KP7

August 8, 2022
Letter #6

Dear Friends and Investors:

Our portfolio was up 10.3% in July versus a gain of 9.2% for the S&P 500 (including dividends). After our dreadful second quarter, that brings us to -20.9% for the year versus -12.6% for the S&P 500.

The two Brazilian companies we highlighted in our last letter were the main winners for the month. StoneCo (our largest position) was up 24% while Nu Holdings was up 12%. Both are playing big roles in the transformation of the financial services industry in Brazil.

One thing we like about Brazil is its early and aggressive policy moves to fight inflation. Brazil's central bank has increased policy interest rates from 2.0% to 13.75% over the last 18 months. Inflation is running about 12% there, not that much higher than the U.S. (9%), whose policy rates are still languishing at 2.5% at the moment.

Our portfolio consists of twenty to thirty high-conviction investments exposed to a handful (more or less) of favorable long-term investment themes. Read more about our investment themes here: Our Seven Global Investment Themes.

The Explosion of Central Bank Balance Sheets is our largest exposure among those seven themes, by far. We currently have five positions and 30% of the portfolio exposed to that theme.

We made no major changes to the portfolio in July.

All the best to you and your families,