Truffle Portfolio
1Q 2026 Investor Letter

Dear Long Term Investors,

I hope this letter finds you well. By now, your news feeds have no doubt been dominated by the escalating US-Iran conflict and the broad market uncertainty that has followed. Headlines are loud, sentiment is fragile, and it is easy to feel unsettled. Rather than add to that noise with the usual macro commentary, I want to use this investor letter to do something more meaningful: to look closely at some of the individual positions we hold, explain my thinking behind them, and reaffirm the investment principles that guide every decision we make together.

This change of approach actually came about because of a conversation with one of you. An investor in this portfolio told me that what he valued most was not my read on geopolitics or central banks, but my honest perspective on the individual businesses we own. He said it was better learning than anything he got from the macro news. I found that feedback both humbling and clarifying. So this time, that is what I intend to give you.

I want to address the positions that have disappointed first, because I believe investors deserve candour before confidence. We will then turn to what has been working, and I will close with some thoughts on how I am thinking about the road ahead.

The Laggards: MSTR and CPRT

I will not dress this up. These two positions have underperformed. The marks are uncomfortable, and I want you to know that I feel the weight of that alongside you. But I also want to walk you through exactly why I continue to hold both with conviction, because the case for each of them is, in my view, stronger today than when we entered.

Strategy Inc. (MSTR)

Strategy, which most of you will know by its former name MicroStrategy, has been one of the most polarising holdings in this portfolio. Over the past year, the stock has declined by more than 58%. That is a significant drawdown, and I want to be transparent about what has driven it.

MSTR was a traditional software company but no more. It made a deliberate and very public decision several years ago to transform its corporate treasury into a Bitcoin accumulation vehicle. The company now operates as a Bitcoin treasury company, and its performance is tightly linked to Bitcoin price movements. In my view, I consider MSTR as a leveraged play on Bitcoin because the company continues to accumulate Bitcoin through debt and equity issuances. So the amount of Bitcoin per share of MSTR will likely increase in the future through leverage.

When Bitcoin rises, MSTR tends to rise faster and further than Bitcoin itself. When Bitcoin corrects, the reverse is equally true. That asymmetry is by design. It is not a bug but a feature.

In the 2025 fiscal year, the company raised over $25 billion, acquiring roughly 225,000 Bitcoin and driving a 22.8% annual Bitcoin yield. Michael Saylor (The Founder of MSTR) has made clear that MSTR intends to continue buying Bitcoin every quarter without exception. The machine is not broken. The machine is running exactly as intended. The market has simply chosen, in this window of time, to price in maximum fear around Bitcoin rather than maximum confidence.

The Wall Street consensus remains a Strong Buy. Out of 21 analysts who cover the stock, 14 rate it a Buy with zero Sell ratings, and the median price target sits around $325, implying substantial upside from current levels. However, I am not in the business of predicting when the market will close that gap. But I am confident that it will.

What I ask of you here is patience and perspective. MSTR is a long-duration bet on Bitcoin as a treasury asset. If you share that conviction, the current price offers an opportunity, not a reason to exit. If the thesis on Bitcoin itself has changed for you, then that is a conversation worth having directly. But the business is operating exactly as intended, and I remain committed to this position.

A note on Bitcoin before I move on, because I believe the events of the past quarter have actually strengthened it rather than weakened it.

When the US-Iran conflict escalated sharply in late February, markets sold off broadly. Equities fell, sentiment deteriorated, and the natural expectation was that Bitcoin, as a speculative risk asset, would be among the hardest hit. What happened instead was instructive. **Since the escalation of the Middle East conflict on February 28, Bitcoin has risen approximately 7%, outperforming the S&P 500, the Nasdaq 100, gold, and silver over the same period**. That is not the behaviour of a purely speculative asset. That is the behaviour of an asset that is beginning to mature into something more structurally significant.

Source: Tradingview

The deeper argument for Bitcoin in this environment is a macroeconomic one. Wars are expensive. They require governments to borrow and spend at scale. If the Iran conflict extends further, deficit spending will accelerate, and that historically, the combination of rising debt, a weakening dollar, and lower interest rates is precisely the backdrop where Bitcoin tends to perform well. US government debt has already been rising at a rapid annualised pace since mid-2025. When governments borrow heavily to finance military operations, they inevitably put pressure on the purchasing power of fiat currency. Bitcoin, with its fixed supply and no central issuer, sits on the other side of that equation. It is not correlated to government balance sheets. It cannot be printed. That is not a trivial property in the world we are currently living in.

Bitcoin's behaviour during this conflict has mirrored a pattern observed in previous geopolitical crises. Prices tend to drop sharply at the onset of major events, but recover as markets adjust and the uncertainty becomes priced in. We saw that play out in real time. **The initial fear-driven pullback gave way to a period of resilience that surprised many observers**. Even through the most volatile weeks of March, Bitcoin still outperformed assets such as gold since the start of the Iran conflict. That is a data point I find genuinely significant.

None of this is to suggest that the road ahead for Bitcoin will be smooth. Geopolitical uncertainty, the possibility of higher-for-longer interest rates, and short-term sentiment swings will continue to create volatility. I do not hold MSTR because I believe the price will move in a straight line. I hold it because I believe the long-term structural case for Bitcoin as a treasury reserve asset is strengthening, not weakening, and that MSTR remains the most direct and institutionally credible vehicle to express that conviction in a publicly listed form. Management has made it unambiguously clear that the company plans to maintain and grow its Bitcoin position through multiple market cycles, with a target of continuing capital raises to fund further accumulation. The mission is not changing. The timeline on which the market chooses to reward it is the only variable.

Copart Inc. (CPRT)

Copart is a very different kind of story, and in some ways a more frustrating one, because the weakness in the share price has very little to do with the underlying business.

For those less familiar, **Copart operates a global online marketplace for salvage and whole vehicles**. When insurers declare a car a total loss, it comes to Copart. The company auctions those vehicles to a global network of buyers, from dismantlers and dealers to international exporters. It is a remarkably capital-light model, with powerful network effects and very high barriers to entry. It is the kind of business that, once you understand it, you wonder why more people are not talking about it.

The stock has fallen roughly 39% over the past year despite posting strong fundamentals and continued earnings growth. The market has been punishing Copart for a slowdown in insurance claims volumes, driven largely by consumers pulling back on their auto insurance coverage. Fewer insured vehicles means fewer total-loss declarations, and fewer total-loss declarations means fewer units flowing through Copart's auctions. When you layer on top of that the absence of the catastrophic weather events that inflated prior-year volumes, you get a surface-level revenue number that looks flat. And that is not what most investors want to see.

The most recent quarter, which ended January 31, 2026, saw revenue decline 3.6% year-on-year to $1.12 billion, and diluted earnings per share fall to $0.36 from $0.40 in the prior year period. Those are not numbers that inspire excitement at first glance, and I want to be honest with you about that. But I also want to walk you carefully through what is actually driving them, because the headline figures are obscuring a more nuanced and, I would argue, more encouraging reality.

CEO Jeffrey Liaw reported that global insurance units declined 9% in the quarter, or just 4% when you exclude the effect of catastrophic event vehicles that flowed through in the prior year period. This distinction matters enormously. The prior year benefited from an elevated volume of catastrophic weather-related vehicles, a one-time tailwind that by definition could not repeat. When you strip that out, the underlying business decline is considerably more modest. Management attributed the volume pressure to shifts in policies in force across insurance carriers and softer overall claims activity tied to consumers pulling back on auto insurance coverage. These are cyclical pressures, not structural ones. Fewer insured vehicles means fewer total-loss declarations flowing through Copart's auctions. That dynamic will not persist indefinitely.

What gives me genuine confidence is what is happening underneath the volume numbers. Despite the decline in units, US insurance average selling prices rose 6% year-on-year, and 9% if you strip away the effects of catastrophic weather, outpacing industry trends and reflecting the pricing power that comes from Copart's unmatched global buyer network. The company is extracting more value from each vehicle even as the number of vehicles temporarily declines. That is a sign of a competitively dominant business, not one under structural pressure.

The balance sheet reinforces this view with equal force. Copart ended the quarter with $6.4 billion in total liquidity and carries no debt, and has repurchased over 13 million shares year-to-date for more than $500 million. In a market environment where financing conditions are tight and many companies are stretched by their liabilities, this level of financial strength is an extraordinary competitive advantage. The company is simultaneously investing in its future and returning capital to shareholders, without any pressure from creditors.

That investment in the future is important. Copart has approximately 1,000 engineers globally and is actively deploying AI across its operations, with management describing AI as materially improving productivity and enhancing long-term value delivery to customers. When asked about potential disruption risks from AI, CEO Liaw answered the question directly and said the company is focused on enhancing productivity and delivering better experiences, framing AI as a tool that Copart is leaning into rather than one it fears. On land capacity, Liaw noted that the company is now in a considerably stronger position than it once was, with dedicated catastrophic facilities and many hundreds of acres of otherwise idle land in anticipation of future storm activity, while CFO Leah Stearns affirmed the company continues to invest in land with a disciplined approach to ensure capacity remains ahead of demand over a ten-year horizon.

Non-insurance businesses also showed resilience, with dealer services unit volume growing 5%, and platforms such as BluCar and Purple Wave outperforming the broader industry. The diversification of Copart's revenue base is quietly strengthening, which reduces the company's dependence on insurance volume cycles in the long run.

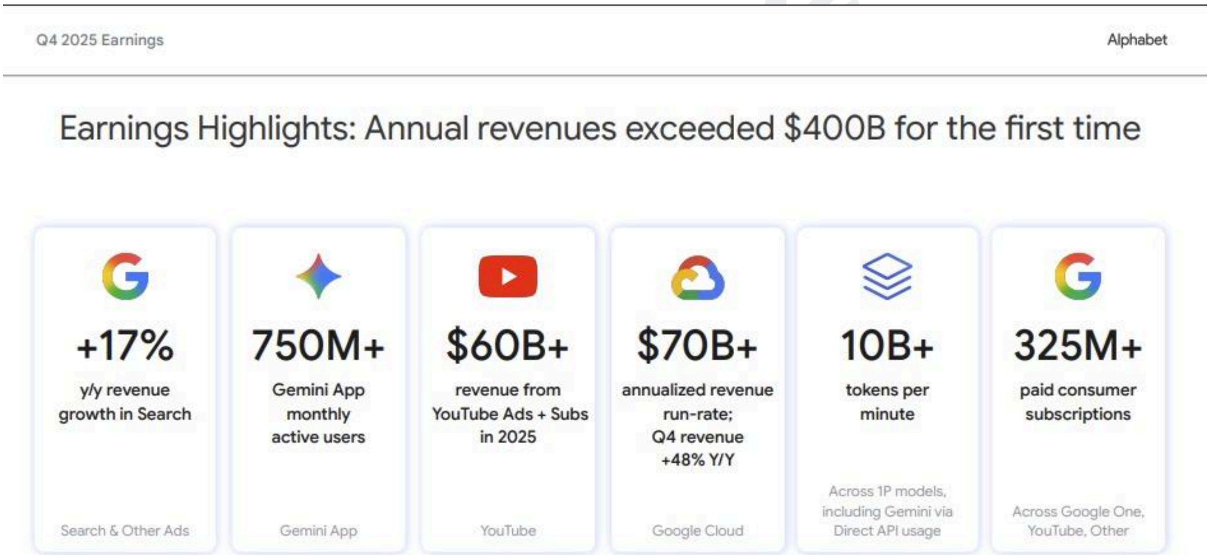
I want to be direct about something. There is always a temptation, when a position is underperforming, to find reasons to exit. To tell yourself the thesis has changed when what has really changed is simply your comfort level. I have looked hard at Copart, and I am not seeing a business in structural decline. I am seeing a world-class business navigating a cyclical soft patch with an exceptional balance sheet, rising average selling prices, accelerating technology investment, and a global buyer network that no competitor has come close to replicating in over four decades. That gap between the current price and the underlying value of this business will, in my view, eventually close. The only question is when, and I am content to wait.

The Successes: GOOG and AVGO

Now let us turn to what has been working, and working well. Both Alphabet and Broadcom have reinforced, in very different ways, why I believe the AI infrastructure theme is the most durable investment cycle of this decade.

Alphabet Inc. (GOOG)

Alphabet has crossed a threshold in the last twelve months that very few companies in the history of global business have ever reached. Annual revenues exceeded $400 billion for the first time, and CEO Sundar Pichai described the launch of Gemini 3 as a major milestone, with the Gemini App growing to over 750 million monthly active users.



Source: Alphabet Q4 2025 Earnings

For a long time, the narrative in markets was that AI would be an existential threat to Google Search. The argument went like, *"If people could just ask an AI for the answer, why would they ever click through to a webpage? And by extension, why would advertisers pay for those clicks?"* I was never fully convinced by that argument, and the results have since borne that out. Alphabet has not been disrupted by AI. It has become one of the primary beneficiaries of it.

Search saw more usage than ever before, with AI continuing to drive what Pichai called an expansionary moment. The company's AI Overviews feature, which integrates generative AI responses directly into search results, now reaches over 1.5 billion users every month. Rather than cannibalising advertising revenue, it appears to be deepening engagement.

Google Cloud revenue grew 48% and YouTube delivered annual revenue exceeding $60bn, making the business less advertising-dependent and more diversified than at any point in its history. This diversification matters enormously. A decade ago, Alphabet was essentially a one-business company. Today it is a multi-engine machine, with Cloud and YouTube each capable of carrying the company through periods when advertising softens.

The analyst community has taken notice. With 47 buy ratings against just four holds, the street sees Alphabet as exceptionally well-positioned in the AI era. The company's Q1 2026 results are expected around April 23, and I am watching them closely. But my confidence in this position is not hanging on any single quarter. The trajectory is clear and the business is compounding.

If you allow me to detour a little, there is a historical parallel here that I find both instructive and reassuring.

When the computer monitor screen was invented, the prediction was near-universal: paper was finished.

The argument went like, *"Why would anyone print a document when they could simply read it on a screen? Offices would go paperless. Print would die."*

What actually happened was the precise opposite. The proliferation of screens made it easier than ever to create, edit and share documents, and the world ended up printing more paper than at any point in human history. The technology that was supposed to kill the medium, instead amplified demand for it. I see the same dynamic unfolding with Google Search and artificial intelligence. The prevailing narrative was that conversational AI would render the search engine obsolete. Instead, AI has made Search more capable, more engaging, and more indispensable. People are not searching less. They are searching more, and getting more value from every query. The tools that were supposed to displace Google have, in practice, become the very features that are deepening its moat. History has a long record of this pattern. The wise investor learns to recognise it before the market does.

Broadcom Inc. (AVGO)

If there is one position in this portfolio that I am most proud of from a research perspective, it is Broadcom. Not because the stock has performed well, though it has. But because when most investors were focused on the obvious AI plays, Broadcom was quietly becoming the most important company in the entire AI hardware ecosystem.

Broadcom delivered a record first quarter in 2026, with revenue up 29% year-on-year to $19.3 billion and an EBITDA margin of 68%. Margins of that quality, at that scale, are extraordinarily rare. AI semiconductor revenue soared 106% year-on-year, driven by expanding custom AI accelerator demand.

Let me explain what Broadcom actually does, because I think this is where the story gets truly compelling. When Google, Meta, Amazon, OpenAI and Anthropic want to build their own custom AI chips rather than buying off the shelf from Nvidia, they go to Broadcom. Broadcom helps them design those chips and ensures they can be manufactured at scale. Broadcom has been Google's design partner for its Tensor Processing Unit since the very first generation, and that relationship has only deepened with each subsequent iteration.

Looking ahead, Broadcom guided **Q2 2026 revenue of $22 billion, representing 47% year-on-year growth**, with AI semiconductor revenue expected to accelerate to 140% year-on-year growth in the quarter. CEO Hock Tan said on a recent earnings call that the company has "*line of sight to achieve AI revenue from chips alone in excess of $100 billion in 2027,*" and that Broadcom has fully secured the supply chain required to achieve this.

That last point deserves emphasis. At a time when supply chain constraints are biting across the semiconductor industry, Broadcom has locked in capacity through 2028. That is not luck. That is exceptional management planning and execution.

In Q1 alone, the company returned $10.9 billion to shareholders through dividends and share repurchases, and the board has authorised an additional $10 billion in buybacks through the end of 2026. This is a company generating so much cash that it can simultaneously invest aggressively in growth and return capital to investors at scale. That is a rare combination.

Looking Ahead

The backdrop for markets in the second quarter of 2026 remains challenging. Geopolitical tensions, tariff uncertainty (let's not forget this), and elevated yields in long term treasuries are all creating headwinds for risk assets. I am not going to pretend otherwise.

But I also want to be clear about what I believe over a longer horizon. The AI infrastructure buildout is not a trend. It is a structural shift in how the global economy operates. The companies that own the infrastructure layer of that shift, and that build the tools which make it possible, are positioned to compound value for a very long time. Alphabet and Broadcom sit firmly in that category. Strategy and Copart, for different reasons, are businesses whose fundamental strength has not been reflected in their share prices, and I believe strongly that it will be.

My job as a portfolio manager is not to be right every quarter. It is to be right over time, to hold the right businesses through the inevitable periods of doubt, and to remain disciplined when the noise gets loud. The Iran conflict, the tariff headlines, the Bitcoin volatility, all of this creates short-term turbulence. My conviction in the long-term thesis for each position in this portfolio has not wavered. I have added more personal funds to the portfolio.

A Personal Commitment

I want to close this letter with something that is important for me to say directly.

Managing this portfolio is not something I take lightly. Every position represents real capital, and more than that, it represents the trust that each of you has placed in me.

That trust is something I think about every single day. It does not disappear in the quarters when the numbers are good, and it weighs on me more in the quarters when they are not.

I am committed to this portfolio. I am committed to the process of rigorous, independent research that underpins every decision we make. I am committed to transparency with you, even when transparency means writing about the positions that have not worked as planned. And I am committed to the long-term investment framework that has always guided how I allocate capital.

The road ahead will have its share of difficult moments. Markets always do. But I genuinely believe that the businesses we own today are among the finest in the world, and I am honoured to be managing a portfolio built on them.

If you have questions or want to discuss your account, feel free to reach out at petetanpy@phillip.com.sg

Thank you for your continued trust, your patience, and your partnership.

Regards,
Pete
Manager, Truffle Portfolio