To Our Esteemed Clients,

2022 marks the seventh year that Triple Summit Advisors, LLC has been in operation, and the sixth full calendar year of results. We take the new year as an opportunity to reflect and to 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.

One thing we learned in 2022 is: a lot of money managers are fans of "The Crown" on Netflix. Why do we say that? Well, in her speech at Guildhall marking her Ruby Jubilee (40 years on the throne) on November 24, 1992, Queen Elizabeth II said:

"*1992 is not a year on which I shall look back with undiluted pleasure. In the words of one of my more sympathetic correspondents, it has turned out to be an annus horribilis.*"

This speech was featured in Season 5 of "The Crown", which Netflix released on November 9, 2022, in an episode titled *Annus Horribilis*, which means "Horrible Year." Well, fast forward to the first quarter of 2023, as we glance through the quarterly updates and annual letters of our colleagues, this term, *Annus Horribilis*, has been popping up everywhere. Thus, via the logic of deductive reasoning, we can only conclude that all the money managers binged Season 5 of The Crown.

We at Triple Summit take a different approach. We do not believe that we would be perceived as more sophisticated if we simply translated something from English into a *mortua lingua*. Instead, we look to answer the questions that are on everyone's minds. As King Theoden in "The Lord of the Rings: The Two Towers" uttered right before the climactic Battle of Helm's Deep:

"*Where is the horse and the rider? Where is the horn that was blowing? They have passed like rain on the mountain, like wind in the meadow. The days have gone down in the West behind the hills into shadow.* ***How did it come to this?***"

How did it come to this, indeed? The COVID-19 pandemic set off a chain reaction of events that continue to reverberate worldwide. The combination of unprecedented monetary stimulus combined with productive capacity reduction in the global supply chain led to too much money chasing too few goods - or, in other words, inflation. Asset prices rose throughout most of 2020, followed closely by an upward inflection in the price of goods and services in 2021. The Federal Reserve took essentially no action against inflation in 2021, but then abruptly reversed course beginning in early 2022, rapidly raising the Federal Funds Rate throughout the year to increase the cost of money and thereby slow the economy - and inflation - down.

In the economic cycles that the U.S. experienced over the last several decades, asset prices typically would not respond so immediately to a sustained increase in interest rates. But given

the speed with which the Fed increased rates in 2022 and the elevated prices at which certain assets (especially unprofitable companies) were trading, 2022 turned out to be the fourth worst year for the broad U.S. stock market in the last 50 years (only 1974, 2002, and 2008 were worse). As we will discuss below, we were primarily negatively affected by these market trends. But as with all market declines, lower prices also led to the appearance of investment opportunities, which we will also discuss later on in this letter.

The 401(k)

We often hear clients, friends, and acquaintances observe that very little in our education system prepares us for the financial side of being an adult. American schoolchildren receive no systematic instruction on how to balance a checkbook, how to file their taxes, or how to prioritize their savings. This latter point is perhaps best exemplified by the ongoing confusion we hear about 401(k) accounts. From their purpose, to their contribution limits, to their tax status, 401(k) plans serve as a continuing source of confusion for the millions of Americans who have access to them.

A simple definition is in order - 401(k) plans offer employer-sponsored, defined contribution accounts for retirement savings. **For those Americans with access to 401(k) plans, these accounts usually offer the largest and most convenient access to a retirement savings plan.** In 2023, these plans allow direct employee contributions of up to $22,500 to a tax-advantaged account that can compound for decades under proper planning. With median household income in the US at just over $70,000, this constitutes a substantial fraction of Americans' income that could be shielded from taxes each year. For most Americans, it is very difficult to find an equivalent amount of tax shielding as easily, since Uncle Sam is loath to let income go untaxed. That's the good news. The bad news is that even though contribution limits are relatively high and many Americans have access to these accounts, they remain woefully underutilized due to confusion and misunderstandings about how much to contribute, how often to contribute, how to invest contributions, fees, etc. The fundamental failure of our system to prepare us for complex financial decisions strikes again.

Here at Triple Summit, we have always encouraged clients to take advantage of 401(k) plans to the fullest extent possible. However, we have observed that even despite this encouragement, barriers still remain to receiving the full benefits that these accounts offer. To help address this, we now have the capability to manage clients' 401(k) accounts using the investment options available in each client's 401(k) plan. We will always offer advice for those clients who wish to manage their 401(k) plans themselves, but for those clients who would prefer for us to take on that task, we now have the ability to do so, and we invite anyone interested in this service to please reach out.

Global Compounding Value ("GCV") - Summary

For 2022, the Global Compounding Value ("GCV") strategy had an *unaudited* return of -27.34%, net of fees. Since inception (06/30/16), the GCV strategy has had a cumulative *unaudited* return of 77.56%, net of fees. Since inception, the GCV strategy has underperformed the S&P 500 Total Return Index by -28.52%. For the past 12 months, the GCV strategy underperformed the S&P 500 Total Return Index by -9.23%. 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 (2022 total return in parentheses):

- **LDOS (20.7%), CB (16.2%), MKL (7.5%)**

Top 3 Detractors (2022 total return in parentheses):

- **U (-80.4%), RBLX (-71.8%), MTCH (-68.9%)**

Annual Portfolio Turnover Rate: 0% (excluding tax loss harvesting)

% of Positions in the Portfolio with a Positive Return in 2022: 16%

GCV Performer Spotlight: Markel Corporation (MKL)

Markel has a longstanding (and, we believe, rightly deserved) reputation as a mini-Berkshire Hathaway among the value investor crowd, but is mostly unknown to the general public. That the company performed well in 2022 gives us an excuse to profile it, which we are more than happy to do, as we expect Markel to be a long-term holding.

Markel is a diverse financial holding company that serves niche markets, with a particular focus on underwriting specialty insurance products. What are specialty insurance products, you might ask? Perhaps the best way to define specialty insurance is to look at its opposite - insurance for the most ubiquitous types of coverage, such as auto insurance, homeowner's insurance, and the like. These insurance products are commoditized and competition is fierce, with insurers often racing to undercut each other in pricing, thereby reducing the profitability of their underwriting operations. In contrast, Markel focuses on niche insurance markets that, while smaller in size, have fewer competitors and therefore greater opportunities for profitable underwriting. Examples of Markel's insurance specialties include marine liability insurance, human clinical trial liability insurance for pharmaceutical companies, and event insurance for weddings and birthday parties.

In addition to underwriting profitability, Markel also generates value through its investment operations and its investments in private business, a segment called Markel Ventures. Like most insurance companies, Markel has a multibillion dollar portfolio largely funded by the float

generated via insurance premiums that are held by the company before being paid out for claims. Markel's investment operations are led by the company's CEO, Tom Gayner, who has generated stellar investment returns over several decades at the company. On the Markel Ventures side of the balance sheet, Markel counts investments in industries as diverse as consumer products, construction, food production, and asset management. As with Berkshire Hathaway, Markel aims to underwrite profitably and invest in fairly priced public and private securities with great long-term prospects, leading to long-term outperformance as compared both to its industry and the broader market.

For 2022, Markel generated excellent results from its insurance and Markel Ventures segments. Earned insurance premiums of $7.6 billion exceeded the 2021 figure by almost 17%, and Markel achieved a combined ratio of 92% (i.e., an underwriting profit of 8%). Markel Ventures also had a fantastic year, registering a 31% increase in revenues to $4.8 billion. However, Markel's investment portfolio was exposed to the same factors that all public market investors faced in 2022, and due to accounting conventions, the *unrealized* losses in Markel's portfolio all flowed through its financials, leading to a $1.3 billion loss on its income statement. Still, investors in the company shrugged off these unrealized losses, knowing that in any given year, the returns from Markel's portfolio could be volatile. Instead, investors focused on the ongoing success that each segment has had over the long run and rewarded Markel's share price with major outperformance versus the broad market for the year. Over the long run, we believe that Markel will continue this performance, and we are very happy to be along for the ride.

GCV Detractor Spotlight: Unity Software (U)

Regular readers of our annual letter may recognize Unity from our 2020 annual letter, where we happily profiled the company as a performer rather than as a detractor. Given the giant swing in the company's stock price over just a two year period, we feel that it is very useful to examine the company again, with particular emphasis over what happened in the previous year and how that affects our view of the company.

First, a mea culpa: Unity hit its peak closing price of $197.55 per share back on November 15, 2021, and we did not sell our position at the time. With the benefit of hindsight, we absolutely wish we had, regardless of tax consequences or the difficulties of timing a re-entry into a company that we would like to own for the long term. Unity currently trades in the $40s, and as some of the largest holders of the GCV strategy, the two of us feel the pain of this decline along with our clients.

So what caused the precipitous decline in the company's stock price over the last year or so? While the company has not yet reported full year earnings for 2022 as of the publication of this letter, Unity has guided for revenues of $1.37 - $1.39 billion, representing 23% - 25% revenue growth. Normally, the market would be thrilled with such a high rate of growth for a large cap publicly traded company, but 2022 was anything but normal. The market punished technology companies across the board last year, with the largest declines occurring in smaller, less

mature, and less immediately profitable companies. Unity faced the additional headwind of depending on the advertising market for its revenue in a year when companies drastically cut back on marketing spend in anticipation of a potential recession. All told, even strong business results could not counteract the absolute tsunami of negative sentiment toward the technology sector in 2022.

As long-term investors, we continued to pay attention to Unity's fundamentals in 2022, constantly evaluating whether our view of the company's long-term competitiveness had changed. After much analysis, we believe that not only are the company's long-term competitive advantages intact, but that Unity also meaningfully strengthened its competitive position in 2022. The largest development last year was a merger with ironSource, an Israel-based company that greatly increased Unity's ability to empower mobile app creators to monetize their apps. Unity was also relatively quick to reduce headcount in the face of a decline in ad spending. And as mentioned above, Unity's financial results were strong given macro headwinds facing technology and ad spending. We remain long-term believers in Unity's future, and thus far in 2023, the market appears to reflect some of that optimism, with shares having risen 42% as this letter went to press.

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

For 2022, the Global Opportunistic & Event-Driven ("GOED") strategy had an *unaudited* return of -17.34%, net of fees. Since inception (06/30/16), the GOED strategy has had an *unaudited* return of 35.77%, net of fees. Since inception, the GOED strategy has underperformed the S&P 500 Total Return Index by -70.32%; but over the last 36 months, the GOED strategy has outperformed the Index by 8.01% (and by 0.77% over the last 12 months). 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 (2022 total return in parentheses):

- **FAR (94.8%), RAP (74.8%), IMRA (45.1%)**

Top 3 Detractors (2022 total return in parentheses):

- **ZVOI (-86.3%), ARD (-85.8%), ATTO (-82.5%)**

Annual Portfolio Turnover Rate: 145.8%

% of the Positions in the Portfolio with a Positive Return in 2022: 43%

GOED Performer Spotlight: ResApp Health (RAP)

ResApp Health was a very small, speculative, early-stage telehealth company that was listed on the Australian Stock Exchange ("ASX"). Its main focus was to develop digital healthcare solutions to assist doctors and empower patients to diagnose and manage respiratory disease using only a smartphone. On April 11th, 2022, Pfizer - the 800-pound gorilla of the pharmaceutical industry - agreed to buy it for $0.115 AUD per share in cash (pre-deal it was trading at around $0.06 AUD). As a part of the negotiation process, the Independent Expert hired by the company claimed that the stock was actually worth between $0.145 and $0.27 AUD, with a "preferred value" of $0.208. Because the total market value of ResApp was quite small, Pfizer agreed to revise its bid upward and signed a binding agreement to:

A) Either pay $0.206 in cash in the event of a successful test of the technology's use to detect COVID in coughs; or
B) Pay $0.146 in cash the event the aforementioned test failed

Fast forward to June 21st, 2022, and it was announced that the test had failed and that the technology was not able to detect COVID in cough samples at a high enough rate to pass the threshold per the merger agreement. Given the high quality nature of the buyer, very little regulatory or anti-trust risk from the seller given its size, and unanimous support from the Board of Directors, we initiated a position in late July 2022 at around $0.12 per share thinking that it was going to be a simple merger arbitrage position offering a 21.7% gross return over the course of a couple months. The main risk for this position was the possibility that the shareholders would not vote the deal through. However, since we saw the high number of shares being traded on a daily basis after the June 21st announcement, we believed that a significant portion of the votes would be held in the hands of institutional merger arbitrageurs, and that the deal would be able to obtain the 75% voting support threshold needed to consummate the transaction.

Well, it turned out that the retail shareholders of Australia picked up a lesson or two from the "meme stock" shareholders of America. Via Australia's version of Reddit (Hotcopper, in this case), shareholders loudly voiced their displeasure with the terms of the deal, and there was a real chance that the deal would get voted down. Luckily, Pfizer really wanted the technology (and was willing to pay an incremental $50 MM AUD for it), and as such increased its bid yet again to $0.208, which lined up exactly with the preferred value of the Independent Expert. The vote ultimately passed (albeit with somewhat razor thin margins), and we successfully exited the position in September 2022 at $0.208 AUD per share for a 74.8% gain.

GOED Detractor Spotlight: Atento SA (ATTO)

Atento is a Client Relationship Management ("CRM") / Business Process Outsourcing ("BPO") provider with presence in Latin America, Europe, and North America. The company provides a full suite of solutions, including outsourced call centers, customer care, technical support,

collections, marketing, and other back-office functions. It was initially a part of Telefonica (one of the leading telecommunication companies in Europe), but became an independent entity when it was carved-out and sold to Bain Capital in 2012. Atento IPOed in 2014, and as a part of that transaction, Bain Capital issued a private loan that was collateralized by its equity stake in Atento. The loans were underwritten by HPS, GIC, and Farallon (the "Three Amigos") at a 13.25% Payment-In-Kind ("PIK") coupon (juicy!) and would mature in May 2020.

From 2012 to 2018, Atento largely underperformed under the stewardship of Bain Capital, driven by mediocre underlying performance and further exacerbated by FX headwinds due to significant currency depreciation versus the USD for Latin American countries. When COVID hit, Bain realized that it would not be possible for the private loan to be repaid in full. As such, Bain said "sayonara" and handed its shares to the creditors via an out-of-court restructuring. At that time, the Three Amigos became the majority shareholders, with 62% of the outstanding shares.

New management was hired in 2019, and from 2019 to 2021, operating performance generally improved per a Business Improvement Plan that was laid out during Atento's 2019 Investor Day. Fundamentally, the company was gaining traction throughout 2021, and that is when we initially established a position. From a catalyst perspective, we figured that the "Three Amigos" weren't going to be long-term equity investors in the name. They are all credit-focused funds, and they "had to" take the equity in the name because it was the best choice at the time. There was also a lock-up agreement in place where the Three Amigos couldn't sell their shares in the public markets until June 2022. Based on the face value of their Notes and adding on top the PIK interest accrual (so that the Three Amigos would not take a loss on their initial investment), we thought that a \$55 to \$60 per-share take-out in early to mid-2022 seemed quite likely.

Fast forward to April 12th, 2022, when Atento issued a press release stating that it intended to issue results for 1Q'22 on April 27th, 2022. So far, nothing out of the ordinary. Then, two weeks later, on April 27th, 2022, Atento announced that it was rescheduling the release of its 1Q'22 results to after the market close May 11th, 2022. Well, companies don't reschedule their earnings releases out of the blue for no reason, especially when the two announcements came out only two weeks apart. Our "spidey sense" was tingling, and we thought that right before the 1Q'22 earnings release the company was going to announce that it had reached a deal to sell itself.

Then the results were announced: a very, very poor 1st quarter. Revenue down 2.3%, EBITDA down 10.1%, and higher than expected disruptions from an October 2021 cyberattack. No updates on any strategic alternatives or potential bidders whatsoever. The shareholder base was shocked and disappointed, and the management of the company lost a lot of credibility that day. The stock dropped 36% on May 12th, and the news just got worse and worse and worse throughout the rest of the year. 2Q'22 results were worse than 1Q'22 results. Then, in early September 2022, the Three Amigos announced that they had agreed to extend their lock-up agreement with Atento for another 12 months (until June 2023). The timeline for the catalyst

had evaporated, and we were no longer confident that Atento could be sold for a valuation that would not impair the Three Amigos. We finally "tapped out" and sold the position at a significant loss after the release of 3Q'22 results on November 15th, 2022 (to be fair, 3Q'22 results were not that bad, but at that point in time, the damage had been done).

The Road Ahead

As we noted earlier in the letter, the steep decline in the market in 2022 generated opportunities to invest in assets that are much more attractively priced today than they were at the beginning of last year. With the market down over 20% around mid-year, we sent out a note to clients on June 13th, 2022 with the message, "we are beginning to buy more equities now to hold for the long run." These equities included some of the companies that experienced the most precipitous declines in our portfolio, as we believed that for as overvalued as some companies became in 2021, not all of them deserved the pessimism that the market was pricing in during 2022. We will reiterate here as we did in our June note that we never know where the market is going in the short run; the market could easily decline if economic news proves worse than expected, or it could go the other way if market participants grow convinced that the Fed will engineer a "soft landing" for the economy. As always, we invest for the long-term, seeking value as we go and viewing short-term fluctuations as opportunities to take advantage of what the market is offering us.

2022 saw some firsts for Triple Summit as we experimented with new ways to connect with others. We created our first advertisement, which hopefully can serve as a short, fun reminder of how we can help you and anyone you might send our way. We also recorded several episodes of a podcast to explore our shared interest in gaming, a hobby that dates back to our childhood days. As we discuss on the podcast, gaming intersects with finance in more than just a few ways. The podcast is a passion project of unadulterated joy, and we hope you can enjoy it as well. Finally, as we mentioned in the financial planning portion of this letter highlighting 401(k) plans, we now have the capability to directly manage investments in 401(k) plans and invite any interested clients to discuss this capability with us.

Following a historically turbulent year for the markets, 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 17, 2023

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