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Asian Investments

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28 January 2022

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BY ELECTRONIC LODGEMENT

**Investor Letter from VGI Partners Limited**

VGI Partners Asian Investments Limited (ASX:VG8) is pleased to make available the enclosed Investor Letter prepared by VGI Partners Limited. The letter provides details on the performance of VG8 for the twelve months ended 31 December 2021 and commentary on current positioning.

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VGI PARTNERS

# Investor Letter

27 January 2022

*“The dramatic modernisation of the Asian economies ranks alongside the Renaissance and the Industrial Revolution as one of the most important developments in economic history.”*

**LAWRENCE SUMMERS**

Dear Fellow Investors,

For the twelve months ended 31 December 2021 (CY21), **VGI Partners Asian Investments Limited** (ASX: VG8) generated a net portfolio return of **-2.2%** after all fees. VG8’s post-tax Net Tangible Assets (NTA) per share stood at **$2.59** as at 31 December 2021.[1] We are disappointed with the CY21 return however we remain confident that our portfolio consists of high-quality businesses with strong underlying long-term growth trends and appealing valuations.

While we do not benchmark to any indices, we note the MSCI Asia Pacific All Country Index returned -1.5% in 2021. Within Asian markets there was a high degree of dispersion. Among the larger markets, Japan’s Topix Index returned 12.4% while Chinese indices were weak with China’s Onshore CSI 300 Index -3.5% and Hong Kong’s Hang Seng Index -11.8%.

2021 was very much a tale of two halves for our portfolio. During the first six months of the year, to 30 June 2021, the portfolio generated a positive return of +4.8%. Positions that performed particularly well included Richemont and our investments in Japanese e-commerce companies Rakuten and Mercari. We avoided much of the early sell-off in China during the first half, having exited the bulk of our China-related investments in late 2020 due to our concerns that regulatory risks were not being priced in at the time.

During the second half of the year, to 31 December 2021, the portfolio generated a negative return of -6.6%. The largest detractor to performance were our China investments, where we had re-entered some positions after taking the view that much of the regulatory risk had been priced in earlier in the year, but they then went on to sell off further. In aggregate, our China investments accounted for a -9.2% drag on returns for CY21. We write in further detail on these later but we continue to hold Alibaba Group and Tencent Holdings, as they are both high-quality businesses with long growth runways and highly appealing valuations. So far in 2022 we have seen some recovery in the stock price of both Alibaba Group and Tencent Holdings. Other holdings that also dragged on performance in the second half included Nintendo and some of our positions in Japanese software companies. There was a significant sell-off in many software stocks during the second half and we have begun to add to some new opportunities in situations that we previously felt did not have an attractive margin of safety in the valuation, but now do. We have maintained a large cash holding, waiting for better opportunities, and are excited to deploy it.

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[1] Post-tax NTA is calculated after tax on realised gains/losses, deferred tax assets and deferred tax liabilities, but before allowing for deferred tax liabilities/deferred tax assets on unrealised gains/losses.

We were pleased to see our two largest investment holdings in Richemont and Olympus continued to perform well over the second half of 2021. Both companies have continued to execute extremely well and are examples of secular winners that benefit from rising middle-class consumption in Asia.

## Focusing on Asia's high-quality winners.

We believe that growth in Asia will be one of the defining global trends over coming decades. While Asia has already grown to become the world's largest economic region, this has not coincided with an outperformance of its equity markets so far this century. We feel it is important for investors to understand that growth trends are changing in Asia with a structural inflection towards middle-class driven demand. McKinsey estimates that 80% of consumption growth in the past two decades was driven by lower income households. This likely contributed to the region's past underperformance as demand growth from lower-income households skewed towards lower priced commoditised goods where companies can struggle to create sustainable competitive advantages. This is however changing, with McKinsey estimating that higher income households will drive 80% of consumption growth in Asia over the next two decades. This leads to more sophisticated demand patterns and a more conducive environment for higher-quality companies with sustainable competitive advantage.

We are already seeing Asia's rising middle-class contribute significantly to our largest position Richemont. Richemont's earnings are predominantly driven by its luxury jewellery brands, Cartier and Van Cleef & Arpels, where it has built unrivalled brand heritage. While Richemont is not listed in Asia it has seen the Asia Pacific region grow to become its largest geography, generating twice the revenue of its home European market. The company highlights that much of its demand growth globally is driven by middle-class Asian consumers. There is also a shift towards female purchases of jewellery in Asia, which has in turn been driven by a pronounced rise in female tertiary education rates and female incomes. We believe this trend of female empowerment is particularly strong in Asia and likely to continue for many years to come. We further discuss Richemont's strong execution and earnings trends in detail within the attribution section.

Our second largest investment, Olympus, the dominant global player in gastrointestinal endoscopes (70% market share), is also well positioned to benefit from an increase in higher income households. We expect that the addition of over 1.5bn people to Asia's middle-class over the next decade will result in a significant increase in number of patients that can afford more sophisticated medical treatment. We also discuss Olympus in further detail later in this letter.

Within Asia we also see attractive investment opportunities within e-commerce players that are set to benefit from an ongoing rise in e-commerce penetration rates and should be able to leverage their strong network effects to generate additional income streams.

In China, we continue to see an appealing risk-reward in Alibaba Group and Tencent Holdings. We exited these holdings in late 2020, due to regulatory concerns. During 2021 we felt the market had started to appropriately factor in these concerns and reinitiated positions. While we were too early in re-entering, and the stock prices have gone on to fall further, we continue to retain positions in Alibaba Group and Tencent Holdings as we see substantial valuation upside underpinned by the quality of these businesses. The underlying core-growth drivers for these dominant Chinese companies remains intact and we are also seeing them expand their revenue streams. Alibaba Group is now also a leading e-commerce platform in the rapidly growing South East Asian market via its Lazada business as well as expanding in other global markets. Tencent Holdings is seeing strong revenue growth outside of China, particularly in its computer game segment. Both companies are also leading players in China's rising cloud computing market. On top of this, we are also seeing more leadership in global online trends emerge from China which has led

in the development of digital payments and live e-commerce. We would not be surprised if these companies capitalised on these developments and became global tech winners in future.

Within Japan, a nation with a substantial domestic consumption base and a rapidly rising e-commerce penetration rate, our investments include Rakuten, one of the leading e-commerce platforms. Rakuten has been able to leverage its strong customer network and loyalty programs to also establish itself as a leading fintech player. We have written about Rakuten in detail in our previous investor letter. Mercari is a position that has more recently entered our top ten holdings and is Japan's largest online second-hand goods exchange. In a later section of this letter, we detail how Mercari is using its core domestic cash flows to expand overseas and into other domestic verticals.

We have also recently taken advantage of the sell-off in technology business valuations to add positions in other digital winners in Japan and Korea. We are finding attractive opportunities in companies leveraged to the shift toward cloud-based software solutions in these countries. In particular, domestic software players that are building durable competitive advantage by providing solutions that are tailor-made for complex local conditions.

Outside of technology we have also recently started building a position in Daifuku, the world number one in warehousing automation. We have been watching this company for some time and two recent events have led us to make an initial investment. One is a material sell-off in Daifuku's stock price during 2021 making the valuation more attractive, and the other is increasing confirmation that global warehousing automation investment is inflecting higher. This inflection is being driven not just by COVID supply chain issues, but also strong underlying structural trends. A recent Honeywell survey shows US corporates see improving their automation processes as the number one priority over the next 24 months. The main structural driver for warehousing automation is increasing labour costs. This will likely continue as a shortage of workers worsens across many major economies and the developed world sees a decline in working age population in aggregate. Companies also face rapidly rising warehouse rents amidst a severe shortage of space in logistics facilities; this amplifies the need for better space optimisation which is a key area of strength for Daifuku. There is also an additional tailwind from the rise in e-commerce penetration rates, with retailers increasingly competing in how rapidly their logistics systems can ship items to customers. Daifuku is not only a leader in its comprehensive range of warehouse automation hardware but also in consulting, integrated software systems and ongoing maintenance.

## With a smaller weighting in restructuring plays focusing on quality segments.

Low valuation metrics in Asia have also led us to build positions in companies where we think management can unlock significant value by restructuring the business to focus more on their higher quality components.

One example includes Panasonic which is a world leader in battery cells for electric vehicles (EV). It is a core supplier to both Tesla as well as the world's largest hybrid EV manufacturer Toyota. A key reason for Panasonic's success in securing these customers is its combination of industry leading battery cell density (which provides enhanced driving range) and reliability (as the only major cell manufacturer to have not seen a product recall). Panasonic is also a world leader in supply chain software solutions following the acquisition of Blue Yonder. The company plans to leverage its related hardware, including robotics and cloud-edge technology, to offer fully integrated supply chain solutions. Meanwhile, management have also been downsizing some of the more commoditised areas of the business, such as television production. They are currently in the process of reorganising the group structure into a holding company which will more easily allow further focus on higher margin business and an exiting of lower margin business lines.

As aforementioned, for the twelve months ended 31 December 2021 (CY21), VG8 generated a net portfolio return of **-2.2%**. VG8's post-tax Net Tangible Assets (NTA) per share stood at **$2.59** as at 31 December 2021.

Since inception in November 2019, VG8 has generated a net return of +6.8% after all fees. This represents a compound annual net return to investors of +3.1% over this period with a net equity exposure of 59%. As we have highlighted in prior letters, we took a cautious approach when getting invested in the early stages of the portfolio, which was a negative drag to performance.

# Portfolio Update

Below we provide an update on some of the key holdings.

## Current Portfolio

The table below shows our Top 10 holdings as at 31 December 2021. Consistent with our concentrated approach, the top 10 holdings account for 69% of our total capital.

| Top 10 Long Investments as at 31 December 2021 | % of Portfolio |
|---|---|
| Cie Financière Richemont SA | 14% |
| Olympus Corporation | 9% |
| Rakuten Inc. | 8% |
| Japan Exchange Group Inc. | 8% |
| Yakult Honsha Co. Ltd | 7% |
| Crown Resorts Ltd | 6% |
| Nintendo Co. Ltd | 5% |
| Panasonic Corporation | 5% |
| Alibaba Group Holding Ltd | 4% |
| Mercari Inc. | 4% |

Source: VGI Partners analysis.

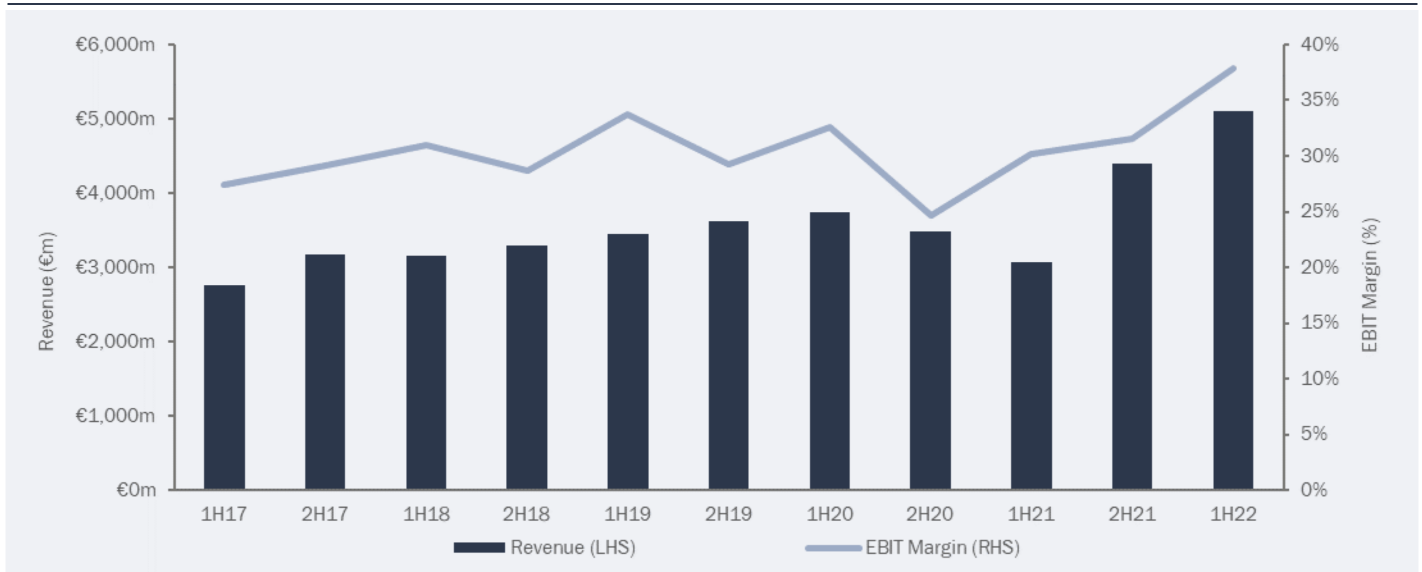
RICHEMONT

### Cie Financière Richemont (SWX: CFR) ~14% weighting

Richemont was the largest positive contributor to VG8's performance in CY21, delivering a total return of 75% to Richemont shareholders, and is our largest investment. The business has continued to execute very well, particularly in its core luxury jewellery segment. Revenues have recovered to well above pre-COVID levels and the lack of travel has not been a drag on luxury spend – in fact a lot of the spend has been repatriated domestically (e.g. Chinese consumers buying Cartier jewellery in China rather than when they travel to New York, London or Paris).

On top of this, operating margins in jewellery reached 38% in the most recent half, the highest level ever achieved! Management did comment these results were exceptional and hinted at the fact that they should not be extrapolated, but it is clear that Richemont has substantial untapped runway for margin improvement.

**Richemont Jewellery Segment Revenue and EBIT Margin**




Source: VGI Partners analysis.

Even Richemont's relatively smaller watches division (which includes brands such as Panerai, IWC, Vacheron Constantin, Jaeger-LeCoultre, A.Lange & Sohne) has started to turn around after years of underperformance, as Richemont has cleaned up inventory in the wholesale channel, reduced discounting and is now dealing with fewer distribution partners. Management should be applauded that there is now a waitlist for many of Richemont's watch brands – an incredible transformation for brands that used to be prone to discounting and weak sales.

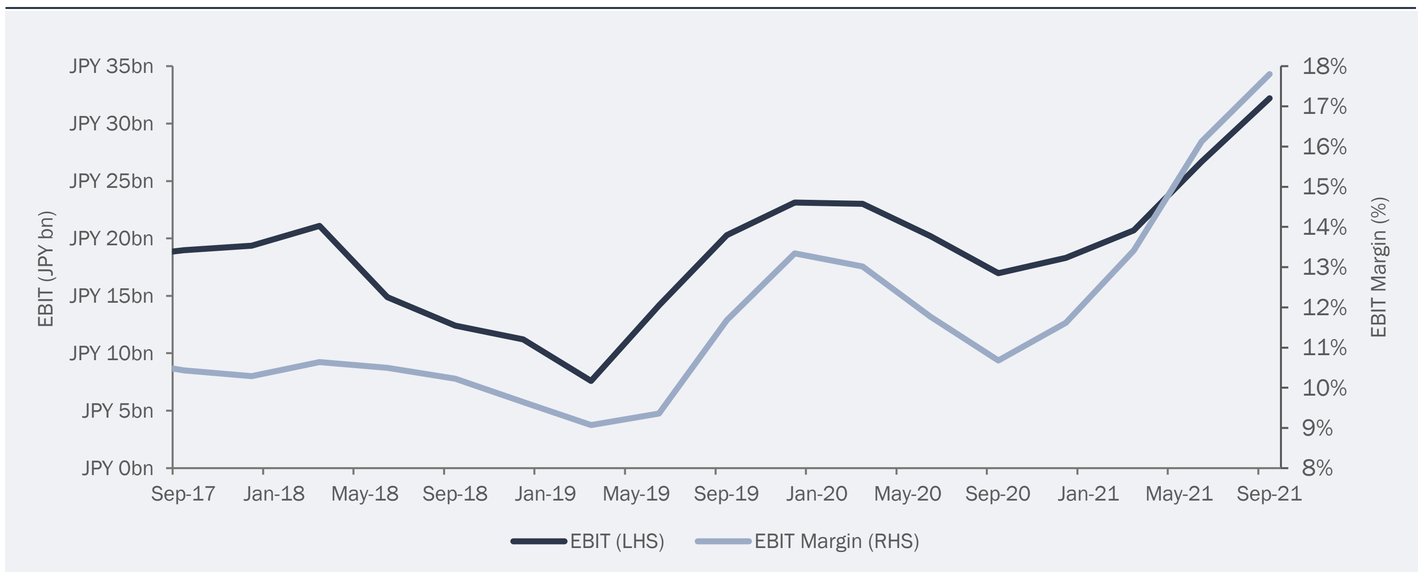
Another recent and important development was the announcement that Richemont is considering strategic options for Yoox Net-a-Porter (YNAP), its under-performing online division. Richemont are looking at a range of structures, which may involve a deal with Farfetch (a leading luxury e-commerce platform); the intention appears to be broadening the ownership of YNAP to get industry buy-in and position it as the leading luxury e-commerce platform. We are excited by this, as we have long argued that the market was failing to ascribe any value to Richemont's e-commerce operations (and actually capitalising the losses from this division).

While the market has started to appreciate some of Richemont's hidden value that we have outlined in prior letters, we continue to see upside and a favourable risk/reward. Richemont is one of those business that ideally we would never sell given its pricing power, long growth runway, upside optionality and aligned, long-term focused family ownership (and is a business that we expect to continue to prosper even in an inflationary environment). Should valuation start to materially exceed our estimate of fair value, we will act promptly to reduce the size of our holding but we still see ample room for the stock to surprise to the upside and we are encouraged by the upcoming catalysts to unlock value.

## Olympus Corp (TYO: 7733) ~9% weighting

Olympus is the second largest investment in our portfolio. We commenced our position in Olympus in 2020 soon after the company announced its ambitious transformation plan to double its operating margin to 20% by 2023. Since then, Olympus has executed well and proven itself to be a textbook case study of what a successful transformation story could look like for a Japanese company. While we have already seen margins rise substantially, we see far more earnings expansion to come.

**Olympus EBIT and EBIT Margin (4 Quarter Trailing Average)**

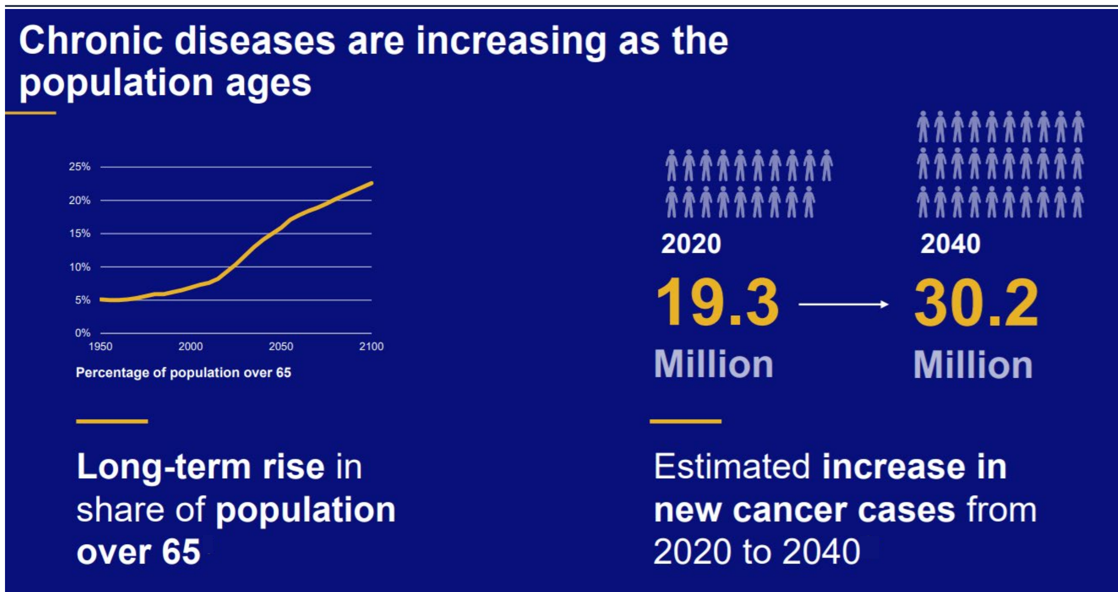



Source: VGI Partners analysis.

At the core of Olympus is a high-quality gastrointestinal endoscopes business with global market share of over 70% consistently across almost every major geography in the world. In a market it essentially created, by developing the first commercial-use endoscope in the world in the 1950s, the company has gone on to solidify its strengths via extensive training programs that essentially lock surgeons into its equipment (given the high switching cost they would face from downing tools while they re-train on other equipment).

The growth runway in gastrointestinal endoscopes is substantial with tailwinds globally from aging population, increasing shift of healthcare systems towards preventative care and rapidly increasing healthcare expenditure in the developing world, particularly Asia as aforementioned.

**Olympus Is Positively Leveraged To Long-Term Demographic Aging**




Source: Olympus Investor Presentation

Ironically, the infamous Olympus accounting scandal that surfaced more than a decade ago paved the road for this transformation story to successfully take place today with the company's "old guard" management sidelined over the years because of the scandal. Crucially, the company also lost its supportive and captive "safety net" of domestic shareholders to lean on in the aftermath of the scandal and as a result were forced to react more decisively in the face of potential activist investors.

What has impressed us since our investment in the company was the consistency in the execution, with over 1,000 initiatives being implemented top-down from the program office. Aside from cost cutting, there have been meaningful moves towards internationalising the business, such as shifting the global headquarters of its therapeutic solutions division to the United States to be closer to both customers and R&D hubs.

Management has also shown its commitment to the transformation plan by divesting its consumer camera business, which has faced structural decline over the past few years in the face of rising smartphone competition.

In recent months, Olympus has also confirmed that it was working towards divesting its Scientific Solutions Division, which manufactures scientific equipment such as microscopes, by early 2022. Post the divestiture Olympus is likely to be seen as more of a pure play global medical technology company.

The market has gradually begun to price in the successful achievement of Olympus' transformation plan, as management puts runs on the board. We believe there is significant business transformation ahead, coupled with a long growth runway, that make us highly confident of Olympus' future growth prospects.

With the continual corporate governance reforms that are permeating Japan Inc, we are confident there will be many other successful transformation stories like Olympus in the future.

### Crown Resorts (ASX: CWN) ~6% weighting

Crown was another key contributor to performance for the twelve months to 31 December 2021. We built our Crown position late in 2020 following a sell-off on regulatory scrutiny with the NSW Inquiry into Crown's suitability as a casino operator. While the share price saw significant volatility in 2021, after receiving multiple takeover proposals and regulatory concerns, it went on to rally in the final quarter after a reduction in regulatory uncertainty in Victoria led to Blackstone offering another bid.

Crown rallied further again this month after Blackstone again revised their bid higher to A$13.10 per share.

It is our view that there is significantly more value to the Crown operating business and assets than the market has been ascribing, even after discounting for regulatory risk. We are happy to see our conviction in this situation pay off but rather disappointed that such a great suite of assets will be sold to Blackstone at a material discount to what we deem fair value.

### Nintendo (TYO: 7974) ~5% weighting

Nintendo was a detractor to performance for the twelve months to 31 December 2021, after being a contributor in the prior year. Whilst the strong demand for Nintendo's Switch console has continued unabated post COVID-19, Nintendo's share price has been weak on the back of global supply chain issues adversely impacting its ability to deliver the new Switch OLED models. Nonetheless, key digitisation metrics remain on a positive trend and we look forward to the launch of highly anticipated first party titles over the coming year.

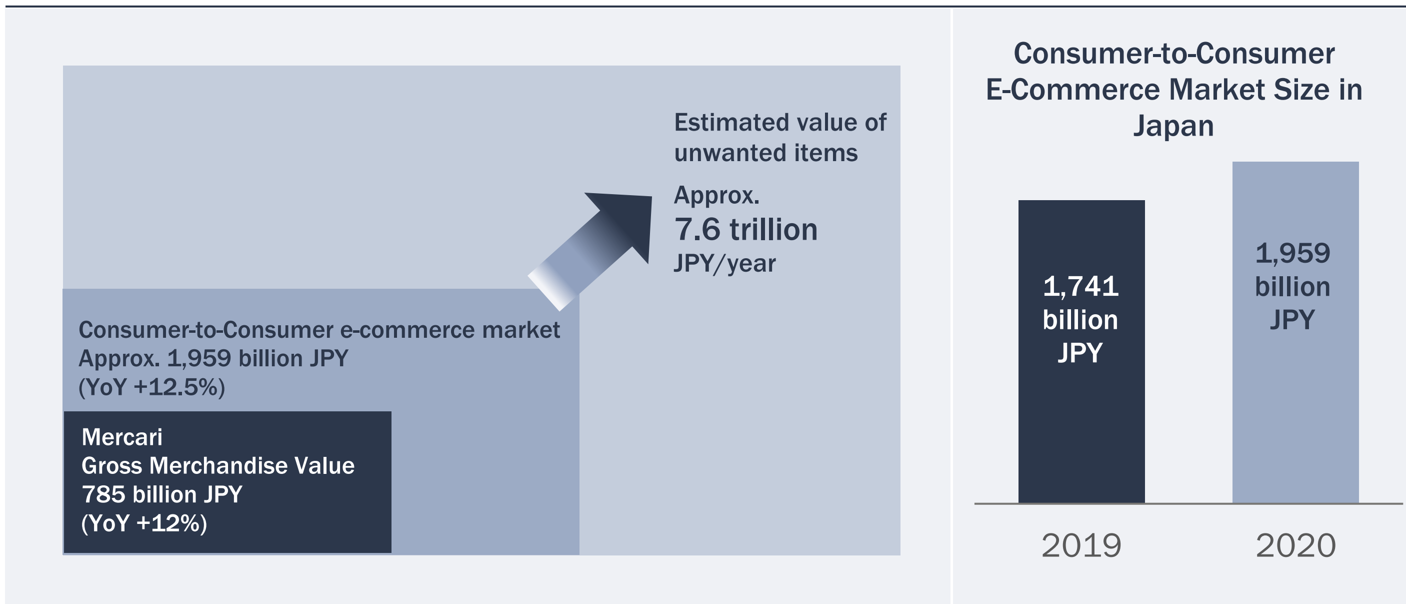
We discussed our Nintendo investment thesis in detail in the Portfolio Update of our January 2021 investor letter.

### Mercari (TYO: 4385) ~4% weighting

Mercari was founded in Japan in 2013, quickly overtaking long-time incumbents such as Yahoo Auctions to become Japan's preeminent Consumer-to-Consumer used goods marketplace. It has achieved this by adopting a mobile-first approach aimed towards removing as many points of friction as possible from the process of selling used items. Mercari's presence has in turn single handedly expanded the size of the Japanese Consumer-to-Consumer e-commerce market and has achieved this through, for example, targeted advertising campaigns encouraging senior citizens to declutter their homes.

The company estimates that Japan's total addressable market could be 3.8x larger than the current 2 trillion Yen Consumer-to-Consumer e-commerce market.

**Mercari Benefits From Growing Consumer-to-Consumer (C2C) Sales Of Unwanted Items Within Japan**



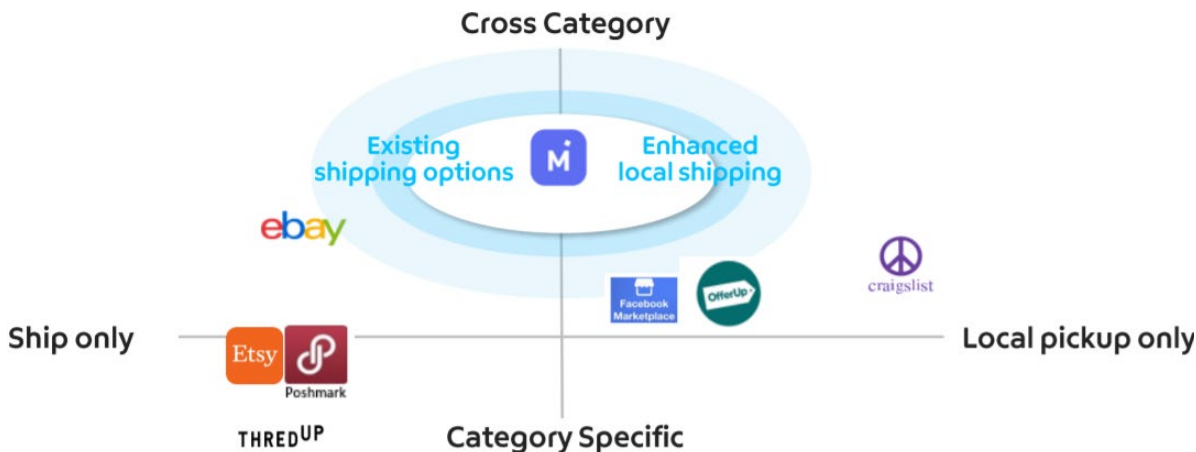

Source: Mercari Investor Presentation.

As a testament to its dominance, it has been estimated that roughly 5% to 10% of Japan's express delivery volume are now Mercari shipments. Having achieved scale, Mercari is currently in the process of internalising its logistics operations with the aim of providing a more seamless customer experience.

Mercari is led by its founder, the serial entrepreneur Shintaro Yamada. Yamada is notable for his international ambitions and has recently restructured Mercari's senior leadership team to achieve better alignment towards "acceleration of global expansion".

On the internalisation front, Mercari has carved out a position as a Consumer-to-Consumer used goods marketplace in the US, becoming "what eBay was meant to be in 1998". Mercari's key differentiator is its ability to facilitate a seamless end-to-end selling process from listing to delivery which includes its recent announcement of a partnership with Uber.

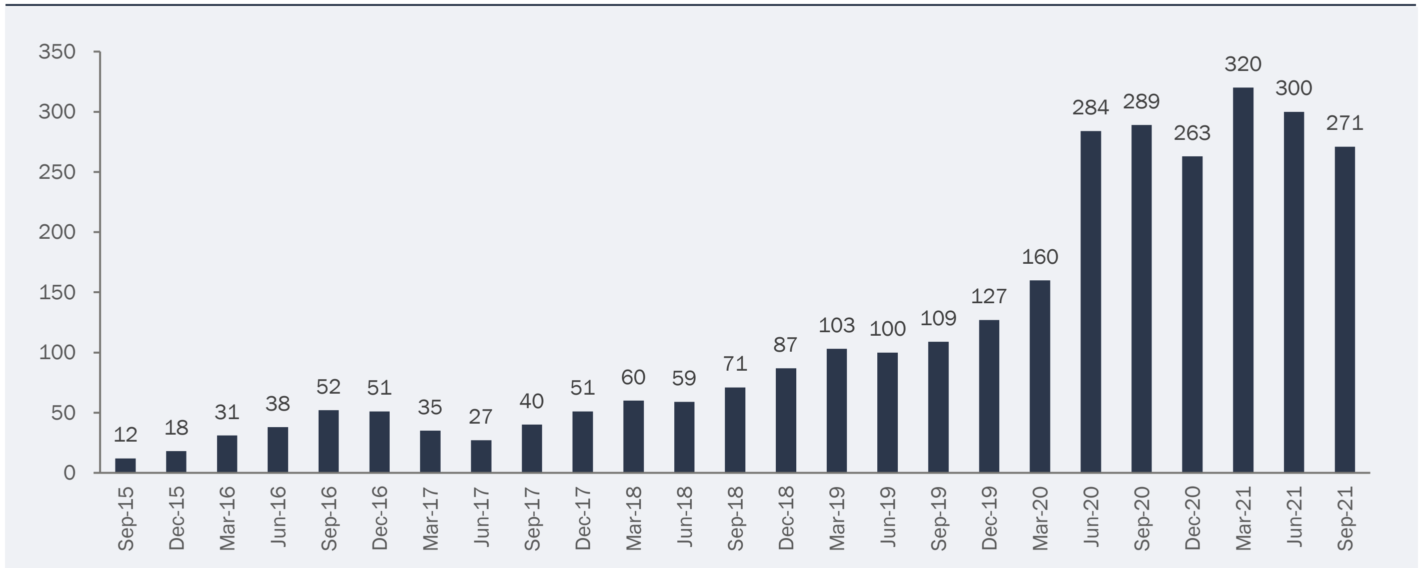
**Mercari Is Well Placed Across Categories With A Range Of Shipment Options**




Source: Mercari Investor Presentation.

Like many other online businesses, Mercari was a beneficiary of the COVID-19 pandemic as the lockdown gave people an opportunity to spend time to offer up their unwanted goods for sale on the platform. We believe this was more than a one-off boost as the step-up increase in marketplace liquidity has accelerated the network "flywheel" which in turn has resulted in a step-up improvement in the quality of its marketplace, and therefore its network effect.

**Mercari US Gross Merchandise Value (US$m)**




Source: VGI Partners analysis.

Despite continuing to grow its Gross Merchandise Value (the total value of goods sold through its online marketplace) at a respectable mid-teens growth rate, Mercari's core domestic Japan Consumer-to-Consumer marketplace is already highly profitable and cash flow generative. It has in turn redeployed this cash flow into not just the US business, but also into incubating new businesses that can benefit from the 20m domestic monthly active users on its core Consumer-to-Consumer marketplace platform.

As an example, Mercari has grown its payments business (Merpay) to 10m users by allowing Mercari users to make payments externally using their pre-existing account balance. Mercari has also started to offer buy-now-pay-later (BNPL) services to Merpay users by leveraging its big data advantage in the provision of consumer credit. Meanwhile, the recently launched Mercari Shop platform enables small businesses to easily set up e-commerce stores and sell to Mercari's 20m domestic monthly active users - in effect further extending the already long growth runway ahead for Mercari by expansion into Business-to-Consumer.

At the current share price we feel we are not paying for any of the upside optionality outside of the core Japan marketplace and we see significant upside to the share price over the next few years. We have taken advantage of recent share price weakness and added to our position during January.

## China Investments

China investments refer to four companies we held over 2021 that generate the majority of their revenue in China, three of which are listed in Hong Kong (Alibaba Group, Tencent Holdings and Ping An Healthcare & Technology) and one is listed in the US (Tencent Music Entertainment Group).

VG8 began 2021 with limited allocation to China investments, after exiting its holdings in Alibaba Group and Tencent Holdings in December 2020. We wrote in our January 2021 newsletter that "we decided to

sell our modest holdings in Tencent and Alibaba which, despite being great businesses, we felt were not being priced for the increased regulatory risk". VG8 did retain a small position in Ping An Healthcare & Technology from 2020 into the start of 2021.

During 2021, following the announcement of anti-monopoly fines and a decline in their share prices, we repurchased positions in Alibaba Group and Tencent Holdings. Both share prices have however gone on to fall further and become negative contributors to fund returns. VG8 continues to hold Alibaba Group and Tencent Holdings. It is our view that these are high-quality businesses with significant competitive advantages due to their scale network effects. Both companies have diversified earning streams while showing strong innovation in a range of global internet and e-commerce trends.

We also added a holding in Tencent Music Entertainment Group (TME) during the year but later exited this position at loss after subsequent regulation materially changed the operating environment. We also exited Ping An Healthcare & Technology at a loss, which also saw substantial impact on its outlook from new regulation changes. It is important to note that the regulatory impacts on earnings differed significantly between businesses in China.

In short, while we were early in 2020 to identify the rising regulatory risk broadly in Chinese tech and avoid much of the negative impact in the first half of 2021, the extent of the regulatory change into the second half of 2021, for some specific companies in particular, was greater than anticipated. Our investment process continues to adapt and evolve to better manage regulatory risk.

We will continue watching the evolving situation in China closely for both risks and further investment opportunities. As of 31 December 2021, VG8's exposure to China is 7% of the portfolio via securities listed in Hong Kong, being Alibaba Group and Tencent Holdings.

The vast majority of the VG8 long portfolio is invested in developed markets, with over 90% of the long portfolio listed in Japan, Europe and Australia. These securities offer both an appealing exposure to the strong Asian growth outlook, via a high sales exposure to the region, as well as robust legal and regulatory protection.

## Short Selling

Our short portfolio detracted ~0.3% from our returns in CY21. It has not been a favourable environment for our type of fundamental short selling, which is normally based on accounting red flags or identifying structurally challenged industries.

Given the difficult environment for short selling, we have been selective in adding short exposure for VG8. Currently our short exposure is 8%. We have some single stock shorts in businesses that we see as facing structural issues that are underappreciated by the market. This includes a position in which we question the accounting practices being used by the firm. We have also started to implement more thematic baskets to reduce some of the single-stock risk. The process is not all that different – it just means that when we previously would have shorted a single stock given a thesis, we now look for other candidates likely to experience the same pressures and express our thesis across multiple shorts. A short basket we currently have on is a selection of brick-and-mortar focused apparel retailers across Asia that we feel are exposed to rising competition from direct-to-consumer e-commerce competition coming out of China. We see rising disruptive pressure coming to these companies, not just from Shein, which has grown out of nowhere to become the largest fast fashion retailer in many global markets, but also other players looking to emulate its success in using artificial intelligence enhanced design processes and influencer marketing to take market share.

We have also continued to adapt our short process. Late in 2021 we hand-picked a short basket focused on Asia Pacific tech companies that were trading on egregious valuations. This generated positive returns during the sell-off in highly valued tech toward the end of 2021 and into January 2022 so far.

When we founded VGI in 2008 we decided to operate an active short portfolio as we believed it would provide us with a partial hedge to our core long portfolio, while also generating positive absolute returns. We have demonstrated our short selling capabilities over time, generating positive returns in the global strategy short portfolio in the years leading up to the COVID outbreak, despite the market increasing substantially over this period.

As we look forward today, we continue to see substantial value in having an active short portfolio. We believe a short portfolio is additive to our analytical abilities and in turn enhances our long-term investing capabilities and returns, in addition to being a valuable risk management tool, which is particularly useful in the current market environment.

In fact, given the growing uncertainty regarding inflation and rising bond yields it may turn out that short selling becomes a larger part of our activities and acts as a core driver of portfolio returns in the future.

## Currency

VG8 is denominated in Australian Dollars (AUD). We actively manage our currency exposure as our analysis of the economic outlook for Australia evolves relative to Asia and other geographies.

Whilst previously being unhedged to the US Dollar and Japanese Yen, we moved to a fully hedged position in mid-CY20. With the recent move in interest rates globally, as well as the high correlation of risk assets, we no longer believe the AUD is clearly mispriced and therefore remain fully hedged today. In the future we may move back to an unhedged or partially hedged position - and take an active view on the currency - when we believe there is a clear mispricing based on our fundamental analysis.

## In Closing

We take alignment of interest between ourselves and our investors seriously. We collectively have a meaningful investment in VG8 and continue to add to our investments. As a result, VG8 investors should be confident that our investment team's energy and effort is focused on a singular outcome – to maximise returns over the long term while preserving our collective capital in what is a highly challenging investment environment.

At VGI Partners we are entirely focused on managing our portfolios. Our unwavering commitment is to preserve and grow your capital over the long term, regardless of the market environment, by owning high-quality assets which have been purchased with a margin of safety. We cannot eliminate short-term volatility from our returns, however we are more confident than ever that our process and investment philosophy positions our portfolio to produce attractive returns over the long term and through the cycle.

We remain optimistic about our existing portfolio and will continue to take advantage of opportunities that present themselves. We are very grateful that we have long-term oriented investors who entrust us with their capital.

Once again, we thank you for your investment with VGI Partners.

Yours faithfully,

**VGI Partners**

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## Past performance

The historical financial information and performance figures given in this document are given for illustrative purposes only and should not be relied upon as (and are not) an indication of VGI Partners views on the future performance of VG8 or the Funds. You should note that past performance of VG8 or the Funds cannot be relied upon as an indicator of (and provide no guidance as to) future performance.

## Forward-looking statements

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