To Our Esteemed Clients,

2023 marks the eighth year that Triple Summit Advisors, LLC has been in operation, and the seventh 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.

What a difference a year makes: it may feel like a distant, hazy memory to most of us at this point, but 2022 was a year that we as investors remember vividly because of the seemingly unrelenting bad economic news that year. Contrast that with 2023, which saw the markets seesaw from the despair of the year prior to something approximating absolute glee. Even as the Federal Reserve continued to raise interest rates for much of the year, the US equities market had a historically strong year, with the S&P 500 increasing 26.3%. It is an axiom that securities markets tend to price in expectations of the future rather than taking into account known information, so the rebound last year may have been the market's reaction to expectations for continued economic growth, low unemployment, and decreasing inflation - all of which occurred in 2023. However, we would submit that the about face in the market between the two years cannot be fully rational, as the underlying fundamentals of our economy and of the companies making up the market did not change enough to warrant such wild swings in securities prices. But this is as it has always been, with Mr. Market changing based on emotions and "animal spirits" in the short run. We make no judgment on whether this behavior of the markets is good or not - we simply observe it and try to take advantage of the opportunities that it offers for our clients over the long run.

The Sandwich Generation

Over the years, we have been very fortunate to earn the trust of clients who are in a similar phase of life to ours. Many of our clients are married with young children and are simultaneously dealing with the demands of their careers, where they often have managerial duties in addition to their individual work requirements. Add the potential need to provide some combination of physical, emotional, and financial care for aging parents, and you have the perfect recipe for this cohort to be this era's Sandwich Generation. These challenges, while certainly not new to the human experience or life in the modern world, are new to many of us who have never experienced this exact confluence of forces. As anyone who is going through it knows, this experience can be trying and difficult, and it tests the bonds of the relationships in our lives and can have an enormous toll on our well-being. Indeed, we know of several instances where a client has lost a parent in the last year, with one of them being our own: Wei's father passed away in October 2023 after a long battle with lymphoma.

We are investment advisors first, but over the years, we have come to understand that we can serve in ways that extend well beyond the financial. We advise often on career changes and job

searches, on how to think about public vs. private school for children, and on other matters that are often more about personal goals than financial ones. And if you find yourself facing the circumstances and the pressures of your family situation that we discussed here - if you find yourself feeling sandwiched between conflicting goals that are all equally worthy of your time, effort, and devotion - please do not hesitate to reach out. We are here for you.

Global Compounding Value ("GCV") - Summary

For 2023, the Global Compounding Value ("GCV") strategy had an *unaudited* return of 22.74%, net of fees. Since inception (06/30/16), the GCV strategy has had a cumulative *unaudited* return of 117.95%, net of fees. Since inception, the GCV strategy has underperformed the S&P 500 Total Return Index by -42.31%. For the past 12 months, the GCV strategy underperformed the S&P 500 Total Return Index by -3.55%. 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 (2023 total return in parentheses):

- **META (194.1%), ANET (66.9% - Partial Year), RACE (58.9%)**

Top 3 Detractors (2023 total return in parentheses):

- **LDOS (-25.4% - Partial Year), DEO (-16.0%), DHR (-12.4%)**

% of Positions in the Portfolio with a Positive Return in 2023: 75%

Rather than give our usual Performer / Detractor spotlights, we thought that we would take this opportunity to give you an update on how we will manage the portfolio and evaluate future opportunities.

At their core, stock returns can be broken down into three components:

1) **Dividends / Return of Capital**
2) **Earnings Change % Due to Revenue and Margins**
3) **Multiple Expansion / Contraction**

As fundamental investors within the GCV portfolio, it is vital that we recognize which one (or two) of the three components we CAN analyze, and which components are out of our control. We generally do not have a say in company policies on Dividends / Return of Capital. Generally, companies with long operating histories also possess long histories of growing dividends. Returns of capital are usually done via stock buybacks and/or tender offers, but how those take place are out of our control. Multiple Expansion / Contraction is, of course, completely out of our control as well. Earnings (or in more popular parlance, Free Cash Flow, or FCF for short) Change % Due to Revenues and Margins, on the other hand, can be estimated with a fair degree of confidence, especially if the company in question has a long track record.

From May 2023 until just recently, we analyzed the GCV portfolio and dug deep into why the portfolio underperformed the past few years. We came away with a few key observations:

1) **We invested in companies that possessed tremendous revenue growth but negative profitability** - We thought that these companies would have longer runaways to breakeven than they actually did, and we thought that the market would give more credence to top line growth for the short-term versus immediate profitability. When the interest rate environment shifted in 2022, the market's focus on growth versus profitability also changed, and we were caught flat-footed.
2) **We let the tax tail wag the return dog** - In the short term, when a company generates above-average revenue growth, it tends to also experience a fair amount of multiple expansion, and the stock price stock rockets (see the price of Unity from March 2021 to November 2021). When that happened, and we realized that the stock price of these companies exceeded their intrinsic value, we were hesitant to sell because doing so would have generated a lot of short-term capital gains (which is taxed at the same rate as ordinary income). This hesitation was, in retrospect, a mistake.
3) **We tracked industry capitalization and sacrificed internal comparability** - We are not experts in banking and insurance (due to their unique accounting quirks and non-standard valuation metrics), and because we wanted exposure to those industries in line with the broader market, we picked the best companies that we could based on our limited knowledge. For the most part, this strategy has worked, but we do not have enough conviction in these names that could allow us to hold on to them if they were to significantly underperform relative to the markets (i.e. "weak hands").

Upon realizing our past mistakes and inconsistencies in the management of the GCV portfolio, we spent a tremendous amount of time contemplating and workshopping ways to make the portfolio more systematic, more streamlined, and more aligned with the core, founding principles of this strategy. To that end, we are happy to announce that we have devised a new, proprietary 10 Point Scoring System (10PSS) to grade each and every one of our positions in the portfolio. The 10PSS combines a company's growth, profitability, efficiency, insider ownership, share buybacks, as well as a few other metrics to sum up to a score between 0 and 10. Then, on a regular basis, we sell the companies that score poorly (i.e., 5 or below, subject to special circumstances), and buy new companies that score highly (i.e., 8 or above). We performed the first iteration of these score-based adjustments in early March 2024.

Furthermore, we will periodically compare stock price performance versus FCF/share performance for our portfolio companies and make corresponding portfolio adjustments (i.e. if stock price growth significantly exceeds FCF/share growth, we'll trim the position; vice versa if the opposite is true). **We will make these adjustments regardless of tax consequences**. The portfolio will no longer stick to a 25 position / 4% weighting guidance. Instead, companies that score higher (i.e. 9 or above) will have an outsized weight, and companies with a below-average score (i.e. lower than 6) will have an undersized weight. Lastly, we have sold out of all of our banking and insurance stocks so as to further improve the internal comparability of

our portfolio. Out of respect for Buffett and Munger (may he rest in peace), we have kept Berkshire Hathaway in the portfolio as a lone exception. Overall, we are quite happy with the changes that we have made. We feel like we have significantly more visibility into the names that we own now that we can judge all of them on a unified framework. We believe the current GCV portfolio is one that is best situated to exceed the returns of the S&P 500 Index over a market cycle, but of course, only time will tell.

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

For 2023, the Global Opportunistic & Event-Driven ("GOED") strategy had an *unaudited* return of 11.64%, net of fees. Since inception (06/30/16), the GOED strategy has had an *unaudited* return of 51.57%, net of fees. Since inception, the GOED strategy has underperformed the S&P 500 Total Return Index by -108.69%. While the GOED strategy outperformed the market from 2020 through 2022, for the past 12 months, the GOED strategy underperformed the Index by -14.65%. 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 (2023 total return in parentheses):

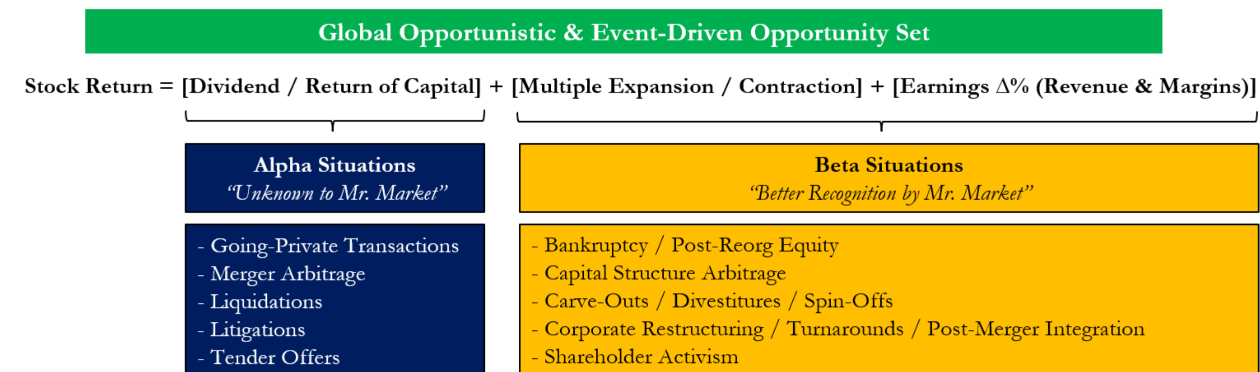
- **SHC (122.3%), LQDA (88.9%), WED (42.8%)**

Top 3 Detractors (2023 total return in parentheses):

- **NODL (-80.8%), RIDEQ (-57.2%), FIXX (-54.2%)**

% of the Positions in the Portfolio with a Positive Return in 2023: 59%

Let's bring back the 3 aforementioned drivers of stock market return, but this time in a pretty graph form:



Within the GOED strategy, dividends and return of capital play a major role. We have previously spent some time (and blog posts) talking about tender offers, which fit nicely into the Alpha Situations bucket. This time, we would like to discuss litigation. Now, most people do not typically associate litigation with this bucket, but one can view litigation-driven investments as a sort of "hidden" asset that comes into light at the conclusion of a lawsuit. Once this asset comes to light, its value is added to the enterprise value of the company in question, and thus also flows through to the stock price. It could be an "offensive" lawsuit, such as LQDA's victory in UTHR's appeal of the '793 Patent invalidity decision at the PTAB (see here for more details; LQDA is the second highest performer for GOED in 2023 as a result of this decision). It could also be a "defensive" lawsuit, where the damages of a lawsuit against a company are lower than expected or the claims are settled completely, such as SHC's settlement of Ethylene Oxide Litigation in Illinois (see here for more details; SHC is the highest performer for GOED in 2023 as a result of this settlement).

Of course, what Lady Justice giveth, she can also taketh away. In 2022, we established a tiny position in a Norwegian offshore drilling contractor called Northern Drilling Ltd ("NODL"). NODL did not have much in the way of assets, but it did have a couple hundred million dollars of arbitration claims against Hanwha Ocean Co. Ltd., a South Korean shipbuilder. At the time, the market value of NODL was trading at a substantial discount to the full value of the arbitration claim. We felt that the odds of a positive ruling from the London Court of International Arbitration (LCIA) was a fair coin flip, and the investment in NODL was an uncorrelated way to gain exposure to some litigation alpha. Alas, the box for this Schrödinger's cat was opened on September 25th, 2023, and the cat was found to be deceased. The fine folks at LCIA dismissed NODL's claims against Hanwha, and kept alive Hanwha's claims against NODL. The stock dropped like a brick, and we were barely able to get out with an 80.8% loss. The only saving grace is that due to the nature of this lawsuit, we sized the investment as a 0.5% position, so ultimately the capital loss that we suffered was within the threshold of our risk tolerance.

The Road Ahead

The economic story of 2023 was defined by broad macroeconomic themes, and thus far 2024 has largely seen an unbroken continuation of those themes. Earlier, we mentioned how the market reacted to expectations of continued economic growth, decreasing inflation, and sustained low unemployment, and that story remains intact as of the date of this letter. Indeed, in its March 2024 meeting, the Federal Reserve elected to keep the Federal Funds Rate unchanged, revealing that it did not have clear indications that the economy needed either monetary stimulus or tightening at the time. The Fed also foresees three rate cuts later in 2024, but we would not be surprised if this forecast does not match reality; we place little faith in forecasts, even from sources with as much data at the Fed. Regardless of how these macroeconomic indicators shift, however, we will continue to look for value based on what Mr. Market offers us each day.

The other meaningful and sustained economic story from 2023 is the rise of generative AI. The ability of AI models to generate text, images, video, and other data from user prompts is only beginning to transform economic activity, and we continue to watch AI's effect on the economy while attempting to discern which changes will last and which ones will fade quickly. As investors, the most visible effect on the markets has been the rise of NVIDIA, which has experienced both a breathtaking increase in market value and an increase in revenue to match as demand for its core product line of graphics processing units (GPUs) has increased dramatically. Much of our portfolio has benefited from the trends in AI as well (with META and ANET being the most striking examples). While we cannot forecast how the market will react to developments in the field in the short run, over the long run it is likely to continue to affect most aspects of our economic lives, just as the internet and mobile devices did. We will continue to keenly watch developments in this field both to take advantage of the opportunities it offers and to sidestep where we can the risks to which it will also surely give rise.

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
March 29, 2024

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