Dear Partners,

This letter reflects a period of meaningful transition for the partnership. We have completed the full realization of our legacy portfolio, welcomed new partners, and put a new structure in place. Together, these developments mark the close of one chapter and the beginning of another. With several years of decisions now behind us, we are able to look back clearly at what worked, what did not, and what we have learned along the way.

Our new partnership officially launched on 1st August 2025.

I want to begin by thanking you for your patience during the onboarding process. I know the setup was rigorous, but it was necessary to meet regulatory standards. Fortunately, that heavy lifting is now a one-time event.

We are also fortunate to be working with the team at Galilee. We've found strong alignment, and their support has been instrumental during the transition. With most of the administrative hurdles now cleared, I am eager to get to work on what matters most: investing our capital.

The New Setup

This year, we transitioned to a Separately Managed Accounts (SMA) setup to support a larger capital base while keeping operating costs sensible.

A persistent challenge in fund management is the mismatch between costs and returns. Operating expenses are linear, but investment returns are lumpy. Even when the underlying investment thesis remains intact, it is entirely normal for performance to flatline—or even decline—for extended periods. This is an inherent feature of markets.

This mismatch is particularly pronounced in Singapore, where regulatory standards are uncompromising. These standards are essential, but they come with unrelenting costs that arrive regardless of market conditions. During prolonged periods of muted performance, expenses are not merely a drag on returns; they can become an existential risk to the fund.

A common way of addressing this mismatch is through a recurring management fee. While there are some equitable approaches to structuring this fee, I've tried to avoid this compromise as I am wary of the knock-on effects. Even with the best intentions, management fees can sometimes create an unwanted outcome—shifting the goal from generating performance to gathering AUM.

By adopting an SMA structure, we are able to operate more efficiently while maintaining the same regulatory standards. There are trade-offs, but they are manageable and appropriate for where the partnership stands today. At our current stage, it offers a sensible way to keep costs contained without imposing a fixed charge on your capital. We continue to charge only a performance fee.

A Review of Our Results:

Table 1: Cumulative and Annual Returns

	Cumulative Returns (%)			Annual Returns (%)		
	U.S. Equity ETF (SPY)	Global Equity ETF (URTH)	Mustard Seed Capital (MSCAP)	U.S. Equity ETF (SPY)	Global Equity ETF (URTH)	Mustard Seed Capital (MSCAP)
Currency	**USD**	**USD**	**SGD**	**USD**	**USD**	**SGD**
2019	31.22	28.14	33.22	31.22%	28.14%	33.22%
2020	55.33	48.35	66.45	18.37%	15.77%	24.94%
2021	99.98	81.40	99.46	28.75%	22.28%	19.83%
2022	63.64	48.82	75.60	-18.17%	-17.96%	-11.96%
2023	106.50	84.49	130.58	26.19%	23.97%	31.31%
2024	157.89	118.93	187.77	24.89%	18.67%	24.80%
2025*	203.56	165.67	226.25	17.71%	21.35%	13.37%
Annualized	**17.19%**	**14.98%**	**18.40%**	**17.19%**	**14.98%**	**18.40%**

*2025 represents a combined composite return

For the full year of 2025, our strategy delivered a **Combined Annual Return of 13.37%** (in SGD terms).

This performance was achieved across two distinct periods:

1. **Legacy Portfolio (Jan 1 – July 30):** Returned **11.79%**.
2. **SMA Portfolio (July 31 – Dec 31):** Returned a composite net return of **1.41%**.

Note: The SMA figure represents the composite net return of all fee-paying client accounts. We report strictly **Net Returns** (after all fees and expenses) as generated directly by our custodian, Interactive Brokers.

Our Activities in 2025

In Q3 2025, we liquidated the legacy portfolio to pave the way for our new partnership. While transferring our positions was operationally possible, we wanted to avoid dragging any unnecessary administrative work into the new structure. We chose to absorb a one-time cost to keep things simple.

Our legacy portfolio was fully liquidated in July, a process that took us about three months. That experience served as a stark reminder of why we chose to be investors rather than traders.

There is a particular frustration in being a forced seller: several of our long-held positions, which had remained dormant for months (even years), rallied almost immediately after we exited. While frustrating, this reinforces a core truth: **We have no insight into short-term price flows, nor do we wish to.** It is a relief to step off that treadmill. We are happy to leave the guessing game behind and return to our core discipline: assessing the intrinsic value of companies.

For the remainder of 2025, we spent our time planting new seeds, largely in the category of **fair companies at wonderful prices** (more on that later). At year-end, approximately 60% of capital was invested in equities, with the remaining ~40% held in cash. This positioning is not a market prediction; it simply reflects our inability to find opportunities that currently meet our hurdle rate in the current environment.

The Current Market Environment

Some parts of the market today are priced on very optimistic assumptions. Artificial intelligence is one area receiving a great deal of attention. The underlying technology is genuinely impressive, and its usefulness is not theoretical—we can already see practical applications across many industries.

Beyond how we synthesis and search for information, its influence already extends much further. Even at this early stage, it is beginning to improve day-to-day life in many tangible ways. What stands out is not any single application, but how quickly it is finding its way into ordinary activities and quietly making them easier, faster, or more effective.

We are still very early in this process. It is difficult to know how far these changes will ultimately go, or how much they will reshape daily life over time. What does seem likely is that further improvements will come, and that their cumulative effect could be very meaningful—even if the path and pace remain uncertain.

Where caution enters is not with the technology itself, but with the prices being paid for that promise. In parts of the market, asset prices have risen faster than underlying earnings, and the margin for error appears thinner than usual. While we do not attempt to predict market cycles, we must pay attention to the environment in which we are operating.

That said, markets are never monolithic. Beneath the headlines, there are thousands of individual businesses, each priced on their own set of expectations. Even when enthusiasm is high in some areas, there are always pockets where expectations are modest and attention is limited. Opportunities do not disappear; they simply require more patience and more work to uncover.

Periods like this often involve more waiting than acting. More importantly, waiting carries no penalty on your capital. That freedom allows us to remain unhurried and selective—spending our time analysing businesses and insisting on sensible prices before committing capital. Over time, it is this discipline that allows compounding to do its work.

Expectations for Our Journey Ahead

Our aim remains to compound capital at a rate of **12% per annum, net of all fees**, **over the long term**—measured in decades rather than years. While we have every intention of exceeding that hurdle, experience has taught us that markets are under no obligation to reward intention alone.

Admittedly, a 12% target does not exactly get the pulse racing. In fact, it may appear decidedly unambitious—particularly after the exuberant period we have just lived through. However, we are mindful not to confuse favourable conditions with personal insight. While our record to date has exceeded this level, it would be incomplete to discuss those results without acknowledging the environment in which they were achieved. Equity markets over the past several years have been unusually strong, providing a tailwind that has lifted outcomes across the board.

But history offers a useful anchor. Over the last 20 to 40 years, broad equity markets have compounded at roughly **8–10% per annum**. Sustaining outperformance above that baseline is no easy task; expecting the recent pace of exceptional returns to persist indefinitely is unrealistic.

Measuring Time: The Ideal Horizon

Ideally, we would like to be judged over decades rather than years. However, capital is not committed in theory, and we recognize that even the most patient investors—ourselves included—have limits to how long judgment can be deferred.

For that reason, we think **five to eight years** is a sensible minimum. That span is sufficient to encompass a full market cycle and robust enough to observe how decisions hold up across varying conditions. Anything shorter tends to reflect the environment more than the underlying process.

Measuring Performance: Our (Un)changed Benchmark

You will notice a subtle change in our performance table. We have substituted the official names of the market indices with their ETF proxies: **URTH** (for Global) and **SPY** (for U.S.).

Publishing official index names typically requires ongoing licensing fees. We see little value in paying to reproduce information that is widely available. More importantly, an index itself is not investable; exposure can only be obtained through an investment in its corresponding ETF.

We use a **Global Equity ETF** (such as URTH) because it best matches our opportunity set. Our capital is deployed across geographies, so a global yardstick is the most appropriate benchmark. We also reference a **U.S. Equity ETF** (such as SPY) because it is a familiar benchmark for many investors. Differences in performance between URTH and SPY reflect differences in scope, not superiority. Each represents a different set of trade-offs.

It is also true that narrowing the scope has, historically, produced higher returns. Moving from a global benchmark to a U.S. benchmark has resulted in outperformance, and narrowing further—from the broad

U.S. market to a more concentrated subset such as a **Non-Financial U.S. Equity ETF (QQQ)**—has produced even stronger results. Over the past twenty years, QQQ has outperformed SPY by more than twofold.

These outcomes are real, but they reflect differences in scope, concentration, and risk—not foresight. Each benchmark represents a distinct opportunity set, with its own volatility and drawdown profile. The challenge lies not in observing these results after the fact, but in knowing which subset to choose beforehand. Changing the scope after the results are visible can always make a backtest look better, but it amounts to painting the bullseye after the arrow has landed.

Our aim is to be evaluated against a benchmark that reflects the risks we choose to take. Since our portfolio is already concentrated by design, we avoid compounding that risk by anchoring results to a single economy. Being selective in stocks while diversified across geographies is how we seek to preserve the conditions for long-term compounding.

<u>Measuring Currency: The Structural Headwind</u>

Finally, regardless of which index is used for comparison, **currency adjustment is vital.** We transact and report in **Singapore dollars**, while most global equity indices are denominated in **U.S. dollars**. This creates a structural headwind: historically, the SGD has strengthened against the USD by approximately **1.0% to 1.5% per year** due to Singapore's monetary policy.

In practice, this acts as an invisible hurdle. Consider the passive alternative: if a Singapore-based investor buys the Global Equity ETF (URTH) and it rises **10%** in USD terms, their realized return in SGD is likely only **~8.5 to 9%** due to the currency headwind. That is the true baseline because *all our transactions are in SGD***.** This is not a rounding error—it is a meaningful gap that compounds every year.

In other words, when we buy assets denominated in USD, we are implicitly accepting the 1.0% to 1.5% annual currency drag because we believe the quality of the assets we hold will more than compensate for it.

Taken together, this frames how we think about success. We are not trying to maximize returns in any single year, nor trying to engineer smooth outcomes along the way. Our focus is on making decisions that make sense across full market cycles and working on a strategy that we can repeat over time. Some of those decisions will look wrong for long stretches; others will benefit from conditions we did not foresee. The true test is whether our process remains sound across market cycles, allowing results to follow.

Our goal is not spectacular returns in any given year, but a **durable margin of outperformance**. A few percentage points may look inconsequential from year to year, but when compounded over decades, they produce very meaningful results. We have included some illustrations in the appendix to visualize the quiet power of this arithmetic.

With the framework established, we now turn to the record. We offer it not as a verdict, but as one data point within a longer journey that is still unfolding.

Our Cumulative Track Record

We try to refrain from discussing our active holdings in these letters. This is not a matter of secrecy, but of preserving the quality of our decision-making. Public commentary on open positions introduces behavioural and psychological friction that can interfere with clear thinking. We want the freedom to change course when facts change, not because a public view has already been expressed.

For that reason, our commentary focuses primarily on closed positions. Reviewing completed decisions allows us to assess outcomes—what worked, what did not, and why—without influencing the work currently in progress. We believe this strikes the right balance between transparency and maintaining the integrity of the investment process.

With the previous portfolio now fully realized, the complete track record since inception is presented below:

Table 2: All Investment From Inception

	Company	Quarter 1st Owned	Quarter Sold	IRR	Investment Multiple	Total loss as a % of closing AUM
1	**Spotify Technology**	Q4 2022	Q3 2024	132%	4.27	
2	**Meta Platforms**	Q1 2022	Q3 2025	58%	2.74	
3	**Bed Bath & Beyond**	Q2 2019	Q1 2021	216%	2.65	
4	**H&R Block**	Q3 2020	Q2 2022	67%	2.55	
5	**Wells Fargo**	Q1 2020	Q2 2025	32%	2.26	
6	**Signet Jewelers**	Q2 2019	Q1 2021	87%	2.02	
7	**Block**	Q2 2025	Q3 2025	283%	1.50	
8	**Foot Locker**	Q1 2022	Q2 2025	45%	1.44	
9	**Weibo**	Q1 2024	Q3 2025	27%	1.34	
10	**Paramount Global**	Q1 2020	Q3 2025	156%	1.32	
11	**Seritage Growth Properties**	Q1 2022	Q3 2022	71%	1.32	
12	**GlaxoSmithKline**	Q1 2021	Q1 2024	10%	1.28	
13	**Garrett Motion**	Q3 2023	Q3 2024	28%	1.26	
14	**Liberty Global**	Q2 2023	Q2 2025	11%	1.23	
15	**V.F. Corporation**	Q2 2024	Q3 2024	121%	1.23	
16	**Hang Lung Properties**	Q3 2024	Q3 2025	19%	1.19	
17	**Huya**	Q1 2022	Q1 2024	13%	1.16	
18	**Kraft Heinz**	Q2 2025	Q3 2025	145%	1.11	
19	**Baidu**	Q2 2019	Q3 2025	4%	1.08	
20	**JD.com**	Q2 2025	Q3 2025	14%	1.02	
21	**Samsonite**	Q2 2019	Q4 2019	2%	1.01	
22	**Alibaba Group Holding**	Q2 2021	Q3 2025	0%	1.01	
23	**Under Armour**	Q4 2022	Q4 2023	1%	1.01	
24	**Fedex**	Q1 2020	Q1 2020	26%	1.01	
25	**Nike**	Q1 2025	Q2 2025	4%	1.01	
26	**ASOS**	Q2 2023	Q4 2024	-2%	0.97	-0.04%
27	**Capri Holdings**	Q4 2024	Q3 2025	-13%	0.92	-0.26%
28	**Rentokil Initial**	Q3 2024	Q3 2025	-10%	0.91	-0.12%
29	**Lululemon Athletica**	Q2 2025	Q3 2025	-37%	0.88	-0.42%
30	**Walgreens Boots Alliance**	Q3 2021	Q3 2025	-29%	0.25	-1.22%

Our legacy fund began in 2019, and we completed the liquidation of the entire portfolio on 30th July 2025. Over this ~6.5 year period, the fund produced a compounded annual return of approximately 19.5% in SGD terms. A $100,000 investment at inception would have grown to roughly $322,000 by the time of liquidation.

Over this period, we invested in a total of 30 companies. 5 of those investments resulted in a loss.

Crucially, we must distinguish between **analytical mistakes** and **calendar-driven exits**. Analytical mistakes reflect cases where our assessment of the underlying business proved incorrect. Calendar-driven exits, by contrast, arose from our fund's liquidation timeline rather than a change in our view of the business.

Of the five losses, three of them (Capri, Rentokil, and Lululemon), fell into this latter category. These positions were exited according to an arbitrary liquidation timetable set by the fund's wind-down period—not because our view of the underlying businesses had changed. All three stocks have since rebounded, suggesting the disconnect was indeed temporary.

If we evaluate our record based strictly on analytical mistakes, our batting average stands at approximately 93% (2 mistakes out of 30 investments). *Even under a more conservative view that counts all five positions as losses,* the hit rate is still 83%. More importantly, the combined losses from *all five positions* amounted to roughly 2% of our closing AUM.

A Selective Hunt: The Wonderful and the Fair

Our results were achieved primarily through a deliberate hunt for two distinct species: **wonderful companies at fair prices,** and **fair companies at wonderful prices**. While we would love to fill the portfolio with the former—the rare compounders that can flourish for decades—we are mindful that time acts as a force multiplier for the unknown.

The wonderful company must withstand decades of competitive assault, so its defence must be impervious.

Just being the most dominant player today is not enough; the business must possess a structural advantage that endures for decades. In addition, wonderful companies also tend to generate high returns on capital, which act as a **constant magnet for invaders**. Over time, those high returns invite repeated challenges to the business. This persistent pressure demands a moat deep enough to repel not just today's competitors, but also new forms of attacks that may not even exist yet.

Correctly identifying these fortresses is a humbling task. While we have successfully found a few of these compounders over the years, we are acutely aware of how difficult the analysis is to get right. And even when we do identify a "wonderful business", the market rarely misses it. Finding such a business is hard enough; finding one trading at a "fair price" is harder still.

In practice, we've found more luck in the second camp–fair companies at wonderful prices. This is not a rigid rule, but a candid reflection of our current circle of competence. Put simply, we still find it easier to identify a **temporary dislocation in a fair business** than to predict a corporate dynasty ten years out.

We see this boundary not as a constraint, but as a discipline. We prefer to operate where our vision is clearest. While we continue to study and search for long-term compounders, we refuse to force a conviction we have not yet earned. Until that clarity arrives, we are content to compound capital by stepping over the visible one-foot hurdles.

Our Hunting Ground

The hunt for fair companies at wonderful prices is hardly a pleasant exercise. It tends to lead us into situations that feel uncomfortable rather than obvious. The market is not in the business of handing out wonderful prices to its participants. When prices are unusually attractive, something is usually wrong—or at least appears to be. That discomfort is not a mistake; it is a feature.

Most of the time, the market does its job. Pessimism is rarely baseless; it usually rests on some type of rational foundation. Businesses disappoint, strategies fail to land, costs rise, competitors encroach, regulation tightens. None of this is abstract. When prices fall, it is often because something genuinely isn't working.

However, markets have a curious habit. When things go wrong for long enough, they start to feel permanent. A few bad quarters can make a business feel like it's broken. Falling prices reinforce that belief, and before long, duration quietly morphs into permanence.

Our hunt in that environment is not usually a pleasant one. Information is noisy, opinions are polarized, and clarity is scarce. Progress, if it exists at all, is slow and uneven. There are long stretches where nothing improves visibly, and even longer stretches where it feels easier to walk away than to stay engaged.

We spend a great deal of time here not because we enjoy the discomfort, but because this is where we tend to find opportunity. That said, discomfort alone is not an investment thesis. Cheapness offers no protection by itself, and buying a stock simply because it is unpopular or unsettling is a reliable way to lose money. The hardest part of our work—and the most important—is distinguishing between a temporary dislocation or a permanent impairment. Only the former earns our capital.

How We Hunt

Our role is different. We are not the player; we are the handicapper. We do not claim to possess the operational skill required to fix a company—that demanding work belongs to the leadership teams running the businesses we own, and we have deep respect for how difficult it is. Choosing the right strategy is hard; executing it under real-world constraints is harder still.

When we study a business, we focus less on brilliance and more on survivability. We look at the table and ask whether the deck is stacked against the company. Whether the balance sheet is deep enough to endure a few bad rounds, and whether there are multiple paths to a satisfactory outcome. We are cautious of situations where success depends on a single flawless decision or a miracle card on the river. Those are not investments; they are gambles.

The question, then, is not whether obstacles exist, but how demanding they are. We are hunting for situations where the hurdles are low and the margin for error is wide—**where sensible decisions are enough to create value**, and where mistakes are mere setbacks rather than existential threats. We prefer the one-foot hurdles that can be easily stepped over, not high-wire acts where a single misstep ends the game.

Finally, **margin of safety**. It is not a concept we apply only to the price we pay. It must exist in the underlying business as well. We want management teams to have enough breathing room—enough resilience to absorb missteps, delays, and bad luck without jeopardizing the enterprise. Once that operational safety is in place, we demand a further discount on the price we pay for the business. This two-layer discipline does not eliminate mistakes, but it shapes how risk shows up in our portfolio. Importantly, it helps keep our errors manageable rather than lethal.

What the Hunt Looks Like

Looking back at our first ~6.5 years, a few patterns stand out. **Our average holding period has been roughly two years**—a duration we did not explicitly set out to target, but one that appears to be a natural consequence of hunting for fair companies at wonderful prices.

Once the seed is planted, there is usually very little left for us to do but wait. Any positive returns we generate are not the result of toiling in the fields after the fact—thankfully. Most of the work is done before we invest: choosing the right ground, assessing the quality of the soil, and deciding whether the conditions are suitable in the first place. As minority investors, we are hardly in a position to tell management how to run their business (not that they would listen to us anyway).

Our role is that of an observer. We pay attention to what emerges—signs of progress, signs of stress, and whether the broader environment remains supportive. We do not dig up the plant to check if the roots are growing. Instead, we allow time—and our chosen management—the space to work through challenges as they arise.

Improvements in the business can often appear unremarkable at first. Early signs tend to be subtle, uneven, and easy to dismiss. Confidence rarely returns all at once. Our two-year holding period was not engineered, but it reflects how long it typically takes for these small incremental improvements to accumulate, *and for the market to recognise them.*

As that uncertainty begins to lift, the valuation gap closes and our opportunity also narrows. At that point, our work is done; we exit the position and redeploy capital to the next idea. In that sense, exits are not driven by timing skill, but by the gradual exhaustion of the original mispricing.

A Closer Look at the Record

We are encouraged by the results so far. Both the returns we have generated and the consistency of our decisions suggest that our hunt for fair companies at wonderful prices has borne fruit. Even so, we are careful not to confuse a good start with a solved game.

Sir John Templeton once observed that even the best investment analysts are likely to be right only two out of three times (~67% batting average). A hit rate meaningfully above that raises a fair question: did we dodge bullets? Or did our prudence slip into paralysis?

Our ~93% batting average, likely reflects some degree of excess caution. By demanding a high level of clarity before committing capital, we may have avoided certain errors—but we may also have left some returns on the table. While our bias will always be toward safety, we recognise that a zero-defect mentality carries its own risk: the risk of omission. Navigating this trade-off requires calibration, not capitulation. Our aim is sharper judgment, not lower standards.

More importantly, no framework eliminates error. From time to time, our judgment will fall short. A situation we believed to be manageable may prove otherwise, and assumptions that appeared conservative may fail to hold. When that happens, our focus turns to how the mistake unfolded and how the portfolio responded. One such instance is worth examining more closely.

Our Largest Mistake: Walgreens Boots Alliance

Our most significant loss occurred in Walgreens Boots Alliance (WBA). For decades, this was the undisputed king of American pharmacy retail, famous for monetizing the "wait" as customers shopped while filling prescriptions. This legacy, however, did not protect our capital. With an investment multiple of 0.25x, every $100 we invested returned a mere $25.

What went wrong?

In 2021, the stock appeared to offer deep value, trading at ~10x earnings with a 4% yield. We believed the core business was stable and the price offered a "free" option on their strategic pivot to healthcare services.

<u>The Thesis: Bridging the Friction Gap</u>

To understand our thesis, consider the typical GP experience in Singapore when you fall ill. The process is seamless: you see the doctor, collect your medicine at the same counter, and you are out in 30 minutes or so.

In the U.S., prescribing and dispensing are structurally separated. This creates immense friction: a patient sees the doctor, leaves the clinic with a prescription, then makes a separate trip to a pharmacy—often followed by another wait—before receiving the medication.

Historically, Walgreens turned this friction into a feature. While customers waited for prescriptions, they shopped for high-margin front-of-store items—a resilient model that made them the largest pharmacy chain in the U.S. for decades.

Their acquisition of **VillageMD** was an attempt to upgrade this legacy model. By placing doctors inside stores, Walgreens aimed to replicate the same efficiency we have in Singapore: diagnose and dispense under one roof. The goal was to convert underutilized floor space into clinics, capturing the patient journey upstream and creating a "moat" against e-commerce.

<u>The Unraveling: A Capital Allocation Disaster</u>

The thesis broke due to a "COVID earnings mirage" and a catastrophic error in capital allocation.

To fund this pivot, management sold their large stake in **Cencora**—a boring but profitable pharmaceutical distributor—to buy **VillageMD**, a cash-burning upstart. The end result was a complete destruction of capital. While the exciting VillageMD equity was eventually written down, the boring Cencora has nearly tripled in value.

The timing also proved disastrous. Management leveraged the balance sheet to double down on this venture in late 2022—right as the Federal Reserve began its fastest tightening cycle in decades. They effectively swapped a cash-generating asset for a cash-consuming one just as the cost of capital surged from near-zero to over 4%.

This error was further compounded by a regulatory "black swan" in 2023 known as **Medicare V28**. This rule changed how patient risk is calculated, effectively deeming patients "healthier" on paper for the exact same conditions. Overnight, the government legislated away the unit economics of the clinics.

We fully exited the position in July 2025, shortly before the privatization closed. While we executed the sale at a slight premium to the deal price, the decision was largely administrative. With the buyout price locked, the investment thesis was effectively obsolete; holding offered no further optionality. We simply accepted the liquidity and moved on.

<u>Reflections & Lessons</u>

Following the V28 announcement, the unit economics of the business fundamentally shifted.

We saw the change, but we overestimated the durability of the business. We believed the core business was resilient enough to weather the storm and fund the pivot. We were wrong. We waited nearly 2.5 years for a transformation that never materialized.

While some patience is always necessary to gauge a turnaround, we clearly overstayed. In hindsight, the regulatory change had **permanently adjusted** the unit economics, requiring a radical re-evaluation of the business rather than a wait-and-see approach. We likely could have exited at least **12 months earlier**—a decision that would have reduced both our capital loss and opportunity cost.

While we avoided the cardinal sin of “watering the weeds” (we did not add capital), we are guilty of failing to uproot this one. We allowed a lost cause to linger, trapping us in dead capital.

Final Thoughts

The reality of our strategy is that we cannot filter out every error without also filtering out the winners that drive our returns. <u>We will make mistakes again</u>. We will likely pass on a compounding machine due to an excess of caution, just as we will occasionally step into another value trap that looked like a bargain. Walgreens serves as a textbook example of the latter, but we view that experience as a vital stress test. While the stock collapsed by nearly 75% during our holding period, the realized damage to the portfolio was limited to just 1.22% of our ending AUM.

We take no pleasure in losing money, but we accept that errors are inevitable. Our job is to contain them. As we have written before: if we protect the downside, the upside will take care of itself. Our aim is simple: heads we win, tails we don’t lose much. Our search for asymmetric opportunities continues.

I want to close by thanking you for your continued trust. The structure of this partnership was designed to align our interests as much as possible. It gives us the freedom to be patient when markets are expensive and the courage to be aggressive when they are fearful. That freedom is the most valuable asset we have, and it comes directly from you.

We remain, as always, eager students of the game—committed to refining our craft, protecting your capital, and learning from every hand we play.

Cordially,

Frederick Tye

30th January 2026

Appendix: The "Quiet Power" of Compounding

Exhibit 1: When 1–2% Quietly Changes Everything

The table below starts with the same $100,000 and applies different annual compounding rates. In the early years, the differences appear modest and easy to dismiss. Over time, however, those small gaps widen, then accelerate.

What matters is not the return in any single year, but the accumulation of small advantages repeated consistently. A 1–2% edge does not announce itself early; it reveals its power only with patience.

The most powerful feature of compounding is not how fast it works, but how quietly it does so.

Initial Sum:	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000	$100,000
Annualized return:	8%	9%	10%	11%	12%	13%	14%
Years							
10	$215,892	$236,736	$259,374	$283,942	$310,585	$339,457	$370,722
20	$466,096	$560,441	$672,750	$806,231	$964,629	$1,152,309	$1,374,349
30	$1,006,266	$1,326,768	$1,744,940	$2,289,230	$2,995,992	$3,911,590	$5,095,016
40	$2,172,452	$3,140,942	$4,525,926	$6,500,087	$9,305,097	$13,278,155	$18,888,351

Over 40 years, compounding at 12% produces more than twice the capital generated at 10%, and more than four times the capital generated at 8%.

Exhibit 2: The Structural Headwind (Currency)

For Singapore-based investors, global investing comes with a built-in headwind. Our capital is denominated in SGD, while most global assets and benchmarks are priced in USD. Over time, movements in the exchange rate meaningfully affect the returns we actually experience.

Consider our results below:

	Cumulative Returns (%)		
	U.S. Equity ETF (SPY)	**Global Equity ETF (URTH)**	**Mustard Seed Capital (MSCAP)**
Currency	**USD**	**USD**	**SGD**
2019	31.22	28.14	33.22
2020	55.33	48.35	66.45
2021	99.98	81.40	99.46
2022	63.64	48.82	75.60
2023	106.50	84.49	130.58
2024	157.89	118.93	187.77
2025	203.56	165.67	226.25
Annualized Return	**17.19%**	**14.98%**	**18.40%**

The "Currency" Drag:

Between our inception in 2019 and the end of 2025, the U.S. dollar weakened against the Singapore dollar:

Start Date: 02/01/2019 1 USD = 1.3628 SGD

End Date: 31/12/2025 1 USD = 1.2843 SGD

Over this period, the USD depreciated by approximately **5.8%** against the SGD.

This decline did not occur all at once. It compounded quietly in the background, reducing realized returns year after year.

What This Means in Practice:

The tables below show what a $100,000 investment would have become by 2025, first in USD terms and then after adjusting for currency back into SGD.

	U.S. Equity ETF (SPY)	Global Equity ETF (URTH)	Mustard Seed Capital (MSCAP)
Before FX adjustment:			
Ending value	$303,560 (USD)	$265,670 (USD)	$326,250 (SGD)
Annualized Return	17.19%	14.98%	18.40%
After FX adjustment:			
Ending value	$286,070 (SGD)	$250,367 (SGD)	$326,250 (SGD)
Annualized Return	16.20%	14.01%	18.40%

Currency adjustment is not a rounding error; it is a structural headwind that compounds against us. For a Singapore-based investor, a 1–1.5% annual currency drag may appear modest in any given year, but over time its cumulative effect meaningfully changes the end result.

As Exhibit 1 illustrates, a 1–2% difference may appear small, but it compounds into materially different outcomes over time. With the currency adjustment, the same arithmetic applies—**but it works against us.**