Azvalor.

3 August 2026

Dear co-investor,

In the first half of the year, our main funds have once again delivered double-digit gains, ahead of global indices. While this might suggest that there is now 'less room left to rise', we at Azvalor sell companies that consistently rise, and reinvest in others that we consider deeply undervalued by the market. This 'rotation' allows us to keep a high upside across all our portfolios, as detailed fund-by-fund below.

In this letter, we wish to convey two key ideas for our investments.

First, we believe this remains a new 'golden age' for our investment style. The chart below needs no further explanation.

Preliminary as of 6/30/26 | Source: GMO
Stock valuations are calculated on a blend of Price/Sales, Price/Gross Profit, Price/Economic Book, and Price/Normalized Earnings.

These opportunities are arising because of how speculation is encouraged in the markets. Wall Street is a selling machine, but it receives no revenue when our investors buy one of our funds, forget about it, and find ten years later that they have almost quadrupled their money. They profit, for example, by bouncing investors from defence stocks, to AI stocks, to buying some bitcoin, to hedging against a fall by selling futures, with the odd meme stock thrown in that is 'already up 900%'. The problem is that, while this strategy is undoubtedly profitable for Wall Street, we are far less certain it is profitable for you. The sums now invested in 3- and 4-times-leveraged indices are frankly alarming, and our recommendation is to stay clear of this type of investment. Many investors, unfortunately, pay no heed - which is *precisely* why we who invest by weighing probabilities, rather than speculating 'to the song of Wall Street's sirens', are living in a 'golden age'.

The second idea is that the market is NOT cheap. For the first time in twenty years, the S&P 500 dividend yield is lower than that on short-term government bills. Despite the S&P 500 doubling since October 2020, earnings have risen only 30%, underscoring how Investors should be wary of investing in the indices.

In terms of business activity, we currently manage assets of approximately EUR 4.8 billion and, in the first half, recorded net inflows of EUR 460 million. More than 8,900 new co-investors joined Azvalor during the period, bringing the total to 39,000.

These figures are a source of great satisfaction but, rather than a goal in themselves, they are the result of having done our job well for more than a decade. Our aim is to continue striving to beat the market with less risk than equities in general.

Underpinning these outcomes is a research and investment team that continues growing and maturing, both in the number of professionals and in the depth of its sector and geographical knowledge. This increased capacity now allows us to analyse larger numbers of companies with greater rigour across a more diverse range of sectors and geographies - which we regard as the best news for future returns, even more so than the specific results of any given period.

Let us examine the portfolios in detail.

Azvalor Iberia

Following its strong performance in 2025 (+31%), the net asset value of Azvalor Iberia FI has continued rising in the first half of 2026, with a gain of +6% to EUR 207.5. Since launch, it has accumulated a return of +107.5%, more than doubling the initial capital.

Among the main holdings contributing positively in 2026 were Meliá and Repsol. During the year, we added four relatively new ideas to the portfolio, in keeping with our Azvalor Method of gradually selling or trimming investments as they bear fruit, replacing them with new investments offering an attractive upside. As a result, the value of the fund increased this half-year at an even greater pace, raising its upside potential, *which we estimate at +60%*.[1]

Azvalor Internacional

Following its strong performance in 2025 (+19.5%), the net asset value of Azvalor Internacional FI has continued rising during the first half of 2026, with a gain of +15%. Since inception, the fund has multiplied money invested by 3.5 times.

In the first half of 2026, we added more than ten investment ideas with a meaningful weighting. These are well-managed companies, profitable businesses and, most importantly, are trading at very attractive prices. There is no common sector theme; they are separate cases across different sectors with substantial upside ahead. As a result, the value of the fund has surpassed the EUR 600 per unit mark for the first time, and, therefore, the *current upside of +82%* remains attractive despite the strong cumulative gains

The best news is that, over the past couple of years, we have worked hard to build a deep 'bench' of ideas and now have the strongest squad of 'substitutes' in our history. We are better prepared than ever to continue renewing the fund's upside as it reaches ever greater highs.

Azvalor Blue Chips

The net asset value of Azvalor Blue Chips FI rose by +17.8% to EUR 255.2 in the first half of 2026, and, as of today, has multiplied initial investments 2.7 times.

Azvalor Blue Chips FI invests in large companies but, as the fund holds EUR 120 million, it still enjoys the virtues of a reasonably small portfolio: greater concentration than Azvalor Internacional and greater 'agility' to buy and sell during periods of high volatility. The *upside is currently close to +84%*.

[1] The upside figures referred to throughout this document are derived from the difference between the estimated value of each of the portfolios' underlying assets, based on our internal valuation models, and the prices at which each of them currently trades on the stock markets.

Azvalor Managers

Azvalor Managers FI delivered a return of +9.3% in the first half of 2026 and, since its launch just over seven years ago, has accumulated an appreciation of +127.2%.

The fund has assets under management of more than EUR 250 million and over 2,700 co-investors, and holds a *5-star Morningstar rating* and a *Citywire 'Rating +'*.

In valuation terms, the fund trades at around a 45% discount to the global equity market, with a portfolio comprised of companies from every continent, selected by those we consider the best managers in the world. Close to 70% is invested in small- and mid-cap companies with 35% in geographically emerging markets (including China).

Azvalor International SICAV Luxembourg

Azvalor International SICAV Lux, available to international investors, follows a strategy similar to that of Azvalor's other investment vehicles. More specifically, the portfolio invests in companies held in our Azvalor Internacional fund - our international equities fund domiciled in Spain - and selects the best ideas from Azvalor Iberia, our Iberian equities fund domiciled in Spain.

The fund trades at an average **FCF yield of 12%** and a weighted average **ROCE of 20%**. The **upside** of this investment vehicle at the end of the first half of the year is **+82%**.

The main positions added during the period were **Yellow Cake** and **Borr Drilling**. On the other hand, we sold **Tenaris**, among others. In terms of performance contribution, **Noble** was the top performer during the first half of the year.

News at Azvalor

Last May we received news that gives us great satisfaction: for the fourth consecutive year, Azvalor has been named **best independent domestic asset manager** at the 2025 Expansión-Allfunds Fund Awards (see news). We celebrated it with the same enthusiasm as the first time, yet without losing sight of the humility and expectations with which we approach each new year.

Four consecutive years receiving this recognition speak less of a one-off good result than of consistency in a way of working. We read it as an award for our track record, and the team and management model we have built since the firm's inception, rather than for the returns in any particular period. It is precisely that reading which spurs us to carry on with the same high level of expectations that have defined us for more than twenty-five years.

Behind this award lies what has always been there, the same pairing we regard as our true competitive advantage: a distinctive investment method (the 'Azvalor Method') underpinned by a strong corporate culture resting on continuous training of our teams, hard work, meritocracy, and the pursuit of excellence in everything we do. It is the path that has brought us here, and it is also the only one we know how to follow.

We wish to remind you that, since last June, **Azvalor Annual Report** for the 2025 financial year has been available for your perusal (see the Report in Spanish, soon available in English). It was prepared with a twofold aim: first, to present our annual account of stewardship and, second, to present, from a broader corporate perspective, the full range of actions carried out by the firm over the past year.

In the area of social action and patronage, we have renewed our sponsorship agreements with the Fundación Amigos del Museo del Prado and the Teatro Real. Likewise, we have renewed our partnership agreement with España Rumbo al Sur, a pioneering programme for the development of young people, which embarked a few days ago on its annual expedition, this time travelling across Peru.

Final considerations

Throughout this letter, we have stressed the principles we have followed for years, and will continue to follow precisely because they remain true. These principles include the importance of looking where others do not, exercising patience so that the market recognises the value of companies in the portfolio, and the wisdom to not be swept up by transitory prevailing narratives.

The current environment - marked by euphoria around certain growth stories, and by a high concentration of returns in a small number of companies - feels familiar to us. We have seen it before with different protagonists, and, on every previous occasion, the market corrected valuation excess wherever it existed, recognising the value of sound businesses trading at unjustifiably low prices.

At Azvalor we continue to face the future with **prudence, enthusiasm, and humility**. *Prudence*, because we are aware that no investment process, however rigorous, is free from mistakes or difficult periods. *Enthusiasm*, because we now have a team that is larger, more experienced, and better trained than ever in the Azvalor Method, allowing us to analyse a broader universe of opportunities in greater depth. And *humility*, because we know that the good results achieved so far have been possible only with the trust and patience of you, our co-investors, who have stood firm in times of greatest uncertainty.

We will continue striving, as we have from day one, to be the best possible safe haven for your savings and ours.

We close by thanking you once again for your trust, inviting you to contact our Investor Relations team should you seek further information on any of the topics discussed, or on any other matter of interest.

Sincerely,

Azvalor Asset Management SGIIC Team