

12.10.21

Dear Investor,

I begin with a brief overview of some of our existing holdings holding. You will find additional detail in the previous Q2 letter.

Rimini Street "RMNI"

Rimini Street continues signing new clients, whilst also upselling and lengthening contracts with its existing customers. Rimini also strengthened its balance sheet by redeeming its high yield preferred shares with a senior secured credit facility at much lower rates. I mentioned previously that I expect Rimini to be valued at no less than \$3billion by year 2026, this would equate to a minimum of 3X from current prices.

Franklin Covey "FC"

FC recently released a book Master Mentors, features the best and brightest insights gleaned from interviews with some of the most brilliant business minds and thought leaders.

On Franklin Covey's 'On Leadership with Scott Miller podcast', the world's largest and fastest-growing weekly leadership podcast. 2nd quarter earnings came in higher than management expectations and increased its full 2021 guidance. 3rd quarter results will be released within the next couple of weeks, and I look forward to continued positive results and guidance. FC was purchased at appx 16x Ebitda 2021 figures and I believe it to be worth 20x of 2023 figures. Management have also mentioned they intend to create this into a \$1Billion dollar company, against a current value of appx \$560million

KASPI "KSPI"

Further to my comments in Q2, Kaspi entered into an agreement to acquire 100% of Portmone Group, a payment company in Ukraine. Portmone's payment licenses and substantial merchant and bank relationships, give Kaspi the advantage of deploying its technology immediately, rather than applying for all the necessary required licences and working its way through the bureaucracy.

There were potential Anti-Monopoly concerns though Kaspi has received all necessary approvals and completed the acquisition this week.

Kazakhstan's population is circa 18 Million. With the approval to enter Ukraine, Kaspi will expand its footprint to the Ukrainian population of ~40 million. This increases Kaspi's total addressable market to over 60 million customers. I am very much looking forward to Kaspi's future. FY21 guidance values Kaspi at 22x earnings, not bad for a company growing close to triple digits year over year.

Berkshire Hathaway "BRK"

Since investing in Berkshire the stock price has not moved. The initial investment thesis was based on cash management, and I do not view this as a permanent investment, but to hold some capital here until I am able to invest in other undervalued companies. This is a company that consistently increases shareholder value year over year albeit at a slower pace than other companies that we are invested in.

North Media "NORTHM"

NorthM recently issued its 3rd quarter earnings figures and increased its full year earnings guidance. The stock is hovering at or above the initial purchase price, though the assets are of high quality and management are growing, the smaller yet higher growth businesses at 20%+ per year over the next 3 years,

"Rule number 1: Never lose money. Rule number 2: Don't forget rule number 1."

Kambi

I invested in a company based in Sweden called Kambi.

Kambi is the industry's leading, independent provider of premium sports betting and technology services. Through its data-driven sportsbook core and flexible technology, Kambi provides a market-leading sportsbook experience. Its clients are sport betting houses be it land based & online, and Casinos.

After completing my research, I purchased stock in early June for an average of 410 SEK per share. In mid-August Kambi released some devastating news. Its largest client would not be renewing its multi-year contract, and to add insult to injury, the 'client' would be purchasing a direct competitor of Kambi, in order to vertically control all its systems and technology.

I sold the shares at an average of 220 SEK per share. This reduced your overall performance by approximately 4.5% to date. (Trust me it hurts too)

A large part of Kambi's revenue originated from 3 customers. Concentration risk is something that should never be ignored. On this occasion I was more lax, due to the customers being locked into multi-year contracts as far out as 2024 and Kambi offering a superior product compared to competitors. I should have stuck to my principles. Clearly the superior tech was not enough for clients to stay. Lesson learnt.

NEW Position

JDC Group AG "JDC"

Based in Germany, JDC operates in two sectors. Advisory & Advisortech

- Advisory - is essentially a group of financial advisors serving, retail clients offering services tailored to each individual's specific situation, covering insurance, investment, and financial products.
- Advisortech - is the segment that is of interest to us. JDC has invested over 50million Euros to date in platform technology.

A little background:

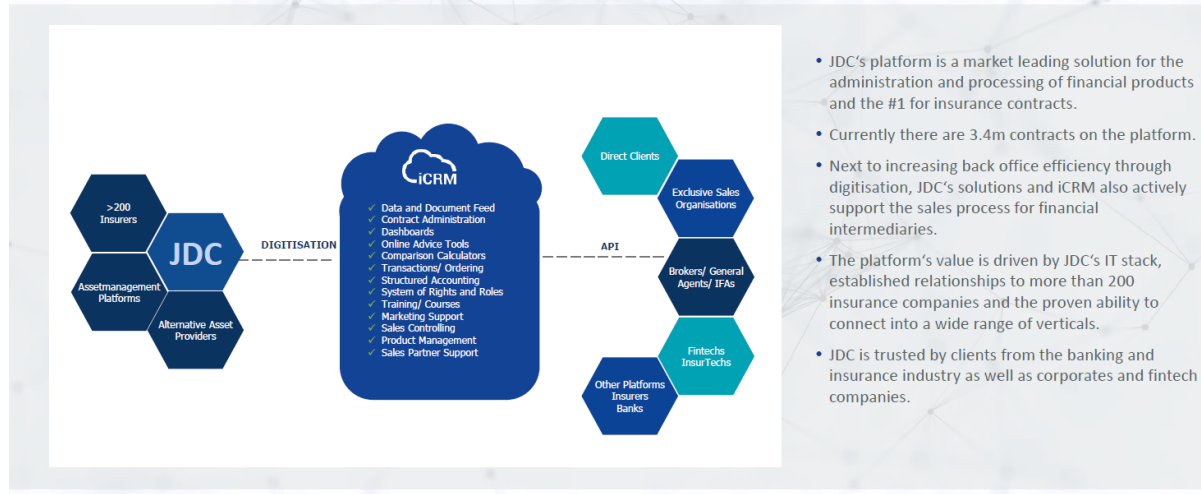
Insurance in Germany is big business. 41.5 million German households hold more than 10 contracts on average, and they pay intermediaries more than 350 Eur in annual commissions. The total commission paid to intermediaries in 2019 was 17Bn Eur just in the P&C (Property & Casualty) segment.

Despite insurance being a large industry, the process for insurers/brokers/intermediaries remains a very manual process.

JDC have solved this by creating an insurtech platform (see below) which benefits the insurer, brokers & consumer. JDC as an InsurTech company is bridging the gap between what policyholders would expect from their insurance companies and what the brokers can currently deliver (personal service). JDC win most/all tenders because they have a turnkey solution from the digital front end, wallets, price comparison, apps and more. They also have the back-office solutions required for data processing, legal, regulatory, compliance commission distribution etc.

The iCRM has collated all the necessary documents, contracts etc from over 200 insurers on the platform thus eliminating the manual processes of the intermediaries.

PLATFORM TECHNOLOGY
MAKING GERMAN INSURANCE DIGITAL

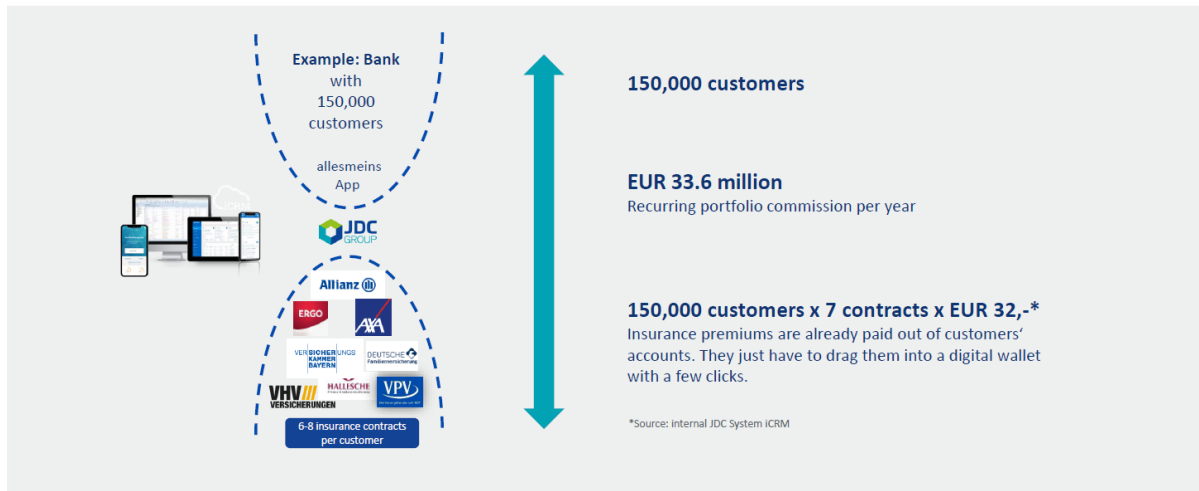


As an example: (see visual below)

Prior to the platform a Bank, who acts as agent for selling insurance, would go through the manual process, but they would receive their full commission from the insurers. Now with the insurtech platform, they sell the same policies, but eliminate all the previous manual processes. This saves time and cost, and for this process the Banks/intermediaries are willing to split their commissions with JDP, where JDP received 25-30%. Its simply more cost effective for them to give out 20-30 % of their commission in exchange for taking care of all the administrative burdens. This is a phenomenal sticky business: The broker/intermediary uses the platform to its advantage.



AGGREGATION BUSINESS MODEL
INSURANCE AS THE OPPORTUNITY



July 8, 2021

JDC Group AG

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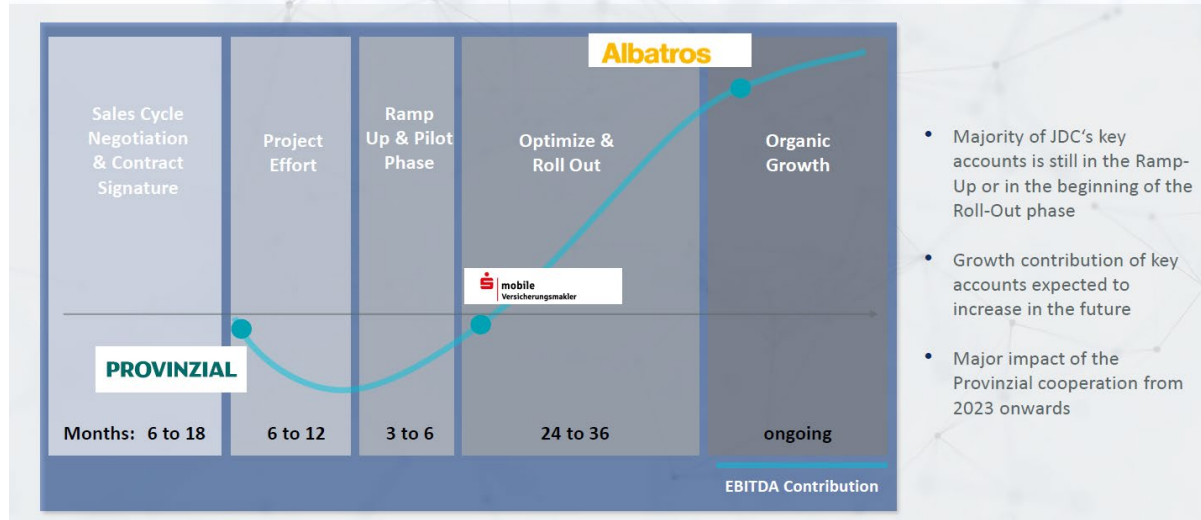
JDC also offers all intermediaries a white label offering of the platform.

Most consumers purchase insurance via their personal financial advisor and do not like to purchase policies via direct online channels. They enjoy/trust the human interaction and previously this was an arduous manual process, but now the insurtech platform allows for a more personal yet effective process for the consumer.

Below you will see the cycle from initial stage of onboarding a large insurer to optimisation stage could be at least 24 months until most or all of their customers insurance policies is processed and settled via JDC platform. Multiyear contracts are signed, giving management and investors a clear outlook of future expected revenue.

LIFE CYCLE OF JDC'S KEY ACCOUNTS

THREE EXAMPLES



Initial guidance for year 2021 was revenue between €135- €142M Euro. Recently management revised their guidance to €140- €145M Euro. Management's goal by year 2025 is to double revenue (€300M) and Ebitda to multiply numerous times from the current €8M Euro run rate.

I feel this easily achieving due to the economies of scale and sticky business model. Most of the capital expenditure is behind us. Competition is at least 12/18 months behind.

Importantly Management is best in class. They own appx 11.5% of the company and recently repurchased 3.5% of the company during Covid at share prices of appx €6 Euro each. Currently the share price is north of €25Euro. Most healthy cash rich companies temporarily halted their share backs in this period.

Finally, a warm welcome to the new investors that joined WCM this past quarter, and I thank you all for trusting me to invest your capital alongside my own. For those that would like to join or know someone who is interested to learn more about WCM can contact me directly at an@wellspringcapital.co.uk

I look forward to issuing my next letter later early 2022. Please contact me if you have any questions.

All the best.

Avrohom Neumann

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