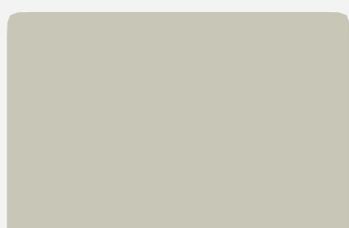
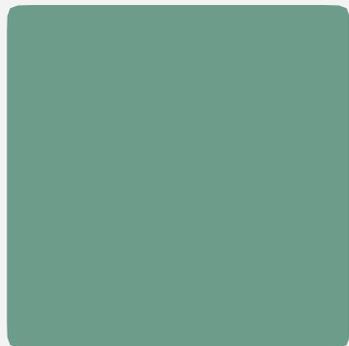


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DRIVEN  
RESEARCH  
FOCUSED.



**SZF CAPITAL**  
**Long Only Equity Strategy**  
**2021**

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# Introduction

*Capital Preservation with Margin of Safety is our Pedigree*

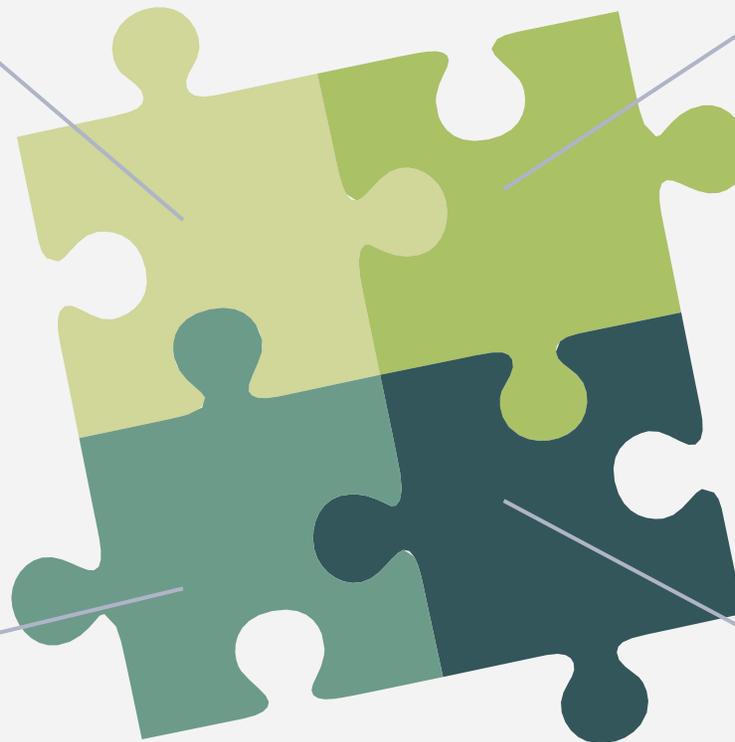
- **Steve Zali at SZF Capital has been investing in long only equity strategy for 6 years, having most of his wealth in the Fund.**
- **Since Inception SZF Capital has outperformed peers with a gross annualized returns of 69.3% vs 10.5% for the MSCI World Index gross 2020.**
- **SZF Capital seeks to invest in undervalued, well-financed, owner/operator-run businesses demonstrating attractive growth, normalized earnings power and risk-reward.**
- **SZF Capital manages risks through high margin of safety with all investments and diversification through currencies, markets and sectors.**

# 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**

**FUNDAMENTALLY DRIVEN.  
RESEARCH FOCUSED.**

**SZF Capital**

# 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: MSCI World Index gross 2020**

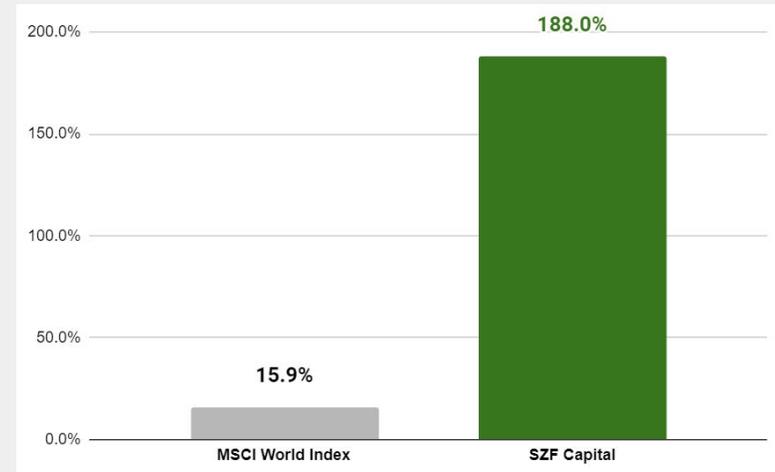
## PORTFOLIO OVERVIEW

### Long Portfolio

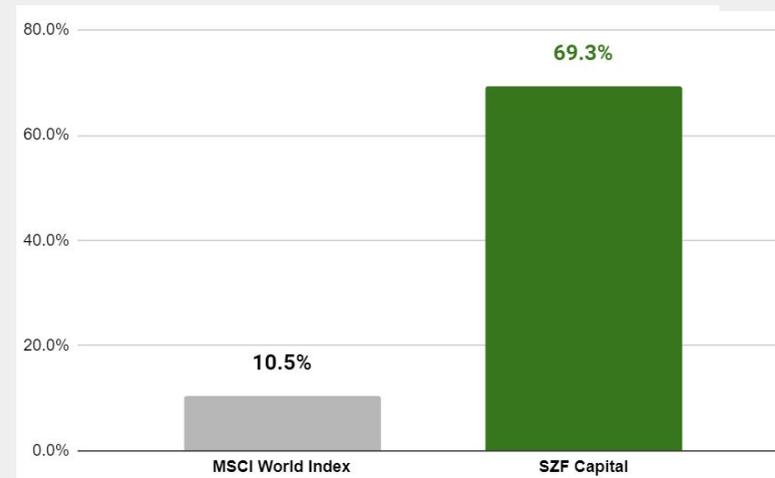
- **100% Long Exposure**
- **Generally 30-50 Individual Stocks**
- **Average Position Weight: 4%**
- **max yearly drawdowns: -45% (COVID-19)**

*"Past performance is no guarantee of future results"*

Return 2020  
YTD December 2020



5 Year Annualized Return  
May, 2015 - December 30, 2020



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# INVESTMENT PROCESS

*“Risk Adjusted Value” Approach*



# 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.**

# PORTFOLIO GUIDELINES

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

# 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 several early-stage tech startups helping them to grow. These experiences help me to understand businesses at a strategic and operational level.

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 John Templeton, Charlie Munger, and many others. I've been following their investment process until them buying great business at a cheap price. +100 investors have already enjoyed the journey of investing in SZF CAPITAL, and +10,000 investors follow my 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.

# Monthly Gross Returns

Annualized gross return of 69.3% since inception

	Jan	Feb	Mar	Apr	May	June	Jul	Aug	Sept	Oct	Nov	Dec	YTD
2015					-2.73	8.1%	1.5%	-7.4%	0.9%	13.6%	-1.1%	-1.8%	<b>9.8%</b>
2016	-7.5%	4.9%	7.9%	2.2%	15%	5.0%	9.0%	2.3%	3.9%	0.4%	7.6%	12.0%	<b>81.1%</b>
2017	4.9%	3.1%	3.1%	12.2%	41%	2.1%	-2.2%	14.0%	-1.3%	7.3%	6.7%	9.4%	<b>148%</b>
2018	6.5%	0.2%	-2.9%	2.3%	3.9%	0%	2.5%	2.9%	-0.5%	-6.6%	1.8%	-5.3%	<b>4.0%</b>
2019	12.1%	7.1%	5.1%	6.9%	17.7%	4.2%	-5.2%	-4.7%	-4.6%	-1.8%	-1.4%	7.5%	<b>59.3%</b>
2020	31%	-1.57%	-7.49%	23.08%	10.7%	6.6%	1.4%	18.4%	-10%	-4.4%	47.8%	9%	<b>188%</b>
2021	7.8%	9.49%											<b>18%</b>

*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*

# Terms

Key Terms	Class A USD
Management Fee	1.50% per annum
Performance Fee <sup>2</sup>	25% over 6% compounding hurdle
Liquidity <sup>3</sup>	Quarterly + 65 days' notice <sup>4</sup>
High Water Mark	Perpetual

<sup>1</sup> \$5 million minimum subscription.

<sup>2</sup> Performance fee on returns above hurdle rate payable at year end for Class A and Class B.

<sup>3</sup> 2% redemption charge payable if redemption within 12 months of subscription; up to 5% may be charged upon redemption if special terms are offered in respect of that redemption; both charges may be waived at the discretion of the directors.

# Service Providers

AIM

SZF Capital LLP (Cyprus)

Prime Broker

Barclays (London, UK)

Administrator

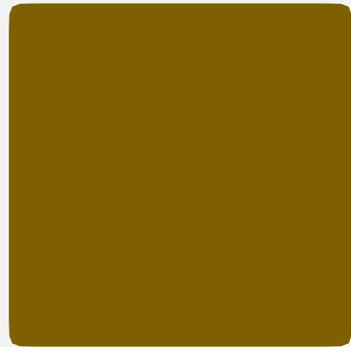
Alter Domus (Cyprus)

Auditor

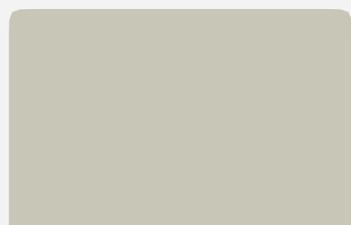
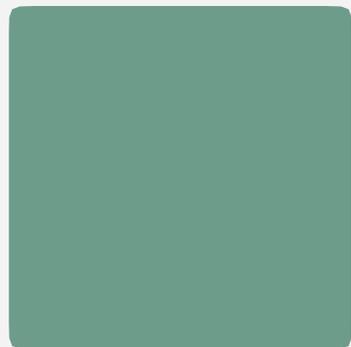
XCH Business Consulting (Cyprus) Limited

Legal Counsel

Shanda Consult (Cyprus)



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