Detailed Strategy Overview

Komodo Management

Investment Scope

Industry/Sector Focus:
AGNOSTIC

Market-cap Size:
AGNOSTIC, LARGE CAP BIAS

Geographic Focus:
GLOBAL(PRIMARILY US/INDIA)

Time Horizon:
3-5+ YEARS

Strategy:
LONG-ONLY

Our Goal

To provide **market beating returns** and **protect your capital** all while making you a **stable income stream** from a **long only approach**.

Our Process

- **Step 1:** We understand your needs through creating a risk/return profile
- **Step2:** We decide your sectorial preferences as well as provide our input in which ones work for your profile
- **Step3:** We use our expertise and our systems in place to find the best firms and create the best allocation to form your market beating long term portfolio

Risk Management

Running a long only strategy, our risk management comes from the quality of businesses we pick and the allocations we give them through our position sizing and limits

We use our proprietary **E.P.A.R.C.S** system to manage the risk as well as run stress tests constantly on the portfolio, keeping a watchful eye

Our Investment Criteria

- We are buying companies, we are not trading stocks, we look for **consistent compounding change drivers** and we look for **holds**, not exits.

- We invest in firms that are at the **cross-section** of several industries, acting as a backbone to the future.

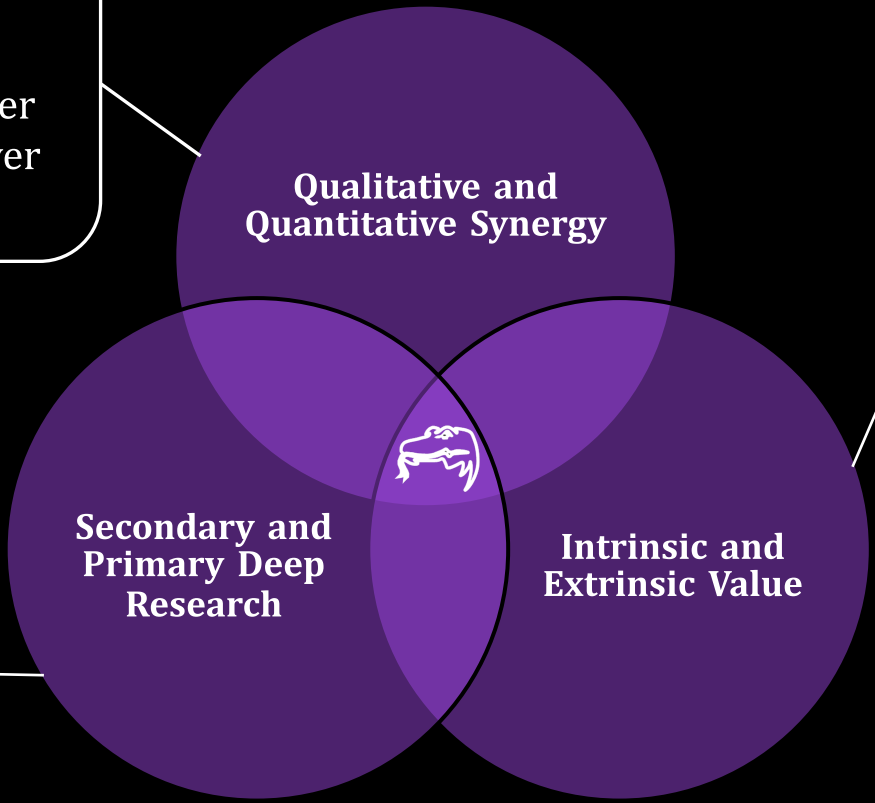
- **We look for companies driving the change of tomorrow, today.**

- We enter into names that satisfy not only our investment criteria but demonstrate that through a **long financial history** of consistency and a road map to grow into their **intrinsic value** over time.

- We exit out of names when we see them **deviating** from their fundamental trajectory and **lose sight** of their growth roadmap for the long term future and are no longer satisfying our investment criteria.

Our Research and Idea Generation

We use a qualitative and quantitative approach through our in-house, proprietary efficient portfolio allocator and risk control system, EPARCS to filter down our investment universe and cover all the names in the distilled universe



Finally we analyse their financials as well as their technical market based indicators to understand their intrinsic and extrinsic value and if they can back up the qualitative analysis through these financials

We then conduct a deep dive fundamental analysis understanding the product lines, revenue streams, customer demographics, business plan and road map to unlock further shareholder value than they already have.

Risk Management – The Pentagon Mapping

Consulting history for each position as well as the market environment, sector, portfolio and economy.
Why we reached here, how we reached here and have we had similar moments in the history of that security, the sector, the market environment and the economy.

What are our positions at the moment.
What decisions led us here and why we made those decisions.

Distilling the most pertinent facts from the current market environment, sector, positions and the economy to understand the reasons behind the movements in the markets
Monitoring the underlying currents to form our Market Pulse Indicator

What we currently have.

What happened?

What is happening?

How will it happen?

What will happen?

Detailing the road map of methods through which base, worst and best case can take place
Policies used, potential catalysts for the events to occur in sectors, individual securities and the economy as a whole

Scenario Mapping (Used in Stress Testing)
(Quarter, 6 month and Year outcomes for positions, sectors, portfolio and economy as well as market outlook)
- Base Case Scenario
- Worst Case Scenario
- Best Case Scenario

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Stress Testing and Position Sizing

- Using our **E.P.A.R.C.S** (Efficient Portfolio Allocator and Risk Control System) system to simulate worst case scenarios and provide potential mitigation portfolio movements to manage the possible risk which may occur. Repeat that for base case and best case.

- Use history to simulate the tail risk events in the portfolio and model methods to manage the risk.

- Use these methods to correctly calculate the capital at risk and the statistical probability of the most likely scenario to occur and the risk associated with it.

- Position the portfolio security sizes according to their individual risk metrics, sectorial risk potential, intra-portfolio correlation to manage the risk through the year and the potential scenarios which may occur

Investment Universe Filtration

Known Universe: 7000 companies on the NYSE 5000 companies on the NSE/BSE

Only 10% investable for the long-term horizon: 700 and 500 respectively

50-100 on our research shelf

10-20 in each portfolio

Using our rigorous research and proprietary valuation methods and applying a fusion of **fundamental and technical valuation**

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Investment Universe Filtration

- We manage accounts with a concentrated yet diversified portfolio of **diversified exposure through concentration at the cross-section** of investable firms for the long term 3–5+ year time horizon.

- We differentiate ourselves by finding the most investable firms with a growth and value synergic view within given sectors and choose sectors based on a long- term view and our client’s requirements to hit the growth goals of our clients and protecting their downside to make the value last.

Research & Analysis Team

10 member research & analysis team

Geographical focus: **US and India**

Industry agnostic with specific focus on:
Technology, Healthcare, Energy, Consumer, Macroeconomics, Materials, Industrials and Distribution Services

Team background: **Computer engineering, Psychology, Artificial Intelligence, Machine Learning, Computer Science, Biomedical Engineering, Biotechnology and Physics**

Education: **Post Graduates, PhD students, PhD holders, and Undergraduates**

Building Value to Last

Fundamental Analysis:

We look for firms that have the largest lasting impact within their sectors and we understand those businesses

Those that are ushering change and we use our **POP** principle to take a **P**iece **O**f the **P**ie of that change.

Our investment horizon is looking for businesses which will at minimum hold and grow value for 10+ years

Financial Analysis:

We then look to see if the financials back up the story and the valuation, they create using our proprietary valuation methods

We use our valuation methods to uncover the intrinsic value of the firm

Technical Analysis:

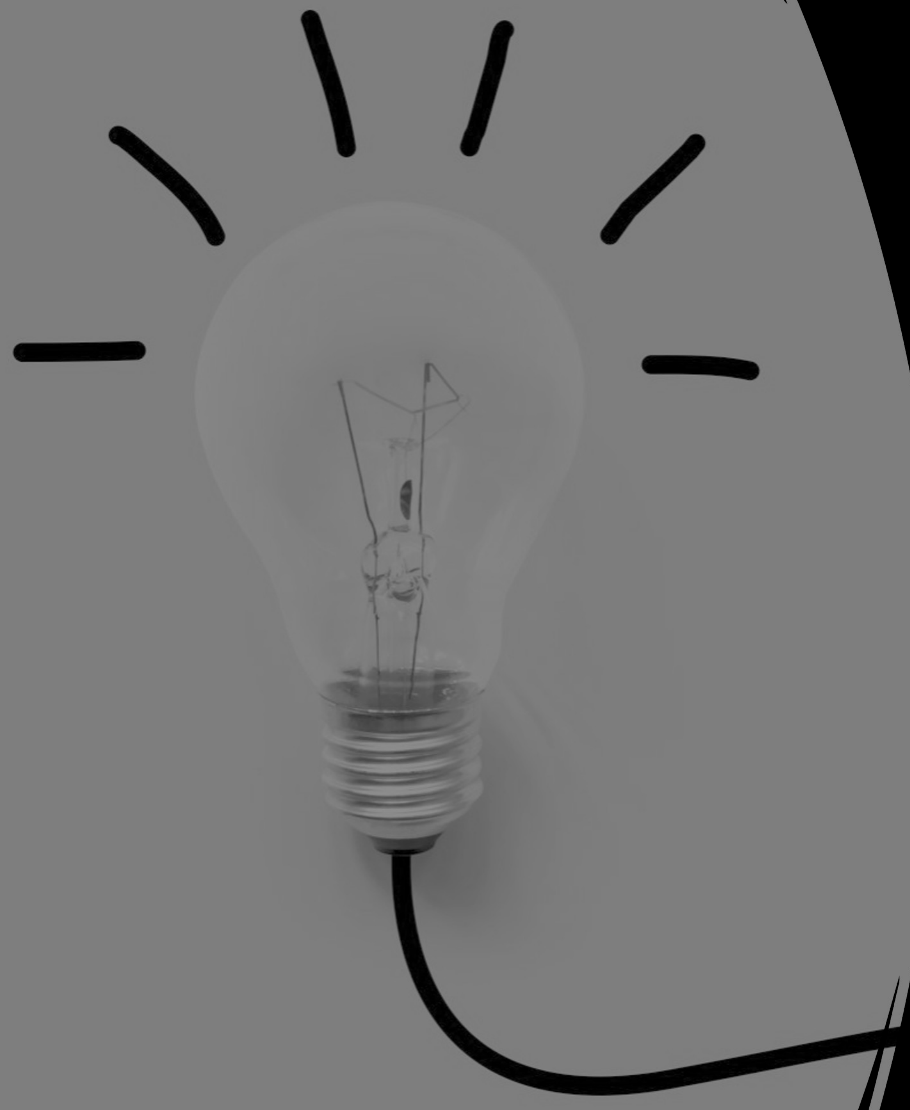
Finally, we use the technical indicators to assess the price action, whether it is inline with its valuation, undervalued or overvalued

Additionally, we look for the dislocations between the extrinsic market pricing and the intrinsic value of the firms

Position Building:

We then build your positions over time using the pareto investing method to carefully build up positions in the firms we have chosen, taking advantage of opportunities and dislocations along the way.

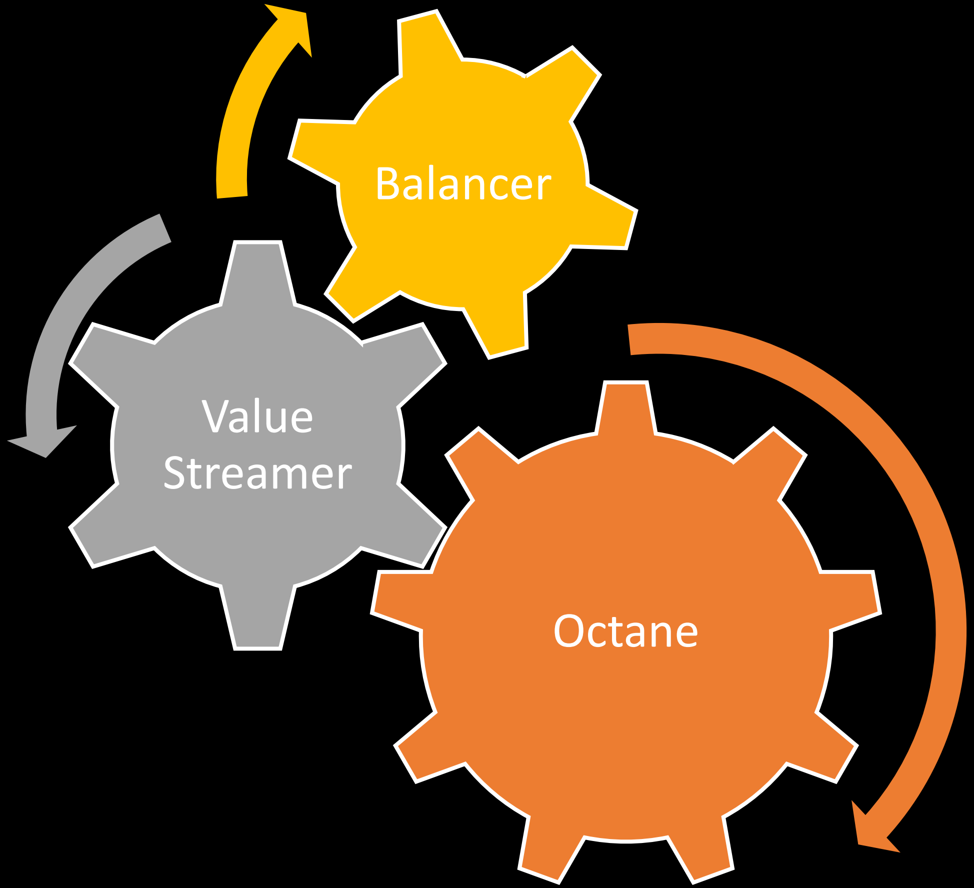
We are not 100% invested into the markets at all times



SEP Investing Using the Pareto Principle

- SEP – Simple Efficient Portfolio
- Pareto Principle is the principle that to make the most efficient engines, organizations and any system really, cut the fat and focus on the meat of the system, what really makes it run, the minority fundamental components have the most impact on the system.
- We have applied that in our Simple Efficient Portfolio where we use a bucketed investment approach

An Integrated Value Engine



We use a tri-bucketed approach to allocate capital through pareto investing to build a value creating engine, which takes time and capital as an input factor, fuel, and converts it into value and growth

SEP Like Any Simple Machine

- A Lever – It has a beam and a fulcrum (central point of balance/lever)
- In the SEP Portfolio there are three buckets to form the same:
  - **Octane**
  - **Balancer**
  - **Value Streamer**
- The correlations between the Octane and the Value Streamer firms are <u>opposites</u> to <u>cancel</u> out the intra-portfolio correlations
- Where when the market is falling, the Value Streamer firms keep the portfolio inline, protecting the downside
- When the market is rising the Octane firms boost the portfolio beyond the market
- The Balancer firms act as neutralizers between the two, keeping the balance afloat

Questions and Information

If you have any questions or would like to know more, please contact us on the email below:

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For more information, please visit us on:

https://www.blackkomodoinvestments.com/

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