



River Oak
Capital

2025 H1 Letter to shareholders

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<i>Annual percentage change in</i>	Investment return (pretax)	Book value per share	OMXS30 incl. div. (pretax)
2017 (from Feb 7)	13.2	8.6	5.4
2018	0.0	(6.0)	(7.0)
2019	61.7	50.1	30.7
2020	104.0	74.3	7.4
2021	14.3	10.8	32.7
2022	(26.9)	(28.8)	(13.0)
2023	5.7	4.0	21.0
2024	20.1	17.5	6.8
2025 H1	0.8	(0.5)	3.1
Total gain	299.0%	156.3%	111.8%
Compounded annual gain	17.9%	11.9%	9.4%

When evaluating investment results, it is my strong recommendation that you always look at the longest available time period as shorter periods with their inherent randomness won't tell you much of value. As always, I have included a full track record of the past thirteen years which includes my Zen Capital family office from 2013-2016 at the end of this letter.

Notes to table

¹ The change in Book value per share is net of taxes, general operating costs, and a dividend on the Class A shares according to the Company's Articles of Association. There is no dividend on the Class A shares unless the year-end book value per share is higher than all previously reported years. For more details, see the Company's Articles of Association.

² The OMXS30 incl. div. column does not include the standard annual tax payment which is due on Swedish investment accounts and which River Oak pays every year. It has amounted to between 0.3% to 1.1% of total capital per year. The real return achieved by a Swedish investor that invested in the index is thus between 0.3% to 1.1% lower per year than reported in the table.

³ Estimated currency effects on Investment return: 2017 -10%; 2018 +5%, 2019 +3%, 2020 -6%, 2024 +4%, 2025 -7%. In the other years, the currency effect was less than or equal to 2%. River Oak does not in any way strive to foresee or profit from currency movements. Our belief is that any impact from currency movements will be negligible over time.

⁴ Investment return and Book value per share between 2013-2021 have not been audited. The Company's AGM voted to retain an auditor in April 2021.

Fellow shareholder,

River Oak's book value per share decreased by 0.5% in the first half of 2025. Our book value on June 30, 2025, was SEK 103.3 million, equivalent to SEK 256.26 per share.

The strengthening of the Swedish krona (SEK) had a negative impact on our results by approximately SEK 8 million or 7%.

We repurchased around 6% of River Oak's outstanding shares during the period at a price of SEK 264.66 per share for a total of SEK 7.2 million. This has had a slight negative impact on our book value per share year to date and will turn to a slightly positive impact if our book value per share goes above the repurchase price. The repurchases are not timing based on my part, we repurchase shares at most two times per year in May and November and only if there are shareholders who want to sell some shares and there are no buyers at that time.

I'm happy to share that we currently have some new investor interest, so we plan to open up a capital raise shortly. Thank you to those who introduced River Oak to their friends and colleagues.

First half review

Our investment return was good across the portfolio and most of our meaningful investments from Avanza and Storytel to Wise, Meta, and our China basket have performed well operationally. While a few of our smaller commitments such as Boozt have done less well due in part to a still stuttering Nordic economy, the one main detractor from our returns this year has been the strengthening of the SEK, which appreciated almost 15% vs the US dollar during the first half and by a smaller amount vs the euro and the pound.

To what extent does this affect us? Let's assume we own shares in a USD denominated asset with a share price of \$100 at the start of the year. If the share price appreciates by 50% and the USD depreciates by 15% vs the SEK, our asset is now worth an equivalent of SEK 1,275¹ so we only got a 27.5% return in SEK even though the share price appreciated by almost twice as much. Currency moves can eat up a sizable chunk of asset appreciation.

It's been odd to watch most of our portfolio companies' share prices go up this year while our total portfolio value as expressed in SEK has remained essentially flat. For reference, the 7% negative currency impact at the portfolio level fully cancels out the gain from a 7% position doubling, or from a 35% position rising 20%. The impact has been on the extreme side for us these past two years, but historically these effects have tended to roughly cancel out – and even if they don't, they should be negligible compared to our overall investment returns over the long term.

¹ For simplicity, we assume the USD/SEK exchange rate started the year at 1:10 meaning our starting year SEK value is SEK 1,000.

New share price \$150 * (10 less 15%) = \$150 * 8.5 = SEK 1,275.

If River Oak earned its keeps on successful currency forecasts, you would have sent me flowers for my brilliance last year and tomatoes for my ignorance this year. Fortunately, it does not. The metric I personally look at when evaluating our results – and the results of the operating companies we invest in – is performance in constant currencies. I encourage you to do the same (or be like the economist who confidently said there are really only three kinds of people in the world: those who can count and those who can't).

At the half-year mark, around 35% of our portfolio was invested in SEK denominated shares with the balance roughly evenly split between USD, EUR and GBP (our China basket is USD denominated). The split is primarily based on the available opportunity set at a given time and not on any beliefs I may have regarding the valuations of the respective currencies.

There have been no major changes in the portfolio since my previous letter, only a few minor trims and additions including one small new investment in Sweden which given its size will remain undisclosed for now. There are currently a couple of promising prospects in the Nordics which I hope will end up making it into our portfolio although there's no guarantee they will.

The Nordic economy is still puttering about. Lower interest rates have given families more disposable income and reduced the attractiveness of having money in a savings account, which should translate to better times for consumer-dependent companies such as Boozt, and to a smaller extent Lindex and Avanza.

Overall, our portfolio is attractively valued relative to the significant free cash flow it generates. While our holdings are not the fastest growers – thus not currently the most popular – I expect our portfolio as a whole, including some new investments and some exits, to show moderate to high growth over the coming years with healthy incremental profitability in most economic environments.

Bubbly times

Financial bubbles build and eventually burst when there is much “air” in the system. At the peak of the 2008 financial crisis, there were so-called *synthetic* CDOs² that in some cases created over \$10 billion in leveraged bets for every \$1 billion of an already risky mortgage loan bundle, meaning that when \$1 billion worth of these mortgages went bad – when enough homeowners couldn't pay interest on their mortgages – more than \$10 billion of investor money went up in smoke.

It seems to me that we're again seeing more and more air in the system. While the AI³ hype seems more akin to the 2000 .com bubble, the cryptocurrency wave more closely resembles the US housing bubble which ended with the 2008 financial crisis.

² CDO is short for Collateralized Debt Obligation which is a bundle of mortgage loans at varying qualities.

³ For brevity, I will refer to all kinds of AI such as generative AI, AI agents, robotics, etc. simply as “AI.”

AI

People and companies, and in turn, countries and the world as a whole, have always got more efficient over time. Every once in a while, there is a big leap in efficiency gains. The industrial revolution, computers and the internet are examples of previous leaps – AI is the latest one. That much seems clear.

Investing in AI is a different matter. Currently, companies that mention just some kind of success due to AI are highly sought after even when the rest of their business is rather uninspiring. While AI has already enabled significant efficiency gains and cost savings across companies, there are still few examples of companies that are able to charge a premium for their AI-powered services on a larger scale.

Providing the means to work on AI is the current goldmine. The amounts that are being spent on AI infrastructure and talent along with future investment plans are nothing short of extraordinary. Forget profits, it is in vogue to *spend* on AI, and any return on these investments will hopefully come later.

There is of course good reason to believe they will. It's commonly accepted that greater computing power significantly improves model performance, and it does seem likely that AI will indeed “change everything” given enough time. What's less certain is whether the returns on those investments will be *good*.

The one thing that's been true in the past is that it usually takes more time than most people think before new revolutionary technologies become useful at scale and potential winners start to crystalize. Andrej Karpathy, who led self-driving at Tesla and was one of OpenAI's first employees, recently gave a talk where he said that his first Waymo self-driving demo ride around Palo Alto was “perfect.” The demo ride he was talking about happened in 2013.

The biggest winners of the internet age – Amazon, Alphabet (Google's parent), and Meta (parent of Facebook and Instagram) – were all founded at various times in the early internet boom cycle. Amazon went live in 1995, Google was launched in 1998, while Facebook and Instagram came later in 2004 and 2010, respectively. Looking at where the early internet market leaders like Yahoo, AOL, and Excite are today, and considering how quickly things move in AI, it's not a given to me that OpenAI will still be the same overwhelming market leader it is today in five years' time. Its flagship service, ChatGPT, currently has a significant advantage in both model performance and overall usage, and moats do seem stronger now than in the early internet years given today's lightning-fast distribution and worldwide availability, but model performance could become commoditized and we may well be using a different interface to interact with our preferred AI in the future.

Being the toll-road in the traffic boom – like cloud providers have been for internet companies, or like Verisign has been providing .com domains, or like Fortnox has been for SMBs in Sweden over the past two decades – has again proven highly lucrative as it almost always does with Nvidia leading the pack. Given the difficulty of picking the front-line winners – and our concentrated investment style (we are not making 50 small venture bets hoping one of them turns into the Google of the AI age) – it's the layers underneath the ChatGPTs of the world where my efforts are focused.

Cryptocurrencies

Moving from one area of hype with many real-world use cases to one largely without, let's take a brief look at cryptocurrencies.

The Trump meme coin (yes, that's a real thing) was launched three days before President Trump's inauguration and soon peaked at a total market value of around \$15 billion⁴. As best as I could tell at the time, that was basically \$15 billion of "rarified air". Sure enough, its market value has deflated by about 90% since then down to around \$1.7 billion today (still a respectable sum for something of that nature). The launch reportedly generated roughly \$350 million in revenue from token sales and trading fees and allowed retail investors to buy this coin at a high premium only to see their "investment" become essentially worthless a few weeks later.

It seems to me that most if not all cryptocurrencies are purely speculative objects with no tangible value. Outside stablecoins, a form of cryptocurrency normally backed by real assets such as the US dollar and the euro, real-world use cases remain scarce unless one counts trading, gambling, and anonymous payments that seem well suited especially for illegal activities. There are claims that crypto has an important role to play in cross-border payments to exotic currencies, for example to countries in Africa and South America which often carry high fees, but I doubt it's indeed cheaper compared to services like Wise and Revolut once all costs are counted – and even if some use cases on specific currency routes do make sense, is it really worth having the gambling and making it easier to conduct criminal activities as the other side of the coin?

What about collector's value? The total value of all cryptocurrencies combined is currently estimated to be around \$4 trillion. If you thought \$1.7 billion for the Trump meme coin was high, there is another \$3.998 trillion of other similar stuff out there including the Bitcoin flagship. The collection of those seem to have far more in common with 1630s Dutch tulips than Picasso paintings if you ask me. It's possible I'm too "old school" to see the beauty in collecting these coins as a form of digital gold, and if that's the case, I don't mind seeing other people do well with it while having the opportunity pass us by.

Market participants tend to care less about most things including what they are buying and at what valuation (if any) the more money they are making. I'm not setting policy and the use cases I excluded above could certainly be considered more than enough by regulators to keep the party going, especially considering that the genie – the \$4 trillion genie – is already out of the bottle so to speak. Be that as it may, but it has a high likelihood of ending badly.

At the 2008 CDO peak, it is estimated that there was around \$2 trillion of CDOs in circulation not backed by mortgage loans on top of the roughly \$1.4 trillion of actual mortgage loans, so in essence \$2 trillion of "air", or around \$3 trillion in today's dollars adjusted for inflation – that's still \$1 trillion less than today's total cryptocurrency market cap. Crypto is not as systemically integrated as housing was and the fallout in case of a crypto sentiment change will likely be less severe, but it's become large enough to warrant awareness and general caution.

⁴ Reports vary on the exact peak figure, but my overall point remains the same regardless.

Stablecoins are an exception which clearly has tangible value. It is plausible that valuable real-world use cases emerge here and I'm studying this part of the ecosystem with keen interest.

Summing up this cheerful section, I believe we have bubbly pockets here and there. My view is that AI will and is already changing the world although the current hype makes it more challenging to invest in, whereas I struggle to see any tangible value or useful real-world applications in cryptocurrencies.

Bubbles can go on for a long time however, and one can make boatloads of money in bubble assets as long as one leaves the dance floor in time. We are unlikely to participate much in the party. On the plus side, we won't get drunk and hopefully won't get too big of a hangover either once the party stops.

One mistake I made in 2020/21 was that I didn't always have my own favorite investment mantra, "*Be content with moderate gains*" (borrowed from Warren Buffett), front and center. Forgetting it can be costly. That doesn't mean I mind large gains – I certainly don't – but it's far more pleasant to have reasonable expectations and enjoy positive surprises rather than chasing their more attractive-at-first-glance cousin: unreasonable expectations and negative surprises.

Looking ahead

One new market phenomenon that has only accelerated over the past few years has been the extreme share price movements on days when companies report earnings. The reasons behind it are hard to pinpoint with any certainty, but probable causes include so-called podshops who try to predict quarterly earnings results and then use copious amounts of leverage to magnify small share price movements, higher retail investor participation after covid, and other leveraged entities who get margin calls on earnings days.

This means it has become virtually impossible to keep our portfolio volatility reasonably low during the four earnings seasons. In April, we had to adjust our quarterly trading window share price due to particularly large moves in our book value per share. We have now shortened our trading windows to minimize the potential impact of the nowadays more regularly occurring large share price moves. There is no clever way around this – if we want our preferred long-term exposure to a collection of attractive publicly listed companies that steadily increase their owner earnings power over time, we have to live with the short-term nuisances the market gives us along the way.

A couple of years ago, when we had recently started River Oak, I was down at a local store in downtown Uppsala. At the counter, the person before me chatted with the cashier about his job at a well-known Swedish financial advisor. When we both had paid and were on our way out, I kindly introduced myself and River Oak, and then mostly out of politeness, I suggested a coffee at some point in the future. In response, this person started walking faster, then looked back at me, and finally started running back towards his office. He was either

stressed getting back to his desk or it's the first (and only) time I can remember someone being that afraid of me.

I oftentimes still feel like that outsider looking in onto the financial industry – and I love it, because it lets us operate fully independently and do only the things that make sense for us. We don't have to do anything just because everyone else is doing it or because "you're supposed" to be doing it.

Thank you for being a shareholder and partner on this learning journey towards greater financial freedom and lasting friendships. Our partnership motivates me every day and I never take it for granted.

A handwritten signature in black ink, appearing to read 'Daniel Glaser', with a stylized, cursive script.

Daniel Glaser
Chief Executive Officer

Sept 19, 2025

Founding principles

Our basic idea is simple:

- 1. Make a bet on human progress.**

Human progress is the reason stock markets have historically produced average annual returns of 6% to 10% over the past 200 years.

- 2. Invest in companies that are better than average or available at lower prices.**

The objective here is to add some additional returns on top of the 6%+ average annual returns the general market has provided and is likely to keep providing investors over time.

Goals

- 1. Don't lose money.**

We always think about the downside first. While we will inevitably lose money on some investments, this goal is about not losing money overall.

- 2. Earn an average annual investment return of 15% over time (pretax in SEK).**

This will result in an average annual pretax increase in book value per share of ~12.5% after operating costs and a dividend on Class A shares according to the Company's Articles of Association.

Historical returns

Feb 7, 2017 – June 30, 2025: River Oak Capital AB

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

<i>Annual percentage change in</i>	Investment return (pretax)	Book value per share	OMXS30 incl. div. (pretax)
2013	41.0	30.8	25.5
2014	45.0	33.8	14.0
2015	35.1	26.3	2.2
2016	20.5	15.4	9.4
2017	19.6	14.0	7.7
2018	0.0	(6.0)	(7.0)
2019	61.7	50.1	30.7
2020	104.0	74.3	7.4
2021	14.3	10.8	32.7
2022	(26.9)	(28.8)	(13.0)
2023	5.7	4.0	21.0
2024	20.1	17.5	6.8
2025 H1	0.8	(0.5)	3.1
Total gain	1303.3%	585.7%	245.8%
Compounded annual gain	23.5%	16.7%	10.4%

Notes to table

¹ The change in Book value per share is net of taxes, general operating costs, and a dividend on the Class A shares according to the Company's Articles of Association. There is no dividend on the Class A shares unless the year-end book value per share is higher than all previously reported years. For more details, see the Company's Articles of Association.

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³ Estimated currency effects on Investment return: 2014 +7%, 2016 +2%, 2017 -10%; 2018 +5%, 2019 +3%, 2020 -6%, 2024 +4%, 2025 -7%. In the other years, the currency effect was less than or equal to 2%. River Oak does not in any way strive to foresee or profit from currency movements. Our belief is that any impact from currency movements will be negligible over time.

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