

River Oak Capital

Annual Meeting

May 9, 2020

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“Have a good time. Enjoy life. Life’s too short to get bogged down or be discouraged. You have to keep moving. You have to keep going. Put one foot in front of the other, smile, and just keep on rolling.”

—Kobe Bryant

“When something bad happens you have three choices. You can either let it define you, let it destroy you, or you can let it strengthen you.”

— Theodor Seuss Geisel

River Oak shareholders in March

“Do we have a capital raise soon? Finally some sales.”

“I look forward to our next capital raise.”

“Daniel, I definitely would like to participate [in the capital raise]. When can we have a call?”

“Is now a really good time for you to get some extra liquidity?”

Q1-2020 Results

- **River Oak Investment return -11.0%**

OMXS30 -15.7%

S&P 500 -20.0%

MSCI World -21.1%

*all including dividends

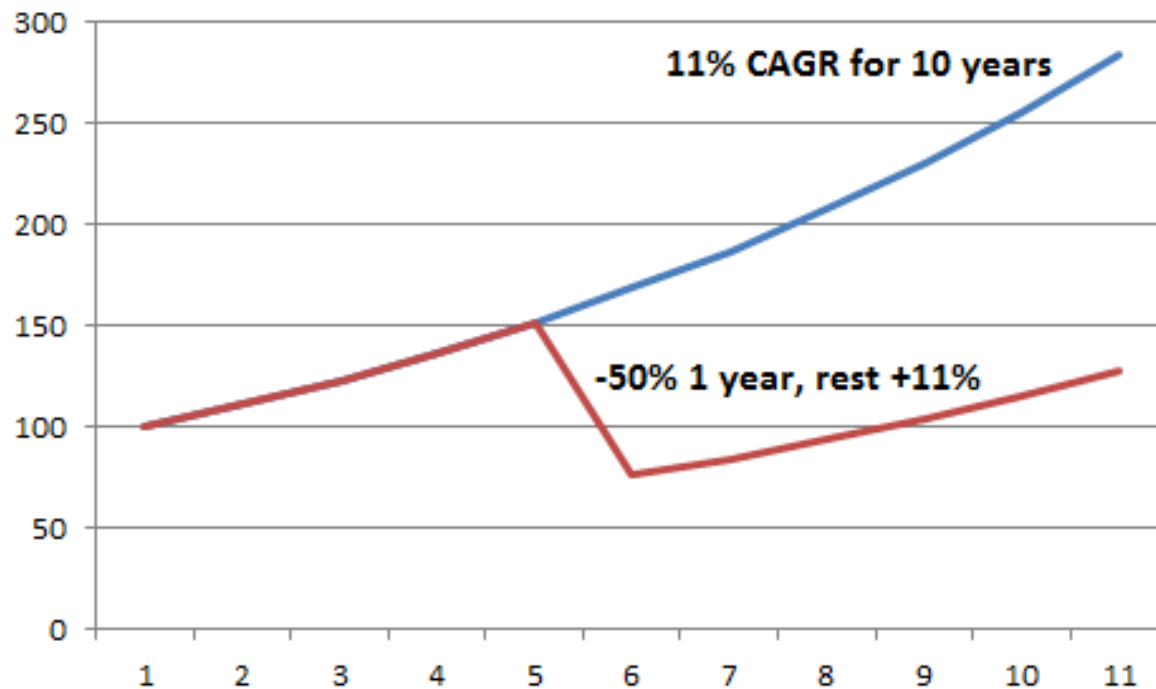
- **Our results since inception Feb 7, 2017 – March 31, 2020:**

Book value per share +35.4% vs OMXS30 incl. dividends +8.0%

Hidden asset: Prepaid salary costs worth 4.5% due to our High Water Mark setup

River Oak Investment return positive for the year per mid-April

- 2020 YTD positive >> 2019FY Investment return +61.7%
- Offense wins games. Defense wins championships.
- Remember this?



River Oak #1 goal: Don't lose money

What does this mean in practice?

- If I think an investment is too risky, I don't care what the upside is
- We are *always* conservatively invested
- Business model, Balance sheet & Valuation
... in that order

Key success factors

- **#1 Goal: “Don’t lose money” mindset makes us well prepared**

Normally no extra points for this – only good sleep

- **Demand for our companies’ services stable (so far)**

Hard to think of a larger demand shock

Bias towards business infrastructure/essentials

Our companies will likely grow quite substantially in 2020

- **#2 Goal: Earn 15% average annual return on capital over time**

Too mellow given track record?

We don’t want to revise goals in every unexpected tough period.

- **Goals designed to encourage calm behavior in all situations**

Key success factors

- **Private company & Great shareholder base** ★

Peter Lynch Fidelity Magellan fund open to public 1981-1990:
Returns 22.5% per year, Average Investor in fund ca. 7% per year

Investors withdrew capital after periods of poor performance and added after periods of good performance.

- **High concentration in few holdings**
- **Minor portfolio adjustments before pandemic became mainstream focus**
- **Invested available liquidity in late March at good prices**

In no way based on pandemic prediction – but at River Oak we like good prices!

“You don’t need to know a man’s height to conclude that he is tall.”

What is this?

43.8%	5.2%	-10.0%	31.2%	10.9%
-8.3%	5.7%	23.8%	18.5%	4.9%
-25.1%	18.3%	10.8%	5.8%	15.8%
-43.8%	30.8%	-8.2%	16.6%	5.5%
-8.6%	23.7%	3.6%	31.7%	-37.0%
50.0%	18.2%	14.2%	-3.1%	26.5%
-1.2%	-1.2%	18.8%	30.5%	15.1%
46.7%	52.6%	-14.3%	7.6%	2.1%
31.9%	32.6%	-25.9%	10.1%	16.0%
-35.3%	7.4%	37.0%	1.3%	32.4%
29.3%	-10.5%	23.8%	37.6%	13.7%
-1.1%	43.7%	-7.0%	23.0%	1.4%
-10.7%	12.1%	6.5%	33.4%	12.0%
-12.8%	0.3%	18.5%	28.6%	21.8%
19.2%	26.6%	31.7%	21.0%	-4.4%
25.1%	-8.8%	-4.7%	-9.1%	31.1%
19.0%	22.6%	20.4%	-11.9%	
35.8%	16.4%	22.3%	-22.1%	
-8.4%	12.4%	6.1%	28.7%	

S&P 500 Returns (1928-2019)

S&P 500: Total Returns (1928 - 2019)									
Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	43.8%	1947	5.2%	1966	-10.0%	1985	31.2%	2004	10.9%
1929	-8.3%	1948	5.7%	1967	23.8%	1986	18.5%	2005	4.9%
1930	-25.1%	1949	18.3%	1968	10.8%	1987	5.8%	2006	15.8%
1931	-43.8%	1950	30.8%	1969	-8.2%	1988	16.6%	2007	5.5%
1932	-8.6%	1951	23.7%	1970	3.6%	1989	31.7%	2008	-37.0%
1933	50.0%	1952	18.2%	1971	14.2%	1990	-3.1%	2009	26.5%
1934	-1.2%	1953	-1.2%	1972	18.8%	1991	30.5%	2010	15.1%
1935	46.7%	1954	52.6%	1973	-14.3%	1992	7.6%	2011	2.1%
1936	31.9%	1955	32.6%	1974	-25.9%	1993	10.1%	2012	16.0%
1937	-35.3%	1956	7.4%	1975	37.0%	1994	1.3%	2013	32.4%
1938	29.3%	1957	-10.5%	1976	23.8%	1995	37.6%	2014	13.7%
1939	-1.1%	1958	43.7%	1977	-7.0%	1996	23.0%	2015	1.4%
1940	-10.7%	1959	12.1%	1978	6.5%	1997	33.4%	2016	12.0%
1941	-12.8%	1960	0.3%	1979	18.5%	1998	28.6%	2017	21.8%
1942	19.2%	1961	26.6%	1980	31.7%	1999	21.0%	2018	-4.4%
1943	25.1%	1962	-8.8%	1981	-4.7%	2000	-9.1%	2019	31.1%
1944	19.0%	1963	22.6%	1982	20.4%	2001	-11.9%		
1945	35.8%	1964	16.4%	1983	22.3%	2002	-22.1%		
1946	-8.4%	1965	12.4%	1984	6.1%	2003	28.7%		

Source: [Charlie Bilello, https://compoundadvisors.com/](https://compoundadvisors.com/)

S&P 500 during World War II

S&P 500: Total Returns (1928 - 2019)									
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Source: [Charlie Bilello, https://compoundadvisors.com/](https://compoundadvisors.com/)

Imagine if media reports would provide this perspective

**”Markets down 30%
in the past month ...**

**... and here are the
S&P 500 annual returns
since 1928”**



Year	Return	Year	Return	Year	Return	Year	Return	Year	Return
1928	43.8%	1947	5.2%	1966	-10.0%	1985	31.2%	2004	10.9%
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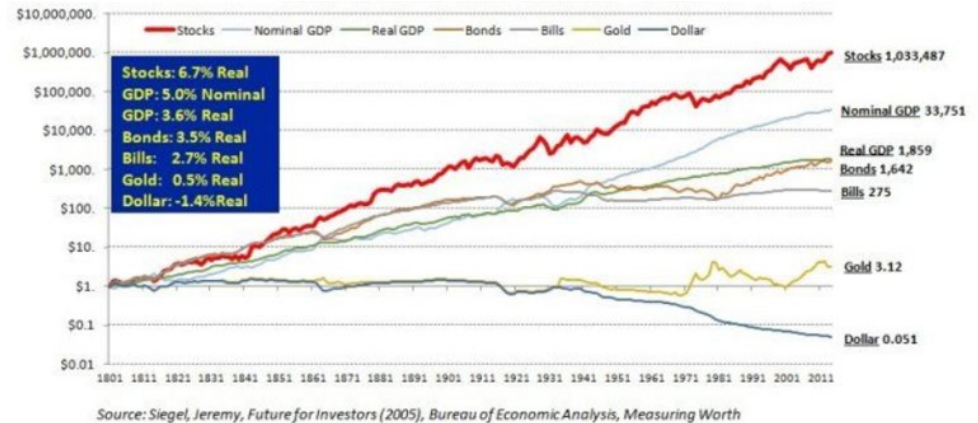
Source: [Charlie Bilello, https://compoundadvisors.com/](https://compoundadvisors.com/)

...or this...

”Markets down 30%
in the past month ...



... and as always we show you the results
for stocks over the past 215 years
to remind you that in hindsight these
periods tend to look like speed bumps”



Financial Assets in America Total Real Returns
(1801-2014)

Source: [Jeremy Siegel, Future for Investors \(2005\)](#), [Bureau of Economic Analysis, Measuring Worth](#)

"I am an old man and have known a great many troubles, but most of them never happened."

— Unknown old man

Questions?

Thank you for listening.

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