Tapasya

JULY 2, 2025

TAPASYA INVESTMENT FUND I

BI-ANNUAL PARTNER LETTER 2025

INTRODUCTION

It's approaching three years since the fund's inception, and I'm very pleased with our collective progress. This journey has allowed me to connect with many new individuals, a significant number of whom have become investors.

Thank you deeply for entrusting me with your capital and your time. As the fund grows through both strong performance and the addition of new investors, I will always value the crucial role each of you has played in its success.

While we underperformed the market in 2024, our fund has since outperformed it (as it did in 2022 and 2023), and I am satisfied with our year-to-date results. However, it's important to remember that short-term performance doesn't tell the whole story, and true outperformance is judged over longer periods.

This year has been marked by significant news, particularly regarding tariffs, which has contributed to considerable market volatility. We experienced a rapid correction in April, followed by a historically strong market rebound.

We capitalized on some of this volatility by increasing our existing positions and initiating a new one in Interactive Brokers (IBKR). Looking back, one area where I could have improved is being more decisive. The April volatility presented several opportunities in excellent companies. Due to a combination of limited deployable capital and a degree of risk aversion, I acted less decisively than I would have preferred in hindsight.

Despite this, I am happy that we have generated a substantial lead over the S&P 500 at both gross and net (LP) levels, and I am optimistic about maintaining similar outperformance for the remainder of the year.

PERFORMANCE

Tapasya Investment Fund I (TIFI) results since inception

Date/Timeframe	Fund Returns	LP Returns	S&P 500 (with Dividends)
2022 (Since Aug 17th)	-6.8%	-6.8%	-11.0%
2023	44.7%	35.8%	26.3%
2024	23.9%	17.9%	25.0%
2025 (through June)	**15.4%**	**11.7%**	**6.2%**
Since Inception	**93.0%**	**66.7%**	**51.5%**

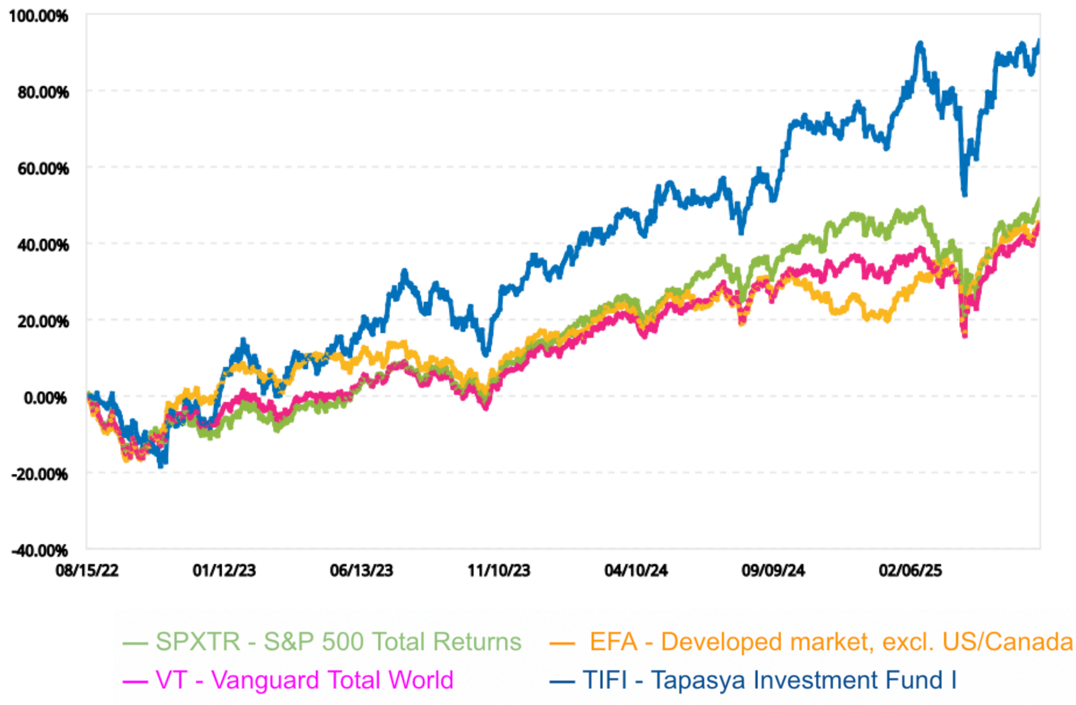
Source: IBKR for Gross and NAV Consulting (Fund Administrator) for LP Returns

MONTHLY RESULTS - NET OF FEES IN '%'

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2025	5.59	1.14	-3.93	0.81	5.63	2.2							**11.73**
2024	-0.14	4.39	3.17	-1.44	2.04	0.41	-0.18	3.73	6.16	-0.36	1.35	-2.33	**17.93**
2023	15.23	-5.29	6.60	-1.48	1.06	6.29	8.47	-2.46	-4.82	-5.00	9.71	5.11	**35.82**
2022								-1.76	-9.25	-4.31	15.49	-5.39	**-6.79**

While we've selected the S&P 500 as our benchmark index, it's crucial to monitor other indices as well. Index investing offers an excellent alternative to actively managed funds, particularly if we struggle to outperform over the long term.

Gross Returns as of June 30' 2025



Moving to country allocation, the below chart provides more details. US continues to be bulk of our holding followed by Netherlands (Prosus, Adyen and Universal Music Group) followed by China (Alibaba). Our Canadian position is primarily Lululemon.

Country	%
United States	62.2
Netherlands	27.2
China	7.6
Canada	2.9
Others	0.1
Total	100

2025 IN REVIEW - MID YEAR

At the start of the year, I expressed concerns about high equity valuations in the US, noting limited opportunities and highlighting more promising prospects abroad, particularly in Europe and China. I also saw potential in homebuilders and small-cap companies at that time.

Since my January letter, the market landscape has shifted significantly, notably with the "Liberation Day" announcement on April 2nd. This event triggered a sharp but brief market correction, which allowed us to increase our stakes in some existing holdings and initiate a new position in Interactive Brokers (IBKR).

Another change this year involves how we manage our cash. Historically, holding cash has sometimes hindered our overall returns. To address this, I decided to allocate the cash portion to a broad-based index instead. We began by holding the S&P 500 through February, later switching to KWEB, a Chinese internet stock index. This strategy aims to improve returns. In the past, our typical 5% cash allocation, intended for capitalizing on short-term market fluctuations, occasionally dampened our results. To mitigate this, we now hold this cash in a broad-based index. The potential drawback of missing out on market fluctuations is now managed through access to a line of credit.

The anticipated recovery in the homebuilder sector has not yet materialized due to persistent high interest rates. This crucial segment of the economy has been facing a recession or significant slowdown for some time due to these elevated rates and high home prices.

Our current holdings in this sector include Builder FirstSource (BLDR, -10.7% YTD), Howard Hughes (HHH, -11.7% YTD), and Fannie Mae (+173.8% YTD), collectively representing about 12% of our portfolio. I maintain a long-term positive outlook for the homebuilding industry and intend to remain invested in BLDR and likely HHH. Our investment in FNMA, however, had a shorter-term objective related to its potential reclassification from a Government Sponsored Enterprise (GSE), which could lead to substantial gains. Following positive indications, we sold approximately half of our FNMA position at roughly over four times our initial purchase price.

Over the coming months, I anticipate a moderate decrease in interest rates, assuming government spending is reasonably controlled relative to revenue. Failure to achieve this could lead to broader economic challenges, impacting not only the housing industry.

We have exited our position in **Topgolf Callaway (MODG)**. This was part of our Offense portfolio, characterized by smaller, higher-risk bets with multi-bagger potential. This investment did not perform as expected, and we sold at a loss.

The initial investment rationale was based on the potential separation of the Topgolf and Callaway businesses, following Callaway's acquisition of Topgolf in 2021. However, given the current macroeconomic conditions and management's commentary on the spinoff, the original investment thesis no longer appeared sound, leading to our decision to sell.

Below are some of the best and worst performers for this year thus far.

Top Performers and their Contribution

Our top contributors to our performance were Prosus, Uber and Carvana. On the other hand, our bottom performers were Lululemon, Builder FirstSource and Alphabet.

Company	Symbol	Contribution
Prosus	PRX.AS	5.2%
Uber	UBER	3.9%
Carvana	CVNA	3.2%

Bottom Performers and their Contribution

Company	Symbol	Contribution
Lululemon	LULU	-1.9%
Builder First Source	BLDR	-1.2%
Alphabet	GOOG	-1.0%

A few lines in honor (or shame) for the companies that made this list.

Prosus (PRX.AS): A core, long-term holding chosen for its significant stake in Tencent. The total market value of Prosus is currently less than its Tencent holding. We believe Tencent possesses substantial growth potential and a robust global competitive advantage. Additionally, Prosus holds approximately $35 billion in other listed and unlisted assets.

UBER (UBER): Our 2022 investment thesis, centered on a confluence of positive factors driving exceptional success (the "lalapalooza effect"), has materialized as anticipated. Uber continues to execute effectively and possesses a considerable growth trajectory, leading to its long-term holding status.

Carvana (CVNA): Carvana consistently surpasses execution expectations, gaining market share and achieving profitable revenue growth. Our initial investment thesis for Carvana is also proving accurate.

Lululemon (LULU): A relatively recent addition, Lululemon is viewed as a long-term compounder. We initiated our position during a market correction related to merchandise execution challenges. Current headwinds appear to be tariff-related and are expected to be temporary (under one year). We anticipate the company's strong brand and international expansion will drive positive results.

Alphabet (Google): Alphabet presents a nuanced outlook, facing potential competition in its core search business from emerging AI technologies like Open AI's Chat GPT and Perplexity. Drawing on my marketing experience and understanding of Google's competitive advantages, a cautious yet optimistic stance is warranted, as it is too early to draw definitive conclusions about long-term search dominance. Conversely, Google's cloud business is experiencing rapid and profitable growth, bolstering its overall position. Furthermore, Waymo's progress is noteworthy, now exceeding 250,000 rides per week. Overall, we are bullish on Alphabet while closely monitoring developments in the search landscape.

Builder First Source (BLDR): Builder First Source, a manufacturer and supplier of building materials, exhibits strong capital allocation and a return on invested capital exceeding 20%. The company generates significant free cash flow, which is strategically deployed for acquisitions in a fragmented market and substantial stock repurchases (a third of shares outstanding have been retired). This is considered a long-term holding. While the housing market is currently in a recession, we anticipate strong performance upon industry recovery. In the interim, the company's execution remains reasonable.

Our ability to stay largely indifferent to mark-to-market movements in our portfolio companies when they are not reflective of underlying business issues, remains one of our competitive advantages. Our ability to withstand volatility comes from our deep due diligence and understanding of companies we own, the collective patience of our investors and our dispassionate, rational approach to investing.

Many of the largest hedge funds' competitive advantages come from massive technology and infrastructure investments, large-scale organizations, access to information seconds and even milliseconds before others, and extraordinary trading capabilities. None of these factors is present or relevant in our approach to investing. Importantly, we believe our competitive advantages are more durable than investment strategies that rely on these attributes.

This year, we introduced **1 new positions** to our portfolio: Interactive Brokers (IBKR) which I am very pleased I was able to do that. Its been a company that I was never able to buy into, to my detriment, due to valuations. During the drawdown we had this year, the stock did get cheap and allowed us to build a position. I expect to hold this for the long term. You can also find my thesis for the company in the Global Investment Review X .

As we conclude this letter, we continue to operate in one of the most complex macroeconomic conditions in recent history. While inflations level continue to moderate, they remain above central bank targets. The prolonged tightening cycle has caused shifting expectations around rate cuts, which has created a complicated environment for markets.

PARTNER COMMUNICATION

We added 8 Limited Partners this year, along with existing investors adding additional capital to their prior investments. Our fund continues to grow due to the combined factors of new investors joining in as well organically due to general market-growth and us doing better than those returns.

We introduced 2 share classes as mentioned in my Annual Letter, this was intended to be short term i.e. 1 year only. ***We will eliminate Class B i.e. $500K investment to get an 8% hurdle rate at the end of this year (2025***). Should there be interest to take advantage of the increased hurdle rate, please reach out to me.

Introduction of 2 share classes

This year (2025), we introduced a new share class for investors.

Class A (Existing) - $100K investment

- Zero Management Fee
- 25% Performance fee after **6%** Hurdle Rate.

This mechanism has been place since inception and remains unchanged.

Class B (New & Limited Time Offer): **$500K+ investment**

- Zero Management Fee
- 25% Performance fee after **8%** Hurdle Rate.

Investors who upgrade to Class B during this limited-time period will enjoy the higher hurdle rate of 8% as long as their capital invested remains at or above $500K.

Investment Structure and Incentive Alignment

Our distinctive fee structure is inspired by the original Buffett partnership model, emphasizing performance-based incentives to align interests between our firm and investors. As a demonstration of this commitment, my family remains the fund's largest partner, and your capital is invested alongside our own.

Key Features of Our Fee Structure:

- *Zero Management Fee*
- *Annual Hurdle Rate:*
    - Class A Investors: 6%
    - Class B Investors: 8%

- *Performance Incentive:*
  - Earned only on profits exceeding the hurdle rate
  - Incentive fee of 25%
- *High Watermark:*
  - Incentive provisions apply only after reaching new all-time highs

The introduction of Class B shares aims to increase the fund's AUM (assets under management) while providing investors with a favorable fee structure. Class B investors benefit from performance fees only after achieving an 8% return, coupled with the high-watermark provision. We firmly believe this structure creates a mutually beneficial arrangement for both parties.

If you have any interest in exploring our investment opportunities further, please do not hesitate to contact me.

Our **partnership** with NAV Consulting, the Fund Administrator, has been invaluable. I have had the pleasure of working with them since the beginning and look forward to continuing our relationship for the foreseeable future.

Akram & Associates provides audit and tax services, and you can expect to receive your K1s from them by March of the next year.

We chose Interactive Brokers (IBKR) as our custodian and brokerage due to their low transaction fees, higher interest on cash, stock lending program, and international transaction capabilities, among other factors.

The fund's structure allows for scalability, enabling us to accommodate additional investors and funds without significantly increasing my workload. Thanks to our service partners, I can focus on what I love most: researching companies worldwide to identify investment opportunities.

As the number of investors increases, I plan to transition from quarterly 1:1 meetings to an annual meeting format in the near future. I will remain available via phone and email as I have always been.

Our diverse group of accomplished investors has the potential to create synergies and opportunities that can benefit each of us individually. I will keep you updated as I work on the details of the annual meeting.

Thank you for entrusting me with your investments. I value your support and welcome any questions.

Yours sincerely,

Pratik Kodial