Introduction

2017 marks the second year that Triple Summit Advisors has been in operation, but the first full calendar year of results. As such, we are proud to take this opportunity to write our first annual letter. As a new firm, we are grateful for the opportunity to manage funds for you. The goal of these annual updates will be to tell the story of significant holdings in Triple Summit's actively managed equity strategies and explain why certain investments have performed the way they did. We will not pound the table on any dire macroeconomic warnings or the next "once in a generation" investment opportunity that will change your life. The world has enough pomp and circumstance, so we would rather focus on the simple joys of data and common sense.

Since this is our first letter, we thought it might be a good idea for us to briefly explain some of our core values and why we chose to do what we do. After all, you have many choices in the land of Registered Investment Advisers (RIAs), so why should you choose us?

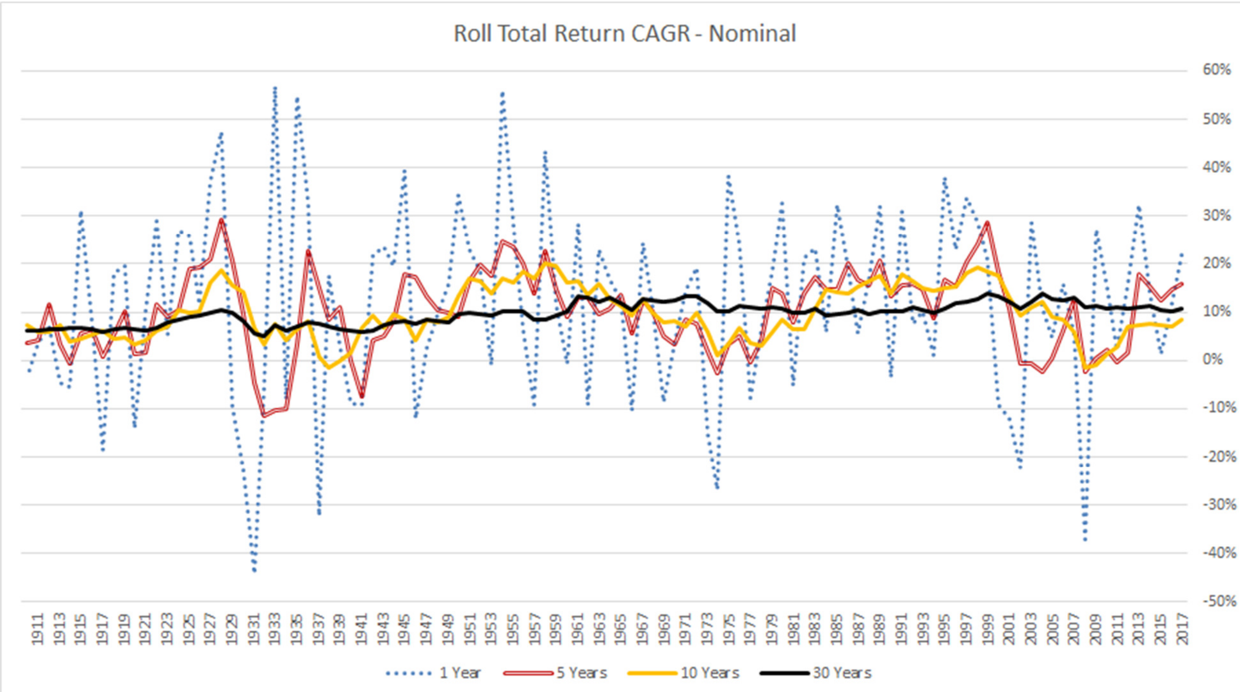
The complete list of our core values is on our website[1], but for the purposes of this letter, we'd like to focus on three particular values:

A) We take a long-term view

When we finished our recent quarterly internal compliance check (fun!), we did a little exercise and calculated the current age of all of our clients. The average age of our clients is 37, and the median age of our clients is 34. This means that there is a nice, round 30-year timeframe from now until our average client reaches the Full Retirement Age (as stipulated by Social Security) of 67. We do not know what is going to happen over the next 30 years, so the best we can do is to

[1] http://www.triplesummitadvisors.com/our-core-values/

look back at historical data and see how the broader equity market (as measured by the S&P 500 Index) performed in previous 30-year intervals (as well as some shorter timeframes)[2].



As you can see, the one year return of the stock market (dotted blue line) is highly volatile. From 1871 to 2017, in 39 out of 147 years (or 26.5%) the stock market experienced negative returns. If you expand the data range to 5 years (the red line), you start to see a little bit of smoothing. Out of the 143 different 5-year periods from 1871 to 2017, only 17, or 11.9%, of the 5-year time periods experienced negative Compound Annual Growth Rates (CAGRs). Expand this out further to 10 years (the orange line), and out of the 138 different 10-year periods from 1871 to 2017, only 4, or 2.9%, of the 10-year time periods experienced negative CAGRs. Last but certainly not least, the 30-year time period (black line) never experienced a negative CAGR. **In other words, over the course of stock market history, there has never been a 30-year period where the annualized rate of return has been less than zero.** Even during the 30 year period from 1903 to 1932 (from the Panic of 1907 to the peak of the Great Depression, with the Roaring 20s sandwiched in between), the CAGR was still a respectable 5.1% in nominal terms (3.6% in real terms). **Again, we do not know what is going to happen over the next 30 years, but based on historical data, we are reasonably confident that investing in the stock market is still one of the best ways to generate long-term wealth.**

B) We value education and transparency for our clients.

We do not want to keep you in the dark about how we manage our portfolios. This is one of the main reasons why we chose to structure our portfolios in the form of Separately Managed

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[2] Source: http://www.econ.yale.edu/~shiller/data.htm

Accounts as opposed to a Limited Partnership pooled investment vehicle. Funds are held independently in the name of each client with no commingling. You can make deposits, withdrawals, transfers, or close the account at any time. There are no minimum investment time periods or lockups. Most importantly, you can check your account online anytime you want and monitor our buy/sell decisions live. As we ramp up other forms of communications with you, we aim to better inform you about our investment approach and philosophy. We will share both our triumphs and our setbacks, and we wholeheartedly welcome your questions at any time. After all, an educated client is the best client to have.

C) We eat our own cooking.

As of December 31, 2017, we had a little under $2.8 million invested across the four different strategies that we offer. This represents over 10% of Triple Summit's total assets under management and a majority of the liquid net worth for our two households. We charge ourselves the same fees as everybody else. When the strategies perform well, we share in our clients' joy. When the strategies do not perform well, we share in our clients' disappointment. This is how we are aligned with you. There may come a point in the future when you are unsatisfied with us and decide to switch to another financial advisor. We hope that day never comes, but if it does, all we ask is that you ask your new financial advisor one question: how much of your own money is invested in the strategies you are recommending?

Global Compounding Value - Summary

For 2017, the Global Compounding Value ("GCV") strategy had an *unaudited* return of 27.45%, net of fees. Since inception (06/30/16), the GCV strategy has had an *unaudited* return of 38.16%, net of fees. Since inception and for the past 12 months, the GCV strategy outperformed the S&P 500 Total Return Index by 6.8% and 5.6%, respectively. We note that these returns represent the composite of client accounts invested in this strategy, and that individual client accounts will have differing returns due to a number of factors, including the timing of investment contributions, as well as legacy positions held in certain accounts.

Top 3 Performers (2017 total return in parentheses):

- **IAC** (**88.7%**), **RACE** (**81.5%**), **MCO** (**58.2%**)

Top 3 Detractors (2017 total return in parentheses):

- **KHC** (**-8.1%**), **IBM** (**-6.6%**), **GE** (**-4.4%**)

Annual Portfolio Turnover Rate: 16%

% of the Positions in the Portfolio with a Positive Return in 2017: 86%

It has been a satisfactory 18 months for the Global Compounding Value strategy, and as investors ourselves, we share in the lucrative joys of our clients. However, our satisfaction is tempered by the fact that such dramatic outperformance of the broader market, on a relative and absolute basis, is rarely sustainable. Human beings tend to suffer from recency bias when they are suddenly rewarded or punished, and participants in this 9 year bull market are not immune to this bias. Thus, we would like to ask our clients to temper their expectations for future gains, and assess our abilities as investment managers at the conclusion of a full market cycle (usually 7 years or so), especially if those years include periods of loss.

In each annual letter, we plan to provide case studies of certain investments in each of our actively managed strategies. For this inaugural edition of our annual letter, we'd like to shine the spotlight on the original "Italian Stallion", aka Ferrari.

GCV Company Highlight: Ferrari N.V.

Ferrari's heritage in the engineering, manufacturing, and competition racing of cars can be traced back to when Enzo Ferrari founded Scuderia Ferrari in 1929 under Alfa Romeo's ownership. Enzo Ferrari once said: "The Ferrari is a dream - people dream of owning this special vehicle and for most people it will remain a dream apart from those lucky few." True to the essence of this quote, Ferrari exercises substantial pricing power for its cars, enabled by the prestige of the brand as well as strategic scarcity due to supply constraints. Of course, from a business perspective, this pricing power also bolsters the company's ability to generate streams of revenue and high returns on invested capital through the business cycle. With gross margins exceeding 50%, EBITDA margins in excess of 25%, and returns on invested capital in the 17% to 20% range, these metrics are all commensurate with the characteristics of luxury goods companies and support Ferrari's wide economic moat.

At the beginning of 2017, we viewed Ferrari as a fairly valued company that should see high single digit revenue growth and stable margins for the next 12 months. By the end of 2017, Ferrari delivered revenue growth that was above our expectations, and it also managed to significantly increase its profitability (as seen by the increase of EBITDA and EBIT margins). We did not expect this at all. Shares of Ferrari (in USD terms) delivered a total return of 81.5% in 2017, driven primarily by fundamentals (37.8%) and valuation multiple expansion (21.5%). The depreciation of the dollar against the Euro contributed 22.2% to the return, but that is something that could easily be reversed in 2018 and beyond. We find the long-term stability of Ferrari's revenue, addressable market growth, solid profit margins, and exemplary returns on invested capital throughout economic cycles to be compelling reasons to own the stock, **but only at the right price**. Ferrari is currently trading at a price that is relatively rich to its fundamentals, and we are unsure about the company's prospects to continually boost its profitability above current levels. As such, we would be looking for opportunities to trade out of RACE as it approaches our price target.

Global Opportunistic & Event-Driven - Summary

For 2017, the Global Opportunistic & Event-Driven ("GOED") strategy had an *unaudited* return of 11.1%, net of fees. Since inception (06/30/16), the GOED strategy has had an *unaudited* return of 22.61%, net of fees. Since inception and for the past 12 months, the GOED strategy underperformed the S&P 500 Total Return Index by 8.75% and 10.73%, respectively. We note that these returns represent the composite of client accounts invested in this strategy, and that individual client accounts will have differing returns due to a number of factors, including the timing of investment contributions, as well as legacy positions held in certain accounts.

Top 3 Performers (2017 total return in parentheses):

- **DSKEW** (**131.8%**), **ROKA** (**66.5%**), **ANDAW** (**50.7%**)

Top 3 Detractors (2017 total return in parentheses):

- **PBOX** (**-53.3%**), **RAD** (**-50.2%**), **DEPO** (**-44.5%**)

Annual Portfolio Turnover Rate: ***63%***

% of the Positions in the Portfolio with a Positive Return in 2017: ***62%***

It has been a challenging 12 months for the Global Opportunistic & Event-Driven strategy, and although the results are positive, we deem them to be unsatisfactory. The relative poor performance of this strategy has two causes: changes in fundamental circumstances and negative mark-to-market movements. We have placed new risk management thresholds in place so that adverse changes in fundamental circumstances, especially in risk arbitrage positions, should not disproportionately affect the portfolio's performance. Furthermore, we will look to add to the portfolio in situations where the downside scenario in the event of a catalyst failure is not as draconian, even in situations where the catalyst itself may be "soft" (e.g., a company that could be acquired by a strategic or financial buyer) as opposed to "hard" (e.g., a company with an announced M&A deal).

When it comes to mark-to-market movements, however, we do not view them as impediments to success. To the contrary, because we have very strong conviction in all of our existing ideas in the portfolio, we view downward movements in price as a golden opportunity to pick up shares on the cheap thanks to the generosities of Mr. Market. Like our view with respect to our outperformance in the GCV strategy, our dissatisfaction is tempered by the fact that all strategies underperform the broader market at some point in time. As long as the unique and idiosyncratic situations pertinent to the GOED strategy continue to exist (as we will show via our case study below), we feel confident that the GOED strategy should generate attractive risk-adjusted returns in the future.

GOED Case Study: CBS / Entercom Odd-Lot Stock Tender Offer

On October 19th, 2017, CBS Corporation (Ticker: CBS) announced the commencement of an exchange offer for the separation of its radio business as part of its previously announced agreement to combine CBS Radio Inc. ("CBS Radio") with Entercom Communications (Ticker: ETM). As a result of the combination, the newly formed company would have a nationwide footprint of 235 stations, including stations in 22 of the top 25 markets.

The exchange offer, which was a Reverse Morris Trust transaction, stipulated that CBS shareholders would have the opportunity to exchange their shares of CBS stock for shares of CBS Radio, which would be immediately converted into the right to receive an equal number of shares of ETM upon completion of the proposed merger. For each $1.00 of CBS stock accepted in the exchange, the shareholder would receive approximately $1.08 of ETM stock, subject to an upper limit of 5.7466 shares of ETM stock per share of CBS stock. **The key provision within this exchange that benefited smaller shareholders is that stockholders who beneficially owned odd-lots (less than 100 shares in the aggregate) of CBS and who validly tendered all their shares would not be subject to proration to the extent the exchange offer was oversubscribed.**

When the exchange offer expired at on November 16th, 2017, 5.6796 shares of ETM were exchanged for each share of CBS stock accepted in the offer. CBS accepted 17,854,689 shares of the tender shares, whereas 161,855,335 shares were validly tendered, implying a proration factor of 11.03%. However, 1,190,342 of the tendered shares of CBS were odd-lot shares and thus not subject to proration. **By design, all of the shares purchased by Triple Summit were odd-lot shares.** The actual ETM shares were released to CBS holders who tendered their shares on November 21, 2017 (i.e., this was the first day you could sell your ETM shares). **On average, Triple Summit clients entered the position with a cost basis of $57.20 per share for 99 shares of CBS on or about October 24th, 2017, and exited the position at a price of $11.65 per share for 562.2804 shares of ETM, generating a total return of 15.7% for a holding period of less than a month.**

Winter Is Coming

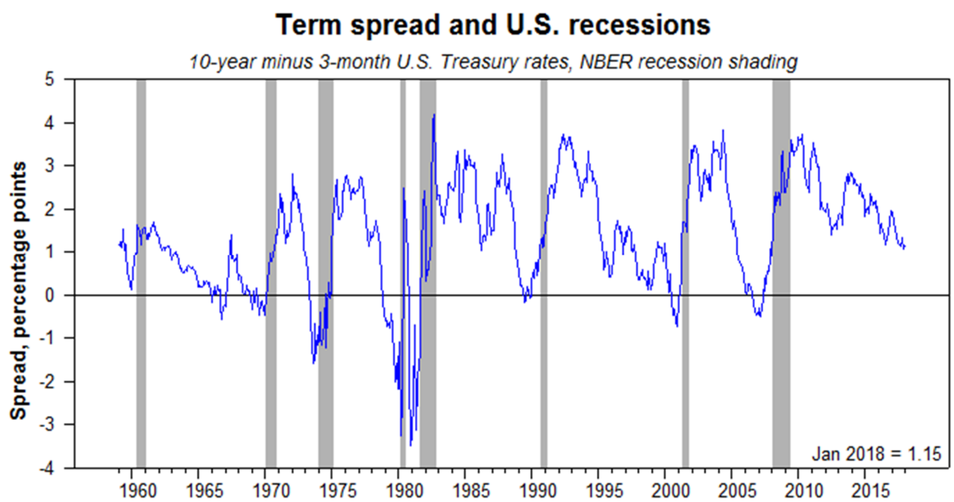
Eddard Stark: "Look at me. You're a Stark of Winterfell, you know our words."
Arya Stark: "'Winter is coming'."
Eddard Stark: "You were born in the long summer, you've never known anything else. But now winter is truly coming. In the winter, we must protect ourselves, look after one another."

Without a doubt, the number one question that clients ask us is, “Is now a good time to invest?” This question is usually followed by the observation, “The stock market has gone up so much lately.” We agree entirely with this observation, and as a result, we approach the markets with caution, rather than with enthusiasm and aggressiveness. At the same time, we pay attention to where we believe we are in the economic cycle and where we may be headed next. Our thinking on this topic is heavily influenced by Ray Dalio’s work on economic cycles. We highly recommend watching his presentation, *How the Economic Machine Works*[3]. We believe this video is the most profitable thirty minutes that you can spend on YouTube.

Ray Dalio’s video supports research that both scholars and other market participants have developed over time. This research shows that the Fed’s influence on interest rates has been a

[3] https://www.youtube.com/watch?v=PHe0bXAIuk0

primary cause of cyclical economic downturns in the U.S. since World War II. Intuitively, this makes sense - the Fed will raise interest rates (as it is doing now) in order to increase the cost of capital throughout the economy, increasing the hurdle rate for new projects and investments by companies, governments, and individuals. In doing this, the Fed attempts to prevent the economy from overheating. However, because the economy is complex, the Fed has tended to overshoot in its attempts to slow down economic activity, tipping the economy into a cyclical recession. Such recessions have typically been preceded by an inversion of the yield curve. This is depicted by the spread between the 10-year and 3-month Treasury rate as shown in the chart[4] below:



Our view is that we are in the late stages of a cyclical economic expansion. Why do we believe this? We are now in the 9th year of the bull market that started in March 2009. The broader stock market has recently made new highs, unemployment is very low, and interest rates have begun to increase as the Fed seeks to prevent the economy from overheating at some point in the future. These three factors have historically coincided with the late stages of a cyclical economic expansion. Given the current low level of interest rates and the continuing opportunities for equity investments with attractive risk-reward profiles, we remain generally fully invested in our equity portfolios. We do not believe that the moment to become largely defensive has yet arrived, though it will surely come.

The title of this section is *Winter Is Coming*. Those of you who are fans of *Game of Thrones* will recognize this phrase both as the Motto of House Stark and as an admonition to prepare for a time when dangerous conditions will surely arrive. The functioning of markets and the brutal competition of capitalism ensure that an economic bust will come at some point. Barring any large shocks to our economic system - a nuclear war, a cataclysmic climate change event, a global pandemic, among others - we do not believe that a cyclical economic downturn is likely in 2018. Yet we know that we are likely closer to such a downturn than to the beginning of this

[4] http://financeecon.com/ycestimates.html

current boom we are experiencing, and so we keep an eye to the future and the winter storms that are forming in the horizon.

Conclusion

Despite the larger political turmoil in the U.S. that marked the year, 2017 was a year of tremendous personal and professional growth for us at Triple Summit. For our clients, we hope that last year was also rewarding financially as well. We are deeply grateful for your continued trust in us. We look forward to staying in touch this year and providing a formal update in our letter next year. If we can ever do anything to be helpful in any way, please do not hesitate to let us know. We look forward to serving as your trusted advisors for many years to come.

Sincerely,
Wei & Dan
February 14th, 2018