Vision Capital Fund Owner’s Manual

Grow your wealth for generations together by delivering outstanding long-term investment returns from investing in exceptional companies that best reflect our vision for our future.

How We Invest: Vision Capital Fund Owner's Manual

Your understanding of how we are investing the capital you entrusted to Vision Capital Fund is paramount to us. We hope this Owner’s Manual will help you understand why, how, what, and when we think about investing.

Your understanding creates comfort with our investment framework and philosophy and frees us from the time-consuming activity of dealing with constant queries. This, in turn, allows us more time to invest better on your behalf.

Vision Capital Fund is a **long-only publicly listed equities investment fund that invests globally. Eugene Ng is its Founder and Managing Director.**

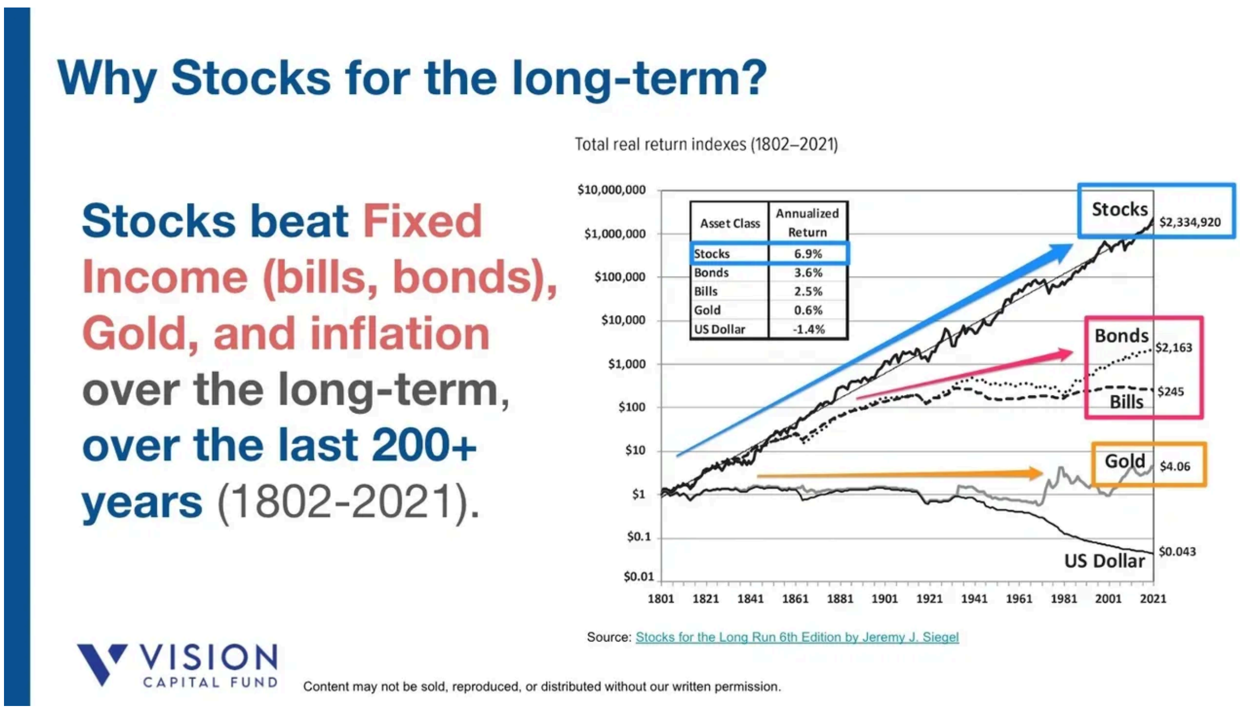
The mission of Vision Capital Fund is to **grow our investor's wealth for generations together, by delivering outstanding long-term investment returns from investing in exceptional companies that best reflect our vision for our future., changing and shaping the world for the better.**

Vision Capital Fund aims to **deliver superior, sustainable, compelling long-term returns** for our investors by investing in the stock market, specifically in **quality, durable, and innovative compounders** that can **grow profitably and durably well for a long time at high rates of returns.**

What Vision Capital Fund Invests In

We will invest Vision Capital Fund's capital **only in publicly listed stocks, making us part owners of businesses.**

According to Jeremy Siegel's research in the 6th edition of his book "Stocks for the Long Run", **over the past 220 years** (1802-2021), **stocks have significantly outperformed long-term bonds, short-term bills, gold, and inflation**.



Vision Capital Fund's **investment mandate is global**, meaning we can invest in any stock globally from any country's stock market.

At Vision Capital Fund, we are committed to a **long-term investment strategy.** We aim to invest in the best stocks, believing they will follow their trend of business returns, appreciate over time, and create generation-changing wealth.

Below are the **constraints** we have placed on Vision Capital Fund:

- Own **up to 50 individual stock positions** at any time
- **No individual stock can exceed 25%** of the fund's assets under management (AUM)
- **Will not use leverage/margin** in any form

- **Will not engage in short-selling**
- **Will not hedge its exposure or use any form of currency hedging**
- **Will not use any derivatives (i.e. options, etc.)**
- **Will have no geographical or sector concentration limits**
- **Will cap annual net fund inflows at 10% when fund AUM exceeds US$25m**

In short, **Vision Capital Fund is an investment fund that will invest only in stocks worldwide, with a long-term buy-and-hold approach**. We are not convinced that we have a persistent advantage in market timing, hedging, FX movements, using leverage/margin, or derivatives.

Thus, we want to avoid engaging in any of these activities, incur unnecessary costs, and take our time and attention away from what we should focus on and do the most**: long-term investing in businesses**.

Our Investment Philosophy

Despite the first stock market being established in Amsterdam over 400 years ago in 1611, one thing remains: **the stock market is still a place to buy and sell stocks**, and **stocks are part-ownership stakes in businesses.**

Therefore, a **stock's long-term price movement will depend on the performance of its underlying business**. If the **underlying business does well, its revenues, profits, and free cash flows should grow.** That should **make the company more valuable and drive the valuation of a business higher, and accordingly, its stock price to rise over the long term** (i.e., years and decades).

The chart below shows a high correlation between the **rising S&P 500 and its growing earnings per share (EPS) over the last 80+ years**. Thus, we **seek to do well by owning companies that can keep growing revenues, profits, and free cash flows for the long term** while riding through frequent short-term market price volatility.

We are long-term optimists on the stock market. Businesses improve people's lives by taking a share of the economic value they create through innovative and quality products and services that customers are willing to pay for.

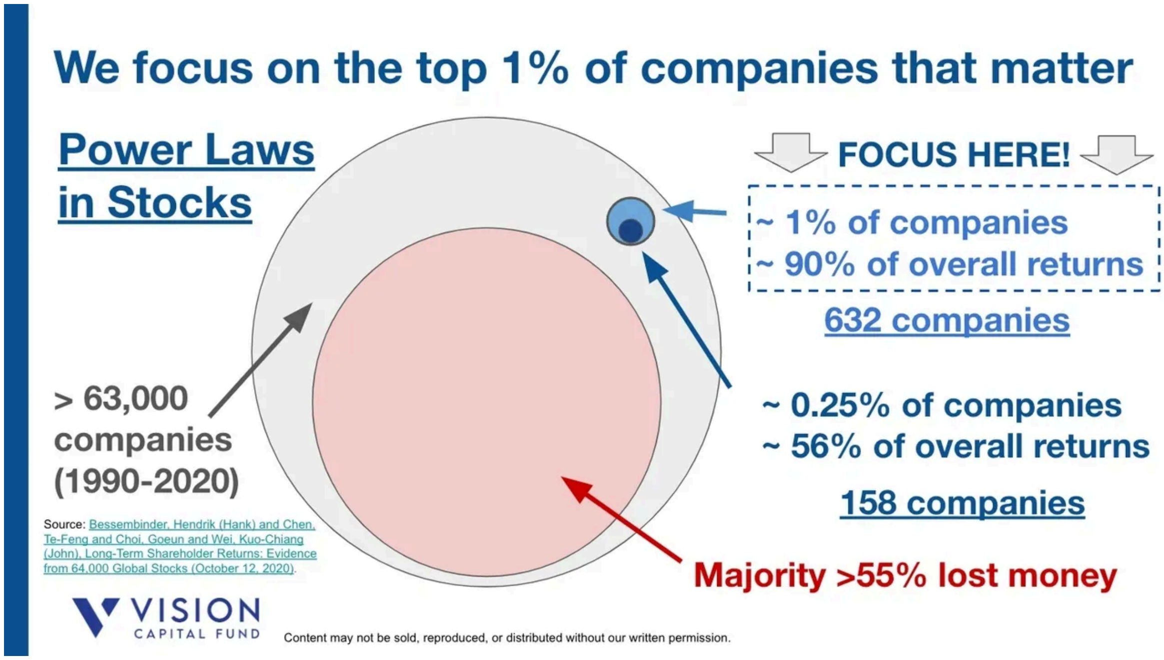
That said, prices matter, even if it is for the best businesses in the world. Overpaying excessively and even a great business can be a horrible investment. If stock market valuations become ridiculously high, similar to the 1960s Nifty 50 bubble, the 1980s Japan bubble, and the 2000 US dot-com bubble, that could temper our optimism significantly.

Our Investment Framework

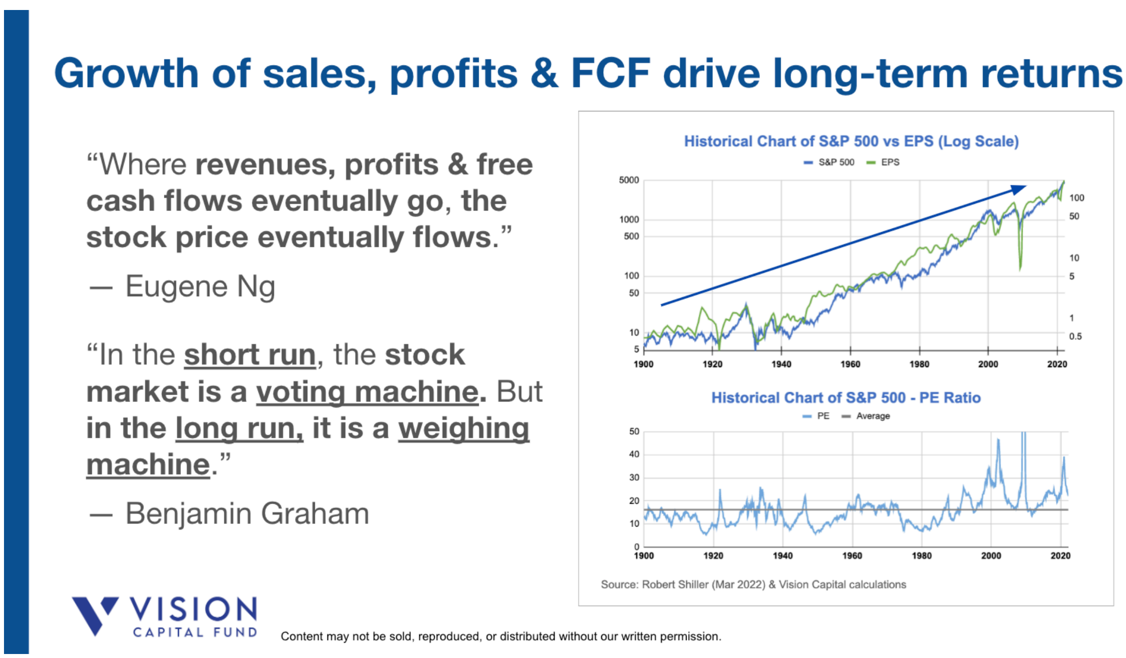
As mentioned earlier, **Vision Capital Fund will only invest in stocks**, but we are not investing in any stock. We **seek to own long-term compounders that become multi-baggers**, companies that **go up 5x, 10x, 20x, 50x, and 100x+** while enduring frequent drawdowns.

Like venture capital investing in early-stage startups, **power laws also exist in the public stock market**. The top ~**1% of globally publicly listed companies (i.e. 632) accounted for ~90% of overall net returns**. Utilising our **bottom-up fundamental analysis** combined with a **top-down search for structural tailwinds**, we **focus on the best companies that matter.**

We will invest most of the fund's capital in **durable, quality compounders.** These have a **proven track record of growing revenues, profits, and free cash flows and can reinvest at high rates for years and decades.**



"Where a company's revenues, profits and free cash flows go, the stock price eventually flows"



The companies that excel tend to have all or most of the following **ten criteria**:

1. **Large & growing total addressable market riding long-term secular tailwinds**

2. **Earlier in the growth phase of a company's S-curve life cycle**

3. **Top dogs, innovative disruptors** with market structures that become **monopolies, duopolies, and oligopolies, where winners take most**

4. **Strong & durable competitive advantages** prefer network effects.

5. **Highly recurring revenues, scalable, with strong operating leverage**

6. **Strong consistent/growing profitability with strong reinvestment opportunities**

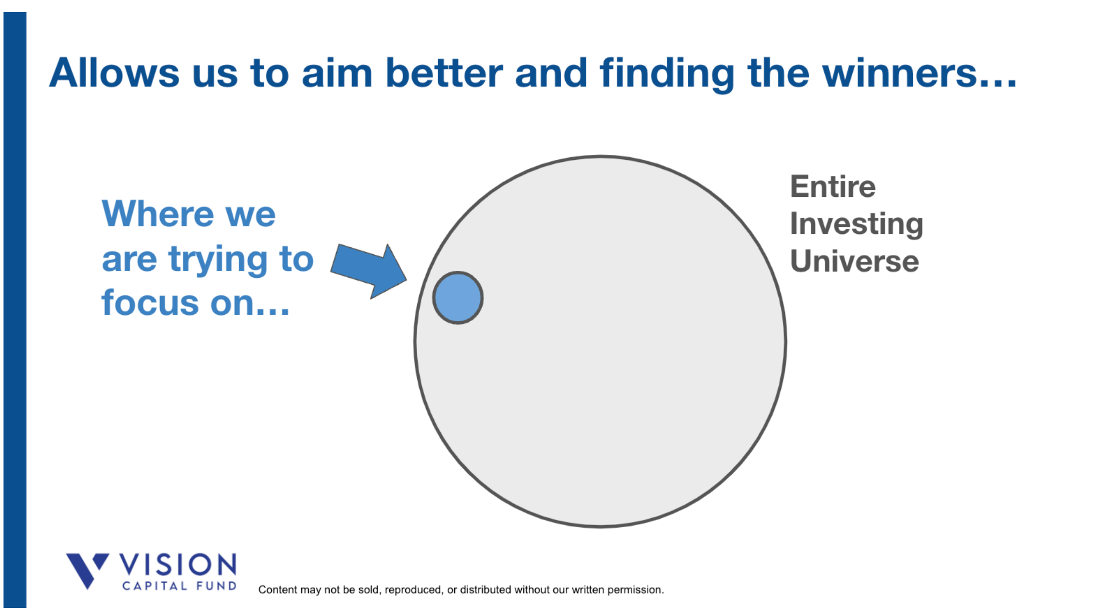
7. **Strong balance sheets**, **preferably little to no debt**, definitely **net cash**

8. **Founder-led leaders, strong management with high integrity, capability, innovative mindset, strong culture, and high insider ownership**

9. Should **pass the snap test** and preferably **have some form of optionality to keep growing and stack new S-curves**

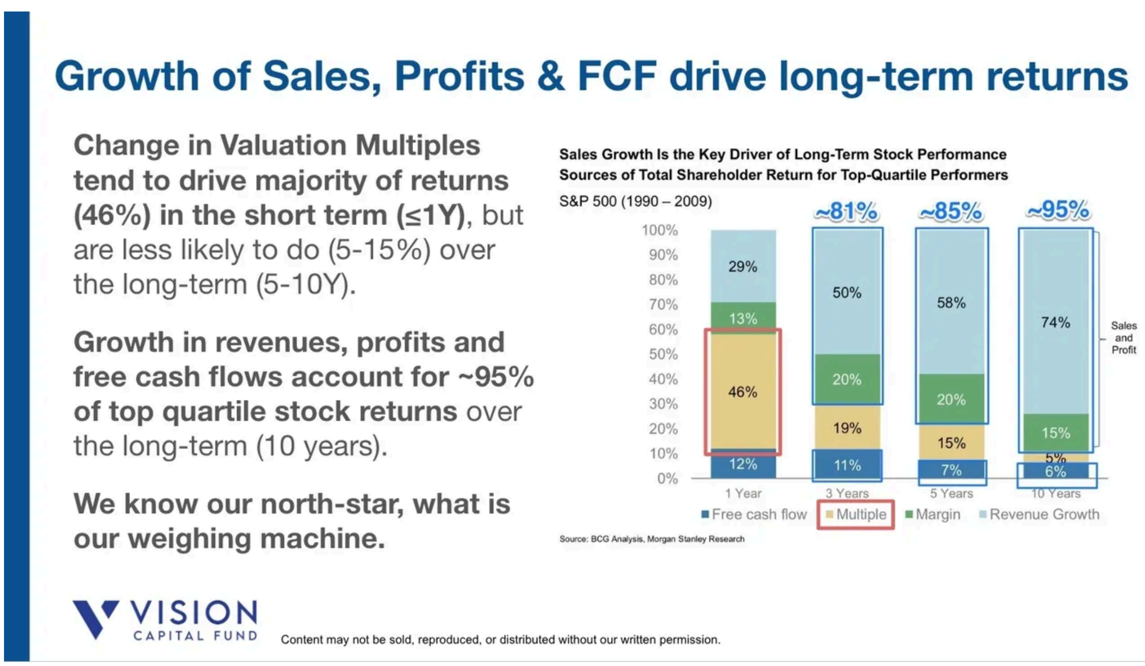
10. Lastly, it must be **changing and shaping the world for the better**

These criteria often lead us to top companies that can continue growing revenues and profits and ultimately generate free cash flows for long periods, which should contribute to the majority of long-term shareholder returns.



We choose to be **long-term stock investors** because **structurally increasing the length of our holding period increases our probability of positive returns.**

That is **why we focus only on the long term, years and decades**, and psychologically and emotionally shut out all the daily, weekly, monthly, and quarterly short-term noise.



To us, great stock investing is about **swinging the probabilities and payoffs in our favour.** We want to **lose less often and lose less,** then **win more often and win really big**.

1. First, we try to **lose less often**. We know what bad traits to avoid, allowing us to avoid most losers.

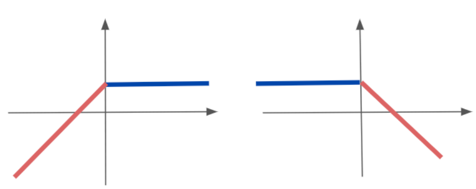
Qualitative traits of companies we tend to avoid ❌

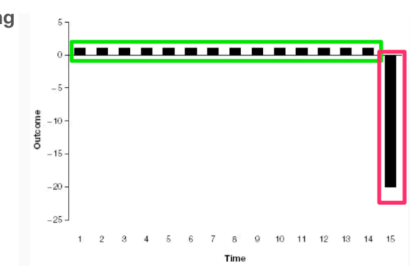
1. **Exposed to small TAM** in the **slower maturing / declining phase of the product/service adoption S-curve**, suffering from **headwinds**
2. **Toward the maturing phase with slower growth** of a **company's life cycle.**
3. **Not top dogs** in **highly competitive** businesses with **low barriers to entry**.
4. **Weak competitive advantages**, **unscalable** with **poor economies of scale.**
5. **Poor/volatile profitability**, **poor to little reinvestment opportunities**.
6. **Weak balance sheets**, **high debt,** with **significant interest expenses.**
7. **Weak management, poor Glassdoor ratings** with **low insider ownership**.
8. **Fail the snap test horribly**, inconsequential, and has **zero optionality.**

2. Second, we **lose less badly.** The maximum downside of a long-only strategy is limited at -100%, not unlimited because we do not short-sell, use leverage, derivatives, or hedging.

We will avoid leverage, shorting & derivatives

- The investment strategy is simple, it is to **buy quality durable growing profitable companies at good prices, that can keep investing at high rates of returns, and hold them, and keep adding to them over long periods of time**. We find, buy, hold, add to excellence, & sell mediocrity, that's how we invest.
- **We will strictly avoid any payoffs that have unlimited downside, regardless of probability.**
- Ultimate success is **not defined by the frequency of gains**, but by **how much we make when we are right, versus how much we lose when we are wrong**





Source: The Success Equation by Michael Mauboussin

3. Third, we aim to **win more often** because we know what qualitative and quantitative traits to seek for the companies that are more likely to win.

Qualitative traits of companies we tend to seek ✅

1. **Exposed to long-term large & growing TAM,** benefiting from **long-term tailwinds**
2. **Earlier in the growth, scale** of **a company's S-curve life cycle.**
3. **Top dogs,** innovative **disruptors** that are **monopolies, duopolies**/oligopolies.
4. **Strong & durable competitive advantages**, prefer network effects.
5. Have **highly recurring revenues, scalable and strong operating leverage.**
6. **Strong consistent/growing profitability, strong reinvestment opportunities**.
7. **Strong balance sheets**, **preferably little to no debt**, definitely **net cash**.
8. **Founder-led leaders, strong management with high insider ownership**.
9. Should **pass the snap test** and preferably **have some form of optionality**.
10. Lastly it must be **changing and shaping the world for the better**.

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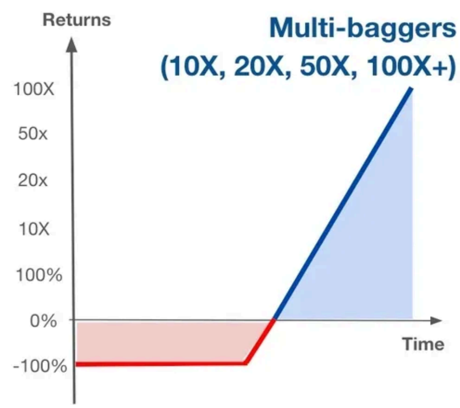
4. Fourth and lastly, we tend to **win much more,** driven by the near-unlimited upside from the gains of the multi-bagger winners, which tend to overwhelm all the losses of the losers many folds over.

Generating asymmetry, alpha and outperformance

The **maximum a stock can go down** to is **-100%,** thus <u>limited downside</u>.

But the **maximum a stock can go up** is **theoretically infinite,** <u>**unlimited upside**</u>.

That very **favourable asymmetric risk-return profile** results in a very **positive skew and extreme power laws,** where a **minority of very few long-term winners typically account for the majority of returns**.



*"…**has alpha, the impact will show up in asymmetrical returns**…Flipping that over, if an investor **doesn't have alpha, her returns won't be asymmetrical**. It's as simple as that."*

- Howard Marks (<u>What Really Matters - Nov 2022</u>)

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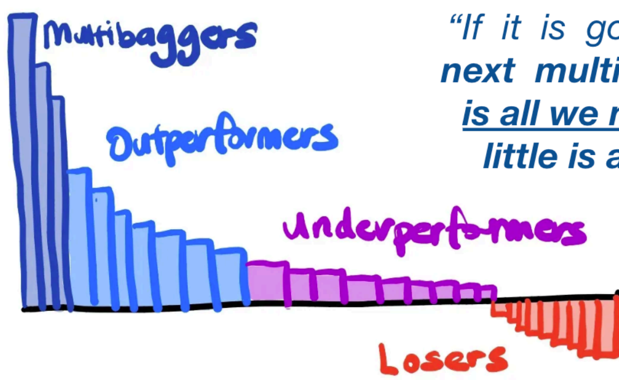
This allows us to **generate very favourable long-term asymmetric return-risk profiles.** Every stock position is like "**being long a call option**" (limited downside, unlimited downside), and the overall portfolio is structured like a "**synthetic long call option.**"

If we do this right and remain consistent in our investment framework and philosophy through time, **power laws will become increasingly evident in this near-infinite game.**

Our **slugging ratio** (gains from winners versus losses from losers) will **gradually increase over time**, and a **few long-term winners typically drive the majority of portfolio returns**. We will get it wrong and have losers occasionally, but they matter far less. **Concentration then becomes an outcome** rather than a process.

Power laws & multibagger winners drive overall returns

Gains from the multibagger winners will drive the majority of overall gains, overwhelming the losses of all the losers many folds over, and this concentration only becomes more pronounced over time.



"If it is going to be the next multibagger, a little is all we need, if not, a little is all we want."

Source: "Vision Investing: How We Beat Wall Street & You Can, Too! (2020)"

A **robust investment analytical framework** and process are **necessary for finding great companies to buy**. At any one time, we have a **dynamic shortlist of ~70-100 companies** that meet our string investment criteria.

All intelligent investing is a combination of growth and value. There are **four drivers of long-term stock market returns, namely**: (1) **growth of earnings / free cash flow** (FCF), (2) **change in valuation multiples** (PE or EV/FCF), (3) **change in shares outstanding** (buybacks/dilution) and (4) **dividends.**

Our strategy primarily focuses on the first three drivers. This approach guides us to invest in excellent, durable, growing, and profitable compounders without overpaying for them excessively.

We focus on first 3 of 4 LT drivers of stock returns

1. **Buy great durable growing profitable compounders**
2. **Don't overpay excessively, and do nothing**

1) **Earnings** (or FCF) **Growth**
2) **Change in P/E** (or P/FCF) **Multiple**
3) **Change in Shares Outstanding** (Buybacks/Dilution)
4) **Dividends**

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Portfolio construction and allocation of when and how much to buy, add, and sell are even more critical. We do not seek to play an investing game of buying $1 coins for 50-70 cents and then selling them when they go to 90+ cents.

We prefer to pay more, $1.30-1.50, for premium-quality $1 coins that can become $10 or $20. More often than not, we buy companies that are "expensive" on a current basis but are **"cheap" on a forward basis because of the future potential growth of FCF**. In the former, price is the margin of safety; in the latter, **durable growth is our margin of safety**.

Vision Capital Fund's **long-term investment return should closely reflect the weighted average long-term business performance and growth in FCF per share of the stocks it owns**.

The medium-term revenue growth of the companies that we own should generally exceed 15-25%+. Most of these companies typically still have the potential to maintain and/or expand FCF margins, leading to even faster FCF growth of 20-30%+.

Essentially, to **outperform the benchmark index (i.e. S&P 500),** we have to **own faster-growing companies.** These companies must be much **more profitable, have stronger balance sheets, be run by stronger and solid management**, and **not be bought at too high a price**.

We strive to remain disciplined and not pay ridiculous prices so that even after assuming valuation multiple contraction glides, **the long-term business returns will drive our long-term investment returns.**

The long-term investing strategy we prefer to focus on

Scenario	Company Type	Forward Valuations	Future Potential Returns	Source of Returns
1.1	Fast Durable Grower/ Compounders	Ridiculous	Poor	Multiple Compression > Good Business Returns
1.2		**Average**	**Good ✓**	**Good Business Returns ✓**
1.3		**Cheap**	**Excellent ✓ ✓**	**Multiple Revaluation ✓ + Good Business Returns ✓**
2.1	Slower Grower/ Maturing	Ridiculous	Poor	Multiple Compression + Low Business Returns
2.2		Average	Poor	Low Business Returns
2.3		Cheap	Average - Good ✓	Multiple Revaluation ✓ + Low Business Returns
3.1	Declining / Turnarounds	Ridiculous	Poor	Multiple Compression + Poor Business Returns
3.2		Average	Poor	Poor Business Returns
3.3		Cheap	Average - Good ✓	Multiple Revaluation ✓ + Poor Business Returns

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The power of long-term compounding of winners will drive the asymmetry of our shareholder returns and, in turn, alpha, which should eventually drive our long-term outperformance versus the benchmark.

Our Portfolio Management Style

Excellence is a cornerstone of our investment principles and plays a massive role in our approach to asset allocation.

We invest by finding excellence, buying excellence, holding excellence, adding to excellence, and selling mediocrity. We allow our winners to run high, preferring to add to our winners than our losers. We like to water our flowers anytime, not our weeds.

We typically buy companies earlier in their S-curve and sell and exit them when they are structurally reaching or past the peak of their S-curve. We buy far more than we sell, and if we ever sell, it is because **the company's fundamentals have structurally deteriorated rapidly beyond our thesis (e.g. low single-digit revenue growth rates)**.

Losers typically become insignificant. We **stay highly focused on the business narrative**, not the price narrative. In addition to our detailed investment thesis, we constantly monitor our portfolio companies' quarterly/semi-annual earnings and any significant developments.

Vision Capital Fund seeks to invest in the stocks of the world's best and fastest-growing profitable companies at reasonable prices and hold them for a long time. The more we trade, the less accurate our accuracy and the lower our returns will be.

We see ourselves as **part-owners of businesses, not traders of one.** We don’t simply rotate out of them just because they are temporarily out of favour.

By design, we **seek to actively do nothing most of the time, we target for the portfolio turnover to be lower than 20% (i.e. 5+ average holding period) and it should be significantly lower than the industry average.**

Occasionally, the **stock prices could run ahead faster than the businesses themselves** from time to time; instead of trying to trade them, **we see the stock price as just being temporarily ahead of itself**, the business.

At the launch of Vision Capital Fund, we will **start with 15-20+ stocks that represent our highest conviction**, grouped by allocation into three buckets based on the attractiveness of their returns and risk: **(1) ~7.5%, (2) ~5.0%, and (3) ~2.5%.**

The intention is to **allow winners to run but mitigate risk; no stock can account for more than 25% of Vision Capital Fund's AUM.** To avoid diluting our performance by owning too many companies, the fund **can only own up to 50 different stocks.**

We expect to stay fully invested at all times, 80-95%+. We **will not attempt to time the market by managing the percentage of the fund's portfolio cash holdings**. We do not have a durable advantage in timing the market for both buys and sells (and only a few can do it consistently). We believe timing the market is a fool's errand and a money-losing exercise for most.

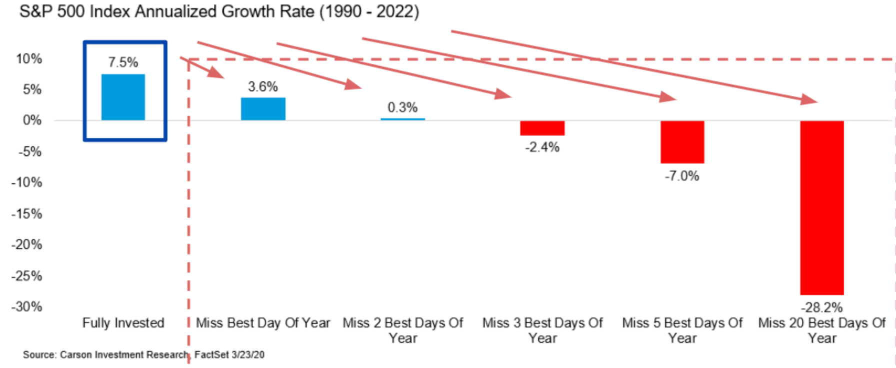
It is time in the market, not timing the market. It is far better to stay in the market because if we were to trade and **miss the best days, that could significantly erode our returns**.

We won't trade & market time, & stay mostly invested

- **Trading will cause one to miss the best days, significantly skewing returns lower.**
- **We rather stay largely fully invested (~90-95%+) most of the time.**

Market Timing Can Cost Investors Significantly

S&P 500 Index Annualized Growth Rate (1990 - 2022)



Source: Carson Investment Research, FactSet 3/23/20

All indexes are unmanaged and cannot be invested into directly.
Past performance is no guarantee of future results.

That said, if we **run out of investment ideas** or **stock prices become ridiculously high**, **we will not allow new fund subscriptions from new investors or top-ups from existing investors. If needed, we will return capital to our investors.**

When Vision Capital Fund needs to raise cash to meet investor redemptions, we will have to sell stocks if there is insufficient cash balance. In such cases, the first candidates for sale would be the companies with the weakest business performance in the portfolio. We want to sell our losers and trim our weeds first.

Conversely, **when Vision Capital Fund receives new capital from investors,** our preference would be to add to the companies in the portfolio with the strongest business performance or any companies that could be going through a near-term price selloff due to the market overreacting on something that we think is non-structural and have a very chance of recovering.

How We Manage Risk

As mentioned earlier, Vision Capital Fund **will own up to 50 stocks. Each stock cannot exceed 25% of the overall portfolio.** While there is no stated minimum, we **generally prefer to own at least 15-20+ stocks**.

Unlike some fund managers who favour a more concentrated portfolio of 5-10+ stocks, we **prefer to invest in a broader selection of companies to spread risk and avoid over-diversification**. We are not comfortable managing a portfolio with only a handful of stocks.

Our approach **allows us to be more tolerant of the price declines of our positions**. This resilience is a key factor in our strategy, enabling us to endure and **allow our winners to really run without being forced to trim them too early on**.

Allocations will not be sized equally. They will be **sized depending on our conviction and risks of the business and our confidence that it will grow and deliver the returns** versus the price at which we bought it.

Over time, the **portfolio should become more concentrated as winners become more significant.** Generally, the top 15-25 positions should account for 70-90 % + of the overall portfolio.

While **our investment mandate is global,** given the current opportunities, we still s**ee numerous attractive opportunities in US publicly-listed companies,** and we expect them to **account for the majority of the portfolio holdings of ~70-90%+**.

It is essential to understand that price volatility and risk are different. Volatility, or more specifically, price volatility, measures stock price fluctuations over a short period. However, it is a common but unfortunate misconception that many market participants equate this with risk.

Instead, we **see risk differently**. We **see risk as the chance of a permanent loss of capital**, and risk can appear in individual stocks in a few ways:

1. **High inflation:** Persistent high price increases, which results in high nominal interest rates, FX depreciation, and loss of purchasing power of money.

2. **Confiscation:** When government authorities seize assets by onerous taxes or through sheer force.

3. **Devastation:** Through acts of war, anarchy, and natural catastrophes.

4. **Extreme valuations:** When stocks carry valuations that are too high.

5. **Management fraud:** When a company intentionally inflate and misrepresents financial information to deceive.

6. **Bankruptcy:** When a company goes bust and becomes insolvent, unable to pay its debts, and its stock price goes to zero.

We will not manage Vision Capital Fund's portfolio to smooth out price volatility. Our portfolio Sharpe ratio, or any return/price volatility metric, will be highly volatile. It will be very high during good years with upward solid momentum and low volatility and be poor during market selloffs when our holdings often decline faster and more than the market. We **see price volatility as the admission ticket and the price to pay to be an investor in companies**.

Instead, we are **managing Vision Capital Fund's portfolio to lower the chances that it will suffer a permanent or near-permanent capital loss.**

Below is how we try to handle each source of risk:

1. **High inflation:** Diversify across geographies. Look for companies with the pricing power to raise prices and the ability to grow much faster than inflation and FX depreciation.

2. **Confiscation:** Invest in markets with relatively stable political regimes and economies where the government has a history of respecting the rule of law and shareholder rights.

3. **Devastation:** It would be similar to Confiscation for war and anarchy. For natural catastrophes, focus on ascertaining if the business can still operate as an ongoing concern when such a disaster happens. That said, in a very remote scenario, if the world were to come to an end, we would suffer an unavoidable significant permanent loss.

4. **Extreme valuations:** Compare a company's valuation history against its history and our views on its potential future growth.

5. **Management fraud:** Study the management team deeply, understand their backgrounds, hiring, and compensation, and watch for unusual intercompany or related transactions. Diversify so the portfolio can still withstand the hit. Avoid companies with poor Glassdoor employee ratings.

6. **Bankruptcy:** Invest in companies with (1) strong balance sheets, most of which would be net cash, (2) a solid ability to generate free cash flow, and (3) operating in industries riding secular tailwinds.

Bear markets and recessions will occur. We will not attempt to avoid them because we do not have the skill to perfectly time the numerous selling and buying of all our portfolio companies, and we do not think anyone can do it reliably for long periods either.

Regardless of bear markets and recessions, **our game plan remains the same: stay invested** and not time the market to seek to avoid the worst days, because **it is time in the market and not missing the best days that matter.**

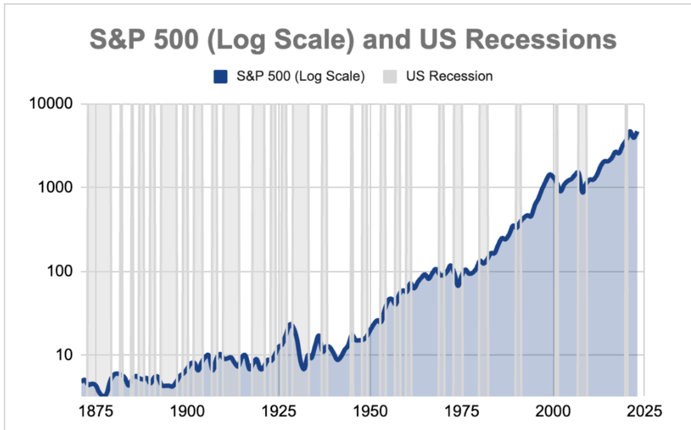
We **will invest in growing high-quality compounders** who are **top dogs riding secular tailwinds. These companies have strong balance sheets, are run by solid, honest, and capable management, and generate highly recurring revenues that generate strong free cash flows.**

These businesses **should be well-equipped to survive and even thrive during economic downturns.** Owning companies with solid fundamentals will likely limit the business downside, correspondingly, Vision Capital Fund's portfolio over the long run.

You should note as well:

1. **Recessions are normal because economic activity follows business cycles.** On average, recessions occur every 5-20 years. We can't perfectly time recessions; it is not about avoiding them but owning the best companies to endure them.

Recessions are common, stay invested through them



Source: Vision Capital Fund calculations, data from NBER and Robert-Shiller

2. **Price declines are frequent and to be expected.** Historically, markets decline 5% a few times a year, 10% every year, 20% every few years, and 30-50% every decades.

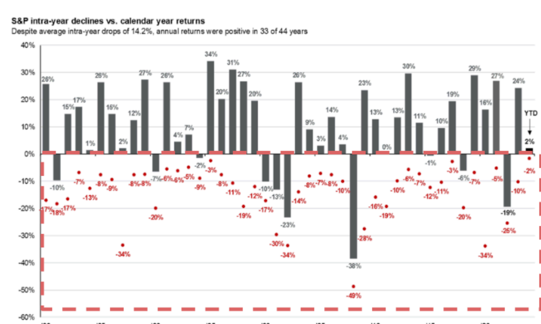
Price declines are going to be frequent & inevitable

- Mr Market will frequently be greedy and fearful, **frequent prices declines are guaranteed**.
- **We see large price declines of good companies as great buying opportunities, we will ask for you to add more. Always remember, we are always business owners first**, not traders.

Market falls by this much	Historical frequency
10%	Every 1 year
15%	Every 2 years
20%	Every 4 years
30%	Every 10 years
40%	Every 10-30 years
50%	2-3 times every 100 years

Source: Author's calculations, S&P 500 data since 1928

Source: "Vision Investing: How We Beat Wall Street & You Can, Too! (2020)"



Source: JP Morgan Asset Management Guide to the Markets (Feb 2024)

Remember, **stocks go down faster than they go up in the short term, but they go up more than they go down over the long term**, which is the only term that counts.

We are **psychologically built to be contrarians.** During massive selloffs, when the markets are fearful and pessimistic, we are **excited and see these significant declines as attractive shopping opportunities with price discounts to buy more of our highest-conviction companies at lower and cheaper prices.**

In short, recessions and price volatility/market selloffs are features of financial markets, not bugs.

How We Find Investment Ideas

To us, investing involves:

1. **Gathering lots of facts and information.**
2. **Analyzing long-term trends** backed by solid data.
3. **Applying critical and independent thinking** from a **first-principles perspective.**

We are **constantly seeking to filter long-term trends from short-term noise**.

We get our investment ideas by reading widely **to identify the most significant markets and industries driven by long-term secular tailwinds, favourable market structures, and highly durable and profitable unit economics.**

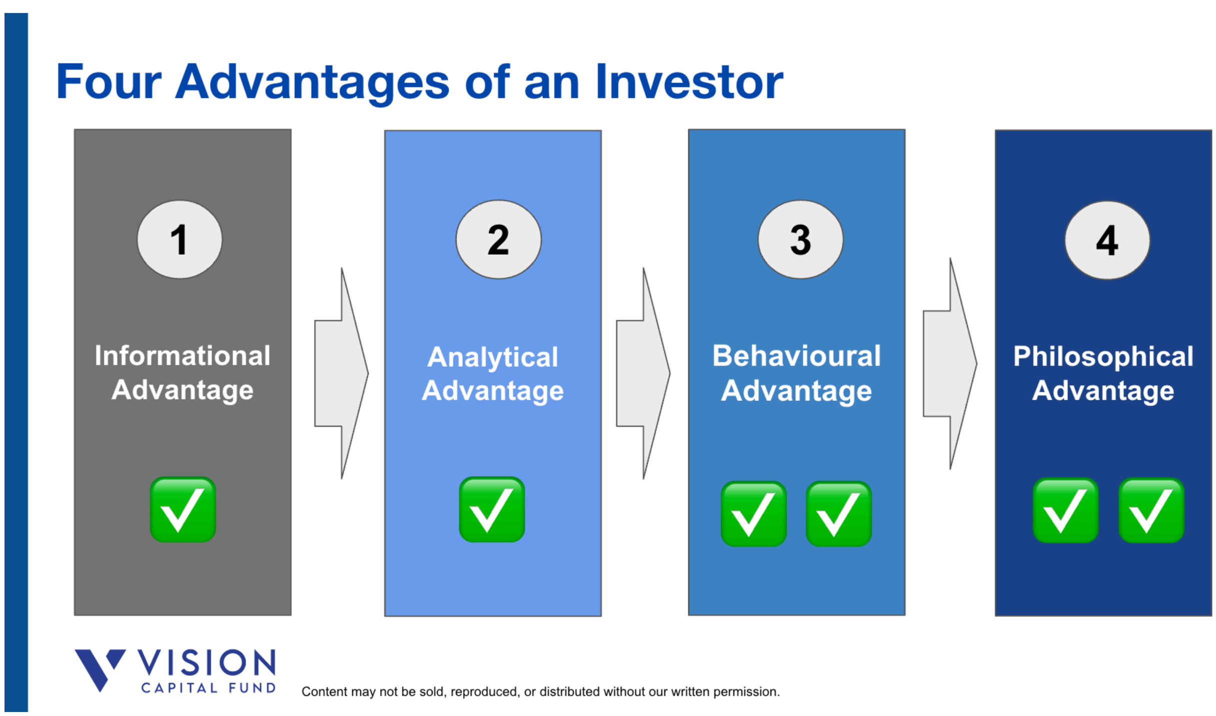
Our goal is not just to invest **but to invest in the best available companies.** We seek out the top publicly listed companies that provide innovative, highly scalable, valuable products and services that customers are willing to keep buying and paying more for. These companies are backed by solid management and happy employees who will most likely do well.

Over the numerous years of our investing careers, we have **built a latticework of mental models and a knowledge library to help us identify the best publicly listed companies to invest in.**

The core principle that grounds us in our thinking is **having strong but loosely held convictions.** When the facts change, growth decelerates rapidly, and the trends reverse, we, too, have to change our opinions and make the necessary adjustments to the portfolio.

How Vision Capital Fund Stands Out

There are **four advantages that a long-term investor can have**, namely: (1) **informational advantage**, (2) **analytical advantage**, (3) **behavioural advantage**, and (4) **philosophical advantage**.



Financial markets are undoubtedly becoming more efficient than they used to be. With the internet, anyone can now access information that was reserved mainly for privileged investors in the past. This **easy access to information combined with more data analytics has eroded any "informational and analytical edge" and levelled the playing field.**

Despite financial markets' increasing efficiency, **it is still possible to outperform.** The abundance of data and information has, in some ways, **made the market more myopic and focused on short-term numbers, creating opportunities for those with a long-term perspective.**

Many market participants' **quarter-to-quarter fixation causes even greater short-term volatility in stock prices.** We **see price declines of still-solid businesses as attractive buying opportunities that can provide higher potential future returns**.

The **unfavourable stock price volatility** that most wish to avoid, **can create frequent price-value opportunities** in even the largest companies in the world **for long-term patient investors to exploit.**

We are **focused on riding long-term secular trends and tailwinds and avoiding short-term fads.** We know that a company's growth path might be rising over time, but it is far from linear; it will zig and zag.

At Vision Capital Fund, we are **committed to a long-term perspective**. We are p**atient and provide our companies with sufficient time and space to navigate through temporary weaker and more challenging periods**. Our focus on each company's key business drivers and long-term trends allows us to concentrate on what truly matters.

At Vision Capital Fund, our investment philosophy is unique. We ensure that **our portfolio companies align with our vision of the future, contributing to positive change and shaping a better world.**

VISION CAPITAL FUND

Growing your wealth for generations together, by investing in companies that best reflect our vision for our future, changing and shaping the world for the better.

We **will refrain from investing in companies that can harm our environment and society in the long term, that create products to harm others and/or feed on addiction.** That includes sin stocks from tobacco, marijuana, gambling, adult entertainment, and alcohol companies, etc.

We **believe great companies can be found in all corners of the world**, and our broad global investment mandate allows us to take advantage of any attractive global opportunities we might encounter.

Through Vision Capital Fund, **our goal is to provide you with the opportunity to invest in and become part-owners of some of the best companies around the world, which are run by some of the best CEOs working for you.**

Measuring Our Performance

There are no guarantees in the financial markets. We deal with ranges and probabilities. We cannot guarantee our investors any return. However, **our target is an annualized net return of 15% p.a. after all fees or more for Vision Capital Fund's investors over the long run** (5-7 years or longer).

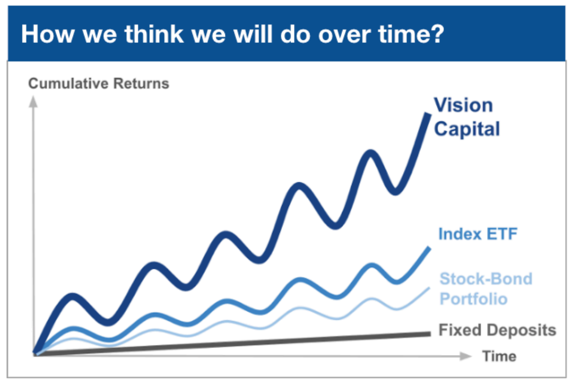
We have to caution you here. **The stock market is very volatile, and significant market declines are frequent and to be expected**.

We are very likely to experience even higher price volatility. **When markets fall over shorter periods, we tend to fall more and faster than the market**, but **when markets rise over**

longer periods, we are more likely to increase by much more; this is how we think we will do over time.

Long-term return goal of >15% p.a. net of fees

- Our goal is to **deliver an annualized return of 15% p.a. or more over the long-term** (>5-7 year) net of all fees, **outperforming the S&P 500's long-term averages of 7-9% p.a. .**
- That said, we **cannot guarantee you any returns**, and **we will have frequent and likely even higher price volatility**.
- **When markets fall over shorter periods, we will tend to fall more and faster than the market**, but **when markets rise over longer periods, we will tend to rise by much more.** This is how we think we will do over time.



Source: Vision Capital 2023 Annual Letter

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That said, we believe in the stock market's long-term potential. Historically, **stocks have been among the best asset classes for generating wealth**. By finding the best compounders and investing in their stocks for the long run, we believe Vision Capital Fund can do very well for our investors in the years and decades ahead.

When Warren Buffett was running his Buffett Partnership in the 1950s and 1960s, he wrote:

> *"**While I much prefer a five-year test, I feel three years is an absolute minimum for judging performance**. It is a **certainty that we will have years when the partnership performance is poorer**, perhaps substantially so, than the [market]. If any three-year or longer period produces poor results, we all should start looking around for other places to have our money. An exception to the latter would be three years covering a speculative explosion in a bull market." - Warren Buffett*

We couldn't agree more with Buffett. **We hope that you, as an investor in Vision Capital Fund, will judge our performance over a minimum of 3-5 years.**

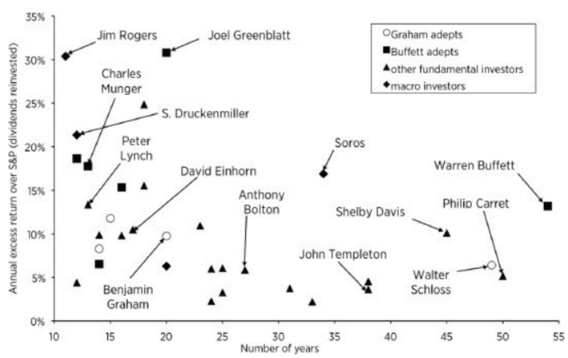
We do **not aim to be the best or in the top decile in any given year;** rather, we **aim to be consistently and durably above average on a cumulative basis** for a long time.

If we can be **above average for a long time and last longer than others**, eventually, we think we will get a good chance to become one of the best investors out there for you.

~15-25%+ Annualised Returns is hall of fame returns

If one does 15-25% annualised returns over 15-20 years and longer, they will be one of the best investors in the world

Figure 1: Approximate excess returns versus the S&P 500 Index (with dividends reinvested) of top investors



Source: "Excess Returns: A Comparative Study of the Methods of the World's Greatest Investors" (2014) by Frederik Vanhaverbeke

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How you & Vision Capital Fund can succeed together

In our investing careers, one of the most surprising things we learnt involved Peter Lynch, the legendary manager of Fidelity Magellan Fund in the US. **Lynch managed the fund from 1977 to 1990 and posted an incredible annual return of 29%**, nearly double what the S&P 500 achieved in the same period.

Surprisingly, the average investor in Peter Lynch's fund earned only 7% per year. Spencer Jakab, a financial journalist with The Wall Street Journal, explained in his book Heads I Win, Tails I Win: "[Peter Lynch] calculated that the average investor in his fund made only around 7% during the same period. For example, **when Lynch would have a setback, the money would flow out of the fund through redemptions**. Then, **when he got back on track it would flow back in, having missed the recovery**."

In other words, **Lynch's investors were buying high and selling low.** To do well in investing, finding and investing with a good fund manager is not sufficient. **You will need the discipline to stick with the fund manager through their occasional rough patches, which will be unavoidable from time to time.** We need your help so you and Vision Capital Fund can succeed together. Remember, **Vision Capital Fund can only be as strong as its investors, YOU.** W

Please DO NOT try to jump in and out of Vision Capital Fund. We say this not for selfish reasons, obviously, having sticky investors is preferable for Vision Capital Fund. It is to prevent something similar to Peter Lynch's 29% versus 7% experience from happening to Vision Capital Fund and you.

In addition, there is a **10% fund cap on annual net inflows once the fund assets under management (AUM) exceed USD 25 mil.** This cap limits the rapid growth of fund inflows and AUM growth during good years, and if we do well, it allows us to build a pipeline of new investors to come in with new inflows during poor years.

This cap enables us to smooth Vision Capital Fund's inflows and outflows through up-and-down market cycles and reduce the gap between what we generate and what you receive (time-weighted returns versus capital-weighted returns).

While this cap restricts us from growing the fund's AUM faster (gentle reminder that we are not AUM gatherers who seek to make fees primarily from increasing the fund's AUM), it **enables**

us to smooth Vision Capital Fund's inflows and outflows through market cycles, reducing our fragility, and lowering the gap between what we generate and what you receive.

While we cannot restrict you from adding more capital over time, **we prefer that you not chase us, have FOMO (fear of missing out), and flood us with more capital when we are doing well**. Instead, we prefer that you add capital subsequently **by either dollar cost average frequently in smaller amounts** or **in larger amounts during large market declines**.

We need your help with one last important thing. **Please DO NOT invest with Vision Capital Fund using the money you require for the next five years.** The worst thing that can happen to a long-term investor is to be forced to sell stocks. It is not an issue if stock market prices are high, but it can be **disastrous if you are forced to sell when stock prices are declining and are low.**

To reap the rewards of long-term investing, **you need to give yourself holding power**. The best way to do this is to o**nly invest with money that you would likely not require for a good number of years.**

Using short-term money to invest in Vision Capital Fund can be dangerous for you, as we are investing for the long run. We have no idea what stocks will do over the next day, week, month, quarter, or even year. Please also do not borrow to invest in us; if we are aware, we will decline you for your own good.

Vision Capital Fund's Fees

While building Vision Capital Fund, we thought deeply about its fees.

We wanted a fair fee structure that could do four things:

1. **keep costs as low as possible for our investors**

2. **lower the fees for our investors as the fund's assets under management (AUM) grow**

3. **earn performance fees on the excess returns only if the fund produces a decent return,** and

4. **to be able to survive the occasional tough markets and avoid unnecessary stress allowing us to do this for a long time, for decades.**

AUM (USD)	Management Fee	Performance Fee (with high watermark)
< USD 20 mil	2.00%	15% over 6%
USD 20-50 mil	1.50%	15% over 6%
USD 50-100 mil	1.25%	15% over 6%
USD 100-200 mil	1.00%	15% over 6%
> USD 200 mil	0.75%	15% over 6%

Management Fee

The **management fee is a fixed percentage of AUM that gradually declines as the fund's AUM increases. It is accrued monthly but paid quarterly**. This is intentional to not incentivize us to gather AUM, as size is the enemy of returns. We do have significant operating leverage with respect to certain fixed costs of operating the investment fund, and we want to share that scaled economics back with our investors whenever we can.

Performance Fee

The **performance fee is 15% of the excess returns over a 6% compounded hurdle rate, subject to a high watermark, and charged annually**. Whenever an investor invests in Vision Capital Fund, a 6% compounded hurdle line is drawn. The value of Vision Capital Fund has to exceed the line in order for performance fees to be earned.

In addition, **performance fees are subject to a high watermark and are only eligible when the portfolio value exceeds its prior highest high watermark.** This protects our investors from paying fees for poor performance and ensures that they don't pay the same performance fee twice.

If and when the **Vision Capital Fund's AUM exceeds USD 300 million**, we will endeavour to lower our investors' fees further as and when opportunities arise.

Early Withdrawal Penalty

There are no subscription or redemption fees other than an **early withdrawal penalty: 3% in the first year, 2% in the second year, and 1% in the third year**. We are implementing this **primarily to guide good long-term investing behaviour.**

As an investor in Vision Capital Fund, we want you to stay invested for the long run because that gives you the best chance to earn good returns.

Ultimate Goal

By not charging exorbitant fees and gradually lowering our fees over time as we grow, we aim for **Vision Capital Fund to become a long-term investment vehicle** to **grow yours and our wealth together well on net returns after fees basis**.

Vision Capital Fund's Team

Vision Capital Fund is managed under Galilee Investment Management Pte Ltd., which is a Licensed Fund Management Company (LFMC) with the Monetary Authority of Singapore (MAS).

Joseph Ong Puay Han is Galilee Investment Management's CEO. He has over 20 years of experience in business management and advisory services, working at Texas Instruments, Ellipsiz, and AMD. In 2018, he co-founded Galilee Investment Management Pte Ltd, a Singapore MAS-approved Registered Fund Management Company (RFMC), and received its Licensed Fund Management Company (LFMC) status in 2024.

As the name suggests, **Galilee refers to a northern territory in ancient Israel. Here, Jesus performed the miracle of walking on water in the Sea of Galilee and multiplied the five loaves and two fishes to feed the multitudes in Capernaum, Upper Galilee**. Jesus also conducted most of his ministry in Galilee, spreading the Gospel to the multitudes.

Galilee Investment Management is based upon the foundation of His goodness and grace, allowing It to deliver maximum long-term investment returns for its clients while helping the less fortunate around it.

Portfolio Manager - Eugene Ng

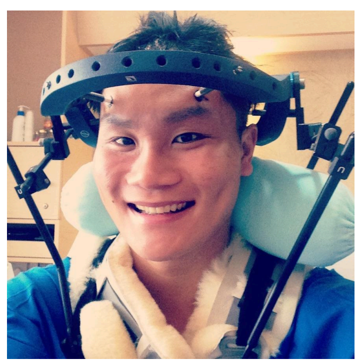
Eugene Ng is the Founder and Chief Investment Officer of Vision Capital Fund, a long-only global equities investment fund. His vision is to grow wealth for individuals, families, foundations, and endowments for generations by investing in companies that best reflect his vision for our future, changing and shaping the world for the better. **Eugene will invest the significant majority of his wealth alongside his investors and will be amongst the largest investors.**

Eugene quit his full-time non-investing job to start Vision Capital Fund because he wanted to live his Ikigai (生き甲斐) and do his work of investing joyfully for the rest of his life. He found his life's purpose and reason to live, and he wanted to relive this joy daily in his work through the ups and downs of this journey.

Eugene lives in Singapore with his wife. Despite still having a broken neck, he exercises daily with a disciplined regime of weight training, HIIT, swimming, running, yoga, and tennis. He also enjoys reading, loves hiking, the outdoors, and photography.

Investment Experience

Before founding Vision Capital Fund, **Eugene survived a near-death/paralysis accident in Dec 2013, where he broke his neck with a C1 Jefferson Fracture**. He was fortunate to have survived. He **continues to live with a broken C1,** with **lives with a renewed purpose in life to make investing his Ikigai (生き甲斐) and live his day to the fullest.**

He subsequently embarked on a quest to master investing in stocks and spent years learning and formulating his framework and philosophy to become Vision Investing.

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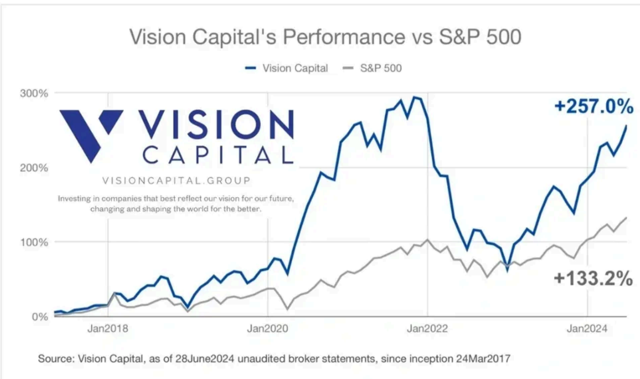
Eugene was an **individual investor who previously ran [Vision Capital]** with his own capital. For over 7 years, from 24 Mar 17 to 30 Jun 24, he employed the same investment strategy and **generated cumulative gross and annualised returns of +257% and +19.9% p.a.,** significantly outperforming the S&P 500's +133% and +11.8% p.a., showcasing his ability t generate solid and persistent long-term returns.



Annual Gross Returns* (%)

Year	Vision Capital	S&P 500	Excess
2017	**15.0%**	14.0%	1.0%
2018	**-1.7%**	-6.3%	4.5%
2019	**45.3%**	28.7%	16.6%
2020	**109.5%**	16.4%	93.2%
2021	**6.5%**	27.0%	-20.5%
2022	**-54.3%**	-19.3%	-35.0%
2023	**69.9%**	24.0%	45.9%
2024 YTD	**25.6%**	14.8%	10.8%

Cumulative Gross Returns* (%)

Year	Vision Capital	S&P 500	Excess
2017	**14.9%**	14.0%	0.9%
2018	**12.9%**	6.8%	6.1%
2019	**64.1%**	37.5%	26.6%
2020	**243.8%**	60.0%	183.7%
2021	**266.0%**	103.2%	162.9%
2022	**67.4%**	63.9%	3.5%
2023	**184.3%**	103.2%	81.1%
2024 YTD	**257.0%**	133.2%	123.8%

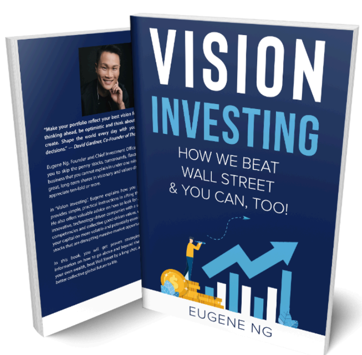
Annualised Gross Returns since Inception (% p.a.)**

Time-weighted Returns	Vision Capital	NASDAQ	MSCI World	S&P 500	Excess
Annualised (SGD)	**19.9%**	16.0%	10.4%	11.8%	8.1%
Annualised (USD reference)	**20.4%**	16.5%	10.9%	12.3%	8.1%

Inception 24 Mar 2017. As of 28 June 2024. Updated monthly.
* Returns from unaudited broker statements. ** Annualised returns from Portseido, unaudited.

Eugene is also the author of the Amazon best-selling book, "**[Vision Investing: How We Beat Wall Street & You Can, Too!]**". He **strives to be a living example that, as an individual and now as a professional investor, he, too, can beat the market at investing.**

Vision Investing: How We Beat Wall Street & You Can, Too!



*"There aren't many investing books out there that not only **synthesises the best of knowledge in the field but also brings to the table something refreshing and value-adding**. Vision Investing is one of those **perspective-shaping books that will make you rethink how you invest**.*

*One of the most outstanding features of this book is that **it convinces with facts and figures backed by strong evidence**. It does not only **bring across compelling propositions** but **also uses a multitude of evidence to persuade readers to reach their own conclusions.***

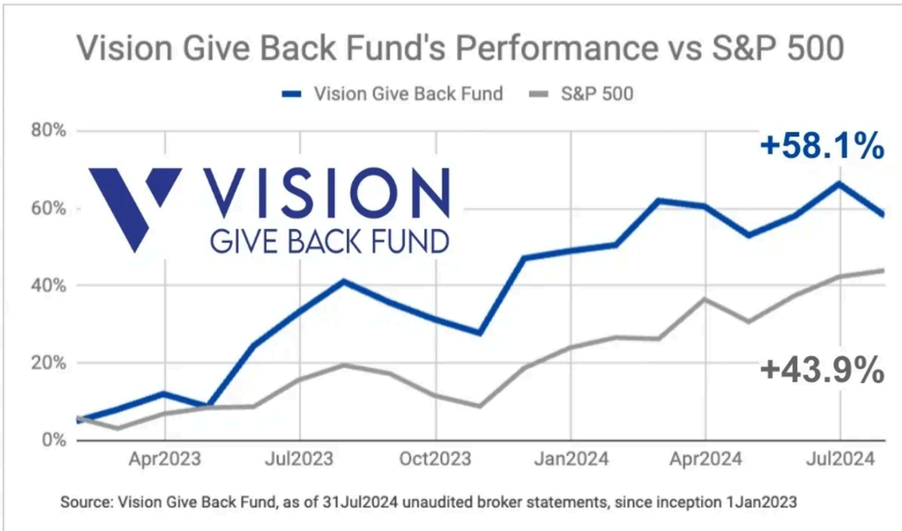
*The book **offers a very smooth and easy-to-read introduction to companies and the key statistics to look out for.** The style of writing and incremental learning curve makes the book incredibly welcoming to readers at all levels of understanding about investing.*

*If you are **interested in laying a good foundation of equities that will serve you well for decades to come**, look no further than this incredibly inspirational book."* - Yi Fan Lim

VISION CAPITAL FUND

Eugene's commitment to giving back is a cornerstone of his values. He **teaches an [annual investing course, 'Vision Investing'],** to educate individual investors.

100% of net course proceeds are invested into the **[Vision Give Back Fund](), where 20% of annual investment gains are donated to philanthropic causes in perpetuity**. This commitment to philanthropy is a testament to Eugene's values and belief in giving back.



Eugene is also an avid angel and early-stage individual investor. He has **invested in over 80 early-stage startups via Vision Capital Ventures**. He prefers deep-tech startups with big disruptive ideas that solve complex problems, have a lasting impact, and can significantly change and better the world.

Education and Career

Born and raised in Singapore, Eugene studied economics and finance, where he **graduated *summa cum laude* from the Singapore Management University** in 2008 and was on the **Dean's List for three consecutive years**. He studied at **Anglo-Chinese School (Independent)** and **Raffles Junior College** in his earlier years.

Eugene is a keen sportsman and **represented the Singapore National Team in Water Polo in the 2007 Southeast Asian Games, where they won their 22nd consecutive Team Gold**. He also played in the 2006 Commonwealth Water Polo Championships.

Eugene's **career in Finance spans over 16 years**. He started his career with **Citi** as a management associate and then joined **J.P. Morgan**, where he was a Vice President providing FX and interest rate sales and advisory to multinational corporations. His last role was with **Archer-Daniels-Midland Company**, executing FX and Interest Rate arbitrages for Structured Trade Finance.

Investor Education

We also believe deeply in investor education. In addition to educating investors through transparently running Vision Capital Fund, we also **write a blog named Vision Investing Viewpoints** (https://visioninvesting.substack.com/). We aim to write not to be timely but timeless.

It is our **personal investing blog and serves as a free platform for us to openly share more of our investing thoughts with the public.** Investing in stocks is a topic that is often overly complex.

Through Vision Investing Viewpoints, we want to **demystify investing, help investors develop sound and lasting investing principles, and avoid the pitfalls**. We believe that educating other investors is a worthwhile and meaningful pursuit.

Thank you for reading this far. **We look forward to a lasting and meaningful partnership between you and Vision Capital Fund** in the years and decades to come.

You can contact us at eugene.ng@visioncapitalfund.co.

VISION CAPITAL FUND

Growing your wealth for generations together, by investing in companies that best reflect our vision for our future, changing and shaping the world for the better.

Disclaimer:

Data as of 20 Aug 2024

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