helped steer and turn around the company during the 2019–2024 period, before Hanwha Ocean acquired the company. (Shareholders may recall that our investment in Dyna-Mac contributed meaningfully to the fund's 2024 returns, as discussed in detail in our 2024 annual letter.) Prior to that, he has also spent more than 2 decades working in various functions within Keppel Offshore and Marine group.

Since he stepped down from Dyna-Mac, we have remained in regular contact and have consulted him on several important matters.

Through our interactions with him across the years, we find him to be someone with integrity, careful with his words, and a highly trustworthy individual.

He has consistently impressed us with his practical understanding of real-world business operations, especially in offshore & marine, engineering, and related industries.

His experience as an operator, having managed businesses and dealt with operational constraints, will strengthen our ability to assess existing holdings, conduct deeper diligence on new opportunities, and on our behalf, engage management teams more constructively.

His industry network can help us conduct better channel checks by comparing management's views with what customers, suppliers, competitors, and other industry participants are seeing on the ground.

If his involvement helps us avoid one poor investment, size one good investment better, or steer one investee company towards a stronger business model or better capital allocation decisions, the value created for shareholders can be many times the cost in engaging him.

Good expenses, necessary investment

This is the kind of fund expense I believe is justifiable as part of our efforts to improve investment outcomes. In our view, good fund expenses should either protect shareholders, improve decision quality, or expand the fund's ability to compound capital intelligently. AC's advisory role fits this test.

We are not spending on optics or marketing purposes. We are investing in a capability that will strengthen our research process, improve our ability to assess management and operations, and help us become more constructive owners of the companies in which we invest.

We are already discussing a few matters together with him and will update shareholders when there is something meaningful and appropriate to share. His role is advisory in nature, and portfolio decisions remain with AGT's investment team. We believe this additional operating lens will improve the quality of our research and help us continue to build conviction carefully and responsibly over time.

Concluding

Our game plan is therefore simple, though it requires rationality, discipline, and proper execution.

First, we seek to invest in outstanding large companies with long operating track records, strong business economics, differentiated products or services, entrenched competitive advantages, and the ability to compound value per share over many years. We are willing to pay reasonable—and at times seemingly expensive—valuations for such businesses when we believe their underlying business engines are strong and their growth runways remain long.

Second, we seek to back selected smaller companies that trade at attractive valuations, possess decent or improving business quality, and have clear internal levers for value creation. In these situations, our role is not merely to buy cheap shares and wait. Where appropriate, we aim to be constructive long-term shareholders—engaging management teams, asking better questions, and encouraging sensible business and capital allocation decisions that can improve long-term value per share.

Finally, across both categories, we want companies with conservative balance sheets and competent, fair-minded managers who place strong emphasis on minority shareholders' interests. Great businesses and great bargains may look different on the surface, but both require the same foundation: financial resilience, favourable long-term earnings outlook, capable management, and alignment with shareholders.

Thank you for reading.

Please contact us anytime to chat about your investment or any other money matters.

Greg,

On behalf of the AGT team

Disclaimers

AGT Partners Pte Ltd ("AGT Partners") is a Fund Management Company which holds a Capital Market Services (CMS) Licence. We conduct fund management activities and are governed under the Securities and Futures Act, Singapore ("Act") and are regulated by the Monetary Authority of Singapore ("MAS"). The information therein is solely for the use of our clients, accredited investors ("AI") (as defined in the Act) and such professional, sophisticated, accredited, or qualified persons or investors (as defined in relevant jurisdiction) who have satisfied all relevant laws. The information contained has been given in good faith and every effort has been made to ensure its accuracy, AGT Partners accepts no responsibility for loss occasioned as a result of reliance placed on any parts of the contents of this website and makes no warranty as to the accuracy of any such information or content. The terms and conditions applicable to individual investors will be set out in the applicable contract or offering document.

Existing clients or prospective ones should always remember that:

- Past performance may not be an accurate indication of future performance
- Your investment is risky in its nature and short-term performance can be volatile
- Exchange rates may cause the value of underlying investments to fluctuate

The information illustrated on the website is for informational purposes only and shall not:

- Be deemed as an offer to subscribe for any shares in the fund/(s) managed by AGT Partners
- Be deemed to be investment or financial advice
- Be reproduced, distributed, or published without the consent of AGT Partners