
Finally at the back half of the rollercoaster?

It's been 2 years since we launched...back when Covid had just hit us, and the doomsayers were even higher numbers than they are today. On the eve of the 2020 election, we set our sights on a clear vision. To achieve investment returns uniquely and appropriately. Our inflation hedge has been our top savior these past 24 months, our land in Travis County. While recessions may impact housing prices, stocks, and others. Ironically land is less impacted, given its price is already so low with less room for variance and with absurdly low tax rates land is just a store of value. Houses are driven by compounding factors, including emotions and financial conditions of borrowers, not to mention leverage. I think people are still buying homes at 3% down, all our deals/acquisitions (so far) have been at 100% down but our minimum threshold for deals is 30% down. Realistically, if you put 3% down on anything, you should rethink the long-term risk exposure of that kind of leverage on your balance sheet, and most likely wait until you have at least 20%.

No banks will give you loans to buy land, meaning landowners must pay for all equity and thus less margin for error on the market price in relation to true value. With homes, you can see vastly different values, as foreclosures or financial sales cause steep discounts. Or as leaving one town for another can cause steep price increases, as new buyers enter the market with more liquidity than the current price commands. Bidding wars, anxiety, frustration, panic, fear, sadness, elation, vanity, endorphin rush, endorphin wear off (crash). These are all associated with buying a house and this is not what we do! We take emotion out of the game; we research tirelessly everyday while the competition window shops between day jobs. We make only the best move at the best time, there is no emotion only math.

Investing is not a team sport...the excess return of a portfolio or company are due to an exceptional individual. Most of the very successful entities have embraced this concept and fully funded the best long-term performers. Not the happiest, skinniest, coolest, or most extroverted...but the best performance on paper.

Comments about the market and economy. As I've been saying for the past few letters we are already in a recession! But the end of recessions according to the standard business cycle definition is a "a sharp recovery" which could potentially come this quarter or next. With many companies (and most consumers) pulling back spending and paying down debt, this might be more of a psychological recession than a practical one. I have slowly started converting real estate exposure to stocks and look forward to evening out our exposure by year end. The best inflation hedge is low-cost real estate, but equities (at the right valuation can also help).

Current Equities We Have Exposure To: JNJ, META, GOOGL, TSM, VMW, TJX, MSFT, AAPL, QQQ

Current Holdings Breakdown:

Real Estate: 67%

Cash: 13%

Stocks: 17%

Fund of Fund: 3%

Personally, I like to prioritize risk adjusted performance: Meaning can you make more money while taking less up-front risk. I believe that lowering risk requires a next level of mastery of the investment, creating unique

deals, having ideas, and creating teams to execute them comes only after base level mastery. We are always going to remain patient, flexible and most important transparent. While our real estate position is big, its very safe in my opinion. The taxes are low and it's the best inflation hedge.

The real estate is an optional liquidity access but not mandatory, and with getting in 2 years ago, even in a recession I don't see prices round tripping where we came. There are businesses in each town, citizens working each day to improve quality of life and investing in the neighborhoods. That is like a mini company, and when you can own a piece of that for the long term its beautiful to watch unfold. I have watched this happen in the last 10 years with Miami, FL. Turnarounds can be amazing stories and before you blink, the chance to get a piece is gone.

Good ideas do not come often, and the original thesis for our land investment was a bet on population growth. Well, the population statistics are off the charts, and while real estate may shake the market for older or unproductive housing, the community will move forward.

The Value of Compounding... especially at a young age

Starting with a Warren Buffet Quote. "I started building this little snowball at the top of a very long hill. The trick to have a very long hill is either starting very young or living to be very old."

Starting in 2020, our average investor was 25 years old... This is truly unheard of given the barriers to entry in this field. We have a potential 75-year hill ahead for our snowball!

For sake of example, I have included some hypothetical scenarios to illustrate compounding. Assuming an entity has 650,000 in capital, investors add 10,000 per month on average, and the annual returns are stable for the long term.

This is the compound growth of capital at 20% per year

- 15 Years: 18.6Million
- 30 Years: 296Million
- 50 Years: 11.4Billion
- 75 Years: 1.1Trillion

At a more modest 10% per year:

- 15 Years: 6.5Million
- 30 Years: 31Million
- 50 Years: 215Million
- 75 Years: 2.3Billion

I encourage you to play with the numbers at:

<https://www.investor.gov/financial-tools-calculators/calculators/compound-interest-calculator>

I will have to warn you, once you start thinking about each dollar today in future compounded ways, you might be addicted to savings and investing 😊

The illustration above tells that higher consistent returns end up saving you time in pursuit of your goals. In that same instance, losses cost you time in the long run, and that can be detrimental.

“You can’t look around for people to agree with you.” “You can’t look around for people to even know what you’re talking about”

- That is the difference between investing with the crowd, and truly being off the grid investing on a unique strategy (that usually relies on an exceptionally skilled individual)

Our First Building:

The office project: I will share ever document going into this project once available. In the ideal scenario our fund will own a building worth north of \$6million, I hope to fully liquidate this exposure before 2025, but it will be with us for the time being. Ideally with stable cash flow paying us to hold. Estimated yearly cash flow to us will be about \$150,000 to start slowly ramping to 200-250,000 by 2025.

This money will be used to shore up our cash position, provide liquidity for investors, and liquidity for new investments and deals. Of course while increasing the value of the income producing asset (the building) in which it generates from.

With that said, we paid 40k for this land, so we are investing profits. And replicating this deal would be very tough so let’s see how it goes! I will continue to do what’s best for our positioning long term. This deal may need to be side-pocked. Essentially it will be its own line item under our real estate % allocation or spun out as a wholly owned subsidiary of our fund. While we own the asset, we must report our proportional share of the income on our own sheets, that is why the side pocket or spin off is necessary.

After this project I will start including our accounting in these letters the way we see on our year end audits. This building will open the floodgates to more income generating investments for us, and it should all be reported as such so we can get used to it. It’ll also be a great lesson for all in accounting and how our company is structured line item by line item.

This is our golden pillar to build the fund on top of. This building will offer not just a great addition to our track record, money, but an office and place to show all our beginning points. I think this will do wonders for us and with no new capital raises (meaning no dilutions).

Comments about Lago Vista and Jonestown:

I will have more for you in our next annual letter but here is some links to these towns where we own land, they are rapidly developing, and I would love to host you if you want to make the trip out here.

Jonestown: located about 35 miles from downtown Austin in Travis County. Nestled in Texas Hill Country on the north shore of Lake Travis, Jonestown is a small community with lovely parks, a public boat landing and beautiful views.

<https://jonestowntx.govoffice2.com/?pri=0>

Lago Vista: A thriving town in the growing triad of lake communities with everything from hiking to lake sports, fine winery, a regional supermarket, and national pharmacy chain, to dozens of small "shop local" owner-operated businesses from auto repair to zoological retail.

Our schools rank #5 in the Austin Area for Academic Achievement. The cost of living is among the lowest in the country with property values continuing to climb.

<https://www.lagovistatexas.gov/index.php>

I will expand more on the next letter, but the schools here are very important to our investment thesis. Remember that it's the community that makes the real estate not the banks or money.

Both Jonestown and Lago Vista are part of the Leander Independent School District as well

https://www.leanderisd.org/?loxi_pathname=%2Flist%2Ffuture%2F1

Final Comments:

I appreciate your faith in me and patience during this time. I strive to be the best performer in your portfolio but more importantly the most transparent. I am here for the long term and when I say 50-year investment time horizon, I am not joking.

Always keep in mind, that during 2020 there were many negative doomsayers as well. The economy is elastic and will bounce back when needed. The anxiety of holding too much cash can drive even the richest mad. Do what is comfortable, no one ever went broke saving money.

Yields are going up and savings accounts will pay more, I always applaud those who forge short term gratification to save a little extra.

We started with 250k in AUM in 2020, we are slowly approaching 1million in assets in 2022 and hopefully well north of that by 2024 with our coming projects/ideas.

This is when the real fun starts, should be a great decade!

Best,

Dhruv