

## Fellow Shareholder,

River Oak's book value per share increased by 74.3% in 2020. Our book value at December 31, 2020 was SEK 76.1 million, equivalent to SEK 267.22 per share.

	Investment return (pretax)	Change in Book value per share	OMXS30 incl. div.	Difference
<b>2017 (from Feb 7)</b>	13.2%	<b>8.6%</b>	5.4%	3.2%
<b>2018</b>	0.0%	<b>(6.0)%</b>	(7.0)%	1.0%
<b>2019</b>	61.7%	<b>50.1%</b>	30.7%	19.4%
<b>2020</b>	104.0%	<b>74.3%</b>	7.4%	66.9%
<b>Total gain</b>	273.4%	<b>167.2%</b>	37.7%	129.5%
<b>Compounded annual gain</b>	40.2%	<b>28.7%</b>	8.6%	20.1%

When evaluating investment results, it is my strong recommendation that you always look at the longest available period as shorter time periods with their inherent randomness won't tell you much of value. As always, I have included a full track record of the past eight years which includes the results of my Zen Capital Family Partnership from 2013-2016 at the end of this letter.

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### Notes to table

<sup>1</sup> The difference between our Investment return and Change in Book value per share is comprised of: the standard annual tax on Swedish investment accounts, foreign taxes on dividends, salary and its related legally mandated fees and taxes plus general operating costs.

<sup>2</sup> The OMXS30 column does not include having paid the standard annual tax on Swedish investment accounts.

<sup>3</sup> Startup costs had a 0.8% negative impact on the 2017 Change in Book value per share.

<sup>4</sup> Our January-2020 capital raise caused an approximate 3% negative impact on the 2020 Change in Book value per share. See headline 'Numbers gymnastics & Capital raising' for comments.

<sup>5</sup> Estimated currency effects on Investment return: 2017 -10%; 2018 +5%, 2019 +3%, 2020 -6%

River Oak does not in any way strive to foresee or profit from currency movements. Our belief is that any impact from currency movements will be negligible over time.

## Comments on our investment operation

River Oak had a very good year in 2020. We should all take a moment to really enjoy it because it certainly didn't come easy, while also keeping in mind all those that were less fortunate in a year that most of us were happy to say goodbye to a few days ago.

At the same time, it is important to remember that one year in the investment business means essentially nothing. Any future success we may enjoy requires that we remain as humble as ever about the future, have an open and learning mind, and are prepared to change and re-evaluate our views when facts warrant it. Our past record will score us no points in 2021 and beyond.

In this short results update, I will just briefly mention what I believe were the main reasons for our good results in 2020. Our core values: Keeping things simple, a Long-term mindset and Fundamental business analysis, were key.

- 1) **Keeping things simple** is our main guiding principle.

It has led to a strong emphasis on business quality in our investments to minimize the number of future decisions I must make. Thus, most of our companies were well equipped to handle a pandemic (and I believe most other systemic shocks as well) so I made very few changes to our portfolio in the first half of the year. In turbulent times, making as few decisions as possible is always preferable to making many.

It has also led to our rather unconventional strategy of investing a large share of our portfolio in a few select companies, which also helped our results.

- 2) **Our long-term mindset and focus on fundamental business analysis** as opposed to short-term macro analysis, led to calm behavior in March and April when the waters were the murkiest. On March 16, our investments were marked down by almost 12% in a single day. If I had sold all our investments during those scary days in mid-March and waited for things to "clear up", our full-year investment returns would have been negative 20% instead of the reported +104%.

As far as I'm concerned, the macro is as unclear today as it was one year ago, five years ago and ten years ago. Everyone that successfully predicted the past year's macro events, or the past five years, or the past ten years, raise your hand please. For some reason, surprisingly many people keep believing they can predict the macro and the markets, despite massive overwhelming evidence to the contrary.

- 3) **Randomness.** The results we had this year don't happen without a fair amount of good fortunes being on our side.

## Numbers gymnastics & Capital raising

In early January, we made an offering of new shares based on our December 31, 2019 Book value per share. The capital raised, equal to about 20% of our total capital base at the start of 2020, became available to us and investable on January 22, when our performance was already +8% for the year. That is, 20% of our starting capital base missed an +8% return in January for a negative impact at the portfolio level of 1.6% in January ( $20 \times 0.08 = 1.6\%$ ).

From February to December, our total investment return was +87% so the total negative impact to our Change in Book value per share was ~3% ( $1.6 \times 1.87 = 3\%$ ) for the full year. If we would have had all the capital raised available and investable on January 1, our Change in Book value per share in 2020 would have been approximately +77%. Please note that if our performance in January had instead been negative 8% it would have been the other way around.

Good or poor performance, we want everything we do to always be as fair as possible for everyone involved. Thus, shortly after our January closing, we took action to minimize the risk of this happening again by shortening our capital raise subscription period so that big fluctuations in our book value per share during these periods become much less likely. Due to Swedish regulations, the risk can't be completely eliminated, but it is possible that we will do our capital raises in one day in the future.

It is important to note that just as with currency movements this fluctuation in our book value per share could have gone either way. As you can see in the table notes on page 1, currency movements had a negative impact on our results in 2017 and 2020, and a positive impact in 2018 and 2019. In terms of our overall long-term results both these factors should have a negligible impact.

Our next capital raise will be open February 1-3.

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In the meantime, stay safe, enjoy the snow, and let's all look forward to a year of more social contacts and many happy moments.



Daniel Glaser  
Chief Executive Officer

Jan 6, 2021



## Historical returns

Feb 7, 2017 – Dec 31, 2020: River Oak Capital AB

Jan 1, 2013 – Feb 6, 2017: Zen Capital Family Partnership

	Investment return (pretax)	Net result	OMXS30 incl. div.	Difference
<b>2013</b>	41.0%	<b>30.8%</b>	25.5%	5.3%
<b>2014</b>	45.0%	<b>33.8%</b>	14.0%	19.8%
<b>2015</b>	35.1%	<b>26.3%</b>	2.2%	24.1%
<b>2016</b>	20.5%	<b>15.4%</b>	9.4%	6.0%
<b>2017</b>	19.6%	<b>14.0%</b>	7.7%	6.3%
<b>2018</b>	0.0%	<b>(6.0)%</b>	(7.0)%	1.0%
<b>2019</b>	61.7%	<b>50.1%</b>	30.7%	19.4%
<b>2020</b>	104.0%	<b>74.3%</b>	7.4%	66.9%
<b>Total gain</b>	1213.0%	<b>615.0%</b>	124.8%	490.2%
<b>Compounded annual gain</b>	38.0%	<b>27.9%</b>	10.7%	17.2%

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<sup>4</sup> Our January-2020 capital raise caused an approximate 3% negative impact on the 2020 Change in Book value per share. See headline 'Numbers gymnastics & Capital raising' for comments.

<sup>5</sup> Estimated currency effects on Investment return: 2014 +7%, 2016 +2%, 2017 -10%; 2018 +5%, 2019 +3%, 2020 -6%, years not mentioned <1%

River Oak does not in any way strive to foresee or profit from currency movements. Our belief is that any impact from currency movements will be negligible over time.

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