KP7

October 23, 2025
Letter #18

Dear Investors:

KP7 was up 17.0% in the third quarter of 2025 after all fees and expenses. The S&P 500 was up 8.1%, including dividends. For the year, KP7 is now +24.7% versus the S&P 500 of +14.8%.

We mentioned the dreadful liberation day Impinj had in our last letter and described how we more than doubled our position in the company on that day. We are pleased to report that Impinj was up another 63% in the third quarter, bringing it to +178% since liberation day. I-80 Gold was +60% in the quarter, bringing it to +97% for the year. dLocal was up 26% for the quarter and is now +26% for the year. These were our three biggest winners in the quarter and continue to be large positions in the portfolio.

Earlier I wrote that I'd be expanding the KP7 organization. Alexander Duckworth joined KP7 late last year as our Chief Operating Officer. I want to formally introduce Alexander to our family of investors here. Some of you have already met Alexander in person. Those that haven't, will shortly.

Alexander has spent his entire career evaluating, creating, and enhancing brands, mostly luxury brands but also real estate, financial services, and consumer brands. He has worked with hundreds of brands globally and has singlehandedly created hundreds of millions of dollars in brand value, perhaps billions. Alexander has created, enhanced, or repositioned brands for Hudson Yards in New York, Christie's Auction House, Goldman Sachs, Cadillac (where he saved the brand from extinction, in our opinion), Paul Stuart, Bank of America, and Harry Winston among many others. Alexander is a seasoned professional who knows brands better than anyone.

Alexander is not only the keeper of the KP7 brand, but is also the critical evaluator of the brands of the companies we invest in. We believe brands are an integral component of business value. Most asset managers give brands short shrift in their evaluation process. We don't. Having Alexander on the team gives KP7 an important edge when it comes to brand evaluation. Nobody on the planet does it better. We are truly lucky to have him. You'll be thanking him when the value he brings to the organization translates to value in your portfolio.

Bill Whitaker also joined KP7 earlier this year. Yes, Bill is indeed related. He's my son. He is also uniquely qualified to analyze business value. Bill graduated from Notre Dame in 2010, moved to Hong Kong to work at a Hong Kong-based hedge fund for three years, received an MBA from The Tuck School at Dartmouth in 2017, and most recently spent four years with Harris Williams, a middle-market mergers and acquisitions investment bank based in Richmond Virginia. Yes, I am proud of him as a father but also believe he is perfectly positioned to create value at KP7. No nepotism here. He is qualified.

With Sonia (who has been with me for 20+ years) and myself, the KP7 team is now four. Everyone on the team is involved with equity research. Alexander evaluates and assesses brands. Sonia leads our people-evaluation process. Bill looks at business analytics and risk. I do valuation. We all contribute on what we call unique relevance, which is assessing the nature of the bond between a company and its customers.

The team evaluates two companies each week. Each member of the team researches the two companies through his or her own unique lens. We then come together to discuss the companies each

Thursday afternoon. Our investment research process today is systematic, one-of-a-kind, and best-in-class.

We believe in quantification. We quantify everything, even the more subjective aspects of our evaluation process like brand and people. If it drives value, we put a number on it. The companies that score well go in the KP7 Cache. The companies in the KP7 Cache sit there until an appropriate entry point arrives. We move companies from the KP7 Cache to the portfolio only when we see an attractive entry point. When we invest, we do so decisively.

Michael Jordan in his glory days worked on what he considered the weakest part of his game every offseason. His jump shot stunk early in his career and was the best part of his game late in his career. He worked at it. It got better. Over time, his jump shot was one of the best.

We try to do the same. We look at the weak part of our process and work to make it the best. Several years ago, we weren't so good at evaluating people. We worked at it. It got better. We worked at it some more. Today, we believe our people-evaluation process is an important differentiator for KP7. It sets us apart.

Twenty-four months ago, we were not happy with the timing element of our research process. I grew tired of stocks in the portfolio with prices below our cost base. We simply were no good with our entry points. We were even worse with our exit points, leaving what seemed like lots of money on the table after we sold. We set out to get better.

We call it our tactical research. Tactical research is the way we identify appropriate entry and exit points. At a very high level, we designed our tactical research to identify the point of maximum pessimism (which are the best entry points) and the point of maximum euphoria (which are the best exit points). From a practical standpoint, we try to nail the former as best we can and simply edge a little closer to the latter taking precautions not to stick around too long. We believe our tactical research could add 5 percentage points or more to our annual performance over time.

Our research process taken as a whole includes seven basic principles (key principles 7, or KP7). The first six - brand, business analytics, people, unique relevance, valuation, risk - identify the companies we would love to own. The seventh - tactical research - identifies when we want to own them (entry and exit points). Together, our seven research principles are specifically designed to create value for you our investors.

Our new expanded team and the recent improvements to the KP7 research process have directly led to the solid performance we've seen in the last few quarters. It is not a coincidence. It will only get better.

We work every day to gain and keep your trust. All the best to you and your families,