Quarterly Report
Castelnau Group Limited

30 June 2026

Introduction

CEO Comments

It has been another busy quarter at Castelnau and across our businesses. At Dignity, we continue to invest in future growth, with legal services now embedded across the branch estate, marketing spend continuing on the Simplicity brand and our crematoria pipeline growing. Operationally, the transformation continues with new finance systems rolled out across the business to improve efficiency. Following the completion of the Firehawk code acquisition during the quarter, Dignity is focused on digitalising its funeral arranging operations (having digitalised its care of deceased in 2025).

Whilst significant execution is required to deliver on the inherent value in the business, the growth drivers are increasingly clear. Given the work required to affect a crystallisation event, the business has started certain preparatory work to ensure that it is ready when the appropriate window to deliver shareholder value arises.

Post quarter end, we sold our holding in Rawnet to management, in exchange for a future profit-share arrangement and a further payment if the business were subsequently sold. Rawnet's value before this action had already been reduced to nil, and thus this transition has no impact on Castelnau's NAV.

In the other operating companies, profitability and cash flow generation remain key focus areas. As you will read in the commentary later, significant changes continue to be made to the businesses to ensure that this is achieved, without undermining growth.

Our investment in Iona Star, as well as hopefully producing strong investment returns itself, also gives us unique insight and access to what is happening at the forefront of AI. Its recent investment in Worldmodeldata is a great example of this. Yann LeCun, the Turing Award-winning AI researcher and former Meta Chief AI Scientist, has joined Worldmodeldata as a senior advisor. LeCun is one of the most prominent voices arguing that large language models alone will not deliver real-world intelligence and that the next frontier lies in "world models": systems trained to understand cause and effect in the physical world rather than simply predict the next word in a sentence. He has also backed that conviction in his own venture, AMI Labs. The wider field has moved quickly: Google DeepMind, Fei-Fei Li's World Labs and NVIDIA have all launched world-model platforms in the past six months, with significant capital now flowing into the space. Worldmodeldata's proposition, converting gameplay into the structured, physically grounded training data these models need, sits at the centre of this build-out, and LeCun's direct involvement gives the business rare access and credibility as the category matures.

The right culture is of fundamental importance in any investment and is equally important within Castelnau itself. Castelnau has had a relationship via Future First with a local academy and during the quarter we were pleased to welcome two of its sixth formers for work experience. We also dedicated time to helping the wider student group with career advice and mentoring. We are committed to supporting the academy and its future entrepreneurs.

We remain excited about the progress being made in the portfolio and committed to delivering shareholder returns.

Richard Brown, CEO

CIO Comments

With our partners, Sir Peter Wood's family office (SPWOne), and the Dignity management led by Zillah Byng-Thorne, we have decided to pursue the option of an IPO. Anyone familiar with what that means will know that it is a long process requiring a lot of preparatory work, so we are talking about a timeframe of a few years. The decision has kicked off workstreams that are already under way. The teams at SPWOne and Castelnau have plenty of experience in this field and will be doing their best to minimise the workload on the executives.

We have no need for false deadlines, institutional imperatives or even a desire for a full exit, and so the tail will not wag the dog. We will continue to do what makes sense and creates the best long-term value, and that means being open to alternative paths and timeframes.

The structuring work on the rest of the portfolio companies continues, but by the end of Q3 we will complete or end all the processes in which we are involved and give you a full update then. To reiterate what we have said before, any businesses remaining in the Group will need to be self-sustaining and cash-generative. We appreciate the enormous amount of work that has been put in by the leadership teams of all our businesses, which is transforming their economics. Cash profitability gives businesses and their owners options, it is liberating and valuable in the right hands.

At Iona Star, Gerry and his team are making excellent progress, some of which Rich mentions, like the progress at Worldmodeldata with Yann LeCun's involvement (one of the AI godfathers). It looks like we could get back some of our original capital this year due to a couple of realisations. Revaluations in the remaining portfolio, triggered by external funding rounds, could also be material.

The Castelnau Group that is emerging will be one where capital flows to the centre, not the other way around; where we own well-run businesses and are not trying to fix them ourselves, led by executives whom we back or change. As with our portfolio companies, positive cash generation will give us an opportunity to demonstrate our capital allocation capability.

Recently reading the excellent story of Prem Watsa's journey at Fairfax Financial Holdings, The Fairfax Way by David Thomas, gave me faith that the path to long-term success can start with so many mistakes, provided that you learn from them, stick to the underlying philosophy of long term capital compounding through prudence first and intelligent allocation next, and change and learn when things go wrong. These foundation years at Castelnau have been tough and by number, most of what we have done has not worked. Yet despite that, we believe there is much more value in the portfolio than we started with, and the upside potential remains considerable. I have never lost faith but it helps not to think you are deluded!

Gary Channon, CIO

Castelnau Group Limited ("CGL") is a Guernsey closed-ended company listed on the Specialist Fund Segment of the London Stock Exchange. Formed by Phoenix Asset Management Partners Limited in 2020, its listed structure provides the manager with a permanent capital vehicle with which to make long-term investments and acquisitions in public and private businesses of all structures and sizes. It's investment philosophy involves acquiring large stakes in, and capital to, businesses that have, or can create, strong competitive advantages. Castelnau Group's portfolio comprises investments in Valderrama (Dignity), Hornby Limited, Stanley Gibbons Baldwins Limited, Showpiece Technologies Limited, Silverwood Brands, Rawnet Limited, Iona Star and Ocula Technologies Limited.

2026 Q2 Financials

Table 1: Summary Overview

	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
Net Assets £m	£334m	£338m	£336m	£374m	£371m	£377m
Net Assets /share	£1.01	£1.01	£1.01	£1.12	£1.11	£1.13
Share Price	£0.88	£0.81	£0.77	£0.94	£0.91	£0.90
No. of shares	332m	334m	334m	334m	334m	334m
Market Cap	£293m	£270m	£257m	£314m	£302m	£298m
Prem / Disc to NAV	-12%	-19%	-24%	-16%	-19%	-21%
Assets						
Equities	£396m	£402m	£405m	£456m	£455m	£465m
Loans to Subs	£24m	£26m	£28m	£20m	£21m	£22m
Cash & Equiv.	£0.2m	£0.1m	£0.7m	£0.2m	£0.0m	£0.1m
Ownership						
Valderrama (Dignity)	66%	66%	66%	66%	66%	66%
Hornby	55%	58%	58%	58%	58%	58%
Phoenix SG (Stanley Gibbons Baldwins)	64%	64%	64%	71%	71%	71%
Cambium Intl. Ltd. (Cambium)	90%	90%	90%	92%	92%	92%
Iona Star*	45%	36%	33%	32%	32%	32%
Rawnet	100%	100%	100%	100%	100%	100%
Silverwood	30%	30%	29%	29%	29%	29%
Showpiece	80%	80%	80%	80%	80%	80%
Ocula	41%	41%	35%	35%	35%	35%

Source: Phoenix Asset Management Partners Ltd.
Past performance is not a reliable indicator of future performance.
* This relates to % of invested capital, not an equity stake.

Table 2 below shows a breakdown of the Castelnau Group NAV by Asset.

Table 2: NAV Breakdown

Asset	2026 Q1 £m	2026 Q2 £m	Q2 % of NAV	Q2 % of GAV
Valderrama (Dignity)	403.3	410.1	108.8%	83.9%
Hornby	18.2	20.8	5.5%	4.3%
Cambium	17.7	16.6	4.4%	3.4%
Iona Star	5.2	8.1	2.2%	1.7%
Ocula	5.6	4.9	1.3%	1.0%
Silverwood	2.7	3.4	0.9%	0.7%
Phoenix SG (Stanley Gibbons Baldwins)	2.5	0.7	0.2%	0.2%
Showpiece	-	-	0.0%	0.0%
Rawnet	-	-	0.0%	0.0%
Total Equities	455.2	464.6	123.3%	95.0%
Loans to portfolio companies	21.1	21.8	5.8%	4.4%
Other Assets	2.4	2.4	0.6%	0.5%
CGSL	0.3	0.0	0.0%	0.0%
Cash	0.0	0.1	0.0%	0.0%
GAV	478.9	488.9		
Accrued Liabilities	(107.6)	(112.1)	29.7%	22.9%
NAV	371.3	376.8		

Source: Phoenix Asset Management Partners Ltd.
Past performance is not a reliable indicator of future performance.

Table 3: Castelnau Q2 2026 Company 'Look-Through'

The below allows investors to look at Castelnau Group from an alternative perspective – focused more on normalised metrics rather than NAV. The table also provides a consolidated view of Castelnau Group and its portfolio companies. The data includes ownership percentage per company, number of employees, annual sales figures, pre-tax profit, and other financial metrics.

Q2 2026	Pro-Rata Castelnau "Look-Through" ↓	Listed stake	Unlisted stakes					
		Silverwood	**Valderrama (Dignity)**	**Hornby**	**Phoenix SG (Stanley Gibbons Baldwins)**	**Cambium**	**Rawnet**	**Ocula**
Castelnau (CGL) Ownership stake		29%	66%	58%	71%	92%	100%	35%
Employees (approx.)	2135	186	2751	209	66	75	25	18
Last 12 month running Sales	**£252.4m**	£15.9m**	£290.9m*	£50.7m	£11.7m	£17.3m	£1.9m	£1.2m
per CGL share	£0.76							
Last 12 month running Profit	**£19.2m**	**£0.3m****	**£41.9m***	**-£6.1m**	**-£4.9m*****	**-£0.7m**	**-£0.3m**	**-£1.5m**
per CGL share	£0.06							
# CGL shares	333.5m							
CGL Share Price	**£0.90**							
CGL Market Cap	£298.5m							
Equity Values		*£3.4m*	*£410.1m*	*£20.8m*	*£0.7m*	*£16.6m*	*£0.0m*	*£4.9m*
CGL NAV	£376.8m							
CGL NAV per share	**£1.13**							
Discount	-20.8%							

*Adjusted profit before tax excludes consolidated accounting adjustments relating to the funeral plan trusts, exceptional items and other non-recurring costs.
**Audited Accounts pro-rated over 18m ending 06/2025 excluding exceptionals and non-operating income
***Includes £1.8m one-off exceptional cost related to pre-administration liabilities
Source: Phoenix Asset Management Partners Ltd.
Past performance is not a reliable indicator of future performance.
Given Iona Star is an investment vehicle rather than an operating company, it has not been included in this table.

Update on the Group Companies

Dignity / Valderrama

Key financial highlights (draft, unaudited numbers to 30 June 2026), percentage changes represent year on year comparisons.

Expected Revenue LTM £290.9m (up 0.2%)*	Funeral branches June 2026 558
Expected EBITDA LTM £41.9m (down 4.3%)	Crematoria sites June 2026 45
Plan sales LTM £45.6m (up 2.6%)	FTE June 2026 2,751
Death rate LTM Down 0.3%	Net debt June 2026 £339.8m
	Cash June 2026 £40.6m (excluding Trust cash)

*Excludes Trust Surplus of £60M received 11/2025

During the quarter, outperformance in the crematoria division was offset by some underperformance in at-need attended funerals. Continued investment in the growth of Simplicity impacted short-term profits. Legal services performed well, with the business ahead of expectations YTD. Legal services has the high-quality problem of demand for its products exceeding capacity. It is continuing to build capacity through additional hiring and accelerated automation, putting it in a strong position to continue growing efficiently. The roll-out of the probate offering across the full branch estate was completed during the quarter.

Simplicity continues to experience strong growth, despite entering a highly competitive market. Dignity now has c.4% market share, despite spending materially less on marketing than its competitors. Prompted awareness of Simplicity is c.13% and the prospect to sale conversion rate is 16% - both very strong statistics for a new brand in this market.

Development of the new crematoria pipeline continues. The first new crematorium Dignity has built in a number of years remains on track for construction to commence in Q4 this year and to open during 2027.

The operational and technological transformation continues as well, both reducing costs and delivering efficiencies. In finance, the roll-out of new systems has meant that cheques to suppliers and petty cash have been eliminated, while paper invoices are expected to be fully removed by August. From a technological perspective, Dignity is building platform capabilities to move from the fragmented, legacy technology estate to platform-led architecture.

The acquisition of the perpetual licence for the Firehawk code was completed during the quarter, giving Dignity full control over the roadmap and delivery. Dignity's care of the deceased processes were digitalised using this software in 2025, and work is now focused on digitalising funeral arranging using the same software. This should be completed by the end of 2026. Dignity continues to improve its websites, with new crematoria websites launched during the quarter following significant development work.

Hornby

Key financial highlights (draft, unaudited numbers), percentage changes represent year on year comparisons. We have removed LCD holdings which were sold in 2024, to focus on continuing operations.

Expected Revenue LTM £50.7m (down 10.5%)	D2C Sales LTM £10.9m (down 1.8%)
Gross Profit LTM £23.9m (up 1.4%)	Inventory June 2026 £12.6m
Expected EBITDA (pre-exceptionals) LTM £0.3m (up 132.6%)	Net Debt June 2026 £11.2m
Loss before tax (pre-exceptionals) LTM £(6.1)m (down 24%)	Cash June 2026 £0.6m

The financial results for the quarter incorporate the sale of Scalextric that occurred at the start of the quarter (and thus removed from financial metrics from then), and the change in strategic approach to US sales which is now via a distributor model that led to lower sales, but higher margins. There was some underperformance in the digital sales channel, driven by the restructuring of that channel into the brand teams. Following the transition this quarter we expect to see performance improve.

Following the sale of the trade and assets of Scalextric, the transition of the business has been managed effectively. The strategic transformation of the remaining Hornby Group continues at pace with the work undertaken by a third-party consultancy firm now concluded, and the management team moving into the execution phase, moving to the brands operating in a decentralised fashion.

Hornby completed a leadership transition, with James Wintle joining as CEO replacing Olly Raeburn, whom we would like to thank for his contribution to the turnaround at Hornby over the last three years.

Commercial progress included new listings and orders from Halfords and expanded promotional activity with Lidl, and the relationship with Hobbycraft and TG Jones continues to develop well.

Cambium

YTD Group EBITDA improved to a loss c. £200k from a loss c. £1.5m a year earlier, with the core business, The Wedding Shop, Prezola and Wedding Present Company, delivering year-to-date EBITDA of around £0.4m. Group overheads remain in line with plan.

YTD registrations were down year on year, but this was offset by higher conversion, at close to 43%, and improved margin. The 2026 marketing strategy has been reset, with reduced spend on social channels that were not delivering adequate returns. As expected, registrations declined year on year; however, across the Group, the more profitable product pledge is up c. 3%, which reflects improvements in acquisition quality and channel efficiency. Cash pledges are up almost 17% year on year. Cambium continues to optimise upper-funnel activity and drive growth, with particular focus on The Wedding Shop's H2 pipeline and building the 2027 pipeline.

Rock My Wedding's sales, whilst behind plan, are up 80% on this time last year, driven predominantly by paid content sales and venue listings. LittleList's conversion rate has improved to around 9% from about 3% a year ago.

N.B. the table on P7 presents Cambium's statutory figures, while the narrative above refers to pledge value. Pledge value (used in the management accounts) which provides a forward-looking indicator of performance, as customers purchase gifts for couples ahead of their wedding dates, with the corresponding sale recognised when the couple places the order.

Stanley Gibbons Baldwins ("SGB")

SGB maintained momentum through the quarter, running a full calendar of coin, stamp, comic and trading-card auctions. Trading-card and pop culture activity remained a standout, with a successful graded trading-card sale closing in April and total coin hammer value exceeding £500k in the quarter, driven primarily by the prestigious Abbey Welsh Collection.

SGB launched a new office in Singapore, giving it a base in a key region that is seeing clear growth in the collectibles market. The office will allow SGB to hold auctions in Singapore, while also being closer to key clients and consignors across the region. In addition, from the Singapore office, SGB is now looking to expand into banknotes, continuing its strategy of expanding into incremental adjacent markets.

SGB is developing a new combined website that will bring auctions, retail, bullion and publications together under one stronger, unified brand. Development of the digital catalogue and collector platform, now officially called "SG Collect" continues to be a key focus but the launch has been delayed until the combined website work is completed. This delay has impacted the valuation of SGB in the quarter.

Iona Star

Iona Star continues to make solid progress, with a busy quarter spanning both new investment and further validation across the portfolio.

Portfolio company, Worldmodeldata, raised £7m ($9.3m) in seed funding, of which Iona Star contributed £3.5m to build training-ready datasets from gameplay for world models and embodied AI. Yann LeCun, the Turing Award-winning AI researcher and former Meta Chief AI Scientist, has joined as senior advisor, a notable endorsement given his background and the growth of the world model industry, which is attracting significant capital and attention as an emerging frontier in AI.

Cubig was recognised in two separate 2026 Gartner reports on the technologies accelerating enterprise agentic AI and was named a Tech Innovator in Gartner's report on Solution Accelerators. This is independent validation of Cubig's positioning in a category Gartner sees as increasingly critical, given its forecast that 40% of enterprises will demote or decommission autonomous AI agents by 2027 due to governance gaps.

Original Voices, which builds AI "twins" of real people, announced a partnership with YouGov to launch YouGov Parallax, giving clients instant access to AI twins built on YouGov's 30-

million-person global panel. This represents a strong endorsement of the technology and a significant new distribution channel.

Iona Star also made a new investment in BXNK, a financial infrastructure business that unifies cards, bank transfers and digital assets into a single platform for institutions and merchants moving money across borders. This is the digital asset liquidity opportunity flagged in our last report, which has now progressed from research to investment. Cross-border payments have traditionally been slow, fragmented across banking, card and crypto rails, and reliant on capital sitting idle in multiple accounts and jurisdictions. BXNK's platform is built to remove that friction, combining payments, stablecoin settlement, treasury and liquidity management into one intelligent, always-on layer.

Ocula

Ocula continues to build commercial momentum with its agentic offering being well received by clients. During the period, Ocula won Wesfarmers Group as a new client, following a highly competitive RFP process, starting with an initial licence at Kmart, but anticipated to expand across the Wesfarmers brands. This key strategic win demonstrates the traction its ever evolving product is having. Ocula continues to look to reduce its cost base and, while protecting quality, managed to reduce the cost of copy generation by c.50%.

The anticipated additional funding from a strategic partner did not complete, however the existing shareholder base has provided a £750k convertible loan note to fund the business to 2027.

Silverwood Brands

Silverwood published its audited results for the 18 months to 30 June 2025, reporting revenue of around £23.9m and adjusted EBITDA of about £0.5m. The publication of these results allowed the suspension of their listing to be lifted.

The Group is focused on driving growth and improving profitability across all the brands. At Balmonds, the focus is on deepening the Boots relationship under a new sales and marketing director. Nailberry is launching into multiple US marketplaces, including Walmart, Ulta and QVC. It is also increasing activity on TikTok and Japan's TV shopping channel, while preparing for new product launches in September, all of which are expected to support the brand’s growth. Cigarro has seen revenue growth of 109%, and a new successful fragrance launch.

Rawnet

Rawnet made further headcount reductions, reducing costs in the business as it looks to return to profitability. The sales focus remains on its existing clients and delivering a high level of service.

In early July, an agreement was reached with Rawnet’s management to acquire 100% of Rawnet. Castelnau will receive a fixed percentage of profit earned by the company for three years after the transaction closes, along with a commitment to further payments should the company be acquired by a third party at a later date.

Given this transaction, Castelnau will no longer report on Rawnet in these quarterly reports, but we wish them well with their employee-owned future!

Showpiece

Showpiece is progressing the sale of another asset, the Edward VIII Coin, following the sale of the Darwin Origin of the Species book last quarter. The sale should complete in July, and funds will be distributed to collectors in August. Activity to secure sales of the remaining assets continues, albeit Showpiece will only transact where a sufficiently attractive outcome can be obtained.

Intrinsic Value

We estimate that Intrinsic Value per share using the methodology Phoenix applies to investments in its funds is £3.85. That represents an upside of 241% from the period end NAV. This calculation does not allow for any performance fee that might accrue. In our view, based upon the PAMP experience with the Phoenix UK Fund, this measure, applied consistently over time, has been a good guide to long-term returns.

Thought Piece:

Always Read The Manual

Tradecraft

What do the unlikely trio of Messrs Kirby, Kamprad and Hastings all have in common, apart from being exceptionally successful business founders and managers? They all chose to divulge the secrets of their companies' success in the form of a 'manual'. Tom Kirby's Little Red Book, Inka Kamprad's The Testament of a Furniture Dealer and Reed Hasting's Culture Deck all laid-out, with exceptional clarity, the building blocks of their businesses' enduring and world-class culture. Each did it early in the lifetime of their business', too. Notwithstanding that all three were primarily motivated to inspire employees rather than competitors, the apparent revelation of the secret sauce of these businesses does not seem to have eroded their competitive moats one iota. An observer might reasonably ask: why were these businesses not cloned?

Eating the world

In 2011, not long after the last of the aforementioned manuals were shared, Marc Andreessen published his now-prophetic Wall Street Journal op-ed 'Software Is Eating the World'. Looking back, Andreessen describes a world which today almost seems quaint. The article also put down a marker on what was, in hindsight, the beginning of a new era of accelerated codification of business and work practices. Today he might title the article, 'The Agent is Eating the World'. It is fair to assume that those manuals are by now well ingested.

The plethora of AI agents emerging today still need spoon-feeding from us humans. Everyone knows LLMs need context, but one cannot overstate that point. Models are extremely powerful at predicting 'what next' at the token level, but they are also, in effect, uber-generalists, so they need granular direction and feedback to pick up on the nuances of a complex real-world task. AI Models are extremely good at linear/repetitive algorithms, and their abilities in lateral tasks are improving.

One might offer three basic layers of abstraction to describe and help predict the real world: mental models (the ontology), codification (the taxonomy/rules) and algorithms (the implementation). Henry Ford and Aldred Sloan began codifying work in the mid-20th century as they sought consistent and repeatable factory workflows to drive efficiencies at scale. The first AI agents, chatbots, have a similar linear approach. What is new and exciting today is the promise that more advanced agents hold, to eventually codify and automate the more abstract layers of businesses, especially human decision making.

For an agent to replicate high-level human decision making, requires breaking down the tacit or embedded knowledge that underpins those decisions. Such knowledge can be hard to identify, never mind automate. Tacit knowledge refers to knowledge that is understood or employed without it being fully expressed or documented in spoken or written words. It can be knowledge that sometimes is just 'felt' and when you try to put it into words, the words never fully capture the meaning. It might also be thought of in the context of acquired mastery, good taste or what is called discernment. Anyone who has tried to put words to the subtleties of a great wine, a piece of art or even an advanced yoga pose will also relate.

No bad language please

So, in the expression and understanding of real-world actions and decisions for feeding into LLMs, the words employed matter a lot. How can you and I debate something if we have different interpretation of the words being used? Businesses seeking to standardise their work methods already understands this; Toyota employs a common engineering language to ensure that all definitions and specifications mean the same things to all involved throughout its supply chain. At the other extreme, Palantir today talks of a "full-scale, full-fidelity semantic representation of the enterprise". Somewhere in-between, here at Phoenix, a colleague building an advanced agent for our 'DREAM' investment framework recently noticed his agent's at-times inconsistent interpretation of the common business phrase "pricing power" (since cleverly resolved - nice work, Dan!).

Palantir has been at the forefront of efforts to codify and automate workflows in governments, armies and old school industries. The company pioneered the concept of 'the Forward Deployed Engineer' - in effect, a paid-for Trojan horse that deploys business-minded 'solutions engineer's to intimately and fastidiously learn about the nuances of a client's business practices (and thus the market vertical that it operates in). In doing so, the FDE systematically codifies that company's embedded knowledge through inquiry and bespoke systematic learnings loops. Palantir then banks and compounds that knowledge via its proprietary operating system (for resale!). Infamous for many of its partnerships with government and defence agencies, Palantir has genuinely pioneered some groundbreaking approaches to codifying work for AI, not least through what it refers to as its Ontology. Here is how it describes it:

> *The Ontology represents the decisions in an enterprise, not simply the data… (it) integrates this data into a <u>full-scale, full-fidelity semantic representation</u> of the enterprise…*
> *(it) safely <u>captures the decision data produced by operational users as they carry out daily work</u>…*
> *(and it) natively models actions within <u>a cohesive, decision-centric model of the enterprise</u>.*
> *(emphasis ours)*

Palantir's Ontology is also referred-to as an organisation's 'digital twin' - a live, dynamic, two-way model of the enterprise. It sounds like a digital manual!

<u>The last liberal art</u>

Which brings us to investing, where another master, Mr. Buffett, also goes to great lengths to openly share his tradecraft in a manual of sorts: his annual investor letters. If LLMs are on a path to codify the tacit knowledge required to predict complex work patterns and human decisions, then surely fundamental investing could be similarly ripe for disruption.

Howard Marks once wrote that there are two things that can be the source of superior investing: a better comprehension of the future and a superior ability to process qualitative information. As examples of the qualitative information, Marks offered 'market mood', 'quality of management', 'effectiveness of a company's product development' and the 'strength of its accounting'. All are, to varying degrees, the types of abstract knowledge that requires a form of mastery and discernment to assess properly. (And all are areas of our framework that we are actively augmenting with AI at Phoenix.)

Most of Marks's qualitative categories, involve assessing human behaviour, which is very hard, given that humans are nothing if not inconsistent. Charlie Munger, the great lateral thinker, recognised this and spent a lot of his life learning deeply about human psychology. Munger also popularised the term 'mental models'; what he was really trying to do, in effect, was to codify at the highest level of abstraction the elementary basics of successful business and management.

Munger also emphasised the importance of integrity in life and business. His and Buffett's networking off-sites (the so-called 'Graham Group') were a key component of their creative debate and due diligence on ideas and people (if only we had the minutes of those meetings!). In the quest to assess management integrity, in-person assessment, trusted references and testimonials – i.e. human oriented assessment - has long been a preferred approach. Yes, one can invert and perhaps codify the search for obvious signs of low-integrity but the problem is that human behaviour is so complex to assess and capable of masking one's true self. Some of us are acutely wired to sense 'flakiness' in others and gut feelings are probably relied-upon more than is admitted. The fact that elites like Buffett, Dimon and Ackman were each, on occasion, very publicly on the wrong side of a judgement of a colleague's integrity shows how difficult it is to assess. AI agents can augment an assessment by widening the net of source material and helping identify patterns but for now it seems that assessing humans' integrity will remain an augmented task that warrants a flexible approach.

Mental flexibility

In May 1969, when Buffett was 39 years-old and announcing the closure of the Buffett Partnership, his letter to his investors raised the question whether he had enough mental flexibility to cope with the "frustrating and negative" investing environment at that time. He also wryly relayed an observer's comment that perhaps security analysts over 40 "know too many things that are no longer true" [1].

In that spirit, we humbly suggest that such mental flexibility is vital today in order to be open to the idea that AI agents are eating into the world of business and investing but also, to retain the immense value of human discernment.

([1] and to answer the obvious question: by comparison, the average age of the Phoenix investment team is only 39.6!)

An investment in CGL involves a high degree of risk, including the risk that the entire amount invested may be lost. Buying a concentrated portfolio of both listed and unlisted companies can result in above average volatility. Investors should therefore be open to some risk and volatility. There can be a long lag between us making an investment and its value being reflected, so CGL is intended for investors with a long-term investment horizon. Although investors can sell shares on any day, if your horizon is short-term then our approach may not be a suitable home for your money. CGL is intended for professional clients and "sophisticated" or "High Net Worth" retail investors, those considered as "advanced" but is not suitable for retail investors with only basic knowledge of investments.

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