

Blue Tower Asset Management, LLC
311 RANCH ROAD 620 SOUTH
SUITE 111
AUSTIN, TX 78734

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The Blue Tower Global Value composite returned 10.83% net in Q4 2023 (11.11% gross) bringing our full year 2023 return to 32.44% net (33.81% gross). Sanctions have frozen our Russian investments, leading to high levels of dispersion among accounts in the composite, so please rely on your account statements for your individual investment performance.

This month marks the 10-year anniversary of my professional investment management of the strategy that would become the Blue Tower Global Value strategy¹. It has been truly been a privilege to have been entrusted with the capital of Blue Tower's investors. Over the past decade, it has been a competitive edge to have a client base that is calm and composed in the face of extreme market and geopolitical turmoil.

For the first decade of the strategy, we achieved a 15.0% net annualized return (16.3% gross) in a decade when the MSCI ACWI, an index of global stock market returns, returned 7.9%. We achieved this result without net leverage and with no shorting of stocks. Furthermore, we have been trending to a greater outperformance over time with the last five years being better than the first five. I believe that the volatility of the last few years has created more opportunities for active managers to outperform. As the world appears to be entering a time of even more geopolitical instability and technological change, I believe there will be no shortage of dislocations in the market and resulting investment opportunities.

Simple statistics often conceal a great deal of activity beneath the surface. Our 10-year annualized return derives from investments in almost a hundred different companies, so I believe a great way to commemorate this 10-year milestone would be to give a retrospective on what were the 5 most impactful stocks in achieving our first decade's result. I am pleased that the five most impactful investments were all positive contributions to performance.

Q4 Portfolio Updates

Stocks saw a significant price increase this quarter driven by market beliefs that the Federal Reserve is near the end of their rate-hiking cycle.

TCS Group came under blocking sanctions from the US in the 2nd half of 2023 when it was added to the SDN list (Specially Designated Nationals blocked by the Office of Foreign Asset

¹ In the first year, 2014, I managed the strategy with friends and family capital under the umbrella of another firm's registration while I was in the process of setting up systems for Blue Tower and getting appropriate regulatory approvals and registrations. At the beginning of 2015, Blue Tower officially opened to the public and the track record was then linked in accordance with the GIPS portability rule as all investor accounts and manager were the same.

Control). We will likely be unable to exit any of our Russian investments until there is a bilateral ceasefire in Ukraine and a mutual easing of sanctions.

Our current portfolio holding, Masimo, is locked in a lawsuit with a former holding, Apple, over a patent dispute involving blood oxygen measurement technology. Our hope is that Apple and Masimo come to a mutually beneficial licensing agreement and put this dispute behind them.

Largest Contributors First Decade Retrospective

For looking at the biggest contributors to our performance over the last decade, it is more meaningful to look at their relative returns over time rather than looking at the total dollar value we made from each investment. This better approximates the experience of a long-term investor in the strategy who doesn't make contributions or withdrawals. In the early years, we had fewer investors and a smaller capital base, so the absolute dollar contribution of individual investments would be dominated by recent years.

Therefore, we will chain together the quarterly portfolio contributions from each security over the last 40 quarters in order to get the total contribution over the decade. The five stocks with the biggest cumulative chained portfolio contributions are in the table below. This is not the same as the percentage increase in the stock price and dividends as the weight of the position in the portfolio each quarter affects its contribution.

As an example, a stock that was a 10% weighting at the start of a quarter which then increased 25% in a quarter would give a quarterly contribution of 2.5%. However, a 1% stock that doubled in a quarter would only give a quarterly contribution of 1%.

Top Five Contributors to Strategy Portfolio Performance 2014-2023

Stock	CNR/NCS	Sberbank	CGEO	EZPW	EBIX
Portfolio contribution	30.99%	22.50%	10.43%	10.14%	9.33%

I am honored by the continued support of our investors, and I have high hopes for our firm's future decades.

Best regards,

Andrew Oskoui, CFA

Portfolio Manager

Disclaimer: This commentary does not represent a recommendation to trade any particular security, but is intended to illustrate Blue Tower's investment approach. These opinions are current as of the date of this commentary but are subject to change. The information contained herein has been obtained from sources believed to be reliable but the accuracy of the information cannot be guaranteed. Past performance is no guarantee of future results.

Appendix – First Decade Retrospective

CNR (April 29, 2019 - March 8, 2022)

We first invested in Cornerstone Building Brands (when it was still called NCI Building Systems) in 2019 as we believed its stock was undervalued due to one-time expenses and high debt levels from a series of mergers which deterred some investors. We built up the position over a few months paying an average of \$5.42 for shares purchased in that calendar year. We also held the view that the US construction sector was poised to outperform. Cornerstone made a significant investment in automation which would help them increase production per worker, making them well-positioned to weather labor shortages. Cornerstone's centralized pricing decisions were also expected to help them stay abreast of production input prices and increase prices ahead of inflation. As Cornerstone realized acquisition synergies, benefited from the housing boom, and paid down debt, their value became more apparent to investors and the share price rose. Despite the share price increases, the management still believed it to be highly undervalued and the company was taken private through an LBO in 2022. Clayton, Dubilier & Rice, which owned about 49% of the company, purchased the remainder of the shares for \$24.65 per share, making the deal, including the debt, worth \$5.8 billion.



Sberbank of Russia (March 4th, 2014 – February 18, 2022 & February 25, 2022 - present)

In 2014, we invested in Sberbank of Russia due to its extremely cheap valuation, high returns on equity, and dominant position within Russia and the former Soviet Union. Over the years, we remained bullish on the company as it grew revenues, increased dividends, and expanded into new technology-focused lines of business, including some non-financial businesses. Through their businesses and borrowers, Sberbank gives a general exposure to the Russian economy. I detailed our 2022 trades around the stock in our Q1 and Q2 2022 letters.

It is still too early to tell if Sberbank will be a net detractor to Blue Tower's performance or the best investment we have made so far. As long as the disastrous war in Ukraine and the mutual sanctions between the West and Russia continues, the possibility exists of our investment being expropriated in the future. However, all wars end eventually. If the peace that does come involves a normalization of relations between Russia and Ukraine and the West, I expect Sberbank will trade back to their pre-war multiples.



Our investments were originally in the ADR (SBRCY), but these ADRs were converted to the ordinary shares (Moscow:SBER) in 2022 when the ADR program was in the process of being terminated. Although our investment was originally in the ADR, we display the ordinary shares priced in Rubles for illustrative purposes due to the later conversion.

Georgia Capital (November 6, 2020 - present)

Georgia Capital is a conglomerate trading at a deep discount to net asset value with skilled, aligned management positioned to take advantage of opportunities in the frontier market of the Republic of Georgia. Our Q1 2021 letter details our investment thesis. When we first invested, Georgia Capital's portfolio included healthcare, retail, insurance, renewable energy, education, and water utility businesses. They have since sold the water utility at a premium to the book value and to their estimated value for NAV. Management has been cognizant of the cheap valuation of the company's shares and have been aggressively buying back shares and retiring debt. Due to the buybacks, retiring debt, and organic growth of some of their businesses, the NAV per share has grown significantly in a relatively short period. Even though the share price has increased so much in the last three years, the relative discount to NAV is roughly where it was when we first invested in the company.



EZCORP (June 15, 2015 – present)

With our initial investment in the company in June 2015, EZCORP has been one of the longest held investments in our portfolio. We initially saw the company as deeply undervalued due to temporary factors such as an accounting restatement and we were bullish that new management could turn things around. In 2017, we believed that the point-of-sale lending software that they had announced would also help to improve margins. While margins have improved, the change has been less than I expected. EZCORP has served as a portfolio diversifier as we expect their business is counter-cyclical and will perform better in a recession than in a strong economy. Overall, management has not yet achieved the turnaround in the business that we expected, but EZCORP is still an undervalued business compared to their better-operated peers, such as FCFS.

We initially purchased EZPW shares at \$7.48 in June 2015 and the share price ended 2023 at \$8.74 (an increase of 16.8%). By contrast, the Blue Tower Global Value more than tripled in the 8.5 years between the ends of Q2 2015 and Q4 2023 with a net cumulative gain of 208.6% over that period. Despite the company not performing very well over our holding period, our investment in this stock has been very successful due to EZPW's price volatility and our trading around our position. We sold a significant number of shares at prices as high as \$11.85 and bought many shares at as low as \$3.15.



Ebix (January 6, 2014 – June 15, 2015 & October 10, 2019 – August 16, 2021)

Our investment in Ebix was in two periods. Ebix began as one of the initial positions in the strategy at a price of \$14.11. We later exited the investment in June 2015 at \$33.21. When we invested, the company was in a whirlwind of gloomy headlines. There were negative reports being released by short-sellers alleging fraudulent accounting and fake sales. Additionally, there were simultaneous investigations of the company by the IRS, DOJ, and SEC. In 2014, I did a channel check with a customer which gave me the opinion that the allegations of fraud were likely an exaggeration. During this period, Ebix took advantage of their low share price to buyback large amounts of stock. The IRS investigation concluded finding only minor underpayment of taxes. The SEC and DOJ investigations seemed in 2015 to be less serious than initially feared and later concluded with no action taken against the company. As a result, the share price quickly rallied and we exited the position once it was fairly valued.

Later in 2019, we reentered an investment once the share price had declined back to a level we considered undervalued again. However, new short reports came out targeting some of their operations in India and highlighting potential issues, and these seemed to possibly have more merit than the previous ones. Furthermore, I became concerned about the rising amount of debt held by Ebix and was worried that the pandemic would undermine their travel-related lines of business. We exited our investment in 2021. Our second period of investing in Ebix resulted in a slight loss.

On December 17, 2023, Ebix filed for Chapter 11 protection in the U.S. Bankruptcy Court for the Northern District of Texas. An investment in a company that eventually ended up in bankruptcy wound up being one of our most successful. We were definitely very fortunate with the timing of our Ebix investments.

