



August 2021

Dear Fellow Investors,

The Partners Fund returned approximately 10% in the second quarter, bringing YTD returns to roughly 27%. (As always, investor returns will vary depending on fee class, timing, etc.) Performance was aided by a SPAC-related SPV that achieved its underlying business combination.

Investing is often a hard and humbling endeavor. Today's shiny object proves to be fool's gold rather than genuine gold most of the time. Companies that generate astounding overall returns often underperform for both short and long periods of time. It is almost never a smooth ride up. As Austin Lieberman of 7investing pointed out on Twitter (@guide2investin), "Despite being up 28x and 35x over the last 11 years, Amazon and Netflix have only beaten the market 6 of those 11 years." The same is true for managers who generate exceptional returns over decades. Most have quite a few years of losses and years of underperformance along the way.

In a perfect world, we would wait for the slow years to pass and invest right before the big surge in performance. Unfortunately, the real world is more difficult. Timing markets and managers is difficult if not impossible. This past quarter, we made an allocation to a manager who had a phenomenal 2020. Clearly, we missed those gains. Why invest now anyway? Like many emerging managers he meets all of our criteria:

- One-person investment committee
- Concentrated holdings
- Reasonable amounts of capital (AUM)
- Significant personal investments ("skin in the game")
- Original thinking
- Mindset: getting rich is not the point

The Partners Fund invested with Andrew Rosenblum of Bonsai Partners for the same reason we allocate to any manager: I think he can compound at very attractive rates for a very long time. Even if our entry point is not perfect, our results can be more than satisfactory if I am correct about his strategy and talents.

If you have time and really want to get a sense of Andrew, I recommend watching this interview ([linked here](#)) or reading the transcript. I have also attached a copy of his latest quarterly letter. Andrew has experience on both the operating and investing sides, having started his career as an analyst at hedge fund Matrix Capital Management in Boston and later worked on the management team of Adaptive Biotechnologies (ADPT). He launched Bonsai Partners in late 2018 out of a desire to go his own way.

In my opinion, Andrew has a compelling mix of not caring what the world thinks and the ability to change his mind. Bonsai invests globally, across market capitalizations and industries, with a level of concentration that allows for outsized returns. Andrew looks for win/win situations with long runways for growth and asymmetric upside. He is a strong business analyst constructing a portfolio that I believe has the potential for very attractive long-term



returns. All the ingredients are in place: reasonable AUM, reasonable fees, and a concentrated portfolio stuffed with interesting companies. However, as my wife has reminded me many times this week, I took an idiot-proof clambake and overcooked it, so – as with all of our managers – time will tell.

We made a Bonsai Capital a “starter position” and will likely add to it as incremental capital becomes available. I look forward to building a relationship with Andrew over the next decade.

As I have said at the end of every letter, our fund of funds is going to be different. It will be smaller, the underlying holdings will be more esoteric, and I hope the managers will continue to collaborate more over time. I believe that it will all be good different, but only time will tell. Thank you for joining me on this journey. I will work hard to grow your family capital alongside mine.

Sincerely,

Scott Miller



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