JULY 2, 2024

TAPASYA INVESTMENT FUND I

BI-ANNUAL PARTNER LETTER 2024

INTRODUCTION

We are getting closer to completing 2 years into starting this journey. Its has been a wonderful journey thus far at least for me and hopefully for you, my investors as well.

Although a short timeframe, we have continued to extend our lead over S&P 500 and most broad based market indices.

I appreciate your support in this journey and having the trust to invest with me.

Topics Covered

1) Performance & Recap for 2024 - YTD

2) Skill vs. Luck

PERFORMANCE

Tapasya Investment Fund I (TIFI) results since inception

Date/Timeframe	Fund Returns	LP Returns	S&P 500 (with Dividends)
2024 through June	**11.8%**	**8.8%**	**15.3%**
2023	44.7%	35.4%	26.3%
2022 (Since Aug 17th)	-6.8%	-6.8%	-11.0%
Since Inception	**50.6%**	**38.3%**	**31.5%**

Source: IBKR for Gross and NAV Consulting (Fund Administrator) for LP Returns

In the current fiscal year, Artificial Intelligence has attracted the attention of Wall Street investors, making it a subject of considerable interest. The S&P experienced a remarkable start to the year, building upon a highly successful 2023. It exhibited growth of ~15.3% with dividends. Upon examining the primary contributors, Nvdia singularly accounted for about 30% of the index.

With the exception of Real Estate (XLRE), all sectors demonstrated positive performance. The sectors that performed exceptionally well were Communication Services (XLC), dominated by Alphabet (Google) and Meta and Technology (XLK).

Overall, the year has been reasonably successful, yielding 11.8% gross returns and 8.8% net of fees. Our goal is to beat the S&P returns net of fees i.e. LP (Limited Partner) returns over the long term. Since inception we have maintained a significant lead over the S&P at 50.6% gross and 38.3% net vs. S&P at 31.5%.

Our selection of the S&P 500 as the benchmark index was based on its prevalent acceptance as a performance indicator. Alternatively, the MSCI World Index could have been utilized. It is essential to recognize that a significant number of professional investors underperform the S&P 500 index over an extended period. TIFI LP returns are net of all fees, while the S&P 500 includes dividends, ensuring an accurate and comparable assessment.

Tapasya Investment Fund I (TIFI) Monthly Results 2024 (Net/LP returns) in '%'

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
TIFI	-0.14	4.39	3.17	-1.44	2.04	0.41							**8.8**
S&P	1.68	5.34	3.22	-4.08	4.96	3.59							**15.3**

Source: IBKR and NAV

Larger Cash Position than usual

Our cash position exceeded my desired level and stood at about 20% for much of Q2, which has undoubtedly hindered returns. I acknowledge that this excess cash acts as an impediment to returns.

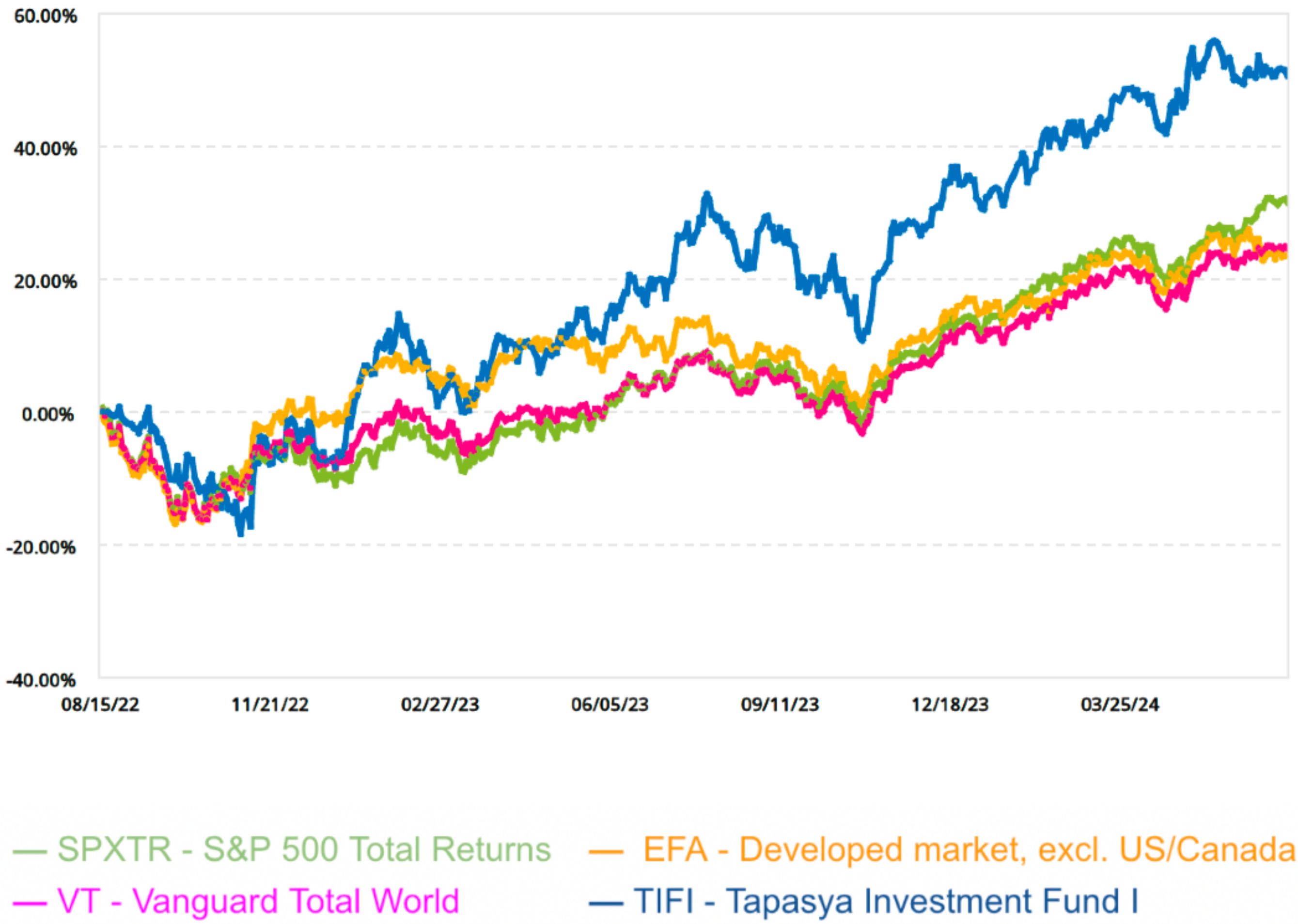
Finding investment opportunities at a price that aligns with my valuation comfort zone has proven challenging, particularly in the US. This does not reflect a lack of confidence in our US portfolio companies but rather a valuation disparity that does not warrant additional capital deployment. However, I perceive greater opportunities internationally, considering price-to-value metrics. Consequently, our international allocation has increased this year and may continue to do so. Our international portfolio has also performed better than previous years, leading to increased size within our portfolio.

During the year, we welcomed 7 new limited partners to the fund, resulting in an infusion of cash, which is a positive development. However, given the continued market upswing, I have maintained a larger cash balance than I would prefer. We exited the quarter at about 10% of the portfolio in cash.

As evidenced in our monthly reports, there is a considerable degree of volatility. This volatility is observed in both the fund and the index. It is important to note that this volatility does not equate to elevated risk in the portfolio, as we neither engage in short selling nor employ leverage.

We acknowledge that volatility, coupled with shorting or leverage, amplifies risk, which we diligently avoid. Our investment strategy is long-term oriented. The concentrated nature of our fund, with 14 securities compared to our benchmark's approximately 500, contributes to the observed volatility.

Gross Returns as of June 28’ 2024



Comparing ourselves to other indices like Total World Index (VT) and Developed Market Excl. US/Canada (EFA), we can hold our heads high. Given we are a global fund, these are good benchmarks to look at.

I am generally more confident in beating markets when they move sideways or move lower, and will almost certainly trail markets when they are in a euphoric state like 2021 or even today within pockets like AI and some associated areas. Hopefully, we don’t have to deal with frothy markets all the time.

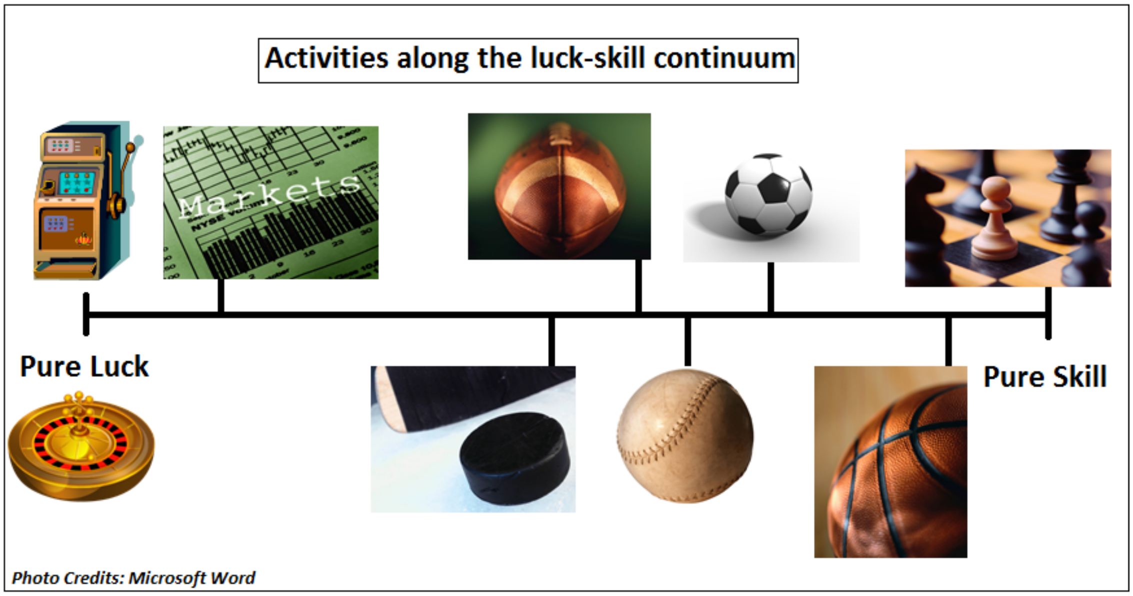
SKILL VS. LUCK

During a conversation with a prospective investor, I was queried regarding the extent to which my performance in managing the fund to date can be attributed to skill rather than luck. I considered it to be an insightful inquiry. Distinguishing between the two is a challenging endeavor, given the relatively brief period since the fund's inception.

Considering the significance of this topic, I decided to express my perspective in writing. Numerous works have explored this subject in depth. In my exploration, I intend to integrate my own insights with the writings of Nassim Taleb, a cherished author whose book "Fooled By Randomness" is one of my favorites. Additionally, I will draw upon the teachings of Micheal Mauboussin, one of my favorite teachers, a respected scholar who has extensively examined and discussed the differentiation between skill and luck.

Taleb argues that we often overestimate the impact of skill and underestimate the influence of luck in life and markets. He introduces the concept of "alternative histories," highlighting that the outcomes we observe are just one of many possible scenarios. Taleb warns against the "narrative fallacy," our tendency to create stories that rationalize events after they occur, mistakenly attributing success to skill rather than luck. He emphasizes the importance of recognizing the role of randomness in shaping outcomes to avoid being misled by apparent patterns.

Mauboussin introduces a skill-luck continuum, illustrating that most activities involve a combination of both elements. He suggests that the degree to which luck or skill dominates depends on the nature of the activity. In activities with a high degree of luck, like gambling, even the most skilled players can experience significant setbacks due to chance. Conversely, in activities requiring substantial skill, like chess, skill plays a more dominant role, although luck can still influence outcomes. Mauboussin emphasizes the importance of understanding the skill-luck balance in any given activity to make informed decisions.



As is evident from the picture above, a game that can intentionally be "lost" is a 'skill' based game, such as Chess. A player can certainly lose if they choose to. Conversely, at the other end of the spectrum are games of chance like Roulette or Slot Machines. These games are purely luck-based. If an individual engages in these games for an extended period, they are almost certain to incur losses.

What about investing? As rightly shown there is a lot of luck involved in investing. One could have all the right analysis done and yet lose money due to the vagaries of the market. Though an extreme example here, Gabe Plotkin, the hedge fund manager who shorted Game Stop (GME) probably had all the right analysis done for shorting the stock. Little did he realize about the ensuing meme craze and run up in GME leading to closure of his fund.

There are other scenarios as well, where investors have made significant profits inspite of not having done any fundamental or technical analysis to reach their conclusion to buy the stock.

In the intricate realm of investing, differentiating between skill and luck poses a complex challenge. It is pertinent to inquire whether investing entails elements of skill. In my estimation, the answer hinges upon the individual investor's approach. There is a wide spectrum of investment strategies. On one end of the spectrum, we have distinguished luminaries such as Warren Buffett, Jim Simons, and Munger, who have achieved remarkable success through a profound grasp of business fundamentals and their implications for future cash flows. Alternatively, there are investors who leverage quantitative methods in an effort to secure an edge over the market. In contrast, there exists a notable contingent of investors who primarily operate on platforms such as YouTube and X. These individuals dispense investment guidance, often with the primary objective of monetizing their viewership or selling courses, rather than demonstrating genuine investing prowess.

However, of greater significance to an investor in this fund, or when evaluating their own performance as an investor, is the ability to discern between skill and luck.

The inherent challenge with investing, and indeed games like Poker, is that despite making the correct decision, the outcome may be unfavorable, and vice versa. As humans, we tend to overemphasize the result and under-appreciate the process. To some extent, this is understandable in the context of investing, particularly when a sound process, implemented over a protracted period, significantly lags the market, a scenario frequently encountered by a majority of money managers. In such instances, it is worth questioning whether the process is indeed sound or merely a result of skillful marketing.

There are certain approaches that I believe are worthy of consideration when evaluating investing strategies.

Benchmark: I strongly advocate for the utilization of a benchmark. In our case, we have opted for the S&P 500, given its widespread acceptance as the benchmark of choice. In my view, investing without a benchmark is akin to shooting in the dark.

Time: Another crucial factor to consider is time. Over time, defined as a complete cycle encompassing both bull and bear markets, which typically spans approximately seven years, the fund manager (or individual) must demonstrate the ability to outperform the corresponding benchmark.

Performance: It is equally important to ascertain whether the performance was primarily driven by a single company in which the fund was invested or was distributed across multiple winners and some losers within the portfolio. This assessment can be subjective depending on the concentration of the portfolio. For instance, Nomad Investment Partners, under the stewardship of the acclaimed investor duo Nick Sleep and Qais

Zachariah, maintained a highly concentrated portfolio, with three companies (Amazon, Costco, and Berkshire Hathaway) generating the bulk of their returns. Notably, these positions were held for an extended period, including during the 2008 Great Financial Crisis (GFC).

In light of these considerations, I propose revisiting this topic after several years to evaluate our performance. While I acknowledge that achieving outperformance requires a degree of good fortune, I am confident that over time, my capital allocation skills, temperament, and analytical acumen will collectively contribute to outperforming our benchmark. Time will be the ultimate arbiter of our success.

THE YEAR SO FAR

All news continues to be good news for the US stock markets, with the S&P hitting 31 new ATH (All Time High's) so far this year.

Just for some context and history that may pique your interest, 1995 saw 77 and 2021 saw 70 All-Time-Highs, which were the 2 biggest years for ATH in our history since 1929. Also, after 1929 we did not see the S&P hit an all-time-high till 1954. Was probably a terrible period to be an investor.

Our top performers were Google, Prosus and Carvana. Out bottom performers were Howard Hughes, Builder First Source and Alibaba.

Top Performers and their Contribution

Company	Symbol	Contribution
Alphabet	GOOG	4.6%
Carvana	CVNA	3.2%
Prosus	PRX.AS	2.0%

Bottom Performers and their Contribution

Company	Symbol	Contribution
Builder First Source	BLDR	-1.1%
Alibaba	BABA	-0.8%
Howard Hughes Holding	HHH	-0.7%

This year we started 1 new position - HHH (Howard Hughes Holding). I have written my thesis about this company in Global Investment Review VIII also available within the letters section of my website tapasyafunds.com

We also added 7 new LP's this year. This meant allocating the new capital the fund received. As previously mentioned ultimately the funds performance or lack thereof will be a function of my capital allocation skills.

We increased our exposure in International stocks/companies this year on a cost basis. This was driven by the fact that there were lower valuations available internationally than in the US. This does not by any means suggest that lack of confidence in our US portfolio, just that the valuations are higher vs. preference.

I do expect the emerging markets and Europe to pick up more steam in the coming months.

That said, especially in an election year one can expect a high degree of volatility here. Hopefully by now you would know my view on volatility and this does not trouble you any more. For the new investors, I see volatility as a friend given we can take advantage of the prices. Given we don't use leverage or short stocks volatility does not amount to risk.

Year to date the US portion of the portfolio contributed 10.3% of the total growth vs. Europe contributing ~2%. China was a negative contributor at about (-0.6%).

For the first half of the year, there was no portfolio turnover. However, it is important to note that unless there is a significant change in business trends, I would consider exiting my position in ASOS. This company was the subject of discussion in Global Investment Review II, where it was presented as a turnaround story that, unfortunately, has not materialized like most other turnarounds. Fortunately, our current exposure to ASOS is relatively modest, representing less than 0.5% of the portfolio at current market prices and approximately 1% at cost.

PARTNER COMMUNICATION

I continue to look to grow the fund, and should you have friends or family interested in investing with the fund please do make the introduction.

Reporting - The **portal gets updated on a monthly cadence** and reports are sent out every quarter. Should you have any questions please let me know.

Minimum Commitment - The minimum commitment for new investor is $100K. For existing investors, the minimum addition is $10K.

Operations and Incentive Structure

Our unique fee structure is based on the original Buffett partnership, placing incentives on performance to align interests. This is why my family is the largest partner in the fund and your capital is invested alongside our own.

- Zero Management Fee
- Annual Hurdle Rate of 6%
- Performance incentive of 25% earned only on profIt's after the hurdle rate
- High Water-mark (incentive provision only after reaching new all-time highs)

Thank you for your confidence, value your support and welcome any questions.

Yours sincerely,

Pratik Kodial