



2025

Managed by





Kronberg Capital VCC – Global Equities
Managed by Pilgrim Partners Asia Limited
137 Telok Ayer Street #04-07
Singapore 068602

February 16, 2026

Dear Partners,

2025 was the inception year of Kronberg Capital. I have created Kronberg Capital as a long-term investment vehicle and my new business venture with as much permanent capital as possible. The way I set up the fund and its strategy is first and foremost as the core of my personal equity portfolio, with more than 75% of my personal equity allocation invested in Kronberg Capital.

I have made good progress with finding great companies for our portfolio, but it has not been a smooth ride. The first 4.5 months we achieved a net return of -3.85%. This was a rocky start, both absolutely and relative to our long-term benchmark (MSCI World), which returned +8.25% over the same period. As an index-agnostic and concentrated fund, I believe it is a necessity to accept significant short- to medium-term deviations from the benchmark in favour of a differentiated strategy. These can and will go both negative and positive. Before I move to the portfolio commentary I will share my view on risks in the portfolio.

Thoughts on risk

If you consider my entrepreneurial background and some of our holdings, one might assume that I am a risk-taker. Contrary to what it might seem, I don't see myself that way. Let me give you an example from my e-commerce business, which shaped me personally and professionally. Startup costs were very low, it was cashflow positive from day one, we carried little debt, and we always avoided huge bets on products or strategy. The product and sales mix was diversified across categories, countries, and channels. I believe this is one of the reasons we were able to grow the business for over a decade and it never felt like a risky endeavour to me. In fact, it was far safer than what many people consider a "safe" normal job or a VC-financed route instead of the bootstrapped one.

The Kronberg Capital portfolio might also seem risky if you look at a single name in isolation: a small-cap company in the Philippines, a digital bank in Latin America, a super-app in Kazakhstan, to give some examples. One could lose sleep over political risks, currency risks, and so on. I am also very much aware of these risks but consider the following.

First, as much as possible I make uncorrelated bets, each of which offers a positive asymmetric outcome with attractive upside relative to the downside risk. I won't bet the fund on any single one of them. Position sizing depends on the downside risk and the degree of uncertainty in different outcome scenarios: the higher the uncertainty and downside risk, the smaller the position.

BYD, for example, has a decent chance of becoming the dominant global automotive and clear #2 in batteries (most probably behind CATL). But given the increasingly fierce domestic competition in China, I have reduced it to a smaller position in the portfolio. I still believe the upside case is compelling, with international sales more than doubling compared to last year and yielding significantly higher gross margins compared to the domestic market, but the range of outcomes and uncertainty is significantly higher compared to beginning of 2024 when I first bought it for my personal account and middle of 2025, when I established the fund portfolio.

Both Philippine companies in the portfolio carry some currency and geopolitical risk, but they are high-quality, well-run, owner-operated businesses that are deeply undervalued. I keep the currency and geopolitical exposure in check by not allocating more to the Philippines, even though the overall market remains among the cheapest major markets in the world and near a 3-decade low with a LTM P/E ratio of ~10x (while the S&P 500 stands around ~30x).

Performance and portfolio commentary

Time Period	Kronberg Capital (net)	MSCI World (URTH)
3rd Quarter	0.85%	4.89%
4th Quarter	-4.59%	3.20%
2025	-3.85%	8.25%
Total return		
Since inception	-3.85%	8.25%

Greggs and B&M have not played out as expected. I sold both positions in Q4 and will provide more colour on that. Not all investments will turn out well. If they don't, it is paramount to act decisively and cut the losers while letting winners run. When I refer to losers, I mean companies that operationally do not perform as expected. I do not mean positions that simply experience share price declines.

All other investments are on track or exceeding expectations. For most of them, however, this was not yet reflected in their prices at the end of 2025. I expect these investments to take time to play out. A large percentage of our holdings are currently out of favour. It often takes time for the market to recognise underlying improvements and reflect them in the share price, and only so if my thesis proves correct.

I will start by reviewing Greggs and BME and then move to our new holdings.

Gregg - sold position

In Q4 I sold our position in Greggs, the UK food-on-the-go bakery chain famous for its sausage rolls, at a loss. I still view Greggs as a well-run business and a strong British brand. It has continued growing its store count and outperforming competitors in a difficult market. But being the best player in a weak industry is not enough in the long run.

The latest trading updates made it clear that Greggs is increasingly struggling with low same-store-sales-growth (SSSG) in an inflationary cost environment in the UK. When inflation outpaces SSSG, operating margins get squeezed. When I invested, SSSG looked not great but acceptable. Unfortunately, SSSG deteriorated further in the latest trading updates. I lack conviction that the medium-term outlook will improve meaningfully from the recent past, so I exited the position.

The UK macro environment remains challenging and continues to pressure consumers. Inflation has levelled off but stays elevated. The impact of weight-loss drugs on demand for fatty, salty, and sugary foods (which covers most of Greggs' offerings) is hard to quantify precisely, but it is certainly a headwind. I also sized the position too large. Looking back, I would probably still have invested with the information and trends I saw at the time, but I would have sized it smaller.

B&M European Value Retail (BME) – sold position

The other portfolio loser can also be found in the UK, though that is more coincidence. B&M, the discount retailer, fell into my quality opportunistic category with a small position size. I saw it as a flawed business but too cheap to ignore, with dividends (including specials) yielding over 10% and a forward PE below 7x. What could go wrong? As it turned out, more than I anticipated.

The first warning sign came just two weeks after fresh guidance: a significant downgrade, missing costs due to a system change, and the CFO stepping down. I should have sold on that news, but I did not. The next interim report looked gloomy. Revenue grew 4%, but operating profit fell 37% and earnings per share dropped 57%. I expected meaningful declines in profit and earnings, but not to that extent. I sold the position after this report. Going forward, would I invest in a similar business with so many flaws, even at a very low price? No.

AI and software: my view and portfolio positioning

The core of Kronberg Capital's strategy is to buy high-quality companies when they are unpopular or overlooked. This can be due to geographical sentiment, short-term company-specific headwinds, or negative sentiment against an entire industry or group of companies. If expectations are overly pessimistic and things turn out not too bad or even better, shareholders get rewarded. On the other hand, I believe it is too risky to buy the obvious winners and market darlings. These are often priced as if nothing can or will ever go wrong. But things will go wrong at some point in the future, and I prefer to own companies which are not priced for perfection.

The developments over the last year and especially during the last weeks have triggered a wide and relatively undifferentiated sell-off in companies labelled as AI losers. We have established positions in Booking Holdings (BKNG), FactSet (FDS), and Adobe (ADBE). When I take a differentiated view, I believe these don't deserve the strong sell-off and are high-quality companies currently priced at a strong discount.

After the time of writing of the first draft of this letter, the so called "SaaSageddon" hit in the week from 2 February 2026. SaaSageddon refers to the broad-based sell-off across the software sector, driven by fears that AI will erode the business models of established SaaS companies. Our holdings lost significant market value. My approach is not try to time the bottom perfectly. I buy when I believe the price is attractive and offers sufficient margin of safety, but that doesn't insulate the position from further declines. Since then, we have spent significant time reviewing our positions. Regardless of the market reaction, I believe that the investment thesis is intact. The operational and financial results of the companies will show over time if the thesis actually proves to be correct and I will take further decisions based on operational results and the development in the space, not based on the current share price and narrative. I will lay out my current framework on how I think about the impact of AI on software companies, and then explain why I believe our three holdings are well positioned to defend and grow their businesses.

Framework: AI and the software industry

The cost curve is moving down

Costs of writing code will move towards zero and costs for developing, selling and maintaining software solutions will get significantly cheaper. If the cost curve moves down, I expect more competition will emerge and we already can see that in many segments with simple software solutions or apps. It will enable new competitors to offer software with more functionality at a lower price. On the other hand, it also creates opportunity for the incumbents, if managed well. Incumbents who already have established clients, proprietary data and institutional relationships will also be able to develop their software at a faster pace with less manpower.

Seat-based pricing uncertainty

Seat-based pricing or pricing based on the number of users brings uncertainty. If companies can do their work more efficiently with fewer people, the number of licenses and seats needed could be reduced. On the other hand, one can argue that historic precedents point towards growing output instead. When we moved from analogue to digital communication for example, communication grew exponentially. My current view is that it will be neutral for the numbers of seats and I am watching closely how enterprise clients adjust their headcount and software usage.

Vibe-coding is overhyped

There is also the narrative that vibe-coding will lead companies to write their own software instead of buying it. From my own experience I believe this might be the case for some very specific functions which are not covered well by existing software, but I don't believe that companies will start to write their own software for all use cases. Coding and developing is only one part of the equation. Every software needs specification sheets, testing, bug fixes, regular updates and developments. From building our own internal tools at KW-Commerce, I know first-hand that the initial development was often the easy part. The ongoing maintenance, updates and edge-case fixes consumed far more time and resources. Even if coding costs go to zero, the explicit costs (project hours) and implicit costs (opportunity costs, time to market) will make widespread vibe-coding unlikely.

Agents: the bigger question

The bigger uncertainty I see is with agents. Will agents use existing software and just orchestrate the workflows across existing platforms, or will they write their own software in the future? I believe it is hard to tell, but I see it as unlikely that agents will replace incumbents in segments where established SaaS companies have defensible moats. This brings me to the key question: which companies can defend their position and why?

What makes a software company defensible

I believe it comes down to four characteristics, and our holdings score well on several of them.

Proprietary data

Companies that own unique and proprietary data have a moat that AI cannot replicate. An AI competitor can build a better interface, but it cannot replace data that doesn't exist anywhere else.

Ingrained in enterprise and professional workflows

Enterprises and professionals that have worked for years or decades in established workflows show significant institutional inertia. The more likely scenario, which we already see playing out, is that software ingrained in enterprise workflows will be enhanced with AI, without the need for enterprises to change their processes or systems.

High legal and compliance requirements

Would a company be able to vibe-code a simple accounting software? In the near future probably yes. But would a company be able to provide a 100% compliant solution and bear the legal risk? I don't believe so. Regulated industries require certified, auditable and fully compliant software. The liability alone creates a strong moat for incumbents.

Network effects and marketplace dynamics

Companies where entire ecosystems are built around the platform benefit from network effects that become stronger as the platform grows. A marketplace with more participants on both sides is more valuable to every user, which makes it very difficult for a new entrant to replicate, regardless of how cheaply it can write code.

Our holdings

FactSet (FDS)

FactSet has proprietary data as the owner of CUSIP (the provider of unique identifiers for North American securities). Furthermore, it has investment-grade curated data going back decades for the financial industry, enhanced with an increasing live-data set. The way I currently see this playing out is not that FactSet will be replaced but that its institutional-grade data is needed for AI applications. AI assistants for financial services like Claude for Financial Services, for example, can be connected to the FactSet data feed to ensure consistent, reliable data. Beyond the data, FactSet is deeply ingrained in the workflows of financial institutions, where many professionals work on the platform for decades.

Booking Holdings (BKNG)

Booking has the largest inventory in hotels, alternative accommodations, user history and in-depth reviews of each of the accommodations. An AI agent could book an accommodation on the Hilton website for example, but doesn't have the inventory or user history Booking can provide. The more likely scenario I see playing out is that part of the traffic which currently originates from Google or metasearch engines to Booking will be replaced by traffic coming from agents. Booking provides the infrastructure layer for the whole booking system including payments. It benefits from strong network effects: more supply attracts more demand, and more demand attracts more supply. This marketplace dynamic is extremely difficult to replicate.

Adobe (ADBE)

Adobe is heavily ingrained in professional creative workflows. Its creative solutions, which make up roughly 60% of its revenue (the rest is its solutions for marketing and documents), have been used by creatives for decades. Adobe's file formats are the industry standard and its tools are deeply embedded in collaborative workflows across agencies, enterprises and freelancers. The more likely outcome is that Adobe integrates AI into its existing suite, making its users more productive, rather than being displaced by AI-native competitors who would need to rebuild the entire ecosystem from scratch.

Position sizing and final thoughts

I am convinced that all three of our holdings offer very positive asymmetry at current share prices. However, I see a wider range of possible outcomes and scenarios compared to our core holdings, but all with a very positive asymmetry. Therefore, I have sized these positions accordingly, with the overall portfolio exposure to these three names at around 10%.

Moving forward and other thoughts

Going forward, I will write update letters on a half-yearly basis and will publish more in-depth letters on individual investments in between. This allows me to go deeper into the reasoning behind our holdings, so you can follow the development of each thesis over time.

For the portfolio, the broad market remains generally quite expensive, but we continue to find interesting investment ideas at attractive prices. Increasingly, these are off-the-beaten-path ideas, companies that are overlooked because of their geography, size, or the industry they operate in. This is exactly the type of environment where our small size and index-agnostic approach gives us an edge.

With appreciation,

Max Kronberg
Founder & Portfolio Manager
Kronberg Capital VCC – Global Equities

Kronberg Capital Factsheet | 2025

About Kronberg Capital

Max Kronberg, entrepreneur turned investor and portfolio manager, founded Kronberg Capital.

Kronberg Capital invests with a business owner mindset in high-quality companies at attractive valuations.

- #1 or #2 in their industry
- Competent, shareholder-oriented management
- Strong financials
- Proven track record

Alignment With Investors

Kronberg Capital serves as the core of Max Kronberg's personal equity portfolio with ~75% of his equity portfolio invested in Kronberg Capital.

This results in a high proportion of permanent capital with a truly long-term horizon, fully aligned incentives, and no pressure to chase short-term performance or grow assets for the sake of AUM growth.

Net Returns (inception August 25)

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Key Investment Terms

Manager: Pilgrim Partners Asia Limited

Mandate: Global equities, long only

Minimum: 100,000 USD

Share class A1: 1.5% Management Fee

Share class A2: 0.5% Management Fee + 17.5% Performance over 5% hurdle. High-Watermark

Portfolio Statistics

Geography (by sales)

Global: 50.1%
Asia: 39.6%
Europe: 0%
North America: 0%
South America: 10.3%

Category

Growth: 15.4%
Stalwart: 34.2%
Mature: 19.1%
Opportunistic: 8.0%
Cash: 23.3%

Portfolio Metrics

NTM P/E: 15.4x
NTM FCF Yield: 6.3%
ROE: 32.7%
EBIT margin: 35.9%
EBIT/interest expense: 13.6x
Net debt/(EBITDA-CAPEX): 0.2x

Portfolio

A resilient, concentrated portfolio of high-quality companies with low debt.

- Global, with the aim of multi-year long holding periods
- Aiming at 15-20 holdings diversified in regions, industry and category

Top 10 Holdings

Alphabetically:

Adobe (ADBE), Converge (CNVRG), FactSet Research Systems (FDS), Joint Stock Company Kaspi (KSPI), Novo Nordisk (NOVO B), Nu Holdings (NU), Puregold Price Club (PGOLD), Tencent (700), Wise (WISE), Zoetis (ZTS)

Top 5 positions concentration (of NAV): 43%

Top 10 positions concentration (of NAV): 69.6%

Operations

Structure: Singapore VCC

Regulator: Monetary Authority of Singapore (MAS)

Admin: Protege Fund Services

Auditor: CH Assurance PAC

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