

August 11, 2019

Dear Partners and Friends,

Our portfolio continued its recovery in the second quarter, and at a stronger pace than the broader market indices. During the second quarter, our portfolio appreciated +11.98% (net of fees), compared with the S&P 500 at +4.30% and the MSCI World index at +3.45%.

Time Period	Hayden (Net) <sup>1</sup>	S&P 500	MSCI World (ACWI)	Avg. Cash Exposure <sup>2</sup>
<b>2014<sup>3</sup></b>	<b>(4.92%)</b>	<b>1.29%</b>	<b>(0.91%)</b>	<b>55.22%</b>
<b>2015</b>	<b>17.23%</b>	<b>1.37%</b>	<b>(2.22%)</b>	<b>26.31%</b>
<b>2016</b>	<b>3.90%</b>	<b>11.95%</b>	<b>8.40%</b>	<b>26.03%</b>
1 <sup>st</sup> Quarter	0.96%	6.07%	6.91%	18.75%
2 <sup>nd</sup> Quarter	12.62%	3.09%	4.68%	13.16%
3 <sup>rd</sup> Quarter	1.01%	4.48%	5.08%	13.66%
4 <sup>th</sup> Quarter	11.64%	6.64%	5.73%	14.35%
<b>2017</b>	<b>28.22%</b>	<b>21.82%</b>	<b>24.35%</b>	<b>14.98%</b>
1 <sup>st</sup> Quarter	6.61%	(0.76%)	(0.54%)	12.58%
2 <sup>nd</sup> Quarter	5.69%	3.43%	0.30%	8.74%
3 <sup>rd</sup> Quarter	(4.97%)	7.71%	4.42%	8.54%
4 <sup>th</sup> Quarter	(21.03%)	(13.53%)	(12.78%)	9.91%
<b>2018</b>	<b>(15.44%)</b>	<b>(4.39%)</b>	<b>(9.15%)</b>	<b>9.93%</b>
1 <sup>st</sup> Quarter	14.73%	13.65%	12.45%	5.10%
2 <sup>nd</sup> Quarter	11.98%	4.30%	3.45%	3.70%
<b>2019</b>	<b>28.48%</b>	<b>18.54%</b>	<b>16.33%</b>	<b>4.40%</b>
<b>Annualized Total Return</b>	<b>10.88%</b>	<b>10.49%</b>	<b>7.21%</b>	<b>-</b>
<b>1 Year</b>	<b>(3.58%)</b>	<b>10.42%</b>	<b>5.95%</b>	<b>-</b>
<b>Since Inception</b>	<b>61.32%</b>	<b>58.70%</b>	<b>38.03%</b>	<b>17.63%</b>

<sup>1</sup> Hayden Capital returns are net of actual fees. Individual client performance may differ based on fee schedule and date of funding.

<sup>2</sup> Includes cash and hedging instruments, which allows us to decrease our long exposure without paying taxes on profitable positions.

<sup>3</sup> Hayden Capital launched on November 13, 2014. Performance for both Hayden Capital and the indexes reflects performance beginning on this date.

## Performance Since Inception



This brings our year-to-date performance to +28.48% vs. +18.54% for the S&P 500 and +16.33% for the MSCI World. The performance was led by our newest positions in Sea Ltd and Carvana, which have appreciated +193.6% and +92.3% year-to-date, respectively.

It seems every investor letter I mention a new low in our cash levels, and this quarter is no different. Our cash exposure averaged 3.70% during the quarter, which includes a small hedging position that was put on recently. Our portfolio is now “fully deployed” (despite it taking us 4.5 years to get here!).

Additionally, this also means my job as your manager has become harder. This is since our opportunity cost for new positions is now our “worst position”, rather than an absolute hurdle rate on available cash.

If I’m doing my job correctly, and pick good companies to invest in, the opportunity cost for even our worst position should be higher than the previous cash hurdle. It’s a good problem to have though, as we constantly aim to upgrade the quality of our portfolio.

## OPM: Other People’s Money

Last quarter I spoke at length about our recent investments in earlier-stage companies, and the mental frameworks we apply to them ([LINK](#)). A few questions I received, were specifically around these company’s use of external capital, and how we can be confident the capital is used wisely, especially when the results of the capital spend isn’t evident in the financials yet<sup>4</sup>.

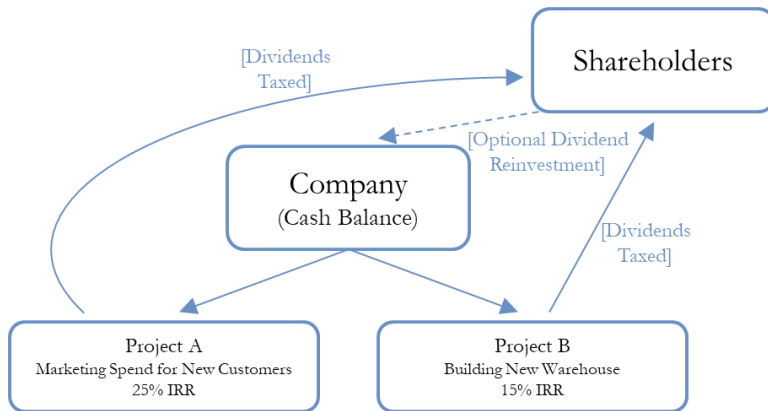
First off, I think we need to disregard the notion that younger businesses are somehow completely different than more mature businesses. For companies that are reinvesting their capital into growth opportunities, the investment framework, mental models, and research process are the exact same. The only thing that should matter, is whether this incremental investment is making the company stronger and creating value, or just

<sup>4</sup> As for the latter part of this question, the answer lies in analyzing the unit economics and the return on the incremental capital spend. I’ve spoken about this process at length in past letters, which can be found on the Hayden Capital website ([LINK](#)).

temporarily plugging a loss-making money pit and accelerating value destruction in the process. The only differences are where the company is in its lifecycle (younger companies theoretically have more runway left), and whether external capital should be used to accelerate growth. Theoretically, the earlier lifecycle a company is, the more likely attractive opportunities to reinvest capital internally will exceed the capital available. This is where using “other people’s money” comes in.

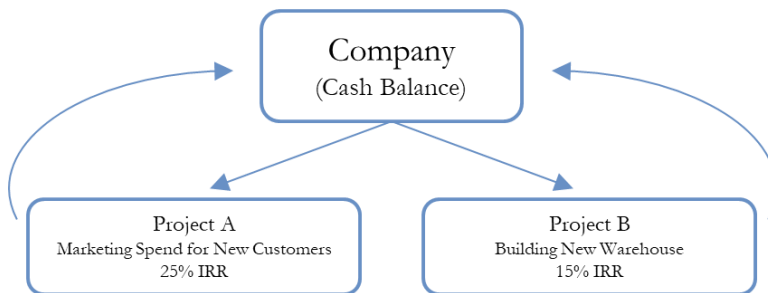
### Mature Company – 0% Reinvestment Scenario

*All profits are returned to shareholders*



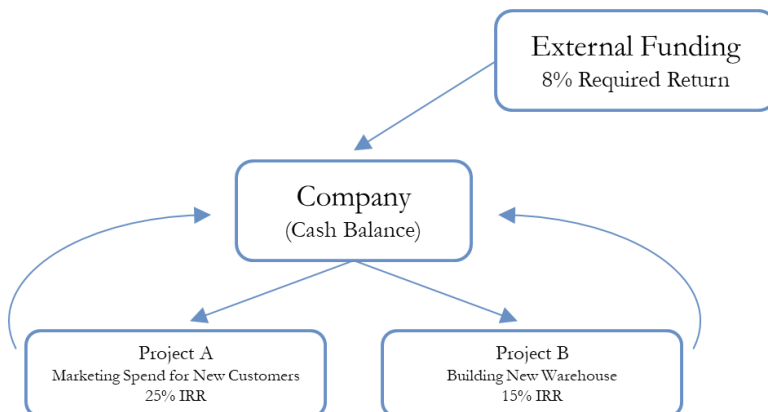
### Growing Company – 100% Reinvestment Scenario

*All profits are reinvested back into the business*



### Early-Stage Company – 100% Reinvestment + External Funding Scenario

*All profits are reinvested back into the business, along with selective use of external capital*



If you look at the above scenarios, you'll see that the business structures are relatively similar. The only differences are whether internally generated profits are reinvested back into the business or returned to shareholders – which is dependent upon the businesses' opportunities to reinvest capital, and in turn is dependent upon how mature the company is. In the "Mature Company" and the "Growing Company" scenarios, it's obvious to the market that both businesses are self-sustainable.

What investors fear most with newer businesses, is that they often have external funding as well. When a business is showing losses and also taking in more capital, the fear is that the business would be unsustainable without that external capital to fill the hole in the cash balance. Thus, most investors put all these companies into the "too hard" pile, and wait for the financials to become more evident.

You see this structure very often in industries where management believes it's a winner-take-all market<sup>5</sup>. Winner-take-all markets require you to get big, fast (benefits to scale, gobbling up customers before competitors do, etc.), especially if there are competitors trying to do the same. And most times, this is due to the potential for network effects, where reaching a "tipping point" is critical (see our Q1 2019 letter, [LINK](#)).

By hitting that "tipping point", the idea is that you assure your business of a viable monetization model (there's enough liquidity in the network for participants to get value from it, and thus the company can start charging for it). Additionally, if external capital accelerates the amount of time it takes to reach that tipping point, it means that future positive cash flows (if it exists) are pulled forward.

Let's use the scenario below as an example. Under the organic growth scenario, this company is losing money for 3 years, before it turns profitable in year 4. If the projections are accurate, the company is worth \$405 today.

But if using \$100 of external funding means that the company can get to profitability just 1 year faster (profitability in year 3), it results in a company value today of \$664. That's a 64% return on using external funding! This is essentially the PE / VC - [Growth Equity](#) model, of "pouring gasoline" on proven business models to make it bigger, faster<sup>6</sup>.

### "Good" Business Model

*Business model and industry structure allows for profits in later years*

#### Organic Growth Scenario

Year	1	2	3	4	5	6	7	8	9	10
Cash Flow	\$ (200)	\$ (100)	\$ (50)	\$ 50	\$ 100	\$ 150	\$ 188	\$ 225	\$ 270	\$ 324
memo: Growth Y/Y - Organic CF		(50.0)%	(50.0)%	(200.0)%	100.0%	50.0%	25.0%	20.0%	20.0%	20.0%
Cost of Capital	8.0%									
<b>NPV</b>	<b>\$ 405</b>									

#### External Funding Scenario

Year	1	2	3	4	5	6	7	8	9	10
Cash Flow	\$ (100)	\$ (50)	\$ 50	\$ 100	\$ 150	\$ 188	\$ 225	\$ 270	\$ 324	\$ 389
External Funding, Cost of Capital	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Net Cash Flow	\$ (108)	\$ (58)	\$ 42	\$ 92	\$ 142	\$ 180	\$ 217	\$ 262	\$ 316	\$ 381
memo: Growth Y/Y - Organic CF		(50.0)%	(200.0)%	100.0%	50.0%	25.0%	20.0%	20.0%	20.0%	20.0%
Cost of Capital	8.0%									
<b>NPV</b>	<b>\$ 764</b>									
- External Funding	<b>\$ 100</b>									
<b>= NPV to Original Shareholders</b>	<b>\$ 664</b>									
memo: Upside vs. Organic Scenario	63.9%									

<sup>5</sup> Whether it's actually a winner-take-all industry, or simply the story management is telling themselves, is a completely different matter.

<sup>6</sup> Granted, these growth equity investments are typically preferred equity, instead of the debt used in this example. But the idea is still the same.

Notice, external capital only enhances a business model... it's not going to magically turn a poor business into a great one. For a "bad" business model, it only accelerates the losses and drives it into bankruptcy faster (the bike-sharing companies that generate losses on a per-ride level, come to mind)<sup>7</sup>.

Investing at the core is all the same – whether it's early-stage businesses, stable growth businesses, or mature no-growth business – it's all about predicting future cash flows. External funding simply accelerates the inevitable, so therefore the most important thing is just getting the inevitable right (what is the company's terminal state / "normalized profits")<sup>8</sup>.

### “Bad” Business Model

Poor business model and industry structure doesn't allow for profits in the foreseeable future

#### Organic Growth Scenario

Year	1	2	3	4	5	6	7	8	9	10
Cash Flow	\$ (200)	\$ (240)	\$ (288)	\$ (317)	\$ (333)	\$ (349)	\$ (367)	\$ (385)	\$ (404)	\$ (425)
memo: Growth Y/Y - Organic CF		20.0%	20.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Capital	8.0%									
<b>NPV</b>	<b>\$ (2,120)</b>									

#### External Funding Scenario

Year	1	2	3	4	5	6	7	8	9	10
Cash Flow	\$ (240)	\$ (288)	\$ (317)	\$ (333)	\$ (349)	\$ (367)	\$ (385)	\$ (404)	\$ (425)	\$ (446)
External Funding, Cost of Capital	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)	(8)
Net Cash Flow	\$ (248)	\$ (296)	\$ (325)	\$ (341)	\$ (357)	\$ (375)	\$ (393)	\$ (412)	\$ (433)	\$ (454)
memo: Growth Y/Y - Organic CF		20.0%	10.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Cost of Capital	8.0%									
<b>NPV</b>	<b>\$ (2,350)</b>									
- External Funding	\$ 100									
<b>= NPV to Original Shareholders</b>	<b>\$ (2,450)</b>									
memo: Upside vs. Organic Scenario	(15.6)%									

But doesn't external funding make a company riskier, especially during a downturn? Capital markets and access to capital tends to dry up when everyone's panicking. If a company relies upon external funding like Voldemort's [Horcrux](#), carrying an otherwise dead company along until the day it can reach self-sustainability and profitability (ahem, Uber / Lyft), then yes. But if the business model is already self-sustainable, and the external funding is simply being used like fuel to grow faster, then no. As long as the incremental growth generated is more profitable than the existing business, then this is actually a good decision.

The key is to look for certain companies where the external capital is *discretionary*. These companies are actually a "Growing Company" (self-sustainable), but actively choose to take on external capital to accelerate (profitable) growth. When you can borrow at an 8% cost of capital (example above), and reinvest it into projects returning 15 - 25% with relatively low risk, wouldn't you want your business to do that<sup>9</sup>?

In these circumstances, there's no difference in the analytical process of judging whether a company will be able to grow earnings from \$1 to \$10, versus a younger company going from losing -\$5 to earning +\$5 in the

<sup>7</sup> For these companies, the more external capital they consume > the more rides they can service > the more money they lose. A negative number (unit economic losses) multiplied by a positive number (# of rides) is still a negative number. Companies like Ofo hoped to sell user location data and advertisements to make up for the loss, but that never came to fruition.

Also note, some early venture investments (pre-seed, seed, series A) are made before there's even any attempt at a business model at all. These investments are far too early to use this framework, and are much riskier than just "pouring gasoline on the fire".

<sup>8</sup> As the saying goes, getting something roughly (directionally) right is better than precisely wrong.

<sup>9</sup> Note, this cost of capital can be in the form of either debt, equity, or both. A highly valued stock may have a cheaper cost of capital, than even debt. In either case, the example still holds.

future. It's the same analysis. At the end of the day, all investing is making a judgement call on [how much future cash flows will be] x [when investors can expect to receive them].

The caveat is, in order to “pull forward” positive cash flows, as in our previous example, it requires the incremental growth (new customers, factories, etc) to be profitable, which usually requires leveraging the existing infrastructure / fixed cost base as much as possible.

To illustrate the concept, software is an often-cited example of this. Once the developers are hired and code is written, it costs almost nothing to provide the software to one more customer. If the customer found you organically, the margins on the new customer is almost 100%. You've already spent the salary and R&D costs to build the product, and incremental margins are high. You should aim to sell as many copies as quickly as possible.

<b>Initial Capital</b>	
Initial Startup Capital	✔ \$ 180,000
- Research & Development	20,000
- Developer Salaries	70,000
x 2 years Development time	2.0x
= Ending Cash Balance	\$ - <i>Initial capital is spent on development</i>

<b>Post Product Development (Break-even)</b>	
# of Customers	100 <i>In-bound Customers</i>
x Avg Price per Customer	\$ 1,000
= <b>Revenue</b>	<b>\$ 100,000</b>
- Cost of Goods	10,000
= Gross Profits	\$ 90,000
<i>memo: Gross Margin</i>	<i>90.0%</i>
- Research & Development	\$ 20,000
- Developer Salaries	70,000
- Marketing Salaries	-
= <b>Operating Profits</b>	<b>\$ -</b>
<i>memo: Operating Margins</i>	-
- Taxes	-
= <b>Net Profits</b>	<b>-</b>
<i>memo: Net Profit Margins</i>	-
<i>memo: Tax Rate</i>	<i>21.0%</i>
Beg. Cash Balance	\$ -
+ Retained Profits	-
+ External Funding	-
= Ending Cash Balance	\$ -

But very few customers will find you themselves, so you need to hire a salesforce if you're to add significantly more customers. But as a young company, you already spent all your cash on developing the product, plus every month you still have to pay your developers and other costs to update / maintain the software. Luckily, you've found enough in-bound customers to cover these costs / reach sustainability, but it's not enough cash in the bank to hire more sales people and grow quickly. But based on previous experience, you're confident that spending \$400K on a few sales people will generate another \$1M in sales. What are you to do?

Well, the correct answer would be to borrow that money in the form of either debt or equity (especially at today's low interest rates). It's a great example of external capital adding value – it's an extra \$500K of operating profits you wouldn't have had previously.

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### ***Hiring a Salesforce (External Capital)***

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# of Customers	100	<i>No new customers yet...</i>
x Avg Price per Customer	\$ 1,000	
<b>= Revenue</b>	<b>\$ 100,000</b>	
- Cost of Goods	10,000	
<b>= Gross Profits</b>	<b>\$ 90,000</b>	
<i>memo: Gross Margin</i>	<i>90.0%</i>	
- Research & Development	\$ 20,000	
- Developer Salaries	70,000	
- Marketing Salaries	400,000	<i>...But still need to pay sales staff</i>
<b>= Operating Profits</b>	<b>\$ (400,000)</b>	
<i>memo: Operating Margins</i>	<i>(400.0)%</i>	
- Taxes	-	
<b>= Net Profits</b>	<b>(400,000)</b>	
<i>memo: Net Profit Margins</i>	<i>(400.0)%</i>	
<i>memo: Tax Rate</i>	<i>21.0%</i>	
Beg. Cash Balance	\$ -	
+ Retained Profits	(400,000)	
+ External Funding Raised	400,000	<i>Raised External Capital to fund new hires</i>
<b>= Ending Cash Balance</b>	<b>\$ -</b>	

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### ***Salesforce > New Customers (Profitability)***

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# of Customers	1,100	<i>Salesforce generated 1K new customers</i>
x Avg Price per Customer	\$ 1,000	
<b>= Revenue</b>	<b>\$ 1,100,000</b>	
- Cost of Goods	110,000	
<b>= Gross Profits</b>	<b>\$ 990,000</b>	
<i>memo: Gross Margin</i>	<i>90.0%</i>	
- Research & Development	\$ 20,000	
- Developer Salaries	70,000	
- Marketing Salaries	400,000	
<b>= Operating Profits</b>	<b>\$ 500,000</b>	
<i>memo: Operating Margins</i>	<i>45.5%</i>	
- Interest	32,000	
- Taxes	98,280	<i>Assume 8% Cost of External Capital</i>
<b>= Net Profits</b>	<b>369,720</b>	
<i>memo: Net Profit Margins</i>	<i>33.6%</i>	
<i>memo: Tax Rate</i>	<i>21.0%</i>	
Beg. Cash Balance	\$ -	
+ Retained Profits	369,720	
+ External Funding Raised	-	
<b>= Ending Cash Balance</b>	<b>\$ 369,720</b>	

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But if you were to look at the financials of this company immediately after this decision, it might look like they're bleeding cash and the fundamentals are getting worse / going in the opposite direction. They'd be going from break-even to losing -\$400K per year! This is because you have to pay your salesforce starting Day 1 but they might not bring in sales for a year or more. In the short-term, it may look to the market like a big bonfire of cash.

As those salespeople bring in new customers though, and as you reinvest those proceeds into hiring even more sales people, you'll get that much closer to showing profitability again on the overall financial statements.

Unfortunately, software investors tend to understand this business model today, so you probably won't see a large sell-off in the "investment phase" anymore (instead, they'd rather trade at lofty 20 - 50x sales!). But luckily for us, this dynamic still occurs in other industries or geographies, where the shareholders are not as astute.

No doubt, it requires work to distinguish a good business model vs. a bad business model – and using external capital doesn't change that. It just accentuates it. This is especially true for businesses that have increasing returns to scale, versus the traditional economic model of diminishing returns. In the former, capital becomes more efficient as these companies grow<sup>10</sup>.

At Hayden, we're paid to do the hard work and look for these pockets of inefficiencies. This is just one investment framework that's in our toolkit. When most investors have a heuristic that leads them to put an entire group of companies into the "too hard" pile, that's where I go sifting for deals.

## Portfolio Updates

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**Cimpress (CMPR):** This quarter, I sold our position in Cimpress after almost 4 years of ownership (initially purchased August 2015). During this period, our returns on the investment have been disappointing, to say the least.

If partners remember back to our initial thesis, it was originally distilled down to a bet on the shift to the "higher-expectation" customers, which was complemented by the acquisition of Upload and Print businesses in Europe to serve this new customer-set. These customers spent 5x more on printed materials compared to Cimpress' historical customer base. The result was better incremental customer economics, once they were onboarded as customers.

At the time, Cimpress was spending ~50% of its gross profit on marketing expenses (both retaining and acquiring new customers), and ~50% of remaining discretionary capital allocation (excluding share repurchases) towards acquiring these Upload & Print businesses. I estimated the return on marketing spend was north of 30% IRR, and the Upload and Print acquisitions were yielding +16% after-synergies.

Issues cropped up the last few years though, as Cimpress faced heavier competition, which drove up the cost of acquiring customers (particularly on Google), which eroded those marketing returns. Although no single competitor came close to Cimpress' scale, a collection of smaller competitors that provided a better customer / website experience put pressure on them. Executional mistakes also exacerbated the issue. This result was Vistaprint revenues (54% - 68% of total revenues) growing only ~6% y/y and profits ~8% y/y.

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<sup>10</sup> Harvard Business Review has a good piece on increasing returns business models. It was written 23 years ago, but is still as relevant today as ever ([LINK](#)).



At the same time, Cimpress tried to fix these and other issues by making several strategic changes – most notably pivoting from trying to centralize corporate functions, to trying to decentralize the business units. This shifting back and forth resulted in some wasted investments, which are evident in the relatively flat steady-state cash flow generation capabilities. But more importantly, it was a distraction for the organization.

We initially purchased the position at ~\$67, and ultimately sold out of it at ~\$89 this spring<sup>11</sup>. While our return on investment has been positive, it underperformed both the rest of Hayden’s portfolio as well as comparable benchmarks.

While I think Cimpress will continue to rise in value and maintain its competitive position in the industry, I question whether it has ability to outperform our other investment opportunities going forward. In short, I have lost confidence in management’s judgement and ability to execute. We have since redeployed the proceeds into our other portfolio holdings.

**JD.com (JD):** This quarter, I also finalized the sale of our position in JD.com. I’ve laid out our detailed thesis on the company in past letters, which unfortunately haven’t panned out.

We originally bought the position in March 2017, predicated on the thesis that as Chinese GDP per capita rises, consumers would increasingly place emphasis on shipping times and name brand / authentic products. In addition, as the consumer base widened and shoppers got in the habit of instant gratification (due to same day / next day shipping), they would engage with the platform more often. The thesis was that this engagement and resulting loyalty to the platform, would allow JD to branch out into higher-margin general merchandise categories (which also have higher order frequencies) vs. their traditional electronics & appliances (lower margin, low order frequency), which would result in higher profits and margins.

Two years later, the broader theses points came true. GDP per capita has risen +21% in just the last two years (\$9.8K in 2018 vs. \$8.1K in 2016; [LINK](#)), which has led to a greater focus on quality products vs. cheap price. But the beneficiary of this was Alibaba and not JD.

For example, Alibaba’s Taobao platform (consumer-to-consumer marketplace), which historically was known for cheap products but of questionable authenticity, has grown GMV +18.9% annually the last two years. This is compared to Tmall, Alibaba’s business-to-consumer platform, where brands sell authentic goods directly to consumers, which has grown +10% faster (+29.2% annually) over the same time frame.

### Alibaba’s Cainiao Delivery Times

*Time to fulfill first 100M orders during Singles Day, from Alibaba Investor Day 2018*



<sup>11</sup> Note, there were also interim adjustments of the position size during the holding period. As such, the money-weighted returns on the investment will differ.

At the same time, Alibaba did a great job implementing Cainiao, its network of 3<sup>rd</sup> party logistics operators. Just look at the decrease in shipping times over these past few years. Alibaba's delivery times have improved even further since this graph, and is now able to delivery packages the same day in many Tier 1 cities. This drastically lowered the attractiveness of JD's value proposition, which combined with the Tmall offering, narrowed JD's competitive advantage.

Anecdotally, I've also heard more and more stories of employees looking to leave the firm. Tech startups in China don't recruit from JD (a negative signal for JD's technological abilities), most commonly preferring instead Alibaba, Bytedance, or Huawei (at least among those I've spoken to)<sup>12</sup>.

Note, while the scandal around founder Richard Liu added another layer to the thesis, it didn't play a major role in our decision to sell. After the incident, and more importantly after digging deeper into his personal background, my opinion of Richard's integrity worsened. But it was clear he hadn't committed a crime in this particular case, and would be acquitted<sup>13</sup>.

In our Q3 2018 letter, I outlined some of these issues but mentioned my view that the drop in the stock price due to the allegation, was too much. I decided to wait for shares to recover, and ultimately sold in April and May this year at ~\$29.

We owned the shares for approximately two years, building a full position at an average price of \$37. During this period, we recognized a total loss of -22%. Rest assured, many of the lessons from this experience, will be applied to future investments. One example, understanding the ability of a 3P Marketplace to successfully drive engagement and build a complementary network of logistics partners without owning the assets, has already benefited our mental model for Shopee / Sea Ltd.

I've taken the opportunity this quarter, to clean up our portfolio. Over the course of an investment career, I'm sure I'll make many more mistakes and some of our theses simply won't pan out. That comes with the nature of the business. More importantly though, is to learn from these experiences and apply them to how we think about future investments – we never want a good learning opportunity to go to waste.

## Conclusion

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This fall, I'll be restarting the travel schedule with an extended trip to Asia during late September and most of October. I'll be in Hong Kong, Shenzhen, Jakarta, Singapore, and possibly a few other cities in China / Southeast Asia.

Partners will notice that we haven't found anything new worth buying in the last 10 months. Hopefully on this trip, I'll be able to learn about some interesting businesses that will deserve a place in our collection of high-quality companies in coming years. If you're a public or private markets investor, or an entrepreneur with an interesting business that's based in one of these cities, I'd love to grab a coffee and compare notes. If you're interested in joining the Hayden Capital family by becoming a partner with us, I would love to meet as well.

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<sup>12</sup> In our Q3 2018 letter, I mentioned how JD has an "execution-based" culture and "DNA" of a retailer, vs. that of a tech company ([LINK](#)).

<sup>13</sup> In fact, new videos and evidence have come out recently, showing clearly that he was likely set up by the accuser, with the intention of blackmailing him ([LINK](#)). Unfortunately, these types of cases happen relatively frequently in China versus the West.

This quarter, I'd like to thank Professor Van de Walle at NYU, for inviting me to speak to the Emerging Markets Finance class. I had a blast talking about our investment process, and how it can be applied to developing markets.

Also, I'd like to thank Tilman of [valueDACH](#) for inviting me to speak with himself and Steven Wood of Greenwood Investors, in a wide ranging interview. We covered everything from investing in Europe & Asia, the impact shareholder culture has on corporate decision making, to specific investment cases for Zooplus and Sea Ltd. The recorded conversations can be found here ([LINK 1](#), [LINK 2](#)). While there, please check out valueDACH's other interviews too – there are plenty of great interviews to learn from ([LINK](#)).

Over the next few months, hopefully I'll have the chance to connect with many of our partners in NYC and elsewhere. In the meantime, please email me or pick up the phone if there's anything I can help with.

Sincerely,



Fred Liu, CFA  
Managing Partner  
[fred.liu@haydencapital.com](mailto:fred.liu@haydencapital.com)

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