

River Oak Announces Positive Changes for Investors and Introduces Quarterly Trading Window

March 6, 2025

Executive summary

Starting in 2025, our total operating costs will be kept below 1% of our beginning-of-year assets, with a goal to get them towards 0.5% over time

- Our OpEx cost has averaged 1.1% since inception and slightly higher recently

The dividend on Class A shares will be lowered from 20% of our annual book value increase to 10%, with an additional condition that our net result *after* such a dividend must outperform our benchmark that year

- This means that for a dividend on Class A shares to happen, our year-end book value per share must be higher than all previous years, plus the new condition must be fulfilled.
- If both conditions are met, the dividend will then be 10% on the year-end excess above our previous highest book value per share, rather than the current 20%.
- This change will be proposed and voted upon at our Annual General Meeting in May. If approved, it takes effect immediately and will thus be applied to our 2025 results.

The following table shows our past results and what our Book value per share increase would have looked like under the new structure:

<i>Annual percentage change in</i>	Investment return (pretax)	Book value per share	OMXS30 incl. div. (pretax)	Book value per share New structure incl OpEx 1%	Book value per share New structure incl OpEx 0.5%
2017 (from Feb 7)	13,2%	8,6%	5,4%	10,7%	11,2%
2018	0,0%	-6,0%	-7,0%	-1,5%	-1,0%
2019	61,7%	50,1%	30,7%	53,6%	54,1%
2020	104,0%	74,3%	7,4%	92,3%	92,7%
2021	14,3%	10,8%	32,7%	12,9%	13,4%
2022	-26,9%	-28,8%	-13,0%	-28,3%	-27,8%
2023	5,7%	4,0%	21,0%	3,7%	4,2%
2024	20,1%	17,5%	6,8%	18,0%	18,5%
Overall Gain	296,0%	157,5%	105,5%	219,2%	230,5%
Compounded Annual Gain	19,0%	12,7%	9,5%	15,8%	16,3%

Trading window to open at quarter end

- Book value will be sent out at quarter end and shareholders along with new investors will have a few days to send in their interest. If seller and buyer demand doesn't match, allocation will be done on a pro rata basis.
- The price in these transactions will be the current Book value per share according to River Oak's Information memorandum.
- Buyers and sellers who have already expressed interest before today will have priority until both the buyer and seller lists are cleared.
- Please note that buyers and sellers are free to mutually agree on other transaction dates and prices in between the trading windows on a first come first served basis just as they are today.
- The trading windows will at times likely be complemented by Capital raises & Shares repurchases

Founder & CEO Daniel Glaser comments

No shareholder have asked me or any of our board members to adjust our costs, so I want to share why we're making some changes.

Since we started, River Oak's "clean" value add – our pretax investment return minus the pretax benchmark return – has averaged 9.5% per year.

Most River Oak investors have received 3.8% of that per year (or 3.2% for those who aren't Swedish small business owners). You can find a breakdown in the footnote below.

Not a bad result, but we're now in a very different place than we were when we started in 2017. Back then, our main goal was simply getting off the ground and having a possible path towards a sustainable business. We really didn't have much choice in how to set up our Day 1 cost structure given our humble starting sum of SEK 4.4 million.

Things have developed more favorably than I initially expected. We now have some options, and it's only fair that shareholders get a larger piece of our potential value add going forward.

Another factor is the tax on our investment account which has varied significantly since our start. In 2017, we paid 0.3% of our beginning-of-year assets, while in 2024, we paid 1.1%. It will likely average less than that over time, but it has had an impact on our overall net result compared to when we started.

Finally, and importantly, the difference between our Investment return and Net result under our new "Day 2" structure looks a lot better to all of us on the board and is much more in line with what we believe it should look like in a good and efficient investment operation.

I look forward to put it into action!

¹ The difference between our pretax investment return and our net result is mainly because of high operating costs in % terms in our early years due to our small starting sum, and because of the dividend on Class A shares which was highly concentrated to the 3-year period 2018-2020 when the dividend rate was still 25%.

To get from our pretax investment return to our book value per share, we first have a tax on our investment account which has averaged 0.6% per year since inception but has been higher in the past few years. It depends on the Swedish government loan rate and has varied significantly over the years. In 2017, we paid 0.3% of our beginning-of-year assets, while in 2024, we paid 1.1%. It currently seems likely that it will average below 1% over time.

If you are a Swedish small business owner, which a majority of River Oak's shareholders are, you would pay this same tax if you invested in our benchmark OMXS30 including dividends, so for you this tax has no impact on River Oak's value add.

We also pay taxes on foreign dividends, most of which are automatically returned to us a few years later so they should be largely negligible over time – these taxes have so far averaged 0.1% per year for us on a net basis.

We then have some costs to keep River Oak's doors open which have averaged 1.1% per year since our start. They were meaningfully higher than that in the first two years. If we do well and if we end a year above our previous highest year-end book value per share, there is a dividend on Class A shares according to our Articles of Association.

I have always been of the view that if one doesn't add value after all costs, there should be no performance-related benefits and only the necessary costs for running the company should be covered. Clearly, a lot of value can be added over time even though single years don't, but one year is the simplest time period we have for evaluation so that's what we will use as our measuring stick when we determine if there is to be any dividend on Class A shares. While we have operated with this mindset since Day 1, this will now also formally be in our Articles of Association.

Uppsala in March 2025

Board of Directors River Oak Capital AB



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Eklundshovsvägen 5, 752 37 Uppsala

www.riveroakcapital.se