4/22/2025

Asheville Capital Q1 2025 Portfolio Update

Dear Partners,

The Asheville Capital portfolio produced a net return of -3.0% during the first quarter of 2025. This compares with the MSCI ACWI, our benchmark, which produced a -0.9% return over the same period.

Performance Statistics [1]		
	Asheville Capital	**MSCI ACWI**
2022	-5.6%	-2.6%
2023	23.4%	22.3%
2024	0.8%	17.5%
2025 YTD	-3.0%	-0.9%
Cumulative Return	13.5%	38.4%
Annualized Return	4.6%	11.6%

[1] Past performance is not indicative of future results. All return figures represent the aggregate returns, net of fees, of all seperately managed accounts managed by Asheville Capital Management

On Friday, April 4th, I sent a brief trading update noting that our portfolio, like broader markets, was experiencing sharp volatility – seemingly triggered by the Trump Administration's "Liberation Day" tariff announcement. At that point, the portfolio was down 7% year-to-date, in line with the MSCI ACWI's 10% drawdown. Since then, our portfolio has rebounded and is now up 4% year-to-date, while the ACWI remains down 5% as of this writing.

I say all of this merely to update you on the results of the portfolio in the face of the extreme volatility that we have witnessed in the last few weeks – not to become overly focused on short-term results.

In that update (link) I also emphasized that I would not attempt to speculate on what comes next as I have no edge in predicting geopolitical events or their macroeconomic outcomes. I'll only state the obvious: these tariff policies have injected significant uncertainty into global markets, and as uncertainty rises, appetites for risk tend to vanish. This holds true across the board for political leaders, business executives, and investors alike.

While it's tempting to draw conclusions or craft forecasts, the truth is that no one knows how this will unfold. The range of potential outcomes is unusually wide, and the fog of uncertainty is thicker than usual. If tariffs and an ensuing trade war with China escalate further, we could be witnessing the early innings of one of the most consequential economic realignments in recent history – one that reshapes global trade, capital flows, and corporate strategy for years to come. That's a possibility, not a prediction. And it's

precisely in moments like these that investors are most at risk of being whipsawed by noise, reacting instead of thinking, and shortening their time horizons.

So the natural question is this: in the face of such uncertainty, what are we doing at Asheville Capital to maximize long-term, *risk-adjusted* returns on your behalf?

First, we've built up a meaningful cash position. I'm deeply grateful to those of you who responded to my recent trading update by adding capital without a direct solicitation. As a result, we've increased our assets under management by more than 50% in the first few weeks of April. This influx gives us significant dry powder and a position of strength that we're putting to work amid current dislocations, with the flexibility to act further as new opportunities emerge. We also increased the portfolio's concentration by exiting three of our smallest positions – Temple & Webster, Acast, and Raksul – and reallocating that capital into higher-conviction holdings: Nu Holdings, Vistry, and InPost.

Secondly, we are continuing to execute our strategy in a disciplined manner. Our portfolio is concentrated in a small number (eight, to be exact) of businesses that we believe are world-class but not yet broadly appreciated as such. In our view, they are attractively priced ***and*** durably competitively advantaged. It also happens to be the case that, by and large, they are insulated from the direct effects of tariffs, have limited exposure to cross-border supply chains, and are the low-cost operators in their respective industries. These companies are growing intrinsic value at high rates and operate with mostly clean balance sheets, giving them resilience in turbulent times and the ability to continue reinvesting behind their moats.

Most importantly, the management teams running these businesses share our long-term orientation. They themselves own significant stakes in their own companies and demonstrate a sound understanding of how to allocate incremental cash in ways that maximize long-term shareholder value.

What follows is a brief update on a two of our largest holdings.

Medley

Medley is our largest position at cost. The company operates two high-quality businesses in Japan: a dominant online healthcare jobs marketplace (HR PF) and a growing software segment (Medical PF) that provides mission-critical software to hospitals, clinics, pharmacies, and dental offices.

The HR PF segment generated ¥21 billion (~$150 million) of revenue last year at a 42% EBITDA margin. Thus far, HR PF has proven to be very difficult to compete with: the product is cheaper, easier to use, and more effective than alternatives, consistently delivering a higher volume of qualified candidates per listing. While Medley has just 5% market share of total healthcare job transitions, its high customer retention with increasingly larger customer cohorts suggests a long runway for continued industry consolidation.

Medical PF operates in a more competitive landscape but offers similar potential. Medley's EMR software, in particular, has high switching costs, and the company is expanding both organically and via low-multiple acquisitions. Win rates are high, and earnings are beginning to inflect upward.

The company is on pace to hit its 2029 mid-term targets of ¥100 billion in revenue and ¥20 billion in EBITDA, implying a 30% revenue CAGR and 36% EBITDA CAGR. Nearly all of EBITDA has historically converted to free cash flow. At ~17x NTM cash earnings, the current valuation is too low given the growth and profitability profile. If Medley reaches ¥20 billion of FCF and trades at 20x, it could be worth ¥400 billion (¥12,315 per share) – around 4x today's price – with further upside, as that would still reflect only 10–15% market share in its core verticals.

Importantly, Medley is insulated from many of the macroeconomic risks facing global markets. Its services are mission-critical within a non-cyclical, domestically focused industry, positioning it to remain resilient across a wide range of global scenarios.

Furthermore, Medley is led by its Founder, Kohei Takiguchi, who retains 18% ownership of the company and who, according to multiple calls with former Medley employees, is maniacally cost conscious, tracking every penny of expenses and requiring a high IRR to greenlight new initiatives; a rare trait among Japanese Executives.

If you wish to further examine Medley, I encourage you to read our investment thesis (link).

Wise PLC

We continue to hold a large position in Wise, our cross-border money transfer business. Like Medley, Wise is the cheapest, fastest, and most user-friendly service in its category – offering unmatched transparency in a market long plagued by hidden fees and poor UX. It is attacking a massive addressable market with durable competitive advantages yet has captured only low-single-digit share to date.

At its April 3rd Investor Day, Wise laid out a bold vision to scale from £145 billion in FY25 cross-border volume to trillions of pounds over the next decade – positioning itself as the global infrastructure layer for moving money.

As a reminder from our investment thesis (link), Wise serves three customer groups – individuals, SMBs, and corporations – while delivering the same core value proposition: speed, cost, and transparency.

Among individuals, Wise now has 8.8 million active users (+18% y/y), moving £106 billion (+21%) and generating £1.2 billion in revenue (+16%). The service is incredibly efficient at new customer acquisition, given that two-thirds of new customers arrive via word of mouth. Furthermore, most customers begin with simple money transfer but then tend to quickly adopt additional services such as multi-currency accounts and debit cards, which add another layer of growth at minimal incremental cost to acquire or serve. This £3 trillion market remains deeply underpenetrated, with Wise holding just 5% share, a proportion that is growing capital efficiently with each passing year.

Among SMBs, 453,000 customers (+15%) moved £38.9 billion LTM (+24%), generating £435 million in revenue (+11%). Once Wise Business was only a secondary FX solution, but it is now evolving to become many SMBs primary banking solution – handling payments, invoicing, payroll, and interest-earning balances. With integrations across accounting tools and local payment rails, Wise Business is the low-cost solution for global SMBs. This £14 trillion market remains largely untapped, with Wise under 1% share.

Wise Platform – the enterprise segment – is the biggest long-term lever. It offers white-label FX infrastructure to large digital banks (e.g. Monzo, Nu Bank, N26), online platforms (e.g. Interactive Brokers, Brex, Ramp), and increasingly, global banks (e.g. Standard Chartered, Morgan Stanley, Itaú). This segment represents ~£15 trillion in annual cross-border volume. After years of investment in enterprise-grade capabilities, Wise has finally begun gaining meaningful traction. As larger institutions continue to migrate towards Wise Platform, the pressure mounts on others to follow suit, lest they fall behind on cost and UX. Importantly, Wise doesn't need to win every large bank in the world – its current partners already represent significant volume potential – but each additional win has the potential to expand its future volumes and revenues by many multiples of its existing size.

To close the Investor Day, CEO Kristo Käärmann said the following:

"We have every reason to be enthusiastic about this relentless expansion… But we are not in this position by accident, it is a result of over a decade of taking the hard options over the easy ones. It's building infrastructure over gimmicks. It's avoiding distractions, embracing local laws and regulations, financial prudence and steady prioritization of customer outcomes. And the success that we talked about today, it didn't really come overnight. It came over a long term. And it comes through us maintaining our focus on this mission. I think the next 10 years are not going to be easier than the last 14, and they will demand no less discipline in adhering to our principles. But you are in a company like no other in recent history, one that has set the foundations to eventually fix how money works across borders, across national borders for people and for businesses. And it's your support as owners we will keep our focus on becoming the network for the world's money. And this is the point at which both customer and shareholder value are at the greatest and the most aligned."

Kristo and the team laid out a vision for a more than 10x increase in volume, yet the tone was anything but promotional. Words like "discipline," "financial prudence," and "shareholder value" were used deliberately. From transcripts, third-party research, and conversations with former employees, this appears to be a genuine part of the company's DNA – not just window dressing for the investment community.

At ~30x underlying PBT, 15–17x reported PBT and with ~100% conversion of reported PBT to free cash flow, we're not betting on a binary outcome around Wise's long-term vision. Rather, we're buying a high-quality business with durable advantages, a long reinvestment runway, and attractive returns on incremental capital at a modest multiple relative to its growth. The upside is substantial and the downside appears limited: the company has no debt, and any valuation risk stems from fundamentals and market-assigned multiples. In the event of a global downturn and/or a shift towards global isolationism, Wise's cross-border volumes could be adversely affected, however they should continue to gain market share at a high clip thanks to its low-cost, customer-aligned model.

Conclusion

Similar summaries could be written for our other holdings – Basic-Fit, InPost, Hikari Tsushin, Vistry, Auto Partner, and Nu Holdings. Each is the low-cost operator in its category, often by a wide margin. That, more than anything else is the common thread across our portfolio. With the second common thread being high insider ownership: in nearly every case, these businesses are led by highly aligned managers, many of whom are founders with significant personal stakes in long-term outcomes.

Whatever the future holds – whether it brings tariffs, recessions, or new technologies like AI – owning durable, competitively advantaged businesses at attractive prices should continue to work over multi-year periods. These are essential services run by disciplined operators in non-cyclical industries with strong balance sheets. You don't need to believe in blue-sky scenarios for these investments to work. You only need to believe that cost advantage, customer alignment, and owner-operator discipline will remain valuable in a world that rewards efficiency and execution.

As always, thank you for your continued trust and partnership. I consider it my chief aim in this professional life to faithfully manage the assets that you have entrusted to me. I am deeply grateful for the opportunity to continue to do so.

Sincerely,

Jake Barfield

Asheville Capital Management invests in world-class businesses before they are broadly appreciated as such.

We invest with conviction in exceptional companies when we hold a differentiated opinion on its future earnings power than that of its market-implied valuation. The goal is to deliver market-beating multi-year returns while incurring minimal risk.

Net Performance

Information as of 3/31/2025

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	**Ash Cap**	ACWI	Delta
2022					6.3%	-5.9%	7.0%	-3.9%	-10.9%	4.0%	5.9%	0.5%	**-5.6%**	-2.6%	-3.0%
2023	6.9%	-12.0%	0.3%	0.4%	0.4%	6.2%	7.3%	-2.9%	-4.3%	-5.8%	14.5%	9.4%	**23.4%**	22.3%	1.1%
2024	1.3%	0.3%	-4.0%	-9.1%	2.4%	-3.4%	9.9%	5.1%	3.8%	-5.8%	-0.2%	0.4%	**0.8%**	17.5%	-16.7%
2025	4.8%	-4.0%	-3.6%										**-3.0%**	-0.9%	-2.1%

Performance Statistics (Initiation on 5/25/2022)

	AshCap	MSCI ACWI
2022	-5.6%	-2.6%
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Holdings (Alphabetically Sorted)

Name	HQ	Duration	Unr. Gain/Loss
Auto Partner	Poland	1.5y	-30%
Basic-Fit	Nether.	2y	-22%
InPost	Poland	2.5y	29%
Medley	Japan	2.5y	-7%
Wise	UK	9m	18%
Vistry	UK	4m	-3%
Nu Holdings	Brazil	6m	-8%
Hikari Tsushin	Japan	6m	25%

Fund Facts

Launch Date:	5/25/2022
Structure:	RIA; Seperately Managed Accounts
Broker/Custidian:	Interactive Brokers
Management Fee:	1%; taken quarterly at 0.25%
Incentive Fee:	20% of annual alpha over MSCI ACWI
Minimum Investment:	$100,000
Lockup:	None, but I suggest that you consider the long-term nature of this strategy

Strategy Characteristics

- Number of holdings: 5-15
- Target holding period: 10 years
- Long-only
- Geography, industry and market capitalization **agnostic**
- Seeking to own the very best businesses **on an expected return basis**
- All holdings present **differentiated value propositions**
- All holdings present **durable competitive advantages**
- Companies must be growing **capital efficiently**
- Holding companies are **not necessarily profitable** at time of initiation
- Operating **leverage inflection points** are frequently immenent

Industry Exposure

Financial Products	30%	Construction	15%
Logistics	15%	Healthcare	15%
Consumer Staples	10%	Utilities	15%

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