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February 7, 2018

Dear Partners and Friends,

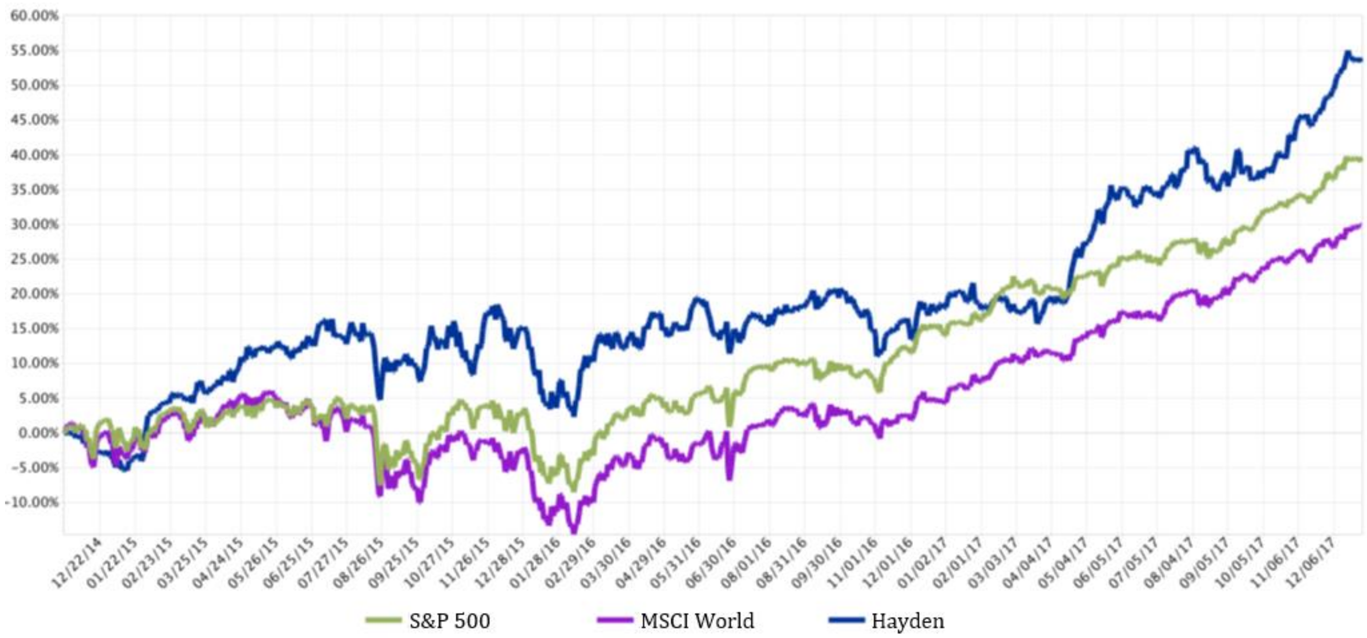
Our portfolio closed out 2017 on a strong note. During the fourth quarter, Hayden Capital's portfolio gained +11.6% (net of fees), and finished 2017 with a +28.2% return for the full year. Comparatively, the S&P 500 and MSCI World Indices were up +21.8% and +24.4%, respectively.

Time Period	Hayden (Net)[1]	S&P 500	MSCI World (ACWI)	Avg. Cash Exposure[2]
4th Quarter[3]	(4.92%)	1.29%	(0.91%)	55.22%
2014	**(4.92%)**	**1.29%**	**(0.91%)**	**55.22%**
1st Quarter	11.16%	0.95%	2.60%	37.79%
2nd Quarter	6.70%	0.28%	0.22%	23.32%
3rd Quarter	(6.00%)	(6.44%)	(9.27%)	23.92%
4th Quarter	5.14%	7.03%	4.82%	20.34%
2015	**17.23%**	**1.37%**	**(2.22%)**	**26.31%**
1st Quarter	(0.23%)	1.35%	0.43%	22.53%
2nd Quarter	1.23%	2.46%	1.63%	27.64%
3rd Quarter	5.04%	3.85%	5.10%	32.60%
4th Quarter	(2.06%)	3.82%	1.05%	21.07%
2016	**3.90%**	**11.95%**	**8.40%**	**26.03%**
1st Quarter	0.96%	6.07%	6.91%	18.75%
2nd Quarter	12.62%	3.09%	4.68%	13.16%
3rd Quarter	1.01%	4.48%	5.08%	13.66%
4th Quarter	11.64%	6.64%	5.73%	14.35%
2017	**28.22%**	**21.82%**	**24.35%**	**14.98%**
Annualized	**13.44%**	**11.34%**	**8.89%**	**-**
Total Return				
1 Year	**28.22%**	**21.82%**	**24.35%**	**-**
Since Inception	**48.49%**	**40.03%**	**30.60%**	**22.89%**

[1] Hayden Capital returns are net of actual fees. Individual client performance may differ based on fee schedule and date of funding.
[2] Includes Cash and previously an Inverse S&P 500 ETF, which allowed us to decrease our long exposure without paying taxes on profitable positions.
[3] Hayden Capital launched on November 13, 2014. Performance for both Hayden Capital and the indexes reflects performance beginning on this date.

This brings our compounded annual return to +13.4% (net of fees) since inception, versus +11.3% for the S&P 500 and +8.9% for the MSCI World Index. During this period, our cash balance has averaged ~23% since inception, and ~14% in the most recent quarter.

Performance Since Inception



Learning How To Trust

Recently, I did a presentation for the MOI Global Best Ideas 2018 conference (a few slides from the deck are shown below). In it, I discuss at a high-level our research process for potential investments, and how we see our role as investment managers (LINK).

I think the discussion of the *how* to analyze companies is an interesting one, and something that I wish more investors talked about. Instead, discussions at conferences or within investors letters usually center around the *what* ("what are we buying, what happened in the portfolio, etc."). But personally, I don't think this is nearly as helpful in understanding a manager's thought process or portfolio composition (which after all, isn't that the purpose of these communications with our partners?).

Some in the industry are fearful of publicly talking about their investment process, due to the fear of giving away the "secret sauce". However, I have a different perspective.

Instead, I see it like the research process in hard sciences (i.e. physics, mathematics, etc.), where one team may take the previous findings of another, build on top of it, with the combined effort eventually resulting in a new breakthrough for the entire field. There's no reason the investment industry can't be similarly collaborative and learn from one another… not all investing is a zero-sum game.

It's with this goal, that I enjoy talking about our investment framework & process – with the hope that those in the community can take these ideas and iterate off them (which our portfolio / process may then benefit from in the future). Similar to most scientific research, these thoughts are always "works in progress" and can only benefit after thorough feedback / peer review. The only way for these frameworks to evolve and become more robust, is after significant poking and prodding. It's for this selfish reason, that I'm always open to feedback on flaws or aspects of our process that can be improved.

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So to start the discussion, I'd like to highlight how we approach the age old question (at least it is among investors): "How can we judge management? Can we trust someone enough, to be confident they'll make the right decisions, years in the future, regarding issues which haven't even been determined yet?"

It's a tricky issue, but a very important one for growing and evolving companies, who are entering new markets / initiatives, and especially where the future may look very different than today.

First, the issue is you're outsourcing very important decisions that can have huge implications on your net worth, to someone else (i.e. management). Many investors aren't comfortable giving up this much control, and trusting someone else to steer them through the abyss and leave them more profitable on the other side. How do we know management isn't painting a rosier picture of the future, than reality?

Second, these decisions are going to be made in the *future*. Even if you trust management today, how do you know they'll make equally sound decisions 5 – 10 years from now, or won't suddenly go bonkers?

The most common method investors use, is to see how management has performed in the past, to predict how they'll perform in the future (i.e. "The company has historically earned 20% ROICs the last 10 years under the current CEO. It's likely they'll continue doing so"). The hope is, smart people don't suddenly make dumb decisions over night, right?

This is a good start, but I personally don't think it's enough. Companies and their competitive environments change over time. So even though it's had great returns in the past, it may not be true in the future. Therefore, how can we predict what the industry's future will look like, and that the people running our companies will be smart enough to navigate it?

It's interesting that in the investing field, asset owners / allocators make this decision every day[4]. They're the experts in the subject of evaluating people (aka Investment Managers). Instead of having quantitative data to rely upon (i.e. earnings or cash flows), it's a purely qualitative decision. The only data you have are past returns (but we've all know that past returns aren't indicative of future results…). So how do allocators get comfortable investing in someone's *future* decision-making abilities?

After speaking with many allocators, it seems the consensus is that there's no better method, than to drill "one layer down" (i.e. conduct an extensive review of the manager's portfolio). The investor's portfolio today should be representative of all prior decisions the manager has made, including those which were passed upon and those which were enacted. Simply, there's no better way to understand how a person thinks.

The idea isn't just to see what the allocator would be invested in, if they were to write a check. After all, by the time they invest (sometimes several years later), the portfolio holdings are probably going to be different.

Rather, the most important aspect is building trust in the manager's *thought process*, and way of looking at the investment world (i.e. "Am I confident the manager will make the right decisions for the portfolio in the future?"). And understanding *why* past decisions (rather than *what* decisions) were made, may be one of the best ways to understand how future decisions will be made.

Importantly, the best allocators know that to be good at this, they'll need to know enough about the target company, to have an informed opinion themselves. Chances are, they'll never know an investment as well as the manager (I mean, why would you pay the manager, otherwise?). But it's important to know *enough*, for how can you objectively judge if someone is smart / trust that the process is sound, if you haven't done enough work to have an objective opinion on what the "smart answer" is?

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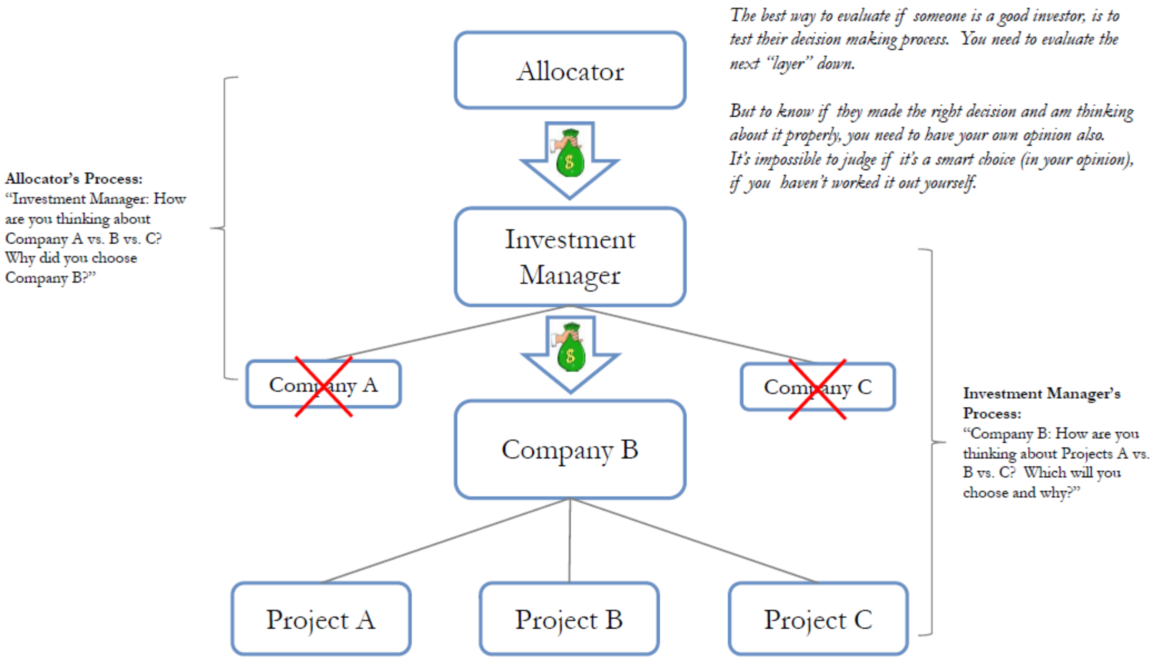
[4] Specifically, the individuals investing on behalf of endowments, foundations, family offices, etc. in a professional capacity.

Looking One Level Down…

From Hayden Capital's MOI Global Best Ideas 2018 Presentation, Slide 11



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Along these lines, I've been thinking whether we can use a similar process to evaluating companies and their management teams. If the best allocators are looking one layer down at a manager's portfolio as the best way to judge their future returns and thought process, shouldn't we do the same as investors?

After all, the end-goal is very similar – to predict which "portfolios" and managers will outperform in the future. Companies have an underlying "portfolio" too – a collection of projects which they're investing in hoping to get an attractive future return (whether it's a new factory, an e-commerce initiative, a warehouse, etc.).

Most likely, as an investor you'll never know the business as well as management (just like allocators won't know the portfolio as well as the investment manager). But perhaps by evaluating these companies "portfolios" *today*, and the thought process behind building them, we can have a better judgement on management and confidence in the *future* "portfolio". We'll never be 100% certain or accurate, but we don't need to be. Getting it roughly right, and more importantly, building trust in the team managing the daily operations is often better than not[5].

Note: Heck, often management is does not have a clear picture either… they're simply trying to make the best decisions possible with the information available. And in today's data filled world where everything is tracked, and information is easily accessible, it's gotten much easier to have the same access (or at least a large portion) of the same information management has. Reaching an objective opinion on a company's strategic decisions via primary research is easier today than ever before.

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[5] It's like when I forget to wear my glasses… I can't see things 100% clearly, but I can still tell if something is a dog (good) or a rat (bad). And often, that's good enough to avoid getting rabies.

In rare circumstances & if you do it right, you may even reach a conclusion the management team hasn't thought of yet, and you can influence / add-value to your investment by sharing it with the company[6]*. You're proactively skewing your risk-reward and chance of success. The best activism is constructive to the growing the overall pie and good for all stakeholders (vs. the financial engineering we often see disguised as "activism" – where activists are simply re-cutting the pie into larger pieces for themselves).*

This process requires putting ourselves in management's shoes, and asking "what we do in the same situation?" And being able to reach that answer requires doing a lot of work to obtain the same information the company has, to reach an independent informed opinion.

It's like when you meet a new person at a party. They may start talking about (just picking a random topic here) Bitcoin. They might sound very smart and confident, and seem to know what they're talking about. But how can you know for sure, that they're *actually* smart and not just faking it? Well it's hard, unless you've done extensive research on the subject yourself, and after hours of questioning them as to *why* and *how* they formed their beliefs, conclude they have done extensive thinking on the subject. Note, it doesn't necessarily mean they'll be right. But at least they've come to their beliefs in a rational and thoughtful manner (which is already better than 90% of the people I've come across…).

For us, this involves analyzing a projects' *Incremental Returns on Capital*[7]. I've discussed our framework / data-point method in-depth in prior letters + our "Calculating Incremental ROIC's" presentation, so I won't repeat it here (LINK). However, if we do it right, we think we can gain confidence in what the company's returns will look like in the short-term (let's say the next 2 years). This is like that phase, where you're grilling that new Bitcoin friend, to see if they know what they're talking about.

What about after 2 years though, or after the company's current projects are finished? How can we underwrite what the business' returns look like in Years 3 to infinity?

This is where it gets "squishy", since you're essentially betting that the people running the company will make the right decisions, on issues that haven't been determined yet. It requires trust… and hopefully after thorough "grilling" (evaluating their past decisions, the current "portfolio", incentives, and the corporate culture they've created) you have a good amount of confidence in the decision-making process.

But this doesn't mean we have to surrender our control completely, and blindly trust them going forward. As investors, we can't be completely passive either & close our eyes for the next 20 years, letting management "do their thing". Sometimes the world changes, and requires a new skillset the company doesn't possess in order to be successful. Sometimes smart people do stupid things[8]. As investors, we need to be on the lookout for these instances. We need to "trust, but verify".

Throughout the life of an investment, we should continually evaluate the decisions the company made, and confirm if they were the right ones every step of the way. For instance, for each round of new projects, we should do the same type of analysis as a new investment and constantly ask ourselves if the next two years (or the life of the project) have more attractive, same, or less attractive returns than the previous projects.

In this way, it's similar being on the Board of Directors. You're not running the day-to-day operations, but you're double-checking the decisions they make (even if it's just to yourself). And perhaps if we see enough

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[6] For example D.E. Shaw is taking an activist stance on Lowes, using satellite imagery, census data, and customer surveys (LINK). Fifty years ago, this type of research would have required hiring an army of analysts to physically count cars or store traffic. Now you can get more insights, without ever leaving your computer.

[7] Note, the most important criteria to evaluate management, is going to differ by strategy. Event-driven investors are going to care about different metrics than say Quantitative investors.

[8] Thinking back to my college days here...

of these positive "data-points", it's enough for us to give management benefit of the doubt that they will continue allocating capital intelligently in the future.

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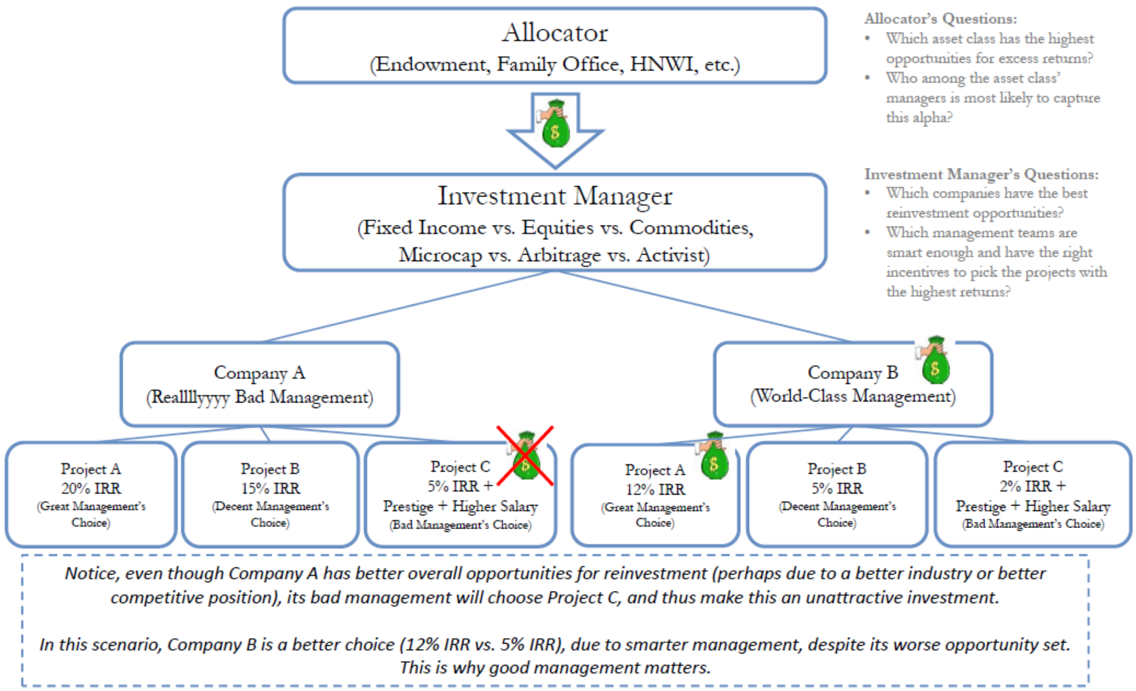
So what are we looking for in our vetting? At a high-level, what we want is management that has consistently shown a history of choosing Project A (see below exhibit). For example, even though Company A is in a more attractive industry with better return opportunities (20% / 15% / 5%), poor management choices & the wrong incentives may lead them to choose the less attractive investment (Project C). On the other hand, even though Company B has a worse opportunity set, great management will result in a better return for investors (12% IRR) vs. their counter-part.

Capital Allocation & Evaluating Management

From Hayden Capital's MOI Global Best Ideas 2018 Presentation, Slide 10



We'd rather make an investment that has a lower opportunity set of potential returns, but are smart enough to choose the highest returning project every time (Company B). This is why good management matters.

Next, how do we tell if management goes bonkers one day, after we've already made the investment? How can we spot these negative signals before it shows up in the financials and the rest of Wall Street catches on?

Over time, if we have a worse opinion of management than when we initial invested, it's likely because we're coming to a different conclusion than management did, regarding its current projects (i.e. they're low returns / a waste of money). This requires access to the same data management has. Since companies typically won't open their books or disclose full KPIs to investors (least without sitting on the board), this part of the process requires extensive channel checks, piecing together industry information, etc.[9]

[9] In addition, there's a real risk that our data is significantly different / worse quality than what management is relying upon, thus resulting in differing conclusions. There's a risk that we "fire management" (sell the stock) thinking it's due to management's poor decision making, when in fact it we would have made the same decision if we only had their information.

In order to tell if our thesis is going off the rails before other investors, we need to come to these insights sooner. Luckily, my current thesis is that the majority of Wall Street isn't thinking in this manner (i.e. conducting deep research on long-term projects)[10]. From what I can tell, it's usually one or the other.

For instance, market-neutral firms are *very good* at conducting deep analysis, using a myriad of data sources (credit card data, web-scrapping, customer surveys, etc.). However, it's most often focused on short-term questions (i.e. "Are they going to beat / miss earnings?"), rather than focused on multi-year strategic projects.

On the other end of the spectrum, I've seen some investors simply state it's too hard to predict the future, and thus avoid these types of investments all together[11].

Optimally, there is a way to get a combine all three sources of edge – get more information via a wide variety of data-sources (#informationaledge), which allows us to reach insights before other investors (#analyticaledge), and all focused on projects that are far enough in the future (but have long-lasting value implications) that other investors haven't started doing the work on yet and allow us to see around corners (#behavioraledge).

This is one part of our process that we're continuously trying to get better at, and I don't think it'll ever be "complete". There's always going to be new methods, data sources, and angles to look at…. but it'd be idiotic not to try. Like the best start-ups, our process begins with a nugget / concept that's in the right ballpark (i.e. that minimum viable product), and continuously iterating, incorporating feedback, and evolving until it's something usable.

As I mentioned, we're always looking to improve the process, and feedback / pushback is vital to this. Please reach out if you think I'm missing something, or if you'd like to share a new angle we should explore.

Portfolio Updates

Zooplus (ZO1): In the MOI Global Best Ideas 2018 presentation, I also use Zooplus as an example and highlighted the attractiveness of a few of their new initiatives (LINK).

Last quarter, I discussed how Zooplus would be reinvesting ~€10M – €20M more into the business, and the stock traded down because of it (LINK). Well on the last call, they confirmed what we already suspected… that this capital would be going towards hiring more developers, and launching new features, starting with an improved mobile experience & subscription functionality. It seems they've already made quick work of it, and are already pushing customers to download the new app. Below is a promo email I received from them on January 3rd, offering triple loyalty points (which is used to redeem free stuff).

The coolest feature? The barcode scanner which allows customers to easily scan an item in a Brick & Mortar store, and see just how much cheaper it is on Zooplus.

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A core tenant of our e-commerce investing framework, is that for daily necessities / non-joyful shopping experiences (i.e. dish soap, laundry detergent, dog food versus say a new Chanel purse), is all about 1) Price, 2) Selection, and 3) Customer Service.

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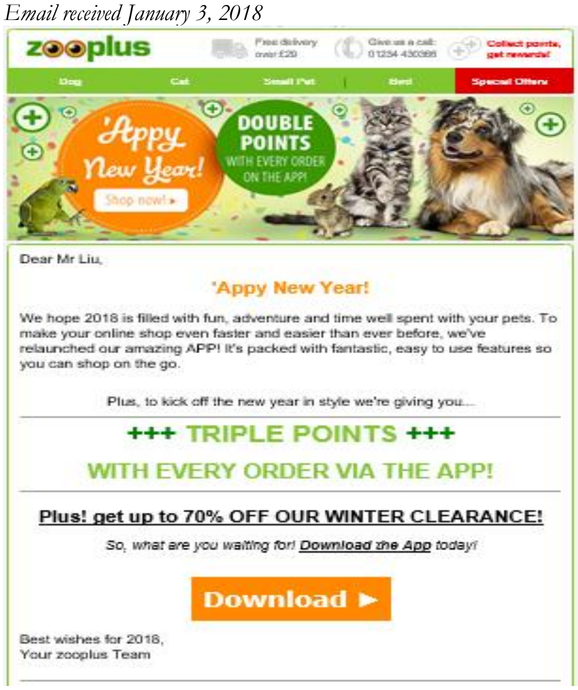
10 Don't get me wrong… there's some very good investors taking this approach, but they're too few and far between, in my opinion (I'd estimate <10% of the industry's AUM).

11 I talked about why it's getting harder and harder to find these types of investments (those that don't require underwriting change) in our Q3 2017 letter (LINK).

We've already shown Zooplus is today leading the industry in Price & Selection (see the MOI Global presentation). However, it's possible that competitors will eventually catch up on these two aspects in the next 10 years (i.e. Amazon). If you talk to European suppliers today, they'll claim they hate dealing with Amazon and are dragging their feet long as possible before supplying them. Many are dedicating more resources to Zooplus for this reason.

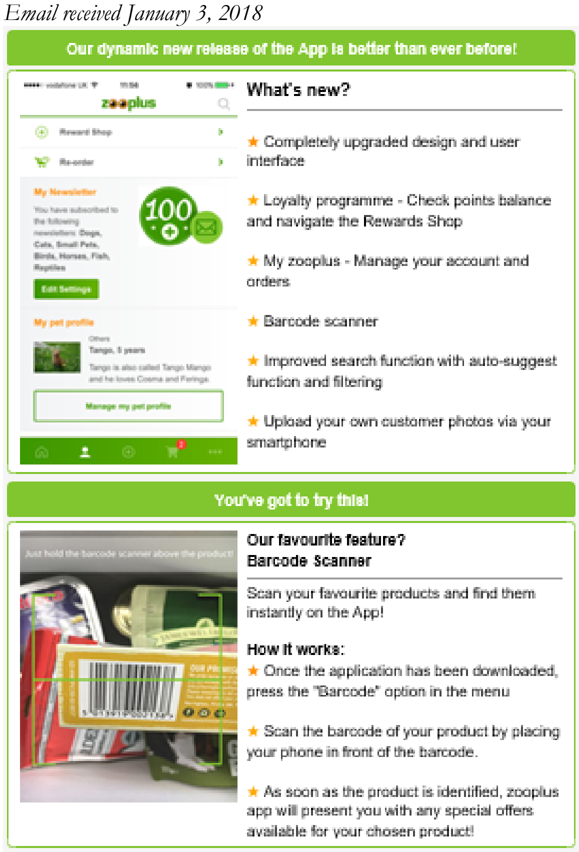
Zooplus Promo Email

Email received January 3, 2018



Zooplus App's New Features + Barcode Scanner

Email received January 3, 2018



But when backed into a corner, do you really think they'll maintain this stance? If Amazon's European Prime base grows, that's going to mean a huge potential customer base for these suppliers to sell into. When faced with maintaining their morals vs. more money, I'd bet these suppliers choose more money. If this happens, Amazon's prices and selections will rival Zooplus'.

So what's the best way to defend against this, and leverage the lead Zooplus currently has? I think the answer lies in the 3rd aspect: providing superior customer service.

For example, there's a reason walking around NYC, you see so many Chewy.com boxes, despite (I'm guessing here) 100% of those same households having Amazon Prime memberships (LINK). In today's world of millennials and customized experiences, consumers want to feel like their brands care about them and the experience is tailored just for them. They don't want to buy from a "big box", soul-less store – especially for their ever-humanized pets. As millennials and hipsters would say, "That's Sooo Over" (LINK).

Now I'm not saying Zooplus should go out and spend millions on oil paintings of customers' dogs (LINK), but better social media engagement, site usability, and prompt customer responses will be equally effective[12]. I think this type of customer "feeling" / culture is underappreciated by many public markets investors.

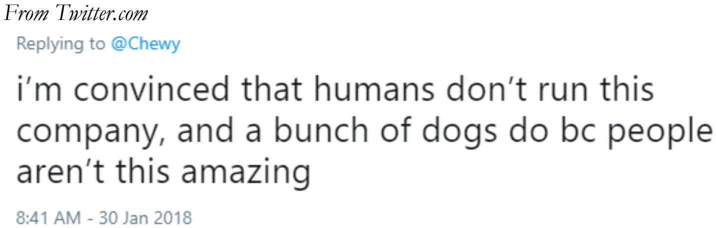
Chewy has done a great job on the customer experience side, and is something Zooplus can learn from. Although Zooplus can't afford to spend as much as Chewy on acquiring customers (US consumers spend ~2x as much on their pets as Europeans), there are many ways to make the customer feel like they're valued.

> *"Cohen said he modeled Chewy after shoe site Zappos,* ***working to build lifetime relationships with pet owners****. As a result, customers are loyal, he said…*
> *'****We have these sticky customers, so we are able to outspend any of our competitors****'…*
> *He looks for negative comments each night on the company's website in an effort to improve. 'When customers shop with us, I want them to have the perfect experience.'"*
> *– Ryan Cohen, Co-Founder & CEO of Chewy.com (LINK)*

As a shareholder, I'd be happy to give up short-term profits to keep customers coming back. Like most things, the majority of value is in the duration and longevity (not trying to make as much money as quick as possible) – and customer value is no different. Additionally, loyal customers and a unique customer-oriented culture is one the best moats you can have to fend off competition (something many investors overlook). Anything to further this advantage can only be a step in the right direction.

Examples of Chewy's Exceptional Customer Service

From Twitter.com



[12] Chewy recently said they have "hundreds of card-writers", and sent out over 5 million cards last year. At $0.35 a postcard, that's $1.75M in postcards alone (LINK).

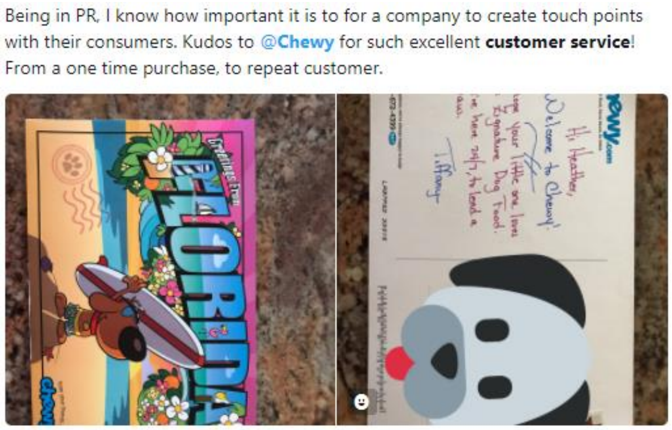
@Chewy has the best **customer service**! Our packages sat out in the rain got partially ruined. How nice of them to replace the entire order? I will definitely be donating to a local shelter.

I'm so sorry your package arrived like that— that's not the Chewy norm. I've processed a replacement for the entire order which will ship out today. Replacement order 80220670 will reach you within 1-2 shipping days (excluding Sunday and Monday). Please keep us posted on how everything arrives. If you feel any of the items could still be of use, please feel free to donate it to a local rescue or shelter as a gift from your furry friend to those pets in need.

We're constantly working to improve the way we ship so whenever you see anything arrive in less than perfect condition, please let us know. Information on how damaged orders are packed helps us to hold ourselves, the manufacturers, and our shipping partner accountable.

If you have any other questions, please reach out--we're always here and happy to help. Feel free to send in some photos of your furry friend, we always love meeting our VIPs (Very Important Paws).

Our dog passed away Tuesday, a day after his critical nutrition case had arrived. I called **customer service** to ask about return policy and to cancel auto ship. Not only did they refund our money, they told us to donate the food, and sent us these flowers! @Chewy



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Beyond making customers feel valued, a key factor in a company's customer service is how quickly & timely their orders arrive. This is where the new subscription feature comes into play, with multiple benefits.

First, the key with subscription is that the actual transit / shipping time doesn't matter. It simply needs to arrive when the customer expects it. Heck, it can even be shipped with a horse and buggy a month beforehand, and the customer wouldn't know the difference (vs. its current 1 – 3 day delivery time). Additionally, it's possible that Zooplus can get a cheaper shipping rate by choosing a slower shipping speed[13].

The company is currently offering 5% off with the subscription method. At an average basket size of ~€55, that equates to a €2.75 savings for the customer. So how does the company make back the €2.75? It's unlikely that even slower shipping speeds alone can result in a >40% logistics savings.

Instead, it's likely a lot of the benefits come from more orders per year, resulting in lower shipping prices per package. For example, the prices shown below are from DHL, the logistics carrier for Zooplus' Horselgau facility in Germany[14]. You'll notice that prices for 10 - 20kg packages (roughly the weight of a large bag of dog food) decline drastically as volumes increase.

We estimate Zooplus is shipping well over 5,000,000 packages out of the Horselgau facility alone (~20M company-wide)! I can guarantee you they are getting far lower *negotiated* rates, than what's shown here (see the 3,000+ tier). If I had to guess, it's in the €5-range[15].

Note, these lower shipping costs don't just apply to subscription orders. The pricing is on *total parcels per year*. So more customers on subscription, means more volume, which means *all packages* will be cheaper to ship.

For example, we've heard Chewy generates ~50% of its orders from subscription. Assuming Zooplus subscribers order 4x per year (each 15kg bag of dog food lasts approximately 3 months), this is a 0.5x increase from the current average of 3.5x orders per year. Blended, this means an increase of +7% more orders fulfilled per year, or ~1.5M more packages.

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[13] This is just a hypothesis. We haven't confirmed this with the company yet.

[14] I simply created a fake business address using Zooplus' Horselgau fulfillment center, and collected the shipping rate card for various shipping volumes per year (LINK). Prices are for domestic shipments within Germany.

[15] In the US, last mile costs tend to make up ~50% of the total shipping costs. Europe has a denser population, so last mile costs are a larger portion of the total cost. Additionally, last mile costs tend to be "fixed", since there's fewer synergies from carrying more packages along the same route.

DHL Shipping Rates (200 – 499 parcels per year)
Domestic rates within Germany

DHL Paket	Up to 1kg	Up to 3kg	Up to 5kg	Up to 10kg	Up to 20kg	Up to 31,5kg
With routing code by sender	€ 3.95	€ 4.50	€ 5.50	€ 6.60	€ 9.00	€ 10.40

DHL Shipping Rates (500 – 999 parcels per year)
Domestic rates within Germany

DHL Paket	Up to 1kg	Up to 3kg	Up to 5kg	Up to 10kg	Up to 20kg	Up to 31,5kg
With routing code by sender	€ 3.75	€ 4.30	€ 5.20	€ 6.30	€ 8.30	€ 9.70

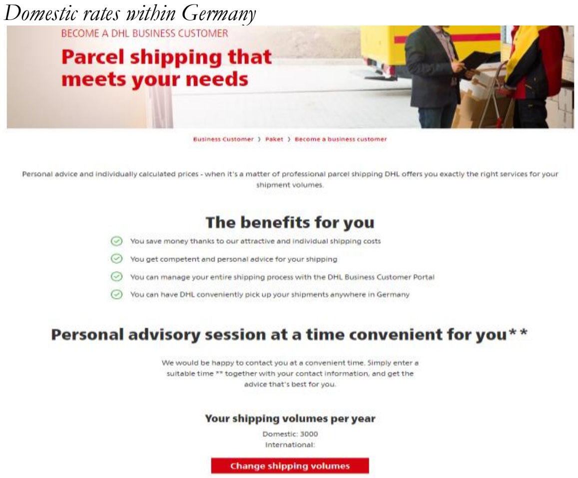
DHL Shipping Rates (1,000 – 1,999 parcels per year)
Domestic rates within Germany

DHL Paket	Up to 1kg	Up to 3kg	Up to 5kg	Up to 10kg	Up to 20kg	Up to 31,5kg
With routing code by sender	€ 3.55	€ 4.00	€ 4.80	€ 5.90	€ 7.60	€ 9.00

DHL Shipping Rates (2,000 – 2,999 parcels per year)
Domestic rates within Germany

DHL Paket	Up to 1kg	Up to 3kg	Up to 5kg	Up to 10kg	Up to 20kg	Up to 31,5kg
With routing code by sender	€ 3.35	€ 3.70	€ 4.40	€ 5.50	€ 6.90	€ 8.30

DHL Shipping Rates (Over 3,000 parcels per year = Negotiated Rates)
Domestic rates within Germany



Just as a thought exercise, even if we use the 2,000 – 2,999 parcel rate vs. the 200 – 499 parcel rate, it's a savings of €2.10. On our estimate of ~€55 order value per package, this equates to a 3.8% margin savings. This is a significant amount, given the industry's already low margins (Zooplus' ~4% repeat customer margin). Plus, I haven't even talked about the benefits to the revenue-side of the equation (I'll save this for another time).

Imagine being a smaller competitor having to ship at the €9 per parcel rate, while Zooplus gets it for 23% cheaper… it'd be tough to survive, especially given the industry's low margins. This is a textbook example of benefits to scale, and the enormous pressure larger players can put on smaller competitors. By passing on these cost savings via lower prices, larger competitors are essentially squeezing all of their competitors' profits.

It's just one example of how Zooplus' renewed focus on "running faster" and acquiring new customers is paying off. In its recent Q4 2017 report, the company disclosed new customer accounts have risen +38% y/y. This is an acceleration from even the admirable +34% y/y in Q3 2017, and far higher than the +9% y/y in Q2 and +23% in Q1 2017. I anticipate the new initiatives will keep the momentum going for quite a while.

Conclusion

A few weeks ago, I did an interview I did with Valuewalk's Hidden Value Stocks newsletter for their December issue (LINK). I really enjoy these types of publications & events, as I think it's what makes the investing community unique. There's this genuine desire to share learnings and thoughts with one another (especially among the emerging manager community), where the sole purpose is learning and collectively getting better at the craft together.

On this note, I'd also like to thank UCLA Anderson's Fink Center for inviting me to speak as part of their practitioner series in November. I'm honored for the invitation, and had a great time talking about our thought process and the joys & challenges of being an emerging manager. I met a lot of great students, who are well on their way to promising investing careers.

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Over the last few years, I've had the privilege of welcoming many great partners who believe in our style of investing, and have entrusted their hard-earned capital to us. These partners are what make the job enjoyable, and it's my duty to offer the best service and communication I can, along with superior returns.

Last summer, I warned that if we continue to expand, we may have to raise our minimums again, in order to ensure existing clients receive the same quality of service they've come to expect. Unfortunately (or I guess fortunately), that time has come, and Hayden Capital's minimum investment will be increasing to $100K on April 1st (beginning of Q2 2018) for new clients. Along with this, our new fee structure will be 2% per annum for $100K – $250K relationships, and 1.5% per annum for $250K and above. Please note, no existing clients will be affected and all existing terms will remain in place.

I hope this change will allow us to provide even better service for our existing clients, while remaining open to the right new investors who have a like-minded investment outlook.

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Lastly, I'd like to welcome Keshav Sota, who is joining us as a research intern this semester. Keshav is a junior at NYU Stern, studying finance and computer science (I promise I've been looking at other schools too!...). He's already getting started on understanding the Asian online travel industry, and I anticipate we'll be spending a lot more time learning about other international business models over the next few months. I'm excited to have Keshav on the Hayden Capital team.

As always, please reach out if there's anything I can help with. I always enjoy chatting with fellow investors, entrepreneurs / start-up founders, allocators, or basically anyone who's passionate about a subject and wish to bat around some interesting ideas together. In the meantime, you can catch me at one of our NYC meetups, on Twitter, or Tarallucci E Vino getting one of my five daily coffees.

Sincerely,

Fred Liu, CFA
Managing Partner
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