

FUNDAMENTALLY
DRIVEN
RESEARCH
FOCUSED.



SZF CAPITAL
Long Only Equity Strategy
CONTACT

“To buy when others are despondently selling and to sell when others are greedily buying requires the greatest fortitude and pays the greatest reward.”
- Sir John Templeton, Billionaire Investor and Philanthropist

OVERVIEW

Capital Preservation with Margin of Safety is our Pedigree

Steve Zali at SZF Capital has been investing in long only equity strategy for 5 years, having 100% of his wealth in Public Equity

In engineering; people have a big margin of safety. But in the financial world, people don't give a damn about safety. They let it balloon and balloon and balloon.

- Charlie Munger

PHILOSOPHY

SZF Capital was founded on the beliefs investors can find tremendous inefficiencies in the market:

”

INVEST LONG TERM

- We believe that with the requisite skills and experience can add value by investing in worldwide public equity (US, Europe, Asia, South America) while reducing equity market risks by adding margin of safety in any investment.
- We aim to harness our fundamentally driven, research focused investment process by looking for exceptional returns.
- When we buy a stock, our research is made as if we buy the entire business.

”

FOCUS ON SMALL AND MID-CAP STOCKS

- We believe that “value-biased” small-mid cap companies offer the greatest long term risk-adjusted returns.
- Our investable universe usually includes securities with market capitalizations less than \$10 billion.
- Our investable universe focus on great businesses with a sustainable moat.

”

FISH THE BOTTOM

- We believe that stocks can significantly degrade based on market emotion, we take action when obvious opportunities come to life.
- We focus on any market where we can find Bargains.

STRATEGY OVERVIEW

Objective

SZF Capital invests in long only, worldwide small-mid cap public equity portfolios designed to deliver attractive rates of return over a three to five year time horizon within. Our overall goal is to manage a portfolio with undervalued equities of great companies, taking a margin of safety high enough to preserve the capital and, add a significant return.

"In my view, the biggest investment risk is not the volatility of prices, but whether you will suffer a permanent loss of capital. Not only is the mere drop in stock prices not risk, but it is an opportunity. Where else do you look for cheap stocks?" Li Lu

STRATEGY SUMMARY

UNIVERSE

- **Small/Mid-Cap U.S. equities (less than \$10 billion market cap)**
- **Benchmarks: Russell 2000**

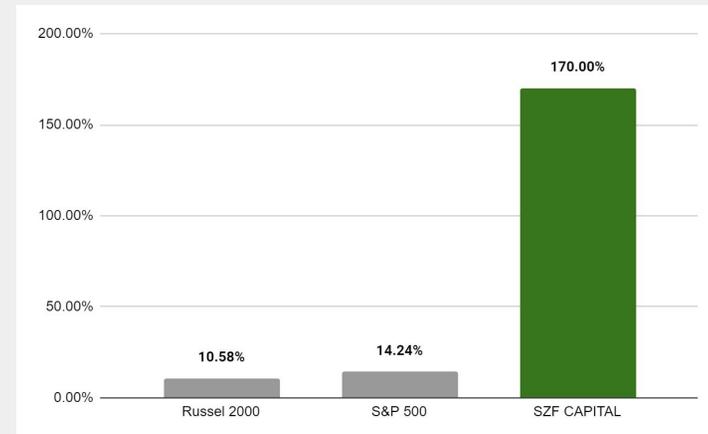
PORTFOLIO OVERVIEW

Long Portfolio

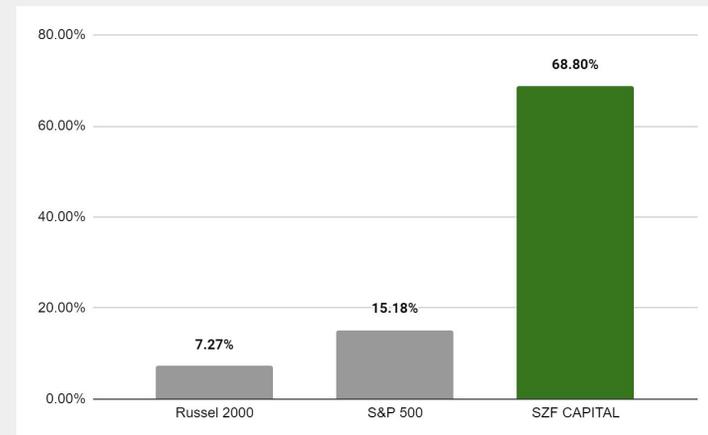
- **100% Long Exposure**
- **Generally 30-50 Individual Stocks**
- **Average Position Weight: 4%**
- **max yearly drawdowns: -45% (COVID-19)**

"Past performance is no guarantee of future results"

Return 2020
YTD November 2020



3 Year Annualized Return
Jan, 2017 - December 30, 2019



INVESTMENT PROCESS

“Risk Adjusted Value” Approach



“The investor’s chief problem—and his worst enemy—is likely to be himself. In the end, how your investments behave is much less important than how you behave.” - Benjamin Graham

INVESTMENT PROCESS



Idea Generation

01 NARROW THE UNIVERSE

- **Our equity universe is focus on the common stocks of companies with market capitalizations less than \$10 billion.**
- **We utilize our “Screening approach” quantitative analysis to score the universe. Composite scores incorporate traditional fundamental value measures as well as other non-fundamental factors.**

02 SOURCE IDEAS

- **After the universe is narrowed, we utilize a mosaic approach, collecting industry data from various public and private sources as well as our prior years of research that might be relevant to present day factors.**
- **We will use publicly available resources and research to gain a better understanding of current and past business/industry conditions and find opportunities.**
- **We construct Excel-based financial statements (models) to analyze historical business trends and forecast future earnings estimates.**

INVESTMENT PROCESS



Security Selection

LONG PORTFOLIO STOCK SELECTION

We like to own great businesses that can compound shareholder value over time at reasonable valuations and will purchase good businesses at sharply discounted valuations based on our fundamental analysis and estimates of future earnings.

Look for businesses that are “under-earning” due to investments in new products and services or cyclical industry dynamics.

Strive to determine the catalysts and drivers of future earnings that market participants underestimate versus our own analysis and forecasts.

We do not buy companies simply because their stock prices are cheap by traditional measures (value traps), but we aim for great businesses with growth potential, sustainable moat, pricing power, etc.

Search for companies whose stock prices are dislocated from long-term fundamentals due to shorter-term internal or external factors.

INVESTMENT PROCESS



Risk Management

01 DIVERSIFICATION

We believe that an actively managed equity strategy should be fairly diversified to generate above-average long term investment returns.

02 SIZING

We will invest greater amounts of capital in companies where we find greater risk-adjusted value and vice versa.

03 MARGIN OF SAFETY

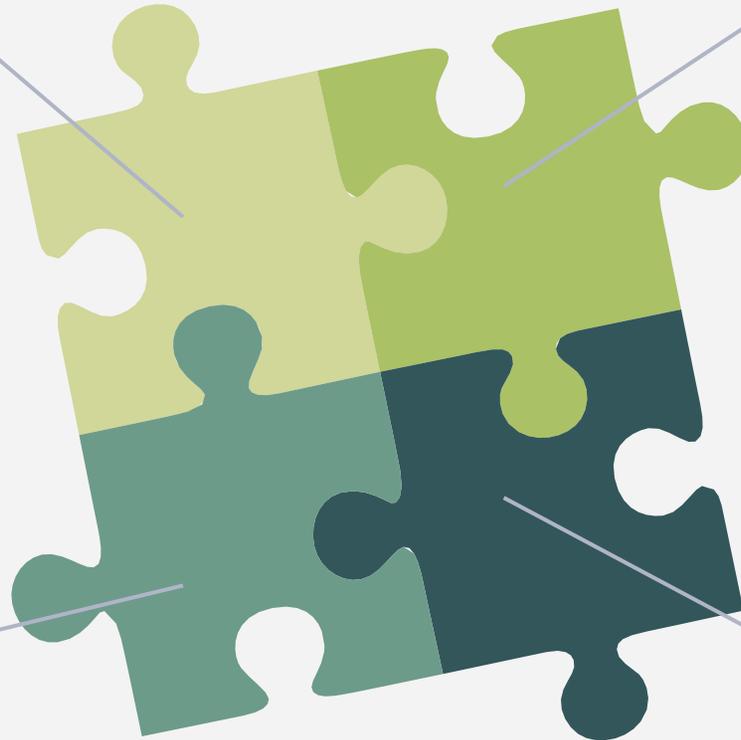
We believe our risk-adjusted value approach to stock selection helps us to invest with a high Margin of Safety to avoid permanent losses over a long period of time.

STRATEGY DIFFERENTIATORS

At SZF Capital, we manage long only small-mid public equity, investing with a goal of achieving attractive rates of return over a 3 - 5 year time horizon within a diversified portfolio of our best ideas.

SMALL CAP FOCUS

CAPITAL PRESERVATION



GLOBAL

BARGAINS ONLY

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RESEARCH FOCUSED.

SZF Capital



PORTFOLIO GUIDELINES

Investable Universe	Global Equity (US, Europe, Asia, South-America)
Market Cap Exposure	Small-Mid Cap
Equity Exposure	Long-Only
Position Size	Up to 20% for largest holdings
Number of Positions	Generally 30 - 40
Opportunistic	Takes advantage of market inefficiencies
Active Risk Management	Diversification based on countries, currencies, industries and high Margin of Safety

"It's not always easy to do what's not popular, but that's where you make your money. Buy stock that looks bad to less careful investors and hang on until their real value is recognized - John Neff

About Me



I attended one of the best engineering schools in France, where I've received a master's degree in Business Administration. I was formerly a consultant at a top management consulting firm, I then joined a Venture Capitalist firm helping early-stage tech startup to grow.

I bought my first share when he was 18 years old. Now, some 10 years on, I find investing more fascinating and stimulating. My aspiration to create SZF CAPITAL began when I started to read about great investors like Peter Lynch, Philip Fisher, John Templeton, Charlie Munger, and many others. +100 of investors have already enjoyed the journey of investing in SZF CAPITAL, and +10,000 follow our investment ideas.

The realization that there was a proven way to be a more successful investor hit me straight between the eyes. The core driver behind the investment process at SZF CAPITAL is the use of investment approaches proved successful by the likes of these investors. These clear processes help us take a long-term approach in assessing companies, their management, and prospects when trying to find the high-quality franchises that we think will compound at a good rate over time. We will then only buy shares in them if they are offered to us at an attractive price.

The second point is our desire to learn and to enjoy the process. It is human nature to want to get better at something but it is easy in this industry to be too busy to have the time to do so. There are always opportunities to learn and we welcome them.

My vision for SZF CAPITAL remains to analyze and invest at the very highest standard to the benefit of our clients. I want to enjoy the process, have a desire to improve my skills, our investment process, and the results we achieve every year.

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"If you can learn to create a state of mind that is not affected by the market's behavior, the struggle will cease to exist" - Mark Douglas