HAYDEN CAPITAL

QUARTERLY LETTER

2024 | Vol.1

6565 SUNSET BLVD
SUITE 420
LOS ANGELES, CA 90028
HAYDENCAPITAL.COM

HAYDEN CAPITAL

May 27, 2024

Dear Partners and Friends,

The beginning of 2024 was off to a good start, as our portfolio companies continued to press their advantages in their respective industries. It seems that the acceleration period I mentioned last quarter is starting to materialize.

Time Period	Hayden (Net)[1]	S&P 500 (SPXTR)	MSCI World (ACWI)
2014[2]	(4.9%)	1.3%	(0.9%)
2015	17.2%	1.4%	(2.2%)
2016	3.9%	12.0%	8.4%
2017	28.2%	21.8%	24.4%
2018	(15.4%)	(4.4%)	(9.2%)
2019	41.0%	31.5%	26.6%
2020	222.4%	18.4%	16.3%
2021	(15.8%)	28.7%	18.7%
2022	(69.2%)	(18.1%)	(18.4%)
2023	56.6%	26.3%	22.3%
1st Quarter	12.9%	10.6%	8.2%
2024	12.9%	10.6%	8.2%
Annualized Return	10.8%	12.7%	9.0%
Total Return			
1 Year	45.5%	29.9%	23.2%
5 Years	81.9%	101.6%	67.9%
Since Inception	162.0%	206.7%	124.0%

Sea Ltd is gaining market share in Southeast Asia (despite the competitive intensity from TikTok), Applovin is taking advertising dollars from Unity and their operational missteps, New

1 Hayden Capital returns are calculated net of actual fees directly deducted from client accounts, for the period from inception (November 13, 2014) to December 31, 2020. Starting on January 1, 2021, reported performance is reflective of a representative account, managed in accordance with Hayden's strategy with no client specific investment guidelines or limitations, made no subsequent investments or redemptions, and remains invested. The representative account paid a management fee of 1.5% and incentive fees of 0%. Clients who elect the performance fee option for their accounts may pay higher fees and therefore realize lower net returns, during years of strong investment performance. Individual returns may vary based on timing of investment and your specific fee schedule. Performance results are net of expenses, management fee and incentive fees. Past performance is not indicative of future results.

2 Hayden Capital launched on November 13, 2014. Performance for both Hayden Capital and the indexes reflects performance beginning on this date.

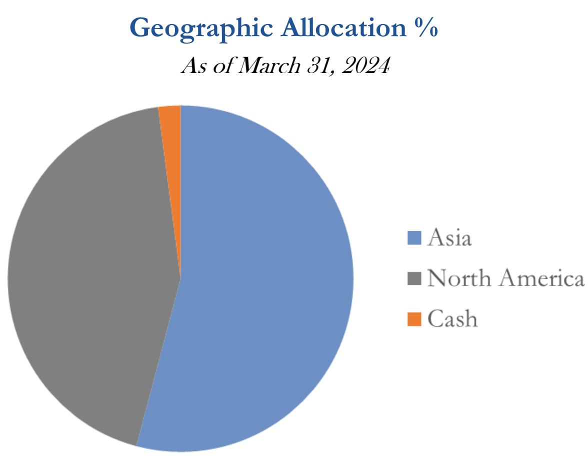
Oriental is accelerating its tutoring center openings as smaller competitors went bankrupt, and Coinbase is effectively now the last (and most trusted) crypto exchange left standing[3].

As their smaller competitors focus on fixing their business models and balance sheets, these market leading companies are taking the opportunity to step on the gas pedal and accelerate growth.

For example, Sea Ltd is now growing its ecommerce GMV +29% y/y (vs. just +5% the quarter before). Applovin is growing its software platform +88% y/y, New Oriental accelerated to +60% y/y, and Coinbase recently reported +116% y/y growth. Meanwhile, many of their competitors are either treading water, losing share, or have run out of cash over the last two years. And yet, all of these aforementioned companies remain attractively priced – generally trading at just ~8-13x what we think they'll generate in free cash flow two years from now.

Typically, the years after a recession are when companies cement their status as the new incumbents for the next cycle. It's probably too soon to know for certain, but I'm increasingly convinced that we're seeing that play out now.

**



Our portfolio rose +12.9% in the first quarter of 2024, versus gains of +10.6% for the S&P 500 and +8.2% for the MSCI World indices. This brought our annualized return since inception to +10.8%.

Approximately ~54% of our assets are invested in Asia, ~44% in North America, and the remainder in cash.

[3] Who would have thought proactively working with regulators and conservatively waiting for regulator clarity around new product launches (especially in the wild west of crypto markets) would be a good thing?...

Keeping Quiet

Since we started Hayden, a significant percentage of our portfolio has been in international companies – especially those in Asia. It's typical for disclosure standards to be lower for companies outside the United States, both for regulatory and cultural reasons.

As such, a common question I get from other investors is, how can we get comfortable & build conviction with the lower levels of disclosure outside of developed capital markets like the US? Especially in Asia, which is a dynamic market with lots of interesting opportunities, but also one that requires a learning curve for investors used to developed markets standards.

The simple answer is that we'll pass on 99% of companies. Most of these companies are too opaque or complex to truly understand the underlying operations, or what the real incentives and motivations are for the people running them. For example, is the company paying out a special dividend because they really don't have attractive avenues to reinvest internally? Or is it because the founder has a personal lawsuit against him, and needs the cash for settlement payment? Unless you know the decision-makers personally, it's hard to get insight into these issues.

Given this, we've found the need to "turn over more rocks" in these markets. The odds of finding an exceptional business that's also run by a shareholder-friendly management team is just a lot tougher. You simply have to widen your funnel, just to find one investment that's worthy of studying further.

Occasionally, you'll stumble across that company that seems special at first glance – whether through industry leading margins, high growth rates, and / or management teams that say all the right things in their shareholder communications. There are a couple indications that something unique is going on, but not enough "depth" of disclosure for outside investors to vet further beyond just trusting the company's statements.

In these cases, potential investors may hit a research "wall", if their research process only relies upon information readily found via the internet or Bloomberg, and they lack a network of industry contacts to provide context. It's usually at this point, such investors will complain about the lack of disclosures, and lament about how shareholder unfriendly these international companies are.

But in my opinion, this is precisely the opportunity for real excess returns are generated. It's not the management's job to spoon-feed investors, especially if the company isn't actively raising money. The company has given you enough to be interested in the stock, but it's the investor's job to dig further to build their own conviction. To "trust, but verify".

"Active" investors need to get away from their computer screens, hop on a plane, and actually do "active" work. Investors should act like detectives – that's the crux of the job. And it's something I think the industry's lost sight of.

**

So why do investors care about the degree of disclosure in the first place? Because the ability to know how shareholder's capital will be spent is critical to evaluating the future trajectory of a business, and the magnitude by which earnings will grow.

The more disclosure the better, since the more information that investors have, the better they're able to verify the business' opportunity set. Investors have higher confidence that their money will be spent well, and will result in a growing share of earnings. This transparency allows investors to more accurately assess the business, and therefore justify a lower margin of safety (since they're more confident in the model inputs).

More disclosure also lowers the "research cost" for investors, and thereby widens the potential investor base to less sophisticated investors[4]. All else equal, the end result is a higher multiple for the stock, and thus higher stock price.

**

But these conversations also got me thinking… is it true that more disclosure is *always* better for the investor? Are there scenarios where disclosing *less*, can actually *increase* shareholder value?

Sure, there are plenty of cases where companies don't offer any transparency, simply because there's something to bad hide. Unflattering data, a failing business that's trying to raise (con?) more money, or even fraud. But I'd argue that there are also legitimate reasons why companies may choose to disclose less – ones that *benefit* long-term shareholders. It's the active investor's job to decipher between the two.

First off, we should remember that the purpose of the capital markets is to match capital providers (savers with excess capital), with capital users (companies who raise funds from the savers, to fund a project they don't have the ability to finance themselves). In return, the capital providers get to share in the future profits.

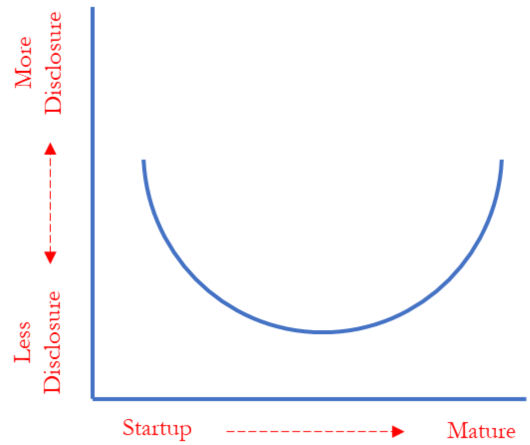
The goal is to provide an "objective" public valuation for the company, and raise money to finance future investments (whether through the IPO, secondary offerings, or raising debt).

Outside of these moments, and perhaps boosting employee recruitment / morale (for example, higher compensation via appreciating stock options), the market's valuation of the company has little to do with their day-to-day operations. The stock price is merely an indicator of the investors' opinion of the company. As important as investors might think they are, most of the time their "opinion" has little influence on what the business will earn in 5 or 10 years.

[4] Since you don't need to spend time & money finding this information yourself.

Disclosure Curve

Based on level of business maturity



As such, my thesis is there's a period in a company's lifecycle where they might *increase* long-term value by being less transparent (self-sustainable growth phase). And two periods where a company should lean towards giving more (at the startup phase, and at maturity).

Startups typically need money to build a team and develop their product, before they can develop a profitable business model. This usually means raising capital from outside investors – who want granular data and additional information to properly assess where their capital will be spent.

These are high risk investments, and any extra piece of data that helps de-risk the investment helps. Capital providers have a lot of alternative places to invest their capital (thousands of public and private companies). So if your peers are giving investors cohort curves, customers acquisition costs by channel, five year plans, and more, then you have to too if you want any shot at raising funds for your startup.

When you're a company begging for money, you *have* to cater to investors. You must tell the story, get people excited, and "sell the dream". The management team needs to share the vision, since there's little else for investors to go on.

In terms of value creation, it makes sense to be fully transparent at this stage. Being able to raise capital directly impacts the business' fundamental trajectory at this stage. Being able to afford first-class team members, or the ability to move faster than competitors. The more cash in the bank, the more durable the startup is, and financial breathing room to put out a quality product.

The downside risk of information being leaked to competitors is negligible, since the company is still extremely small. It's unlikely large incumbents would pay attention at this stage, since the product and business model haven't been proven yet. And startup peers will be in a similar situation themselves – with limited resources, and unable to attack aggressively, even if they wanted to.

As such, disclosing more to investors has a positive net impact on the terminal value of the business. Additionally, almost all companies raise from the private markets at this stage (i.e. venture capital), which negates information leakage. As such, these startups can experience the benefits of lower cost of capital (at a point when it's most expensive), while limiting the disadvantages.

**

On the other side of the curve, mature companies can also create shareholder value by being more transparent. Stock returns are driven by a combination of earnings growth and the multiple investors are willing to pay for that earnings stream.

Companies toward the end of their lifecycles probably won't generate strong returns from earnings growth alone. These firms have already "won the game" in their industries, with little white space left to grow into. They tend to exhibit earnings growth in the mid-single digits, just slightly above GDP growth. Without multiple expansion, this is the annualized return shareholders would realize over time.

But if such companies are willing to be transparent with shareholders, it's possible this could instill greater confidence in its future prospects[5]. The goal is to get investors to believe that the cash flows will remain durable / stable for decades ahead – thus to be valued like a quasi-bond trading at 30-40x P/E (like many consumer staples businesses do).

As a result, investors may assign a lower cost of equity to the company (due to lower perceived risk), which will increase the multiple. And with a clearer line-of-sight towards what earnings will likely look like in future years, the market may even be willing to value shares on expected earnings several years from now (thereby "pulling forward" future returns).

The negatives are mitigated by the fact the company is likely already entrenched in its industry. They've already driven their competitors out of business, so there's little risk of competitors using this public data to their advantage. For example, even if competitors knew Coca-Cola's near-term strategic plans, detailed sales data, etc. it likely wouldn't affect their business. The brand and its market share are so entrenched, there's little competitors could do to affect its business.

A higher stock valuation may also stem the business' inevitable decline, as the attractive stock price aids key employee retention, and can also be used to acquire other businesses – thereby continuing to grow inorganically (i.e. "life cycle extension"; LINK).

**

But what about the middle of the curve? For those companies that are no longer startups, which have found a viable business model, but are still early in their journey and battling competitors? Do the benefits of disclosing data at a granular level still outweigh the potential negatives?

I'd argue not. In fact, the company likely creates *more* value for long-term shareholders by disclosing less.

Once a company can finance all their future investments with internally generated cash flow, by definition, they don't need to raise money from the capital markets anymore. And if it doesn't need this option in the immediate future, should they care where the stock price trades in the

---

[5] At this lifecycle stage, it's likely less about instilling confidence in future growth. But rather instilling confidence that this business will endure for longer than expected, due to the business' quality characteristics. This pushes out the business cycle's "decline" period, and lengthens the period at which the business can stay at "peak earnings". This therefore increases the business's financial value (LINK).

short-term? Perhaps the benefit of disclosing less is in fact beneficial to the firm's long-term value?

For example, a major downside of being a public company is that your company's financials and strategic plans are all laid-bare for not just investors, but also your competitors. And competition at this lifecycle stage is merciless.

A couple years ago, I met the Chief of Staff of a private tech company in Asia. He told me his team secretly sends employees to their public competitor's investor days, poses as potential customers to understand their competitor's sales process, and religiously parses through their earnings calls, in search of weaknesses that they can attack.

And another private company said they routinely interview candidates from their main competitor (even if there's no job opening), just to see if they can obtain competitive insights via these interviews. It's brutally competitive out there, and even more so in Asia.

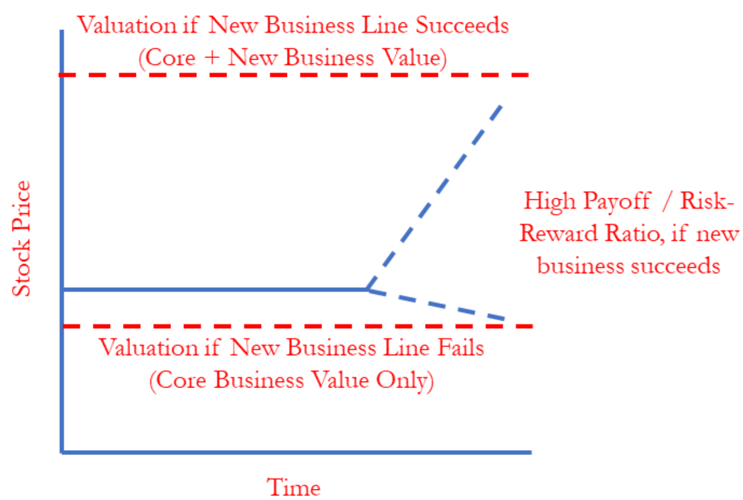
So by saying less in public forums, it may keep competitors at bay, and preserve more of the industry's profit pools for itself. Competition might not wake up to the opportunity until it's too late, and the lead you've gained is too significant to close.

Most of a company's value is in its "terminal state" (i.e. if successful, what is the company able to earn at maturity, and for how long). By staying secretive, it might increase the odds of reaching a higher terminal state / peak earnings power, since you're not enticing competitors to vie for the same prize. This lack of transparency may lower the company's valuation multiple in the short-term, but should theoretically increase its long-term value if successful.

Counter-intuitively, these secretive companies might even make for better investments, given the skewed risk-reward of the investment payoff.

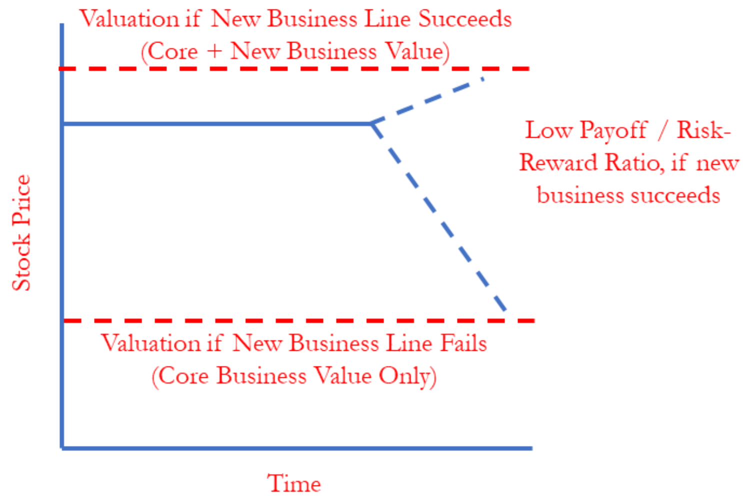
"Secretive" Company

Illustrative example



"Sell The Dream" Company

Illustrative example



For example, let's imagine a stock where the market ascribes a low valuation because of its lack of transparency. Now even if this company's new business line fails, the stock might not have much room to fall. Since shareholders didn't have much data to go on, they probably weren't ascribing much value to the new initiative in the first place (preferring to value the stock solely on the existing business, and won't give any value to the new initiative until only after it starts generating a profit).

Compare this to a situation where shareholders were overly excited about the new business line, and proactively valuing the company at a high multiple. Investors will lose a lot more money if the "dream" they were sold on fails to materialize.

Just like the saying "don't count your chickens before they hatch" – it's better for investors not to value new business lines, before they're proven. The stock will eventually reach the same end point / trade at the company's intrinsic value over the long term. It's just the path of the stock price will be very different, depending on the approach.

In the first scenario, the stock will likely stay flat, until the moment it becomes obvious just how profitable the new business line is (assuming the core business line is steady). Often the project's financial impact is too large to hide, and inevitably shows up in the financial statements – thereby providing the catalyst for the stock's inflection. Most of the price appreciation will happen suddenly at the end, when investors have enough information to start incorporating the new business line in their financial models.

In the second scenario, the stock price might fluctuate wildly in the intervening years. The stock price will be based upon both 1) a steady core business line + 2) a more volatile, unproven new business line. Additional disclosure might cause *more volatility*, not less, as investor's confidence in the new business line fluctuates with each new datapoint, and as the stock price follows this emotional rollercoaster.

As such, it's possible it is the company that keeps its plans close to the vest, that offers a better risk – reward for investors. It may take longer for the stock to appreciate (vs. the company pulling forward future returns by "selling the dream"). But in both cases, the ultimate fate of the company remains the same, and long-term investors will realize the same return.

Lastly, at some point along the way, the company may also start generating internal cash flow that exceeds its potential options to use it. At this point, the company may consider using that excess capital to repurchase its own shares, and returning it to shareholders.

When this happens, long-term shareholders should wish the shares to be under-valued, thus allowing the company to repurchase a larger percentage of shares. And it'll be more likely that its shares are under-valued if the company isn't publicly touting its success.

**

The downside of all this, is that these types of companies will probably be uninvestable for casual, retail investors. Doing the active legwork required to understand the strategic rationale and unit economics behind the company's new projects will be hard, but not possible. But investing isn't supposed to be easy either. It will just require an investigative journalist mindset – sourcing your own contacts, traveling to industry conferences, and any other fieldwork that's necessary.

I also wonder if the higher level of complaints from the investor community, is because the nature of our investing business has changed? It's estimated that ~30% of the industry's gross assets are now with multi-manager firms, who typically trade on shorter-term datapoints and time horizons.

Could it be that the industry's complaints have risen, simply because the datapoints that such market participants rely on for their "edge", aren't available for these companies that refuse to play the game and don't interact with Wall Street?

Perhaps these short-term investors want the multiple to rise, as they're looking to "sell the dream" to another set of investors, long before the "gravity" of earnings becomes evident? Hence, they want to "pull forward" returns, to realize their gains from increases in investor confidence, rather than fundamental improvement in earnings.

Have investors had it too easy, with access to alternative data sources, Bloombergs, and the internet? Have they forgotten how to conduct field research? Are they just used to being spoon-fed everything by the companies, in search of immediate returns? Investors don't "deserve" anything – it's the investor's choice whether to invest in a company based upon the information available to them. And it's the company's choice how much to disclose (within legal boundaries), knowing that the downside of disclosing too little is an impaired valuation multiple.

For the companies, the benefit of taking this approach is having an actively engaged, well-informed shareholder base. Since it's likely everyone who's invested had to build their own conviction and devoted substantial efforts to understanding the company – rather than just taking information the company feeds investors at face value.

Investing didn't used to be like this. Even US companies gave far less disclosure – for example Washington Post's annual report was only 20 pages, with little disclosure, when Berkshire Hathaway decided to invest in 1973 (versus 118 pages forty years later; LINK). Building personal relationships, getting to know the individuals running the company, and old-fashioned legwork were how you built conviction in an investment.

Observers have also complained that Berkshire itself offers very limited public disclosure into its subsidiaries' operations (LINK), doesn't host quarterly earnings calls, and the only opportunity to ask Buffett questions is at the annual meeting in front of 40,000 people. Buffett has explained that he believes quarterly earnings calls (and in particular, the ritual of offering quarterly guidance) promotes short-term thinking, and he prefers his investors focus on long-term strategic goals. In addition, avoiding these calls takes the pressure off management teams to hit their short-term targets / face undue pressure from shareholders. But offering such limited disclosure obviously hasn't hurt the stock price or investors' returns (as long as the business ultimately grows its earnings over time).

**

On a foundational level, the benefit of additional disclosure is to instill confidence in shareholders and lower the cost of capital, so the company can finance its future plans. But what if you don't need new shareholder capital to achieve the "dream"? What if more disclosure actually harms existing shareholders, by inviting more competition to vie for the prize?

Since the company doesn't need external capital, the likelihood of "winning" in its industry is dependent mostly on execution, not the capital markets. At the end, shareholder care about owning a piece of a large earnings stream. With or without disclosure, the company's destiny will unfold. And in certain circumstances, keeping quiet (even to its shareholders) may increase the odds of reaching that goal.

And for those investors willing to do the legwork, before results appear in the financials, these companies might offer one of the most resilient sources of alpha. To do the investigative field research, to understand the business economics that companies aren't willing to share themselves.

Sometimes I think the industry has forgotten this - that this is what active investors are paid for. Not sitting behind a computer and reading other people's reports. But to get into the streets, and conduct sometimes time-consuming research, in search of differentiated sources of alpha. It's not always easy, but it is rewarding.

Please let me know if you have any feedback on this thesis. I'm still thinking through the idea, and open to differing viewpoints. If you see any academic research or whitepapers on this subject, please send them my way.

PORTFOLIO REVIEW

Sea Ltd (SE): Sea's stock has been doing well in the last few months, gaining ~80% year-to-date. It turns out much of the market's fears around competition eroding Shopee's market share were misplaced. Growth is reaccelerating for both its gaming and ecommerce segments.

Our last update on the company was 9 months ago, and a lot has changed since then (LINK). I made the case back then that TikTok's growth was already showing evidence of slowing (contrary to the market's fears) and was following a similar growth curve to what we saw in China (with livestream ecommerce approaching a natural ceiling at 25 - 30% of total ecommerce spending). But I definitely didn't foresee what would happen a few months later.

The Indonesian government instituted a complete ban on TikTok Shop last October. Officially, the reason was that Indonesian law prohibits social media companies from commingling user data with an ecommerce operation (it needs a separate license & entity). The government also claimed that TikTok Shop is hurting local merchants who aren't able to compete with cheap, imported goods from China. Indonesia was holding its presidential election in February, so it was also viewed as a way to garner votes.

There's a certain amount of truth to this. But we've also heard rumors / speculation that the real reason was that TikTok's rapid growth was primarily coming at the expense of Tokopedia. And their politically connected shareholders weren't happy.

We've told partners over the years that Tokopedia is essentially a piggybank for the political elite of Indonesia – many well-connected families own stakes in Tokopedia – and it's arguably these connections that allowed a weak player to last this long in such a competitive space.

As such, maybe it shouldn't be a surprise that when TikTok was looking for ways to acquire an ecommerce license / re-enter the market, they figured the most fool-proof method would be buying Tokopedia outright (and bailing out these shareholders).

In fact, Tokopedia's new CEO has publicly confirmed that their company was rapidly losing market share to TikTok, and felt like he had no other option (LINK). Toko's market share decreased from 28% to 23% over the course of 2023 (i.e. losing 5%), while TikTok's market share more than doubled from 5% to 11% (i.e. gaining 6%). And worse yet, we estimate that these losses accelerated in the months before the acquisition.

Whatever the case, while these competitors were swapping market share, Shopee reinvested its earnings to deepen its competitive moat. It invested in its own livestreaming initiative (Shopee Live) as well as building out its in-house logistics (Shopee Xpress). Nowadays, the company ships ~60% of its packages on its own, 70% of these arrive within 3 days, and its internal per package shipping costs are cheaper than shipping via external couriers.

Logistics is a scale game – the more packages you can ship across the same route, the cheaper it will be on a per parcel basis. With Shopee pulling an additional ~20% of its orders from third-party logistics providers ("3PLs"), 3PLs now need to recoup the same fixed costs on a smaller number of parcels, thus increasing shipping costs for competitors who use them[6].

All of this enabled Shopee to defend its turf, and is now setting it up in a good position to reaccelerate growth as the industry's competitive intensity dies down.

TikTok is back in the market after acquiring Tokopedia, but is showing signs it's wounded by last year's events. Its GMV growth has been stagnant since it re-entered Indonesia, and its sales are currently at ~60-80% its pre-ban levels. Shopee also took advantage of the chaos while TikTok

[6] Shopee fulfilled ~40% of orders internally the year before. We also discussed this thesis point in more detail last summer (LINK).

was banned, to sign exclusive contracts with some of TikTok's largest live streamers. So this might be impairing TikTok's ambitions too.

Lastly, the company is also dealing with separate issues in the US, with legislation now officially forcing TikTok to sell itself or face another ban in its largest market (LINK). It's not clear how this will play out – would TikTok only sell the US business, or all of international? If the latter, will the potential acquirer be willing to fund billions in subsidies, as TikTok did last year? Or will TikTok simply shut down the US business?

There's still uncertainty here. But at the moment, we know TikTok is taking a breather and reorganizing its operations. They're starting to cut staff, and has been raising seller commission rates in the last few months (LINK). This indicates a focus on becoming profitable, rather than growing aggressively.

Meanwhile, Shopee is getting stronger. GMV growth reaccelerated from just +5% y/y in Q3 2023, to +28% y/y in Q4 2023, and now +36% y/y in Q1 2024. It looks like the division will easily surpass +$100BN in GMV this year, and will soon return to profitability. The investor debate has shifted from "will Shopee be able to defend against TikTok" to "can Shopee grow profitability, and at what rate?".

Lastly, Garena's largest game, Free Fire, is back to growth as well (the market was fearing the game's demise a year ago). Alternative data providers are showing Free Fire active players are back to levels last seen in Fall of 2021. And this is despite Free Fire still being banned in India – although local news outlets indicate they might relaunch later this year[7]. If so, it may help propel Garena's player base above its prior peaks.

Sentiment-wise, Sea's share price has been volatile during this period, as investors debated the above points. But the strategic clarity these past two quarters has brought investor confidence back, and investors are starting to pay attention again.

After speaking with many other funds, it seems investors still have under-sized positions, and are waiting for a few more quarters of positive results before they size these positions up. The stock is still being valued at just ~12x 2026 EV / EBIT, or a -40% discount to emerging market peers like Mercado Libre.

If Sea's business momentum continues, I wouldn't be surprised to see the share price much higher in just a few quarters.

CONCLUSION

This semester, I'd like to thank Shane Desilets who also interned with us the past few months. Shane is currently in UCLA's value investing program, and helped us cover a lot of ground

[7] India's The Economic Times reports Garena has started moving data to local Indian servers – a regulatory prerequisite for launching in the country (LINK).

looking for new ideas. He's heading to NYC for investment banking, and I wish him the best (and hopefully some sleep) this summer.

**

I also have some extremely personal news to share – something I debated for a while whether to mention here, in what should ostensibly be an investor letter. But at the same time, I've always written these pieces primarily for myself. Long before our distribution list had grown so large.

My aim when I started years ago, was for these letters to act as a journal of my investor journey. To hopefully look back and reflect on after a multi-decade career. And equally, for our external partners to understand who we are better – not just our investments and the rationale behind them, but also what culture I wish to instill, what I wish for Hayden to become, and who I am as a person and how I think about the world. I believe understanding who an investor is as a person and their values, is one of the most important ways to evaluate whether a partnership is a good fit.

As such, Hayden is essentially an extension of myself, and I view our Hayden partners as part of an extended "family". And sharing this news just felt right.

**

I'm sad to share that my youngest daughter passed away recently, at just 4.5 months old.

Losing a child has had a deep impact on myself and the way I see the world. My wife & I deeply believe that a meaningful life is composed of two components - internal & external. Internal fulfillment comes from treating the world as your playground - meeting as many people as possible, living the diverse experiences the world has to offer, and enjoying life to the fullest and treasuring our time on this earth. And external fulfillment comes from leaving an impact with your life - touching other people's lives, improving the human condition, and leaving a mark for the betterment of others after your time ends.

While our daughter wasn't able to fulfil the first, my family & I hope to carry on her legacy, by leaving an impact on her behalf. I don't know yet how exactly this will take shape, or how it will affect Hayden's process. But I do know at the least, I hope to be kinder – especially in an industry that is typically known as the opposite. And to be honest, what we do for a living isn't important enough, to compromise who we are as fellow human beings.

Perhaps this will manifest itself in trying to mentor more students and to share advice that I didn't have myself when entering this field. So far, watching our former interns' careers progress years after they've left, and occasionally helping put in a good word or making a fruitful connection that leads to a new job, is one of the most rewarding aspects of starting Hayden. I hope I'll have the opportunity to do more of that.

Additionally, I want to make an effort to engage with more people who have different life perspectives than myself. To be more compassionate and understanding of others. Previously I may have just disagreed, or even said they're "stupid". But that's not right. As humans, I think we're all just trying to make the best decisions for ourselves & our families, and having different "inputs" / life-experiences simply results in different "outputs" / viewpoints. I think there's a lot to learn from others, from hearing about their lived experiences and how it shaped their differing views. Maybe doing so will even lead to a contrarian insight one day.

Lastly, my family hopes to be more generous financially as well. It seems like such an easy route to just give money. But in the field of rare genetic mitochondrial diseases, which our daughter had, there's so little funding in the space that our financial contributions (especially over our lifetime) might make a difference. We don't know exactly what form this will take yet, but most likely a portion of Hayden's annual revenues will be contributed to this cause. Just helping one family whose child is going through this will make it all worth it.

1 in 5,000 families are affected by genetic mitochondrial diseases – so chances are someone reading this letter has experienced something similar. To that person, I just want to say I understand what you're going through – and to please email me. I hope that by at least sharing our story, it can contribute in a small way to more love and understanding in this world.

If you'd like to donate to this cause, please reach out to me directly, and I can help direct you to the best resources. And if anyone reading this is connected to Newcastle University's Mitochondrial Research program or Childrens Hospital of Philadelphia's genetic research center, please reach out too as I would love to get involved.

Sincerely,

Fred Liu, CFA
Managing Partner
fred.liu@haydencapital.com

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable, but in no way are warranted by us to accuracy or completeness. We do not undertake to advise you as to any change in figures or our views. This is not a solicitation of any order to buy or sell. We, any officer, or any member of their families, may have a position in and may from time to time purchase or sell any of the above mentioned or related securities. Past results are no guarantee of future results.

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact.

Historical performance results for investment indices and/or categories have been provided for general comparison purposes only, and generally do not reflect the deduction of transaction and/or custodial charges, the deduction of an investment management fee, nor the impact of taxes, the incurrence of which would have the effect of decreasing historical performance results. It should not be assumed that your account holdings correspond directly to any comparative indices.

The securities discussed within do not represent all the securities purchased, sold or recommended for client accounts. There is no assurance that any securities discussed herein will continue to be held. It should not be assumed that any of the securities discussed were or will be profitable, or that the investments decisions Hayden makes in the future will be profitable.

Hayden Capital is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

Clients should let Hayden Capital know if financial situations or investment objectives have changed or whether they prefer to place any reasonable restrictions on the management of their account(s) or modify any existing restrictions.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security.

All investments contain risk. You should carefully consider your risk tolerance, time horizon, and financial objectives before making investment decisions.