

Memo

Please read the following basic principles regarding the partnership investment carefully:

1. **I cannot promise investment returns to partners, but I do promise:**
 - a. I will invest most of my personal investable capital into the partnership.
 - b. I will seek a significant margin of safety in every investment (e.g., buying one dollar's worth of value for 50 cents), striving to minimize the risk of permanent capital loss (not short-term paper losses).
 - c. I will select companies whose prices are significantly below their intrinsic value from a ten-year or longer perspective, regardless of their popularity.
 - d. I will not predict market fluctuations or economic cycles. If you believe I can do these, or think investing cannot be done without such predictions, this partnership is not suitable for you.
2. **Fixed management fee:** Given the currently minimal operational costs, the fixed management fee rate is set at 0.
3. **Performance incentive:** A 6% investment return hurdle rate is set. If the annual return exceeds 6%, I will charge 25% on the portion of the return *above* 6%.

Example: If the partnership's capital at the beginning of the year is 1 million and the annual return is 15%, I will charge 25% on the portion exceeding 6% (which is 90,000, i.e., $1,000,000 * (15\% - 6\%)$). The performance fee would then be 22,500 ($90,000 * 25\%$).

Clawback: If the annual return is below 6%, the shortfall below 6% will be carried forward to the next year and must be recovered before any performance fee is calculated on new profits exceeding the annual 6% hurdle.

4. **Benchmark for performance evaluation:** Annual performance evaluation should be evaluated against the performance of the global securities market, for example, the MSCI World Index. If our results are relatively better than the index (e.g., -5% compared to the index's -10%), the performance for the year is considered decent.
5. **Time horizon for performance evaluation:** I believe 3 years is the minimum period to judge investment performance, and 5 years is a more appropriate timeframe. Therefore, I also expect that you will not redeem your capital for **at least 3 years**.
6. **Information disclosure:** To avoid confirmation bias and unnecessary distractions, I will not disclose the names of current holdings. However, I will publish a letter to partners every six months to report on the latest progress and thoughts.
7. **Capital contribution:** We accept new capital twice a year, on **March 31st** (Spring Window) and **September 30th** (Autumn Window).