Mutoro Group Partners, LP
Full Year 2020 Letter

February 8, 2021

"I might go on discussing this subject at great length, but after all is said, done, and written, my own book of experiences will best show what these obstacles are, and how I managed to overcome them to some extent." – Marshall "Major" Taylor (1928)

"*But experience has taught me that you cannot value dreams according to the odds of their coming true. Their real value is in stirring within us the will to aspire. That will, wherever it finally leads, does at least move you forward. And after a time you may recognize that the proper measure of success is not how much you've closed the distance to some far-off goal but the quality of what you've done today."* – Justice Sonia Sotomayor (2013)

	FY 2020	Q4 2020	Since 2015: Aggregate	Since 2015: Annualized
Mutoro Group Partners, LP (Gross)	34.2%	17.5%	101.0%	12.3%
Mutoro Group Partners, LP (Net)	25.8%	14.0%	63.6%	8.6%
HFRI Fund Weighted Composite Index	11.6%	10.7%	32.9%	4.9%

Dear Partner,

For the full year of 2020, the fund returned 34.2% on a gross basis. Net of fees and expenses, it returned 25.8%. We started 2020 with nine portfolio holdings, and we finished with 14. We began the year with 37.4% of our assets in cash, and we finished with 6.4% in cash. In terms of financial results, 2020 was the single best calendar year for the fund since our inception in 2015. While that is a positive milestone, I believe we are likely to have better years ahead of us. I believe this because we did not perform this year as well as I know we could've. But I have no idea if 2021 will be one of those better years; as with all years, the fund could finish up, flat, or down. What is more important is how we perform over the long term. To create success over multiple years, I am focused on improving our investment and operational processes today. I would like to discuss our processes with a personal story. This story begins with the sound of a gunshot.

On September 13, 2015, I experienced a sudden pain I doubt I will ever forget. I was playing Sunday league soccer on the fields along the East River at Brooklyn Bridge Park. In the middle of the game, turning on a dime to receive a pass that had been lobbed to me, I heard in my ear what sounded like a gun blast. Involuntarily, I immediately collapsed. I then noticed two things: I couldn't stand up, and searing pain was shooting through my left leg. I had torn my Achilles tendon. If you have never torn an Achilles before, I can assure you from personal experience that it is a remarkably painful event. The gunshot I had heard were the internal vibrations from hearing the tendons in my ankle violently tearing apart. With some assistance, I eventually got to my feet, made it home, and over the next few months, with fits and starts navigating America's byzantine healthcare system, began my road to rehabilitation. I mention this because it explains how I got into the activity I did so much in the years that followed and especially in 2020 to find peace within the chaos of the world: cycling.

In the six months of rehabilitation that followed my injury, I reflected a lot. It dawned on me that while my body was ailing and though the city was unsafe to people with disabilities, forcing me to be more sedentary than I was used to, my mind functioned the same as ever. In most ways at least. I unfortunately made regrettable dietary choices. I ate foods more appropriate for someone still physically active. (It turns out eating chicken wings and gumbo twice a week at the Louisiana-themed restaurant on your block isn't great for controlling your waistline.) Finally, out of a medical boot by March 2016, I then sought ways to lose the weight I had packed on. Noticing every physical therapy session had started with using a stationary bike, I got into cycling realizing it didn't strain my legs but improved them.

Now let us flash forward a few years later to 2020. Cycling has become a steady habit in my life. I want to talk about it because I did a healthy amount of it this past year, biking 4,000 miles, and in doing so, I reflected a lot on this passion and business of mine, investing. And I think in my experience as a leisure cyclist, racking up miles in distance and elevation, there are some useful analogies for how I run our fund. I think they will highlight the strengths, weaknesses, and uncertainties of our processes.

The biggest challenges for me trying to bike thousands of miles for leisure in a year are twofold: near-term preparation and long-term planning. It's a challenge of near-term preparation because if you work a full day and have other demands on your time, it's hard to squeeze in the hours that biking requires. To solve this, I tend to bike early in the day, often at four or five in the morning. Much daily preparation goes into making sure the night before I've gone to bed early enough so I can wake up rested to be alert to bike outside safely. It also means I need the discipline each day to do things like wash my cycling gear, prepare meals, and charge bike lights so I can be relatively quick out the door the next morning. In the 270 hours I spent in the saddle over 190 rides last year, I thought a lot about that preparation, and my mind always drifted to investing. Preparing for a ride the night before evokes to me how our fund has chosen to flexibly prepare for uncertain times through our cash holdings. Since the beginning of this fund, one of our strengths has been carrying and opportunistically deploying a significant percentage of our portfolio in cash. While this has been at times a drag on our returns, it has functioned, as expected, as a source of strength entering and exiting severe market corrections like that of last year. When I think of strong short-term preparation, I think of our courage to carry cash knowing it will be the fuel of our performance at other times.

The other big challenge of cycling great distances for me is one of long-term planning. I say this because if between January 1st and December 31st, one has ambitious mileage goals, you probably have to accept that there will be stretches of time in the course of that year where you are possibly behind. For me last year, being in February already hundreds of miles off pace for my goal, I thought maybe I should adjust my annual goal lower. But then I realized that in the prior year when I had biked 3,000 miles, I also started the year behind but made up for it in the summer. So, I accepted I would be behind pace last February. Then the pandemic started in earnest in the United States, and I accepted I would be behind pace in March. When April arrived and I learned I could, leaving early in the morning, wearing a mask, safely bike outside, I did. By summer I was able to increase my mileage to 150 miles a week and catch up to my goal pace. Always thinking about investing, it evoked to me the idea that if we are confident in the long-term competitive prospects of a company, then we are willing to stomach short-term underperformance if our patience is rewarded with outperformance.

In the same way, not everything we invested in last year succeeded all the time. As with my cycling mileage, the market prices of our holdings dropped in February and March, and we finished the first quarter of 2020 down 19%. But because we were active buyers on the darkest days of market volatility, we took advantage of the discounted prices on existing holdings and new acquisitions, helping us finish the year up 34%. If you accept there will be times when you are behind and prepare well for them, you can use those times to increase the odds of having stretches when you are ahead. By summer our investments in the spring, like my cycling, were ahead of pace. To me it encourages keeping a long-term focus and making long-term plans. It is a challenge but has been one of our strengths.

So far, this catalogue of strengths and resilience is a positive thing. But this is not to say that we do not have weaknesses. We do. Here's the thing: When you wake up at four in the morning to cycle on weekdays and weekends, you are by necessity often alone. But quite often—usually once I have left Brooklyn and made my way to New Jersey—I cross paths with groups of cyclists. If we are going in the same direction but not together, I can often, if I so choose, hold and increase my distance ahead of many of them. But with some groups, I eventually get passed. Principally they save energy drafting off each other. I say this because one weakness I discussed in my Q1 2020 letter was the under investment I have made in marketing the fund to new limited partners. It reminds me of the fact that while I think I am a fairly strong leisure cyclist, like any other, I am probably strengthened by a peloton. I am a part of an amazing one in the limited partners we have here, but it would help our operational resilience for sure if we had more. Last year, once the pandemic landed in America, focused on investing and on adjusting to the new realities of lockdowns, masks, physical distancing, and social unrest, I didn't put much energy into marketing to new limited partners. That said, we gained new limited partners at the end of the year anyway, for which I am grateful. But I know I should try to actively attract more partner capital, and I have not done that yet.

Lest you read the prior paragraph and think that I am somehow at risk of not continuing to run Mutoro Group and instead joining another operation—by analogy some other peloton—I have some news from 2020 to share that is in a way both exciting and frustrating. It will possibly lead you to understand that I am both more committed to and eager about the Mutoro Group than perhaps I have ever been. It will also answer why I said in the first paragraph of this letter that we did not perform this year as well as we could've.

First some context. Between the years 2012 and 2015, as many of you know, I worked from home by myself, for myself, investing in the public markets. I would scour regulatory filings, business press, earnings call transcripts, and blogs for companies I thought were undervalued. I then would cross reference those companies with a list of publicly available long-term derivative securities. If, after rigorous analysis, the companies passed muster, I would invest not in the equity of the companies but in their equity derivatives. I did this with companies such as Dell, AIG, and ADT. I made healthy returns for my efforts, making multiples of money acquiring discounted derivates on discounted stocks. I have not included this strategy in the fund's operations the last few years much because I have rarely found derivatives of our holdings where the downside risks were an attractively small fraction of their upside potential.

And then came 2020. I have this odd skill I have cultivated since 2008 where when markets are in a panic, I tend to grow calm and organized. On March 24, 2020, organizing my thoughts around the securities of a company we already owned (and were buying more of), I noticed that its long-term derivatives seemed even more attractively priced. I concluded that we should own some of them in the fund and that I wanted to own it as well in my personal brokerage account. Already confident in the equity, it seemed like the deal of the year. I am referring to Company G, which on December 31, was our largest holding at 30.3% of our assets.

During market hours on March 24, 2020, I went online to the fund's institutional brokerage account with Interactive Brokers Group, Inc. and entered my login details. To my surprise, they wouldn't let me enter. This had never happened before, so I found it very odd. I tried, and tried, and the site would not let me enter. I used the same credentials I always used to log in. The same multi-factor authentication process as well. But no luck. Using the other monitor on my desk, I went to the online site for the separate account I keep at a different brokerage platform for my personal investments. I had no problem logging in. I proceeded to place an investment in the derivative securities I was targeting and got my order filled without any issue. Turning back to our fund's brokerage, much to my dismay, I still was not able to log in and the market closed. Soon after the market close, I was finally allowed to log in. Confused that I wasn't able to log in and place the trade request when the market was open, I decided to place a trade for the next day. I placed the same trade as I had placed and successfully filled in my personal brokerage account.

The next day came and went and our order was not filled. The price had risen above where I had set our limit to pay for it. To put it gently, I found this annoying. Trying to stay rational, I thought to myself, "Okay. I couldn't access the account to make an investment and now it's more expensive… I guess I'll wait for the price to come back down to where it was and buy it again." Long story short, the price never came back. And this is where excitement and exasperation meet. That investment, which I could not make in our fund's institutional brokerage account—because for reasons I do not understand I was restricted from accessing, but was able to fill in my personal account on a different platform—did very well. In less than a year, I have, as of my writing this, made approximately 13 times my invested capital. But disappointingly, our fund did not make 13 times our money on my investment idea because we were unable to access our account during market hours, and when we could, the price had changed on us. [Deep sigh.]

Let's step back for a second. Our fund did well in 2020. We beat the markets and most peer funds. But from my very particular vantage, this was both oddly displeasing and pleasing. Yes, I did very well financially last year and it was a positive inflection point in my personal wealth journey—helped in part by the best financial investment I've made in a single year—but I would have loved to have made this investment in the fund as well. You would have benefited from the 13x return as limited partners, I would have been incentivized handsomely for that as general partner, and as the largest single limited partner, I would have benefited from it again. Had this succeeded, for the capital I tried to put to work on this idea, the fund would have by my estimation made between a roughly 50-60% gross return in 2020, rather than our actual 34% gross return.

You can imagine I spent some time this past year thinking about this. About how technology is a beautiful thing, facilitating digital connectivity that enabled me to launch the Mutoro Group from scratch, for us to have third-party fund administrators in Chicago and India (i.e., NAV Consulting, Inc.), to have auditors in Colorado (i.e., Spicer Jeffries LLP), and to have wonderful partners spread all around the country; how technology enabled me to get tested for coronavirus and then safely visit my girlfriend in Norway in the late summer, and how it enabled me to work from the comfort and safety of my home in New York. But at the same time, like the Lord, what technology giveth, it also taketh away. In this episode from last March, I learned that clearly.

So, here's why I'm more committed to the Mutoro Group after the dual joys and hassles of that transaction. If you study young companies, the biggest risks to their longevity are usually of two sorts: either the company runs out of money or the founder quits, usually because they ran out of money. While I tried to make this investment in Mutoro Group for the fund and have us all benefit from it, the silver lining is whatever risk we faced of no longer existing because the company or founder ran out of money was lowered by this partial success. I also know that this was further proof that in the darkest days our playbook is incredibly strong. It also made me realize that while we have benefited from being digitally connected, I need to spend more time thinking about resilience in our digital operations.

While I was at times upset our brokerage let us down, I hardly think it's something I will take up in meaningful protest. I have had real challenges in my life, facing racism as a Black man in America, xenophobia as a Kenyan immigrant, and bigotry coming from modest economic means; but, like you, I hope, my blessings have vastly outweighed my troubles. In the grand scheme of things, thinking about who I am and knowing that the typical Black family in America had before the pandemic only $24,000 in financial net worth and faced a myriad of risks in education, health care, employment, and the criminal justice system, our brokerage failing us in the heat of a market panic and limiting our returns from 60% to 34% is probably not a conspiracy nor an issue demanding congressional inquiries and populist uproar. We move forward. Our peloton rides on.

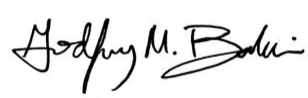
The exhibit below shows the composition of our portfolio at the end of the year:

Cash and Cash Equivalents	6.4%
European Public Equities	10.5%
U.S. Public Equities	83.2%
Total Portfolio	100.0%

I have also attached at the end of this letter a list of the 52 books I read in 2020. If you have read any recently you think I should check out, I would love your recommendation.

As always, I am grateful for your partnership and confidence. And I hope you and your loved ones stay safe and find peace in 2021.

Sincerely,



Godfrey M. Bakuli
Managing Partner

Godfrey M. Bakuli's 2020 Books

= Favorites

A Mind for Numbers by Barbara Oakley, Ph.D.	**The Ride of a Lifetime** by Robert Iger	**How to Be an Antiracist** by Ibram X. Kendi
Isaac Newton by James Gleick	**The Bounty** by Derek Walcott	**The Biggest Bluff** by Maria Konnikova
Housekeeping By Marilynne Robinson	**Annihilation** by Jeff Vandermeer	**The Man Who Solved the Market** by Gregory Zuckerman
"Surely, You're Joking, Mr. Feynman!" By Richard P. Feynman	**Uneasy Street** by Rachel Sherman	**The Dark Forest** by Cixin Liu
Selected Poems of Emily Dickinson by Emily Dickinson	**Notes of a Native Son** by James Baldwin	**Death's End** by Cixin Liu
Exhalation by Ted Chiang	**Beating the Odds** by Eddie Brown	**The Left Hand of Darkenss** by Ursula K. Le Guin
Mastering Numbers by Andrew Jeffrey	**Invested** by Charles Schwab	**Astrophysics for People in a Hurry** by Neil DeGrasse Tyson
Killing Commendatore by Haruki Murakami	**The Boy, the Mole, the Fox and the Horse** by Charlie Mackesy	**The Educated Imagination** by Northrop Frye
Fashionopolis by Dana Thomas	**Tales from the Loop** by Simon Stålenhag	**Changing Planes** by Ursula K. Le Guin
All You Have to Do Is Ask By Wayne Baker	**Biased** by Jennifer L. Eberhardt, Ph.D.	**The Art of Statistics** by David Spiegelhalter
The Courage to Act by Ben S. Bernanke	**Pre-Suasion** by Robert Cialdini	**Warnings** by Richard A. Clark and R.P. Eddy
King Lear: A Parellel Text Edition edited by René Weis	**7 Powers** by Hamilton Helmer	**The Perfect Weapon** by David A. Sanger
Negroland by Margo Jefferson	**Winning Now, Winning Later** by David M. Cote	**Silence in the Age of Noise** by Erling Kagge
Understanding Michael Porter by Joan Magretta	**The Psychology of Money** by Morgan Housel	**Brief Answers to the Big Questions** by Stephen Hawking
The Code of Capital by Katharina Pistor	**The Measure of Our Lives** by Toni Morrison	**Algorithms to Live By** by Brian Christian and Tom Griffiths
The Color of Law by Richard Rothstein	**Intimations** by Zadie Smith	**Black Fortunes** by Shomari Wills
Quality Investing by Lawrence Cunningham, et al.	**The End of Eternity** by Isaac Asimov	
How Champions Think by Dr. Bob Rotella	**Edge** by Laura Huang	