

Hello, this is Dooyong Kim from MUST Asset Management.

After sending our June 2023 investor letter, we are writing another one just six months later. The year 2023 was exceptionally significant for all of us, starting with firm resolutions and determination stemming from reflections and insights gained during the winter of 2022. For both myself and MUST, as some media poetically described, it was a year of ‘grinding bones and shattering bodies’. Before anything else, I am deeply grateful for your continued support and trust in both myself and MUST, despite our shortcomings. With great appreciation, I will provide a candid review of our progress in 2023 and share our plans for 2024.

In the 2022 investor letter, released in early 2023, I mentioned our commitment to returning to MUST’s original performance ethos of maintaining stable return volatility while simultaneously achieving commendable returns, as embodied in our foundational 101026&0¹ approach. Fortunately, in 2023, we steadily accumulated monthly returns, resulting in an annual return of approximately +29-31% across all funds. Notably, we managed to avert negative quarterly returns, even in the challenging third quarter, thereby maintaining stability in return volatility, which we considered most important.

Nevertheless, 1) the results fell short of our expectations, which were established at the outset of 2023 based on the resolutions and determination of myself and MUST, 2) the numbers are still far from sufficient to overcome the losses of 2022, and 3) with a keen self-awareness of many regrettable mistakes and shortcomings throughout the process, the performance of 2023 was internally marked by disappointment and regret, despite what might appear as satisfactory outcomes on the surface.

In 2023, we undertook a significant strategic shift, redirecting our investment and research focus from U.S.-centric investments to Korea-centric investments. In this transition, deep-rooted transformation of our organization, teams, and individuals proved to be more complex than anticipated. Furthermore, the stock market in Korea emerged as more challenging than ever before, requiring intense deliberation, considerable effort, and occasionally, self-restraint to achieve stable and foundational results. There were times when research on individual companies was not thorough enough, research on specific industries was lacking, and our execution of team-based portfolio management fell short of our expectations. However, at every juncture, we exerted our utmost efforts to ensure that our shortcomings did not result in incorrect outcomes, to rapidly learn and evolve from those deficiencies, and to develop into a team structure that surpasses any mere physical combination of individuals. Around March 2023, a firm belief began to form within me that we were indeed moving in the right direction.

Holding onto this belief, and just as we experienced some evolution in 2023 through the insights gained in 2022, I am confident that MUST will undergo further evolution in 2024, driven by the lessons we learned in 2023. We are gaining numerous insights and growing through the companies we research and monitor in both Korea and the U.S. We have encountered many instances where companies have significantly improved or, conversely, deteriorated contrary to expectations. These experiences have broadened our horizons in terms of research-oriented thinking.

On the other hand, observing numerous companies in the market undergoing significant stock price

¹ The term 101026&0 represents our internal objective of achieving a tenfold increase in client capital over a ten-year period, all while ensuring a zero incidence of negative returns. Achieving this ambitious objective necessitates compounding our client capital at an annual rate of 26%.

fluctuations without a corresponding substantial improvement or deterioration in their financial health (fundamentals and value) or many instances where the value of a company changes significantly with little to no change in its stock price, I felt the need for growth and improvements, not only in research but also in the portfolio management aspect. Though I yearn to find solace in the investment philosophy that these anomalies are inherent to the nature of businesses, investments, and stocks, thus necessitating a long-term perspective, MUST was not founded merely to conduct value investing. Instead, it was founded with the mission of '101026&0,' to perform exceptional (value) investing, which leverages value investing as both a tool and a foundation. With humility in all things, yet without complacency, we will continue our intense efforts.

In 2024, continuing the approach of 2023 and in line with the long-standing principles of the original MUST, we will strive to maintain a stable, upward trajectory in returns. This will involve 1) avoiding concentrated investments, 2) ensuring real diversification within the portfolio to prevent any skewness in weightings due to specific factors, even in seemingly diversified cases, while considering cause-effect relationships, 3) prioritizing market-independent companies wherever feasible, and 4) most importantly, tirelessly pursuing hidden/yet-to-be-revealed gem-like investment ideas with unceasing dedication.

Additionally, under the current tax structure², we will continue to limit foreign exposure to less than 20-25%, and overseas companies will be added to our portfolio more meticulously and cautiously, and especially only when their quality surpasses that of our domestic investment ideas.

Some investment firms prioritize increasing the company's net profit and net assets, i.e., the interest of shareholders, as their primary goal. Others focus on expanding the size of AUM and their influence within the industry as their foremost objective, while some others place the highest priority on building trust and communication with clients. They all seem the same yet are different.

From before the founding until now, MUST has made it a primary goal to achieve exceptional performance through the right approach, thereby fostering joyful communication and companionship with our clients. Therefore, this year too, we will devote ourselves wholeheartedly to excelling in our investments.

Continuing to work tirelessly toward '101026&0 Again', we look forward to sharing positive results in our letter six months from now. Thank you.

Wishing you a happy and prosperous New Year.

Best regards,

Dooyong Kim, MUST Asset Management

² In South Korea, capital gains tax is typically not imposed on the trading of domestic stocks, whereas capital gains from foreign stock investments are subject to taxation.