2023 Letter to shareholders

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	Investment return (pretax)	Change in Book value per share	OMXS30 incl. div. (pretax)	Difference
2017 (from Feb 7)	13.2%	**8.6%**	5.4%	3.2%
2018	0.0%	**(6.0)%**	(7.0)%	1.0%
2019	61.7%	**50.1%**	30.7%	19.4%
2020	104.0%	**74.3%**	7.4%	66.9%
2021	14.3%	**10.8%**	32.7%	(21.9)%
2022	(26.9)%	**(28.8)%**	(13.0)%	(15.8)%
2023	5.7%	**4.0%**	21.0%	(17.0)%
Total gain	229.8%	**119.3%**	92.4%	26.9%
Compounded annual gain	18.9%	**12.1%**	10.0%	2.1%

The difference between our pretax investment return and change in book value per share in the period was comprised of taxes paid of 1% of our starting capital base, and the remainder of general operating costs. Since our start, our tax rate has changed multiple times due to the changes in the Swedish government loan rate. The dividend on the A shares has changed between the years as well, the allocation is currently at 0% since we are under our highest yearend book value per share which was recorded at the end of 2021. Finally, our operating costs as a percentage of our capital base have changed meaningfully over the years as well. All these changes have made any attempts of comparison between different years almost meaningless. In the end, what matters is our book value per share. Thus, starting in 2024, only the three latter columns will be reported here upfront. You will still be able to see the full track record including the pretax investment return at the end of this letter.

When evaluating investment results, it is our 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 eleven years which includes my Zen Capital family office from 2013-2016 at the end of this letter.

Notes to table

[1] Change in Book value per share is reported net of a dividend on class A shares according to the Company's Articles of Association, taxes, and general operating costs. There is no dividend on the class A shares unless the yearend 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 on Swedish investment accounts which amounts to between 0.4% to 0.9% of total capital per year and which River Oak pays every year. The real return achieved by a Swedish investor that invested in the index is thus between 0.4% to 0.9% lower per year than reported in the table, and the real Difference achieved by the same investor is between 0.4% to 0.9% higher per year than reported in the table.

[3] Estimated currency effects on Investment return: 2017 -10%; 2018 +5%, 2019 +3%, 2020 -6%. 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.

Fellow shareholder,

River Oak's book value per share increased by 4.0% in 2023. Our book value on December 31, 2023, was SEK 98.5 million, equivalent to SEK 219.26 per share.

Since our start in 2017, I have been relatively pleased with our result in all years. This past year was the first time I felt we had an overall disappointing year in terms of results. You know of course that our results in 2023 came from seeds planted in prior years.

While everything looked like roses and flowers during the 2019-2021 period, I made a few dumb decisions during those years, the results of which became apparent only later. Everything you've seen in the past two years has some relation to our previous five. The year 2022 was particularly tough because we took part in the significant upside that the preceding decade offered; 2023 was subpar because of energy investments made in 2022 which helped us end that year very strongly.

In some periods, I will be satisfied with our overall result while you may not – similar to the pilot who is happy that he managed to land the plane safely under heavy turbulence, while some passengers think that the turbulence should have been avoided altogether. The passengers are not always aware that to have the first part of the flight completely smooth and on occasions even wonderfully pleasant, the turbulent route had to be taken during the approach to the airport. That said, I believe we have now landed. We will of course still experience turbulent periods, but the rebuilding of our portfolio that I deemed necessary over the past few years is now behind us.

I believe decisions made in the past two years have been materially better, and you will hopefully see the good results of those decisions in the coming years.

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Operating results

Let's look at what affected our results the most in 2023.

The Online platforms category provided large gains and the Software category provided small gains for us, whereas we didn't have a single positive contributor in either of these categories in 2022.

In stark contrast was our Energy & Infrastructure category (previously referred to as the Energy category) where the roles were reversed – not a single positive contributor in 2023, and only positive contributors in 2022. With no energy investments we would have had a significantly worse result in 2022, and a much better result last year. The stocks we invest in are not aware of our reporting calendar or when we buy and sell them. Investments that worked out very well over our holding period sometimes provide gains in one year and losses in another year, which has been the case in our energy category.

Our remaining two categories, Higher interest rates and Workouts, contributed a combined gain of approximately 1.7% (despite negative currency effects of 0.8%).

In November, we repurchased approximately 2% of our shares outstanding at a price of SEK 204.04 per share for SEK 1.9 million from two selling shareholders. These repurchases are a form of investment for us which will generate a positive return if our value per share ends up higher than the price we paid. It is no objective of ours at this point to repurchase our own shares, but investing in ourselves is something I very much like to do, and I expect all repurchases we make to have a positive impact for the remaining shareholders over time.

Currency effects are usually a footnote in our reporting but this year it warrants a few words. We experienced a significant headwind in the last two months of the year due to the strengthening of the Swedish krona (SEK), which affected our reported SEK based results by approximately SEK 5 million, equivalent to SEK 11.13 per share. We had a net positive impact earlier in the year so the total negative impact for the full year was approximately SEK 1.5 million, equivalent to SEK 3.34 per share. I don’t try to predict currencies, but I do take them into account. I intentionally allocate between 30% to 70% of our portfolio to Swedish companies and the remainder to foreign ones – only rarely have we been outside this range. Even though currencies had a substantial impact on our results during short periods in 2023, they are over time likely to be negligible in comparison to investing in the right companies, whether these companies are SEK, USD, or EUR based.

In investing, it’s okay and it may even be a good thing that all your holdings don’t do splendidly well at the same time. It is unlikely (although possible) that you have good diversification in your portfolio if they do. In some years, there is simply not much to be had for a particular investment strategy. This is true for all strategies.

Investment gains (and losses) tend to come irregularly and in lumps. For example, at the end of February, our book value per share was up more than 4% for the year, surpassing our total gains in all of 2023 in the first two months of this year.

I can assure you of one thing: River Oak’s operation is never as good as it seems when we’re doing great, and it is never as bad as it seems when we're doing poorly. Growth for any company, especially small ones like ours, is a lot less linear than most people think.

Operating costs

Taxes paid amounted to 1% of our starting capital base, and operating costs were 1.1% of our starting capital base. These costs comprise the difference between our pretax investment return and our change in book value per share in our results table. Since our asset value increased and since these costs are spread over the year, their combined effect on our net result was only 1.7% in 2023.

While our base tax rate has gone up marginally in the past two years due to a higher Swedish government loan rate, if we have future years in line with our long-term average investment return, our net result will be meaningfully higher than it has been in the past. There will be no dividend on the Class A shares until we reach our previous book value per share high of SEK 296.06 per share – and after that, the intention is that there will be no dividend on the Class A shares unless we outperform our benchmark.

We are a somewhat unusual company in that taxes are – by far – our largest cost. In 2023, we sent off SEK 1.3 million to the tax office out of a total cost base of SEK 1.9 million. Don't let this fool you, we benefit a lot from our chosen tax structure. With our other tax structure option, we would have had a total tax bill of SEK 2.1 million. The current outlook is that our base tax rate will start going down in 2025.

You have my word that I'm keeping costs to an absolute minimum – without being stupid. The equation I use is very simple: I will spend x if I believe it will increase our result by more than x. Fancy spending has and will always be banned at River Oak. That said, to minimize the impact of our cost base, small as it already is, on our net result it would be good if we were somewhat larger than we are today. I'm working on that on two fronts – first and foremost by working to generate good returns, but also by being more open to new investors.

Our goals & Battling the index

We have invested through five different 3-year periods since our start. We have handily beaten our benchmark, the OMXS30 index including dividends, in all previous periods. In the most recent 3-year period, however, for the first time, we were forced to bite the dust.

I'm not beneath congratulating a worthy opponent who did very well. While we were far from perfect, our benchmark put up a true clinic with returns of +33% in 2021, -13% in 2022, and +21% in 2023. Given the type of companies we generally invest in, even with near perfection, we would likely not have outperformed it during this period[1]. What sticks out is the relatively small loss in 2022, but I would argue that all three years have been outliers in terms of what can be expected from our benchmark on average.

The OMXS30 index including dividends wasn't chosen as our benchmark because it is representative of what we invest in. It was chosen because it's straightforward to get this exposure in Sweden, and because it's likely to provide a good investment return over time. A more appropriate comparison to see if we select well in the sea of stocks where we fish would probably be something like the MSCI World Small Cap Index (EUR), which shows a total gain of approximately 65.2%, or a compounded annual gain of 7.6%, over the period from our start in February-2017 to the end of 2023, which compares to our 119.3%, and 12.1%, respectively.

In our industry, after a period of underperformance, it can be tempting to start straying from one's core principles and start chasing returns in the highfliers of the day. This often results in feeling good in the short term, and stupid in the long term.

I will not stray. Most of you know that I'm relatively immune to caring about what other people think. When I signed up to being "in the arena" when we started out seven years ago, rather than in the stands, I knew we would likely have periods of underperformance, and deserve our fair share of criticism from time to time. If you look at the table at the last page of this letter, you will see that we initially outperformed our benchmark for eight straight

[1] As a reference, according to London-based media group CityWire, only 9% of global growth equity portfolio managers, a category I would put River Oak in, are ahead of their benchmarks over the last three years.

years by an average of 17% on a net basis, with no negative years. I do not view it as a complete surprise to have some reverses after a period like that.

I believe one big key to our successful long-term past has been that I never chased high returns. When we are down for the year (which has happened almost every year), I don't search for quick fixes or start to take chances to maintain our high average. I just keep doing what I believe is the most sensible thing to do at all times, with no consideration for any index, for our past returns, or for anyone else's. When defense is played well over a longer period, the high returns tend to find us.

To be clear, I do not consider our past long-term record to be anything more than just that: our *past* record. The future is the only period I'm concerned with.

The important question to consider is whether we will outperform our benchmark in the future. My main reason for answering 'Yes' to that question is because I believe we will reach our goal of an average annual investment return of 15% over time, and I fully expect the net return which will result from that to outperform most benchmarks.

I have never started any year with the goal of outperforming a specific index since such a goal is largely out of my hands, and it would require changing strategy midyear in years when the index does particularly well, or we do poorly.

Three important points on this subject that I have emphasized many times are worth repeating and putting in a more succinct form:

1. I don't expect us to reach our goal in *every* 1-year, 3-year, or even 5-year period.
2. I don't expect us to outperform our benchmark in *every* 1-year, 3-year, or even 5-year period.
3. I do expect us to reach our goal, and as a result outperform our benchmark, over most 3-year and 5-year periods. I don't have any expectations for 1-year periods.

This doesn't alleviate the fact that you should always be on the lookout for investments that you think have a good chance of outperforming the index over time, or if you think that's too difficult, simply go with the index itself. We have smart shareholders who have decided that combining their River Oak investment with an index investment is a good strategy. While I don't do it myself, I agree with the logic if you want to smoothen out your returns.

We have never invested in a company that is one of the thirty constituents that comprise our OMXS30 benchmark. Furthermore, our high concentration in a few ideas makes it unlikely that we will be close to our benchmark in most years. Over the past seven years, our net returns have had an *average* deviation from the index of 21% per year, and our gross returns even more than that. It's fair to say we haven't been "hugging the index" and we have no plans to start.

How will AI affect us?

Over the past eleven years, if you boil down what I have done to achieve the returns on the last page of this letter, it consists of reading a lot, thinking about what I've read, analyzing, and drawing conclusions. All things that a well-trained AI should arguably be able to do better and on magnitudes larger datasets than any human will ever be able to cover. It stands to argue then that providing added value as a human investment manager may become a lot more difficult in the future – and it was already difficult to begin with. I am very mindful of this, and I will give you my updated views here in the coming years.

On the positive side, over the past decade, I have built up a large number of personal notes, observations, and conclusions about hundreds of companies. I have begun testing feeding these documents to tools like ChatGPT with instructions to look for things such as inconsistencies and red flags in my notes to see what insights it can potentially give us.

Another positive is that this paradigm shift should increase the chances of finding our next Fortnox-caliber company (hopefully plural). Fortnox would never have been able to do so well over the past decade if it wasn't for the no-brainer shift from on-premises to cloud-based software. There will surely be a few companies who will provide similarly useful no-brainer services which AI will enable in the coming decade, just like cloud-based software did in the past decade.

Our investments

As mentioned before, I won't discuss Nordic companies where I believe liquidity can potentially be an issue for us, even those we have sold. We can, and have, reinvested in companies we previously sold off – either because the fundamentals changed, because the price became more attractive, or both.

We look for the following qualities in companies we invest in:

1. Competitive advantages that I understand well.
2. Solid base to survive downturns – balance sheet *and* business model.
3. Earnings growth far into the future.
4. Honest, capable, and competent management.
5. Attractive price.

I don't always get all five right, and all five are not always available, but they are the aspiration.

Oftentimes, when the first four are fulfilled, the price is rarely attractive. Many of our current investments were always impressive companies but became interesting candidates because of a lower price.

It is simply difficult to have a consistently low-risk portfolio. When recent returns have been strong, market prices are generally higher, which all else equal increases risk. The opposite is often true when recent returns have been weak. There is much truth to the saying that there are either a lot of bargains in the stock market, or there are fewer bargains but then you're hopefully rich.

One quality I always look for in both people and companies is their history of adversity. Those that have been through hell and high water and emerged stronger may live with some scars, but they've been truly tested and proven their resilience when everything was on the line. They operate with a different level of awareness, so they don't have to go back to those darkest of times, and if it still comes to it, they have the tools in their toolbox to navigate through it another time.

Two of our new investments in the past year have been there.

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Boozt is one of the leading e-commerce platforms in the Nordics. Boozt almost went out of business in 2013. The leading founder and current CEO Hermann Haraldsson then, in his own words, "mortgaged his house to the chimney." They managed to turn things around and have over time gained the trust of consumers of being a reliable platform that just works.

From less than SEK 1 billion in total revenue in 2015, they have added an average of almost SEK 1 billion per year over the past eight years with some acceleration lately. This is despite the recent particularly challenging macro environment in the Nordics. In parallel, operational efficiency improvements have been very steady, which is showing up in their profit margin, along with continuous investments back into the business to provide a better customer experience.

Boozt has made a lot of good business decisions over the years, such as staying disciplined and focusing on getting the basics right in the Nordics. They also decided, in Hermann's own words, "to love" rather than hate customer returns. More recently, they broadened their offer to extend outside of fashion so family shopping can be conveniently done, which has increased average order values significantly.

I believe they will continue to make good decisions, and when needed, Hermann's sports background and competitiveness along with the culture he has fostered at Boozt should help them navigate upcoming challenges well.

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Another company that went halfway to the depths of Mordor, at least in the public eye, and returned much stronger is **Meta Platforms** (previously Facebook). It needs no introduction and even less discussion since it's probably one of the most analyzed companies on the planet. They own some of the world's most dominant platforms in Facebook, Instagram, WhatsApp, and Messenger.

In short, all the way back since Facebook initially launched in Sweden, I've always believed that their platform and technology was lightyears ahead of their competition (on the level of Tesla's technology advantage over the storied auto manufacturers). Over the past decade, Meta seamlessly redesigned their whole Facebook platform a couple of times, separated Messenger to become a stand-alone app, and integrated Instagram into their ad infrastructure, to name a few of their larger projects, with essentially no disruptions to the service. Meanwhile, Twitter didn't perform almost any meaningful upgrades (before Elon came along) and they did not even have a fully functioning website for mobile users for a long time. When Meta successfully withstood the upcoming TikTok threat, I no longer saw any competitor that could realistically kill them.

The main reasons for our investment, which was made in April-2023, were i) founder and CEO Mark Zuckerberg's major strategy shift in terms of efficiency and hiring, and ii) a very attractive price. All other pieces were already in place long before that.

As a not-so-small aside, they recently launched Threads which could potentially become their fifth behemoth platform. It was reportedly built by a smaller team in just five months since much of Meta's available infrastructure could be reused. Threads is tightly integrated with Instagram which has enabled it to grow fast by allowing new users to use their Instagram profiles at signup, and by recommending selected Threads posts in the Instagram feed. At the end of 2023, less than six months after launch, the Threads platform already had more than 130 million monthly active users. How many companies on earth can accomplish something like that?

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In the past two years, many companies heeded the advice to never let a good crisis go to waste. These companies are now realizing the benefits, or rather the need, to have a realistic plan for profitability within a reasonable timeframe. Profitability is not only the most sustainable path for companies that want to last, but it is also increasingly important to be able to attract good talent. The younger generation is more well-informed, and few want to work at companies that burn through capital every year where future paychecks are dependent on understanding investors.

Along the lines of what I discussed in last year's letter, many CEOs have recently publicly said that they see how fewer employees in the right places make their companies both more profitable *and* more productive and efficient. This is not only good for the companies that have altered their path, but also creates lots of exciting opportunities for investors.

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Selling Fortnox – the Star of stars

I sold out of our longest-standing investment in Fortnox over the past year.

There are two main parameters that go into evaluating an investment: 1) How good is the company, and 2) its price. Fortnox has always scored well above the scales at the former.

When I started to slowly reduce our investment in late 2022 and early 2023, Fortnox was simply trading at a price I deemed too high to be safe and attractive for us. I also believed that their growth was at risk of slowing down meaningfully given their now larger numbers. This was despite giving it a tremendous valuation latitude I wouldn't give to almost any other company on the planet, due to their extreme dominance in Sweden, the multitude of opportunities for further cross-selling and price increases, and the overall quality of the company and its employees.

To be attractive as an investment, my assessment was that Fortnox needed to triple rather than double their earnings power in the coming few years – a tall order even for the company I consider to be one of the very best in Europe. While I thought they would get there, I concluded that they would likely need more time. (It's relevant that my reasoning here was before any of their two most recent price increases. If they keep being willing to increase prices at a similar pace to recent years, my conclusion is likely to be wrong.)

In the end, over the following year, since I didn't have enough conviction to keep it as a medium sized position, it didn't in my view make sense to keep it as a small position either[2]. This is where I believe we have historically had most of our edge: Selling my medium conviction ideas and having the willingness – and equally importantly, the freedom – to concentrate our portfolio around my highest conviction ideas. I have never been a big believer in the concept of having the best #20 idea. Very few investors have had five, let alone 20 brilliant ideas over their lifetime.

River Oak's realized profit here was SEK 22.5 million on an initial investment of less than SEK 800,000, which was made on River Oak's first business day in February-2017, and subsequent net additions of approximately SEK 2.5 million as we raised more capital over the coming years.

As touched upon, one thing that cost us some meaningful missed gains here is that I didn't expect Fortnox to do a full U-turn with their pricing strategy. They went from being the 99-kr-per-month company for 20 years to three straight – and significant – price increases three years in a row now. My estimates for future years would have looked very different if I had foreseen these moves, and I would likely have reduced our position much slower, if at all. I think it has been the right business move since their services still provide excellent value for money, but it was difficult to predict the significant policy change in advance.

Thinking more about incentives could perhaps have helped me figure this out. Fortnox has instituted a measure of their own which they report every quarter. It's something they call the Rule of Fortnox, which is their version of the Rule of 40 (a company whose growth rate plus margin exceeds 40 is generally considered a great company). Rather than going with the standard 40 however, Fortnox somewhat charmingly uses 60 here. While extremely few companies can match this, to reach their own rule in 2024, and probably in some future years as well, Fortnox likely *needs* to raise prices, and as I am reminded again and again, incentives are one of the most powerful forces on earth.

Since this has been our best investment – by a wide margin – in terms of percentage returns and in terms of what I may ever come up with, I thought it would be useful to include my early view of the company from 2015 when my family office initially invested. You can read it here on page 9. Two things stand out to me when I read it now: its brevity and its lack of any detailed numbers.

You may recall some of my longer investment memos and their outcomes (well, hopefully you have forgotten them already). As for the numbers, assuming you were familiar with the software business model, there was really only one crucial number you needed to know and have a future view of back in 2015: Sweden's accounting software cloud penetration rate for small companies, which stood at 11% at the time.

[2] I did leave a few shares as a reminder to myself of what type of results are possible to achieve with truly great companies even when they are initially purchased at an optically expensive price.

Over the past decade, even I despite my overwhelmingly positive view have been surprised by Fortnox dominance in such a fast-growing industry, evidenced by, for example, in 2018 when they got more new customers coming from competitors in one year than they had gotten in all previous years combined since their start. In 2023, when 49,400 companies were started and 8,200 companies went bankrupt for a total of 41,200 net new companies started in all of Sweden, Fortnox added 56,000 net new customers. There are many one-person firms, along with partnerships, associations, and foundations that are included in Fortnox numbers (and not in the official Swedish company statistics), but it still tells you a thing or two about their dominance.

My main lesson here is that extremely few companies are of Fortnox caliber. Being in the right place at the right time and being able to take full advantage of the opportunity is extremely rare in the business world. When you think you have found a company like this, you will most likely be wrong. But on those rare occasions when you are virtually certain that you'll be right: Invest big – and hold on for dear life.

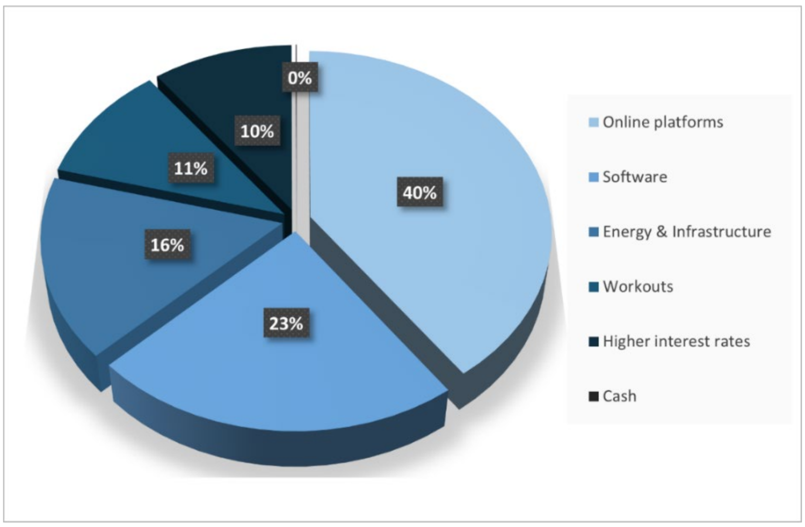
For those wondering – yes, it's *extremely* difficult to sell out of an investment like this, especially when the company today is better and stronger than ever. I may not have sold if I was responsible only for my family's money, but if I must choose between a good story like going for a 100-bagger (waiting at SEK 105/share) and what I believe is best for you as shareholders, there is no real choice.

I may well add Fortnox back into our portfolio in the future as fundamentals change and the share price fluctuates – in fact, I hope I will – but for now I see safer and more attractive opportunities elsewhere.

For now, thank you to Fortnox amazing employees who built up one of the most admirable companies I have ever seen, to Chairman Olof Hallrup who stood up for Fortnox when the rest of the board folded during Visma's acquisition offer in 2016, and to the handful of CEOs who led the company over this past decade, where the current CEO Tommy Eklund stands out as the one who has had the largest impact in developing Fortnox.

Portfolio categories

Here is how our portfolio looked divided into categories as of December 31, 2023:



These categories are one way to give you an overview of our portfolio. The categories are broadly and loosely defined, and some investments could easily fit into two of the categories. Online platforms and Software should be self-explanatory. I will briefly elaborate on the other three.

Energy & Infrastructure consists of companies that help enable the world's increasing energy needs with an emphasis on energy infrastructure and energy efficiency. These companies' products have ranged from heat pumps and electric vehicle chargers to energy storage and climate solutions for large factories and data centers. When people hear Energy as a category, they tend to think primarily of energy production. Hence, the name change of this category from Energy to Energy & Infrastructure.

While we have had some initial success here, the current outlook is that this category will remain small in our portfolio. It is significantly more difficult to build long-lasting competitive advantages when you are manufacturing physical goods compared to, for example, when you are building an online marketplace, or a business software suite. As you may recall, the key question I always ask when deciding how much capital to allocate to a specific investment is, "How sure are you?" In this category, the answer has tended to be less sure, which results in smaller allocations.

We have had both large, realized gains, and medium-sized realized losses here. Our scorecard for this relatively new category of ours currently shows SEK 4 million in realized net gains and SEK 1 million in unrealized gains. All gains have come in 2022 and at the start of 2024.

Workouts are companies where a specific corporate event may unlock value, such as a spinoff, a partial sale, or an announced acquisition where shares of the acquisition target trade at a discount to the agreed upon acquisition price. Investments in this category have a few benefits: i) they are largely uncorrelated to the market and macro events, ii) they require less work than our other categories since the process here consists primarily of estimating the likelihood of a corporate event and calculating the expected value of the company based on that likelihood. We invested in five workouts last year and they all "worked out" for us.

I view this category as Cash+, meaning that with these investments I aim for a return superior to the interest we earn by holding cash. These positions are smaller in size, and the holding period is typically short. We don't tend to hold these positions until the anticipated event has happened, but until the gap to the expected value has narrowed enough so that holding cash becomes a more attractive option again. For these reasons, this is our lowest priority category and where I spend the least amount of time.

Higher interest rates consist of companies who benefit in some way from a world with higher interest rates. Think for example of a bank or financial company that earns interest on customer balances.

An example of a company that could fit into two categories is Airbnb which is primarily an Online platform in my view, but it also earns meaningful returns on its cash holdings and customer deposits. It is clearly a beneficiary of higher interest rates as well. To keep things simple and to avoid redundancy, in future letters the companies in the Higher interest rates category will be folded into the other categories.

Charlie Munger

A big hero of mine passed away last year, 33 days before his 100th birthday. Charlie Munger has been Warren Buffett's business partner and friend as they have managed Berkshire Hathaway over the past 50 years. He embodied principles such as soldiering through tough periods in life without any (useless) self-pity, having the goal of always going to bed a little bit smarter than when you woke up and always simply focusing on putting one foot in front of the other. Practiced over years, these simple principles yield amazing results.

It's safe to say that River Oak has benefited a lot from Charlie's wisdom over the years. His most important insights that we have taken to heart are:

I think that one should recognize reality even when one doesn't like it; indeed, especially when one doesn't like it.

You have a limited amount of time and talent, and you have to allocate it smartly.

Any year that you don't destroy one of your best-loved ideas is probably a wasted year.

The game of life for most of us is trying to be the best plumbing contractor of Bemidji—very few of us are chosen to win the world's chess tournaments.

It's not given to human beings to have such talent that they can just know everything about everything all the time. But it is given to human beings who work hard at it—who look and sift the world for a mispriced bet—that they can occasionally find one. And the wise ones bet heavily when the world offers them that opportunity. They bet big when they have the odds. And the rest of the time, they don't. It's just that simple.

Over the long term, it's hard for a stock to earn a much better return than the business which underlies it earns. If the business earns 6% on capital over 40 years and you hold it for those 40 years, you're not going to make much different than a 6% return even if you originally buy it at a huge discount. Conversely, if a business earns 18% on capital over 20 or 30 years, even if you pay an expensive looking price, you'll end up with a fine result.

Besides possessing an abundance of wisdom, Charlie was also hilarious. I'll keep working to make sure none of us at River Oak end up like that one-legged man in an ass-kicking contest.

Godspeed on your way to heaven, Charlie.

In closing

Without a healthy dose of naive over-optimism, River Oak would never have gotten off the ground. Getting from our initial SEK 4.4 million (that's less than $500,000) to our current SEK 100 million took a lot of determination, optimism bordering on delusion, and a healthy dose of good fortunes. The main factor of course was my initial co-investors, all good friends and colleagues who trusted me and believed in me enough to invest, and then helped spread the word of our existence.

We are now way past the honeymoon stage and on our way to take the next step as a company. Rest assured that if we were able to handle the past few years, we will be able to handle most things the world throws at us. If there was ever a time to give this up due to a recent tough period, that time is long gone, and the chance of me giving up now is fully equal to zero.

Similarly to when we started, when there was little reason to believe we would be here seven years later, I know we will come out of the recent challenging period stronger than before and I'm confident we'll be here in another seven years as well. All shareholders won't be here for it, but I hope most of you will.

I don't view our returns in a given period as the *only* measure of River Oak's value. My objective was always to give you a way to invest your savings with someone you fully trust, and whose interests are fully aligned with your own. My family and I remain the largest investors in River Oak, and in addition we have the remainder of our liquid net worth invested in the exact same strategy through my family office. The goal is to provide you with steady returns over time with a focus on protecting the downside and with a chance of meaningful outperformance over the long run.

I'm sometimes asked by shareholders if now is a good time to invest.

I'll just say that most people tend to be wrong at turning points. While only a few have been buyers of River Oak shares lately, it's worth remembering that the opposite was true in 2020 and 2021.

Over the past few years, we have had a lot of adverse events happen to us: I was wrong on a couple of our investments, we have experienced a pandemic, wars, double-digit inflation, and interest rates going from 0% to 5% in a short time span. Still, I believe we have navigated relatively well throughout all of this. We have been through heaven and at least partway through hell and emerged. To sum up, I believe now is as good a time to invest as it ever has been since River Oak got started seven years ago.

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After an eight-year hiatus, I look forward to being in Omaha again for the Berkshire Hathaway meeting in May. If you plan to be around and want to meet up, let me know.

Lastly, thank you to our board members, Alexander and Amir, for your always steady guidance, and to our intern Christoffer who worked with me this past summer and spring and did a great job.

Thank you for joining me as a partner on this journey. I look forward to seeing what the future will bring.

March 20, 2024

Daniel Glaser
Chief Executive Officer

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 with 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.**

   This will result in an average annual pretax increase in book value per share of ~11.5% after a dividend on the A-shares according to the Company’s Articles of Association and general operating costs.

Historical returns

Feb 7, 2017 – Dec 31, 2023: River Oak Capital AB
Jan 1, 2013 – Feb 6, 2017: Zen Capital Family office

	Investment return	Net result	OMXS30 incl. div.	Difference
2013	41.0%	**30.8%**	25.5%	5.3%
2014	45.0%	**33.8%**	14.0%	19.8%
2015	35.1%	**26.3%**	2.2%	24.1%
2016	20.5%	**15.4%**	9.4%	6.0%
2017	19.6%	**14.0%**	7.7%	6.3%
2018	0.0%	**(6.0)%**	(7.0)%	1.0%
2019	61.7%	**50.1%**	30.7%	19.4%
2020	104.0%	**74.3%**	7.4%	66.9%
2021	14.3%	**10.8%**	32.7%	(21.9)%
2022	(26.9)%	**(28.8)%**	(13.0)%	(15.8)%
2023	5.7%	**4.0%**	21.0%	(17.0)%
Total gain	1059.8%	**486.7%**	214.1%	272.6%
Compounded annual	25.0%	**17.5%**	11.0%	6.5%

Notes to table

[1] Change in Book value per share is reported net of a dividend on class A shares according to the Company's Articles of Association, taxes, and general operating costs. There is no dividend on the class A shares unless the yearend 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 on Swedish investment accounts which amounts to between 0.4% to 0.9% of total capital per year and which River Oak pays every year. The real return achieved by a Swedish investor that invested in the index is thus between 0.4% to 0.9% lower per year than reported in the table, and the real difference achieved by the same investor is between 0.4% to 0.9% higher per year than reported in the table.

[3] Estimated currency effects on Investment return: 2014 +7%, 2016 +2%, 2017 -10%; 2018 +5%, 2019 +3%, 2020 -6%. 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.