Investment Thesis and Capital Allocation Framework

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My guiding principle in portfolio construction is to allocate capital where it is most needed, subject to diversification across (i) investment horizons (short-, medium-, and long-duration), (ii) industries and macroeconomic factors, and (iii) countries (primarily Korea and the United States). In technical terms, this reflects an efficient allocation perspective that emphasizes diversification across equity duration and macro exposure. Rather than attempting to forecast short-term price movements, the strategy prioritizes margin of safety, disciplined portfolio rebalancing, and robustness across economic regimes—for example, limiting drawdowns during downturns while accepting more muted performance during cyclical expansions.

In practice, this means avoiding highly crowded trades where capital is already abundant. Large, widely held firms with strong consensus positioning often offer limited incremental returns to additional capital at prevailing prices. Instead, portfolios tilted toward companies facing capital constraints tend to be more profitable over time, despite short-term headwinds and higher idiosyncratic risk at the individual firm level. The objective is not contrarianism for its own sake, but selective exposure to mispriced risk, balanced with reasonable diversification and explicit hedging.

The portfolio is intentionally concentrated, typically holding less than 10 long positions per market (e.g. the U.S.), while maintaining diversification across styles and macro sensitivities. Its strength lies in macro robustness rather than precise asset-level forecasting. For example, exposure to the U.S. dollar (reserve currency) can serve as a short-horizon hedge during periods of market stress, as US dollar tends to appreciate sharply during crises, while growth-oriented equities offer convex exposure to changes in the term structure of interest rates, particularly during yield-curve flattening. These allocations are designed to improve portfolio resilience rather than to express directional macro views.

Funds structure

Roughly 50% of total capital is allocated to Korean public equities, primarily value-oriented stocks. The remaining 50% is invested in publicly traded U.S. equities, with limited exposure to non-U.S. listings (e.g., Wise on the LSE). The U.S. portfolio is organized into three sleeves: **Flagship** (60%), **Opportunistic** (20%), and **High-growth only** (Long-Duration, 20%).

A. Flagship fund

The **Flagship** Fund integrates short-duration (legacy companies), medium-duration (established companies), and long-duration (high-growth companies) exposures, supplemented by selective Macro and Hedge positions to capture distinct risk premia across market cycles. New positions are constructed with explicit consideration of cross-asset correlations and portfolio-level risk interactions. Hedges are introduced opportunistically through options or leveraged ETFs, with initial hedge exposure capped at 10% on an annual basis. A representative allocation is approximately 5:2:2:1 across short-duration, medium-duration, long-duration, and macro exposures.

B. Opportunistic fund

The **Opportunistic Fund** allocates approximately 50% of capital to a small number of high-conviction equity positions, with the remaining 50% initially held in cash. This cash reserve is deployed selectively into asymmetric structures—such as long-dated call options, put options, or other high-convexity trades—only when valuation and risk-reward conditions reach extreme levels. In addition to derivatives, the fund adds equity exposure when valuation dislocations deepen, often when securities monitored in the Flagship Fund experience further drawdowns, converting a watch position into a high-conviction entry. Equity exposure is deliberately concentrated and reflects "best-in-class" judgments across short-, medium-, and long-duration categories, rather than broad diversification (e.g., STLA, PYPL, ABNB). Target opportunities also include high-volatility and macro-sensitive instruments (e.g., TLT calls; USO, HOOD, ORCL, UBER, NVDA puts).

C. High-Growth fund

The **High-Growth Fund** holds the longest-duration and highest-variance positions in the portfolio. It focuses on firms with multi-year growth runways and significant optionality, such as Coupang, Airbnb, and Wise.

Strategy

The **Flagship Fund** follows a disciplined, research-driven long/short equity framework, maintaining approximately 80–90% net long exposure, primarily through equities, with 5–10% downside exposure implemented via put options or leveraged ETFs. Short positions are never expressed through naked shorts; instead, downside risk is managed using defined-risk instruments and is capped at 10% of capital within the Flagship Fund.

Positions are classified into short-, medium-, and long-duration categories to capture distinct risk premia, complemented by selective Macro and Hedge allocations for risk management. Security selection is grounded in measurable fundamentals—low price-to-book ratios for short-duration value, mean-reverting growth metrics for medium-duration exposures, and revenue momentum for long-duration, venture-style investments. Rebalancing occurs quarterly within categories. As a risk-control discipline, position sizing is limited to no more than two incremental additions following the initial entry, with at most one addition per quarter per position. This rule explicitly acknowledges the possibility of misjudgment: if a position experiences multiple drawdowns exceeding approximately 30% after successive additions, the original investment thesis is deemed invalid rather than repeatedly averaged down.

The overarching objective is to compound capital through patient, fundamentals-based investing while maintaining asymmetric protection against tail risk and preserving flexibility to adapt to changing market conditions.

Korean Fund follows US **Flagship Fund** as close as possible, while the regulation allows. E.g., due to regulation, Korean Fund has leveraged ETF rather than put or call options.

A. Scalability

While there may exist a capital threshold beyond which liquidity constraints—particularly in the options market—become relevant, these constraints are unlikely to affect the core principles of the strategy. The current portfolio size is approximately \$30,000–\$40,000, and the approach is expected to scale efficiently to larger capital bases, subject to prudent liquidity management. Capacity considerations will be revisited as assets grow and execution and risk controls continue to be refined.

B. Edge and Comparative Advantage

The primary edge lies in portfolio construction—specifically, in understanding how individual holdings interact across asset classes, currencies, and macro regimes. A cross-country valuation framework, spanning both U.S. and Korean public equities, helps mitigate home-bias risk that often constrains U.S.-centric portfolios and allows capital to be allocated where risk-adjusted returns are more attractive. This global perspective, combined with disciplined risk management and limited reliance on leverage, supports the objective of achieving attractive long-term returns over a full market cycle.