KP7

January 19, 2026
Letter #19

Dear Investors:

KP7 was up 2.8% in the fourth quarter of 2025 after all fees and expenses. The S&P 500 was up 2.7%, including dividends. KP7 finished 2025 +28.0%. The S&P 500 was +17.9% for the year. Here is a summary of our performance since inception:

	1 Year	3 Year	4 Year	From Inception
KP7 (Net)	28.0%	21.6%	11.4%	10.4%
S&P 500	17.9%	23.0%	11.1%	12.5%

Inception: July 1, 2021

The KP7 portfolio has now compounded at +21.6% annually after fees for the last three years. Remember, we don't use debt in the portfolio to goose returns. We also have not invested in the so-called Magnificent 7. We generate returns the old-fashioned way: original investment ideas generated from meticulous independent research.

As a point of clarification, we invested methodically and deliberately when we were getting started and as a result carried large cash balances for our first six months of operation (the second half of 2021). KP7 net returns were +1.4% during those first six months versus the return of the S&P 500 of +11.7%. This explains our underperformance since inception.

We heard the CEO of ChatGPT, Sam Altman, on a podcast late last year. The podcaster asked Altman how a company with $13 billion in revenue can make $1.4 trillion of capital commitments. Good question. Altman had no response, at least not one that made any sense whatsoever. Altman finally responded, "if you want to sell your shares, I'll find you a buyer". Hmm. That's the kind of narrative we avoid like the plague. We are not invested in AI, at least not yet. We suspect we'll make substantial money in AI someday. Now is not the time.

While we work every day to improve our research process, we believe the changes we made in 2024 were especially significant and directly led to our outperformance in 2025. Process and organizational improvements in 2024 included expanding the research team, refining our tactical research, systematizing our brand analysis, and developing a scoring system that quantifies virtually all aspects of our research process. We call the period beginning January 2025, KP7 "2.0". That's when we implemented the 2024 improvements. KP7 2.0 is an important milestone for the company. We think the KP7 2.0 improvements will lead to a step change in performance.

Our investment in Impinj serves as an illustration.

We've been following Impinj for about five years. In January of last year we put the company through our newly-minted quantification process. When we do a deep dive on a company, each member of the team looks at the company through his or her unique lens. Some of us look at business analytics and unique relevance. Others look at the people and brand. Others still look at valuation and risk. We then come together as a team to discuss all aspects of the company. We organize the discussion around our seven principles (key principles seven, or KP7). Each principle consists of an array of criteria that define the specific business attributes we look for in exceptional investments. Each investment criteria receives a score. Scores are weighted and tallied across each principle and for the company in total.

Impinj received high scores across most of our principles but scored especially high on the people score. We believe the CEO and founder, Chris Diorio, is one of our kind of guys. We have a category of elite business leaders that we call "All-In Super-Overachievers". All-In Super-Overachievers are the best of the best. All-In Super-Overachievers exhibit certain psychological traits that we believe lead to enormous value creation in the businesses they run. We designed our people scoring system around All-In Super-Overachievers of the past. We think Chris Diorio is an All-In Super-Overachiever.

Recall that our seventh principle, Tactical Research, aims to identify optimal entry and exit points. When we find an attractive investment opportunity like Impinj, it no longer goes directly into the portfolio. It goes into the KP7 Cache. It sits in the KP7 Cache until our tactical research identifies what we believe is an attractive entry point. It then goes in the portfolio. We put Impinj in the KP7 Cache after our deep dive in January,

The price of Impinj stock plunged over 50% (to $68/share) when Trump announced his tariffs in April. We had our optimal entry point; we made Impinj an 8% position in the fund at $71/share a few days later.

When Impinj went into the KP7 Cache, its stock was trading for $150/share. When it went into the portfolio, it was trading for $71/share. In the olden days, we would have likely added Impinj to the portfolio in January at $150/share. The creation of the KP7 Cache and the ongoing refinement of our tactical research reduced our Impinj cost basis by over 50%.

We like to say that the investor with the lowest cost basis wins because the investor with the lowest cost basis generates higher returns than an investor with a higher cost basis. Reducing our cost basis on Impinj directly added to our performance in 2025. Impinj stock proceeded to hit $240/share in October, up 3.4x from our purchase price just 6 months earlier.

We repeated the process with MDA Space later in the year. The KP7 team did a deep dive on the company in August. It scored well. We put it in the KP7 Cache for monitoring. The stock traded down in November when the company lost an important contract.

In this particular case, we revisited the investment thesis to make sure the lost contract was just a lost opportunity and not a larger issue affecting the company's underlying franchise value. We concluded the lost contract did not affect franchise value. We made MDA Space an 8% position in December.

MDA Space went into the KP7 Cache in August when it traded for CAD $45/share. It went into the portfolio in December at CAD $28/share. We figure the KP7 Cache combined with tactical research reduced our MDA Space cost basis by 37%. Since the investor with the lowest cost basis wins, we believe the KP7 Cache and our tactical research as applied to MDA Space added materially to future returns.

KP7 2.0 is off to a good start. We love what we see. As always, we continually work to refine and improve the process. We ask investors to follow along, as we are, to see how these important enhancements drive future returns.

We showcased I-80 Gold in previous letters. I-80 Gold shares were up 2.7x in 2025, adding materially to our 2025 performance. We exited the investment just after year-end. With the sale of I-80 Gold, we no longer have any exposure to precious metals.

We've been bullish on gold for about 15 years, dating back to our Regent Street days. Gold has made a nice run during that period, as has silver. We've made lots of money on both. Gold today, though, is no longer the forgotten asset class that it once was. It is in fact quite mainstream at the moment. While we still very much like the macro-economic setup for precious metals, we are unlikely to jump back in anytime soon. We like investing in forgotten assets and forgotten asset classes. Gold is no longer forgotten.

"Facts versus Narratives". We like that phrase because we find opportunity when the facts we uncover on the ground deviate materially from the narrative we hear in the market. We are beginning to see some separation between facts and narratives in the global oil markets. The narrative says the market is oversupplied. We have rarely seen a stronger consensus on this topic. Everyone seems to agree: 2026 will be a disaster for global oil markets. The narrative also says the industry is in a state of terminal decline as EVs displace internal combustion engines.

We see things differently. We see surprisingly resilient global oil demand. We see production in the traditional "growth" basins (i.e., US shales) beginning to decline. We see a consumer that is reluctant to give up on gas-powered cars just yet. What we see, in short, is radically different from what we hear in the market.

We don't see the oil industry adequately suppling global oil demand at today's prices. Far from it. We, in fact, believe it will be nearly impossible for the market to sustain itself in the coming 24 to 26 months at anything close to $60 oil. We'll see.

A good fishing guide takes his clients to ponds with high concentrations of fish. To catch fish, fishermen have to fish where the fish are. Everyone knows that. We try to do the same. We look for investments in areas that we believe have high concentrations of great investments. We suspect the gold pond is getting played out. The oil pond, however, is freshly stocked with no fisherman in sight for as far as the eye can see. We have therefore turned our attention to the global oil industry to see what we can find. We are one of the few fishermen fishing in this pond. We'll keep you posted on what we find.

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