Peter Partnership Fund's (PPF) return vs. benchmarks

Year (ending 31st March)	Peter Partnership Fund *	in Per-Share Market Value of BRK Class B	in S&P 500 with Dividends Included
Fund inception to 2019 **	15.3%	10.9%	18.3%
2019 to 2020	-45.8%	-9.0%	-7.0%
2020 to 2021	83.7%	39.7%	56.4%
2021 to 31st Dec 2021 ***	20.3%	17.0%	21.2%
Compounded Annual Gain	**7.8%**	**12.3%**	**18.5%**
Overall Gain	38.2%	65.0%	108.5%

** All returns refer to the Ordinary Units of Peter Partnership Fund. Due to lower performance fees for the Elite Units, the returns from Elite Units would be equal or higher than the Ordinary units during the same period.*

*** From inception of our fund at end of August 2017, giving it 19 months instead of the usual 12 months.*

**** Due to change of financial year to 31st December, the returns is 9 months for the year 2021 instead of the usual 12 months.*

Peter Partnership's composite results of all managed accounts during the period before the fund's inception (and PPF's results thereafter) vs. selected benchmark.

Year (ending 31st December)	Peter Partnership (after fees) (in USD)	Benchmark[1] (in USD)	Difference
From 31st March 2008	-21.1%	-32.4%	11.30%
2009	64.5%	49.9%	14.60%
2010	56.2%	36.0%	20.20%
2011	-0.9%	1.0%	-1.90%
2012	29.5%	17.4%	12.10%
2013	12.5%	5.9%	6.60%
2014	15.1%	13.5%	1.60%
2015	-18.6%	1.2%	-19.80%
2016	47.0%	12.0%	35.00%
2017	21.6%	21.1%	0.50%
2018	8.2%	-4.4%	12.60%
2019	34.5%	31.5%	3.00%
2020	-39.7%	18.4%	-58.10%
2021	42.4%	28.7%	13.7%
Compounded Annual Gain	**14.1%**	**12.7%**	
Overall Gain	612.6%	516.4%	

[1] KLCI + 3% a year from Inception until year 2013. S&P 500 Total Return Index thereafter.

Peter Partnership Fund 2021 annual letter

To the investors of Peter Partnership Fund:

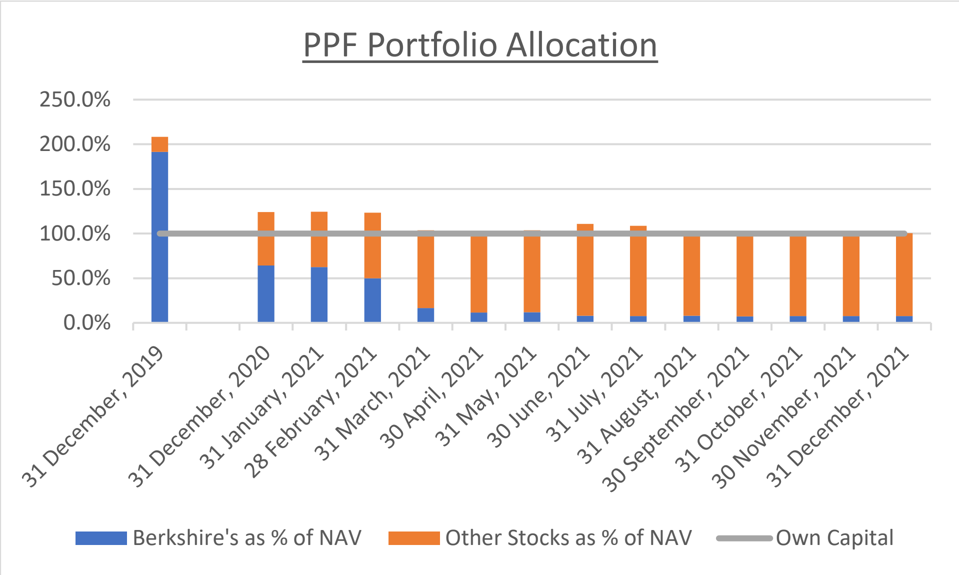
Our fund's change percentage wise during the last 9 months (from 1st April 2021 to 31st December 2021) was 20.3%. During the same period, Berkshire Hathaway's Class B (BRK.B) stock gained 17.0% while the S&P 500 (with dividends included) gained 21.2%.

Measured on a full calendar year of 2021, our fund earned 42.4% while BRK.B earned 28.7% while S&P 500 (with dividends included gained 13.7%). Over the last 4.3 years, our fund's ordinary class NAV has increased from $ 10.00 to $ 13.8222, a rate of 7.8% compounded annually.

The returns for the calendar year of 2021 is not sustainable, and it is definitely not an indication of future returns. However, I believe our fund's future annualised returns are expected to be higher than the current 7.8% achieved since inception, because I as the fund manager, have learned an important lesson on the dangers of CFD and margin financing, and do not plan to repeat these mistakes, ever again.

Margin financing or CFD if used by the fund, will be minimal, at less than 25 cents to a dollar of the fund's value and for most of the time, much lesser than that. Compare this to pre-Covid level of borrowing up to 2 dollars for every dollar of the fund's value, this means the fund's future returns would not come from low cost financing, but from stock selections.

The use of leverage



The chart above shows PPF's portfolio allocation in Berkshire and other stocks since 31st December 2020 to 31st December 2021. I have also included the fund's portfolio on 31st December 2019 (pre-Covid) for comparison. Notice that:

1) The investment in Berkshire reduced over time; and as of 31st December 2021, it represents a mere 7.7% of the fund's holdings. Comparatively, Berkshire was the fund's largest holdings at close to 200% at 31st December 2019.
2) The fund used little to no leverage throughout 2021. Moving forward, you can expect that to be the case. Comparatively, the fund borrowed more than a dollar for each dollar of the fund's value as of 31st December 2019.
3) Non-Berkshire holdings increased and totalled 92.9% of the fund's NAV as of 31st December 2021.

Two things to call out:

First, Berkshire is unlikely to represent a large percentage of the fund's holdings (unless Berkshire's stock become extremely undervalued while all other stocks are overvalued, which I believe the probability is exceedingly low). However, it does not mean Berkshire will not be in PPF's portfolio. Depending on Berkshire's valuation in relation to other opportunities available, Berkshire might still be one of PPF's holdings, though it's unlikely to be more than 20%.

Second, the days of the fund using leverage in excess of a dollar for every dollar the fund have is over. If the fund uses leverage, it will be minimal, and most importantly, it will not cause any sleepless nights to us even if there's another pandemic, war, or other disaster. Experiencing first-hand the use of too much CFD and margin financing during February/March 2020 is one time too many in our lifetime.

Now, to a more interesting discussion, what our fund owns.

Our portfolio

The table below indicates the fund's portfolio as of 31st December 2021. Most of these stocks have similar characteristics, namely:

1) The company earns high profits in relation to the company's net worth in the past 5 to 10 years; and is expected to continue to do so.
2) High growth rates in earnings; and expected to be earning at least at reasonable growth rates in the future too.
3) The company's interest expense is low in relation to the company's operating profits.
4) Management who is good at capital allocation.
5) Selling at a reasonable price in relation to the company's intrinsic value.

Company	Listed In	Industry	Shares Owned	Market Value (in '000 USD)	% of NAV
O'Reilly Automotive Inc.	US	Specialty Retail	13,554	9,572	23.9%
AutoZone Inc.	US	Specialty Retail	3,811	7,989	20.0%
Open House Group Co Ltd.	Japan	Real Estate - Diversified	91,700	4,797	12.0%
Berkshire Hathaway Inc.-Class B1	US	Conglomerate	10,307	3,082	7.7%
LGI Homes Inc.	US	Residential Construction	19,225	2,970	7.4%
DR Horton Inc.	US	Residential Construction	19,142	2,076	5.2%
Plus500 Ltd.	UK	Capital Markets	89,000	1,639	4.1%
Sleep Number Corp.	US	Furnishings, Fixtures & Appliances	16,753	1,283	3.2%
Pax Global Technology Ltd.	Hong Kong	Business Equipment & Supplies	1,770,000	1,253	3.1%
Alphabet Inc. - Class A	US	Internet Content & Information	427	1,237	3.1%
Meta Platforms Inc.-Class A	US	Internet Content & Information	3,500	1,177	2.9%
Amazon.Com Inc.	US	Internet Retail	350	1,167	2.9%
Alibaba Group Holding Ltd.	Hong Kong	Internet Retail	58,000	885	2.2%
Senvest Capital Inc.	Canada	Asset Management	1,500	487	1.2%
Patrick Industries Inc.	US	Recreational Vehicles	5,209	420	1.0%
JNBY Design Ltd.	Hong Kong	Apparel Manufacturing	145,500	231	0.6%
Total				**40,265**	**100.6%**

The fund's top 4 holdings are the same as the last report, except that Berkshire is now the 4th largest instead of 2nd largest holdings of the fund. The fund's position in the Japanese property development company, Open House did not change much (though the stock has appreciated by 42.5% in calendar year of 2021 in USD terms), roughly matching the NAV appreciation of the fund of 42.4% over the same period.

Berkshire's position was reduced from 16.6% of the fund's NAV on 31st March 2021 to 7.7%, with the proceeds invested in O'Reilly Automotive and AutoZone, making these two stocks the fund's largest position, at a combined 43.9% at end of December 2021. Part of the portfolio growth of these two stocks is because of the stock's price appreciation, but I have also added more capital to these two stocks during that period.

In the calendar year of 2021, O'Reilly Automotive's stock appreciated by 56.05%, while AutoZone's stock appreciated 76.84%. These two stocks, together with Open House, contributes substantially to the fund's overall return for the year 2021 of 42.4%, as not only these stocks are the among the 4 largest holdings of the fund, but these three stocks also gained the most compared to other stocks in our fund. In other words, concentration on the best few ideas generated higher returns last year than had I chosen to diversify more. This does not mean that concentration will generate outperformance every year, but I believe concentrating on a few best ideas is better than putting more money in less attractive ideas.

One of the greatest investors, Philip Fisher, said, *"Investors have been so oversold on diversification that fear of having too many eggs in one basket has caused them to put far too little into companies they thoroughly know and far too much in others which they know nothing at all. It never seems to occur to them, much less to their advisers, that buying a company without having sufficient knowledge of it may be even more dangerous than having inadequate diversification".*

When evaluating investment opportunities, I always compare it with the few best ideas I have, and most of the time, I prefer to own more of what I already have than to allocate capital to the new ideas. This thought have caused me to increase our two largest holdings in O'Reilly Automotive and AutoZone to close to nearly half of our fund size at end of Dec 2021, and it could be more in the future too. Both are in the same industry, and since they represent such a big position of our fund, I should explain more about these two good companies and my reasoning in increasing it.

O'Reilly Automotive and AutoZone

In the United States, there are 4 big auto parts retailers that provide automotive aftermarket parts, tools, supplies, equipment, and accessories. These companies serve both the professional service providers and do-it-yourself customers.

These four companies have about 40% market share combined, while the remaining 60% is quite fragmented, thus there's still a huge room for consolidation for these four giants of auto parts retailers. The US auto parts aftermarket retail industry is what some would call a boring industry, as the sales of these companies are stable, consistent, and predictable. This is the type of business that I like to own for the long term, just as what I would look for in a spouse. Be it in business or in a spouse, I am interested in stability, consistency, predictability, and productivity. And when you partner with them for the long term, the results are anything but boring.

Two of them (O'Reilly Automotive and AutoZone) are owned by our fund and are our fund's largest holdings. The other two, Advance Auto Parts and Genuine Parts, have lower profitability and growth rates. Surprisingly, both worser companies often sell for a higher price in relation to its last 12 months earnings. That's the nature of the stock market. Sometimes you might find a better managed company, yet it is selling at a cheaper valuation than its worse off competitor.

What attracted me to O'Reilly Automotive is because the company has a whopping 29 **CONSECUTIVE** years of comparable stores sales growth, record sales and operating income since becoming a public company on 23rd April 1993 (which explains why 29 consecutive years and not any period longer).

Long term impact of different investment choices

Here's a quiz: given the three companies below, which company would give the highest return if you bought it on the day O'Reilly Automotive was listed in the stock exchange and held it till 31st December 2021 (nearly 29 years)?

a) O'Reilly Automotive,
b) AutoZone, or
c) Berkshire Hathaway

Had an investor invested $100k in O'Reilly Automotive on the day it was listed and held on until 31st December 2021, the investment would be worth a whopping $29.3 million (293-fold increase on the capital). Comparatively, investing in AutoZone would be worth $10.3 million (103-fold), which is also a very good return.

The worst return among the 3 options above is Berkshire Hathaway. It would be worth $3.6 million from an initial investment of $100k, which is not bad. After all, few would complain of their capital becoming 36 times their initial investment when the capital invested is large and is managed in a safe manner?

Curious, I did a back test and found that a person would have earn a higher return from investing in O'Reilly Automotive or AutoZone compared to Berkshire for the past 25, 20, 15, 10, 5 and even 3 years (all ending 31st December 2021)!

Using the S&P 500 Index with dividends re-invested as the benchmark, $100k invested in the benchmark would have grown to $1.8 million, or half of what you would get from Berkshire over the same period. Still a decent return.

But if someone had kept the money in a bank, with an annual interest rate of 3%, the $100k would have grown to only a mere $233k. That amount is less than 1/100 of what you would get from O'Reilly Automotive, 1/43 from AutoZone, less than 1/15 from Berkshire Hathaway, and less than 1/8 from the S&P 500 Index with dividends re-invested. What is worst is when you adjust the numbers for inflation (which reduces the purchasing power of your money), the money in the bank would shrink instead! What's safe in the short term, is actually very risky in the long run.

The key takeaway from above? Even if you cannot identify good companies (like O'Reilly Automotive or AutoZone) to own for the long run, you will be way, way, way better off owning Berkshire, or the S&P 500 rather than keeping money in the bank. While keeping money in the bank is safe in the short term (after all, inflation of a few % a year does not hurt much in a year or two), when the time horizon is long, keeping money in the bank would virtually guarantee a huge reduction in your purchasing power.

Having been in financial industry for over 20 years, I realised that one of the biggest factors that make the middle-class stuck in middle-class while the rich become richer is because of asset allocation. The middle-class's common asset options are in bank accounts, or government provident funds (e.g., EPF in Malaysia or CPF in Singapore) while the rich's assets are in properties or businesses, whether it is privately owned, or through a fractional ownership in public listed companies (i.e., stocks). That is why my family's default asset class is in stocks (thru Peter Partnership Fund), and why we keep only a small % of our net worth in bank accounts. *I even told my wife that I'll come back to haunt her should she put majority of our net worth in the bank account should I die before her.*

Ten years ago, Warren Buffett wrote a very good article for Fortune titled "*Why stocks beat gold and bonds*" which is also available in [Berkshire Hathaway's 2011 annual letter to shareholders] (look for *"The Basic Choices for Investors and the One We Strongly Prefer"*) explaining why his favourite asset class is in investment in productive assets, whether it is in businesses, farms, or real estate. I couldn't agree more!

What is O'Reilly Automotive and AutoZone's source of good returns?

Back to O'Reilly Automotive and AutoZone. Two important questions about the good performance are:

1) What makes these two companies' earnings such a good return for the shareholders, and
2) How likely will these factors maintain in the future?

AutoZone, which listed 2 years earlier than O'Reilly, has a similar record to O'Reilly. Back in 1993, there were 678 AutoZone stores, with average annual per store sales of $1.67 million, the company had a 11.5% operating margin and earned $140.8 million in operating income. Fast forward to 2021, there is now 6,767 AutoZone stores with average sales of $2.16 million per store, 20.1% operating margin and earned $2.945 billion in operating income. Over 29+ years, AutoZone's stores have grown 10-fold, with each store sells 29% more per store, and they have almost doubled their profits per dollar of sales. All this led to the company's operating profit increasing 21-fold over the same period.

A 21-fold increase in operating income is nothing to shout about if AutoZone required 21 times more capital from the shareholders. After all, anyone can easily earn 10 times their interest from Fixed Deposits if they increase their capital 10-fold. But this was not the case for AutoZone.

Since the company started its share buyback program in January 1998 until August 28th 2021, AutoZone has shrunk its shares outstanding from 147.6 million in 1993 to 21.31 million (including dilutive effects from stock options) on August 28th 2021, or by a whopping 85.6%. Putting it another way, each share in 2021 is 7 times the size of ownership compared to 1993, due to AutoZone's continuous share buyback.

Thus, when you combine AutoZone's operating income increase of 21-fold with share buybacks that makes each share now 7 times the size of ownership, you get operating income per share of 145 times compared to AutoZone's operating income per share in 1993. As such, it is no wonder that its stock price rose 101-fold over the same period. The stock price did not rise as much as the operating income growth per share because back in 1993, AutoZone's stock was selling at a higher price to operating income per share compared to 2021. Nevertheless, when a stock is growing its operating income per share by 100-fold, the stock price will rise roughly at the same rate.

O’Reilly Automotive and AutoZone’s key success factor: Supply Chain Financing

One of the key success factors of O’Reilly Automotive and AutoZone is due to their arrangement of Supply Chain Financing (SCF) with their vendors/suppliers. Offered by the nation’s leading banks, SCF serves as a bridge so that retailers and their suppliers can achieve their mutual goals of optimizing capital and trimming supply chain costs. With SCF, big retailers like O’Reilly Automotive and AutoZone were able to defer payments up to a year owed to the supplier, while the supplier may collect payment from the participating bank at any point during the life of the invoice at a prearranged regressive discount rate at partial payment or be paid in full at maturity.

SCF benefits both the retailers and suppliers. However, this facility is only available to big retailers, generally those that have annual sales of $750 million (which is around 300 stores) or higher, which only a few qualify. The other smaller auto parts retailers do not have access to this SCF facility, thus either these retail shops carried a lesser fraction of parts offered by the big retailers, or they would need to fork out more capital to stock up inventory. Since these inventories might not be sold for a long period, the price that the small retailers charge would not have been able to match the big retailers like O’Reilly Automotive and AutoZone that have this “unfair advantage” from SCF.

Historically, the four biggest auto parts retailers have consistently gained market share from the small players thanks to the economy of scale and SCF facility enjoyed, and there is still more room for big retailers to increase their market share because the four largest auto parts retailers are estimated to control about 40% market share of the US retail auto parts, with O’Reilly Automotive and AutoZone, being the better managed company, both collectively have about 26% market share only.

Thanks to SCF, both O’Reilly Automotive and AutoZone enjoys having a negative cash conversion cycle. A negative cash conversion cycle means that the company receives cash from sales of its inventory before the company needs to pay its supplier. It’s like the supplier is financing the company’s business operations. This is not a norm for most retailers, especially when a company provides so much inventory in the store for their customers. AutoZone have been enjoying it since 2011 while O’Reilly enjoys it since 2017. Let me explain negative cash conversion cycle by using a recent example.

In 2021, O’Reilly Automotive only needed to pay their supplier on average 257 days after they received the goods. These goods are then classified as inventory by the company, and it took an average of 212 days before being sold and another 7 days before collecting those sales in cash. This meant that O’Reilly Automotive have sold and converted those goods received by suppliers into cash (with profits too) before the company needed to pay their suppliers. In 2021, O’Reilly Automotive enjoyed 38 days of using the supplier’s money for the company’s business operations. To put it another way, O’Reilly Automotive’s 2021 cash conversion cycle is negative 38 days. AutoZone’s cash conversion cycle is equally impressive, at negative 45 days. When you combine a negative cash conversion cycle with both these company’s gross profit margin at over 50% (meaning for every dollar of sales, the company only need to pay its supplier less than 50 cents for the goods sold, and that is 38 days after the company receives the goods), you have the key ingredients to the company’s high profitability.

Here’s another question: when a company is expanding, can the business consistently generate more cash than the company’s net profit?

Not all net profits are created equal, (even when all of them are classified the same way in the financial statements). Most businesses require re-investing a portion of the company’s profits just to maintain its competitive position and unit volume. This means that most businesses cannot consistently generate more cash than the company’s net profits if they want to maintain its competitive position and unit volume.

But there are a small number of businesses that could consistently generate more cash than the company's profits year after year. One example is Berkshire's insurance subsidiaries, which generates insurance float (money that Berkshire hold and can invest but that does not belong to Berkshire).

O'Reilly Automotive and AutoZone are two more examples, thanks again to SCF and a negative cash conversion cycle. As these two company's sales increases, they have more cash upfront before they need to pay back to their suppliers.

For instance, while O'Reilly Automotive generated a net profit of $2.165 billion in 2021, their cash generated from its day-to-day operations was $3.207 billion, which is more than the company's net profit by over $1 billion. Even if you exclude what the company spent for its property and equipment (which included both maintenance of existing stores and for expansion of new stores), the company still generated $2.773 billion in cash from its day-to-day operations, which is $608 million more than the company's 2021 net profits. AutoZone had a similar record with O'Reilly, generated $3.519 billion from its day-to-day operations, which is $727 million more than the company's net profits of $2.17 billion in 2021.

What the management of these two companies did with so much cash generated from its day-to-day operations is consistent share buybacks, which is what I like. In share buybacks, there are a few advantages. Firstly, share buybacks increases our ownership of the existing company without the need for us shareholders to put in additional capital (owning more of a good company is wonderful). Secondly, just like dividends, money used for share buybacks is real money, and you can be assured those profits or money in the bank account is not some accounting fraud (like several China companies that are listed offshore). Thirdly, shareholders benefit virtually the full dollar from share buybacks, while we shareholders only benefit 70 cents for each dollar of dividend paid out (30 cents go to US government). Fourthly, the lower the stock price, the better It is for the long-term shareholders of the company, as it allows the company to buy back more shares with the same amount of money.

Thanks to SCF and a negative cash conversion cycle, O'Reilly Automotive and AutoZone could consistently use more than the company's net profits for share repurchases, thus benefiting the long-term shareholders of these two companies.

Threat for these two companies

As for the threat of online stores like Amazon and eBay Motors selling auto parts, there does not seem to be much of a risk to the retail stores as:

1) Parts are generally inexpensive, with each usually costing less than $50,
2) When a car breaks down, most people prefer the car to be fixed in the same day, not days or weeks later,
3) It is not worth the trouble or inconvenience if the ordered part is incorrect or faulty,
4) For the mechanic who services your car, parts availability is more important than a lower price since they pass over the cost of those parts to the customers.

The other potential threat is electric vehicles (EVs), which currently makes up a small segment of the annual new car sales. Below is what Thomas G. McFall, the CFO and Executive Vice President of O'Reilly Automotive said in a virtual conference in June 2021.

"So electric vehicles are somewhat of a wildcard. They make up a very small segment of the new car sales each year and a very small segment of the population. And they continue to evolve. The technology continues to change. Different companies continue to pop up and make different versions of electric companies. Obviously, Tesla is the main provider of electric vehicles today or all electric vehicles. But there's a lot of limitations to those as far as cost. They're expensive in aggregate, although they have some models that they doubt as being low priced. I think I read somewhere that the average Tesla rolled off the assembly line last year sold for $69,000. So that's pretty high for the general usage. Continues to be a lot of discussion about the weight to energy ratio of batteries and how to increase that over time and increase mileage to make the vehicles more acceptable in more applications.

So it continues to evolve. Even if we had the right electric vehicle solution tomorrow, we won't have the electrical grid infrastructure to support that many cars being charged. So it's going to evolve over time. Right now, hybrids are a much better solution or much more sales and more uses. For us, that's good. They have electric parts and gas parts. But when we look at the core of what we do, we are here to provide a service to our professional installers who exist because there are not enough bays -- service bays at the dealerships to service the entire fleet. And the OE [Original Equipment] dealers are not as cost competitive as other options. And that's why the professional business exists, and we're here to support those businesses and their parts and equipment and technology and training needs.

On the DIY side of the business, people are fixing their own cars because they can't afford to have somebody else fix their cars. And although it would be great to have everybody be that affluent, that does not look like it's going to happen anytime soon. So the real drivers for why our company exists will continue no matter what powertrain exists in the vehicles. And we get a lot of questions about what's our content for electric vehicle. Well, it's hard to know because we don't really know what the Model T looks like for an electric vehicle.

In the meantime, we continue to work with our major suppliers who are also OE suppliers and working a lot of these technologies to come up with new solutions and how our DIY and professional customers can continue to work on advanced technology. But this will be a change that happens over a long period of time. Cars that roll off the assembly line right now are going to be on the road for 19 or 20 years. So the population changes. It changes very slowly, but we continue to adapt to the new technologies that are coming out in vehicles to provide those professional customers what they need to have their businesses be successful and for DIY folks to keep their cars on the road in an economical cost."

Valuation Matters

No matter how great a company or its future is, no company is worth unlimited money. Thus, valuation always matters. It is always the fund's focus on consistent, sustainable, and better yet, growing income, and not on the growth of the company's sales. In other words, growth of sales is only important if it translates to growth of operating income. By that strategy, we would have avoided investing in Amazon in the early years, but it would also mean that we would have avoided investing in yet-to-profitable businesses like SEA (parent company of Shopee) and Grab that has dropped more than 80% from its peak price. More importantly, it's the strategy that allows my family and I to sleep well at night even when virtually all our family's assets are invested in the fund, alongside all our investors.

In the case of O'Reilly Automotive and AutoZone, both have a historical growth in its operating income per share around mid-teens annually. And I believe many of the sources of this growth like the share buybacks, increasing number of stores, SCF and a negative cash conversion cycle are sustainable in the foreseeable future. The recent stock price relative to its operating income (and its growth rates) per share seems like a good price for long-term owners.

While I wrote extensively on O'Reilly Automotive and AutoZone, our fund's two largest holdings, and which I intend to own it with virtually no exit date or price, it does not mean that I would own it forever. There are several reasons which I could sell it, namely:

1) The business fundamentals have changed,
2) The management does not act in the interest of the shareholders,
3) The price went up way too high in relation to what I think it is worth,
4) I made a mistake in my analysis, and lastly
5) A better opportunity arises.

I believe the probability for reasons (1) or (2) above is low, and historically, it does not seem like reason (3) happened frequently. If the stock price were to rise 100% tomorrow while its earnings remain the same, I would sell a significant portion of it and allocate the capital elsewhere. Hopefully reason (4) is not the case for these two companies, while the best reason for sale is always on reason (5) above.

Administrative matters

There are a few minor improvements on the administrative front:

1) The fund's Financial Year (FY) end is now the same as the calendar year end, on 31st December. Thus, the audit will also be on the fund's financial statement on 31st December. You may see audit at the fund's website. In it, there are several interesting information like:
   a) The fund size (USD 40 Mil on 31st Dec 2021) as well as the fund's profit and loss (USD 6.76 Mil and USD 14.96 Mil profit after all expenses over the last 2 FY).
   b) How much the fund manager earns (nil for 2 years on the fund level, but USD 57k and USD 111k on the investors who makes more than 6% annualised during the last 2 FY, mostly from new investors),
   c) What the fund owns (on page 17 and 18). The % is slightly different from above because this letter shows Net Asset Value, while the audited report shows it as a percentage of total investments.
   d) How much new capital the fund has per FY and how much was withdrawn.

e) How much my close family members (parents, parents-in-law, sister, brother-in-law and sister-in-laws, my wife and myself, which represents over 90% of their net worth, and virtually all my wife's and my net worth) invested alongside the fund's investors.

2) The fund changed its fund administrator to Intertrust Group, serviced by its Singapore branch. Intertrust Group is a public listed company in Amsterdam with market cap of USD 1.7 billion. With this change, we collectively save over USD 30k a year (and expected to increase as the fund size grows), and there is no longer a subscription or redemption fee for USD or SGD. The only fee for new investors is the one-time account opening fee of USD 140.
3) Now investors can choose to execute the redemption form when the fund's unit price is above a certain price. This ensures that the investors do not have to redeem their units at a price unfavourable to him/her (which is also unfavourable to me).

Final words

In my last annual letter, I wrote that *"Since the Covid-19 pandemic, many governments have been handing out financial aid to citizens and companies. This basically meant increased government spending, while at the same time, their income from taxes is reduced, which will eventually lead to higher inflation rates."* Many countries have since shown high inflation rates recently, which reduces the purchasing power of its citizens.

The fund does not keep cash on hand because it's almost a certainty that it will lose its purchasing power, and I believe the best hedge against inflation is in ownership of good companies that can increases its product price to adjust to inflation, and that is what I would buy and own for the fund.

As ever, it is an absolute pleasure running the fund. I thank you for the opportunity to do so under my own autonomy and for your patience and confidence in me.

Thank you.

18th July 2022

Peter Lim
Fund Manager
Peter Partnership Fund