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HARRY QELM BAABSMAN

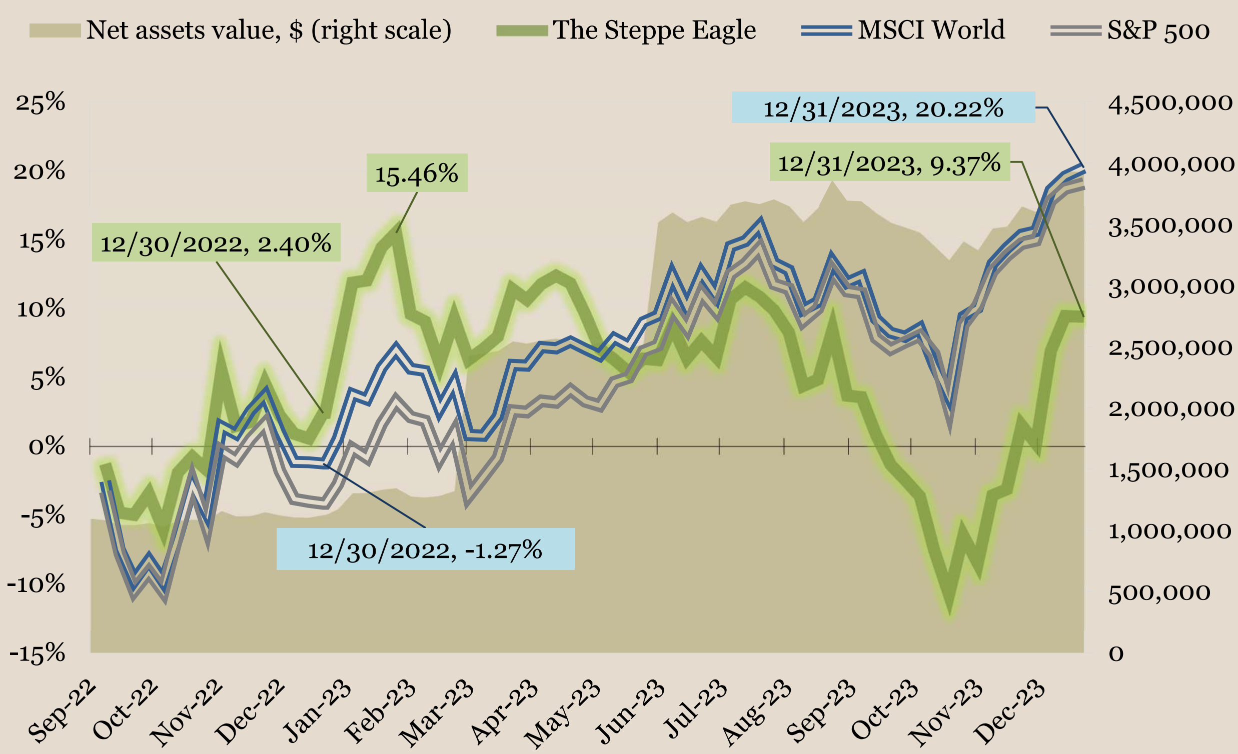
Eyrie of The Steppe Eagle

2023 Investment portfolio report

Fellow Investor, Unitholder, Reader,

We appreciate your time and attention in examining the investment results of the 2023 fiscal year for the Steppe Eagle investment fund. This fund was designed **explicitly** for patient value-seeking people who share our belief that the work at the stock market should be a well-thought-out and calm enterprise. We aim our investment horizon at 3 years and more because **investing – is a long story.**

In our view, we have arrived at a point just a notch sub our minimum self-expectation in the long run, which is 7% denominated in the US dollars, and far below the intrinsic growth potential of our investment portfolio.



The Steppe Eagle OEIC Ltd was registered on 25th of July 2022; Started its operations on 8th of September 2022 and is managed by Harry Qelm Baabsman ltd, a CIS License holder at AIFC (AFSA-A-LA-2022-0006, active since 3d of February 2022). On the 31st of December 2023, The Steppe Eagle consisted of 359 116 150 Units; the Unit's price was $0.01094.

The Steppe Eagle finished 2023 with a return of +6.81%, whereas the benchmark, MSCI World Index, yielded +21.77%. Since its inception, the Steppe Eagle arrived at +9.37% versus +20.22% for its benchmark. Since September 2022, inflation in the US (CPI) has accumulated to +4.2%. Thus, the Steppe Eagle saved twice the purchasing power of Investors' money. We emphasize that our primary focus is long-term success. A quarter or a year are mere steps. **The decisions we make today may negatively affect current returns, paving the way toward supremacy**

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over the market and substantially lowering risks in the future. We hope you remember the metaphorical apple tree that takes time and care to develop into an abundant, delicious fruit tree. This plant is still young and gathering vital energy to grow into a large, shady tree for people and nature to soothe, protect, and nourish.

Our principles are:

- No debt or derivatives;
- No shorting;
- No market timing;
- No index hugging;
- No agitation about short-term fluctuations;
- No diversification for the sake of diversification.

Our motto: **bring returns through intelligent investing into friendly to the environment and shariah-compliant businesses across developed economies**.

- The companies that are already mature enough to function with numbers close to or well beyond one billion US dollars;
- Which already faced and coped with crises in the past;
- Can efficiently operate without excessive debt;
- Companies whose advantages are difficult to replicate and can sustain a high return throughout many years;
- Work in agreeable industries, especially clean energy, recycling, conscious consumer goods and services, IT and software;
- Businesses that Mr. Market is occasionally offering with a significant discount to intrinsic value;
- Totally having in mind Mr. Buffet's saying: "Our favorite holding period is forever."

Speaking of Mr. Warren Buffet, last November, the world learned that Charlie Munger, Warren Buffett's partner for more than a half-century, passed away at the age of 99. Alas, he was an active investor at that age! That was very respectable, and his time came, but still, when Charlie left, we said goodbye to a whole epoch. Rest in peace, Mr. Munger.

Management discussion

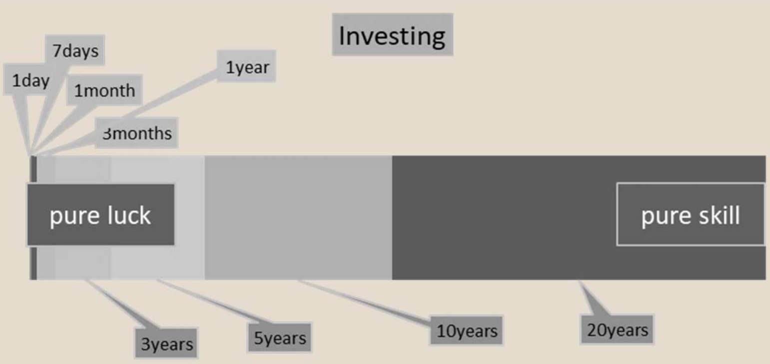
2023 was difficult for us and the world, but at the same time, financial markets were distracted by the colorful act of growth of just less than 10% of the S&P 500 market index. Our benchmark, MSCI World Index, captures the performance of approximately 1480 large and mid-cap equities across 23 Developed Markets (DM). The index immensely benefited from the US Stock market in 2023; you can compare their performance in the chart on the first page of this report. Those two indices almost paired due to the dominance of the US stock market and specifically the Magnificent 7: seven of the most expensive in terms of market capitalization companies in the world. Here is how they did.

Company	Ticker	Market cap, trillions	2023 gain
Apple	AAPL	$2.99	48.2%
Microsoft	MSFT	$2.79	56.8%
Alphabet	GOOGL	$1.75	58.3%
Amazon	AMZN	$1.57	80.9%
Nvidia	NVDA	$1.22	238.9%
Meta Platforms	META	$0.91	194.1%
Tesla	TSLA	$0.79	101.7%
S&P 500			24.2%

The MSCI World is 62% invested in the US companies. Contrast this to the US representing only 4.2% of global population and 15.4% of global GDP. Looked at a different way, the Magnificent 7 stocks are nearly the same value as the combined equity weightings of Canada, Japan, the U.K., China, and France.

We are fond of tech companies and gladly welcome them aboard whenever we get them with a big discount to long-term average multiples. But we shy of playing with mega-companies because the scale of business gets SO macro-economic that nobody truly understands it or lies that he does. We willingly missed that train, focusing more on business we can obtain at an adequate or cheap valuation level.

The S&P 500's growth owes a lot to Magnificent 7 and 43 more, the top 50 businesses connected to technologies, microchips, and artificial intelligence. These are huge technologies with unmeasured economic power, but the financials of these largest companies cannot hold in the best shape flawlessly through years to come. However, they were priced like this. The remaining 450 companies, in total, showed barely noticeable growth.



Thus, sooner or later low tide must follow. And judging by the Buffet's Indicator (Stock market capitalization to Gross Domestic Product or GDP), we situate somewhere close to that point.

Therefore, we invested in smarter, stronger, but temporarily lackluster companies in Europe and the US. So far, they have "laid to the bottom," but if World War 3 does not start, then, God willing, we will reap the fruits of reasonable decision making in the foreseeable future.

The European and American economic development remains below respective trends, and the consumer market has been tepid. "The higher for longer interest rates" are chipping away from the economic prosperity of the developed markets because the inflation spike had already been conquered in the first half of 2023. But the FED doesn't give up on fighting an invisible, and non-existent, enemy.

Another emotionally challenging topic is the wars in Ukraine and the Middle East, which are reaping away countless victim lives. The Free World - Developed markets must support the right cause of defending victims of aggression. However, many stocks would have been better off if certain people didn't invade neighboring countries.

There is an important note: **We made a blunder** by increasing the share of TPI Composites (TPIC), expecting that the company had already survived the crisis, but after a string of promising quarterly data that confirmed the recovery, the company suddenly slipped, and its 10% portion of The Steppe Eagle impacted the portfolio. The volatility level of this stock is insane; over a few quarters, it went from $10 to $2 and back to $5. It is a mature enough business with an annual revenue of over $1.4 billion; hence, the probability of later recovery is still valid. The amount we invested in the first place should have been less than 4.5% of Steppe Eagle instead of 10%. That was an erroneous decision, so we intend to decrease it during 2024.

The portfolio benefited from the following:

When we had the chance to nibble a bit of previously expensive technological equities, like Adobe (ADBE) and Shopify (SHOP), we didn't expect them to turn into a massive hit. Uranium was a sudden hit, too. You can observe in the following charts that these positions, despite their small size, handsomely benefited the portfolio, so we have had a pretty big bang for our buck.

Company	Ticker	Average price	Last price	Change
Shopify	SHOP	$38.93	$77.90	100.12%
Physical Uranium Trust	U/U_CA	$11.46	$21.30	85.79%
Adobe	ADBE	$335.19	$596.60	77.99%
Vestas Wind Systems	VWSB_GR	$18.36	$31.67	72.53%
Lyft	LYFT	$10.87	$14.99	37.88%

However, the more powerful effect came from heavier components, such as Salesforce (CRM) and Signify NV (LIGHT_NA).

Company	Ticker	Total return	Change
Salesforce	CRM	$121,369.74	42.78%
Physical Uranium Trust	U/U_CA	$70,813.13	85.79%
Signify	LIGHT_NA	$50,302.68	15.88%
Adobe	ADBE	$54,895.68	77.99%
Shopify	SHOP	$48,741.29	113.63%

Additionally, we have unexpectedly good returns from physical uranium and Lyft (LYFT). We slightly reduced the share of silver and gold with some profit, buying cheap but growing businesses instead: Zalando SE (ZAL_GR), HelloFresh (HFG_GR), Zoom (ZM), SolarEdge (SEDG). These companies have historically shown steady growth.

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The portfolio suffered from such errors:

Except for TPIC, ZAL_GR and HFG_GR also fell, but these are much stronger and larger European firms, so there are fewer worries about them. The last but not least spot of weakness was the solar energy sector, which massively crashed due to a steep decline of demand in the second half of 2023 after a record run between 2020 to 1H 2023. We seized the opportunity to equip the Steppe Eagle with the prominent companies of the sector, SolarEdge (SEDG), Canadian Solar (CSIQ), and Enphase (ENPH), because of their leadership roles and financial health. However, they have yet to overcome another crisis in this industry. The Steppe Eagle fund was created to catch and hold these types of businesses; the time finally came, so we are content with those solar companies. They need time to bloom again.

Company	Ticker	Total return	Change
TPI Composites	TPIC	-$148,054.54	-36.21%
SolarEdge	SEDG	-$130,091.42	-31.65%
Zalando SE	ZAL_GR	-$59,577.21	-26.03%
HelloFresh SE	HFG_GR	-$62,175.82	-27.77%

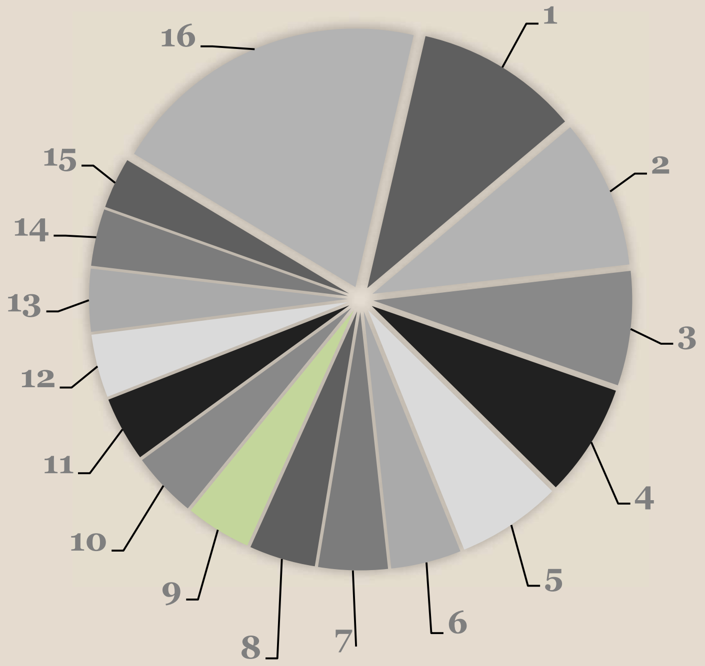
Our fund saw an influx of +2.7 million USD in 2023; we sought no mindless risk trying “parking that money. Hence, we patiently waited for a better price or business to purchase**.** Lucky us, at the end of 2023 we were served a handful of splendid yet reasonably priced companies. Currently, the portfolio is fully charged; we just have to be patient.

Stocks are not lottery tickets. There is a company behind every stock. When the company does well (grow revenues, profits, and cash flows), the stock usually follows. It is not complicated.

The following data describes the state of the portfolio on December 31, 2023.

Composition of the portfolio by position:

1	*Salesforce*	*...10.24%*
2	*Signify*	*...9.33%*
3	*SolarEdge*	*...7.14%*
4	*TPI Composites*	*...7.05%*
5	*Zoom*	*...6.53%*
6	*Zalando SE*	*...4.38%*
7	*Sprott Physical Silver*	*...4.32%*
8	*Alphabet*	*...4.14%*
9	*Cash*	*...4.13%*
10	*PUMA*	*...4.11%*
11	*HelloFresh SE*	*...4.06%*
12	*Canadian Solar*	*...3.94%*
13	*Sprott Physical Uranium*	*...3.90%*
14	*Vaneck Merk Gold trust*	*...3.55%*
15	*Adobe*	*...3.19%*
16	*other bets*	*...19.99%*



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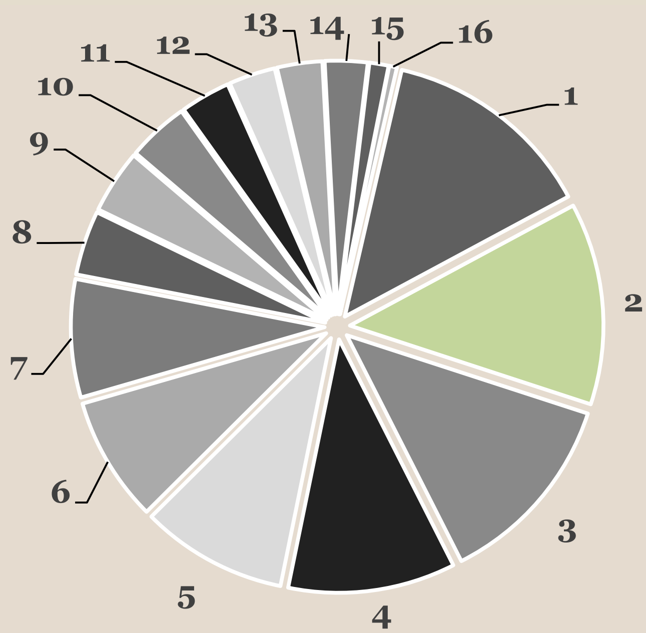
Composition of the portfolio by industry:

1	*clean energy: solar*	*...13.53%*
2	*cash & precious metals*	*...12.88%*
3	*IT: cloud marketing*	*...12.52%*
4	*IT: Internet & data*	*...10.67%*
5	*greener: lights & efficiency*	*...9.33%*
6	*clean energy: wind*	*...7.98%*
7	*consumer: cloth-market plc*	*...7.55%*
8	*consumer: clothing*	*...4.11%*
9	*consumer: food delivery*	*...4.06%*
10	*commodity: uranium*	*...3.90%*
11	*IT: SaaS design and marketing*	*...3.19%*
12	*transport: taxi & delivery*	*...2.97%*
13	*consumer: sustainable cloth*	*...2.89%*
14	*recycling: metals*	*...2.71%*
15	*consumer: web-retail*	*...1.22%*
16	*consumer: electronics*	*...0.49%*



We should also describe our view on several promising stories:

Zalando SE (ZAL_GR): Is a 10 billion EUR in sales European e-commerce clothing retailer with a stiff grip over the EU market. Financially healthy but with a thin profit margin, this clothing retailer is a leader that could bring stable double-digit growth for the portfolio over the years. The least exciting part about this business - it is less green than we previously thought because Fast-fashion is not green, even with conscious execution. We believe the company two to three times undervalued and we shall see its recovery.

HelloFresh SE (HFG): HelloFresh is a fast-growing founders-led business with a turnover of>7 billion EUR that delivers sets for cooking meals: the exact amount of ingredients for the exact period, say a week or three days. It is geo-diversified (EUR and US) and provides sound growth. It is slightly profitable, has excellent potential, and delivers food straight from farmers/producers; this is a greener practice. For a double-digit grower - it was super-cheap in 2023, below 1 Price to Sales, despite all risks. Our strategy is to keep that excellent business as long as possible.

Signify NV (LIGHT): Previously known as Phillips Lightning, it has annual sales of 7.5 billion EUR, pays truly handsome >4+% dividends, at current prices, and was offered by Mr. Market between 0.4 and 0.45 levels of the Price-to-sales ratio. In contrast, the usual and fair valuation should be between 0.6 and 0.75 price to sales. Everyone knows the lightning solution of Phillips, everyone who bought lamps for their homes or cars. Additionally, the company is constantly fighting for better efficiency of its lightning products, developing greener and futuristic solutions to illuminate our lives. We would like to keep this business as long as possible if it continues to operate with a lower debt level.

TPI Composites (TPIC): The company builds and delivers composite wind blades for the largest wind energy equipment producers: Vestas Wind Systems, General Electric, and Nordex. The share prices dropped from $14 to $2 out of fear that the company is losing its grasp with these wind energy titans. That proved false because sales figures for the last quarters show that business is still big and its ties with titans are strong. That is undoubtedly a high-risk position, but potentially more rewarding. Given the recent mess in the clean energy sector, the company's stock is undoubtedly depressed much more than it should have been. It will require more time for the dust to settle and for TPIC to recover above $6 or $9 per share.

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Salesforce (CRM): The company pioneered cloud-based CRM systems (Customer relationship management). Its bright leadership of Mr. Benioff and famous corporate culture enabled it to cultivate a team of talented professionals who develop several important platforms that help businesses globally to work with clients, make analytics and decisions, and develop new connections. That is a big company with sales of over 30 billion USD; Salesforce's business grows at a double-digit pace and has a healthy Balance sheet.
Everybody seems to like CRM's visionary role and wide range of integrated and interlinked solutions. The company's stocks deserve a hefty 8% to 10% portion of the investment portfolio and a prolonged holding period, over 7 years or more.

Zoom Video Communications (ZM): We think that Zoom is not a Pandemic-dear, as many people do, but a sustainable, profitable business with a bright idea, which was an exceptional pearl even before COVID-19. The debt level is low, the revenue hasn't fallen since the Covid-year, and its product ruined millions of unnecessary business travel, which is very green. Zoom is having a difficult time right now as competition gets tough. Shares fell from 400 to 65 USD. We'll see.

SolarEdge (SEDG): The company is a fast-grower but prone to cycles. It produces power optimizers and string inventors for the solar energy sector; it also manufactures battery solutions and power trains for commercial EVs. It grabbed our attention because it managed to increase its sales every year at 25 to 35% rates, increasing its operating profits using a considerably small amount of debt. The company is working at both great markets for solar energy (the United States and the European Union). The company's management envisions migration to utility-scale projects and the comprehensive inclusion of solar energy in the global power system. This company, SolarEdge and Enphase (ENPH) are the leaders and a very profitable business in the portfolio. However, 2024 could be acute for them because of oversupply issues in the solar energy sector, which tend to appear every 3-5 years.

Beyond fiscal 2023-year events

Last December was a boon to the stock market in general. We were anticipating such a dynamic rather in 2024. The market was excited about possible rate cuts in 2024 that could make the life of financially constrained entities easier. That story has been rescheduled to another time; the FED's rhetoric is staying hawkish, which should hurt. Mid-cap companies took a step back to re-think their prospects. European companies and clean energy also fluctuate now in the range we saw in the 4th quarter of 2023. That temporarily restrains the dynamics of The Steppe Eagle. However, some companies performed well, like **Lyft**, which jumped to $19 in February, almost doubling the size of our initial investment. **Adobe, Enphase, Alphabet, and Salesforce** remained strong, and the last two still look undervalued. The portfolio has been finally built. **The time of paying off is nigh**. The reason is that after 12 to 18 months from making the investments, they should start showing progress if the analysis was correct. We are waiting for Zoom, HelloFresh, Zalando, Signify, TPI Composites, Canadian Solar, and SolarEdge to show their worth **and remain aligned to a long-term objective to show 7% to 15% return annually at the three to five five-year horizon**. Trust us, the time is a good friend.

The fund's task is to search for a business that eases environmental threats, reduces wildlife suffering, and solves people's problems. Mainly invests in solar, wind, and other sustainable products and services. Sometimes those kinds of businesses appear too pricey to risk the Fund's money. So, we also search for sustainable Tech, IT, and Consumer companies. Companies with a bold vision for a better environment.

The pleasure of investing in such companies is all ours. We are sincerely thankful to The Steppe Eagle's Investors for their patience and courage. It helps us to stay focused and continue investing in all market weather.

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Conclusion

We are perfectly aware that nowadays, investors have tons of fund and fund manager options. These institutions issue all sorts of "Letters to Shareholders," mimicking the world-renowned Buffet's letters. Why our letter is different? Well, we are neither the smartest nor the luckiest fund managers in the world, so we can't preach about accounting practices or deep economic theories. Yet, we have something unique we can share because we gathered all the mistakes we made throughout our careers in one text, and we can publish it bit by bit every year. **The first hard lesson** we published in the 2022FY report was: "The first most frequent and painful mistake is Buying too soon. Let stocks fall!". In practice, that works as such: When you find the asset you badly want to invest in, don't buy it right away. Wait another couple of months and try some. Then, wait another 3-6 months to add some more. Sometimes, you can wait up to 12 months or more.

This time we share **the second hard lesson**: "If the current management promises keep drifting away from actual financial results - run away because these people don't know what they are doing: your investment is seriously endangered by the lack of integrity and transparency." That rule is simple - if the company has problems, the management must be open about it to show a realistic plan to overcome them and give investors enough data to manage expectations. If they don't, it means they cover up something unpleasant, and you shouldn't learn this out the hard way.

Thank you for reading!

HQB

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