KAILASA CAPITAL

Kailasa Capital Partnership I

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ABOUT KAILASA CAPITAL MANAGEMENT

Who We Are

Kailasa Capital Management, LLC is a boutique investment management firm and SEC - Registered Investment Advisor headquartered in Pittsburgh, PA. We provide a thoughtful investment management services for select individuals and institutions. Our structure as a privately held - independent advisory firm allows us to provide objective, transparent, conflict free advice on a fee only basis.

Who We Serve

Through our separately managed accounts and private fund we provide investment services to:

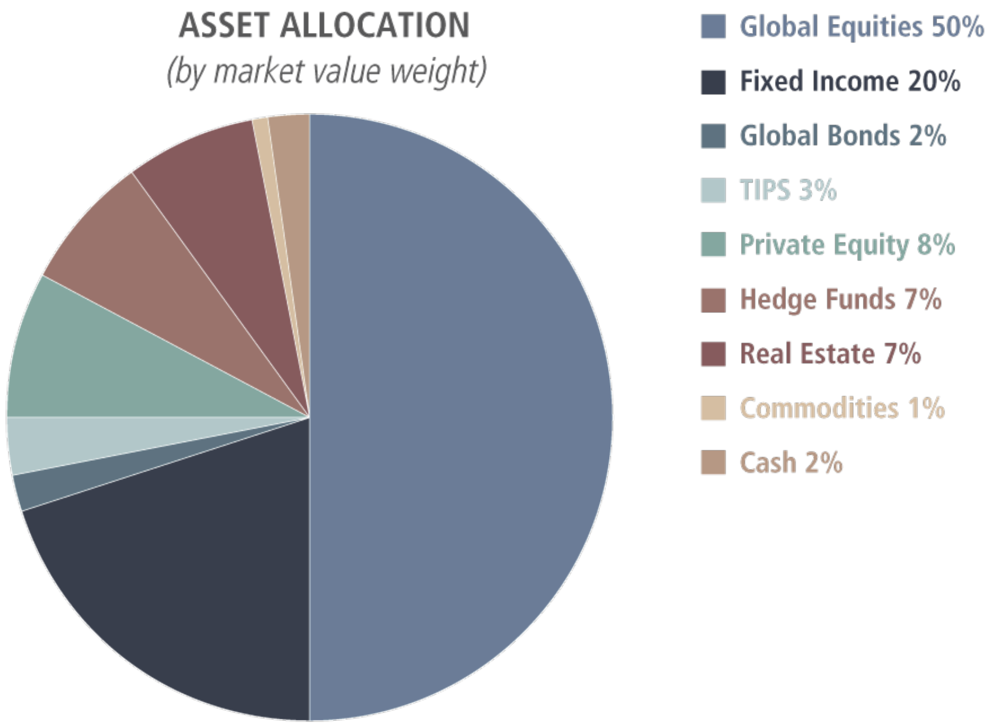
- High Net Worth Individuals/Families
- Family Offices
- Endowments & Foundations
- Private Wealth Management Advisors
- Investment Consultants
- Corporate Retirement Plans
- Public Retirement Plans

INVESTMENT TEAM

Frank Li | Founder & Chief Investment Officer

Mr. Li is the founding partner of Kailasa Capital Management. As a physicist by training his approach to investing is grounded in blending deep analytical rigor with a natural curiosity of understanding the interconnectivity among the world around us. Over his 25-year career Mr. Li has held positions in investment banking, equity research, and technology consulting. Prior to founding Kailasa Capital Management, Mr. Li spent 15 years as a Senior Vice President and Senior Portfolio Manager with Merrill Lynch, Pierce, Fenner & Smith, Inc.. Mr. Li completed his BSc in Physics from Peking University and MSc in Electrical Engineering from the University of Virginia. In addition, Mr. Li also completed his MBA from The Wharton School of the University of Pennsylvania.

CONVENTIONAL APPROACH



Disadvantages

- Lack of Transparency
  - Fees
  - Risk
- Tax Inefficiency
- Liquidity Risk
- Mediocre Risk-Adjusted Returns
- Overly Diversified

KAILASA CAPITAL PARTNERSHIP I APPROACH

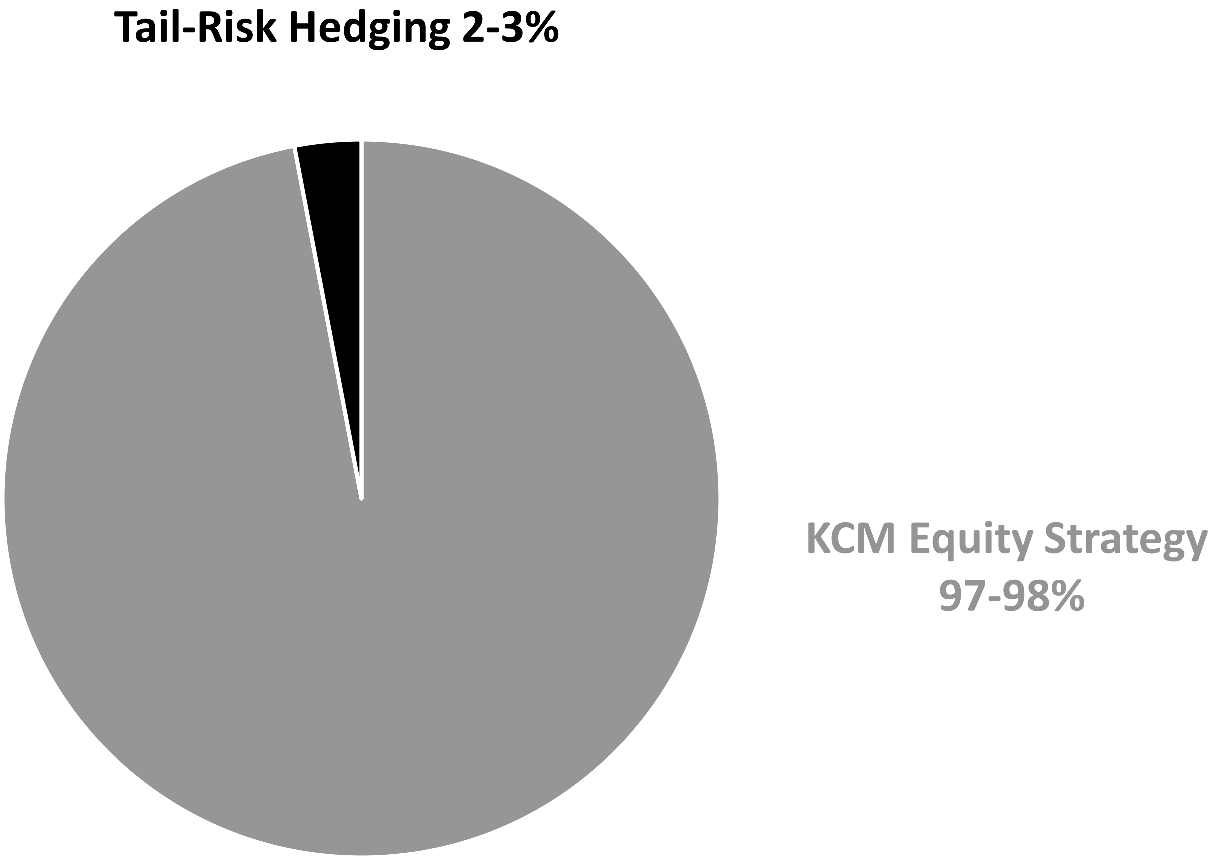
The big losses are essentially ALL that matter to your rate of compounding, not the small losses—and not even the big or small gains, because of the mathematics of compounding

-Anonymous

"Getting to the top is optional. Getting down is mandatory."

- Ed Viesturs

Kailasa Capital Partnership I Approach



Kailasa Capital Partnership I Approach

- Equity market generally provides investors an good return over a long-term
- By carefully identifying and investing in a diversified portfolio of 25-35 equity securities, investors would be able to achieve <u>consistent</u> low double-digit investment returns over the long term with significant lower volatility than the general equity market (Kailasa Capital Management Equity Strategy).
- However, occasionally (though rarely) equity market would experience significant big losses, significantly reduce the CAGR for investors because of mathematics of compounding (big losses literally destroy the geometric return).
- By allocating a small percentage (2-3%) to tail-risk hedging strategy, investors are able to significantly reduce the downside risk, thus achieving a higher CAGR.

KCP EQUITY APPROACH

Investment Objective

Our aim is to identify and invest in a diversified portfolio of 25-35 equity securities that produce consistent low double-digit investment returns over the long term with significant lower volatility than the general equity market.

Differentiators

- The Kailasa Capital analytical framework
- Private Equity mentality applied to Public Equity investing
- Benchmark agnostic target return focus
- Our Private Wealth Management roots

KCP EQUITY ANALYTICAL FRAMEWORK

Mathematical Framework of Investment Returns

Total Return = Change in Price + Dividend

$$\text{Change in Price} = (PE)_{10} / (PE)_0 * E_{10} / E_0$$

or

$$\text{Change in Price} = (PB)_{10} / (PB)_0 * B_{10} / B_0$$

Components of Investment Returns

- Sustainable Dividend
- Consistent Growth of Earnings

  Revenue

  \- *Cost*

  = *Profit*

- Change of Valuation Metrics (PE Multiple or PB Multiple)

KCP EQUITY QUALITATIVE FRAMEWORK

What We Avoid

- Certain industries carry greater variability with respect to their cash flow and profit growth
  - Energy
  - industrial
  - Banks
  - Retail
  - Commodities

Attractive Business Characteristics

- Sustainable recurring revenue growth
- Strong Brand loyalty
- Pricing power
- Strong balance sheet
- Attractive ROI
- Business success is not overly dependent on external factors
- Reasonable valuation
- Talented management team
- Adaptive and disciplined corporate culture

EXAMPLE

A prospective company is identified with significant market share and strong brand recognition within the consumer staples industry.

Analytical Framework:

- Sustainable revenue growth of 4.5% (2.5% from growth in volume and 2% from price increase)
- Growth in cost of 3.7% (due to economies of scale, efficiency and productivity gain)
- Profit growth of 10.3%
- Total expected return of ~11-12% with sustainability and consistency

Qualitative Framework:

- Strong global brand
- Established distribution channels
- Pricing power
- Disciplined Management Team
- Adaptive and disciplined corporate culture

SUMMARY – KCP EQUITY

Objective

- Equity Portfolio
- Target Return Focus
- Consistency

Quantitative

- Investment Framework
- Components of Investment Return

Qualitative

- Industry trend analysis
- Attractive Business Criteria
- Disciplined Management Team

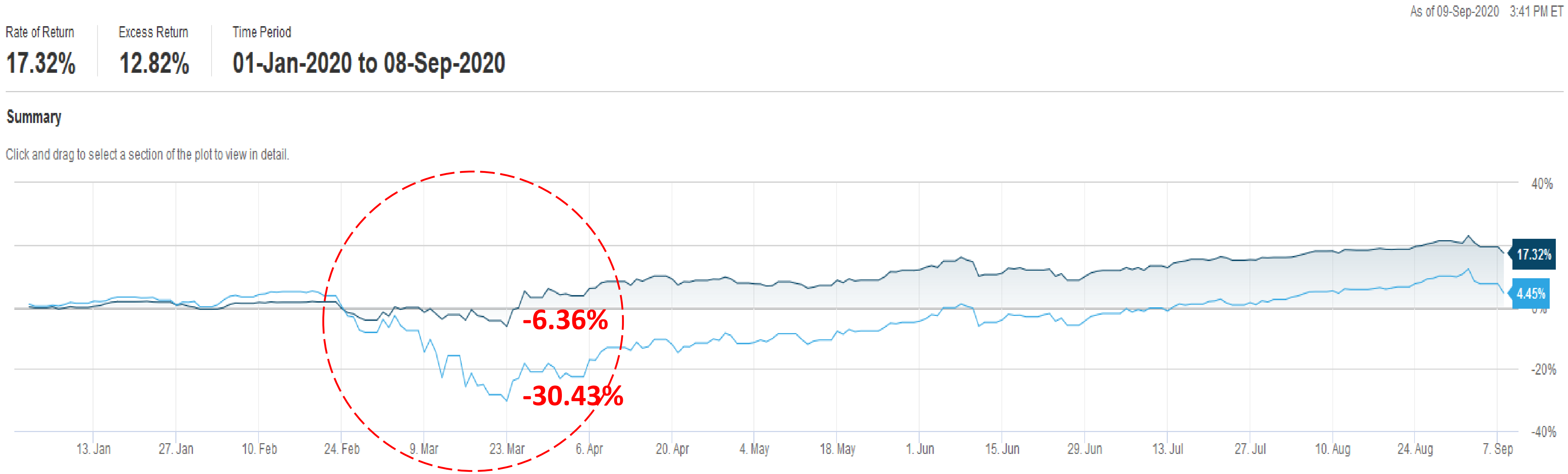
Portfolio Composition & Highlights

- 25-35 Equally Weighted Stock Positions
- High Conviction
  - Focus on compounding returns
  - Long term Holding Period / Low Turnover
- Private Equity mentality applied to Public Equity investments

TAIL-RISK HEDGING

- The goal of tail-risk hedging is to have a very high multiple of return on invested capital when the equity market experiences big losses, while to have a low cost relative to the portfolio during the rest of the time, similar to catastrophic insurance.
- A combination of derivative instruments such as out-of-money put options on the market or out-of-money call options on the volatility would fit well with what needs to be accomplished.

HOW HEDGE WORKED IN 2020



DISCLOSURES

For more information please direct all inquiries to frank.li@kailasacm.com

Important Disclosure Information:

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The performance for the period Jan 1 2007 through 2017 was achieved while Mr. Li was the SVP and Senior Portfolio Manager with his prior firm, Merrill, Lynch, Pierce, Fenner & Smith, Inc ("ML"). As the SVP and Senior Portfolio Manager of ML, Mr. Li was the person managing accounts as the adviser, and was primarily responsible for achieving the prior performance results.

The accounts that comprise the performance of the Kailasa Core Equity Strategy are managed in a substantially similar manner are advertised unless the exclusion of any such account would not result in materially higher performance.

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