



Survivor & Thriver Fund, LP

2Q 2025 Investor Letter

"Learning is not memorizing information. Learning is changing your behavior"
— David Senra

Dear Partner,

The Survivor & Thriver Fund was up 19.2% in 2Q and 16.8% in the first half of 2025, net to investors. The S&P 500 gained 11.6% in 2Q and was up 6.2% in the first half, including dividends. Individual partner performance may vary based on subscription timing.

Overview and Outlook

The early part of 2025 was one of the worst starts to a market year since the onset of COVID. After falling over 20% in March and early April, the S&P 500 experienced one of the fastest V-shaped recoveries in history, recovering all its losses by June.

The rally, especially in tech, has been coined "the most hated rally" because US earnings have thus far proven more resilient than bearish economists and market sentiment had predicted.

As a business investor I care far more about disruption and competition than politics or moment-in-time economic conditions. Innovation cycles are decoupling from GDP cycles and the trajectory of technological progress is allowing commercial viability of ideas much faster than at any point in my lifetime.

About half of S&P 500 earnings come from 25 of largest and most globally dominant companies in the world. Within this group are some of the most formidable companies in global business. While smaller, cyclical, lower-quality companies struggle with high interest rates and a sluggish consumer, the durability of the largest stocks in the S&P 500 make the index hard to bet against for any reasonable period of time. This does not necessarily mean that future S&P 500 performance will be as attractive as it has been for the past decade. Why?

As economic fears ease I suspect valuations could become a headwind for many S&P 500 stocks that have more recently been considered safe havens. Over the next decade I suspect that the biggest drag on the S&P 500 will be the stocks that seem to exist to preserve outdated business models as we enter a period of intense technological disruption (and there are many). The safer bet are companies that can somehow remain at the forefront of productivity and efficiency gains at the expense of traditional labor.

The companies that seem riskiest to me are not just old media and combustion engine manufacturers, but also large enterprise software firms that do not own the data they collect and manage. I can imagine that AI will someday disrupt or completely eliminate entire corporate divisions that are today supported by "mission critical" software.

The survivors will most likely be businesses that can collect, own, and leverage highly insightful data. Spotify, YouTube, Amazon, Meta, Tesla, and Caesars Online are examples of businesses with powerful data collection flywheels enabling their products to improve nearly as fast as technology allows.

As a result of rapid technological change we are seeing entire industries being rebuilt from the inside out including automotive and transportation, drug discovery, utilities and energy storage, robotics, manufacturing, commercial building processes and media creation, to name a few.

Even smaller niche industries like casinos are also being transformed. For example, AI inference allows Caesar's gaming apps to analyze a player's behavior and preferences instantly, adjusting game interfaces, bonus structures and difficulty levels. Rather than relying on static segmentation or delayed data, AI models can infer a player's risk appetite, favorite games, or even mood based on session-level signals. This allows for a more personalized product with targeted incentives where the experience is continuously enhanced as the algorithms learn and update.

I'd rather own stocks

The stock market gives us the opportunity to own beneficiaries of structural change that is moving forward regardless of which way the economic winds blow. Owning stocks also allows us to out-compound inflation by not just parking wealth, but growing our purchasing power alongside the fundamental progress of the businesses we own.

Unlike in private investing, we are not constrained by deal flow or special relationships to access a 5x or 25x return idea. We have access to incredible businesses, entrepreneurs, management teams and innovation in nearly every sector. Having access to an endless menu does not mean we won't lose money, but it does greatly improve the chance that a handful of winners that we let run will drive performance over time.

Public markets give us the option to collect companies on the right side history, often at prices below what we would pay if the business was private.

The real price we pay for this package of privileges is the emotional rollercoaster that comes with holding on long enough to play out our hand. This is because the daily liquidity and volatility of public markets is distracting and can lead to bad decisions. The benefit of private investing is that it forces investors to let their winners run until there is a sale, regardless of how concentrated the position becomes to one's net worth.

Morgan Housel said the biggest risk in investing is *distraction*, constantly being pulled in different directions, often mindlessly. Housel says "The cost of all this distraction is not immediate. It shows up over time. In missed compounding. In restlessness. In feeling like you're always moving but not really getting anywhere." I completely agree.

Portfolio Update

"Very few people have gotten rich on their seventh best idea. But a lot of people have gotten rich with their best idea." —Warren Buffett

We are in a business that rewards focus because the bulk of gains over a lifetime come from just a few ideas. Mistakes come from misjudging a coiled spring for dead money which is only visible with hindsight. What we can control is how quickly we adjust to new information and developments that enhance or detract from a company's future earnings power.

In the second quarter we sold a hodgepodge of toe-holds that had never evolved into full positions. Although all were sold for solid gains, the businesses turned out to be more mediocre and challenged than I had hoped. There were no changes to our core holdings in the second quarter.

Spotify – SPOT continues to be our largest position and has been the largest contributor to fund performance for the past two years. The stock was up 71.5% in the first half. After enduring 4 years of underperformance SPOT has delivered a 5.7x return or 27.5% annualized since we initiated the position 6.5 years ago.

The core of our Spotify thesis is that the spoken word (including music) is the most undervalued form of communication on the web, by a country mile. Spotify's business model is to deliver an exceptional search and discovery user experience in exchange for ownership of your real-time behavioral data and a monthly fee for an ad-free Premium Tier.

Similar to YouTube and Meta, Spotify continues to demonstrate that owning consumer attention at scale can be more valuable than owning the content being consumed. While other platforms have been ultra successful at monetizing video, unlocking the value of audio has historically required a different approach. Spotify has made enormous progress in closing the monetization gap between audio and video but we are still very early on this journey.

Gradually, then suddenly

Spotify recently got an important boost to future earnings power after winning its years-long fight with Apple. On June 4th the U.S. Ninth Circuit Appeals Court ruled that Apple must immediately comply with [Judge Rogers's April 2025 finding](#) that Apple must allow Spotify to direct users to external payment options.

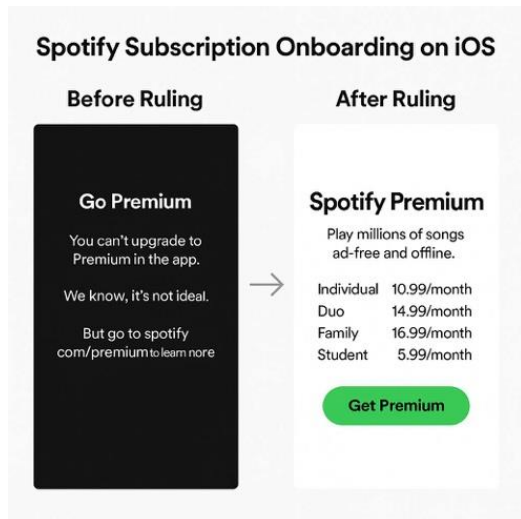
Similar to the US ruling, on June 26 Apple released new EU App Store terms to comply with the EU's Digital Markets Act. Developers like Spotify can now include in-app links to external websites and services. A new tiered fee structure was introduced, including a 2% fee on new-user acquisitions and optional service levels at 5% or 13%. Apple also replaced its per-download fee with a 5% Core Technology Commission on external purchases, effective fully by January 1, 2026.¹

Spotify can now directly communicate and bill its U.S. and EU consumers for any Spotify service without the friction that existed before. With 60% iPhone penetration in the U.S. and 35% in the EU, this is a big deal for the next leg of Spotify's growth trajectory.

Prior to the ruling, Spotify, like all third-party apps, was not able to offer subscriptions or payment for services without it going through the Apple App Store.

Not only would the App Store charge a 15%+ fee but it prevented Spotify from having a direct billing relationship with their users. This prevented Spotify from offering in-app promotions, marketing new products and better controlling churn.

¹ Apple corporate https://developer.apple.com/news/?id=awedznci&utm_source=chatgpt.com



For years, the process to get Spotify premium in iOS went something like this:

- 1) download the ad-supported Spotify app in the App Store,
- 2) go to an internet browser and create a Spotify account including proof of email link,
- 3) input a credit card,
- 4) log back in to the Spotify app on the iPhone with paid credentials.

Apple had also been unfairly prioritizing Apple Music as the default option for music while making the process to subscribe to outside services like Spotify very cumbersome. In 2016 Spotify removed the Premium subscription option from the App Store.

As of June 4th, Spotify's ~145M U.S. users will be able to directly purchase anything Spotify wants to sell using a one-click link within the app, including upgrading to the Premium subscription and audiobook credits while not paying the App Store a 15% commission.

EU vs US App Store ruling differences		
Feature	EU (DMA-driven)	US (Court-mandated)
Link transparency	Allowed, but subject to Apple's new fee regime	Mandatory, with no external commission allowed
Apple fees	2% acquisition + 5%/13% service + 5% CTC on externals	Prohibited—Apple cannot charge external purchases
Enforcement	Monitored by EU Commission, Apple appealing	Enforced under federal contempt order
Spotify's gain	Legal ability to price/link, but faces fees	Frictionless external transactions now permitted

* JDP research, ChatGPT

Impact to future earnings power

Direct billing is the next tool in Spotify's tool kit to continue unlocking the value of spoken word.

The first benefit will be lower churn from a reduction in friction to sign up and maintain Premium subscribers. Direct billing on Apple will also allow Spotify to seamlessly sell credits for audio books and access to third party services like Skillshare, BBC Maestro, PLAYvirtuoso, Duolingo and Thinkific on its new educational services business (coming to the US soon).

Spotify can now evolve faster into a grown-up marketplace platform allowing artists, authors, podcast creators, and content owners of all walks of life to directly monetize their audiences with products and services. Currently, advertising and related revenues represent only ~10% of Spotify's total revenue, or approximately €2 billion, versus \$25+ billion for YouTube and \$180+ billion for Meta.

With Spotify's user base projected to surpass 1 billion within the next 18 months, the runway for scaled advertising monetization is substantial.

At roughly 30x our estimate of 2026 EBITDA Spotify's valuation is optically expensive, as it has been the entire time we've owned it. However, looking out over the next few years, SPOT'S \$145 billion valuation today will look cheap if management can even get close to achieving their goal of €20 billion of operating earnings with minimal incremental capital invested.

China Basket - Our China basket returned approximately +20% in the first half driven by a gradual improvement in investor sentiment toward Chinese equities, especially in tech. Depressed valuations and very underappreciated earnings power helped us get over our initial hesitation towards buying China.

Our China exposure was a drag on fund performance in 2023 and early 2024, as Western capital largely avoided the market while the S&P recovered sharply from the 2022 downturn. However, we believed the risk-reward setup was asymmetric, with investor exposure near historic lows and fundamentals improving.

A notable inflection occurred in March 2025 when sentiment toward Chinese AI shifted meaningfully. Chinese LLM DeepSeek briefly became [the most downloaded app](#) in the U.S. App Store, a signal that domestic models were catching up faster to U.S. benchmarks than the market had priced in. This drove a re-rating in Chinese tech, as investors began to reassess the long-term structural growth potential without access leading Nvidia GPUs.

Beyond near-term earnings, large Chinese tech companies often hold substantial stakes in other leading tech companies that they once funded. Alibaba (BABA), for instance, trades at a ~\$270 billion market cap but holds ~\$85 billion in equity investments on its balance sheet. This includes a 33% stake in Ant Group, regarded as China's dominant fintech platform and often compared to a combination of Amazon, Visa, and PayPal. If Ant were to IPO at the roughly \$200+ billion estimated valuation, Alibaba's stake would be worth ~\$60 billion, or about 25% of its current market capitalization. While Alibaba's core e-commerce growth is under pressure, the balance sheet holdings are attractive enough to *help* justify a doubling of BABA over a reasonable period of time.

Looking ahead, Chinese tech is still too attractive to ignore especially compared to US indexes. Based on our internal estimates, our China basket is selling for about 12x operating earnings, excluding balance sheet investments and cash, and growing those earnings 1.5x to 2x faster than Chinese GDP.

New position - CATL - ChiNext 300750.SZ

We recently added CATL (Contemporary Amperex Technology Co. Limited) to our China basket. CATL is the largest EV battery producer with 40% of the global EV battery market.² CATL is also the second largest manufacturer of utility-scale batteries or Energy Storage Systems used for managing power generation.

CATL is at the epicenter of the energy transition megatrend that includes the electrification of transportation, grid storage, and supporting these supply chains. Along with Tesla, CATL is positioned to capture an outsized share of this transition.

² CATL 2024 prospectus, JDP estimates

More specifically, CATL is a leader in developing the battery technology infrastructure used by OEMs and utilities. With an already deep integration into EV OEMs and a growing presence in utility-scale energy storage in and outside China, CATL is the proven go-to supplier for next-gen battery technology. On the EV side, CATL has partnerships with nearly all of the vehicle OEMs in China and many in the US and Europe including BMW, Ford, Tesla, Mercedes, VW, Hyundai, Honda, Stellantis and Toyota.

Battery technology is the linchpin for EV adoption

The adoption of EV and renewable energy storage is dependent on advancements in battery technology to drive down costs and improve efficiency. For most EVs the battery is the most expensive component at about 40% of vehicle cost. Charging times and range are also major factors in converting consumers from gasoline to electric. I think it is just a matter of time before we see EVs outside of China with 1,000+ miles of range that can charge in 5 minutes, for less than the price of a mid-range gas car. CATL is helping to make this a reality for OEMs without the expertise and scale to do it themselves.

Improvements in energy density, cost per kilowatt-hour, durability and charging speed are evolving quickly. As battery technology has improved, the price for a lithium-ion battery pack has fallen ~90% since 2010 and projected to fall by another 40% to 50% by 2026. Improving battery performance also reduces the cost of EV ownership.

Last year McKinsey estimated that annual demand for batteries would exceed \$200 billion per year if global EV penetration hit just 30%.³

Excluding China, fully electric + hybrid vehicle penetration in 2024 was estimated to be 12% to 15% of the ~50 million vehicles sold. Within China, the IEA estimates that a third of vehicles sold in 2025 will be fully electric, and 60% will be a combination of hybrids and fully electric, about 20 million vehicles. It is likely that nearly all of China's 35+ million new cars sold annually will have an EV battery within 5 years.⁴

Technology, Software & Scale

CATL is not only the largest fully integrated manufacturer of batteries but a leader in software and systems. New product examples from the [2025 Hong Kong listing prospectus](#) include:

- Shenxing Superfast Charging Battery - a new LFP battery that charges up to 80% in 10 minutes on a high voltage charger.
- Qilin Battery (CTP 3.0 Platform) - CATL's third-generation Cell-to-Pack architecture that integrates cells directly into the vehicle chassis maximizes energy density and simplifies pack integration reducing manufacturing complexity for automakers.
- EVOGO Battery Swap Solution - Modular battery swapping platform using "Choco-SEB" that standardizes pack design for infrastructure + software integration.

³ McKinsey & Co., EV Battery Market Outlook, 2024

⁴ JDP estimates

- Thermal Propagation Prevention Architecture - Multilayer safety system for thermal runaway prevention in large packs for isolating failing cells in high-energy systems.
- Battery Management System (BMS) Software - monitoring, diagnostics and OTA updates enabling adaptive learning, predictive maintenance, and vehicle-pack synchronization.

Rise of the Virtual Power Plant

As improvements in battery tech unlocks electrification we will also see the "batteries + software" stack not just replace fossil fuel utility generators, but lead to the growth of virtual power plants. Today 60% of global power generation comes coal and gas, 30% from all renewables and 10% from nuclear.

Virtual Power Plants (VPPs) are digital platforms that orchestrate decentralized energy assets such as home batteries, electric vehicles, rooftop solar, and industrial flexible loads to act like a traditional power plant. Managed by software, these groups of assets can be linked together virtually to replace centralized fossil fuel power stations.

Power grids have historically used natural gas-fired power stations or "peaker plants" to meet electricity demand during peak usage periods. These plants are expensive to build and operate at low utilization rates making them highly inefficient. Peaker plants are often idle 90%+ of the time and activated only during the hottest or most energy-intensive hours. On the other hand, VPPs leverage underused distributed energy resources to achieve similar grid services at a fraction of the cost.

VPPs save money by reducing peaker capacity, deferring grid upgrades, and using AI to manage loads. In regulated markets, utilities can reduce consumer costs by tens of millions of dollars annually today. For example, Vermont's Green Mountain Power reported [\\$3 million in saving in 2022](#) using a VPP strategy where power from home batteries like the Tesla Power Wall replaced gas plants during a flood. As VPPs grow over the next decade so will the amount of money they save.

Tesla, CATL's primary competitor in energy storage outside of China, sells their Autobidder platform which connects distributed Powerwall batteries into VPPs in California, Texas, and Australia. Consumers are then able to supply power back to their local grid (virtual or not) which reduces their energy costs while managing for peak loads. In [South Australia, Tesla's VPP](#) manages over 4,000 homes and has plans to expand to 50,000, offering reliable peaking services during high-demand periods. In Texas, Tesla [enrolled Powerwall users](#) into ERCOT's market in 2023, becoming one of the first VPPs in the U.S. to engage in real-time wholesale electricity dispatch.

Outside the US and China, CATL has become a major player in Europe after winning large battery storage projects in [Germany and Hungary in 2022](#). According to a recent [Battery Chronicle article](#), CATL has leapfrogged its position in Europe with the launch of the TENER Stack in 2025. Quote: "This is the world's first 9 MWh energy storage system (ESS) designed for mass production and marks CATL's deepening push beyond the electric vehicle (EV) battery space into grid-scale infrastructure." A few points from the article that I found interesting:

- CATL's TENER configuration enhances energy density and land-use efficiency compared to traditional 20-foot container systems, while also reducing transport and

installation costs. CATL claims the system can deliver five years of zero degradation, though its CTO, Hank Zhou, notes that longer durability is technically feasible but not cost-effective at current market prices.

- CATL shipped over 110 GWh of batteries for Energy Storage Systems (ESS) applications or about 38% of global market share, according to SNE Research. The European ESS sector is trending toward larger-scale storage systems and CATL's 9 MWh solution now sets a new benchmark, outpacing rivals such as Fluence, Envision, and IPS.
- CATL's supply chain strength in China is allowing the company to win business in Europe [price + leading tech]. Many non-Chinese competitors like Panasonic have exited the ESS space altogether, and others like LG Energy Solution, are trying to compete by building production facilities in Europe. LG recently signed a 981 MWh supply agreement with Poland's PGE, with manufacturing based in Wrocław.

Unconventional background, unconventional risks, unconventional upside

Aside from all this bullish commentary there are obvious geopolitical risks to owning CATL. The company benefits from a partnership with the Chinese government allowing privileged access to China's lithium, cobalt, nickel, manganese and graphite mines at home and in Africa. The US Department of Defense has also [added CATL to its list of Chinese military companies](#) which could limit its growth in the US and certain other countries.

CATL exists because of extraordinary financial and political subsidies for EV and battery manufacturers that began in the early 2000s when China decided to go all-in on the electrification of the country. Between 2009 and 2022 China invested over \$57 billion in subsidies across its EV and battery supply chains. Much of this funding was channeled into a handful of homegrown champions like CATL led by entrepreneurs that could build mega businesses. China has now phased out many of the original direct EV-related subsidies leaving a handful of winners like CATL profitable and financially self-sustaining.

While CATL's history and strategic advantages may seem unconventional from a Western perspective, the company has consistently demonstrated its ability to innovate and capture market share in battery technology.

Although the stock is up over 18x since IPO in 2018, its valuation on the ChiNext exchange (300750.SZ) of about \$150 billion USD is still only 10x our estimate of 2026 operating earnings. Looking out to 2030, operating earnings could be closer to \$25+ billion with IP licensing driving higher margins and better returns on capital. CATL also has no net debt.

The stock's low valuation is compelling even if a portion of current revenue in China may be at risk without ongoing EV subsidies. Given the trajectory of CATL's battery technology and what it means for EV adoption, the stock could be a multibagger opportunity over the next several years.

Closing remarks

The market's recovery in the second quarter might have felt highly probable, but the timing and speed was unknowable. This is why simply staying invested in companies you believe in is one of the greatest advantages you can have as an investor.

While I don't anticipate as much excitement in the second half of the year as we had in the second quarter, there is plenty of upside in our portfolio. Our outperformance in the first half included a significant drag from about 40% of our assets that ranged from flat to down 20%.

These underperforming stocks did not participate in the 2Q rebound despite strong guidance from management earlier in the year that aligns with directional progress that we can track. I would not be surprised to see this group do well through yearend, especially if we get a rate cut.

The majority of my family's net worth is invested alongside yours. Thank you for your trust and support.

Sincerely,

Jeremy Deal