

HARRY QELM BAABSMAN

Eyrie of The Steppe Eagle

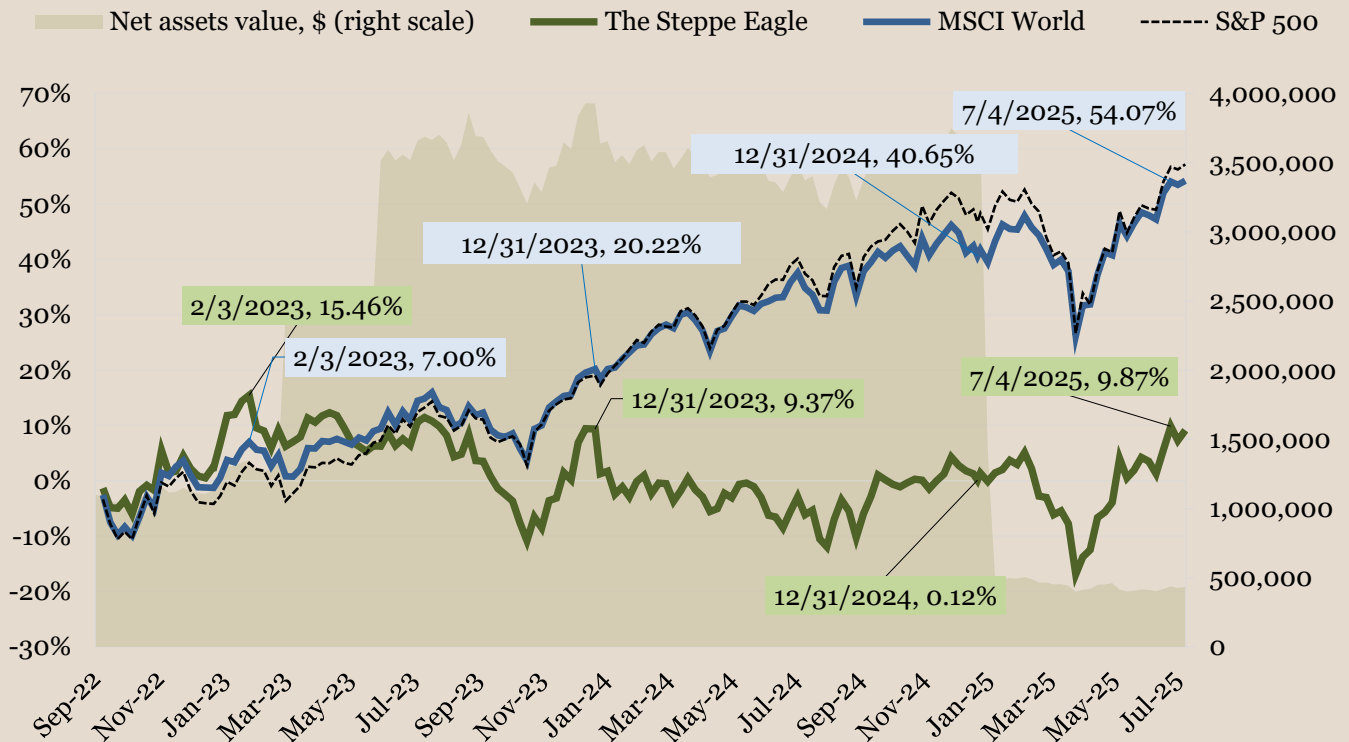
2025 Half-year Investment portfolio report



Fellow Investor, Unitholder, Reader,

The Half-year report was designed as a concise mid-way check: **how** the portfolio is doing, **what** tendencies are in play, and **which** changes took place so far. Yet, the year has another 180+ days to go, and since Mr. Market has been more manic since 2020 (in our view), the drama and suspense are still coming. Harry Qelm Baabsman appreciates your curiosity; if you like what you're reading, please say so in the way you prefer. Here, we talk about investment results, **openly** explaining erroneous & fortunate choices. Our fund is for the long run, so patience is the first condition. We aim at the investment horizon of 3, 5, and 10+ years because **investing – is a long story.**

Misfortunes come and go: this is a norm in a fund management business. But this time, after a dismal 2024, we have something to smile about.



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 30th of June 2025, The Steppe Eagle consisted of 39 748 861 Units; the Unit's price was \$0.01056.

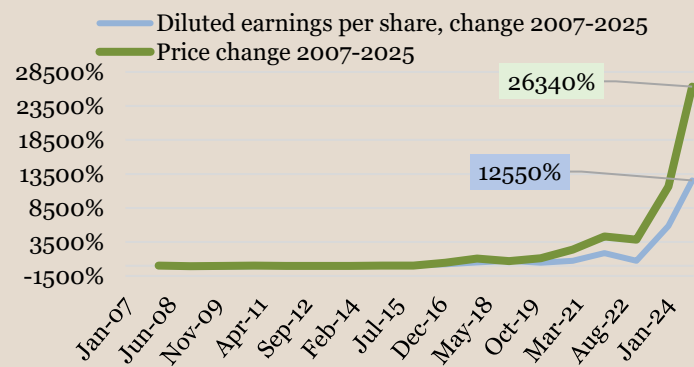
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The Steppe Eagle was up by +5.51% in the first six months of the year, our benchmark, MSCI World Index, yielded +8.12%. Since its inception, the Steppe Eagle arrived at +5.63% versus +52.08% for its benchmark. And after we passed the 30th of June, The Steppe Eagle touched the **9.74% YTD mark – slightly above the 9.54%** for MSCI World.

There is a good saying, the original author of which is unknown, so there are many variations of it. Here is one of them: **Expect the unexpected and prepare for the inevitable.** The "Trump-card" played wildly so far by the current POTUS and Mr. Musk: that disorder was inevitable, sometimes in unexpected ways. Due to the proclaimed tariff threats, S&P 500 and MSCI World indices fell to -15.3% and -13%, respectively, in April 2025. Then, TACO (Trump always chickens out) reverse actions, helped indices to grow by the end of June to +4.96% and +8.12%, respectively. Certainly, The Steppe Eagle was tagged along. That roller coaster helped us acquire more profitable companies at far better prices, which benefits the portfolio now.

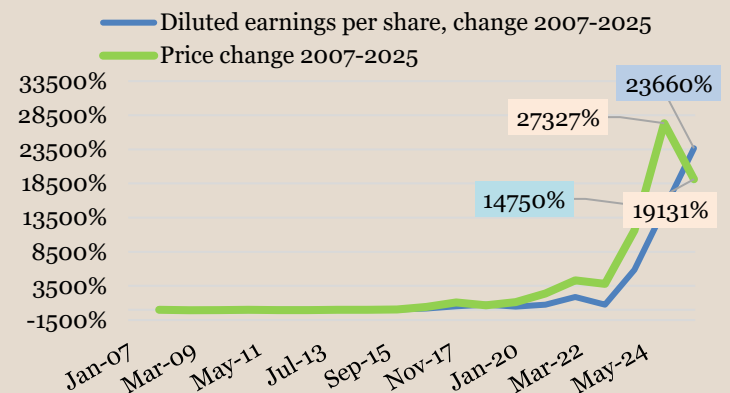
Yet, nothing has really changed in our strategic view since the last publication of the Fiscal year 2024 Investment report and even the Half-year 2024 investment report. In fact, several old ideas look more tangible today, transforming from the "Idea" to the "Execution" stages. We shall draw full conclusions later, in early 2026, in the FY2025 investment report, God willing; however, that is just too tempting to avoid some points.

First point. Time and time again, we return to the Big Tech companies, especially chips, AI; here is where bubbly, maniac behavior can be spotted now or in the last 3-5 years. The beloved Nvidia (NVDA) took the spotlight a few times in our reports. Let's return to it. The financial performance of this business could be unmatched in the recorded history of the stock market. No one, including Jensen Huang, the co-founder/CEO of the company, couldn't have hoped for the business of that size to perform for several years in a row at that unbelievable pace. Yet, it has done so. If you recall, the chart from our FY2024 report:



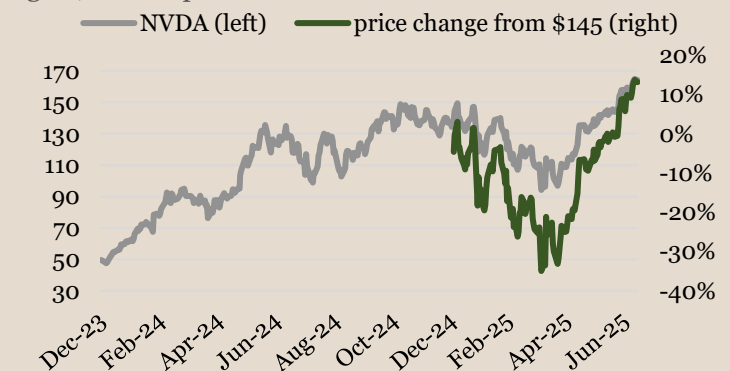
We stayed back then that: *"The unbelievable leap the company's earnings made in 2022-2024 can be shadowed only by the shocking price boost. However, from a historical perspective, these two metrics should align. In order to justify such a change, the company should more than double its earnings in 2025 without any price change, or the price should decrease by at least 50%."*

Here is what happened in the spring of 2025: the NVDA stock fell to \$95 per share versus \$145 price in late 2024; **that's approximately -50%**. Of course, NVDA returned strongly to over \$160 in July 2025, +70%. However, that just emphasizes how vulnerable the pricing is, while everyone see that the company still grows its sales by +50-70% annually. But what if it slows down to a more sustainable growth rate? Below is how \$100 per share of Nvidia's market capitalization aligned against the anticipated Diluted EPS in calendar 2025.



source: TIKR.com

Sometimes Mr. Market gets reasonable, though he's a bit mad again, in our opinion.

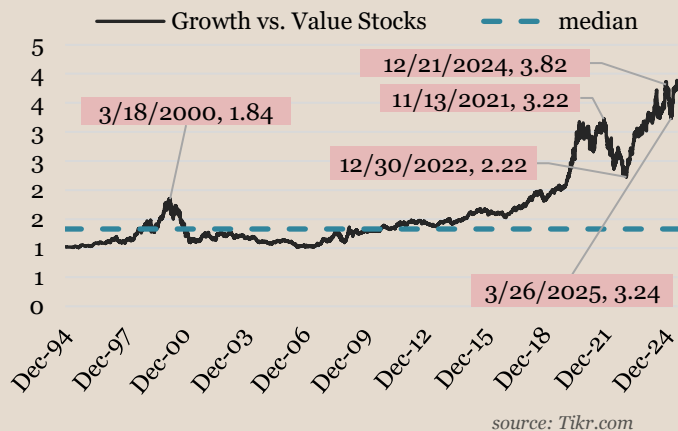


source: TIKR.com

Another example is Alphabet's (GOOGL) shares, which lost -25% last April from the peak of just over \$195. It just returned to \$185 price level; This business with a +13-15% growth rate of revenue is still priced reasonably at 6 Price-to-sales (PS) and 21.5 Price-to-Earnings (PE) with a sustainable growth rate. So, it is less volatile, more boring.

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Second point. We mentioned in FY 2024 report that the Growth to Value stocks ratio didn't look promising for the growth stocks in the next 5-7 or even 10 years. That Humpty Dumpty is vigorously shaking at the height of the wall he climbed on. For a moment the ratio has reversed but returned to the record high presently. The full year's results will pour more light on the subject, but we think the U-turn is already taking place. The following picture doesn't look promising for high-priced stocks; the reverse to the mean will bring sorrow and pain for some sectors. Soon enough from a long-term investor's point of view.



Let's revise the good old "USA stocks vs World" chart. The relative strength of American companies is just staggering; however, each step up takes more effort and now the gap between their valuations is entirely unreliable. No wonder this year MSCI World Index performed better than S&P 500: +8.12% versus +4.96%.



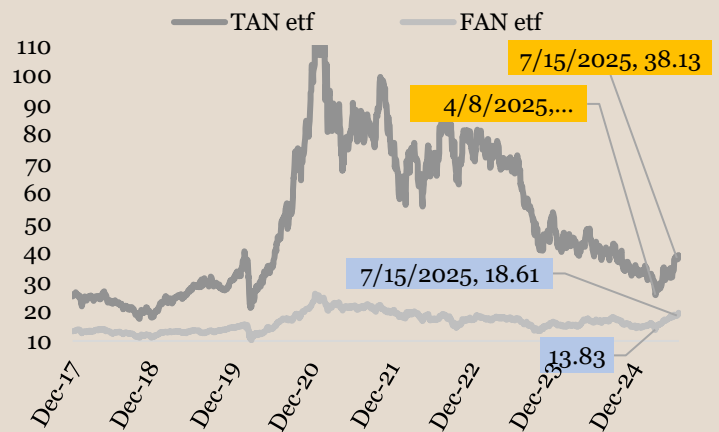
Last point. Stated many times, in each Letter to investors: *"we patiently wait for a better price or a better business to purchase because we are playing a long game, where even three years is just a first step. We want to*

demonstrate that time in the market means more than timing the market.

The Fund 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."

To the occasion of this Half-year report **the Solar and Wind** reported for duty (well, it about time!), because they are among primary energy sources even today (we are speaking about leap from below 0.5% to 5-7% in total energy consumption, the figure is above 10+% of electricity generation worldwide) with rapidly increasing presence.

TAN ETF represents solar energy companies delivered +40% since April's lows, and FAN ETF represents the wind energy sector performed +28%.



Management discussion

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."

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In the first quarter of 2025, several million dollars have exited the Fund due to other investment opportunities that those Unit Holders saw in the market. We wholeheartedly thank those Unit Holders and wish them the best professional results. Nevertheless, the Fund will continue its usual operations with the same proportion as before, yet with a lower NAV.

The Steppe Eagle benefited from the positive moves in several different sectors: a) the top contributor was solar equipment company **Nextracker** (NXT), which **grew +59%** since December 31; b) **gold & silver** grew approximately by **+30% and together** took the second place of most successful positions in portfolio, they doubled since we invested in 2022, however this time we prefer to gradually ease the exposure to precious metals due to presence of other promising assets; c) solar companies **SMA Solar** (S92_GR) and **SolarEdge** (SEDG) took the third place growing by 50% combined; d) worth mentioning **Allbirds** (BIRD) that added +49% since Dec31.

These positions pulled the portfolio back in the half-year: a) Salesforce (CRM) that fell by -18% from its Dec31 peak of \$334, and due to the third heaviest weight in the portfolio it carved out so much out of overall result; b) Fluence Energy (FLNC) a backed by Siemens and AES battery company fell -61%, despite its modest 2.8%-weight it dragged us down mighty; c) Puma SE (PUM_GR) lost -48%, very suddenly for us the business stopped performing as good as in previous year; Addidas has the crown now.

Worth mentioning the combined performance of the "old-economy" value stocks, of which we nibbled a little because of the historical opportunity. The move was covered in the FY 2024 Investment report. We didn't expect them to go positive this year, but they did. Combined Magna (MGA), BorgWarner (BWA), and Thor Industries (THO) take around 3.9% of the Steppe Eagle and grew by +13% so far, and even more in July. Lyft (LYFT) shot from \$13 to \$17.2, where we sold some, because it is volatile; however, we still think it is undervalued, especially compared to at least the third of UBER's Price-to-Sales. Covered in the Half-year 2024 HelloFresh SE (HFG_GR) acted in line with what can be called fair valuation, going from 5.8EUR in 2024 to 13+EUR in early 2025. We decided to trim the position to 1% because its debt level became elevated.

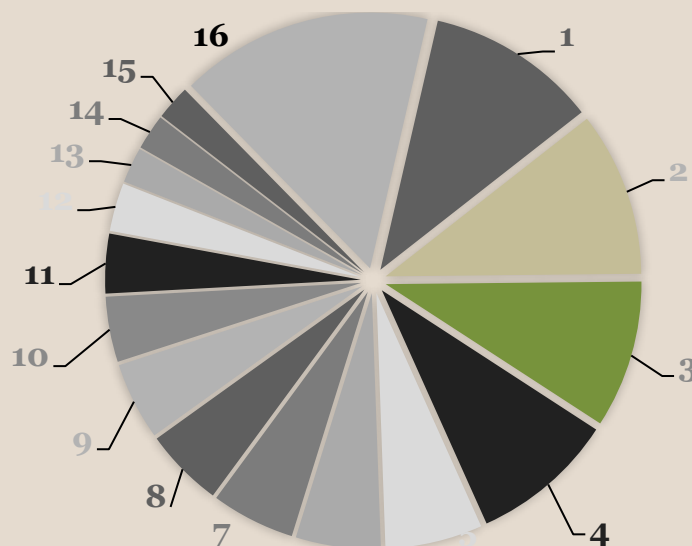
In the 2024 Half-year Investment report, we mentioned Warren Buffet's wisdom: "To be fearful when others are greedy and to be greedy only when others are fearful." We always act upon it; most of the businesses which benefit us today were purchased more than 12 months ago.

Stocks are not lottery tickets. There is a company behind every stock. When the company does well (grows revenues, profits, and cash flows), the stock usually follows. We often miss the right timing (that is reserved for fortune tellers); however, if figures and facts do not deteriorate, they show up in the price in their due time.

The following data describes the state of the portfolio on June 30, 2025.

Composition of the portfolio by position:

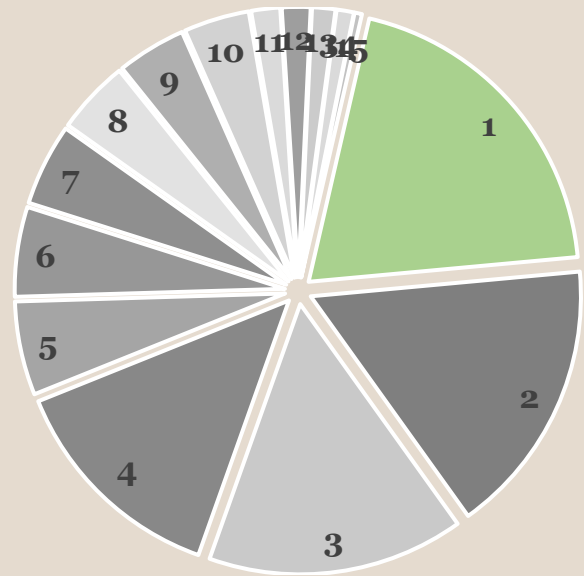
1	Shopify Inc	...10.82%
2	Alphabet Inc	...10.41%
3	Cash	...9.33%
4	Salesforce.com	...9.11%
5	Zoom Video Communications Inc	...6.16%
6	Signify (Philips Lighting)	...5.37%
7	Vestas Wind Systems	...5.29%
8	Nextracker	...5.00%
9	Zalando SE	...4.91%
10	Adobe Inc	...4.13%
11	Sprott Physical Silver fund	...3.76%
12	SMA Solar	...3.06%
13	Vaneck Merk Gold trust	...2.25%
14	Lyft, Inc	...2.24%
15	Magna International;	...2.20%
16	other bets	...15.96%



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Composition of the portfolio by industry:

1	IT: Cloud marketing	...19.93%
2	IT: Internet & data	...16.56%
3	cash & precious metals	...15.34%
4	Clean energy: solar	...13.47%
5	Clean energy: wind	...5.61%
6	Greener: lights & efficiency	...5.37%
7	Consumer: cloth-marketplaces	...4.91%
8	Industrial: auto	...4.43%
9	IT: SaaS design and marketing	...4.13%
10	Transport: taxi & delivery	...3.92%
11	Consumer: sustainable cloth	...1.73%
12	Consumer: clothing	...1.71%
13	Recycling: metals	...1.39%
14	Clean energy: storage	...1.04%
15	Consumer: food delivery	...0.44%



We should also describe our view on several promising stories:

Salesforce (CRM): The company pioneered the cloud-based CRM systems (Customer relationship management). Its bright leadership by Marc 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 \$38 billion; Salesforce's business is growing at a double-digit pace, which has shown a few features of maturing, slowing its fast-growth phase, but with rapidly improving profitability (operating margin jumped from 2% to 19% in just four years) and a healthy balance sheet. Our average purchase price is \$186 in 2023.

Everybody seems to like CRM's visionary role and wide range of integrated and interlinked solutions. The company's stocks deserve a hefty 6% to 8.5% portion of the investment portfolio and a prolonged holding period, over 7 years or more.

Alphabet Inc (GOOGL): The one from the Tech Titans that the Steppe Eagle has under his wing. This behemoth commands a Sales figure of over \$370 billion and a market

capitalization of over \$2 trillion. In recent years, the company has kept its grasp over the Internet Search, YouTube, and AI. It also vigorously grows in the area of Cloud Computing (double-digit growth), and this is the top company for Autonomous Driving, an undisputed leader with the most driven distance. It still doesn't look expensive and is worth every invested dollar. We entered the position in 2022 and 2023 at an average price of \$106.

Zoom Video Communications (ZM): We consider Zoom as a business with a great product and a talented team that learns from mistakes and develops more and better future products. It came from a Zoom call to Zoom workplace; it is so much more now than just a video-conference software company. Today it is a sustainable, profitable business with a bright idea, which was an exceptional pearl even before COVID-19. The debt level is low, the revenue stream continues to come above \$4.5 billion a year, the business has a 30+% free cash flow margin, has little debt, and its product canceled millions of unnecessary business travel, which is very green. Zoom has some difficulties growing again at a double-digit pace, but when it fell to below \$60, it was an opportunity to step heavily in. Now, the company is trading

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more reasonably between \$75 and 90. It is a nice long-term business to hold.

Zalando SE (ZAL_GR): Is a 10.3 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 is undervalued, and we shall see its recovery. In 2024 alone its EV/Sales ratio climbed up from 0.4 to 0.8, the way to a 10-year median level of 1.5 stays unconquered. The revenue grew for the last 5 years with compounded annualized growth rate of CAGR at 9.8% rate, and earnings per share with rate 14+%, these metrics look depressed due to slower pace in 2023-2024. In the next 5-7 years we expect further recovery of this business towards more robust numbers and growth.

Nextracker (NXT): The business manufactures solar tracking systems primarily in the USA; these systems allow solar panels to follow the sun disk through its daily orbit, which increases the solar energy output by 25-40%. It is a Flex Ltd spin-off, with \$2.7 billion in annual sales, which demonstrated growth when all other solar companies faltered in 2024 year; it expected to grow at a 20-30% pace for the next several years; the profit margin is dancing between 10% and 20%; and the debt is just \$145 million at total assets of \$2983 million. The shares of this company have been trading just for a few years, which is the only reason we hesitated to have more than 5% of this company in the portfolio. We prefer 10+ years of history. Our average entry point in 2024-2025 is \$40.

Signify NV (LIGHT_NA): Previously known as Phillips Lighting, it has declining annual sales of 6.1 billion EUR. Still, it pays a truly handsome >5+% dividend at current prices (20-22.5EUR) because during the phase of slowing sales it amends the business to make it leaner and more effective. The company 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 Phillips' lightning solutions and everyone who has 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. At some point in time, the decline is

expected to be over in 2025, and slow recovery must situate this business from 21EUR closer to 30EUR.

Vestas Wind Systems (VWSB_GR): Vestas is a poster child of wind energy; it is the largest and oldest among currently active companies. All major wind energy markets across the globe, except for China, are served by Vestas. Its revenue and asset base are colossal for the clean energy sector. The company is contracted for 5 years ahead, 27GW of projects in the pipeline, and 37 billion EUR of service contracts. The problem with a thin Profit margin that overshadowed this company previously are gone now. In 2024, the company achieved record sales, kept a healthy balance sheet, and improved adjusted FCF closer to 1 billion (Net Income 500 mio). Our average price is 17EUR. Vestas is a long play, God willing, for several years if they continue keeping its financial health & dominant market position. Our pessimistic model indicated a fair value between 19 and 25 EUR.

Puma SE (PUM_GR): The company is a well-known quality brand of specifically footwear and various sports apparel. Its annual sales top 8.5 billion EUR, it has a loyal fan base, however, the business stopped growing at a 7-11% rate; the same process is happening with Nike. Its fraternal rival, Adidas, is doing much better now. We think this bet is worth a 2.5% stake in a portfolio for its legacy and opportunity to come back. German apparel brands are also much more sustainable than others, and Puma is serious about it. In 2025 its business started to stagger. We are hopeful that the new CEO (former Adidas executive) will start the turnaround. The position is currently unhealthy, and some patience is required. Our average entry point in 2023 was 48.2EUR.

Adobe (ADBE): The company offers universally renowned graphic design products, such as Adobe Photoshop. It has a tight grip on digital content through editing, signing, and marketing applications. This business has been long characterized as a solid, reliable, 10%-growing business with one of the best profit margin in the industry above 25%. It deserves its place in the portfolio with a decent growth profile and stability.

Silver & Gold: These two monetary metals simply serve as a bank account as a hedge and shelf for unused cash.

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SolarEdge (SEDG): The company is a fast-grower but prone to cycles. It produces power optimizers and string invertors for the solar energy sector. We followed the company 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 works in both great solar energy markets (the United States and the European Union). This company, SolarEdge and Enphase (ENPH), are leaders in a very profitable business in the portfolio. 2024 ruined and made evident issues with the company, such as unnecessary product diversification and weak control over profit margin, so the cycle forced the business to change its CEO and CFO. We remain hopeful the errors will be amended so that when the clean energy cycle unbends, the company will continue to grow in 2025-2027. The business showed signs of recovery, and the stock price changed from \$13 to \$27-28 in 2025. However, our average position is still \$117.5.

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 keep focused on investing in all market weather.

HQB

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The value of Units/Preferred shares of the Fund, as a result of a change of asset prices in its Net Assets Value (NAV), can both increase and decrease. Investment performance in the past does not determine future returns. Neither the Fund manager nor any of its directors, officers, or employees guarantee the return on investment in the Fund's (The Steppe Eagle) units.
