2021 Half Year Letter

Dear JDP Partner,

The first half was an exceptionally good period of growth for our portfolio. All of our businesses delivered on important milestones that will help make them more relevant and valuable in the future.

In the first six months of 2021 the fund was up 7.26% (gross) versus 15.25% for the S&P 500. Please see your statement for net returns as performance will vary based the timing of capital contributions and share class.

The primary drag on our performance was Spotify (NYSE: SPOT) which is our highest conviction position. Considering the gains of other holdings in the first half of 2021, even a modest re-rating of SPOT could have an outsized impact on our full-year results.

JDP's goal is to earn multiples on our money resulting from the fundamental appreciation of our businesses as they grow. To increase the odds of success, we focus on a handful of ideas with a high probability of generating sustained, outsized earning power.

This approach is contrarian to the way most stock funds are managed because we do not "rent a stock" based on market rotations or macro trends. Being different allows us to capture the long tail value creation of our holdings, something that is often missed by the majority.

Our investment process is guided by a specific set of criteria that we call the *Survivor & Thriver* framework. This lens helps us think about the potential of a company before it is obvious in the numbers, and hold-on when others are forced to trade around volatility.

Since the early days of JDP we have gravitated towards opportunities embedded within transitions that are complex and choppy. This is an area where our temperament and research process provide a tangible advantage over accounting-constrained investors.

Secular transitions in technology can be unusually abundant pond to fish in for research-oriented patient investors. Technological shifts that slowly consume old industries and excrete unexpected winners tend to generate ongoing opportunities that are not always obvious.

The transition of the global economy to the internet is happening in different phases and at very different speeds. As an example, ecommerce adoption is *still* unlocking new business models across multifarious sectors, from logistics to digital payments. Shopify alone has added more than $100 billion in market cap within the last three years.

One of the mega-shifts we are excited about is the evolution of "social audio" and new creator-economy business models being built on top of the digital "rails" like Spotify.

Spotify

Spotify (SPOT) delivered remarkable progress in the first half of 2021 that turbocharged the platform's value proposition for audio asset owners, creators, and consumers.

Recent achievements in expanding the global footprint to **178 countries**, the roll-out of the **Open Access Platform**, and the launch of live audio **(Greenroom)** have elevated the company from a purely consumer-facing product to a monetization tool for talk and music asset owners.

Yet the stock was down 12% in the first half and we think investors are missing the boat by trading the stock based on short-term KPIs like changes in premium subscribers.

In May we had added to the position at an average price of $217. Although this price was roughly 80% higher than our 2018 basis, we think the upside is more compelling now than when we initially invested.

Spotify's competitive advantage as an aggregator is *increasing* as audio consumption transitions from radio to streaming and the amount of content explodes.

The famous analyst Ben Thompson pointed this out in a post after the company's *Stream On* event in February:

"Start with music: Ek (Daniel Ek, Spotify founder/CEO) noted the fact that by removing physical limitations Spotify made it possible for there to be a drastic increase in the supply: 1.8 million new albums last year, compared to only 30,000 new albums in 2002...

...Of course, Ek was making this out to be a positive thing, and it is! That is 1.77 million artists who have been uniquely enabled by the Internet, and while it goes without saying that many of them aren't very good, when marginal costs are zero, you would rather have more crap when the upside is more gems...

...Of course, this also creates problems, particularly for the music labels that produced those 30,000 albums, which Spotify is happy to solve; at *Speak On* the company highlighted the ability for artists and labels to pitch songs for playlists; the expansion of *Marquee*, its program for buying recommendations, into a self-serve buying experience; and the beta launch of *Discovery Mode*, where artists and labels can bid to be included in Spotify's most popular playlists, with payment coming in the form of reduced royalties....

...This is all straight from the Aggregator playbook: command an audience, generate an abundance of supply that can rely on the Aggregator for discovery, and give said suppliers an opportunity to ensure they are seen....

...And, at the same time, Spotify continued to emphasize how it gave opportunities to new artists to be included in the same playlists as everyone, to be fed into the same algorithm, and even to have access to the same measurement and advertising tool as they wanted."

CRACKING THE SOCIAL AUDIO CODE

Fifteen years ago, Spotify revived the value of the recorded music industry by inventing a legal way for music to be streamed on-demand. But the monetization of audio has not evolved as fast as other media that got a tailwind from social media.

The global value of music copyright was only $31 billion in 2019[1]. It is a headscratcher to think that something consumed 3.8 hours per day by the average adult[2] is only the size of the banana industry[3].

Even more eye-popping is that the global value of podcast advertising revenue is only $1 billion[4] today, or less than *half* the size of the market for those little disposable plastic lighters[5] sold at the gas station.

In April Seth and I interviewed Matthew Drengler from data analytics Podsights about the industry's progress in addressing technological challenges around programmatic podcast advertising, and Spotify's position in the ecosystem.

Watch JDP's interview with Matthew Drengler from Podsights

Audio's growth has been held back partly because of the unique challenges of discovery, searchability and consumption with traditional social media platforms designed for video clips, pictures and headlines.

It is normal to scroll your LinkedIn, Facebook or YouTube feed and consume pictures, videos and headlines posted by others that are loosely related. But consuming songs, podcasts and books require much more of someone’s attention than a video clip or picture.
Sharing your favorite song or podcast on Instagram is easy; getting your followers to *complete* a song or podcast just because you shared a link it is not realistic.

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1 https://tarzaneconomics.com/undercurrents/copyright
2 https://www.statista.com/statistics/828195/time-spent-music/
3 http://www.fao.org/economic/est/est-commodities/bananas/en/
4 https://www.businessinsider.com/the-podcast-industry-report?international=true&r=US&IR=T
5 https://www.thecowboychannel.com/story/43694725/disposable-lighters-market-share-2021-cagr-status-product-type-applications-industry-size-revenue-growth-opportunities-top-key-players-regions-with

Although music clips as background for user-generated videos is growing, at least 30 seconds of a song needs to be played in order to trigger a traditional streaming royalty payment[6].

Unlocking the potential of social audio requires a different approach than traditional social media which was purpose-built for advertisers, not creators or consumers.

RECENT SPOTIFY ACCOMPLISHMENTS WE FIND IMPORTANT

1. Spotify is now in 178 countries

- In February Spotify launched in 86 new markets including the coveted South Korean market, areas in Africa, Asia and Latin America that it was not in previously. It goes without saying how valuable this could be for a musician or podcast host to have instant access to audio consumers from 91% of the world's countries in a single app.

- Spotify can now focus on building out content in each country and make capital allocation decisions based on localized opportunities. As an example, in June, Spotify signed an exclusive podcast deal with Ranveer Allahbadia in India. Ranveer is the host of The Ranveer Show which is one of the most successful news and talk show podcasts among young audiences.

Daniel Ek, Spotify Q1 2021 Earnings Call: "We are ramping up quickly, evolving our content and adjusting our product as we learn about what makes the most sense on a hyper-local level."

2. Launch of the Open Access Platform

- In May Spotify launched the Open Access Platform (OAP) which is the most significant development in the company's creator-first strategy since we have owned the stock. OAP allows talk audio owners to be hosted on Spotify's Anchor platform and retain complete control over subscriber emails and outside payment systems. If the audio owner does not have an existing billing system, Anchor will offer one via Strip, for a 5% fee after 2023 (free until then).

- OAP makes Spotify the first major content aggregator to move from walled-garden to open-platform, allowing content owners to write the terms in which they interact with the platform.

- OAP provides a structural advantage over what Apple is able to offer creators with the existing App Store rules. Apple's copy-cat version is offering podcast owners the ability to charge a premium subscription using three standard Apple-only options for a15% to

[6] https://bigtechquestion.com/2018/06/04/online/how-long-do-i-have-to-play-a-song-on-spotify-before-the-artist-is-paid/

30% cut. However, Apple does not allow the audio owner to collect subscriber emails or use a pre-existing payments system.

- OAP is especially valuable for large media companies that use podcasts as a top-of-funnel for a larger offering (eg. New York Times). What does Spotify get out of this? The podcast/audio book owner can voluntarily use the *Spotify Audience Network* to sell ads and split the revenue, or use other monetization tools on the platform (Greenroom/Live, playlists, *Podz* AI-generated audio clips for social media distribution, etc.) Spotify is betting that content owners will pay for audio-specific tools to develop new models for maximizing the value of fans.

Spotify press release, April 27, 2021[7]: "At *Stream On*, we announced the Spotify Audience Network--a first-of-its-kind audio advertising marketplace in which advertisers of all sizes will be able to connect with listeners consuming a broad range of content. We've already unlocked Megaphone publisher inventory via the network, and starting on May 1 (2021), we will begin to open Spotify Audience Network to select independent creators using Anchor, so more people can have access to this unique tool...

...We believe this technology will enable more creators to make meaningful revenue from their podcasts by providing much better value to advertisers than existing podcast advertising solutions that use RSS. This will ultimately bring more dollars (and more-efficient spending) into the space, benefiting creators who choose to monetize through advertising."

- Spotify's Two-Sided-Marketplace is an example of a business built on top of the streaming "rails" and allows music owners to pay for marketing tools and fan data. In time we think more businesses will be built by content owners to leverage the declining friction to build audio audiences.

- For those interested in a deeper dive, Spotify's Chief R&D Officer Gustav Soderstrom was recently *interviewed by the Means of Creation podcast* and discussed the company's vision for audio creators in detail; this might be most insightful interview on the company's strategy that I have heard in a while.

3. Launch of Greenroom - Live audio

- In June Spotify launched its live audio feature called Greenroom. Greenroom is similar to Clubhouse, Twitter "Spaces" and Facebook "Live" where users create a virtual room and invite others to join a live discussion. Live audio has become a standard feature for media platforms similar to having a mobile app 15 years ago.

[7] https://newsroom.spotify.com/2021-04-27/spotify-ushers-in-new-era-of-podcast-monetization-with-new-tools-for-all-creators/

- Spotify will use Greenroom as a paid engagement tool for musicians and podcast hosts to organize exclusive events, interact with an audience curated by Spotify, and build brand value. The company is also experimenting with live concerts which we imagine could be also watched on Greenroom. As an example, a musician could use Greenroom to invite their super fans to screen a new song or album, or a podcast host to answer questions from premium subscribers.

- Greenroom is a natural fit for Spotify because users already use Spotify exclusively to discover and listen to audio. Greenroom helps plug the two-way communication gap between artists and fans on the app. We the think the addition of Greenroom to Spotify's monetization toolkit for creators is enormous and well timed.

Spotify press release, June 17, 2021[8]*:* "As artists, you connect with fans through the music you make, the experiences you create, and the conversations you have with them - whether those interactions happen IRL or virtually. And while posting on social media is a great way to engage fans, you still need a way to talk to them that goes beyond comments and replies. A way that's more interactive, organic, and engaging in real time...

... Greenroom, a new live audio app from Spotify that allows artists and other creators to connect with fans, followers, and friends in the moment. Going live on Greenroom means conversation spaces that artists can control; when you host a room you'll have the power to moderate, choose speakers, set the tone and topic of the discussion as well as record the audio....

...Greenroom also gives you the ability to surprise and delight your fans by popping up in their conversations too. (And, since its audio-only, you won't ever have to worry about being camera ready.) Greenroom provides the opportunity to cultivate a highly-engaged audience of fans who are passionate about artists, the music they make, and the perspectives they have."

The future of audio will be more about the differentiation and effectiveness of the monetization tools supported by different platforms. Creators need to follow consumers wherever they go. Today radio is still Spotify's biggest competitor, and we think the improvement of streaming audio on other platforms is positive for Spotify.

Daniel Ek, Spotify Q1 2021 Earnings Call: "And while we decided early to go all-in on audio, it's giving us a head start of more than a decade and unrivaled size and scale. Others are, of course, taking notice. This isn't surprising at all given the enormous size of the audio market, which some projections indicate could be valued at $200 billion by 2030...

...Competition is nothing new for us. We saw it in music and always expected others to jump on the audio train when they realized how attractive it is to billions of listeners around the world.

[8] https://artists.spotify.com/blog/introducing-spotify-greenroom

We believe we have at least 5x to 7x growth left in the business we are today: music, podcasting and paid audio, and we intend to win in those businesses."

Roku

Roku gained 39% in the first half of 2021 or more than double the S&P 500. Since 2015, Roku's platform revenue or revenue from subscription fees and advertising has grown by 32x[9].

Despite a 300% gain on our investment so far, Roku's flywheel is just starting to take shape and we are excited to hold the stock.

Roku Q1 2021 Shareholder Letter: "According to eMarketer, Americans on an average day will spend more time on TV streaming than all major social media platforms combined: 3x Facebook, 2x YouTube, and roughly 2.5x Instagram, TikTok, and Snapchat combined. And, like these major social platforms, Roku possesses deep, direct relationships with consumers that do not depend on third party identifiers and cookies."

In the last year platform revenue has doubled, and hours streamed per user is up 38%. With subscriber revenue of only $2.67 per month across 53.6 million users (Q1 2021) we think there is a substantial monetization gap to be filled as TV ad budgets catch up with the consumer transition from cable TV to streaming.

Our base case is that average revenue per user (ARPU) in North America will continue growing much faster than new subscribers as Roku harvests the economics of its free ad-supported TV model.

Longer term we think the combination of Roku's growing value proposition for the consumer, continued acquisition of ad-accepted TV content, and advancements in advertising technology, will lead to higher ARPU and returns on capital than what is possible in paid-subscription TV models.

Roku was founded in 2008 during the financial crisis and its player-hardware lit the spark that later catapulted streaming TV from a controversial niche that few believed in, to mass market adoption. Hardware is Roku's "customer acquisition cost" or how it onboards subscribers, publishers and advertisers to the platform.

For years the investment community misunderstood Roku as a hardware business and discounted the idea that the market for free ad-supported streaming TV could be larger than paid subscription models after cord-cutting.

[9] JDP estimates, Roku 2015 10-K filing

Roku Q1 2021 Shareholder Letter: "More broadly, the overall secular shift to streaming continues, and Roku benefits as a result of our leading technology and scale."

"In Q1, total TV streaming ad impressions delivered through OneView nearly tripled year-over-year, while total impressions on the Roku platform (sold by Roku or its publishers) more than tripled."

Cable TV's transition to streaming has re-written old industry models and Roku is now an important centerpiece in the battle for the future economics of your living room.

In the first quarter of 2021, Roku reported *18.3 billion* hours streamed on its platform, an average of 6.1 billion hours per month. There are more than 25,000 apps on the Roku platform[10] and consumers need an easy way to organize, search and discover content.

Like Spotify, Roku's position as aggregator becomes more valuable as streaming content explodes and advertisers compete for a limited number of eyeballs for shows, movies and games.

Roku Q1 2021 Shareholder Letter: "With so much outstanding content being made available on the Roku platform, publishers are investing heavily in promotion and leveraging our industry-leading, performance-driven marketing tools to build their TV streaming audiences...

...As a result, media and entertainment advertising (which includes what we've traditionally called our audience development business, grew faster than the overall platform in Q1 2021. As the No. 1 TV streaming platform in the U.S. (based on hours streamed - April 2021 Hypothesis Group), Roku will continue to benefit from the ongoing secular shift of both consumers and content providers to streaming."

Roku's relentless drive to re-imagine a superior consumer experience in free ad-supported TV has resulted in strong brand loyalty, high quality smart TVs able to be sold for record low prices, and strong ROIs for its advertising and publishing partners.

Roku Q1 2021 Shareholder Letter: "Advertisers continued to follow audience and move budgets into TV streaming, with Roku's monetized video ad impressions more than doubling year-over-year...

...Our ad technology enables advertisers to precisely reach any subset of our large and growing audience, which in turn improves the ROI of every dollar a brand spends with us. For example, Home Chef's recent campaign demonstrated that Roku drove a 2.4x return on its ad spend."

[10]https://42matters.com/roku-app-store-statistics-and-trends#:~:text=How%20Many%20Apps%20Are%20on%20the%20Roku%20Channel%20Store%3F,-25.29k%20Apps&text=The%20Roku%20App%20Store%20is,the%20planet%2C%20offering%2025%2C286%20apps.

THE ROKU CHANNEL FLYWHEEL

The Roku Channel might be the most under-appreciated asset in the business and is driving the next phase of Roku's flywheel.

The Roku Channel is a free, ad-supported content app started in 2017 and can be watched on any mobile device such as a phone, tablet or connected TV. The Channel is being built to become the go-to app for content once watched on cable TV and fills the gap between high profile movies and shows on subscription-based apps like Netflix, Disney, HBO, Discovery Channel, etc.

One of the important strategic steps in Roku's history was to leverage its position with large content owners and offer better terms on the Roku platform in exchange for exclusive access to select content to be used on Roku's own streaming channel - the Roku Channel.

As an example, Peacock might license a few older shows to The Roku Channel in exchange for rights to sell a higher percentage of the ad inventory on its own app when watched on the Roku platform.

Roku controls 100% of the ad inventory inside the Roku Channel which allows the flexibility to follow audiences in a more granular way that is not always possible inside third-party apps on the Roku platform.

In the ad-supported model, revenue per user is tied to content consumption. The more its users watch the channel the more money Roku can earn from advertising.

The Channel is driving consumption by acquiring traditional TV content not sought after by Netflix, Amazon or Apple. The Channel's first content deal was the acquisition of Quibi's assets and has since gone on to acquire reality shows and niche comedies created for selling advertising.

The Roku Channel's content strategy also drives an important advantage over less developed operating systems offered by TV manufacturers. Lastly, the Channel also helps Roku diversify its revenue away from commissions earned from the large super apps on the Roku platform like Netflix and Disney.

Roku Q1 2021 Shareholder Letter: "On The Roku Channel, we drove another quarter of record growth, reaching U.S. households with an estimated 70 million people.
Account reach and streaming hours more than doubled year-over-year - a growth rate that is over twice as fast as the overall Roku platform...

...This demonstrates the power of The Roku Channel flywheel: easy access to content with broad appeal attracts viewers, that viewer engagement attracts advertisers, and advertiser spend in turn allows us to invest in more content...

...This flywheel is enabling us to be more creative and expansive in sourcing content suited to an AVOD (advertising video on demand) business model, and we expect that our content investment will continue to be commensurate with the scale and growth trajectory of the The Roku Channel."

"In Q1, over 85% of the adult 18-49 audience reach delivered on The Roku Channel was unduplicated with traditional TV. With our market-leading scale and highly effective monetization capabilities, The Roku Channel is also an increasingly attractive place for content owners to reach streaming audiences through both ad-support and subscription models."

We are excited about what Andy Wood and his team at Roku are building and think it is likely that the market for free ad-supported streaming TV will grow faster than subscription models.

People love free content when advertising is relevant to them, and the ad load is not excessive. The free ad-supported model also translates well around the world and allows Roku to eventually scale quickly in higher growth countries like any internet business.

In May, Seth and I interviewed Tal Chalozin, co-founder of Innovid Inc. about the improving technological infrastructure reshaping what is possible in ad-supported streaming TV.

Watch JDP's interview with Tal Chalozin

DIRTT
Build better.™

DIRTT Environmental Solutions Ltd. (NASDAQ: DIRTT and TSX: DRT.TO) is a small-cap Canadian designer and manufacturer of pre-fabrication interiors for commercial buildings in North America. The company uses a virtual reality platform to engineer interior building infrastructure with a high degree of precision and cost efficiency. Projects are sold through a network of third-party dealers. *Video: What is DIRTT Environmental?*

JDP initially invested in DIRTT in March 2020 at a price of $1.15 per share (USD). In the first half of 2021 the stock was up 78%, and 280% overall from our initial investment.

DIRTT was introduced to us by Shaun Noll who is one of the best investors I know. Shaun has a unique process and mindset for uncovering hidden gems with both multi-bagger potential and a strong margin of safety. Together with a family office, Shaun acquired 12.2% of DIRTT in 2020.

We were attracted to DIRTT because it is a small company with big ambitions to transform the manual construction processes using software and precision manufacturing.

DIRTT's CEO is Kevin O'Meara who co-founded Builders FirstSource (BLDR) a $9+ billion market cap business started in 1998. We admire Kevin's vision, drive, and willingness to be held accountable for *long-term financial goals*.

Between February and mid-March 2020, DIRTT declined ~65% because the pandemic had largely halted office and hotel renovations. We found enough comfort in the cash flow of the company's medical division (hospitals/clinics/labs) to make an initial investment at an 87% discount to the previous 52-week high.

Our experience owning Autodesk in the past helped us recognize the growing leverage in DIRTT's business model as its software becomes increasingly entrenched within commercial interior construction processes.

DIRTT is in a great position to benefit from an outsized opportunity in office reconfigurations to meet social distancing standards in the post-COVID workplace.

DIRTT also has meaningful owned assets in five state-of-the-art manufacturing faculties including *a new plant in South Carolina* that recently doubled the company's capacity.

The company is conservatively financed and recently completed a capital raise on favorable terms which adds increased operational flexibility in the event the economic recovery takes longer than hoped.

INDIVIOR™

Indivior PLC (UK: INDV.L) is an orphaned UK drug company that makes the leading treatment for opioid and heroin addiction used in the US and the UK. INDV was spun out of the pharma giant Rickitt Benckiser in 2014 and trades on the London Stock Exchange.

INDV is our only "special situation" and was purchased based on the expectation that the company will be sold for somewhere between 5x and 10x more than our cost of 50p. The company was valued at less than the cash on its balance sheet when we invested.
In the first half of 2021 the stock was up 45% and has appreciated by 200% since we invested in August 2019.

Between May 2018 and April 2019 INDV fell over 90% (from 481p to 41p) after the Department of Justice (DoJ) sued the company for marketing "false safety claims" of its film-based oral drug

Suboxone. We found the DoJ claims to be overkill and more about a broader mission by state attorney generals across the US to win judgements against companies within the opioid value chain.

We believed that INDV's position in the opioid crisis as a treatment drug meant that a favorable settlement was more likely than not. On July 24, 2020, the DoJ and INDV announced a settlement for $600M which still left the company with plenty of working capital to grow.

With the DoJ lawsuit settled, the activist hedge fund Scopia Capital won a seat on INDV's board in March and will also provide a shortlist of new directors.

With the re-opening of rehab and addiction centers after lockdowns, Indivior is seeing a meaningful recovery in its core Sublocade drug. The company would be an ideal tuck-in acquisition for a larger pharma company looking to expand into addiction treatment.

stone

StoneCo (NYSE: STNE) has been in our portfolio since early 2019 and has appreciated 225% since. In the first half of 2021 the stock was down nearly 20% and was a drag on the fund's performance.

Stone is a leading fintec company in Brazil that provides back-office software, loans and other financial services to small and medium sized businesses (SMBs). We have discussed Stone in past letters and the company's "ladder up" from a card processor to a supplier of enterprise software used to sell financial products on top of such as working capital loans.

The company generates a lot of cash that it reinvests to acquire or build new financial products for its customer base. Since we invested, the company has grown the number of SMB clients by 3x, revenue by 2.3x, and net income by 2.2x[11].

The pandemic's impact on SMBs in Brazil has been severe, especially for the many retailers who are only now adopting an e-commerce strategy. In the first half of 2021 Stone increased loss provisions on its lending product, and overall growth has slowed somewhat.

The stock's decline earlier this year was not surprising, but investors are now ignoring progress that has enhanced Stone's position for coming out much stronger when the recovery begins.

[11] Public filings, JDP estimates

StoneCo Q1 2021 Earnings Call: "Based on (i) our learnings with lockdowns last year, (ii) recent client transactional data and (iii) learnings from the dynamics of countries where vaccines are widespread, we expect that once vaccination scale (which we think will happen in the second half of 2021), the economic recovery will be fast and - although delayed - Brazil is moving in the right direction. For these reasons, we have made an informed decision to be ready for recovery by investing in growth..."

"...In the first quarter, we decided to increase our salesforce headcount by 24%, marketing investments by 33%, customer service and logistics headcount by 32% and technology headcount by 20% in order to be the fastest player when our economy comes back to normal levels."

"I want to start our presentation by highlighting that Brazil went through a second wave of COVID in the first quarter of '21, which imposed commerce restrictions in several cities throughout the country. Those restrictions were felt by our clients with average TVP reaching a low in the end of March...

...But similar to the behavior we saw in the comeback from the first lockdown in 2020, we already observed significant and quick recovery with average TPV in May achieving levels above January 2021. As Thiago mentioned, we expect that once vaccinations are scaled, the economy recovery of the country will be fast."

In terms of COVID recovery opportunities within our portfolio, Stone might be the most "coiled" because the impact on Brazilian small businesses has been so traumatic. In addition, Stone is part of a much larger and fast-moving transition happening in Brazil around the digitalization of financial services. The speed of this transition is unique to Brazil because the Central Bank is actively trying to reduce the country's previous dependency on a small handful of large banks.

Important progress in the first half of 2021 included closing on the long-awaited acquisition of Linx, a mature provider of enterprise software with a large footprint across Brazil. The acquisition will provide Stone meaningful cross-selling opportunities and a more diversified customer base.

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JDP
CAPITAL MANAGEMENT

LOOKING FORWARD

Early in the year we made the decision to remain concentrated in our highest conviction ideas, several of which were up 100%+ last year, even if it meant temporarily underwhelming performance in 2021.

It is a unique advantage to be able to remain invested as long as the original investment thesis is firmly intact, and the price continues offer substantial upside relative to our estimate of intrinsic value.

Our Survivor & Thriver framework helps ensure we own secular winners that will grow independently of the global economy. Companies like Spotify are expanding in parts of the world with attractive demographics with minimal risk or incremental invested capital.

By not being an "idea of the day fund" our investors benefit from unique focus and thoughtfulness that goes into each decision, even when that means deciding that doing less, is more valuable.

The vast majority of my family's net worth is invested in JDP. The ability to invest alongside some of the best entrepreneurs and management teams in the world on their journey to the top is a great place to be.

ADDING CAPITAL

New and existing investors wishing to add capital can now do so in the *Investor Portal* area of jdpcap.com using a phone or desktop.

Thank you for your continued support.

Sincerely,

Jeremy Deal