



SPORT AND INVESTING (ONCE AGAIN)

Exactly seven years ago, I wrote a letter to shareholders entitled “*Sport and Investing.*” The analogies between these two seemingly unrelated activities comprise one of my favorite themes; I often reflect upon them and look for lessons to be learned. In January, by coincidence, I had the opportunity to deliver a short presentation on this subject at an investment conference called *Ideaweek St. Moritz*, which is organized annually beneath the snow-capped peaks of the Engadin Valley by my good friend John Mihaljevič, founder of MOI Global. It occurred to me then that I could revisit the topic of sports and investing in this letter to shareholders.

What sports and investing have in common...

Sports and investing are governed by the same basic logic. Both are long-term disciplines requiring perseverance, where progress is gradual, daily effort does not yield immediate feedback, and results become apparent only after years have passed. A professional athlete competing in an endurance sport needs to train 700–1,400 hours annually for many years to have a chance of rising to among the elite. That individual’s daily program includes one, two, or sometimes even three training sessions. After a full day of effort, however, the athlete usually has no tangible results to show in the evening. Nevertheless, he or she believes that by persevering and doing the work every day, week, month, and year the results ultimately will come. After several years of regular hard work, that person’s performance will be on a completely different level than at the beginning.

Investing is similar. A typical day for a professional investor usually consists of reading and thinking. On the vast majority of days, the investor also cannot point to any tangible result of his or her work when evening comes. Again, however, the investor, too, is convinced that if he or she wakes up every morning with a desire to learn something new and devotes time to study, analysis, and reflection, then one’s knowledge and experience will gradually accumulate, and, along the way, he or she will find good investments. If an investor looks back after years have passed, that individual may be pleasantly surprised by how much the value of his or her investments has grown.

Success in sports and investing depends on patience, perseverance, discipline, and an ability to endure long periods without tangible rewards. Both activities are largely individual pursuits that require independent thinking and an ability to feel comfortable even outside the crowd. In the short term, chance plays a significant role. This means that effort and skill do not always translate into immediate success, and that means humility also is required. Over time, however, better preparation, consistency, and resilience lead to better average results. Ultimately, both sports and investing reward those who focus not only on today’s victory but also on maintaining health, managing risk, and an ability to compete for many years. Consistency carries more weight than does short-term intensity.

...and how they differ

Despite numerous similarities, sports and investing differ in several fundamental aspects. A professional sports career is inherently short, while an investor’s career can last for several decades. In sports, every race or match starts with a new beginning, and past results have little impact on the



event and its outcome, whereas, in investing, today's results directly determine tomorrow's starting capital thanks to compound interest. A high degree of risk can be an advantage in sports, and bold strategies might lead to victory, but, in investing, excessive risk can have devastating consequences and permanently reduce the value of capital. In sports, a single poor outcome cannot undo, say, 10 years of prior work, whereas in investing, it can. Finally, time has a completely different meaning: missing a single sporting season can represent a significant portion of an athlete's entire career, whereas in investing, sitting out a single year usually has only a minor long-term impact, provided that capital and discipline are maintained.

Investing is best understood as a lifelong discipline. When discussing competitive advantages in investing, people often mention things like better information, sophisticated models, or, these days, an ability to leverage artificial intelligence. However, one important competitive advantage is rarely discussed: the ability to make rational investment decisions over a very long period of time. I consider this to be the key idea underlying this entire topic. Investment returns are ultimately more a byproduct of this sustained performance than its primary driving force. In this sense, health and personal discipline (partly built through activities like sports) become key advantages, because they form a foundation for sound judgment, patience, and resilience. Investing can be understood as a unique kind of sport – a sport with the longest possible career, whose true goal is not to win quickly but to remain capable of competing for decades on end while thinking clearly and allocating capital wisely.

The principle of pain and pleasure

Although one could talk about this topic almost endlessly, I will limit myself to just two specific examples from my own experience. These are two insights I have carried over from sports to investing. The first of these I call the *Principle of Pain and Pleasure* and the second the *Probability of the Next Injury*.

Daily athletic activity inevitably involves a certain amount of pain – sometimes literally, other times only more figuratively. It is important to realize that this pain plays a useful and meaningful role and therefore to approach it as such. It is good to see pleasure in pain, because this propels a person toward one's goal. By applying the pain and pleasure principle, the unpleasant sensations of daily training become mentally linked to future benefits, satisfaction, and positive results. In this way, pain becomes something no longer to be avoided but rather to be accepted as an element of progress. As they say in sports, pain is inevitable, but suffering is a choice, and that choice lies in how we interpret and use that pain.

In investing, pain most often takes the forms of uncertainty, temporary losses, boredom, holding a minority opinion, or acting against prevailing market sentiment. These experiences and feelings are natural and inevitable. Applying the principle of pain and pleasure means mentally linking these unpleasant states to future rewards: returns generated by discipline and underpinned by patience and an investment process that is well thought through. Just as an athlete understands that pain during training builds performance, an investor accepts volatility, downturns, and discomfort as the price paid for long-term capital appreciation.



The key insight is that while pain is inevitable also in investing, an investor who understands the purpose of discomfort perceives it not as destructive but as constructive. This allows an investor to remain calmer, stick to one's strategy, and make rational decisions precisely at moments when most others might falter.

The probability of the next injury

From my own experience, I know that the most likely next injury is the same as the last one. Injuries in sports are rarely random. A runner who once injured a thigh muscle is statistically much more likely to injure it again because the underlying imbalance – in relation to training load, biomechanics, recovery habits – often persists. An injury reveals a structural vulnerability, not an isolated accident.

Investing works the same way. The most likely next sustained loss will stem from the same weakness that caused the previous such loss. When an investor suffers a serious loss, it is rarely due solely to bad luck. It usually reveals a persistent flaw in the decision-making process: for example, excessive leverage, a speculative approach to high stock prices, concentration risk, narrative-driven buying, or an unwillingness to admit mistakes. Unless any such weakness is explicitly identified and corrected, it will become the most likely source also of the next loss.

Markets change, stories change, stock prices change, and yet investor behavior remains remarkably stable. The same habits that led to losses in the past tend to resurface in stressful situations, just as the same group of muscles always fails under strain. In both spheres, long-term success depends less on peak performance than upon recognizing your weaknesses and adjusting your approach to protect that vulnerable area before another failure occurs.

In sports, preventing injury begins with rehabilitation and adjustments to your training regimen. In investing, preventing permanent loss of capital starts with honest analysis and disciplined changes to your processes. Without this, history may not repeat itself exactly, but you'll often find yourself getting hurt in the same place all over again. This is not about avoiding every mistake, but about not repeating the same mistake long enough such that it eventually knocks you out of the game.

Market developments

Now let's shift from an abstract topic to something more concrete: market developments and changes in our portfolio. It is a well-known fact that when not much is happening in the markets, it feels as though time is dragging on more slowly. At other times, a lot is going on and investors feel like time itself has accelerated. That is exactly the feeling evoked by events in the past quarter. Things began to move faster, and even the main themes dominating the markets shifted rapidly. If I were writing this letter at the end of January, I would likely have focused on the topic of artificial intelligence and its influence on future developments. Our view on AI is roughly as follows.

When we think about AI, we are primarily interested in what the next phase of this revolution will look like. Even as recent developments in the stock markets have been dominated by artificial intelligence, this has primarily been in the form of a boom in the building out of AI infrastructure. Technology



companies are investing massive amounts in semiconductors, data centers, cloud platforms, and network capacity. In this phase, the winners are those companies developing these tools. History suggests, however, that the fundamental and long-term economic impact will become apparent only later. Technological revolutions typically unfold in two phases. First, capital is invested in infrastructure. Later, companies use this infrastructure to reorganize entire industries, and the new infrastructure can enable the emergence of companies that did not previously exist. The construction of railroads enabled the emergence of modern logistics. Electrification transformed entire manufacturing sectors. The internet gave rise to digital platforms. In each of these cases, the greatest economic value was captured not by the infrastructure builders but by those companies that used the new technologies to transform the ways they did business.

Artificial intelligence could follow the same path. The next phase of the AI revolution could be driven by the automation of knowledge work. For the first time in history, there is widespread hope that technology will be able to scale up thinking itself – legal analysis, programming, design, financial analysis, and even customer service. This means that the biggest winners of the future may not be tech companies, but traditional sectors such as health care, manufacturing, logistics, finance, and energy, sectors and companies which successfully leverage AI to dramatically increase their efficiency. The current market is focused on building AI infrastructure. The next market cycle may revolve around utilizing AI to transform the economy.

There also exists another possible development scenario that isn't talked about much. It is termed the "paradox of intelligence abundance." This paradox suggests that if intelligence itself becomes extremely inexpensive due to the development of AI, then the economic value of certain information services may collapse. This would shift value toward data ownership, distribution platforms, and tangible assets. Tangible assets, in particular, may be an interesting investment theme for the future. This is something John Mihaljevič has referred to in one of his articles as a shift in investing from 2D to 3D.

Had I been writing this letter at the end of February, the main topic would have been the war in Iran. Armed conflicts do not themselves usually affect the long-term value of high-quality companies so significantly as might seem the case in the early days. What matters is not the war itself, but whether it remains regional or, in this case, escalates into an energy shock. That is precisely what the markets are watching most closely today. Iran is not situated somewhere on the periphery of the global economy but at its energy hub. The Strait of Hormuz is one of the most important arteries of the global oil trade, and therefore any disruption to supplies immediately increases the risk premium in energy prices. More expensive oil then affects not only gasoline and diesel but can spill over into inflation, interest rates, and stock valuations. In our view, however, the current oil price of around \$100 is not high. It only appears that way because it jumped up so quickly. The price remains, however, at a level lower than in the early years of the past decade and, in real terms, even much lower. Only if its price were to rise significantly higher – and, above all, if it were to remain at that level for an extended period – would it begin to have a more pronounced impact on financial markets, economies, and individual sectors. In some cases, these impacts would be positive, in others negative. This could of



course come to pass, even though the forward curve for oil futures contracts does not currently predict a significant and sustained rise in oil prices. In any case, fundamental investment principles remain unchanged for the long-term investor. In the short term, markets are driven by emotions and headlines; in the long term, value is determined by companies' profits, their returns on capital, and their abilities to reinvest that capital wisely. One could even say that the more media coverage an issue receives, the more it is factored into stock prices. Often, too much so.

A few years ago, Warren Buffett recorded one of his conversations with Becky Quick of CNBC. They touched on the topic of investing amid the threat of war, and Buffett said that even if he knew another world war was coming, he would still prioritize buying stocks. He then explained why. Buffett's view can be briefly summarized as follows:

Buffett bases his position on the fact that stocks represent an ownership stake in organic entities that can create value even in times of war, whereas the value of cash, for example, tends to be gradually eroded by inflation. According to him, history repeatedly shows that markets and entire economies can recover even from very severe crises, because what prevail over the long term are human ingenuity, the ability to produce, and economic growth. Moreover, wars typically bring fear and sharp sell-offs to the markets, thereby opening up opportunity to buy quality companies at more favorable prices. Buffett's approach during times of crisis, therefore, does not involve fleeing from stocks, but rather holding strong and resilient companies, exercising caution with regard to debt, maintaining a certain cash reserve, and demonstrating patience and an ability to view panic as an opportunity rather than a reason to sell. Investing ultimately consists of owning productive assets, not reacting to every newspaper headline. Historical experience and data show that economic risks tend to have greater impacts than do geopolitical risks.

During March, another major theme began to dominate the markets – one we have been monitoring internally for just over a year. That theme is private credit. Private credit is a form of financing whereby companies obtain loans directly from nonbank investors (such as investment funds or insurance companies) rather than borrowing from banks or issuing bonds on the public market. These loans are typically nonpublic, individually negotiated, and less liquid, but they often offer investors higher interest rates in exchange for accepting lower liquidity and greater risk. This segment has grown rapidly in recent years (it is currently estimated at \$3 trillion), primarily because banks have faced stricter regulation since the financial crisis and have become more cautious in extending credit. Specialized investment funds are thus gradually taking over part of the banks' traditional role. These funds can provide financing more quickly, more flexibly, and often in larger volumes. The flip side of the coin is that private credit is regulated significantly less strictly than is bank lending. The loans themselves are generally not subject to special regulation. Regulation applies primarily to the fund managers who provide these loans. Unlike banks, these funds are not required to hold capital reserves or meet the strict liquidity requirements of the banking sector. It is precisely this flexibility that is one of the reasons for the rapid growth of private credit in recent years.

This rapid growth is beginning to expose the first weaknesses in this market. Many loans were originated during a period of very cheap money and optimistic assumptions about corporate growth.



Nonbank lenders themselves borrow from banks. They are thus exposed not only to the level of annual interest rates but also to the banks' willingness to continue lending to them. In an environment of higher interest rates, it is now becoming apparent that some companies are facing greater difficulty in repaying their obligations, thereby leading to a growing number of restructurings and expectations of greater defaults. A large portion of private credit consists of loans to technology and software companies, and these sectors could be hit particularly hard. Another issue is limited transparency. Unlike publicly traded bonds, private credit is not priced in an active market, so portfolio values may appear more stable than is the underlying economic reality. A potential weakness, too, is the mismatch between the liquidity demanded by investors and the illiquidity of the loans themselves. These cracks are likely to lead to stricter credit terms and higher yields on new loans. At the same time, they serve as a reminder that private credit is not a risk-free alternative to bonds. Rather, this is a cyclical lending business whose true resilience will be tested primarily during difficult economic times.

Changes in the portfolio

As can be seen, the markets have been very interesting and providing plentiful food for thought. Their volatility has intensified, and with this the frequency at which opportunities are gradually emerging also has increased. We are striving to make the most of this to create value for our portfolio, and, throughout the quarter, we were much more active in the markets than usual. We sold two stock positions: Novo Nordisk and United Rentals.

We had acquired most of our position in Novo Nordisk last summer after the stock's significant year-over-year price decline was compounded by the largest single-day drop in its history. We bought the shares relatively cheaply; their price then began gradually to rise, but, at the same time, Novo Nordisk's financial outlook for the coming years continued to deteriorate. This ultimately dominated our thinking, and we sold the shares. We came to realize that our ability to predict the company's future development was so weak that continuing to hold the shares would amount to pure speculation. We do not invest money in this manner and preferred to move it to where visibility into future developments is much greater.

The reasons for selling United Rentals were different. Nothing in our view of the company has changed. What had changed, however, was its share price. The price had risen so high that holding onto it would yield a low expected return both in absolute terms and in comparison with other stocks we are following. We therefore decided to realize a larger and quicker-than-expected profit and move that money into better opportunities.

Attractive opportunities have been emerging more frequently than in the second half of last year, and, among other things, this has led us to initiate three new positions in the portfolio: Booking Holdings, AJ Bell, and Rightmove.

Booking Holdings probably needs little introduction. We know that many of you use its services regularly. Booking Holdings is a global online travel booking platform headquartered in the U.S. Through its websites and apps, it connects customers with providers of accommodations, airline



tickets, car rentals, and other travel services. The group's best-known brand is Booking.com, one of the world's largest platforms for reserving hotels and short-term accommodations. The group also includes Priceline, Agoda, KAYAK, Rentalcars.com, and OpenTable. Its business model is primarily commission-based; the company collects a fee from every reservation made through its platforms. Thanks to a global network of millions of accommodation properties and a strong brand, the company benefits from significant network effects: the more accommodation options available on the platform, the more customers it attracts, and vice versa. Booking Holdings has long been among the most profitable firms in the travel industry and generates very high free cash flow.

AJ Bell is a British investment platform that enables individual investors to manage their savings and investments online. Through its services, AJ Bell provides clients access to a wide range of investment instruments, primarily stocks, funds, and retirement products. The company operates mainly in the United Kingdom and serves both retail investors and financial advisors. Its business model is founded primarily on fees for account management, trading, and administration. Thanks to its digital platform and low operating costs, AJ Bell can easily scale up by growing the number of its clients and volume of their assets under management. The company is benefiting from the long-term trend of shifting investments from traditional financial institutions to lower-cost online platforms and from households' growing interest in self-directed investing.

Rightmove is the largest online real estate portal in the United Kingdom. It operates a digital marketplace connecting property buyers and renters with real estate agencies, developers, and landlords. The vast majority of residential property listings in the country are concentrated on its platform, making it a key place where people begin their search for housing. The business model is primarily based on fees that real estate agencies and developers pay for advertising and additional marketing services on the platform. Thanks to strong network effects – that is to say, a large number of listings and visitors – Rightmove holds a dominant position in the UK market. The company has low capital intensity, achieves very high margins, and generates significant free cash flow.

From an investment perspective, Booking Holdings, AJ Bell, and Rightmove share several important characteristics. All operate as platforms that connect supply and demand while collecting fees or commissions for doing so. Meanwhile, they do not own the core assets that are sold by way of their services. Booking does not own hotels, Rightmove does not own real estate, and AJ Bell is not a traditional financial institution managing its own investment products. As a result, these are capital-light businesses with high margins and strong ability to generate free cash flow. At the same time, they benefit from network effects. The more users and partners their platforms have, the more valuable they are to all market participants. It is precisely this combination of dominant market position, low capital requirements, and high return on capital that makes them very attractive companies from an investment perspective. We have been tracking all three companies for quite some time, but it wasn't until this year that their share prices reached levels that we found very attractive.

Our activity in the portfolio was not limited solely to selling two companies and buying three. We also were quite active within our existing positions. We made a series of partial shifts of funds from currently more expensive to currently less expensive stocks. This is where market volatility is beautiful



and beneficial. Perhaps it will last a while longer. Even though this presently is bringing temporary decline in the markets and our stock prices, we find joy in this pain and are striving to build value in the portfolio. Some of the companies we own are doing better than we expected, others worse. That will always be the case. The data and our analyses clearly show, however, that the value of the portfolio as a whole is growing solidly and is being driven upward by both the rising profits of individual companies and our transactions. The reflection of rising fundamental stock value in higher stock prices is only a matter of time, as always has been true in the past. In the meantime, companies in our portfolio are taking advantage of lower stock prices to intensify their share buybacks. Companies that regularly buy back their own shares over the long term make up about 90% of our portfolio. When share buybacks are conducted at share prices significantly below their intrinsic values, value is created much more rapidly for those shareholders who continue to hold the stock. Some of our companies report share buybacks on a daily or weekly basis, and it clearly can be seen how lower stock prices have led to significant increase in their buyback volumes. The management teams of these companies see a wider gap between share prices and their intrinsic value. We fully agree with them on this point, and according to our estimates, the intrinsic value of the Vltava Fund portfolio currently exceeds the share prices of our companies by a much wider margin than usual.

Daniel Gladiš, April 2026

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