KP7

October 4, 2021
Letter #1

Dear Friends & Investors,

KP7 finished its first 3 months of operation last Thursday. Our performance was not spectacular. Our composite was down 4.9% for the quarter. The S&P 500 was up 0.6% over the same period.

Please bear in mind that these results have little meaning in context of our 3- to 5-year investment horizon. We ask investors to judge us, as we judge ourselves, over a minimum of three years. Our goal is to generate returns after all fees and expenses in excess of the S&P 500 over rolling three-year periods.

During our first quarter of operation, we were busy finding both investments and investors. Our goal with respect to the latter is to assemble a group of investors that understand what we do and believe in how we invest. We are off to a fabulous start in that regard. I know each of you personally and can honestly say that a better group of people measured in terms of character, integrity, and business acumen cannot possibly exist. I am proud and honored that you have entrusted me and my firm with your capital, a responsibility I do not take lightly.

I will also say that we are most definitely open for business. I have committed to each of you that I will limit our assets under management long before our size becomes a barrier to performance. We are not there yet. We continue to seek like-minded investors with a desire to create long-term value. If you know of any that might fill the bill, please send them our way.

KP7 has a broad investment mandate. We invest in publicly traded equities of all market capitalizations, in all geographies, and in all industries. We think our broad investment mandate combined with our small capital base gives us a massive advantage relative to most other asset managers, who tend to narrow their investment mandates in order to attract capital. A narrower investment mandate shrinks the opportunity set. A smaller opportunity set limits performance.

We believe our opportunity set amounts to about 14,000 global publicly traded equities. A firm pursuing a U.S. large cap value strategy has an opportunity set of less than 130,[1] according to our math, and about a third of those are financials. If we are good at what we do - that is, if our research discipline actually works in uncovering great investment opportunities – we have a massive advantage over competitors that for whatever reason choose to shrink the

[1] This is the number of publicly traded companies greater than $10 billion in market capitalization trading at 15x earnings or less and domiciled in the United States. Source is Bloomberg.

pool of available investment candidates. We believe that advantage will have a meaningful effect on long-term performance.

We thank you for joining the KP7 family. All the best to you and your families,