

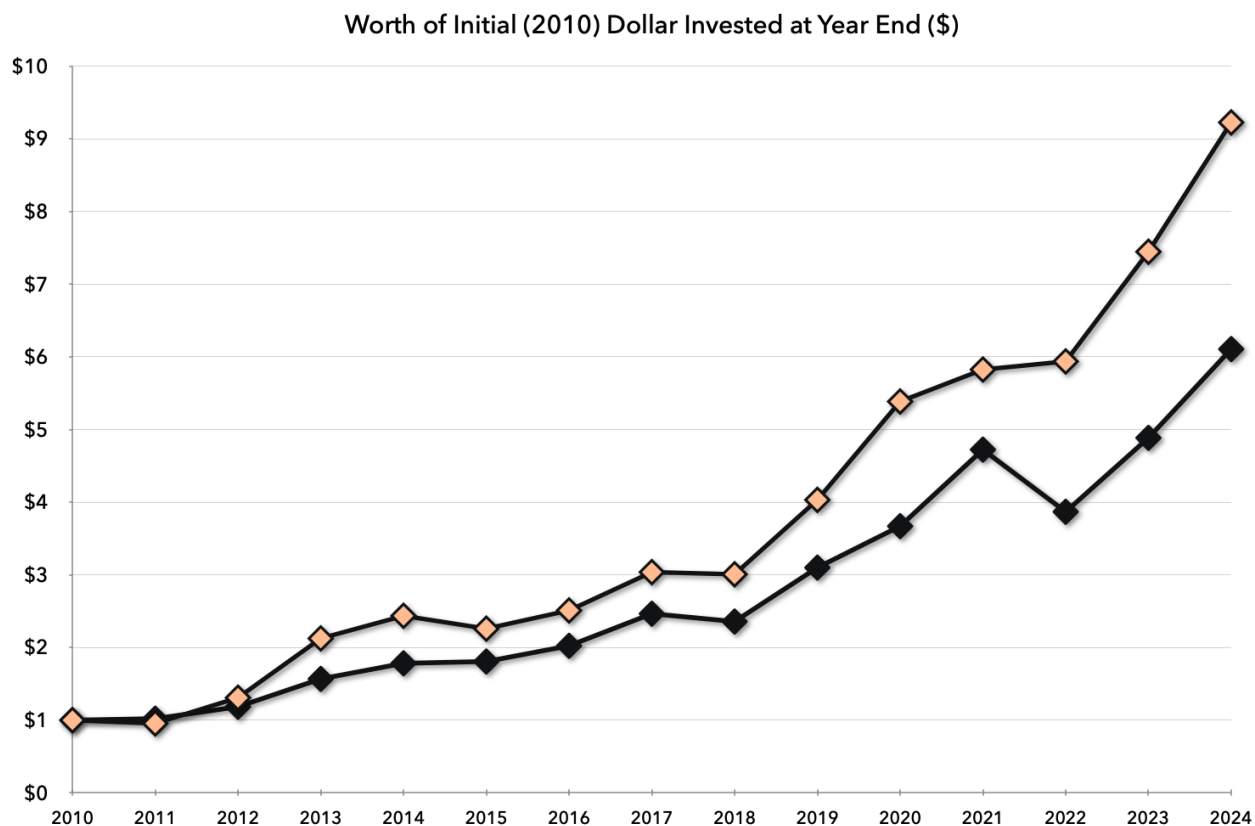
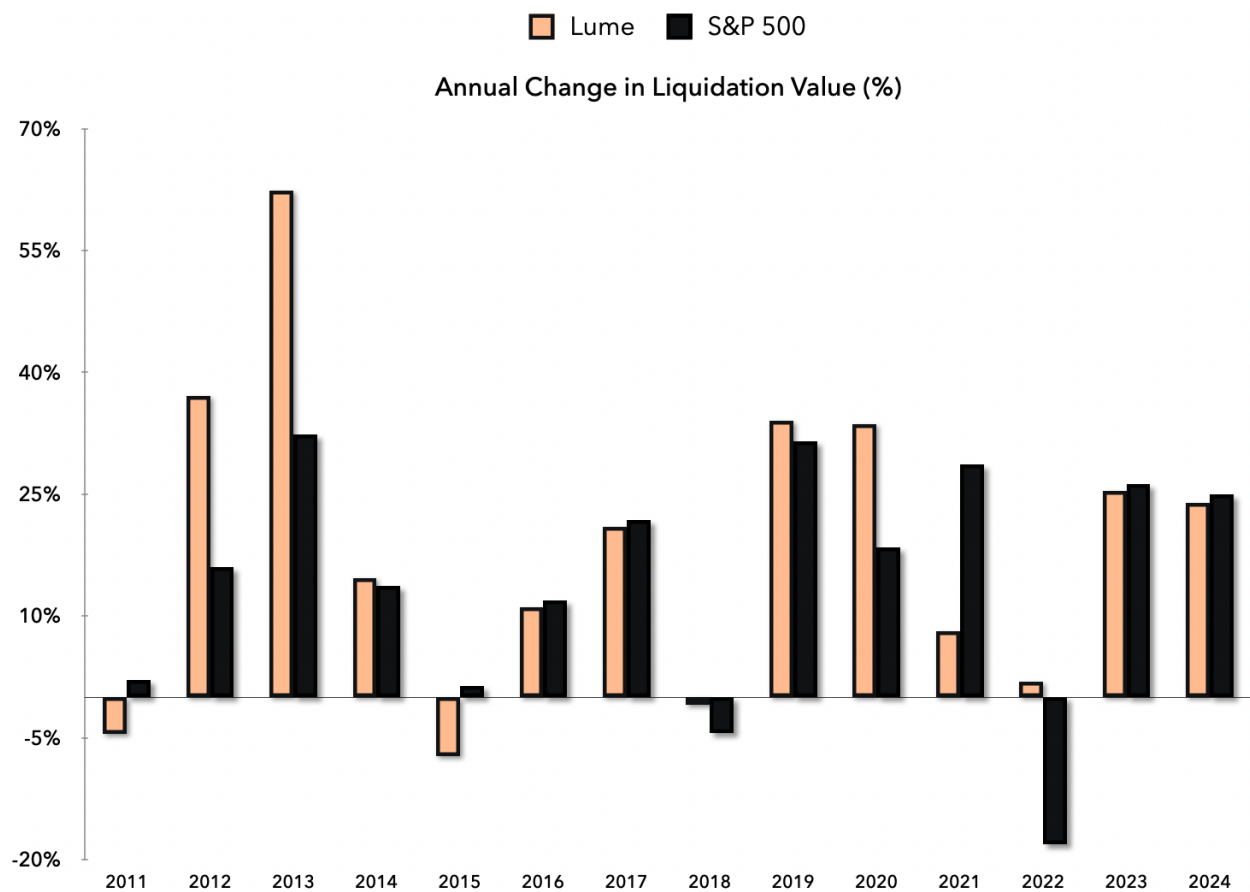


# Lume Group

2024 Annual Report

*"I took care not only to be in reality industrious and frugal,  
but to avoid all appearances of the contrary."*

– Ben Franklin



All figures pretax.

April 2, 2025

Lume Group's net liquidation value grew 23.9% in 2024, compared with a total return of 25.0% for the S&P 500. Over fourteen years, Lume's CAGR was 17.2% (versus 13.8% for the S&P), meaning that each dollar invested at the end of 2010 was worth \$9.23 at year end 2024 on a pretax basis.

## **Gone Abroad**

U.S. equities continued to perform in extraordinary fashion last year. As the year progressed, I began shifting capital abroad: to Japan, Western Europe, and Canada. This shifting has continued into 2025.

This was not my initial intent, but rather something that occurred due to scarcity at home. Valuations of U.S. stocks are at levels greater than what I am willing to pay (with few exceptions). Meanwhile, there are many undervalued and ignored opportunities I've found abroad.

Overseas stock markets have significantly underperformed relative to the U.S. for long stretches. Investors around the world have noticed, sending their own capital to our shores and buying up our stocks (especially the "Magnificent" ones). Reflexivity amplified the phenomenon as rising prices drove sentiment in American stocks higher, drawing in even more capital from around the world.

An early 2024 Wall Street Journal headline, "Invest in America, Live in Europe", is a mantra that is revealing of the times. I, on the other hand, am doing the exact opposite.

My Japanese equity purchases include some Yen borrowings due to corresponding low interest rates. Most of my Japanese investments

compensate me with dividends that are higher than the rate paid to borrow Yen. Some of my Japanese investments and all of my remaining foreign investments are not funded with borrowed currency, which means Lume's performance (which is measured in dollars) is exposed to fluctuations in these currencies relative to the U.S. dollar.

## **"Workouts"**

Because of the rich valuations that abound, more of my time has been spent on not just foreign equities, but special situations and similar nontraditional investments. A lot of these are in the style of what Warren Buffett referred to as "workouts" early in his career. These sometimes come with a learning curve and require extra caution as I may be venturing into unknown territory. Mistakes will still be made, but if my process is correct, the successes will more than outweigh the duds.

## **Conclusion**

Domestic equities may have gotten away from me, but I'll keep on the same path and strive to learn, adapt, and avoid making foolish mistakes. Though I am more flexible with respect to geography and the kinds of situations I pursue, I will not be compelled to invest when the underlying facts do not make sense to me. The results borne through the passage of time will be the ultimate verdict on my approach.

Signed,

*P. Dalal*