Bilbel Capital

Annual letter - 2nd February 2024

Returns Since Inception	Bilbel Capital Gross	Bilbel Capital Net	S&P 500 Index
2022	210.5%	158.4%	-15.0%
2023	53.7%	31.6%	26.3%
Total Return	**377.2%**	**240.0%**	**7.3%**

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%

"The difference between successful people and really successful people is that really successful people say 'no' to almost everything"

~ Warren Buffett

We would like to thank all our partners for their trust in our judgement and integrity. It has been 2 years already!

Since the start, we have always invested 100% of our money in Reysas Logistics. As Reysas' stock went up 5 fold, we started investing money into Reysas GYO. Over time it will probably be our largest position.
(We put money into Reysas GYO from fund inflows. We did not sell from Reysas Logistics)

How Has The Story Changed?

Business changes are like seeing a child grow. From day to day, we don't see much difference. But over a few years, we see it clearly.
Our investment result from Reysas & Reysas GYO depends on 2 things:

1) Reysas' property value.
2) Management's investing capabilities.

Once a year, a 3rd party company creates property valuation reports for Reysas GYO. Their property valuations have increased as follows:

December 2021	December 2022	December 2023
400M USD	700M USD	1B USD

Reysas GYO's rental income in 2023 is around 40M. This will increase to around 65M in 2024. Another 90M is expected from 3 housing projects by 2025.

Since 2018, Turkish rules say that if the (lessee) company renting the property is not at least 50% owned outside of Turkey, rents must be paid in Turkish Lira. In Reysas' case, these rents increase every year to match Lira inflation, plus growth in GDP.

The problem Reysas had, was that the Turkish inflation statistics were understating real inflation. As a result, the rent increases didn't catch up, making them very cheap.

When they expire, Reysas will renew these contracts with better terms. The amount of storage space international tenants are leasing has also increased significantly. This makes it easier for Reysas since such rents are in Euro/USD.

The average rental price per sq. ft in Turkey is around 8 USD per year. In Reysas' locations, the average rental price is around 10-15 USD per sq. ft per year.

When all properties are rented at market prices, Reysas GYO's earnings will look something like this:

(Numbers in USD)

Total Storage Space in Sq.Ft	**Price Per Sq.Ft** *(USD)*	**Solar Earnings** *(50MW by end of 2024)*	**Total Earnings Per Year**	**Real Value** *(5-7% cap rates)*	**Market Cap Today**	**Expected Return**
12M	10-15	10-20M	130-200M	2-3.5B	400M	5-8x

(Reysas owns 61.94% of Reysas GYO)

In this case, Reysas Logistics' earnings share from Reysas GYO would be around 80-130M. Earnings from their other businesses are hard to predict. But if we are right about the management's investing skills, we will see exceptional long-term results.
In the end, earnings growth comes from how much money a business gets back from the money it puts in.

Management capabilities are something hard to 'measure', but it is crucial to understand. Especially in smaller companies.

We see intelligent founders with a long track record of excellent decisions. They earn high returns on their invested money. Growing the business fast inside a growing market. These businesses don't face serious competition. Today, Reysas is being sold to us for around 10 times 2023's earnings.

The founders have most of their net worth in Reysas, collectively owning 30.83% of the company. Since our last report in August, the Vice Chairman, Egemen Doven, bought 1,334,678 shares in Reysas and 1,257,106 shares in Reysas REIT. *(Approximately 2.5M USD in total)*

Since no one knows Reysas better than the Father and Son who run it, these buys are a true signal.

Q&A

Q: What is the strategy moving forward?

A: Our strategy is simple: ***How do we take the least amount of risk, for the most possible upside****?*

We never invest unless the risk of losing money is near 0. If we don't lose money, the only other possible result is: Making money.

Exceptional investments can come in different shapes and forms. But we always find them in places where no one is looking. Companies that are completely misunderstood. Businesses ignored or feared from.
Such is life. The truth can only be found by an individual, not by any group. And the further from the truth the group is, the more money we can make.

As Mohnish Pabrai put it, we *"fish where the fish are, and where the fishermen aren't".*

Q: Many times we see companies that trade at a big discount to the assets they own. But the stock doesn't do well. This is also known as a 'value trap'. What is different about Reysas GYO?

A: Sometimes, companies have money or other assets that they don't use to make more money. For example, in Japan, many businesses have lots of uninvested money. Sitting in the bank.

This is what people call a "value trap." When things could be worth more, but they aren't because they're not used right.

A thing is only worth as much money as it can make over time. So, we have to think about how much money it will make later to know how much it's worth now.

Over time, the properties will be rented at their true market value. Of course, we need to see if these earnings are invested well. We think they will.

In the end, there is no value trap. There is only inaccuracy of judgement.

Q: What do you think about catastrophe risk?

The biggest chance of a disaster in Turkey is earthquakes. Durmus Doven, founder and CEO of Reysas, said that buildings fell down in the last earthquakes because they were poorly constructed. He suggested that Reysas build safely.

Reysas owns the land on which the properties are built. If all properties collapsed in a terrible event, the land would probably still have a value of

around 600M to 900M. Plus, property insurance of around 160M, and minus 80M debts. In this case, Reysas could still have a total value of about 700M to 1B, vs a stock value of 400M today.
For Reysas Logistics, we still have a small margin of safety. Even if all other logistics businesses fail. Sure, there are other things we keep in mind. But being invested only in Reysas is not as risky when we play out the cases in reality.

A catastrophic risk that could cause trouble for everyone is a nuclear war. But this is a danger to everyone. If that happened, our shares in Reysas wouldn't be our main concern.

Q: What will be the catalyst that makes the stock go up?

When people say catalyst, they mean a main event causing the stock to go up. Most times, we cannot tell in advance what the catalyst/s will be.

The importance of catalysts is inversely proportional to the time we are willing to wait. The greater the time horizon, the less important the catalyst.
The ultimate catalyst is: **The difference between the price we pay, and the value we get.**

"The stock market is a device for transferring money from the impatient to the patient" - Warren Buffett

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The Cost Of Emotion

Emotion is created when there is a difference between what we see and what really exists. When there is this difference, a thought arises. If the thought is seen as significant, emotion arises.

The stronger the emotion, the worse the understanding.
For us, it’s a big cost. In others, it’s a big opportunity. When others don't understand something well, they might undervalue it. This creates opportunities for us to make more money.

Thankfully, after deep searching and some luck, we overcame the obstacle. Many things may lead us to make imperfect judgements, but emotion will not be one of them.

Going Forward

2 years ago, we bought Reysas Logistics at a 94M market cap, with a clear value of more than 1B. This doesn't happen often, which is why we put 100% of our money in it.

In the last 2 years, the price of each share has grown faster than its real value. Two years ago, we expected a 10- to 20-fold return from Reysas.
Today, we expect around a 4-fold return for both companies.
Note: This is based on the price vs value today.

(Price Today: Reysas Logistics -> 500M, Reysas REIT -> 400M)

In the next few months, we plan to buy shares in other companies. They have small risks and high returns, like Reysas right now.

It's always hard to give predictions like this. Let's say we are expecting around a 1000% return over the next 10 years. Of course, the money we make doesn't grow in a straight line. Stocks go up and down in weird ways, and that's why we find chances to make money.
Sometimes in the stock market nothing happens for a few years. Then, in a few moments, big things can change.

That's why Charlie Munger said: *"The big money is not in the buying or selling, but in the waiting"*.

We don't take these predictions too seriously. Our judgement is never perfect and many things change along the way.
There is no way to guarantee great returns, but we can guarantee the same returns for us as our partners; because 99% (Yes, 99%) of our net worth is in the fund.

We are taking care of the money that our partners worked really hard for and trust us with. We will not let you down.

Understanding; Simplicity; What Really Matters

People mask their incompetence through complexity.

Investing is like a mystery treasure hunt.
There are many factors of different importance in solving the mystery.

We see and hear so many things every day. Our mind tries to make sense of all these things, but we don't always understand everything.

If we don't understand something well enough, we keep thinking about it over and over. Although there is a lot of noise around us, the loudest noise is our own thoughts.

When we focus on understanding something, it's like the fog on glasses clearing up. As it clears, we can finish up seeing things simply.
What can be simpler than seeing reality as it is?

You need a book to explain an unsolved mystery, but only a sentence to explain a solved one.

And as always…

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.

Disclaimer: Bilbel Capital LLC provides investment management services to Bilbel Capital Fund LP, a private investment fund. Bilbel Capital LLC relies on the "foreign private adviser" exemption under Section 202(a)(30) of the U.S. Investment Advisers Act.

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

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