January 20, 2022

Dear Partners and Friends,

Our partnership recorded a gain of +13.5% net of all fees, expenses, and allocations for the quarter ending December 31, 2021. Over the same period, the S&P 500 recorded a gain of +11.0% including dividends.

<table>
<thead>
<tr>
<th>Period</th>
<th>Partnership Returns(^1,2)</th>
<th>S&amp;P 500 Returns(^1,3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q3 2021</td>
<td>9.5%</td>
<td>(0.9%)</td>
</tr>
<tr>
<td>Q4 2021</td>
<td>13.5%</td>
<td>11.0%</td>
</tr>
<tr>
<td>2021</td>
<td>24.3%</td>
<td>10.0%</td>
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</table>

1 Sohra Peak Capital Partners LP launched 7/22/2021; results for the Partnership and S&P 500 Index for Q3 2021 are presented from that date forth.
2 Returns are presented on an unaudited basis for a theoretical Limited Partner net of expenses, 1% management fee, and 15% performance allocation.
3 S&P 500 Index returns include dividends reinvested. Please refer to the disclaimer at the end of this letter regarding comparison to indices.

The below table highlights the partnership’s key portfolio composition metrics as of December 31, 2021:

<table>
<thead>
<tr>
<th>Key Portfolio Composition Metrics</th>
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</thead>
<tbody>
<tr>
<td>Number of Holdings: 10</td>
</tr>
<tr>
<td>Top 5 Holdings Concentration: 79.6%</td>
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</tbody>
</table>

4 Calculated as the sum of each portfolio holding’s market capitalization in USD multiplied by its corresponding portfolio weight. Excludes cash.
5 Measured as the percentage of portfolio assets, excluding cash, invested in companies that are listed on securities exchanges outside of the U.S.

After a relatively muted third quarter, the S&P 500 rallied in the fourth quarter of 2021 to finish the year strong. Our partnership outperformed the index for both the most recent quarter and the partial calendar year since inception.

Our portfolio’s performance to date has been mostly attributed to small-cap and micro-cap companies domiciled in international countries and exchanges. Although our partnership is still fairly new, watching many of our holdings appreciate closer to intrinsic value for many of the right reasons provides me with some validation of the merits of my approach.

As a reminder, my approach remains to compound your capital and my capital over the long-term by capitalizing on structural market inefficiencies found in today’s global equities markets. Capitalizing on these opportunities should manifest themselves through high-conviction, low-risk investments in inefficiently priced companies that are often relatively undiscovered by the rest of the investing world.

So far, I’ve spent much of the past year pre- and post-launch screening through over a thousand companies across a variety of advanced and developed countries, and I’ve been finding a lot more opportunity in companies listed outside of the U.S. than in those listed here in the mainland. This has not been a surprise, but rather expected, given that internationally listed stocks on average carry lower valuation multiples and seem to be sought after by fewer investors.
As of quarter end, 87% of our portfolio was invested in companies listed internationally across the U.S., Canada, Western Europe, Eastern Europe, and Australia.\(^5\)

**Portfolio Updates**

Before discussing updates on two of our partnership’s top holdings, I’d like to pause and thank you for bearing with me as I get accustomed to writing these partnership letters. This is an area where I am still learning how to best communicate what you as a limited partner and/or interested reader deserve to know.

As I find my footing over time, I promise to do my best to communicate to you a clear picture of my investment process, honesty about both successes and failures, and the analysis behind my investment decisions. I believe that transparency builds trust, and that trust is paramount to creating long-term relationships in any circumstance, the partnership herein between manager and limited partner included. Please always feel free to contact me should you desire information about any facet of our partnership.

*goeasy Limited (TSX:GSY)*

I added to our position in goeasy last month at a price of approximately 10x my estimate of Owner’s Earnings for 2023.\(^6\) This followed a fall in goeasy’s share price much in step with the general market. Shares still hover in this price range despite what I found to be two positive, recent company developments.

First, on December 9\(^{th}\) with three weeks remaining in the year, the company announced that its consumer loan portfolio had already surpassed CAD $2 billion, the midpoint of management’s guidance range for the full year.\(^7\) This suggests to me that goeasy should report annual loan and revenue growth at the higher end of its guided range or even beat its guidance entirely. This news is consistent with what I have come to experience over the years from goeasy’s management team: underpromise and overdeliver.

Second, the Canadian SEDI filing system which I track shows that the company repurchased a total of 333,315 shares, or 1.9% of its total diluted shares outstanding, in November and December at a weighted average price of $186.86. Prior to this, the last time that goeasy repurchased shares was in November 2020 at a price of $69.60.\(^8\) Given CEO Jason Mullins’ astute capital allocation framework, I conclude that management viewed these buybacks as above its internal 25% IRR buyback threshold and as the best use of the company’s excess capital after considering all alternatives.

As of this writing, shares are available at what I believe to be an attractive price for a great, durable business. I will be regularly challenging my thesis for goeasy over the months and years ahead, as with all of our holdings. With that said, I am convinced that the market continues to underestimate the quality and resiliency of this business, the quality of its management, and the scope of the addressable market still available to win. For the right price, this is a business I hope to own for many years to come.

For readers seeking a more complete version of my goeasy thesis, you can find it by visiting the following [podcast link](#).

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\(^{6}\) Source: Research and estimates of Sohra Peak Partnership LLC.

\(^{7}\) Source: goeasy Investor Relations website.

\(^{8}\) Source: System for Electronic Disclosure by Insiders (SEDI).
**Mader Group (ASX:MAD)**

I reduced our position in Mader Group during the quarter for risk management purposes as the company’s shares appreciated meaningfully in price and our holding exceeded 30% of the partnership’s total capital. As of quarter end, Mader Group’s share price closed at AUD $2.47, marking a gain of +159% from our average cost basis of AUD $0.95 in fewer than six months.

The decision to trim was chiefly out of prudence. At the inception of the partnership, I created a risk management framework which included an intended 15% concentration threshold for any given holding at cost and 30% concentration threshold for any given holding after taking into account price appreciation. Believe me when I say that I did not expect to encounter the latter scenario so soon, but nonetheless Mader Group’s appreciation presented us with a good problem to have.

While I know managers who routinely hold stocks at 40% or even 50% concentrations, my preference is to balance the notion of letting your winners run with a healthy dose of risk-aversion. As Peter Lynch once quipped, “Selling your winners and holding your losers is like cutting the flowers and watering the weeds.” Indeed, I let our winner run quite a bit, and we still own the majority of our original shares. At the same time, my experience has taught me that no matter how smart you are or how much research you have conducted, you can never be 100% certain of the risks facing a given company. The probability of Mader Group or any of our holdings facing a black swan event, no matter how small, is still large enough to prevent me from fully embracing the idea of letting any single company dominate our portfolio, even if in 10 years the company performs spectacularly and we were to prove our trimming to have been a mistake.

Valuation was also a consideration in this decision. As I mentioned in my previous partnership letter, we built our position at a trailing P/E multiple of 10x and a three-year-forward estimated net earnings CAGR of 27%. As of December 31, given the price appreciation and my estimate of results for the most recent half-year, that trailing P/E multiple became 21x. This reclassified our investment in my view from “no-brainer” territory to a profile of conviction, quality, growth, and price that is more in line with some of our other holdings. I do maintain high conviction in Mader Group and it remains one of our top positions. All else equal, our forward expected return is now lower and our risk of capital loss is now higher, which influenced the re-weighting of our position.

As for the business itself, Mader Group made considerable progress towards its long-term goals this past quarter. The company launched operations in Canada on schedule with initial clients already secured. Over time, they intend to expand nationally across all key mining regions. In Australia, the company announced its expansion into several new maintenance verticals including power generation asset maintenance, railroad maintenance, fixed plant and specialist services maintenance in new east coast geographies, and a component exchange program. In the U.S., Mader Group launched its Mader Energy division, a natural gas equipment maintenance provider with a presence in nine states.

Altogether, management seems to refuse the notion of complacency and continues to demonstrate its ambition of conquering as much global market share as it can through its high value, low cost, industry-leading customer proposition. While management guided to a FY 2022 (fiscal year end of June 30) year-over-year net profit increase of between +19-29%, they also most recently reported a Q1 year-over-year

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(9) Source: Mader Group, *The Mader Quarterly*.
(10) Source: Mader Group, *Quarterly Operational Update*. 

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EBITDA growth rate of +47%. I wouldn’t be surprised to see the company outperform its guided net profit range, especially with the commencement of an abundance of new geographies and verticals.

For readers seeking a more complete version of my Mader Group thesis, you can find it in Sohra Peak’s previous letter.

Additional Thoughts

Continuing in the spirit of transparency, I imagine that some readers might be curious to learn of more of our portfolio’s holdings. This is arguably a fair request, especially for limited partners, with whom I intend to be much more transparent.

My general thoughts on disclosing and discussing my holdings are still evolving. To date, the main reason behind my reluctance to take an “open book” approach is because of the low market capitalization and liquidity for a number of our holdings, combined with the fact that new partnership subscriptions have so far significantly increased our AUM each quarter. With new subscriptions, existing holdings must be purchased periodically in order to maintain position sizes, and I worry that my ability to take advantage of low prices and volatility to make you and I more money might reduce.

That being said, I also understand that all stakeholders including limited partners, interested readers, and myself could benefit from greater holdings transparency. Limited partners deserve to know where their capital is being invested; both limited partners and interested readers would gain a greater understanding of Sohra Peak’s process and approach; and I would more frequently pen my investment theses to paper which I have found adds more clarity to my thinking.

Going forward, while I can’t promise a pace, I intend to continue discussing our holdings through letters and other formats. There are definitely current positions which I would be excited to talk about at some point in the future. I hope that my company-specific discussions to date have done a satisfactory job at sharing with you more detail about Sohra Peak’s process and approach to investing.

Tech Selloff

Among several noteworthy themes that have emerged in recent months including Omicron and web3, I think the most important to discuss is the ongoing selloff in long duration, oft profitless, tech-oriented stocks. This is of particular importance because of its magnitude, its potential to continue in 2022, and the limited impact it should have on our portfolio.

Here are a few statistics that highlight the current state of affairs of the long duration, tech-oriented cluster:

- Roughly 4 in 10 companies on the Nasdaq Composite Index are down -50% or more from their 52-week highs, while the majority are mired in bear markets.

The Goldman Sachs “Non-Profitable Tech” index, which at one point surged more than +400% from its March 2020 lows, finished the year down -37% from its February 2021 highs and declined another -7% after the first three trading days of January. 

Cathie Wood’s ARK Innovation ETF is down -53% from its 52-week high.

As of September 30, 33% of the average hedge fund long US equity portfolio was comprised of stocks with an EV/sales ratio >10x, and 13% was comprised of stocks with an EV/sales ratio >20x.

The selloff in long duration, tech-oriented companies really gained steam in mid-November when fears began to mount over the Federal Reserve’s agenda for interest rate hikes and quantitative easing tapering. This has probably spelled bad news for many hedge funds because, according to the last bullet point above, a good deal of the average hedge fund’s capital was pretty recently still tied up in the very companies that are taking quite a beating. Given that there are still over 100 non-profitable technology companies listed on the Nasdaq and NYSE carrying an EV/sales ratio >10x, is the carnage ending soon or is it just beginning?

I have nothing but respect for the investment managers of revered hedge funds that own these stocks. They are, no doubt, some of the brightest minds in the world in charge of making 5- and 10-year forward profit forecasts about many of these companies which might be not be profitable today, but are underwritten as sound investments based on long duration profit forecasts.

However, given the sheer EV/sales multiples at which some of these investments have been underwritten (in some cases >50x EV/sales) and the high number of years required to be correct about your analysis (in some cases >10 years), what happens when some of these predictions inevitably prove to be wrong? When it becomes clearer over time that some of these companies won’t meet future expectations, what if future profits become at-risk? And, if future profits fail to meaningfully materialize, what would be the expected magnitude of loss for such a company? The expected loss would be difficult to pinpoint with precision, but I think it is safe to say that such an outcome would leave these stocks in serious peril, and their shareholders wouldn’t have much to cheer about.

In comparison, I believe our portfolio is well positioned to preserve and grow capital, thanks to an almost entire absence of the aforementioned types of stocks. Instead of gravitating towards moonshots and complexity, I prefer no-brainers and simplicity. My philosophy is that you want to buy companies with durable businesses at reasonable prices where, if you end up being wrong about the future and the company doesn’t grow as much as you expected, your likelihood of losing money is still low; and, if growth does meet or exceed your expectations, then your investment will likely do well.

Our entire portfolio, barring one holding that represents less than 4% of our capital, is comprised of businesses with normalized earnings power that we can see today, at reasonable or better prices, and with ample long-term growth prospects. One of my priorities is to always seek new investments that can improve our portfolio, which brings us full circle to the beginning of this letter. In the search for no-brainers, searching where others aren’t in international and small/micro-cap territory is a huge advantage. It reduces the need to sacrifice investment standards and quells the temptation to chase the complex.

(15) Source: Capital IQ, Jan. 18, 2022. Criteria: TTM net income <$0, “Information Technology” sector, market cap >$100MM.
**Closing Thoughts**

Thank you for taking an interest in my latest letter. The first calendar year is in the books, and I am excited about our partnership’s future. I continue to appreciate the friendship and support that many of you have provided during these early months of the partnership’s operation.

Our audit and tax service provider Spicer Jeffries will be preparing the limited partner K-1 forms.

If you wish to learn more about the partnership or are interested in becoming a limited partner, please feel free to reach out to me by phone or email. Our partnership welcomes introductions to new investors who are aligned with our philosophy and with our long-term approach. Accredited Investors interested in receiving future partnership letters can also register on our website at [www.sohrapeakcapital.com/contact](http://www.sohrapeakcapital.com/contact).

I appreciate the trust you have placed in me to invest your hard-earned capital, as I currently have the significant majority of my wealth invested right alongside you. I look forward to writing to you again next quarter.

Sincerely,

Jonathan A. Cukierwar, CFA
Manager of Sohra Peak Partnership LLC, the General Partner of Sohra Peak Capital Partners LP
Disclaimer

This report is based on the views and opinions of Jonathan A. Cukierwar, which are subject to change at any time without notice. The information contained in this report is intended for informational purposes only and is qualified in its entirety by the more detailed information contained in the Sohra Peak Capital Partners LP offering memorandum (the “Offering Memorandum”). This report is not an offer to sell or a solicitation of an offer to purchase any investment product, which can only be made by the Offering Memorandum. An investment in the Partnership involves significant investment considerations and risks which are described in the Offering Memorandum. The material presented herein, which is provided for the exclusive use of the person who has been authorized to receive it, is for your private information and shall not be used by the recipient except in connection with its investment in the Partnership. Sohra Peak Partnership LLC is soliciting no action based upon it. It is based upon information which we consider reliable, but neither Sohra Peak Partnership LLC nor any of its managers or employees represents that it is accurate or complete, and it should not be relied upon as such. Performance information presented herein is historic and should not be taken as any indication of future performance. Among other things, growth of assets under management of Sohra Peak Capital Partners LP may adversely affect its investment performance. Also, future investments will be made under different economic conditions and may be made in different securities using different investment strategies. The comparison of the Partnership's performance to a single market index is imperfect because the Partnership's portfolio may include the use of margin trading and other leverage and is not as diversified as the Standard and Poor's 500 Index or other indices. Due to the differences between the Partnership's investment strategy and the methodology used to compute most indices, we caution potential investors that no indices are directly comparable to the results of the Partnership. Statements made herein that are not attributed to a third-party source reflect the views, beliefs and opinions of Sohra Peak Partnership LLC and should not be taken as factual statements.