

Introduction to Framtiden Holdings LP

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Profile

The Framtiden Partnerships consist of two Delaware-registered limited partnerships formed in 1998 and capitalized in 1999 and a Delaware-registered limited partnership formed in 2018 and capitalized in 2019. “Framtiden” means “the future” in Swedish. The Partnerships seek capital appreciation primarily through public equity investments.

Introducing Framtiden Holdings LP

Framtiden Holdings LP (“FHLP”), launched in July of 2019, is a concentrated, long-only investment partnership designed to serve endowments, foundations, family offices, and high-net-worth individuals.

FHLP’s goal is to grow the purchasing power of our capital at a superior rate to alternatives over the long term with minimal risk of permanent capital loss. Our framework involves evaluating the Position, People, and Price of public companies. Because of our generally long hold periods / low turnover, relatively small number of positions, and emphasis on company specifics, we regard our partnership as more akin to a holding company than a securities firm.

PERFORMANCE¹

<u>Year</u>	<u>FHLP gross</u>	<u>FHLP net</u>	<u>S&P 500</u>
2019 H2	17.7%	16.0%	10.9%
2020	25.8%	24.0%	18.4%
2021 H1	22.6%	20.8%	15.3%
Compounded Annual Gain	34.7%	31.8%	23.0%
Overall return	81.5%	73.8%	51.4%

HISTORY

FHLP is the third partnership in the Framtiden Partnership family, which began in 1999 when Managing Member Dan Juran founded Framtiden LP and First Framtiden LP (“FLP” and “FFLP,” together “the Legacy Partnerships”). Please see the Appendix for additional context and the track record of the Legacy Partnerships.

STRUCTURE

We believe that FHLP’s fund structure – and the limited partners it attracts – improves the odds that we achieve market-beating net returns over time. Key tenets of our structure include:

- 1) Monthly contributions and annual withdrawals (once per year on 12/31 with sixty-day notification); these features simplify portfolio administration and allow us to focus on capital allocation decisions; monthly or quarterly liquidity would encourage a short-termism that we find counterproductive to sound investment decision-making
- 2) Low management fee (20 basis points) and a performance fee contingent on both positive and market-beating returns (25% of performance in excess of the S&P 500, only assessed when LP returns are positive); general partner compensation is therefore dependent on adding both absolute and relative value, not merely raising AUM; we believe this fee model is both fair and more likely to inspire investor loyalty
- 3) Support from institutional-quality service providers who know our business; simplicity and long-termism lend themselves to lower-cost and higher-quality vendor relationships

¹ Aggregate basis – Individual LP returns may differ due to contribution timing; partnership financial statements have been audited since inception, but all performance tables are unaudited; the S&P 500 returns include dividends.

Portfolio Characteristics

We discuss our approach in more detail in the next section, but key characteristics include:

- **Concentration** – From the thousands of publicly-listed companies in the world, FHLP owns 12 stocks as of 9/1/21. We concentrate our capital for two main reasons: 1) great investment ideas – with both attractive upside and limited downside – are rare, and 2) closely monitoring business subtleties is difficult beyond a handful of enterprises. Despite our focused portfolio, we seek diversification through idiosyncratic earnings streams on a “look-through” basis.
- **Patience** – The Framtiden approach focuses on rough, long-term business and economic truths. We make no attempt to forecast short-term market developments. While FHLP was launched in July 2019 and turnover data is therefore limited, the Legacy Partnerships (founded in 1999) have a capital-weighted average holding period of over 12 years.
- **Industry and geography agnostic** – We invest across sectors and countries, always focusing on opportunities with the highest likelihood of market-beating returns and the lowest risk of permanent capital loss. The only constraint on investment consideration is our ability to analyze value. Given the inherent uncertainty of the future, we prefer familiarity and simplicity.
- **Scalable** – The approach favors enterprises with highly durable positions and low business risks. This results in the portfolio usually consisting of market leaders that tend to be large. All but two FHLP holdings as of 9/1/21 have market caps greater than \$10b (some *much* greater), and the exceptions are no smaller than \$4b. A tangential benefit is that we can deploy significant additional sums into our approach without much effect on prices.
- **Tax-efficient** – As an outgrowth of our long-term investment approach, we expect FHLP to be tax-efficient. Capital gains, when realized, are likely to be long-term. Partnership tax law also offers a significant benefit for taxable investors - withdrawals up to tax basis are considered a “return of capital” and are therefore not subject to tax. Investing directly in public equity securities provides no such advantage.

The table below provides a snapshot of FHLP holdings by industry and domicile(s) as a percentage of partnership capital as of September 1, 2021.

<u>Industry</u> ²	<u>Domicile(s)</u> ³	<u>% of Partnership Capital</u> ⁴
Consumer Staples	Australia, Sweden, United Kingdom	44%
Internet	China, United States	29%
Finance	United States	15%
Consumer Services	United States	6%
Logistics	United States	4%
Other	United States	3%

² Industry classifications should only be considered in a general sense. Businesses within the same sector can possess divergent fundamental and valuation characteristics. We invest based on company specifics.

³ Many of our holdings generate substantial revenue and operating profit outside of their domicile. The country that generates the largest share of partnership revenues and profits is the United States.

⁴ Sum does not equal 100% due to rounding; cash as of 9/1/21 was <1% of partnership capital.

The Framtiden Approach in Detail

The goal of the Framtiden investment approach is to grow the purchasing power of our capital at a superior rate to alternatives over the long run with minimal risk of permanent loss. We believe that owning equity in high-quality businesses, purchased at attractive prices, generally provides the best odds for long-term capital growth.

INVESTMENT PROCESS

The Framtiden investment process is organic and adaptive. We use rough mental frameworks rather than rigid criteria to identify opportunity. The diligence process is company-specific, and we size positions based upon conviction level, underlying earnings diversification, and our sense of the possible distribution of outcomes.

We view all investment opportunities in relation to alternative uses of capital at the time. Judgments about the valuation of an individual security, or even a broad asset class, require context to be meaningful. For example, when the broad stock market has a 5% earnings yield (i.e., a P/E ratio of 20), it is “cheap” relative to bonds paying 2% but “expensive” if bonds pay 7%. We apply this idea at the microeconomic level, comparing the attractiveness of individual stocks both to each other and to other financial assets.

At the security level, we prefer concentration in our best ideas rather than excessive diversification. We are unlikely to hold more than 20 securities at a time and may possibly hold much fewer. While we favor a focused approach, we do consider diversification of earnings streams at the portfolio level (some businesses compete in multiple product categories and geographies that have different economic characteristics and thereby mitigate idiosyncratic risk).

In order of importance (higher to lower), our investment model focuses on –

- Position – We look at the sustainability of competitive position and growth as a means to understanding, in a rough directional sense, the trajectory of future earnings power
- People – We take pride in the art of judging managerial character and competence
- Price – We seek an undemanding price relative to current earnings

We will generally act *strategically* rather than *tactically*. We believe a few long-term judgments beat many smaller ones that attempt to manage short-term vicissitudes. Specifically, we do not tactically trim positions due to upward price movement alone, nor do we adjust positions based upon anticipated short-term weakness in the fundamentals (so long as our belief in the long-term truths remain intact). In essence, we buy when we like a company’s Position, People, and Price. We sell when *lasting* concerns develop about the Position or People. Our preferred holding period is forever.

While we believe our approach is more attuned to the psychological realities of investing (in contrast to a hyper-rational approach that seeks to continually rebalance portfolios based upon price movements and near-term forecasts), we are not dogmatic. We may sell securities to raise funds for particularly attractive opportunities or when valuations have diverged radically upward from underlying fundamentals.

The Framtiden Approach in Detail

SOURCING IDEAS

There are thousands of public equity securities around the world. We seek to identify the best investment opportunities through the following means:

- 1) Wide-ranging reading. Most of our time is spent reading company filings, trade journals, newspapers, periodicals, and the like. We also review statistical manuals that present summary financials of different businesses. Companies facing temporary problems exacerbated by pessimism, fear, or impatience tend to arouse our interest.
- 2) Following excellent businesses. There are probably 40-60 companies that we follow due to their exceptionally high quality. These are businesses that for one reason or another we have never purchased (most likely because of high prices or more compelling opportunities) but that we would quickly consider for investment at the right price.
- 3) Monitoring the competitors of current holdings and similar businesses in different geographies. Several of our best ideas have come from carefully following existing investments.
- 4) Listening to inspiring business leaders. We read about and listen to executives we admire even if we don't own their company's stock. Sometimes their commentary on the economic prospects of a company or market can be illuminating.

Insights and opportunities present themselves at unexpected times, and we simply seek to maximize the odds of such occurrences through continuous learning. Intellectual independence and patience are crucial.

DUE DILIGENCE AND DECISION-MAKING

Our standard due diligence protocol includes reading annual reports from the past three years (as well as the past year for major competitors) and listening to recent conference calls. The latter is a means to getting a feel for management. From there, due diligence is highly company-specific. We focus on identifying and understanding the drivers of earnings power and key risk factors. This process may require reading proxy filings, studying regulations, or speaking with industry experts or company management. When appropriate, we seek to become customers ourselves.

Once we are comfortable with the Position, People, and Price of a business, we initiate buying in proportion to conviction level and capital availability (cash and other securities that could be liquidated). We continually seek competition for partnership capital, but we remind investors that our disposition towards the new versus the time-tested is one of intellectual humility:

“While I am excited by the prospects of our new investments, given a choice between starting a new investment or increasing an existing one, my preference remains the latter. Longtime ownership brings a deep familiarity, which lowers our ongoing risk of loss. I am more apt to be able to detect subtle changes with potentially negative ramifications than would be the case with newer investments.” *Framtiden LP 2005 Annual Report*

The Framtiden Approach in Detail

MONITORING

Nothing sharpens focus quite like ownership. We continually monitor holdings by reading filings, news stories, and listening to conference calls. Some investments require more careful attention than others given the nature of their business and the pace of change (we prefer simple, slow-changing businesses all-else equal, but opportunities exist in many forms).

The art of following business developments is the separation of news from noise. When the latter dominates market sentiment and results in depressed prices, we are buyers. When new information emerges that causes us to doubt our long-term thesis about the Position or People (this “news” could be widely publicized or hidden in an arcane filing), we are sellers *regardless of Price*. We also find that long periods of stagnating stock prices and absence from the news cycle, combined with veiled improvements in earnings power, can occasionally provide buying opportunities (investor boredom – like pessimism, fear, and impatience – draws our attention).

“A cardinal rule – if well-grounded doubts develop about the Position or People, sales should be executed with dispatch irrespective of the Price in relation to cost. Investors who break this rule commonly suffer.” *Framtiden LP 2016 Annual Report*

RISK MANAGEMENT

We define risk as the permanent loss of capital. Since our goal is to hold relatively few securities, our approach to risk starts first and foremost with evaluating individual business risk.

We conservatively assess a company’s competitive position, growth prospects, debt structure, and customer concentration, among other fundamental factors. We also look closely at management, drawing upon two decades of experience assessing leaders. Finally, we consider macroeconomic factors to the extent they are relevant to valuation (e.g., interest rates) or to *long-term* fundamentals (e.g., country-specific economic, demographic, or political factors).

“The secret to our investment selection process is that we accept our ignorance in most matters. For most companies, either the nature of the business or the complexity of the financial statements makes judgments about current and future earnings power problematic. Our response to this challenge is simple – we don’t participate in enterprises we don’t understand.” *Framtiden LP 2002 Annual Report*

Ultimately, we will choose few and pass on many. By limiting the number of positions and monitoring closely, when we err regarding the Position or the People (as we inevitably will from time to time), we believe the odds of detecting and anticipating fundamental problems *before* they manifest themselves in valuations is higher than with a conventional diversified approach. We closely study and seek to learn from misjudgments (both our own and those of others).

In line with our conservative long-term philosophy, we do not use leverage or time-limited strategies (e.g., options or short-selling). We do not consider short-term price movement (i.e., volatility) a risk and therefore make no efforts to mitigate it.

Values and People

Honor

Delivering satisfactory results comes before our reward – low management fee and incentive allocation requiring both absolute and relative value-add.

Intellectual Humility

Identifying winners with an actionable level of certainty is difficult – we are realistic about the limits of our understanding.

Focus

Our edge lies in committing meaningful amounts to our best ideas.

Simplicity

Complexity increases the likelihood of mistakes – we strive to simplify.

Patience

Opportunities are infrequent and fruition takes time – setbacks are expected.

Frugality

We respect money and the effort that produces it – we will treat it with care.

We seek **investors** who **share these values**.

Dan Juran

Co-founder and Managing Partner, responsible for investments and management of the firm

A New Orleans native and Amherst College graduate, Dan has managed two market-beating investment limited partnerships for over twenty years. He has also worked as a Merrill Lynch broker, a BMW motorcycle mechanic, a financial analyst at an American Express Tokyo joint venture and as an English teacher in Japan.

Chris Anderson

Co-founder and Partner, responsible for security analysis and management of the firm

A Chicago native and Amherst College graduate, Chris has been an associate at the investment firm Sansome Partners, a business analyst at McKinsey & Company, and a teacher in Chicago Public Schools with Teach for America.

Mary Sudie

Operations and Compliance Specialist, responsible for supporting back and mid office functions

A Chicago native and a graduate of Northeastern University, Mary has experience in fund administration, accounting, and compliance.

Fun Facts – Dan drove a Toyota pickup with no A/C for seventeen years. He enjoys sailing on Lake Michigan. Chris is a descendent of James Fenimore Cooper, author of *Last of the Mohicans*. He enjoys mountain climbing and Green Bay Packers football. Mary is an avid Cubs fan, enjoys tennis, and is the daughter of Irish immigrants.

Framtiden Holdings LP – Term Sheet

Investment	Delaware-registered private investment limited partnership formed August 29, 2018 and capitalized July 1, 2019. Exempt from the Investment Company Act of 1940 under Section 3(c)(7).
Strategy	Managed for long-term capital appreciation using a fundamental, concentrated, long equity approach. Universe is public equities.
General Partner	Framtiden Capital Company, LLC – Principals are Dan Juran and Chris Anderson.
Investment Manager	Framtiden Management Company, LLC (“FMC”) – Same principals as General Partner. Relying adviser under Rings Capital Management, LLC (“Rings”), an SEC-registered investment adviser. Together, Rings and FMC manage over \$400 million.
Limited Partners	Endowments, foundations, family offices, and high-net-worth individuals
Commitment	\$10 million minimum initial contribution (subject to waiver at manager discretion)
Management Fee	20 basis points
Incentive Allocation	Limited partners (“LPs”) pay only for market-beating, positive performance. The Incentive Allocation (“IA”) is 25% of the excess return, if any, above the Hurdle Rate (the S&P 500 total return), subject to the high-water mark procedure. IAs are therefore only assessed if 1) gross returns exceed the Hurdle Rate and 2) LP net returns after the IA would be positive. If an IA is not assessed, the Hurdle Rate compounds, and future assessments are made based on cumulative gross returns versus cumulative Hurdle Rate performance. IAs are determined on 12/31 each year and, if assessed, are irreversible.
Opening	Monthly
Withdrawals	Annual effective December 31 st with sixty-day notification. Minimum one-year commitment.
Expenses	Due to our mostly fixed cost expense structure, the simplicity of the investment strategy and fund structure, and long-term engagements with service providers, we expect to operate at below-industry expense levels.
Broker	JonesTrading Institutional Services, LLC
Custodian	U.S. Bank National Association
Administrator	U.S. Bancorp Fund Services, LLC
Auditor/Tax	Deloitte & Touche LLP
Legal	Cole-Frieman & Mallon LLP

Appendix: Historical Performance of the Framtiden Partnerships

The Framtiden Partnerships began in 1999, when Managing Member Dan Juran founded two investment vehicles, Framtiden LP and First Framtiden LP (“FLP” and “FFLP,” together “the Legacy Partnerships”). The two vehicles share the same investment strategy and holdings but have distinct fee structures due to different investor types (qualified versus non-qualified). The core characteristics of the approach have remained unchanged since inception: fundamental, focused, long-term, long only, global public equity; no leverage or derivatives.

Framtiden LP (“FLP”) – Serves *qualified* investors on a pure performance fee basis (25% of the net return over the 1-year risk-free rate of return subject to a high-water mark).

First Framtiden LP (“FFLP”) – Serves *non-qualified* investors on a management fee basis (1%).

Legacy Partnerships’ Performance vs. the S&P 500⁵

Year	Annual Percentage Change			
	FLP gross	FLP net	FFLP net	S&P 500
1999	(32.4)	(32.4)	(31.4)	21.0
2000	71.8	69.2	65.6	(9.1)
2001	22.8	18.7	20.4	(11.9)
2002	5.8	4.9	4.6	(22.1)
2003	34.5	26.2	33.6	28.7
2004	24.5	18.8	19.5	10.9
2005	16.8	13.2	15.7	4.9
2006	21.4	17.2	20.1	15.8
2007	(7.2)	(7.2)	(6.3)	5.5
2008	(33.9)	(33.9)	(34.7)	(37.0)
2009	52.1	51.7	51.6	26.5
2010	17.3	16.9	16.8	15.1
2011	18.2	14.1	17.6	2.1
2012	34.1	25.2	30.2	16.0
2013	31.7	23.2	27.6	32.4
2014	15.5	11.5	14.0	13.7
2015	11.7	8.9	11.5	1.4
2016	(0.2)	(0.2)	(1.3)	12.0
2017	43.8	32.2	40.8	21.8
2018	(3.9)	(3.9)	(5.2)	(4.4)
2019	53.1	42.1	50.4	31.5
2020	29.5	22.6	28.1	18.4
Compounded Annual Gain – 2018-2020	24.0%	18.8%	22.2%	14.2%
Compounded Annual Gain – 2016-2020	22.3%	17.2%	20.5%	15.2%
Compounded Annual Gain – 2011-2020	22.1%	16.8%	20.2%	13.9%
Compounded Annual Gain – 1999-2020	16.5%	12.9%	15.0%	7.2%
Overall Gain – 1999-2020	2,785.4%	1,353.4%	2,068.5%	364.6%

⁵ Aggregate basis – Individual LP returns may differ due to contribution timing; partnership financial statements have been audited since inception, but all performance tables are unaudited; the S&P 500 returns include dividends.

Appendix: Additional Analysis & Legal Information and Disclosures

FHLP has the same investment approach as the Legacy Partnerships but some distinct features. For example, the Legacy Partnerships have been self-administered since inception, while FHLP is administered by U.S. Bancorp Fund Services. Similarly, the Legacy Partnerships use Charles Schwab for custody and trading, while FHLP uses U.S. Bank N.A. for custody and JonesTrading Institutional Services for trading. All three entities are audited by Deloitte & Touche LLP and use Cole-Frieman & Mallon LLP for legal services. They also all operate under the same SEC registration and compliance program.

Hypothetical Historical Net Performance under FHLP Fee Structure

The exhibit below takes *actual* historical Framtiden LP gross returns and retroactively applies the FHLP fee structure to produce *hypothetical* historical FHLP net returns through year-end 2019. We also show the returns of other asset indices and inflation for comparison.

<i>CAGR through year-end 2019</i>	<u>3-year</u>	<u>5-year</u>	<u>10-year</u>	<u>15-year</u>	<u>21-year</u>	<u>Overall gain</u>
Framtiden LP gross (actual)	28.4%	18.7%	20.9%	15.6%	15.9%	2,128.1%
FHLP net (hypothetical)	26.2%	16.9%	18.7%	13.9%	13.6%	1,352.6%
S&P 500 total return	15.3%	11.7%	13.6%	9.0%	6.7%	292.4%
Corporate Bonds ⁵	4.0%	3.0%	3.7%	4.2%	4.7%	164.7%
US Housing ⁶	4.8%	5.0%	3.9%	1.9%	4.0%	129.0%
Inflation ⁷	1.9%	1.9%	1.7%	2.0%	2.2%	56.7%

Legal Information and Disclosures

This letter and the information herein is not for further dissemination. Redistribution or posting of any information in this letter, whether electronically or in paper form, without the consent of Framtiden Management Company, L.L.C. ("FMC") is prohibited.

Partnership interests have not been registered or qualified under the Securities Act of 1933, as amended, or any state's securities laws. They are offered pursuant to exemptions from such registration and qualification. This letter does not constitute, and should not be construed as, an offer of advisory services, securities or other financial instruments, a solicitation of an offer to buy any security or other financial instrument, or a recommendation to buy, hold or sell a security or other financial instruments in any jurisdiction. The provision of information in this letter does not constitute the rendering of investment, consulting, legal, accounting, tax or other advice. The information presented in this letter reflects the author's then-current views as of the date of the letter. As facts and circumstances change, the author's views may change as well.

This letter may include forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties, assumptions, and other factors which may cause actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. In addition, new risks and uncertainties may arise from time to time. Accordingly, all forward-looking statements should be evaluated with an understanding of their inherent uncertainty. FMC assumes no obligation to update this letter.

PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS, WHICH MAY VARY.

Framtiden LP and First Framtiden LP have substantially the same holdings and position weightings. Framtiden Holdings LP has the same investment approach as the legacy entities, but holdings and/or position weightings may differ due to the timing of capital contributions, the buy/sell philosophy of the investment approach, and tax considerations.

Partnership performance referenced in this letter reflects estimated and unaudited total return. This return reflects the reinvestment of dividends, interest, and other earnings. Final unaudited total return provided to limited partners and their representatives or advisors subsequent to this letter may differ from any estimate referenced herein. Further, the return of individual limited partners will vary depending on several factors, including the timing of limited partner capital contributions. Certain information contained in this letter, such as economic and market information, is obtained from third-party sources and may not be updated through the date of the letter. While such sources are believed to be reliable, FMC assumes no responsibility for the accuracy or completeness of such information.

⁶ Bloomberg Barclays US Aggregate Bond Index

⁷ S&P/Case-Shiller US National House Price Index; data through October of 2019

⁸ Bureau of Labor Statistics – Consumer Price Index for All Urban Consumers; data through November of 2019