Bilbel Capital

Semi-Annual Letter - 2nd August 2022

Returns Since Inception	Bilbel Capital Gross	Bilbel Capital Net	S&P 500 Index
1H 2022	26.0%	21.8%	-17.0%

Returns were independently verified by The Spaulding Group. Net returns deduct a yearly 1% management fee and a 25% performance fee (over a 6% annual hurdle). For more information, refer to the footnotes.

Portfolio

Reysas Logistics	100%

Why do we track our performance against the S&P 500 index?

Well, if we can’t beat the market over the long term, it would be beneficial for both the partners and the management to close the fund and invest in the index. We are not here to gather assets, we are here to get the highest long term returns with the least amount of risk possible. If we can’t do that, we are not in a position to keep running the fund.

Why choose the S&P 500?

There is no deeply rational argument to explain the reasoning behind choosing the S&P 500 as a benchmark index.

We could have chosen the MSE index (Malta stock exchange index), however we would have an unfair advantage since both the quality of the companies and their prices are not particularly attractive.
In the long term, the S&P 500 roughly represents the economic output of the United States, the most powerful market globally. If we can outperform the US market, our asset returns are likely to have an advantage over those in the rest of the world.

Having said that, results for now are to be taken very lightly. Since we are heavily concentrated (only 1 position), our returns are guaranteed to be much more volatile than the S&P 500 index. However, if volatility is the price we pay for extremely favourable long term performance, we wouldn't say that’s a bad trade off.

It may be worth reiterating that the results have been achieved without any leverage, shorting, derivatives, synthetic structures, hyped companies, crypto-currencies or any other speculative endeavors of any sort.

If we ever write to you asking for permission to invest in any of the above, sell your shares. And call us to sell ours.

Bilbel’s results will be earned in the most rational way, through low-risk, high return investments.

An Overview

As we started and still are operating with very little capital, our investment universe is basically infinite. Apart from that, getting in and out of virtually any stock is very easy to do. This is one of our greatest advantages. And we are willing to utilise it to its fullest potential.

The truth about stocks is that they represent partial ownership in a business. Therefore, the way we view stocks is as if they were privately held businesses being sold to us at vastly changing prices everyday. The lower the price we pay, the better the investment. If we know what a business is worth, it is more favourable to see stock prices going down rather than up. The reason is that our aim is to gain significant wealth in the decades to come, rather than in the days to come.

The essence is this: If you regard something as valuable, then would you rather pay more than the value you think you will get, or less?

Looks obvious, but not so obvious for most people.

What We Bought

After having found an extremely rare opportunity, we decided to place 100% of our assets in Reysas Logistics.

Our thesis will not be displayed in this letter. All partners that received this letter have also received the thesis. Let us know if you need a copy.

Some of the anticipated questions from our partners will be discovered below.

- ***Diversification, why don't we diversify?***

Diversification is mainly attributed as a way to lower the risk you have of losing permanent capital from your investment.

So the goal is to have the highest return possible with the least risk possible, right?

In the academic world, we see compelling theories as to why diversification works. And the mathematics turns out beautifully. Only for these academics to come to the real world and realise that the assumptions that were the bed-ground for their mathematical concepts do not apply.

You see, if we had 10 identical opportunities suggesting the same risk of permanent loss of capital (don't get me started on 'beta'), and suggesting the same return potential, then having 10 packets of roughly the same type of risk/return stock is more favourable than just having 1. All good till here.

But if we have a company that we think will provide conservatively a 1000% return in a decade with practically no risk, whereas our second best idea we think will provide a 300% return with higher risk than the former, how much sense does it make to allocate a significant amount money in the latter, if any?

If you have one idea that's available in large quantities that's better than 98% of the other opportunities, then you can just screen out the other 98%.

- Charlie Munger.

In real life, the opportunities are never that clear. In investing, mathematical precision is an illusion that often leads us astray; much more than it leads us to results.

The same goes for valuing a company.
Investment decisions need not excel precision, for excel precision assumes that such hidden and unhidden variables are measurable… And accurately measurable.

Precision in stock picking is nothing more than an opportunity to display the ego. No one knows that much.

(May we advise you that only in very rare circumstances we would choose to put 100% of the funds assets into 1 stock. Quite probably, this type of concentration will never happen again, partly due to the probability of an opportunity similar to this reoccurring, and partly due to our small fund size)

'It is better to be roughly right than precisely wrong.'

- John Maynard Keynes

Ultimately, the way to effective portfolio management lies in the understanding of the businesses you own, understanding opportunity cost;

and most of all, understanding the boundaries of your understanding. That is in fact the greatest margin of safety an investor can have.

Truth is beyond Mathematics, beyond Biology, Chemistry, Physics, Psychology... It is indescribable. But it is solid, it is tangible, it is real. It is in fact, the only real thing there is.

For those who raised the question, yes, investing is more an art than it is science. To be more precise, it is an art that utilises science to navigate easier through it. But mathematics is just a tool inside the domain of the art. And every tool has its limitations, whether they appear so or not.

How Do We Define Risk?

By 'risk' we mean the following:

Investment risk is measured not by the percentage that a stock may decline in price in a given period, but by the danger of a loss of quality and earnings power through economic changes within the business or deterioration in management.

- ***What long term risk do our funds face?***

If we can buy around 800 Million dollars of prime-location commercial real estate for 90 Million, and apart from that, other businesses worth anything between 200-300 Million dollars today, how risky is that?

The real risk we hold for our position relates to the probability that the commercial real estate properties in our company go down by more than 90% in the next few years, and all their other businesses go to 0 (These businesses don't have debt tied to them). We regard that probability to be very low. Low enough to justify putting all eggs in one basket.

If someone was offered a business like this privately, they wouldn't think twice before pulling the trigger, but since it's a stock, the perspective inside one's mind often changes.

Ultimately, risk comes from the lack of understanding of the company you own. The more holdings we have, the less time we have to sit, think and understand the companies we own.

Contrary to popular belief (as usual), the way investing in stocks works; the higher the margin of safety, the lower the risk, and the higher the returns.

Take an example with company X.
If company X we think is worth around 1 Billion, and its price is 500 Million, there is a large margin of safety -- and also a high return potential. If the market realises this value gap and closes it in 3-5 years, we earn a 15-25% compounded annual return.

If things go wrong and the company in 5 years loses some of it's value and is worth 800 Million, we still have a 60% return in 5 years, a 10% compounded annual return.

But if the price of company X is 90 Million, then the margin of safety is so large that many things can go wrong and the investment will still work just fine.

- ***What if the company does well, but the stock remains suppressed for long periods of time, perhaps forever. What is going to be the catalyst?***

Well, we're in this game for a long time, so we are not in a rush to cash out our gains. As long as the company does well enough over the long term, value is its own catalyst.

We don't focus on catalysts. Eventually the stock market becomes a weighing machine and will weigh stocks correctly. We can't tell you when or what event will make that value converge, but if something is trading at 1/10th of what it's worth, we think that if you are just patient for a few years, it is highly likely that you will make money and it is highly unlikely that you will lose money.

For people who still think value itself is not enough, here are potentially a few things that may change the way investors see the stock:

1. The Management is actively buying shares back personally.

2. No company can keep investing all its earnings and showing negative cash flow forever (Unless the investments are bad). Eventually, cash starts to flow out, and earnings begin to be more accurately reflected.

3. Possibility of starting to give out dividends if the management thinks that it cannot generate more than 1 dollar of present value for every dollar they retain in the company.

   (Somewhat likely but in the distant future since the management is still finding enough opportunities to invest their money)

4. Merger/Acquisition

   (Highly unlikely in our view)

5. Macro-economic policies/conditions may change, making it easier to identify value with a stable default currency

   (Relatively unlikely in our view)

"I've never been able to predict accurately. I don't make money predicting accurately. We just tend to get into great businesses at fair prices and stay there." - Charlie Munger

That has been all the activity we have done this year. We trust the management, which has done exceptionally well and we are happy to be their partners in this business for the years to come.

A Huge Thank You To Our Partners

Our investors are new to the fund and so it may be worth reiterating a few things that we all know where we stand.

You can expect semi-annual letters (this is our first letter). In these letters we will discuss our holdings and plans for future operations. In our opinion; these documents, once read and understood, provide the information needed to form a judgement about what and how we are doing.

Bilbel Capital's orientation is deeply long-term, and the more regularly we report to you, the less effective it is for both of us.

If Bilbel Capital is to do favourably well in the decades to come, this will come from the capital allocation skills of your manager and the understanding and patience of our partners. In the latter we have started well, with no partner turnover since we began and almost no enquiries into performance despite the fluctuations in market prices. To be frankly honest, after such returns, one would not expect to receive phone calls regarding performance issues, but nonetheless we are still extremely happy with the choice of our partners.

One might come to the realisation that only by looking further out than the short-term crowd can we expect to beat them.

And as always, we thank you for your trust and value your support.

Yours sincerely,

Gabriel Sammut

Footnotes - Added on February 24, 2026

All returns are in USD. Gross returns exclude fees. Net returns deduct a 1% annual management fee and a 25% performance fee (charged only on gains above a 6% annual hurdle). The S&P 500 benchmark assumes reinvested dividends and no fees, sourced [here].

2022 performance is from inception (February 2) through December 31. All subsequent years are full calendar years.

Returns from 2022-2025 represent separately managed accounts, and have been independently verified by The Spaulding Group. The code used to calculate returns is open-source, and available [here].

Returns from 2026 onwards represent Bilbel Capital Fund LP and will be audited annually by Cherry Bekaert LLP.

All the information shared here is accurate to the best of our knowledge. If something turns out to be inaccurate or incorrect, we'll make corrections and leave a note about the update.

If you have any questions, feel free to reach out to info@bilbelcapital.com

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