

## Fellow Shareholder,

River Oak's book value per share increased by 36.0% in the first half of 2019. Our book value at June 30, 2019 was SEK 25.1 million, which is equivalent to SEK 138.91 per share. This compares to an increase of 15.7% for the OMXS30 index in the same period. If you had invested in the index you would also have received dividends of approximately 3.6% which would have brought the total result for the index to an increase of 19.3%.

Note that our book value per share numbers are reported after we have paid the Swedish standard tax for investment accounts on the company level which has amounted to 0.4% to 0.5% per year in the past three years, while the OMXS30 including dividends numbers are reported without paying such a tax.

	Investment return (pretax)	Change in book value per share	OMXS30 incl. div.	Difference
<b>2017 (from Feb 7)</b>	13.2%	<b>8.6%</b>	5.4%	3.2%
<b>2018</b>	0.0%	<b>(6.0)%</b>	(7.2)%	1.2%
<b>2019 (per June 30)</b>	40.1%	<b>36.0%</b>	19.3%	16.7%
<b>Total gain</b>	58.6%	<b>38.9%</b>	16.7%	22.2%
<b>Compounded annual gain</b>	21.3%	<b>14.7%</b>	6.7%	8.0%

<sup>1</sup> Startup costs had a 0.8% negative impact on the 2017 Change in book value per share.

<sup>2</sup> The 2018 Change in book value per share was previously reported as (5.9)%. This figure contained a rounding error and has now been corrected to (6.0)%.

<sup>3</sup> The difference between the investment return and change in book value per share is taxes and our operating costs which are primarily comprised of performance-based salary costs.

When evaluating investment results, I strongly recommend that you always look at the longest time period available as shorter time periods won't tell you much of value. I have included a longer track record, which includes the results of my family partnership from 2013-2016, at the end of this letter.

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## Our ongoing capital raise

Our ongoing capital raise will close this week and will be done at an offering price of 101% of our book value per share per June 30, 2019. The offering price has now been set to SEK 140.30 per share.

As previously communicated we will raise capital quarterly from now on. The next opportunity to invest will be in early October.

## Comments on our investment operation

Our portfolio has done well in the period for three primary reasons:

1. Our companies are doing well.
2. Our companies' stock prices were severely decimated in December; our "babies" were thrown out with the bath water by panicking market participants. When these fickle mood-changers realized it was indeed babies they had thrown out, they quickly ran out and picked them back up, which caused the stock prices of our companies to have a much stronger rebound than that of the general market.
3. We did not follow the herd in December when many market participants were panicking and selling their stocks hand over fist. Instead, I focused, as I always do, on our companies and their operations. This allowed us to capitalize well on the subsequent recovery.

I will say a word about China as I suspect it is on many people's minds these days. A few years ago, Jack Ma, founder and Chairman of China's largest internet company Alibaba, was on a panel with Bill Clinton who asked him a question about the Chinese economy. Jack's answer: *"I think you American people worry too much about the China economy."*

I think it's not only Americans that worry too much about China's economy. Most people do. I haven't invested a portion of our assets in Chinese companies because I believe I possess unique insights on the short-term outcome of the current U.S.-China trade war – I have done it because I believe those companies will have a bright future in the long run *regardless* of the current trade war outcome. This is true, by the way, for all our non-China investments too. I will never make an investment on our behalf based on a hunch I might have about the next couple of quarters.

Finally, I want to touch on our increasing focus on higher-priced higher-quality companies over lower-priced lower-quality ones. It is a lot easier to see when a stock is cheap than when a company is great. If shares of a specific company are cheap based on the numbers, anyone can usually see it. Generally when this is the case, the company is cheap for good reasons. It is not as straightforward to see when a company has a great future. Thus, the real bargains and potential multi-baggers most often reside here. This is why I focus most of my energy – and most of our capital – in this category.

## Closing remarks

I'm happy that recently more of you have picked up the phone, and even the car keys in some cases, to come over to discuss your overall investments and savings with me. I am always happy to be a sounding board and help if I can so please keep it coming.

There's no doubt we've had a good start since that happy day when I started investing River Oak's founding capital a little more than two years ago. I was like the little kid that has just opened his big bag of Saturday candy and realizes it was even better than he imagined. Oh the good times... Well, back to today: As a shareholder, it's important that you remember that our good start is precisely just that: A good start. We're really only in the first half of the first inning. Over the coming years we will have many ups and downs, we will have some good years and we will have some terrible years, our operation will develop and it might in five years look very different from what it looks like today.

Our founding principles however, will remain the same. We will always have a long-term focus, we will be invested in fundamentally strong companies and we will always keep things simple.

Thank you for joining me on this journey.

July 3, 2019

A handwritten signature in black ink, appearing to read 'Dan Glaser', written in a cursive style.

Daniel Glaser  
Chief Executive Officer

## Historical pretax returns

Feb 7, 2017 – June 30, 2019: River Oak Capital AB

Jan 1, 2013 – Feb 6, 2017: Zen Capital Family Partnership

	<b>Investment return</b>	<b>Net return</b>	<b>OMXS30 incl. div.</b>	<b>Difference</b>
<b>2013</b>	41.0%	<b>30.8%</b>	25.4%	5.4%
<b>2014</b>	45.0%	<b>33.8%</b>	13.6%	20.2%
<b>2015</b>	35.1%	<b>26.3%</b>	2.5%	23.8%
<b>2016</b>	20.5%	<b>15.4%</b>	9.1%	6.3%
<b>2017</b>	19.6%	<b>14.0%</b>	7.0%	7.0%
<b>2018</b>	0.0%	<b>(5.6)%</b>	(7.2)%	1.6%
<b>2019 (per June 30)</b>	40.1%	<b>36.2%</b>	19.3%	16.9%
<b>Total gain</b>	457.7%	<b>273.7%</b>	88.6%	185.1%
<b>Compounded annual gain</b>	30.3%	<b>22.5%</b>	10.3%	12.2%

<sup>1</sup> Startup costs had a 0.8% negative impact on the 2017 Change in book value per share.

<sup>2</sup> The 2018 Change in book value per share was previously reported as (5.9)%. This figure contained a rounding error and has now been corrected to (6.0)%.

Approximate currency effects on investment return:

2014 +7%, 2016 +2%, 2017 -10%; 2018 +5%, 2019 +2%, other years <1%.

River Oak does not in any way strive to foresee or profit from currency movements. We believe that any impact from currency movements on our results will be negligible over time.

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