

A world of pure imagination

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Like many classic stories, Roald Dahl's *Charlie and the Chocolate Factory* illustrates simple rules that map surprisingly well onto markets. Investors and the children in Dahl's book are essentially chasing the same thing: chocolate in one case, returns in the other. The goal is the same but what separates winners from losers is the path they take to reach it.

Each child's behaviour leads directly to an appropriate outcome: Augustus Gloop's greed literally drags him into the machinery, while Charlie's humility, thoughtfulness and unassuming nature earn him the keys to the factory. Patience and modesty are usually rewarded over time; greed and the relentless hunt for quick wins tend to end badly.

This is the lens through which we view investments like Orion and Ülker, two prominent confectionery businesses operating in Asia and Turkey.

Orion and Ülker¹ – quietly compounding in confectionary

Orion and Ülker hold strong market positions in their respective regions supported by well-established brands that have been successfully distributed locally over many years.

What makes these investments attractive in our view is not the pursuit of innovation but the stability of proven business models; these companies only need to keep doing what they have mastered for years to guarantee strong returns for shareholders.

We like these companies because they offer dependable, enduring products with broad appeal that customers value in their everyday lives. While consumer preferences can shift over time, both Orion and Ülker have demonstrated consistent popularity and strong value-for-money perceptions over many years; we see no reason to expect this to change anytime soon.

Anecdotal, Orion's famous Choco Pie, a chocolate-covered, marshmallow-filled snack that dominates the Asian market, has become so popular regionally that some economists and analysts have playfully suggested establishing a 'Choco Pie Index', similar to the Big Mac Index, to reflect consumer spending and economic patterns across Asia.

Stable demand and pricing power

The strong demand for these snacks and their relatively affordable pricing allows both companies to handle fluctuations in raw material costs efficiently, by adjusting prices, when necessary, to protect margins without compromising sales. For example, Ülker managed to maintain a compounded annual growth rate of volumes of approximately 1.3% over the past four years despite hyperinflationary currency pressures that drove average selling prices up by about 70% per annum during the same period (2021-2025)².

In a normalised base case, we estimate that both companies are trading at single-digit PE ratios, implying an earnings yield above 10%. Both companies are financially robust, with strong balance sheets that position them well to withstand potential

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² Company financials, Redwheel, May 2026

downturns or market vulnerabilities. In the case of Orion, a stake in LigaChem Biosciences trading on the market for a value equivalent to over 30% of Orion's market capitalisation³, adds an extra layer of financial strength.

Both companies have well-established brands and are deeply rooted in carefully selected regions, whose tastes and marketing dynamics they know well and where they already enjoy strong reputations. They are not rushing into markets with very different preferences or risking capital on potentially unprofitable expansions. Orion, the more geographically diversified of the two, is instead building its Indian presence slowly and cautiously through organic, tightly controlled investment, combining imported or adapted Korean hero brands with India-specific products and formulations to ultimately reach a very broad customer base.

Excitement vs endurance

Selling chocolate bars and pastries might not sound as thrilling as creating the next world-changing AI model, but the risks involved in pursuing that path are more than we're ready to take on. Chocolates, on the other hand, are timeless favourites - simple, dependable, and something people will keep buying which makes the business models of the producers sustainable.

The recent increase in equity market valuations has largely been driven by large growth stocks, fuelled by low-cost capital, rapid technological advances, and early optimism surrounding emerging technologies. This heavy concentration in large growth companies - whose valuations are particularly sensitive to reflexive dynamics due to their distant earnings - has effectively absorbed much of the market's overall equity risk premium, setting up an interesting test for investors.

For many investors, value investing may appear less exciting than growth investing, which is a perfectly valid view and approach to the markets. However, history shows that, over time, the ability to identify and invest in companies capable of delivering returns above the risk-free rate remains one of the most effective ways to build long-term wealth. A meaningful test for the markets is now approaching, as we enter a period where risky assets are offering returns comparable or in some cases lower than those of risk-free instruments.

As we wait to see how this plays out, we can be certain of one thing: people will keep eating chocolate.

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³ Bloomberg, May 2026

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