

February 11, 2025

Dear Friends,

Guided by our core investment tenets of focusing on stable businesses that can compound capital at high rates of return, being value-added partners, and maintaining a flexible and thematically-driven approach, we have continued to make tremendous progress at Vesper. Over the last year, we further grew our portfolio of partner companies, added key members to our team, and built our capabilities to scale our investing efforts.

Since we made the decision to focus exclusively on mid-market private investments two years ago, we have built relationships with numerous founders, evaluated several dozen investment opportunities, and closed two new investment partnerships. In this process, we have forged deep relationships with our high caliber capital partners to whom we express our appreciation for their continued support. As we reflect on the past year and look ahead to 2025, we are excited by the progress that we have made and are energized by the opportunities ahead. We remain dedicated to our mission of partnering with founders and managers to scale content, technology, and services companies by providing both aligned, long-term capital and active support.

Investing Environment

In last year's letter, we described the landscape at the start of 2024 as "an environment of interest rate uncertainty, increasing global conflict, and growing awareness of the disruptive potential of artificial intelligence." While the uncertainties from 12 months ago remain present with additional recent concerns relating to changes in trade policies, we are seeing early signs of investor optimism and potential for robust private investment activity in 2025 after more than two years of trepidation.

At Vesper, we continue to steer away from prognosticating what the next 12 months will bring but instead maintain our disciplined approach to identifying resilient businesses in stable, growing industries that are led by exceptional management teams. As long as we protect against the risks of deep industry cyclicality, excessive concentration, and dependence on government regulation and reimbursement, we think that strong businesses with great management teams can thrive and generate consistent superior risk-adjusted returns – even through periods of a challenging macroeconomic environment.

Reflecting on Vesper Growth

This past year, our efforts across all activities at Vesper were guided by the core investment tenets that we outlined in our 2024 letter. Below is a brief reflection on our progress within each:

1. Focusing on stable businesses that can compound capital at attractive rates of return:

Last year we spoke of our partnership with Position Music and how well the company reflects our investment strategy. As a leading independent music company, Position Music is well-aligned with the growth trends in the middle segment of music creators. Position's Founder – Tyler Bacon – embodies one of the core qualities that we seek in our partners: a single-minded focus on the growth and strategic value of the company. Since Vesper's investment in 2023, we have worked closely with Position as it has executed on its strategy to significantly grow its core music publishing business and the value of its catalogue. Tyler and team continue to deliver for their writer and artist clients, with multiple trending radio cuts, including "Beautiful Things" by Benson Boone, which was the most streamed song in the world in 2024 with over three billion streams. In the third quarter of 2024, we were especially proud to see Position recognized in Billboard's Hot 100 ranking as a top seven publisher.

In 2024, we made an investment in TAO Digital Solutions, backing founder and CEO Raj Velagapudi. TAO is a leading provider of outcome-driven technology services and solutions. Raj is an exceptionally talented leader who founded, built, and successfully sold three platforms in the digital engineering space prior to founding TAO. Building on that experience, he founded TAO in mid-2022 to help accelerate his customers' digital transformation journey through product engineering, data digitization, and deployment of industry-specific AI tools. Raj and his senior management team (which has joined him at TAO) have a long-standing track record of delivering tremendous value for their customers at multiple inflection points in the IT services industry. We see a long runway of opportunity for outsourced digital transformation ahead, particularly as companies of all sizes are seeking expert partners to help them modernize their workflows and take advantage of emerging tools and innovations. TAO has built a top-tier global sales and service delivery infrastructure and an impressive blue-chip customer base. We look forward to helping the TAO team scale their business and deliver greater ROI for their clients through continued organic growth, strategic M&A, and further investments in the company's team and capabilities.

2. Being value-added partners: As a partner to our companies, we seek to be a sounding board for their vision, connect dots for them within our ecosystem, and offer operating expertise as they need it. To enhance our ability to support both our current and potential future partner companies, we expanded our team in 2024 with two key hires:

- **Ian Vick** joined the team as an Investor, most recently from Fractal Software, where he led their research team's work identifying opportunities for vertical market SaaS businesses. He also brings valuable investing experience from Apax Partners, York Capital, and Goldman Sachs. With the addition of Ian, we now have three "investment leads" in Ian, Raj, and Thomas, with a diverse set of experiences.
- **Allie Bromley** came on board as our Chief of Staff to support business development and capital formation activities, with a background spanning Proficio Capital Partners, Weiss Asset Management, and Credit Suisse. Allie's skillset and connectivity will be instrumental in helping us scale our platform.

With the addition of Ian and Allie, our team has a broad scope of experience investing in and operating businesses across content, technology and services, including: financial services; sports, media & entertainment; tech-enabled services, and vertical market software.

Throughout their careers, the members of our team have been involved in launching and growing sports leagues, building music businesses, incubating software companies, supporting build ups across service industries, and seeding and launching specialty finance and credit asset management platforms. We think this breadth of experience is truly beneficial to the founders and management of our partner companies and makes Vesper well positioned to drive strong investment outcomes for our capital partners.

- 3. A thematic “deep dive” approach to identifying investment opportunities:** Our “deep dive” approach to sourcing investments continues to bear fruit. Each year, our team identifies and selects a handful of industry trends within our focus area for an in-depth effort at identifying companies best positioned to benefit from these trends and building relationships to identify actionable opportunities. The process leverages our team’s knowledge base as well as the thoughts and research of executives and investors in our network.

After a decade of building knowledge and relationships in the music industry through our team’s prior involvement with Kobalt Music, we invested in Position Music in 2023, seeing an opportunity for independents to serve the growing ranks of music creators. Similarly, the outsourced software development industry is one that we have followed for a long time – our interest in the space began as part of a “deep dive” into data and analytics several years ago. Our ongoing focus on evaluating potential opportunities in this segment of the tech services industry led us to build a relationship with an experienced operator in our network who ultimately helped us source and diligence the TAO opportunity.

We continue to believe the “deep dive” approach to sourcing actionable opportunities gives Vesper a competitive edge in the market as it provides a systematic process for consistently developing new sector knowledge and relationships.

Looking Ahead to 2025

As we build on the foundation we have set over the last two years with our investment tenants, we aim to selectively add 1-2 new platform investments in 2025. Consistent with the approach that has driven our success with both Position and TAO, we are pursuing opportunities with founder- and management-owned businesses generating at least \$10 million in EBITDA. We are seeking to deploy at least \$30-35 million of equity capital to provide primary growth capital and/or secondary liquidity, structured in either majority control or strategic minority investments. This flexible approach allowed us to tailor our investments to be a perfect match for the Position and TAO teams, and we believe it continues to make us a compelling choice for other founders looking for an investment partner to help them scale their businesses.

Our investment efforts will continue to be focused on opportunities across content, technology, and services businesses. In alignment, we have already initiated seven “deep dives” in niches within our core sectors of financial services; sports, media & entertainment; tech-enabled services; and vertical market software. We have shared these deep dive areas with some of you and welcome the opportunity to discuss them further in the coming days.

In closing, we are thankful for the founders and management teams who have chosen to work with us, and we are immensely grateful for the continued support and enthusiasm of our capital partners. The trust and partnership of our ecosystem are both truly invaluable as we strive to build lasting value together.

We look forward to delivering for our current partners and forging new relationships and partnerships this year.

Best,

The Vesper Company Team