To Our Esteemed Clients,

2020 marks the fifth year that Triple Summit Advisors, LLC has been in operation, and the fourth full calendar year of results. We take the new year as an opportunity to reflect and share our views in our annual letter to clients. The goal of these annual updates is to tell the story of significant holdings in Triple Summit's actively managed equity strategies and explain why certain investments performed the way they did. 2020 is a year that few of us will forget for many reasons, among them the wild fluctuations of financial markets. When we wrote in our 2017 annual letter that a global pandemic could cause a large economic shock and subsequent downturn, we had no idea that one was lurking right around the corner. After a severe shock to the markets in February and March 2020, a combination of financial stimulus from the government and global efforts to develop treatments for and mitigation measures against COVID-19 helped fuel a historic boom in the US and global markets. We are by no means past the pandemic now in early 2021, but we have very concrete reasons for hope, both in terms of health and safety as well as the economy. We will discuss these factors in greater detail later in our letter, but we want to mention here that despite the turmoil in the markets last year, adhering to the time-tested principles of long-term investing has paid off handsomely. By staying invested last year through all the volatility, we continued to let compounding work for us, which happily paid off in the short term last year while also building the foundation for long-term capital growth. This long-term capital growth is our end goal, and after the fluctuations of 2020, we think it's a good time to reexamine how compounding works to ultimately take us to that goal.

Compounding

Among us finance buffs, one lesson from Warren Buffett's 90 years of life that never seems to lose its salience is how his wealth compounded over time. Take a moment to ponder these questions: What percentage of Buffett's current net worth of $85 billion did he acquire by age 50? What percentage did he acquire by age 65? The answers to these questions are approximately 1% and 5%, respectively. To most minds, which are used to thinking of changes as linear or incremental, these percentages initially seem unbelievable. How could it be that a person could work the majority of their lives and yet see only a tiny percentage of the fruits of their labor over that time? And yet this is exactly the math of compounding that Buffett understood from an early age, when he started investing and thereby growing his capital at 11 years old. Given a long enough time frame - 79 years in Buffett's case - and steady compounding, the results can be almost unbelievable. As Charlie Munger says, "the first rule of compounding: never interrupt it unnecessarily." We bring this up now because last year represented the greatest temptation in over a decade for investors to stop investing, run away from the markets, and thereby interrupt the process of compounding. Those who were able to resist this temptation were rewarded handsomely in the short run, which in turn increases the odds that their long term compounding will lead to happy results.

Global Compounding Value (“GCV”) - Summary

For 2020, the Global Compounding Value (“GCV”) strategy had an *unaudited* return of 17.51%, net of fees. Since inception (06/30/16), the GCV strategy has had a cumulative *unaudited* return of 95.1%, net of fees. Since inception, the GCV strategy has underperformed the S&P 500 Total Return Index by 0.44%. For the past 12 months, the GCV strategy underperformed the S&P 500 Total Return Index by 0.89%. 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 (2020 total return in parentheses):

- **AAPL (82.3%), U (81.7%), MSFT (46.5%)**

Top 3 Detractors (2020 total return in parentheses):

- **AFL (-36.8%), HCA (-35.4%), TARO (-29.9%)**

Annual Portfolio Turnover Rate: 46.0%

% of Positions in the Portfolio with a Positive Return in 2020: 62.9%

You may note that the portfolio turnover rate, while lower than last year’s, is still quite high and higher than normal for a portfolio of long-term investments. This is because volatility in certain positions during the first half of 2020 led to opportunities for tax loss harvesting and the purchase of certain companies at very attractive valuations. These sales and eventual repurchases of positions in the strategy show up accordingly in our portfolio turnover statistics.

GCV Performer Spotlight: Unity Software (U)

Being strong believers of Buffett and Munger’s teachings, the two of us aren’t known for investing in recent IPOs. Usually, when a company has an IPO, the company and its insiders have good reasons to sell, and the buying public doesn’t receive a great deal in return. Every now and then, however, companies with extremely strong competitive positioning and the potential to massively grow their markets come public, giving investors a chance to overcome the disadvantage of an initially high valuation. We believe that Unity is one such company.

Founded in Denmark in 2004, Unity is the provider of the Unity game engine, the software on top of which many of the world’s games are built. Unity and its primary competitor, Epic Games, which provides the Unreal game engine, collectively dominate the market for game development software and tools. This oligopolistic industry structure is something that we often look for in our investments (Visa and Mastercard are another example), as it provides companies with pricing power as well as the ability to plan out their strategy in a more stable competitive environment. Unity has two primary lines of business: charging subscription fees for its engine and related tools and also helping its customers monetize their user base with access to ad networks and associated analytics tools. Unity is also actively expanding beyond gaming, using its software in applications as wide ranging as automotive design for Volvo and virtual and augmented reality to improve worker safety for Skanska, the engineering and construction giant. This growth in Unity's TAM (total addressable market) is critical to our investment thesis for the company, which has thus far executed well.

With the widespread availability of mobile devices throughout the world and people spending more and more of their time online, the tailwinds for the gaming market cannot be understated. This trend saw an acceleration during the pandemic as in-person events were canceled and consumers sought alternate forms of entertainment. Unity capitalized on this momentum in gaming specifically and in tech generally to launch its IPO late last fall, leading to a 44% increase on the first day of trading and subsequent gains through the end of the year as investors continued to be willing to pay for future expected growth. As with many technology companies outside of the largest stocks, Unity will continue to be a volatile stock. However, that volatility is a price that we will happily pay if the company continues to perform and maintain its strong competitive positioning going forward.

GCV Detractor Spotlight: Taro Pharmaceutical (TARO)

Sometimes, you find a company that looks extremely cheap from a fundamental perspective, but you can't quite seem to figure out why it has stayed so cheap for so long. Taro Pharmaceutical Industries (Ticker: TARO) is one of those companies. Taro is a manufacturer of OTC medication in the United States, Canada, and Israel, with a specialization in creams, oil, ointment, and paste solutions. The company was founded in 1959 and is based in Haifa Bay, Israel. For a typical name in our GCV portfolio, we focus on three things: high profit margins, reasonable valuation ratios, and above-average revenue growth. TARO only satisfied two out of the three criteria:

TARO	Fiscal Year Ending					LTM	
($ in 000's; Source: SEC Filings)	03/31/16	03/31/17	03/31/18	03/31/19	03/31/20	12/31/19	12/31/20
Revenue	$950,751	$879,387	$661,913	$669,893	$644,769	$649,750	$575,562
Y-o-Y Inc. / (Dec.) (%)	*10.2%*	*-7.5%*	*-24.7%*	*1.2%*	*-3.8%*		*-11.4%*
EBITDA	632,331	530,056	321,390	311,112	267,918	285,837	187,018
EBITDA Margin (%)	*66.5%*	*60.3%*	*48.6%*	*46.4%*	*41.6%*	*44.0%*	*32.5%*
Y-o-Y Inc. / (Dec.) (%)	*17.3%*	*-16.2%*	*-39.4%*	*-3.2%*	*-13.9%*		*-34.6%*
EBIT	617,483	515,227	304,894	292,515	246,535	264,877	164,399
EBIT Margin (%)	*64.9%*	*58.6%*	*46.1%*	*43.7%*	*38.2%*	*40.8%*	*28.6%*
Y-o-Y Inc. / (Dec.) (%)	*18.0%*	*-16.6%*	*-40.8%*	*-4.1%*	*-15.7%*		*-37.9%*
FCF (CFO - CAPEX)	376,022	401,712	294,153	293,025	243,212	251,733	21,958
Y-o-Y Inc. / (Dec.) (%)	*-2.7%*	*6.8%*	*-26.8%*	*-0.4%*	*-17.0%*		*-91.3%*
Net Income	540,932	456,356	211,150	281,777	244,241	248,478	(302,669)
Net Income Margin (%)	*56.9%*	*51.9%*	*31.9%*	*42.1%*	*37.9%*	*38.2%*	*-52.6%*
Y-o-Y Inc. / (Dec.) (%)	*11.7%*	*-15.6%*	*-53.7%*	*33.4%*	*-13.3%*		*-221.8%*
Earnings Release Date ("T"):	05/26/16	05/22/17	05/17/18	05/22/19	05/19/20	02/03/20	01/27/21
T+1 EOD Stock Price:	$149.20	$107.90	$112.98	$94.65	$67.18	$77.45	$70.91
Market Value	$6,390,534	$4,456,378	$4,536,712	$3,690,404	$2,583,747	$2,982,014	$2,712,608
Enterprise Value ("EV")	5,052,737	3,005,245	2,893,694	2,342,334	1,021,267	1,457,241	1,153,306
P/E	11.81x	9.77x	21.49x	13.10x	10.58x	12.00x	-8.96x
P/E (Excluding Cash)	9.33x	6.57x	13.68x	8.29x	4.16x	5.84x	-3.84x
EV / LTM EBITDA	7.99x	5.67x	9.00x	7.53x	3.81x	5.10x	6.17x
EV / LTM EBIT	8.18x	5.83x	9.49x	8.01x	4.14x	5.50x	7.02x
EV / LTM FCF	13.44x	7.48x	9.84x	7.99x	4.20x	5.79x	52.52x

When we put on the position in late 2019, we noted that revenue had been decreasing for several years due to increased competition in the OTC pharmaceutical sector, but we felt that revenue would stabilize soon, and that the company would enact cost cutting measures to improve its robust profitability back to the glorious heyday of 2016. With more than $1.3 billion of cash on the balance sheet, TARO had the financial wherewithal to fund its recovery. Alas, the COVID-19 pandemic stopped the company's turnaround efforts in its tracks, and results continued to deteriorate. To make things worse, we got wind of rumors that TARO would need to pay a heavy price to settle certain Department of Justice Antitrust investigations (TARO eventually settled all claims for more than $400 million). Thus, in March 2020, as the S&P 500 dropped more than 30% and a lot of previously "expensive" companies became "cheap", we made the decision to sell TARO and redeploy the capital into other opportunities. However, we will keep this company on our watchlist and await for a turnaround in top-line results.

Global Opportunistic & Event-Driven ("GOED") - Summary

For 2020, the Global Opportunistic & Event-Driven ("GOED") strategy had an *unaudited* return of 23.83%, net of fees. Since inception (06/30/16), the GOED strategy has had an *unaudited* return of 26.60%, net of fees. Since inception, the GOED strategy has underperformed the S&P 500 Total Return Index by -68.94%; but over the last 12 months, the GOED strategy has outperformed the Index by 5.43%. 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 sizing limitations, the timing of investment contributions, and legacy positions held in certain accounts.

Top 3 Performers (2020 total return in parentheses):

- **NAT (160.1%), CBAY (158.1%), CATB (120.9%)**

Top 3 Detractors (2020 total return in parentheses):

- **TTLO (-82.8%), TWNKW (-58.9%), ADES (-47.7%)**

Annual Portfolio Turnover Rate: 191.0%

% of the Positions in the Portfolio with a Positive Return in 2020: 53%

It was a very interesting year for the GOED strategy. As we've previously stated, our porfolio's correlation with the broader indexes has always been low due to our focus on special situations, event driven plays, and illiquid small-cap investments. Over the course of 2020, that lack of correlation played to our favor, and we were able to capitalize on quite a few idiosyncratic opportunities to generate outsized returns in a short amount of time. Of course, when we discuss the GOED strategy with prospective clients, we emphasize over and over again that this strategy is suitable only for tax-deferred accounts (i.e., IRAs and Roth IRAs), and that it would be extremely tax-inefficient to invest in this strategy using a regular, taxable brokerage account. As you can see from the annual portfolio turnover rate above, we mean what we say.

So what does "idiosyncratic" mean? Merriam-Webster defines the word as "related to a peculiarity of constitution or temperament: an individualizing characteristic or quality." Translating that into common investment parlance, it means an event that was not present during the initial analysis of an investment and comes "out of left field" to dramatically change the relationship between the price and intrinsic value of a security. When that relationship changes in your favor, you have to act immediately or you'll lose your chance.

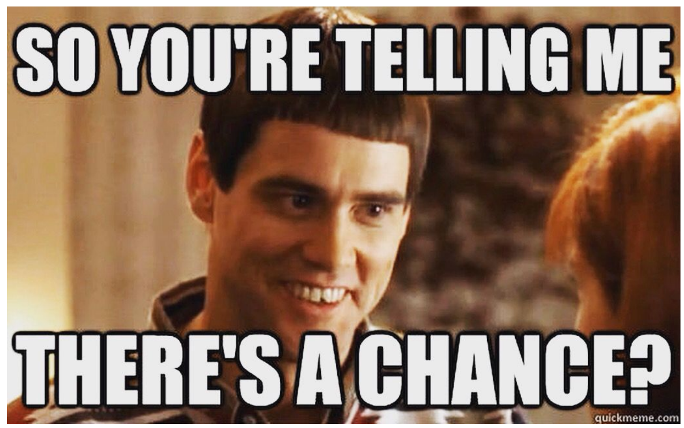
So let's talk about CymaBay Therapeutics (Ticker: CBAY) as an example of positive idiosyncrasy in action. CBAY is a clinical-stage biopharmaceutical company (yes, we know, we know, this field is typically the stock market equivalent of a casino, and normally we never, ever invest in clinical stage biopharmas). CBAY is focused on developing and providing therapies to treat liver and other chronic diseases. When we initially established a position in early 2020, CBAY was in the process of terminating its ongoing studies of its most promising drug, and started to evaluate strategic alternatives (in other words, sale or liquidation) to maximize shareholder value. In our base case, we were expecting a gradual wind-down of operations over a couple of years and a mid-teens IRR return profile. Then, after the market closed on May 11, 2020, CBAY reported the extremely favorable results of an independent review on the aforementioned terminated study, and the markets went "crazy" for the stock the next day:

Date	Open	High	Low	Close*	Adj Close**	Volume
May 13, 2020	4.28	4.64	3.47	4.25	4.25	21,257,000
May 12, 2020	4.59	4.95	4.02	4.18	4.18	88,864,800
May 11, 2020	1.81	1.88	1.78	1.84	1.84	11,530,700

On May 12, 2020, 88.9 million shares of the stock traded. To give you some perspective, as of April 30, 2020, per the most recent [10-Q](), there were only 68.9 million shares outstanding! The entire market value of the company, and then some, traded on that day. The perception of the company changed instantly over the course of 24 hours:

FROM

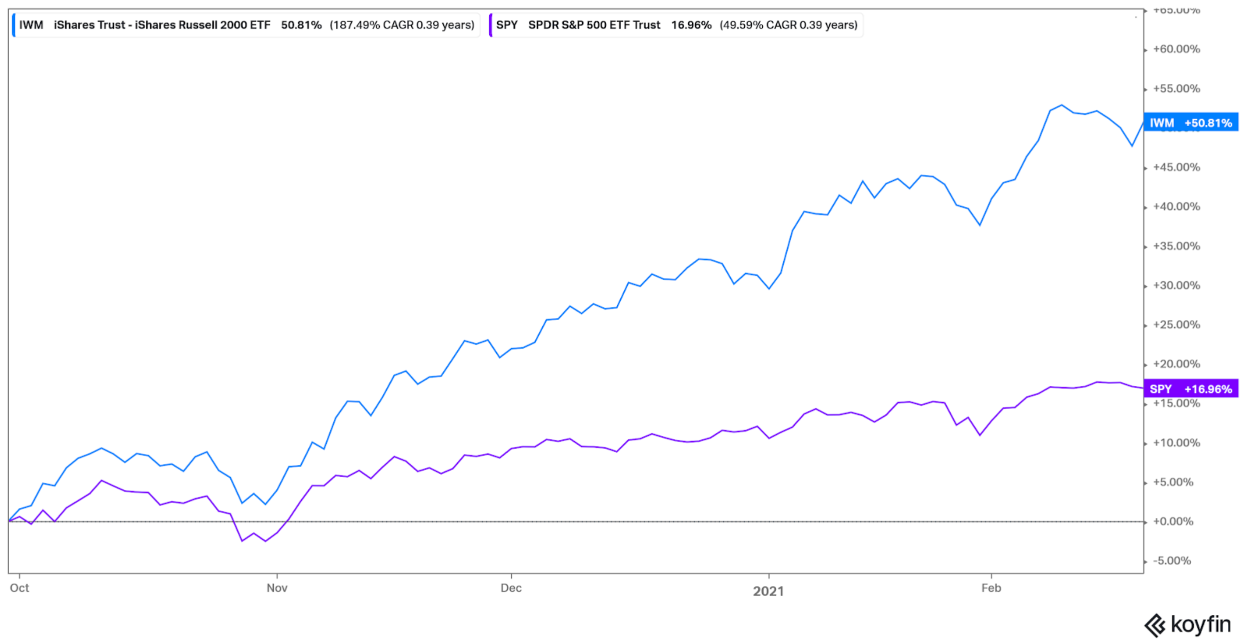
TO



We are not experts in the intricacies of clinical stage biopharmaceuticals, so when a "liquidation type" stock is transformed into a "hot biopharma back from the dead" stock, we thanked the market for its generosity and exited with a 158.1% return in less than 3 months.

Due to the extraordinary circumstances of 2020 (i.e., the COVID-19 pandemic), GOED suffered through its fair share of negative idiosyncrasies as well. Torotel (Ticker: TTLO) was a small, sub $50 million market value manufacturer of magnetic products for aerospace and defense. In November 2019, Torotel agreed to be acquired by Standex International for $7.77 per share in cash. Shareholders of TTLO approved the merger on February 12, 2020. There were no financing conditions, and the 10-Q dated March 16, 2020 stated that: "*The Company anticipates that the merger will be completed on or before March 31, 2020.*" We put on a small position in the name in late March 2020 anticipating that the merger would close on or about March 31 for a mid single digit rate total return. Alas, the merger did not close, and Standex terminated the merger on April 1, 2020. The reason? One of TTLO's customers did not give the consent necessary under one of TTLO's long-term supply contracts because this customer wanted some extra concessions from Standex. That was something that we did not foresee happening and the stock absolutely cratered. We didn't want to stick around and find out if another buyer would step in and be the White Knight (turns out, that White Knight was TT Electronics, and TTLO was sold for $6.17 per share in cash in late 2020), and we exited the position for a 82.8% loss.

In our 2019 annual letter (pp. 6 - 7), we mentioned that small cap and microcap stocks were considerably cheaper than mega cap stocks. In the letter, we wrote (it is a bit ridiculous to quote yourself, but bear with us): "*We do not believe this trend to be sustainable, and we think that a reversal is coming where small caps and micro caps will outperform the large caps.*" Well, as you can see from the graph below, it happened. Small cap and microcap stocks (represented by IWM) have outperformed the S&P 500 by more than 14% from December 31, 2019 to February 19, 2021. From the end of 3Q 2020 to February 19, 2021, small cap and microcap stocks outperformed the S&P 500 by close to 34%!



Now that the valuation gap has reversed, what's next for GOED in 2021?

John Maynard Keynes, the OG hedge fund manager, once said: "*Markets can remain irrational longer than you can remain solvent.*" That phrase is quite apropos for today's market environment, but for the purposes of the GOED strategy, we have adjusted it slightly: "*A stock can remain cheap longer than your client can remain patient with you.*" We believed in the two Cs for the GOED strategy: Cheapness and Catalyst, and in that order of importance as well. In other words, if a stock is deemed to be extremely cheap, we might not care as much about a catalyst that will unlock value (a stock's cheapness is its own catalyst, or so they say). In conjunction with the lessons that we learned in 2019, we have now flipped the two Cs around in terms of importance: Catalyst, then Cheapness. As such, even though the broader market environment of small/micro caps in the United States is no longer cheap, there are still plenty of opportunities for us to explore due to the abundance of event-driven catalysts (i.e. bidding wars, bumpitrage, split-offs, tender offers….etc.). We are also expanding our geographical horizons to look at more international opportunities where valuations are still within the realm of reasonableness. **Thus, we ask all clients in the GOED strategy to please log in to their accounts at Interactive Brokers and activate stock trading permissions for all global markets. Details on how to do that can be found here.**

On GameStop and the Failure of Marketing

It would not be an annual letter from a financial firm without some mention of the most recent "short squeeze du jour", aka GameStop (Ticker: GME). (This is not the first time something like this has happened; see Volkswagen back in 2008). We won't rehash exactly what happened as much ink has been spilled on the topic (for an official version of the events, please check out the link here). We never invested in GameStop, as the company was never a fit within any one of our investment strategies. We also never received a phone call from any one of our clients asking us about GME and why we weren't invested in it (thank you). At our core, we are "fundamental" investors. We believe that over the long term, **the stock price of a company should traverse broadly in the same direction as its revenue, profits, and cash flows (i.e., its intrinsic value) (Statement #1)**. However, in the short run (and the short run could be anything from a day to multiple years), **the price of a stock is simply what somebody else is willing to pay for it (Statement #2)**. So, if you only knew of Statement #2 but had not heard of or did not believe in Statement #1, your incentives and your behaviors would be drastically different from those who believe in both statements. You would not care about what the stock price ought to be (or even what a company does) at any particular moment in time, as long as it went up the next particular moment in time. You would become a willing participant in the Chain of Greater Fools, and you would become excessively enraged whenever somebody questioned the validity of the Chain or took steps to curb the supply of future Fools.

With the elimination of stock trading commissions and the introduction of fractional share trading, we believe the next GME-like debacle is simply a matter of when, not if (or maybe GME itself is in an infinite loop). As believers of Statement #1, what can we do to make future instances of GME less harmful to people's net worth? We concede that Statement #1 is just a theory, not an irrefutable law of physical nature like gravity. We have read many books on the subject and found elegance in the beauty and logic of Statement #1. Succinctly put, we are believers. Alas, in this age of tweets, podcasts, and memes, asking somebody to put in the same amount of work that we ourselves put in is impossible, and to even offer the mere suggestion of perusing the original 700+ page investing "Bible" is simply a Tyrannical British Chef too far. The game has changed, and the old ways of expounding Statement #1 are obsolete. **The marketing of Statement #1 has not kept up with the times, and thus it has failed.**

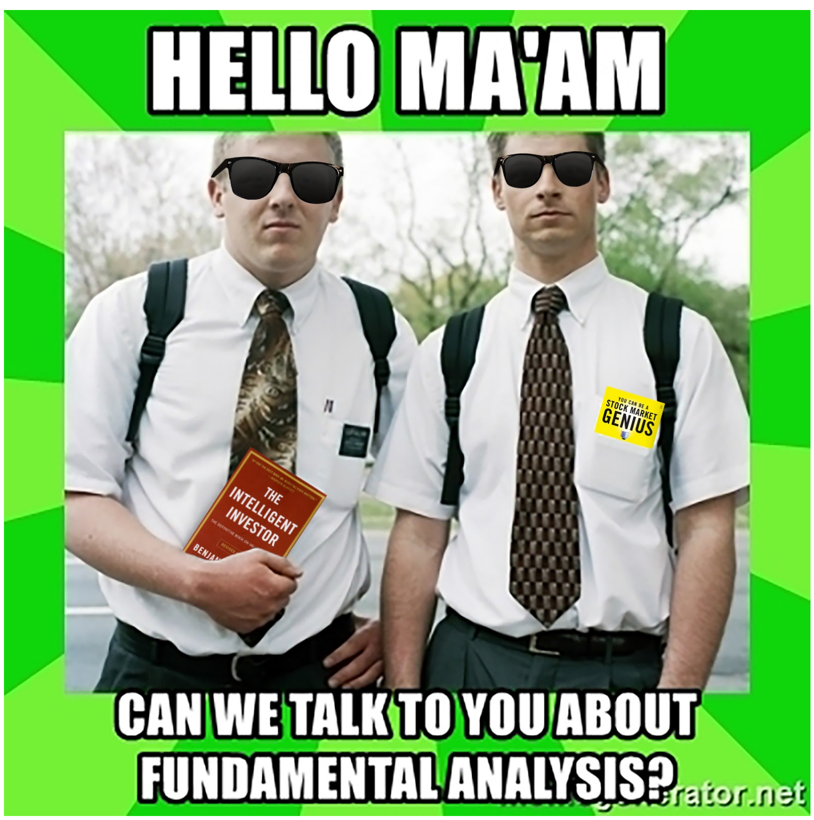
We scan the landscape of investing right now to see which entities can step up and be new champions of substance instead of hype, and we do not like what we see. The companies themselves, with the exception of IPOs, secondary issuances, and share buybacks, do not have a say in the day-to-day trading of their stock, so they are not going to endorse or support Statement #1. The existing bigwigs in the investment industry are rigid in their ways, and they write their quarterly letters in order to cater to their existing clients instead of the broader investing public audience. On the flip side, the likes of Elon and Chamath have legendary promotional skills, but we do not think they believe in Statement #1. Luckily, there are a lot of voices on social media who can serve as new paragons of rational, fundamental analysis in this second decade of the new millennium, and we here at Triple Summit have decided to join in the fray to make our voices (however diminutive they may be) heard. We have decided to enact this with a three-prong strategy.

1) **Start posting more on social media (specifically Twitter)** - To start, it'll be a lot of retweets of posts we find interesting and/or relevant in the current market environment, and as we find our voice, we'll start to post more original content as well.

2) **Shorter blog posts and more visually stimulating marketing presentations** - Blog posts will no longer (exclusively) be long, well-researched pieces, but rather short, concise posts that are easier to digest and more relevant to our clients (i.e., more personal finance posts related to questions that we get all the time). At the same time, we are hard at work on revamped marketing presentations about the firm and its various investment strategies for better clarity and transparency.

3) **Live, In Person Web Conference Calls (subject to demand)** - We miss all of you, and we haven't had an in-person gathering with our clients and friends since the pandemic hit. As such, we will gauge interest in virtual gatherings, AMA style on a periodic basis.

Make no mistake, ladies and gentlemen: this is a clash for the (investing) souls of every man, woman, and child in America and across the world. We have stayed out of the fray thus far to focus on building our business, but there won't be a business in the future if there are no more clients, only Greater Fools. Thus, we will put on our newly ironed white shirts, our most exquisite ties, and pound the proverbial pavement door to door to change your mind, one meme at a time. We have spoken, and this is the Way.



The Road Ahead

"With the potential for the economic effect of COVID-19 to be much worse than what the media is currently reporting, we are more defensive in our positioning than we would otherwise be."

We wrote those words in late February 2020 for last year's annual letter. As we surpass 500,000 dead from COVID-19 in the U.S. and continue to climb out of the worst recession in almost a century, it is clear that the media did indeed underestimate the impact of the coronavirus and the subsequent global pandemic. But what a difference a year makes - the national mood in late February of last year darkened by the day, while today we have reasons to be optimistic. The first and foremost reason has been the tremendous success in the scientific and health care communities in developing both effective vaccines and treatments for COVID-19. As a society, we also know much more now about the personal measures to take to help prevent the spread of the virus, including social distancing, limiting gatherings and travel, and masking (which, as of a year ago, was not even recommended by our government!).

The second reason for optimism is the record fiscal and monetary stimulus that the federal government has injected into the economy. For many of the people receiving direct stimulus checks, these payments have been an essential lifeline during a period of mass layoffs and rolling lockdowns. Some of this stimulus, however, has found its way into financial assets broadly and especially into certain specific "story" assets, such as the aforementioned GameStop. This helped lead to certain months of extremely high returns in the market as market participants began to price in government support and the likely course of the pandemic following the initial shock of lockdowns and rising infection and death rates in spring 2020.

The two reasons for optimism above have created a set of conditions that we believe are conducive to a multi-year economic recovery and corresponding continued growth in the prices of risk assets. As vaccination rates increase, more and more in-person economic activity should resume. These activities are concentrated in the hospitality, travel, and entertainment sectors, which were hit extremely hard by the pandemic and are also labor intensive. As hiring resumes in these sectors, we expect to see the unemployment rate decline meaningfully, coupled with a return of inflation. Indeed, the yield curve seems to already anticipate the reappearance of inflation, with short-term rates remaining at zero followed by a steep and recently increasing curve up to 1.38% and 2.24% for the 10-year Treasury bonds and 30-year Treasury bonds, respectively. So while we can never be sure when another economic shock may arise, the markets currently appear to signal that inflation - and potentially significant inflation - is the economic condition that we are likely to face next. Whether the economy and asset prices overheat in these conditions are the macroeconomic indicators that we expect to pay the most attention to over the next several years.

On a more personal note, the Triple Summit family welcomed its newest member in 2020. Anna Ruian Yang was born in March and has brought much joy to the Wang family, especially to her big brother, Raymond.

As we hopefully continue to recover from the effects of the global pandemic, we remain 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 26, 2021

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