January 2023

Dear Partners and Friends,

There were few places to hide in 2022. Last year was the first time that both stocks and bonds declined by a double-digit annual percentage, encouraging many investors to reconsider traditional asset allocation strategies. In fact, bonds posted their worst annual return ever. And the U.S. stock market, as measured by the S&P 500 Index, as well as Tsai Capital's managed accounts, faced their sharpest decline since the financial crisis of 2008. In fact, our portfolios declined even more than the broad market. Simply put, 2022 was a humbling year.

I have written in the past that our performance may yield surprising results – good or bad – relative to the benchmark over the short-term. I have also said that this phenomenon should neither be cause for concern nor celebration. While I reiterate this view today, I also recognize that these words are of little consolation right now, as is the fact that our portfolios performed strongly in recent years.

Nevertheless, during bull and bear markets, and despite prognostications of doom and gloom that seem to permeate the news daily, Tsai Capital's approach is consistent. We do our best to tune out the noise and focus on business fundamentals. We seek to compound capital over the long-term, ideally in businesses we can own for a decade or more. That's why we believe performance measurement over the short-term has little indicative value, particularly as short-term performance can be influenced by factors that are temporary and unrelated to underlying intrinsic values. We are competing in a marathon, not a 100-meter dash.

In hindsight, however, I could have prevented some of last year's drawdown by reducing our exposure to certain investments that had appreciated strongly going into the year. Long-duration businesses, or companies in which current profits are purposefully sacrificed for greater future earnings, fall into this camp. These types of businesses were most affected by the recent rise in interest rates and the rotation away from growth companies. I take full responsibility for not being as proactive as I could have been.

With that said, over more than two decades of managing capital, our refusal to predict market sentiment and macroeconomic events, and our willingness to stand by investments so long as the fundamental story hasn't changed, has indeed been the right approach. That's because this strategy has minimized our investing mistakes and has allowed for the efficient compounding of your capital.

Indeed, my only objectives are the long-term growth and preservation of capital, which we seek to achieve by adhering to the Tsai Capital Core Disciplines (Exhibit III) and by remaining committed, particularly during periods of pessimism and euphoria, to How We Invest (Exhibit IV).

We don't try to predict the market because market timing is a fool's game. Occasionally one may get it right but the house eventually wins. Think about it this way. Half of the market's strongest days in the last 20-years occurred during a bear market, and another 34% of the market's best days occurred during the

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first two months of a bull market – likely before it was clear that a new bull market was underway.[1] Not being invested during these best days would have been detrimental to our results.

And who would have guessed that a new bull market began in March 2009, just six months after Lehman Brothers filed for bankruptcy? Who would have predicted that one of the longest bull markets in history would emerge in August 1982 when the nation's unemployment rate was nearly 11% and the stock market had gone nowhere over the preceding 16-years? We are not smart enough to consistently jump in and out at the most opportune times. We therefore prefer to stay invested, provided the underlying valuations are acceptable and the fundamentals of our investments are solid.

Our willingness to stand by our investments, so long as the fundamental story hasn't changed, has generally been beneficial to our investors. That's because we have found that the high-quality, competitively advantaged growth companies in which we have invested have been able to keep up the pace for far longer than expected. And that's why I believe the first rule of compounding is not to interrupt the compounding.

For the year ending December 31, 2022, the Tsai Capital Growth Equity Strategy lost 49.54%, gross of fees, and 50.26%, net of fees, as compared with a loss of 18.11% for the S&P 500 Index.

Since inception 23-years ago, the Tsai Capital Growth Equity Strategy trailed its benchmark by achieving a gain of 269%, net of fees, as compared with a total return of 297% for the S&P 500 Index.

Tsai Capital's performance, since inception, equates to an annualized return of 5.92%, after fees, as compared with an annualized return of 6.27% for the S&P 500 Index. Our annual return, multiplied out over many years, means that $1.0 million invested with Tsai Capital all the way through would now be worth about $3.70 million, while $1.0 million invested in the S&P 500 Index would now be worth about $3.97 million. More information about our historical returns can be found in Exhibit I and Exhibit II at the end of this letter.

Performance of the strategy, since inception, was achieved without the use of leverage, derivatives, and short selling.

After a deep market sell-off, I believe there are lots of attractive opportunities in which to deploy capital. Put differently, the current environment gives us the opportunity to diversify and provide added protection against unknown variables, without necessarily having to sacrifice upside.

As I mentioned in a recent speech at the Latticework conference in New York City, I believe there is massive asymmetry in certain stocks and sectors today. Software, for example, is the infrastructure of the economy, just like railroads were the infrastructure of the economy during the time of James Hill, Jay Gould and Cornelius Vanderbilt. Why would we want to limit our ability to own some of these businesses, many of which I believe are now on sale? Should you be interested in a copy of this speech, just let us know, and don't forget to check out Tsai Capital News (Exhibit V).

We are taking advantage of the market weakness. Recently, we added six exceptionally high-quality businesses to the portfolios. They span a variety of sectors including diagnostics and research, financial data, semiconductors, and software. I don't think that the valuations we paid for these best-in-class businesses would have been possible, absent the recent bear market.

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[1] Ned Davis Research, as of 12/21. The period referenced is 12/16/01 to 12/15/21.

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Despite the significant drawdown last year, with limited exceptions, the businesses in which we have invested are performing quite well. It's certainly hard to tell that from the share prices that underpin them. But I love our collection of high-quality, growth businesses, particularly as I believe they are now in deeply oversold territory.

In fact, I believe our managed accounts have not before sold at such a steep discount to intrinsic value, except during a brief period during the COVID-19 outbreak and during the 2008/2009 financial crisis. The current valuation should therefore provide downside protection and the foundation for strong appreciation in the years ahead.

In closing, we begin the New Year with 18 high-quality, competitively advantaged growth businesses. That's up from 12 companies at the start of the year. These businesses are leading, as opposed to being disrupted by change.

I would like to thank you for your trust and long-term partnership with Tsai Capital. I feel fortunate to have such an outstanding group of investors. During last year's market downturn, our clients maintained a stoic attitude, thereby allowing me to focus on the portfolios without distraction. I am truly grateful that we share such a similar mindset. Thank you. Lastly, I commit to you that I will continue to refine all areas of Tsai Capital, particularly our investment processes.

Please feel free to contact me with any comments, questions, or suggestions.

Christopher Tsai

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Exhibit I
Tsai Capital Growth Equity Strategy
Composite Annual and Cumulative Returns

January 1, 2000 (Inception) – December 31, 2022

Annual				Cumulative		
Year	**Tsai Gross**	**Tsai Net**	**S&P 500 Index**	**Tsai Gross**	**Tsai Net**	**S&P 500 Index**
2022	-49.54%	-50.26%	-18.11%	404%	269%	297%
2021	19.50%	17.76%	28.71%	900%	642%	385%
2020	67.04%	64.64%	18.40%	737%	530%	277%
2019	39.50%	37.51%	31.49%	401%	282%	218%
2018	-3.68%	-4.86%	-4.38%	259%	178%	142%
2017	18.33%	16.94%	21.83%	273%	192%	153%
2016	5.60%	4.51%	11.96%	215%	150%	108%
2015	-5.78%	-6.00%	-0.53%	198%	139%	85%
2014	6.71%	5.36%	13.69%	217%	154%	86%
2013	21.87%	20.38%	32.39%	197%	142%	64%
2012	12.90%	11.57%	16.00%	143%	101%	24%
2011	11.68%	10.69%	2.11%	116%	80%	7%
2010	14.49%	12.68%	15.06%	93%	62%	5%
2009	26.78%	25.20%	26.46%	69%	44%	-9%
2008	-34.88%	-35.75%	-37.00%	33%	15%	-28%
2007	15.89%	14.32%	5.49%	104%	79%	14%
2006	8.69%	7.21%	15.80%	76%	57%	8%
2005	-1.18%	-2.57%	4.91%	62%	46%	-7%
2004	-5.15%	-6.60%	10.88%	64%	50%	-11%
2003	23.09%	20.94%	28.68%	73%	61%	-20%
2002	-1.92%	-3.58%	-22.10%	41%	33%	-38%
2001	24.76%	22.38%	-11.89%	43%	38%	-20%
2000	14.86%	12.61%	-9.10%	15%	13%	-9%

Exhibit II
Tsai Capital Growth Equity Strategy
Composite Annualized Returns

January 1, 2000 (Inception) – December 31, 2022

Trailing Period	Tsai Gross	Tsai Net	S&P 500 Index	Relative Gross	Relative Net
12-Months	-49.54%	-50.26%	-18.11%	-31.43%	-32.15%
5-Years	6.25%	4.76%	9.43%	-3.18%	-4.67%
10-Years	7.80%	6.45%	12.57%	-4.77%	-6.12%
Since Inception	7.40%	5.92%	6.27%	1.13%	-0.35%

Note: We have selected the S&P 500 Index because it is a widely-known benchmark of performance. The vast majority of professional investors underperform the S&P 500 over the long run. We could just as easily have used the Dow Jones Industrial Average or the MSCI World Index. Tsai Capital's returns are calculated net of all fees and expenses. The S&P 500's returns include dividends, ensuring that this is an apples-to-apples comparison.

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Exhibit III
Tsai Capital Core Disciplines

All-in and Win-Win: Tsai Capital, today, is the result of more than two decades of hard work and continuous, incremental improvement in all areas of the business. Our success – and our clients' success – would not be possible were it not for an aligned group of investors who share a similar mindset. We are all-in.

It's our mission to bring a scientific spirit and integrity to the business of investment management and to create win-win outcomes. We seek to build long-term relationships with all our counterparties while being guided by the African proverb: "If you want to go quickly, go alone. If you want to go far, go together."

Remember Einstein: In choosing individual securities, Tsai Capital ignores short-term volatility and instead focuses on the long-term potential for capital appreciation. This approach broadens the universe of our investment opportunities as other market participants, generally operating under institutional constraints, have a much shorter time horizon.

Once we have made an investment, we seek to hold it for the long-term. Our long-term strategy is inspired by Albert Einstein who said, "Compound interest is the eighth wonder of the world. He who understands it, earns it; he who doesn't, pays it."

Invert, Always Invert: Preservation of capital is paramount to long-term investment results as illustrated by a simple mathematical principle: while a 50 percent loss reduces $1 of capital to 50 cents, a 100 percent gain is then necessary to recover the initial $1 of capital. Moreover, this phenomenon expands in a non-linear fashion: for example, a 400 percent gain is required to offset an 80 percent loss. Carl Jacobi's quip "invert, always invert!" may apply to investing, for the best way to make money is first not to lose it.

So, no matter how outstanding a business may be, we will only commit capital when we believe the market offers us a large discount to intrinsic value. In other words, we need a margin of safety at the time of purchase.

Never Forget Tussman: Knowledge acquired through a multidisciplinary approach is essential to understanding the world and to minimizing risk. Our extensive network of fellow investors, analysts, executives, and business owners help in idea generation and due diligence.

We strive to be open-minded in order to understand all the major factors that might affect the outcome of an investment. Our goal is to eliminate blind spots. Our research process is inspired by the late Joseph Tussman who said, "What the pupil must learn, if he learns anything at all, is that the world will do most of the work for you, provided you cooperate with it by identifying how it really works and aligning with those realities."

Follow the Business, Not the Market: We don't think that anyone can consistently predict what the market is going to do. That's a fool's game. Our capital allocation strategy is therefore market agnostic.

Rather than obsessing about the general market as so many others do, we focus on business fundamentals. All of our attention is devoted to finding the best individual investments that offer significant upside potential and a margin of safety at the time of purchase.

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It's All in the Swing: Our preference for inaction motivates us to swing hard when we see a pitch we like. This results in a relatively focused portfolio – which may substantially deviate from our benchmark over short time frames.

We are solely focused on investing in compounders, which we define as a high-quality, growth business that we believe has a durable competitive advantage and can reinvest capital at high rates of return over a long duration.

Finally, we prefer certain business models, particularly ones that benefit from a network effect or other kind of positive feedback loop. That's because growth created in a self-reinforcing manner can be highly durable.

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Exhibit IV
How We Invest

We believe in transparency, particularly at the beginning of a relationship. Transparency is important so investors can make a sound decision in choosing whether to invest with Tsai Capital.

There's an old African proverb that says, "If you want to go quickly, go alone. If you want to go far, go together." I couldn't agree more. Therefore, in order to encourage an alignment of interests, this letter is sent to all prospective investors before we engage in a deeper conversation.

Historically, the S&P 500 Index has outperformed the great majority of money managers and most other indices. It's my belief that this index is a suitable alternative to Tsai Capital; I therefore propose it as a *long-term* benchmark to our performance.

I must, however, clarify one point: while our performance may yield surprising results – good or bad – relative to the benchmark over the short-term, this phenomenon should neither be cause for concern nor celebration. That's because our approach is to compound capital over the long-term, ideally in businesses that we can own for a decade or more. I therefore ask investors to judge our performance using evaluation periods in excess of five years. Anything less than that is far too short a time frame to evaluate our results.

My only objectives are the long-term growth and preservation of capital. But first, let's address what many people are obsessed with, namely the general market. Trying to predict the market is a fool's game. All of my attention is therefore devoted to finding the best individual investments that I believe offer significant upside potential and a margin of safety at the time of purchase. If you feel that an alternative strategy is essential to an investment program, you *should not* be invested with Tsai Capital.

Ideal investments are hard to find, especially in times of market euphoria. I seek to avoid investing in trees that appear to grow to the sky – that is, situations in which valuations drastically exceed intrinsic business values. This approach helped us weather the outbreak of COVID-19, as well as the dot-com and housing bubbles. And since our buying and selling decisions are not tied to general market behavior, we may be a spectator for long periods of time.

Our preference for inaction motivates us to swing hard when we see a pitch we like. This results in a relatively focused portfolio, which, as previously mentioned, may substantially deviate from our benchmark over short time frames. But these fluctuations are of little importance to the long-term investor. I ignore them, and ask you do the same.

Finally, let me be clear that volatility is not the same as risk. Volatility is price fluctuation whereas risk is the potential for permanent capital loss. Unlike many others, we think of volatility as our friend because it occasionally grants us the opportunity to buy shares in high-quality, growth businesses at large discounts to intrinsic value. I therefore focus on preserving capital to be in a position to seize these rare opportunities and allow the 8th wonder of the world – compounding – to do its miracles.

Christopher Tsai

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Exhibit V
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Important Disclosures

Past performance is no indication or guarantee of future performance and no representation or guarantee is being made as to the future investment performance of Tsai Capital Corporation's separately managed accounts or any entity.

The S&P 500 Index is a benchmark of unmanaged securities. It is not a security that can be purchased or sold. Individual account performance and investment management fees incurred by clients may vary, as fees for smaller accounts are higher, on a percentage basis, than for larger accounts. Additionally, securities held by individual accounts may differ significantly from the Tsai Capital Growth Equity Strategy composite of separately managed accounts. Individual accounts managed by Tsai Capital Corporation may have experienced materially less favorable results than those portrayed by the composite over any particular period of time. Performance data includes fee-paying accounts only, excludes proprietary accounts, and excludes accounts with net assets below $200,000, through December 31, 2021. Performance data excludes accounts and/or time frames in which short selling strategies were applied, and accounts that are considered "nondiscretionary" by the adviser due to client-mandated or other account restrictions. The inclusion of any of the aforementioned excluded accounts and/or time frames may have led to less favorable results had they been included in the composite. Returns include the reinvestment of dividends, interest and other earnings.

This information is for illustration and discussion purposes only and is not intended to be a recommendation, or an offer to sell, or a solicitation of any offer to open a separate account or become an investor in a private fund managed by Tsai Capital Corporation, as the case may be, nor should it be construed or used as investment, tax, ERISA or legal advice. Any such offer or solicitation will be made only by means of delivery of a presentation, prospectus, account agreement, or other information relating to such investment and only to suitable investors in those jurisdictions where permitted by law.

Further, the contents of this letter should not be relied upon in substitution of the exercise of independent judgment. The information is furnished as of the date shown, and is subject to change and to updating without notice; no representation is made with respect to its accuracy, completeness or timeliness and may not be relied upon for the purposes of entering into any transaction. The information herein is not intended to be a complete performance presentation or analysis and is subject to change. None of Tsai Capital Corporation, as investment advisor to the separately managed accounts, or any affiliate, manager, member, officer, employee or agent or representative thereof makes any representation or warranty with respect to the information provided herein.

In addition, certain information has been obtained from third party sources and, although believed to be reliable, the information has not been independently verified and its accuracy or completeness cannot be guaranteed.

The attached material was provided to investors in Tsai Capital Corporation's separately managed accounts at a specific past point of time, advice that may no longer be current or timely. References to past specific holdings of that specific vehicle and matters of related historic fact must be seen in context (as would have been apparent to investors in that vehicle) and are not intended to refer directly or indirectly to specific past recommendations of Tsai Capital Corporation (other than as an indication of language sometimes found in the newsletters). Any reference to a past specific holding or outcome is not intended as representative. None the less, for individuals actively interested in investing in such Tsai Capital Corporation's separately managed accounts, a list of recommendations made by Tsai Capital Corporation with regard to the vehicle in question will be made available on request.

Certain statements on the attached material, including but not limited to (a) statements of things that "are well known" to be the case (other examples include: "In hindsight people often say, "I should have known better," and more often than not, they did."), (b) statements with the phrase "always", and (c) certain similar statements, are not intended to represent absolute literal fact, but rather represent certain colloquialisms/mannerisms expressed by select market participants (but not necessarily individuals associated with Tsai Capital Corporation).

All data presented is historical and it should not be assumed that investors will experience returns in the future comparable to the performance presented herein. Investment returns may vary significantly at any time from the data provided herein. Results are unaudited and are presented net and gross of management fees.

References herein to Tsai Capital's efforts to minimize losses and seek a margin of safety should not be construed to imply an absence of risk in any investment. All investments carry risk, including the risk of loss of investment principal. Additionally, short-term market volatility may present increased risks for investors who have shorter investment horizons due to impending or current liquidity needs.

The information provided herein is confidential and proprietary and is, and will remain at all times, the property of Tsai Capital Corporation, as investment manager, and/or its affiliates. The information is being provided for informational purposes only. A copy of Tsai Capital Corporation's Form ADV, Part 2 is available upon request. Additional information about the Advisor is also available on the SEC's website at www.adviserinfo.sec.gov.