REQ Global Compounders

Our Best Global Compounders

June 2023

REQ CAPITAL

INVESTING WITH INSIGHT

Contents

Constellation Software

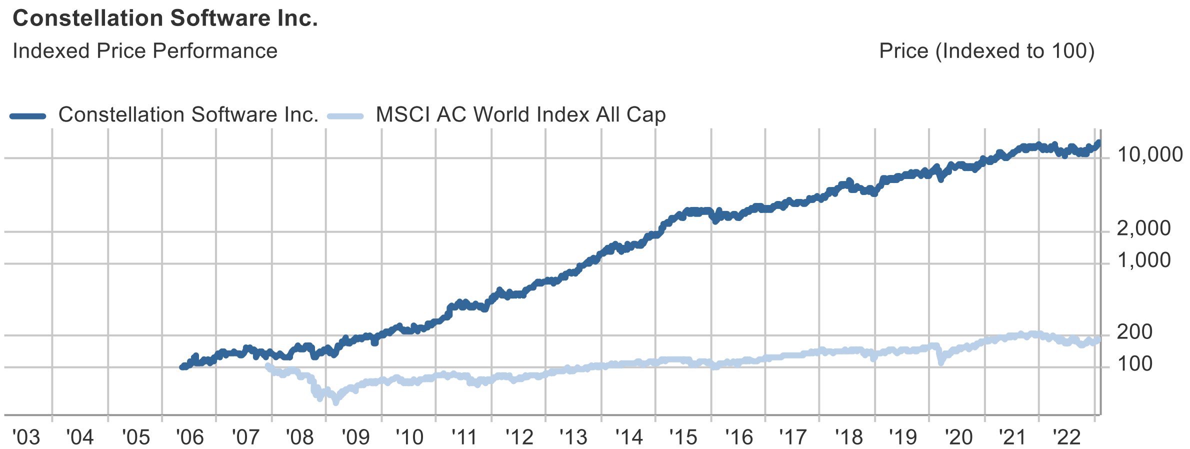
Constellation Software (CSI) is a Canadian software conglomerate founded in 1995 by current CEO Mark Leonard. Mark Leonard owns 2% of the shares, and the rest of the management team owns approximately 4% of the shares in the company.

CSI follows an acquisition-based strategy in which it buys small software companies. These acquisitions operate with a high degree of autonomy. Constellation Software is a collection of vertical market software businesses with permanent capital owned by a public entity.

Constellation Software owns several software companies in various industries. These niche software vendors are essential to customers and represent very sticky products. As a result, most of the company's revenue is recurring. We like management's mindset of long-term business orientation combined with highly disciplined capital allocation. For example, the company offers software solutions for city traffic control, waste management software, libraries and bowling centers, and booking platforms for golf clubs. About 50% of its revenue comes from software for public administration, which is the stickiest of the sticky. CSU is more of a capital allocation vehicle than a software conglomerate. The company made 90 acquisitions in 2020, almost the same as in 2021, and the pace of acquisitions will be strong in 2022. As the company grows, it has to substantially increase the number of small acquisitions, reduce hurdle rates, and increase deal sizes. We have started to see evidence of the latter, which we believe is the right strategy. We, therefore, expect the return on capital to fall gradually over the coming years as more capital is deployed. We expect 1-2 large deals per year over the coming years (minimum 300-500 million dollars per deal). The company is a metric-driven organization focusing on return on capital and growth.

We see an exciting opportunity that CSU could start investing in sectors outside of software. Management communicated this over the last two years, and there was also a comment at the 2022 AGM regarding new opportunities. Employees at CSI have a high incentive to perform well. The management group and the top six managers own shares worth $2 billion. There are more than 100 stock millionaires in the company. The CEO, CFO, COO, and CIO tenure is 26, 18, 26, and 26 years, respectively. About 7 000 employees of the company are shareholders.

We have invested in Constellation because we believe the company has a unique culture and a strong and disciplined approach to acquisitions. We believe the growth opportunities and the further M&A opportunities are promising.



Lifco

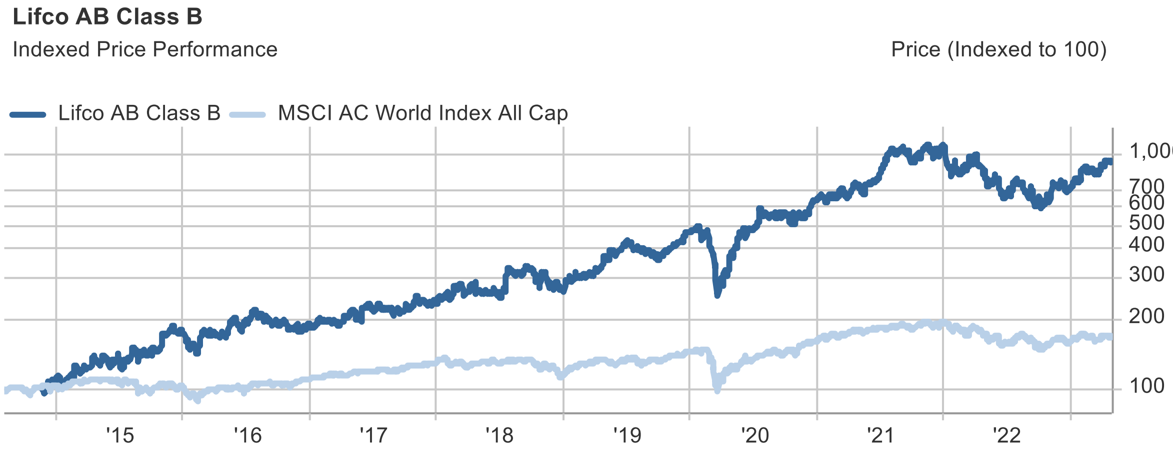
Lifco is a Swedish investment company majority owned by Swedish industrialist Carl Bennet (he owns 68.9% of the votes and 50.2% of the shares). The company was founded in its current form in 1998 when it was spun off from the Swedish industrial company Getinge, in which Carl Bennet is a majority shareholder. Former CEO Fredrik Karlsson was instrumental in building the business into what it is today, and he was CEO from 1998 until 2019. The company was listed on the Nasdaq OMX Stockholm Stock Exchange in 2014. Per Waldemarson joined Lifco in 2006 and took over as CEO in 2019.

Lifco's business model is to acquire and develop market-leading niche businesses that deliver sustainable earnings growth and robust cash flows over time. The company is a perpetual owner of companies and does not restructure or turn around any of its acquisitions. Each portfolio company runs independently, and Lifco's role as owner is to ensure that each company consistently improves earnings and generates strong cash flow. Over the last 15 years, Lifco has had a sales CAGR of 14% and an EPS CAGR of 19%, while the average return on capital employed has been roughly 17%.

The company has three business areas, Dental, Systems Solutions, and Demolition & Tools, with 198 independent companies operating within these business areas. All companies are well-positioned in their respective market niches, with high profitability and strong cash flow generation. This business model provides a highly diversified revenue stream and reduces company-specific risk.

Lifco has a decentralized organizational structure in which all its portfolio companies are managed independently by their respective managers. Limited organizational bureaucracy enables company managers to focus on operations rather than reporting. Each company manager is responsible for purchasing, distribution, sales, profitability, and HR.

Lifco focuses on optimizing the right incentive structures and securing highly motivated employees in the organization. Each manager frequently reports on companywide key profitability metrics, including cash flow and returns to the Lifco management group, but can run the business independently if it meets performance metrics. We like the combination of strong organic growth, high-frequent acquisitions of profitable companies at accretive acquisition multiples, and high return on capital in Lifco. We believe the investment case is highly attractive.



IMCD

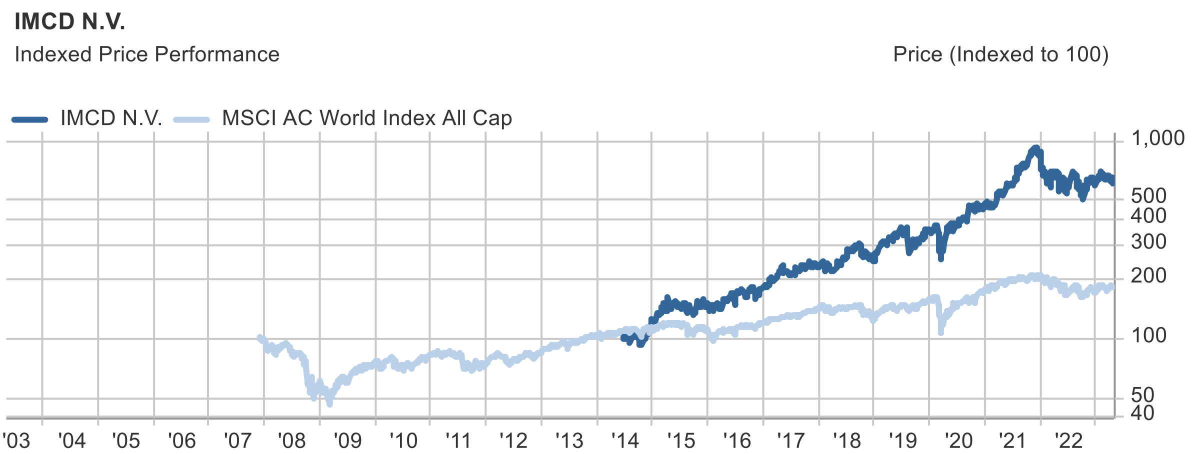
IMCD is a chemical distribution company based in the Netherlands. It distributes specialty chemicals and food ingredients to various sectors. IMCD provides added value to chemical suppliers and customers. Suppliers of chemicals gain direct access to customers around the world. IMCD is a solution provider and formulation expert for its customers.

Products from IMCD's portfolio are used in almost all daily life, from home, industrial and institutional care to personal care, food, pharmaceuticals, lubricants and energy, coatings and construction, advanced materials, and synthesis.

The specialty chemicals distribution market is highly fragmented. The company sources products from 1800 suppliers and sells products to 32,000 customers in over 40 markets. The company is benefiting from a strong outsourcing trend among chemical producers worldwide. Therefore, the inorganic growth opportunities are considerable, as there is plenty of room for consolidation in the coming years. The specialty chemicals distribution market consists of large global or pan-regional companies and many local players, often family-owned. Since its inception, IMCD has acquired more than 60 companies, resulting in a broad geographic presence worldwide. Outsourcing sales, marketing, and distribution to a limited number of third-party vendors remains essential to the vendors' distribution strategy. Acquisitions are often family-owned businesses, and IMCD prefers to buy 100%. IMCD is a decentralized organization in terms of commercial aspects.

CEO Piet van der Slikke and CFO Hans Hooijmans have been with the company for 26 years and own about 1,8% of the company. They run IMCD like a private company with an exceptionally long-term perspective.

IMCD meets all criteria regarding capital allocation, organization, and people. The company uses cash flow to make small bolt-on acquisitions. The company has a decentralized organization in terms of commercial aspects, even though acquired companies are integrated into the IMCD business platform to enjoy the strength of the IMCD brand. IMCD does not guide short-term profit expectations but keeps a long-term view that attracts long-term-oriented investors.



Heico

Heico is an industrial conglomerate that meets all requirements regarding capital allocation, decentralization, and people. Heico supplies sophisticated and complex products for the aerospace and medical industries. Heico is one of the most significant part manufacturers for airlines in the United States. It is a fragmented industry where Heico has built a unique market position through acquisitions and organic growth.

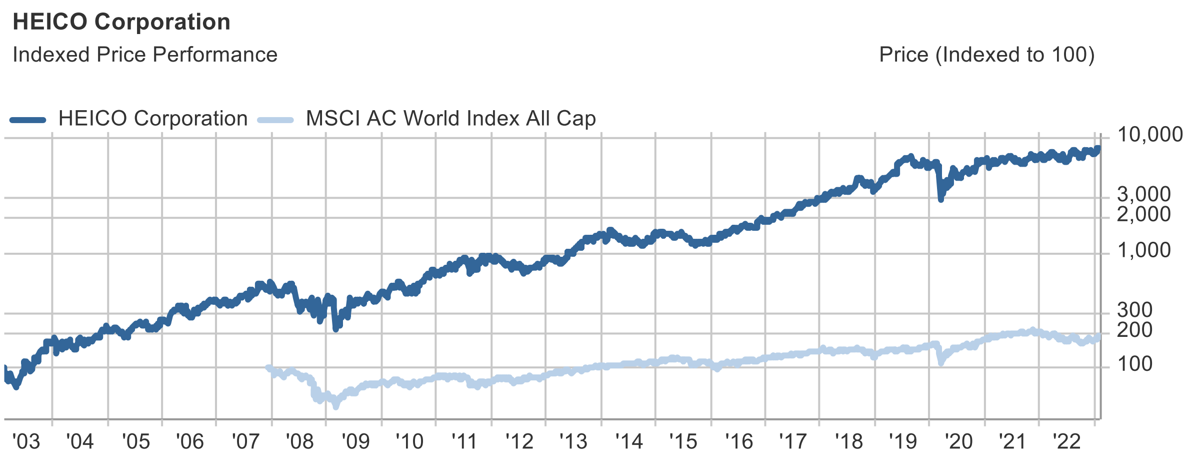
Heico was founded in 1957, but the exciting story of Heico started in 1990 when the Mendelson family took control of the company. The Mendelson family has a solid track record of execution and value creation through a consistent M&A strategy. The Mendelson family and employees own about 23% of the company. Heico's business model is based on providing spare parts for commercial aviation through a "Parts Manufacturer Approval" (PMA) authorization. The Federal Aviation Administration (FAA) approves and grants the products. The PMA ensures that the OEMs do not gain exclusivity and monopoly over selling replacement parts. The commercial aviation market has vast barriers to entry. A supplier needs government approval, and parts must be replaced at specified intervals, creating good replacement business for Heico.

Over 50% of Heico's sales are generated in the after-market business. Heico is the world leader in its niches, with a market share of only 2%, which means the market is highly fragmented. Therefore, there is plenty of room to grow organically and through acquisitions in the coming years. Airlines continue to face pressure to reduce costs, and Heico is a crucial partner, working with more than 200 airlines worldwide. Heico offers more than 11,500 parts and develops 300-500 components yearly.

A core competency of Heico's management is M&A. Since 1990, the company has acquired 82 companies. The company has generated a net profit of 18% CAGR since 1990, the CAGR of total return over the same period. The organization is decentralized, maintaining an entrepreneurial culture within the company.

The strategy is to acquire family businesses with healthy operating margins (20%+ is the target) at 5-8xEBITA. In the past, the size range of acquisitions has been between $10 and $100 million in sales. Heico's acquisition strategy often involves working out an agreement with a target company where Heico acquires only a majority stake, usually at least 80%. The 80%/20% method allows subsidiaries to retain actual ownership and benefit from the future upside of their operations. Heico believes this friendly takeover practice is a compelling selling point when talking to potential sellers.

There is limited succession risk as the two sons of the founder and CEO Larry Mendelson (82) are already heavily involved in the company as directors. The family runs the company as a private business and makes long-term decisions that benefit all shareholders.



Topicus

Topicus was spun out of Constellation Software and went public in 2021. You can consider the company a "2012 vintage" of Constellation Software, as it is about 10% the size of the parent company, similar to what Constellation Software was in 2012.

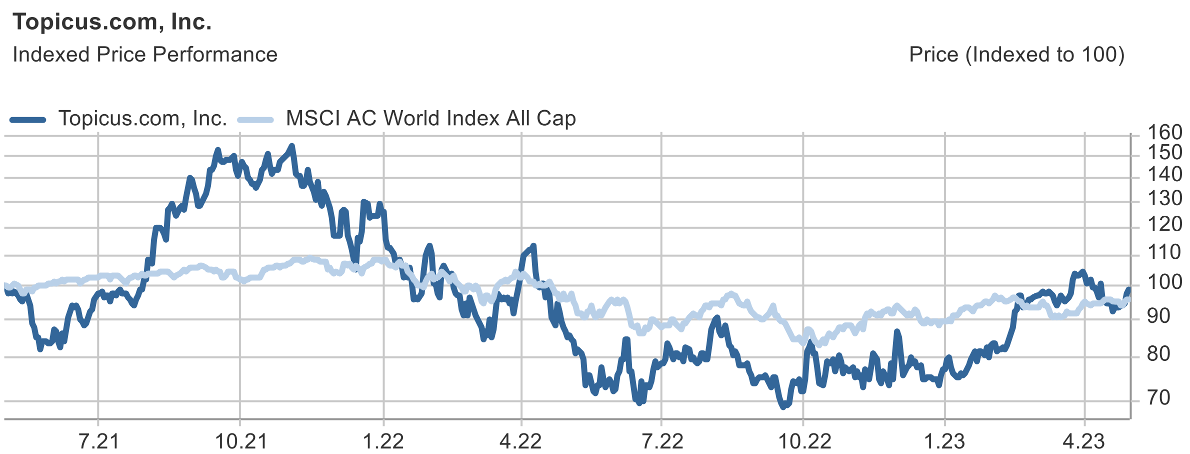
Topicus is a serial acquirer of vertical market software companies. The company serves over 100,000 customers in 13 countries and has a proven track record of solid growth. Topicus serves customers in more than 40 different vertical markets. At Topicus, you'll find many similar patterns with Constellation Software, including an incentive structure that fosters a culture of ownership. We know from Constellation Software that its business model works, and Topicus has more growth opportunities than its parent company.

The company develops, acquires, and manages industry-specific software companies. Topicus has nimble and agile business units close to customers' end markets. They offer a wide range of software products. For example, the company provides software for education and talent management, IT solutions for the insurance and pension sectors, and a full range of applications, products, and services that help wholesale and retail businesses maximize efficiency. For example, 75% of the elementary schools in the Netherlands use Topicus' "ParnaSys" software.

The company is listed in Canada but has most of its operations in Europe. The opportunities to consolidate different vertical software markets in Europe are even better than in the US. European vertical software markets are more fragmented and have a higher proportion of family-owned companies. Constellation Software owns 30% of the capital and 50.1% of the votes. About 30% of the shares are in free float. Management of Topicus owns about 2,3% of the company.

The incentive structure of the company is aligned with shareholders. Bonuses are paid based on return on invested capital and revenue growth for the operating group in which you work. 75% of the bonus must be invested in Topicus shares in the open market and held for at least four years.

We believe Topicus is relatively new to investors. Analyst coverage is low. We have observed the VMS consolidation playbook at Constellation and see many similar features at Topicus. We believe the company has a long runway of profitable growth in the coming years.



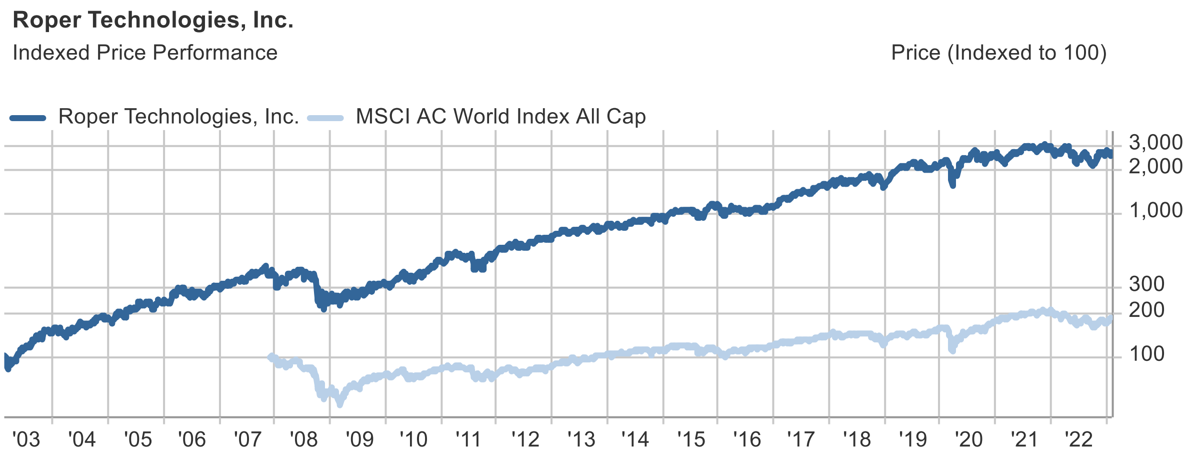
Roper Technologies

Roper is a U.S.-based industrial conglomerate that has morphed over the years into a software conglomerate. In 2015, the company changed its name from Roper Industrials to Roper Technologies. Its strategy is to own, operate and manage a portfolio of high-performing businesses for the long term. Roper is a highly diversified technology company that sells various software products to customers in several markets.

The exciting history of Roper Technologies begins with the arrival of the company's former CEO, Brian Jellison. Jellison started the transformation of Roper Technologies in 2001, and the current CEO, Neil Hunn, was trained under Jellison. The leadership positions are manifested in gross margins of over 60%, negative working capital, and substantial cash compounding. Cash flow is consistently stronger than net income due to low asset levels and negative working capital.

The company uses excess free cash flow to grow through acquisitions. Top management guides its portfolio companies on incentive structures and performance analysis. Roper has an impressive history of developing from a pumps and valves company to a high-performance asset-light cash compounder in several technology niches. Today, the company is a diversified technology company with a leading position in the software and engineered products markets through its ownership of 45 companies. The combination of stable operations, decentralized operations, and excellent capital allocation have been the primary driver of the company's value creation. Roper exemplifies how simple ideas, consistently implemented over time, can produce outstanding results.

Each business under the Roper umbrella reports to headquarters but has its income statement and balance sheet. This structure promotes a high level of accountability for business leaders. The decentralized model fosters an entrepreneurial environment where local business managers make all operational decisions. Over time, Roper's net working capital position has become negative. Capital allocation is at the core of Roper's strategy. All capital allocation decisions are made centrally by senior management. The company uses its cash return on investment methodology to search the market for the highest quality business models. We like the decentralized business model with many underlying operating companies and top management's excellent capital allocation skills.



DCC

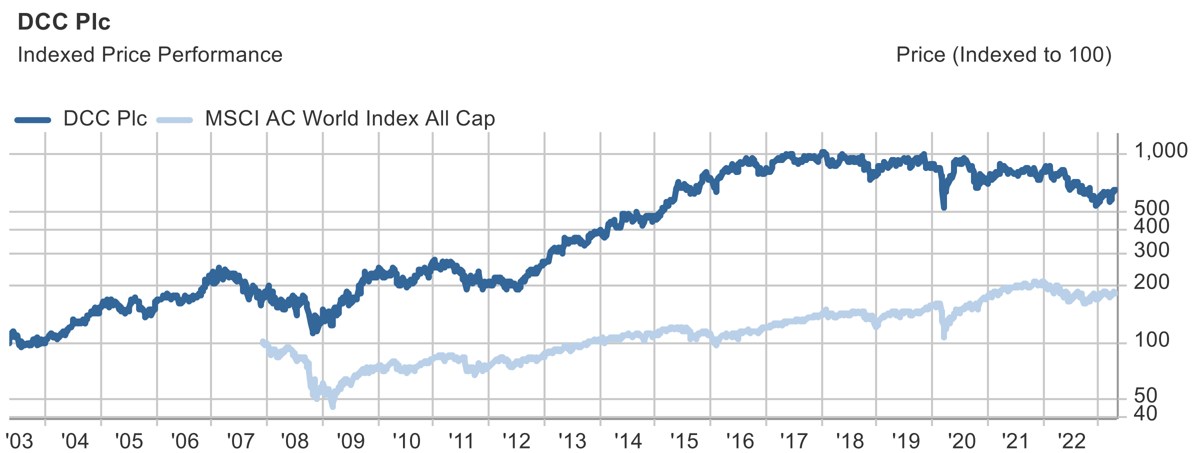
DCC is a decentralized distribution company that operates in various sectors, including liquefied gas products, technology, and healthcare. The company has a history of strong growth through acquisitions while maintaining a high return on capital.

Over the years, DCC has proven to be a consolidator of highly fragmented end markets. Management has a strong track record of growing the business. The goal is to continue building a growing, cash-generative business with a return on capital well above its cost of capital. DCC is an acquisition-driven business model with a proven track record of growing earnings at a 13% CAGR since its inception in 1994.

The company has a decentralized structure, and significant incentives exist to grow the business with a strict focus on return on capital. DCC owns more than 300 underlying businesses. Over the past five years, the stock has derated significantly due to a pessimistic "energy transition" narrative, which we believe is overstated given the company's positive contribution on many fronts to more sustainable transportation fuels in its energy division. DCC's strategy is to support existing and new customers as they transition to lower carbon forms of energy while achieving growth and maintaining returns to shareholders. DCC is a distributor within the Energy division and does not own any upstream energy assets.

More than 70% of DCC's acquisitions have been in the technology and healthcare sectors in recent years. The primary use of capital is free cash flow, but the company has also opportunistically issued shares to make value-creating acquisitions. In addition to making profitable acquisitions, DCC has had uninterrupted dividend growth over the last 28 years and a dividend growth of more than 10% CAGR over the previous ten years.

Management is down-to-earth, conservative, and pragmatic and runs the company like a private company. The company does not give investors short-term financial guidance, as management runs the company for the long term. We are impressed with management's capital allocation skills. Management owns about 1% of the company, and CEO Donal Murphy has been with the company since 1998. With a nearly debt-free balance sheet and strong cash flow capacity, we expect DCC to continue consolidating its end markets through numerous bolt-on acquisitions.



Diploma

Diploma is a specialized distributor in three distinct segments: healthcare, seals, and controls. A key to the business model is the distribution of consumable products, short lead times for customers, and being part of its customers' operating budgets, not capital budgets.

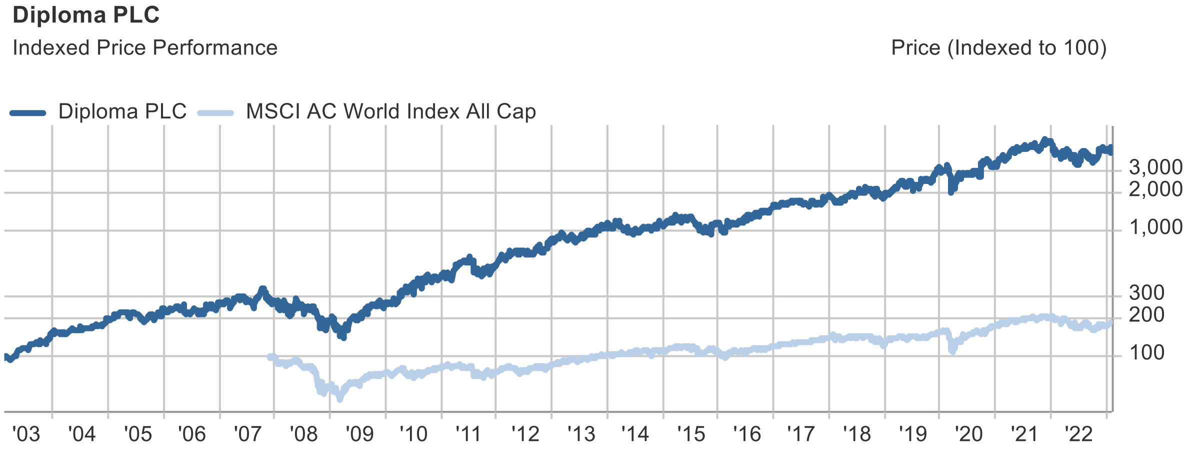
DIPLOMA PLC

Some essential customer support is often part of the customer agreement, contributing to higher margins than traditional distributors. The sales staff at Diploma has high technical know-how and creates more value for customers than traditional distributors.

The seals business sells after-market components or spare parts for heavy machinery. The company sells seals for industrial machinery with overnight delivery. In many ways, this division is the "Amazon of seals." The controls business supplies connectors and fasteners for various applications, from Formula One cars to power distribution networks. The Life Science business supplies consumables for medical procedures. In the Life Science sector, Diploma works with suppliers that cannot build their distribution.

The business is diversified across products, end customers, and geographies. In recent years, the company has undergone a successful management transition. We continue to see many acquisitions, which is key to our investment thesis. Diploma can still move the needle by buying companies with less than £5 million EBIT. Since 2010, the company has made 39 acquisitions. Strong cash generation supports the group's acquisition strategy. The companies bought by Diploma are already small quality businesses.

Diploma operates a highly diversified and decentralized business model with solid margins, cash flow, and return on capital. Diploma has a long runway of growth. We believe that investors and analysts underestimate the long-term impact of value-creating acquisitions in the coming years. Diploma is one of the smallest companies in the fund and has received little attention from the sell-side community. Current CEO Johnny Thomson has proven to be an excellent successor after previous CEO Bruce Thompson retired after 20 years at the helm. The most significant management change so far has been Diploma's willingness to pay a bit more for acquisitions, as seen with the recent purchase of Windy City Wire, which has proven to be a highly successful acquisition.



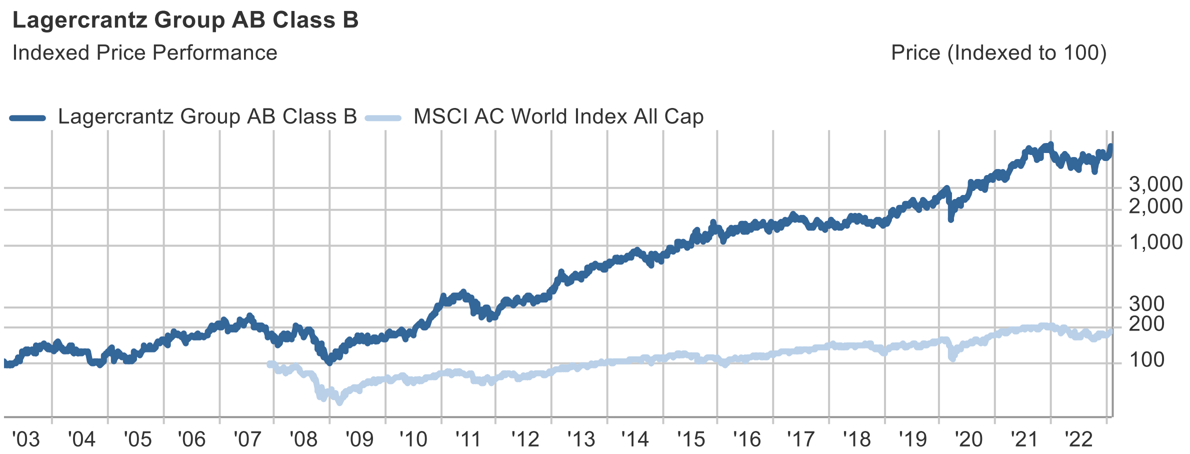
Lagercrantz

Lagercrantz is a global technology group focused on acquiring and developing technology companies that provide value-creating technical products and solutions. The company comprises more than 50 independent companies; each focused on a niche in a specific submarket. The company was formally established in 2001 after being spun off from the Swedish industrial group Bergman & Beving. Tisenhultgruppen, the investment company of former Bergman & Beving CEO Anders Börjesson (1990-2001), is the largest shareholder with 29.3% of the votes (5.7% of the share capital). CEO Jörgen Wigh owns 1.2% of the shares.

Since the early days, there has been a clear focus on profitability in the Bergman & Beving Group, which has been part of Lagercrantz's strategy since the spin-off. The company has a clear profitability target (profits divided by working capital (P/WC) >45%) that, together with targeted annual earnings growth >15% over a business cycle, secures self-financing long-term growth. The company has returned an average sales CAGR of 7% in the past ten years and an EPS CAGR of 14%. The average annual return on capital employed has been 17% during the same period.

Lagercrantz focuses heavily on profitable growth, both through organic growth and acquisitions. The company is a perpetual owner of the companies it acquires and does not seek to restructure them to make a profit. It has an internal M&A team that follows a structured process when evaluating acquisition targets. Lagercrantz has also shifted over the years from a value-add distributor of products into developing its proprietary products, which has been a source of additional organic growth.

The company has a decentralized organizational structure based on entrepreneurship, individual responsibility, simplicity and efficiency, and a constant willingness to change. While each portfolio company enjoys a high degree of independence and freedom, Lagercrantz has a stringent and high-frequency reporting system in which all companies must comply with the parent company's financial targets. As long as the portfolio companies perform according to the group-wide targets, senior management does not interfere in the daily operations.
Lagercrantz has delivered impressive growth and returns in the past years and makes a new acquisition almost monthly. We believe the company is well-positioned to grow profitably over the following years and has a good runway of potential growth opportunities.



Halma

Halma is a UK holding company active in various end markets with over 40 operating units. Some examples of products in its portfolio are sensor products ranging from elevator sensors to gas sensors to water treatment systems and surgical devices. Andrew Williams has been CEO of Halma since 2005 and joined the company in 1994. He will retire in 2023 after 18 years in the role and will be succeeded by Marc Ronchetti, the CFO.

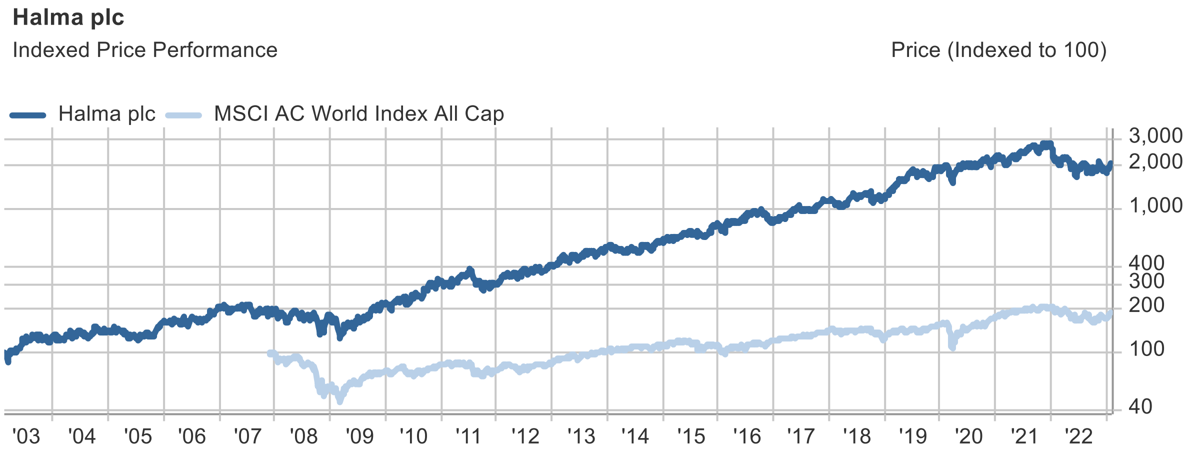
We believe Halma is the highest-quality company in the UK industrials sector. It has delivered 13% annual EPS growth since 2005 and has 45 years of uninterrupted dividend growth.

Halma has chosen to operate in markets with substantial, long-term growth factors such as urbanization, increasing regulation, and higher safety standards. The company meets our capital allocation, organizational culture, and management criteria. The company deploys a lot of cash in bolt-on M&A, generating high incremental returns on capital. The organizational structure is flat, with a clear focus on decentralization. The decentralized corporate structure means operational resources are close to customers through locally managed, independent companies. The organizational structure is simple and lean. There are only three levels of organization: The companies, the sectors, and the Group executives. The design enables rapid decision-making and minimizes bureaucracy.

The corporate culture is performance-driven, with detailed monthly evaluations of all business units. Halma focuses on growing and acquiring businesses in global niches in the safety, environment, and health markets. It is a "KPI-driven" company where achievements are monitored through both financial and non-financial performance indicators.

The group's management provides its expertise in capital allocation and supports the companies in growth initiatives, compliance, and governance practices.

The company has set a goal of doubling sales and profits every five years. With its highly diverse business structure, we believe Halma has plenty of room to grow organically and through acquisitions in the coming years.



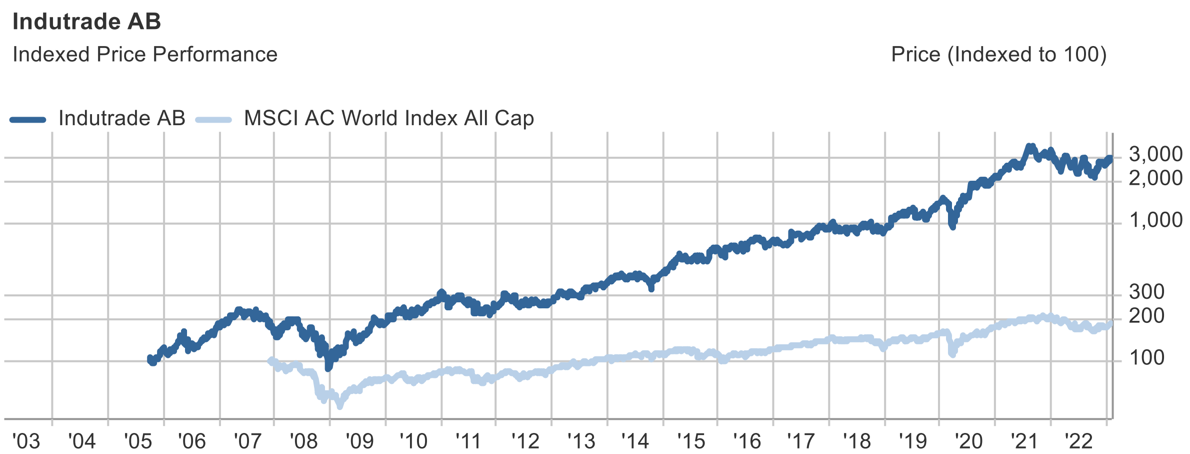
Indutrade

Indutrade is a serial acquirer industrial group that develops and acquires well-managed industrial companies with high technical expertise. The company was established in 1978 and founded by Gunnar Tindberg, who remained CEO until 2004. The business model is to acquire small companies with solid market positions in niche industrial segments. Each company continues to run under its previous name and operates as before post-acquisition. The company has a perpetual view on ownership and does not divest portfolio companies. The Swedish long-term investment company Lundbergsföretagen has been the majority shareholder since 2013, with 26.6% of the share capital.

Indutrade comprises over 200 portfolio companies in over 30 countries, each operating on a standalone basis. The average revenue per company is SEK 50-100 million, equal to 0.2%-0.5% of the parent company turnover. The company has a highly decentralized business model where each portfolio company has operational responsibility for its business, earnings, and cash flow. All companies define their profitability and growth targets, meaning they can adapt to different business environments. The company endures a solid return on capital employed of 20%. Cash flow generation is also high, and the company's acquisition strategy is self-funding through cash generation.

Acquisitions are a vital part of the company's growth strategy. The company sources its deals and thoroughly assesses all acquisition targets. The focus is not only on profitability, cash flow generation, management, employees, and the overall corporate culture. Indutrade has a strong emphasis on corporate culture. It keeps the original name of every portfolio company post-acquisition. Portfolio companies are often family-owned, and the company wants sellers to remain as presidents in the respective portfolio companies post-acquisition. Indutrade helps compose the board of directors, but each company is responsible for developing its strategy and operates under a high degree of freedom.

CEO Bo Annvik has been with the company since 2017 and was a planned succession as the current Chair, and former CEO Johnny Alvarsson decided to retire after 13 years in the role. We believe Indutrade is well-positioned to deliver above-market growth in the future, and its proven track record and management give a good foundation for an excellent investment case.



Judges Scientific

Judges Scientific is a UK-listed small cap. It is 12% owned by its founder and CEO, David Sicurel, who founded the company in 2002.

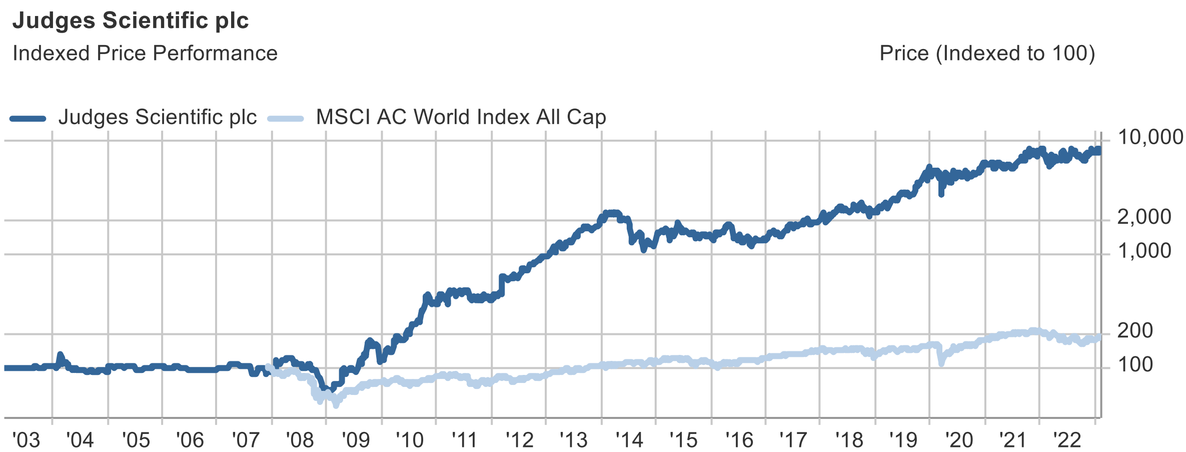
The company deploys most of its free cash flow to acquire small manufacturers of scientific instruments. These scientific instruments are mainly used in university and research departments' laboratory facilities. One example of a customer is the cosmetics giant L'Oreal. The key growth drivers behind these scientific instruments are government/public spending on higher education, the increased need for private companies to comply with strict regulations, and the need to optimize products. More than 85% of revenues are generated outside the UK; no single customer comprises more than 10% of group sales.

From the beginning, the company has been able to deploy capital very efficiently by acquiring family businesses. Since 2005, it has acquired 19 companies. The market in which Judges operates is highly fragmented, with over 2,000 potential acquisition candidates, creating a large pool of acquisition opportunities for the company. Judges pay 3-6 times EBIT, depending on the size of the acquisition targets. By focusing on micro-sized firms, Judges can stay away from bidding competition. The company is decentralized, and management is down-to-earth and pragmatic. Management is known for being a good acquirer with a rapid acquisition process. Approximately 40% of employees are shareholders.

David Sicurel is an "outsider" manager with an excellent investment track record. The company has been able to hire senior executives from companies like Halma, another successful buy-and-build model. Judges is still a small company and has a multi-decade horizon on investments. In early 2023 the company hired Tim Prestidge as a board member. Tim has spent eight years as Divisional CEO with Halma, another highly successful serial acquirer.

Judges' business model is to acquire small and mid-sized manufacturers of scientific instruments while paying a disciplined multiple of earnings, ideally funding each acquisition with existing cash and/or bank loans.

For companies acquired by Judges, the company provides guidance and support as needed, fosters intercompany collaboration, participates in succession planning and implements robust financial controls. Subsidiary management teams are entrusted with the day-to-day operations of their businesses. It has proven to be a successful operating model for the company, as the management teams are given responsibility for their destiny and provided with an environment where they can flourish.



Brown&Brown

Brown&Brown (B&B) is a consolidator in the fragmented US insurance brokerage market. The company has an efficient and decentralized sales and service culture and a disciplined focus on acquiring companies that fit culturally with its existing business.

Insurance policies are generally not standard, and a strong relationship with the customer is critical. The business is usually very stable during economic downturns, and renewal rates are low to mid 90%. In most cases, B&B is an advisor to clients, making the client relationship very sticky.

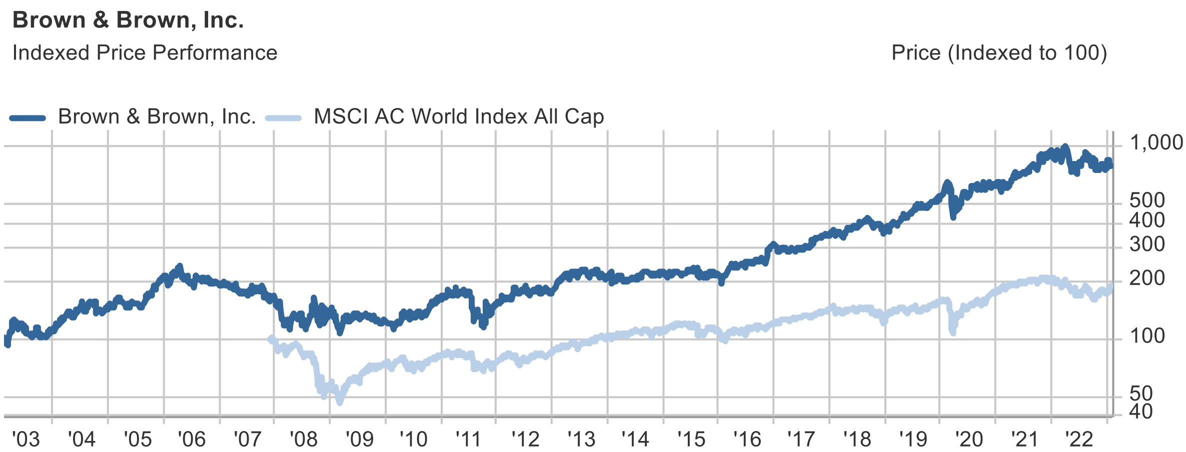
As an insurance intermediary, the company's primary sources of revenue are commissions paid by insurance companies and, to a lesser extent, fees paid directly by clients. Commission income generally represents a fixed percentage of the premium the insurance customer pays.

The US insurance brokerage market is highly fragmented, and the opportunity for the company to consolidate it is promising. Thousands of small insurance brokers in the US represent attractive acquisition opportunities for B&B. Since 1993, the company has acquired 561 companies.

B&B has increased sales yearly from 1993 to 2020, except for 2009, when sales declined by 1.0%. Average annual sales growth since 1993 has been 13.0%, and profits have increased 16.3% annually over the same period.

The Brown family owns the company. Chairman J. Hyatt Brown owns 14.9%. Since nearly 60% of all employees are shareholders, the total insider ownership is 25%. The vesting period for stock incentives is seven years. As a result, B&B focuses on long-term performance rather than quarter-to-quarter results. 94% of employees say B&B is a Great Place to Work®.

The company operates with a decentralized sales and service model that empowers local teams to make decisions that best support their customers, with the goal of consistent, sustainable growth over the long term. B&B is an entrepreneurial meritocracy.



Vitec Software

Vitec is a market leader in Vertical Market Software (VMS) in the Nordic region. The company grows both organically and through acquisitions. The products can be found in various businesses and activities like pharmacies, car repair shops, real estate, health care, church operations, waste management, and education.

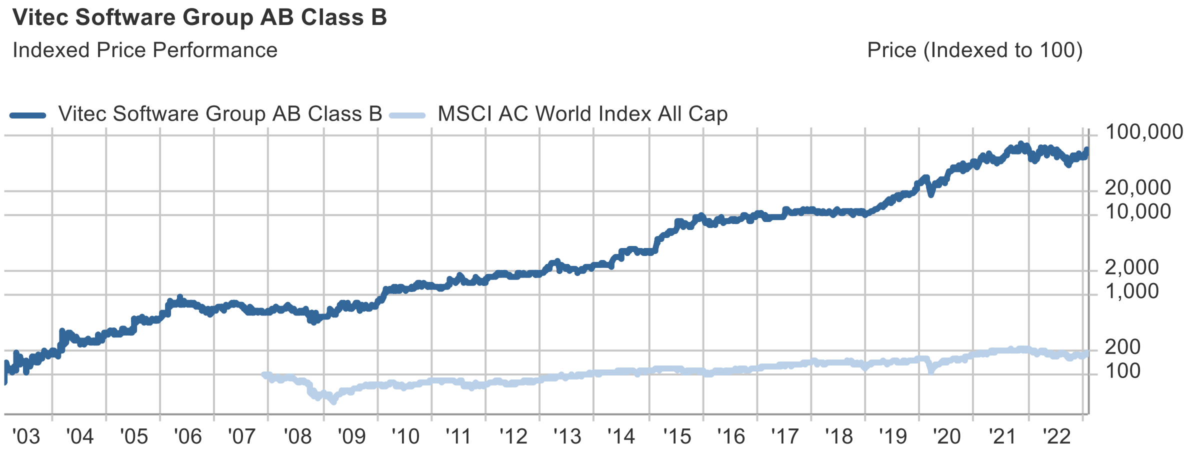
The business model is based on a high percentage of recurring revenues.
Software is delivered through a SaaS model. Recurring revenue has increased from 59% ten years ago to 82% today. It provides stable and predictable cash flows. For customers, the SaaS model is associated with minimal investment costs and the long-term security of having quick access to upgrades and new functions. Customers of Vitec often operate in niche markets, making Vitec's software offering sticky, enabling stable revenue streams for the company.

Vitec pursues an explicit acquisition-based growth strategy focusing on profitability and cash flow. The vertical software market is fragmented and consists of smaller companies. The companies that Vitec acquires are well-managed vertical software companies. Cash flow is reinvested in new acquisitions. Since 1999 the company has bought more than 35 profitable and well-functioning companies. Vitec has acquired vertical software companies for over 30 years. The common characteristics of companies acquired by Vitec are a long history of profitable growth, an established position within their vertical niche, and a high degree of recurring revenue. Often target companies were started in the 1980s, and founders see Vitec as a good home for further corporate development.

The businesses in the Vitec portfolio have, on average, 53 million SEK in annual sales (USD 5m). We expect acquisitions to continue to drive growth over the coming years. The group's diversity is good; the most significant business unit (Vitec Bygg&Fastighet) represents 13% of group sales.

Vitec has a decentralized decision-making process in which the acquired entities remain independent business units of Vitec. The top-10 customers only constitute 7% of sales.

Vitec was founded in 1985 by two researchers at Umeå University, current chairman Lars Stenlund and Olov Sandberg. Together they control 42% of the company's votes and 7,7% of the capital. Vitec started its journey within software applications for real estate but has evolved into a diversified software conglomerate.



Dassault Systemes

Dassault Systemes is, in our opinion, one of the most robust software companies in Europe. The company develops "product lifecycle management" software or computer-aided design (CAD) for industrial applications, which spans the whole life cycle of a product from design to recycling. The company is listed in France.

The company was spun out of Dassault Aviation in 1981 and has since grown into a powerhouse in industrial software. It is a diversified company that sells many products to customers in many end markets. 90% of all aircraft in the world and 80% of all cars in the world are designed with Dassault Systemes software.

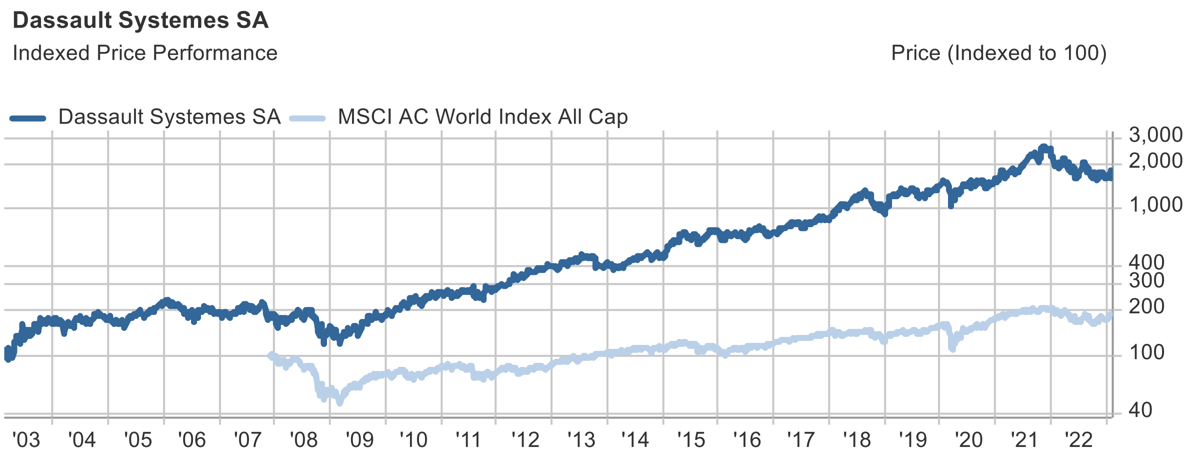
Over the last 25 years, Dassault Systemes has acquired 55 companies. Management has strictly adhered to five-year growth plans, typically doubling earnings per share every five years.

A strong driver for Dassault is the digitization of industrial processes - for example, the design of complex production systems. The company is involved in the early stages of the customer's design process.

Its main product categories, CATIA and SolidWorks, are very sticky products. CATIA applications range from jet engine designs to entire ship designs. Dassault also supplies simulation software that allows products to be tested before production. The switching cost for customers is very high, and 70% of revenue is recurring.

Dassault is a family-owned company, with the Dassault family holding 41% of the shares.

There is plenty of room to improve operating margins in the coming years by adopting cloud technology, as most customers have not yet moved to the cloud. As more customers move to the cloud, we expect the company's margins to increase.



SDI Group

SDI is a UK buy-and-build model in the science and technology sectors. It offers a wide range of niche technologies in various global markets. SDI designs and manufactures scientific products for life sciences, healthcare, astronomy, consumer product manufacturing, and art conservation applications. Examples of products include control systems, laboratory sensors, digital imaging, and high-sensitivity cameras.

SDI is growing through strategic acquisitions and is known for allowing companies to operate autonomously. Consequently, the group's companies adapt quickly to changing market conditions. To date, the company has completed 13 acquisitions. SDI does not seek cost synergies between companies. SDI's policy is to acquire small/medium-sized companies with digital imaging and sensing and control technologies.

The company seeks to acquire companies with high-quality, value niche technologies that have sustainable earnings and cash flows. SDI Group has a reputation as a supportive owner, entrusting the day-to-day operations to the management teams of its subsidiaries. There are many companies in the market, some of which have not yet reached critical mass, providing an ideal opportunity for consolidation by SDI.

SDI maintains a lean headquarters, and the subsidiaries are run by local management with broad discretion within certain limits. Acquired companies often find that they can grow faster within the SDI group than they could have in private hands, and they can learn from and share experiences with other companies.

CEO Mike Creedon joined the company in 2010 as finance director and was named CEO in 2012. Chairman Ken Ford joined the board in 2010 and was named chairman in 2012. CEO and chairman, and other insiders own 2% of the company.

We like SDI's organic growth opportunities and acquisition pipeline. Because it is a small company, each acquisition impacts the group. Due to SDI's size, the number of sell-side analysts remains minimal.

Addtech

Addtech is a global technical solutions group specializing in acquiring and developing high-technology industrial companies. The company comprises more than 140 independent companies operating in over 20 countries. The company was formally established in 2001 after being spun off from the Swedish industrial group Bergman & Beving.

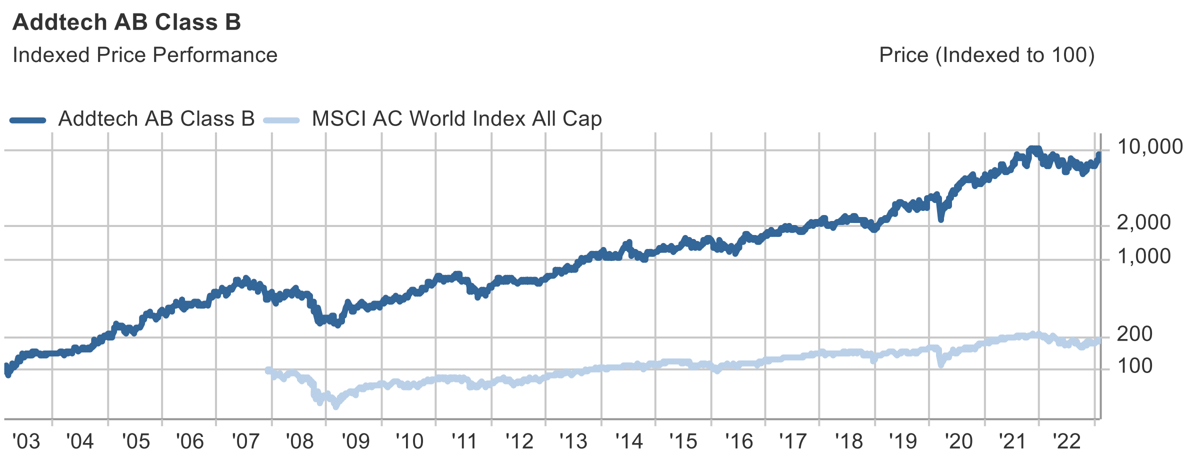
Tom Hedelius and his long-time investment partner and former CEO of Bergman & Beving (1990-2001), Anders Börjesson, are the largest shareholders in Addtech with 31.6% of the votes (4.6% of the share capital).

Since the Bergman & Beving Group's early days, the focus has been profitability. The company has a clear profitability metric (profits divided by working capital (P/WC) >45%) that, along with targeted annual earnings growth >15% over a business cycle, ensures self-financing and long-term growth. The company has generated an average annual return on capital of 20% since its spin-off, with an EPS CAGR of 13%.

The average annual revenue of each portfolio company is SEK 80 million (USD 8 million), representing 0.7% of the company's total revenue. Addtech does not have a centralized M&A team but sources its M&A pipeline from the underlying companies. Last year, the company acquired 16 companies with total sales of SEK 1.1 billion (USD 110 million) and organic growth of 13%.

Addtech runs a highly decentralized business structure. The parent company provides administrative group-wide functions for all its companies, allowing them to focus primarily on operations. Portfolio companies enjoy a high degree of autonomy and independence. Each company can develop its operations and growth strategy if aligned with Addtech's overall business model. The companies must also meet Addtech's group-wide targets. It includes the above growth, profitability, and sustainable development targets, with sub-targets for each business.

We believe Addtech's high diversification, continued focus on long-term growth and profitability, and strong corporate culture will continue to drive strong returns in the years ahead. The company has a solid foundation for profitable growth and a proven track record.



Idex

Idex is a US multi-industrial company with 40 business units worldwide. It has an acquisition-driven business model and manufactures pumps, flow meters, and valves. The company has a decentralized organization.

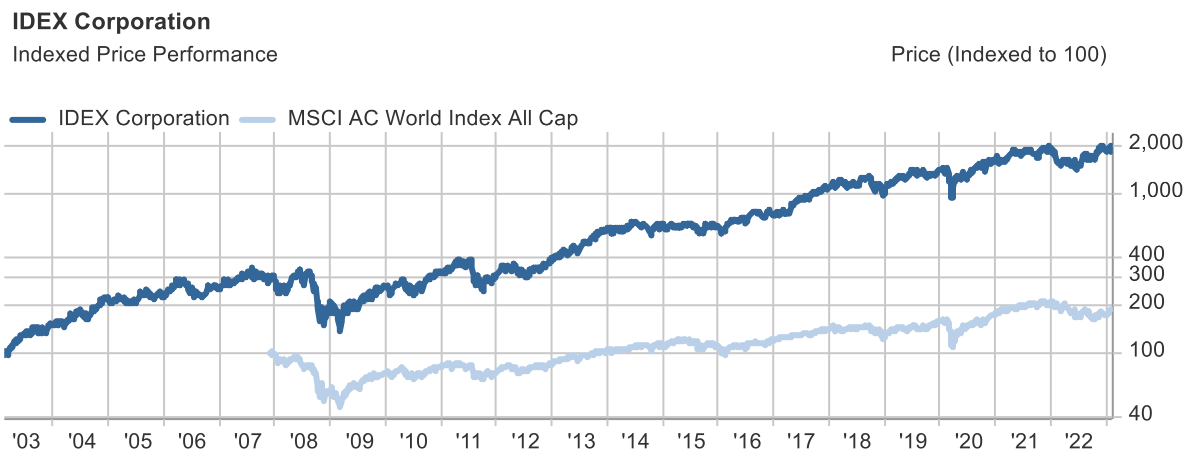
The company was founded in 1988 when combined by three small, well-established, entrepreneurial manufacturing companies. IDEX stands for "Innovation, Diversification, and Excellence," which is at the heart of the company's decentralized culture.

Idex is an "asset-light" business model, manufacturing advanced products for mission-critical applications. The markets in which Idex competes are niche markets in which the company is #1 or #2, which gives it a structural advantage.

Idex operates over 40 business units that manufacture flow control (pumps, valves, meters) and fluidics/optics products used in industrial, life sciences, fire protection, and safety, energy, and water applications. Many of its products are mission-critical and highly specialized, which enables strong pricing power combined with its market-leading position.

Idex provides flow monitoring for various industries, including food, chemical, general industrial, water and wastewater, agriculture, and energy. Idex's Health & Science Technologies (HST) designs and manufactures precision fluidic products and various pumps. These products are used in multiple applications, including food and beverage, pharmaceutical, and cosmetics. In the Fire & Safety/Diversified Products (FSDP) segment, Idex manufactures firefighting pumps, valves and controls, rescue equipment, lifting bags, and other components and systems for the fire and rescue industry.

Idex is known for its "80/20" philosophy, based on a decentralized operating structure. The 80/20 principle refers to the idea that 80% of the effects (of a business) result from focusing on 20% of the causes. Local business-level managers are entrepreneurial, understand their needs best, and know how to apply the 80/20 rule. Idex's decentralized structure sets the company apart from its competitors and gives it speed and flexibility.



Pool

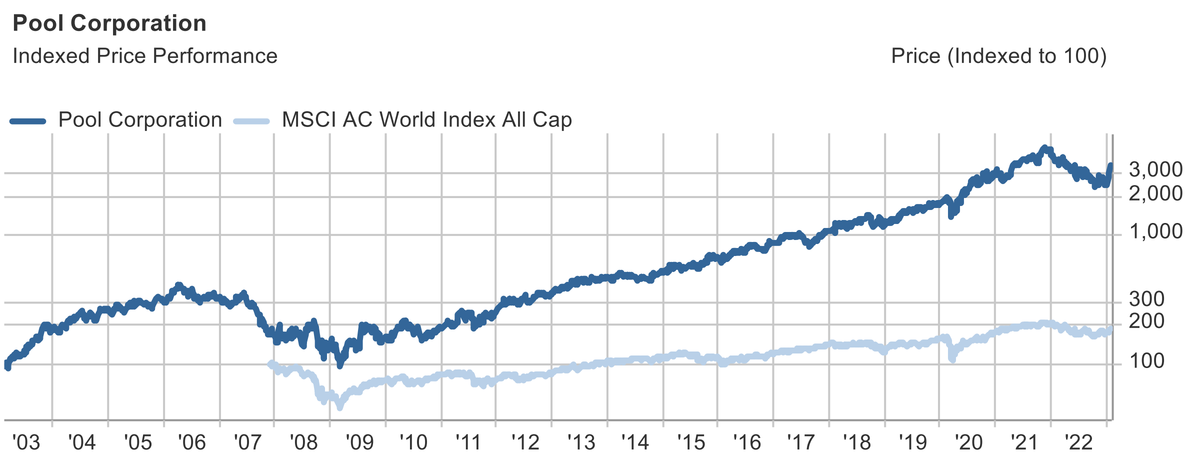
Pool Corp is the leading distributor of swimming pools, accessories, equipment, and outdoor products in the United States. It is a wholesale distributor with a unique value-add distribution model that generates customer loyalty and good organic growth.

Pool Corp's distribution centers operate in a decentralized model with entire profit and loss accountability, providing an entrepreneurial spirit. The company distributes more than 200,000 products from 2,200 product suppliers to more than 120,000 customers. Pool Corp. holds approx. 32% market share of the wholesale distribution market.

The installed base of swimming pools provides high non-discretionary revenue. More than 60% of revenue is recurring due to pool maintenance needs. In addition, about 25% have some discretion. Only about 15% of Pool's sales come from new pool construction. The industry is highly fragmented with favorable long-term growth dynamics, such as work-from-home, outdoor living, and demographic trends. Pool Corp has historically focused on the swimming pool product offering. Still, we believe expansion into the outdoor living space, which includes many other complementary products, could make great strategic sense.

Acquisitions have been essential to Pool's growth since the industry is highly fragmented. Approximately 60 acquisitions have been made over the past 25 years, and many opportunities remain. Capital has been used primarily to acquire businesses and for share repurchases. The company has repurchased 15% of its shares in the last ten years.

The former CEO, Perez De La Mesa, now a board member, owns 2.3% of the company. The current CEO, Peter Arvan, owns 0.2% of the company. We view Pool's culture as one of performance with clear performance targets for the entire company.



Nordson

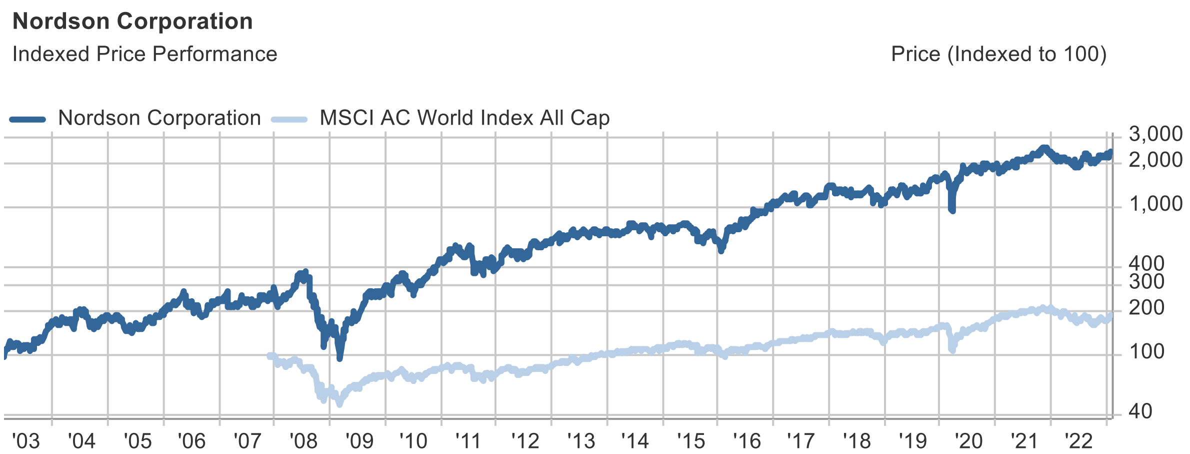
Nordson manufactures and markets adhesive dispensing equipment used by many different industries. For example, Nordson equipment is a natural part of the production lines of companies such as Coca-Cola, which uses Nordson equipment to apply labels to bottles. Other product examples using Nordson equipment include packaging, disposable hygiene products, and medical apparel.

Dispensing and testing equipment are critical to customers' production processes but represent only a tiny portion of the total bill of materials. Nordson dispensing equipment is primarily used to apply adhesives, sealants, coatings, and other materials. Replacement parts for Nordson dispensing equipment include nozzles, dispensers, valves, and melting systems.

Through direct sales, Nordson can provide a high level of service and maintain close relationships with its customers. 65% of sales are generated outside the US Nordson's sizeable installed base anchors the company in a customer's operation. Deciding to switch to a competitor is both costly and risky. With a large installed base, NDSN sells spare parts and has tapped into growing medical consumables markets.

Nordson is very acquisitive. Since 1996, Nordson has made 59 acquisitions. Both solid organic growth and acquisitions have resulted in strong shareholder returns. Approximately 50% of free cash flow has historically been invested in attractive acquisitions. The target companies are small businesses ($50m-150m). While NDSN will consider businesses with EBITDA margins around 20%, the companies must have a clear path to achieving margins in line with Nordson's corporate average (high 20% to 30%).

We like the asset-light business model combined with a variety of bolt-on acquisitions. We like the company for its strong growth prospects and position in the after-market, which gives it a high return on capital over time. Cash conversion is close to 100%, contributing to the dividend increase yearly for 56 consecutive years.

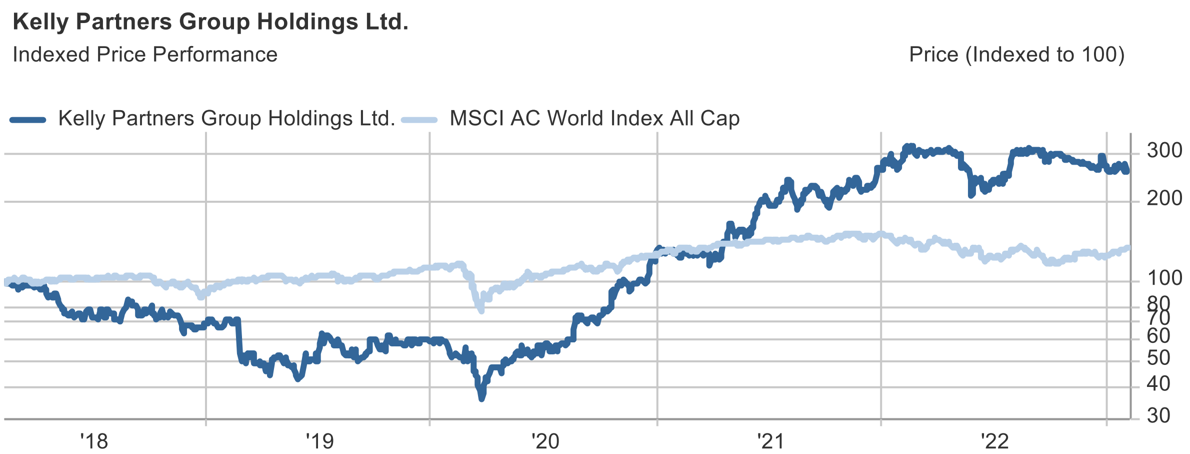


Kelly+Partners

Kelly+Partners is a specialized network of accountants established in Australia in 2006. The company consists of 26 operating businesses. Kelly+Partners provides accounting, tax, and other services to private companies and their owners. In a highly fragmented market, Kelly+Partners is the 23rd-largest accounting firm in Australia, leaving room for many acquisition opportunities.

The Australian tax system is becoming increasingly complex. Kelly Partners targets the SME portion of the market, which accounts for 60% of the accounting industry by revenue. Private SMEs are generally not adequately served by larger accounting firms. The advantage of the SME segment in which Kelly operates is the typical contract tenure, which often exceeds 10 years. Nearly 99% of revenue is in the form of annuities. Therefore, Kelly has a defensive and recurring income stream. Accounting firms serving the SME market are highly fragmented and spread over 30,000 small private practices. The company has an acquisition-driven model, buying small accounting firms in Australia - primarily in the Sydney region. In the coming years, Kelly can significantly expand its market share. Brett Kelly is the CEO and founder of the company and owns 51% of the company. Other insiders own 10%. In the medium to long term, Brett Kelly intends to hold a stake of over 35%. Brett Kelly has over 25 years of commercial and professional accounting experience. Inspired by Warren Buffett, he has built a structure and strong foundation for a successful long-term business. Brett Kelly has many traits of an "Outsider" CEO. Brett Kelly seems obsessed with business performance and attracting the right shareholders. The lack of history as a public company is a risk factor. Still, after studying the performance pre-IPO in 2017 and meeting management, KPG is in the early phase of a long and profitable growth journey.

In terms of human capital, the company scores highly on employee engagement surveys and was officially certified as a "Great Place to Work" in June 2021. Annual letters are open and transparent, and the company is not focused on short-term profit prospects. Kelly+Partners adopts a "POD-model": "Partner-Owner-Driver," which means that KPG typically buys 51% of the equity of the practice and the partners keep 49%. The structure provides the owners of practices with a liquidity event while maintaining lots of skin in the game for owners. This structure aligns incentives in a good way for shareholders. An interesting observation on the 27th of June 2022 was the announcement by the company that Vice Chairman of Constellation Software, Professor Lawrence A. Cunningham, would join the board of Kelly from the 1st of July. We view this as a testimony to the quality of Kelly Partners Group. Financially, the company has achieved solid and profitable growth over the years. The company is targeting a doubling of profits over the next five years. We like the long-term focus of the company. Kelly+Partners is the smallest company in the portfolio, with room to grow and create shareholder value in the coming years.



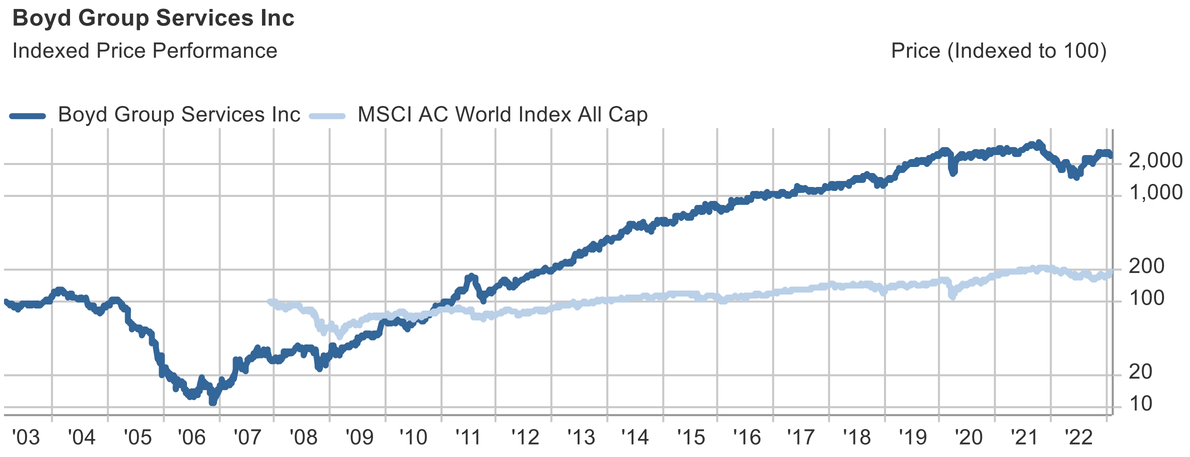
Boyd

Boyd Group is one of North America's largest auto repair shops based on the number of locations and total sales despite having only a 5% market share. The market is highly fragmented and provides attractive acquisition opportunities in the coming years. The company also has glass operations in 34 states and is the second-largest automotive glass retailer in the United States. Even after ten years of consolidation, the market remains highly fragmented, with much room to grow through acquisitions. More than 60% of collision repair operators are family owned.

The company is a consolidator in a very fragmented market. In North America, the market size is estimated at $40 billion, with Boyd among the top 3 companies with $2 billion in sales. The major collision repair providers benefit from standardized processes, integration of technology platforms, and cost reduction through comprehensive supply chain management. Up to 90% of payments come from insurance companies, which tend to favor large providers like Boyd. Insurance companies are looking for high-quality repairs with low costs and speed of completion. Rising parts complexity has led many single shop owners to quit the business or sell to a large operator. The sizeable multi-store operators have increased the revenue share from 11% in 2010 to over 30% in 2020. The largest players' greatest advantage is the relationship with the insurance companies.

There are nearly 32,000 collision repair shops in the US, 70% of which are single-store operations. Boyd will continue consolidating this industry in the coming years, using capital for bolt-on acquisitions. Boyd uses its cash flow to buy primarily independent family-owned businesses. Boyd is the only publicly traded company in the industry, giving it access to the capital markets. Over the past ten years, Boyd has spent 90% of its free cash flow on acquisitions. The current total locations are 841. On average, Boyd pays about 4xEBITDA for single workshops; the typical size of an acquired store is C$500k. After purchase, Boyd implements its existing "Direct Repair Programme" relationships to increase the utilization of the acquired assets.

In the short run, financial results are impacted by a tight labor market, wage pressure, and supply chain disruption. The company has taken specific actions to address these issues, and we believe in normalizing results over the medium term as manufacturing and distribution issues are resolved. The company's goal is to double in size by 2025, based on 2019 revenue, representing a 15% compound annual growth rate.



Addnode

Addnode acquires, operates, and develops entrepreneur-driven IT companies that digitize society. The company has a diversified revenue stream and operates across several end markets and geographies.

Addnode has three divisions, design management (digital solutions for architects and engineers), product lifecycle management (digital solutions for the lifecycle of products and facilities), and process management (digital solutions for the public sector). The company's largest market is Sweden, UK, and Germany. The company has operations in 19 countries. Addnode's business model is to offer digital solutions with a high share of recurring revenue from support, maintenance, subscription services, and SaaS (subscription as a service) solutions.

The company's strategy is to grow through acquisitions and organic growth of existing portfolio companies. The company targets at least 10% annual sales growth. Addnode has had an annual sales CAGR of 12% for the last ten years. Since 2003 it has acquired close to 70 companies, and over the previous five years, the annual deal size has been SEK 70m (excl. the USD 50m Microdeck acquisition announced in March 2022). The company acquires companies complementary to its existing businesses or markets and shares similar corporate values. We note that Addnode pays somewhat higher multiples than other serial acquirers, but in general, acquisitions are asset-light and in high-growth markets, justifying the valuation premium. Acquisitions are funded mainly through cash flow, and the business is self-funding.

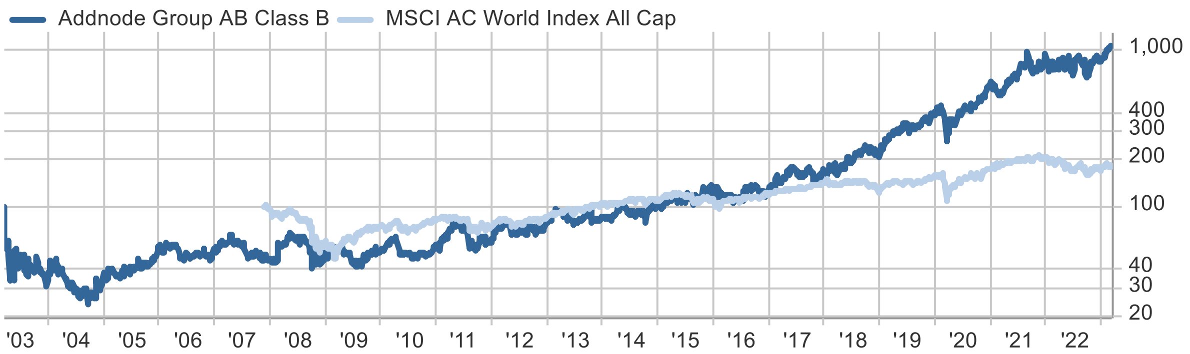
Addnode has a decentralized organizational structure, with decision-making in the respective portfolio companies. The parent company provides strategic support to its portfolio companies to realize collaborations and synergies between them. Aretro Capital Group, jointly owned by Addnode's chair and former CEO Staffan Hanstorp, and the VP of Business Development Jones Gejer, is the largest shareholder with 15.1% of the voting rights (5.4% of share capital).

We believe Addnode has an exciting growth profile and is well-positioned for future growth through acquisitions and underlying organic growth. The business is highly cash-generative.

Addnode Group AB Class B

Indexed Price Performance

Price (Indexed to 100)



Teqnion

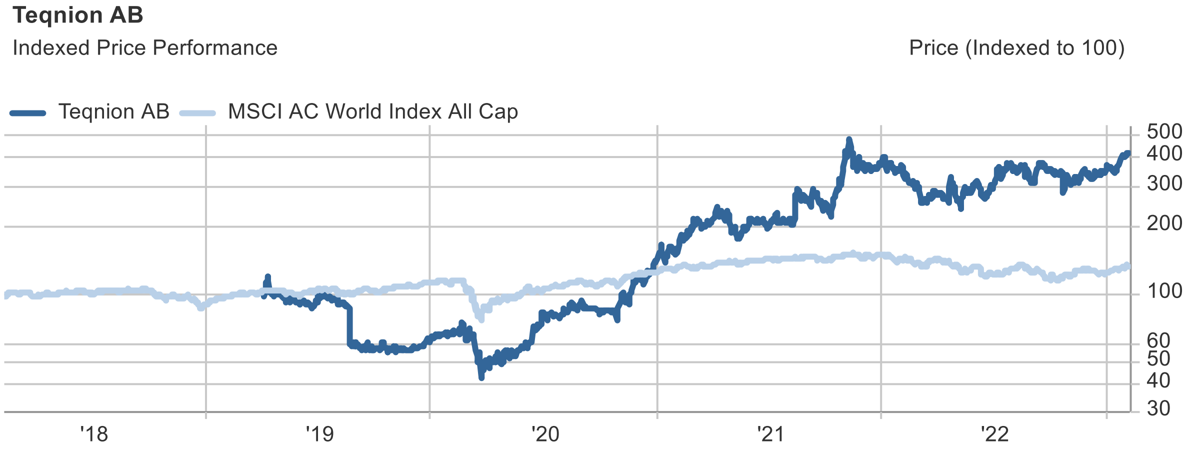
Teqnion is a Swedish industrial company that acquires and develops small industrial high-quality companies that are market leaders within their respective niche markets. The company was founded in 2006 and listed on the Nasdaq First North Growth Market in 2019. The company consists of 20 portfolio companies. The company's portfolio covers the construction of components used in house construction to propulsion systems and electric wheelchairs. The long-term investment company Vixar AB is the largest shareholder, with 33.4% of the share capital. In addition, the company's co-founders Jonas Häggqvist (through the family), Johan Steene, and Erik Surén own 15% of the share capital.

Teqnion has achieved a decent average return on capital employed of 17% since listing. The company reinvests a high share of its cash flow, acquiring companies at attractive multiples at 4-7x EV/EBITA. The company does not guide the market on short-term earnings but targets to double its EPS every fifth year (equal to a 15% CAGR) and has achieved this since listing.

In 2020 the company separated the M&A responsibility from the CEO into a new M&A team of three people. Acquisitions are funded through existing cash flow or credit lines. The typical sales of an acquisition target are SEK 25-150 million, and the average annual sales of acquisitions since 2019 have been SEK 60 million. The company is a perpetual owner of its portfolio companies. It invests in Swedish companies with a global reach, securing compatibility with its existing corporate culture. The companies should be well-managed before the acquisition, with good financial performance over time, and have high cash flow generation. Teqnion does not look to restructure or turn around its investments.

The company has a decentralized organizational structure with a flat hierarchical structure. Teqnion promotes autonomy within its portfolio companies and provides a high degree of freedom to secure entrepreneurship and increased engagement. Local managers and employees take care of daily operations and customer relationships, while Teqnion is involved in helping with strategy and organizational development. Teqnion places great emphasis on acquiring companies with the right people that are invested in the company beyond financial incentives only.

The company's co-founder and CEO, Johan Steene, has been CEO since 2009. He succeeded Jonas Häggkvist, another co-founder. Johan Steene writes highly personalized and somewhat unorthodox investor letters, providing investors and other stakeholders with a transparent view of the company's underlying activities and future strategy. We believe Teqnion is a very interesting serial acquirer with a proven track record and a prudent and disciplined approach to growth.



Momentum Group

Momentum Group is an industrial solutions group specializing in acquiring, operating, and developing industrial companies in the Nordic region. The company was spun out from Alligo AB in March 2022. Alligo AB has roots in the Bergman & Beving sphere and was spun out from B&B Tools (Bergman & Beving) in 2017. Momentum Group consists of eight independent industrial companies. Swedish investment company Nordstjernan AB is the largest shareholder, with 50% of the votes. It is represented on the board by its advisor Johan Sjö (former Addtech CEO, another Bergman & Beving spin-out). Tom Hedelius holds 9.2% of the votes (1% of the share capital).

Since the early days, the Bergman & Beving Group has clearly focused on profitability. Momentum Group has adopted the same profitability targets as the other Bergman & Beving spin-outs: profits divided by working capital (P/WC) >45%, and annual EBITA growth >15%. For the last three years of available financial history as a standalone company, Momentum Group has had an average profit over working capital of 53%, an average return on capital employed of 29%, and an annual EBITA CAGR of 14%.

The company has two operating segments, Components, and Services. The Components business area (80% of net sales) comprises industrial production companies with leading specialist positions in their respective market niches. The Services business area (20% of net sales) includes industrial service companies operating within a range of industries such as the processing and food industries.

Momentum Group has a clear growth strategy through organic growth and acquisitions. The growth strategy shall be self-funding through internal cash flow. It has a proven track record of investments, with a well-established model for sourcing and integrating its portfolio companies. The company runs a highly decentralized business structure. The management team of each group company has a high degree of freedom but is also responsible for business development and meeting the group-wide profitability targets.

We believe Momentum Group's business model and Bergman & Beving's legacy provide a good foundation for creating shareholder value. The company is in its early stages of growth and offers an attractive growth runway through scaling its acquisition-driven business model in the future.

Lumine

In December 2022, Constellation Software announced the spin-off of one of its vertical market divisions, Lumine. The announcement was part of an acquisition of WideOrbit, a 700m USD transaction. WideOrbit and Lumine will combine and create a separate listed entity focusing on software companies within media communication software.

Lumine has historically catered to the communications vertical in Constellation Software. The most significant part of the Lumine product offering is software for telcos. Of the 23 businesses owned by Lumine, the average life span of the companies is 26 years. The average purchase price of all acquisitions is about $12 million. Lumine has ramped up total acquisitions; in 2021, they completed six acquisitions.

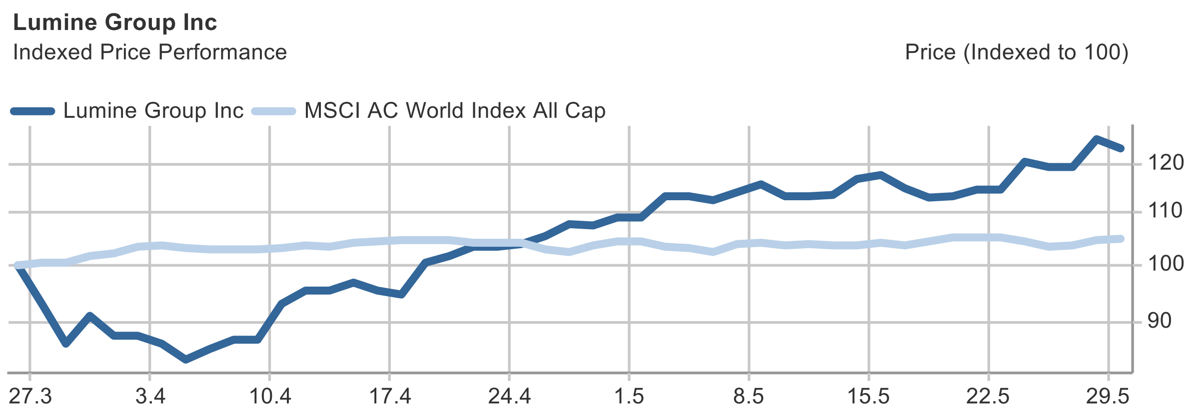
All companies in Lumine offer mission-critical software, a small share of the total customer wallet. Lumine's client profile differs from Constellation Software since Lumine's clients are large enterprises. WideOrbit acquired ahead of the spin-off, has 90% of local television stations in the US on the client list and 30% of national cable networks.

The company operates in 30 countries and has a history from 2014 when David Nyland, the current CEO, joined the Volaris operating group to build a communications vertical. Since 2014 Lumine has acquired 2-3 companies each year. The organic revenue growth is more volatile than the more diversified Constellation Software. Lumine follows Constellation's playbook, where the business model is based on growth through acquisitions, combined with a focus on recurring revenues and a strong balance sheet. In 2007, Constellation Software was about the same size as Lumine is today.

Constellation Software uses Lumine's shares as partial payment for WideOrbit and creates a communications and media VMS company. Lumine executives previously had to invest their bonuses in Constellation's stock, but the new structure better aligns interests between the management of Lumine and shareholders. With only 23 companies under the umbrella, Lumine will be able to scale over the coming years. WideOrbit, which is part of Lumine, has a 94% recurring revenue, and combined, the two companies will have 75% recurring revenue.

Constellation Software owns 80,6% of the votes in Lumine and 61% of the economic interest. Any acquisition above $100 million needs approval from the board of Constellation Software. Constellation will choose 6 out of the 7 directors. The Chairman of the Board is Mark Miller, the current CEO of Volaris.

Lumine's first trading day was the 24th of March, 2023.



REQ CAPITAL

INVESTING WITH INSIGHT

REQ Capital AS – Øvre Vollgate 9 – 0158 Oslo - Norway