

Mutoro Group Partners, LP
First Quarter 2023 Letter

May 15, 2023

“Geometry is the art of reasoning well from badly drawn figures.” – Henri Poincaré

	Annual Percentage Change		
	Mutoro Group Partners, LP (Gross)	Mutoro Group Partners, LP (Net)	HFRI Fund Weighted Composite Index
2015	(3.5%)	(5.0%)	(1.1%)
2016	24.5%	18.9%	5.4%
2017	(3.3%)	(4.7%)	8.6%
2018	(0.9%)	(2.4%)	(4.7%)
2019	30.0%	23.9%	10.4%
2020	34.2%	25.7%	11.8%
2021	8.5%	5.5%	10.2%
2022	(44.8%)	(45.7%)	(4.3%)
Q1 2023	8.2%	7.8%	1.2%
Aggregate	30.2%	1.1%	42.3%
Annualized	3.2%	0.1%	4.4%

Dear Partner,

In the first quarter of 2023, our fund experienced an 8.2% gross increase and, after expenses, a net rise of 7.8%. We finished the quarter with the same 13 portfolio holdings with which we began the year.

My first job post-college was at Morgan Stanley, within its investment banking division. Unlike many of my peers, the world of corporate finance wasn't something I knew well culturally before I joined the firm. As an immigrant from Kenya raised in a small college town in Massachusetts, I was more familiar with the industries of academia and non-profits than financial services. But I would not let what I already knew pre-determine what I could learn. I found working at a bank illuminating. (I also paid off tens of thousands in college debt in under a year, which was not a bad thing.) I joined the firm before the Financial Crisis. I stayed through its aftermath, promoted to a role where my peers were typically 7-9 years my senior. One of the most valuable lessons I took from this experience was a mental model I developed and have since called the “polyhedral view” of industries.*

* The term “polyhedral” comes from the Greek words “poly,” which means “many,” and “hedra,” which means “base.” In the context of geometry, “hedra” is often translated to “face.” So, “polyhedral” means a shape with many faces. A polyhedron (the noun form) is a three-dimensional shape with flat faces, straight edges, and sharp corners. Examples include cubes, pyramids, and prisms.

Let me explain. When people think about a business, they tend to think about it from the vantage of consuming its products and the needs that consumption fulfills. As a result, they think most about consumer-facing businesses. A smaller sub-group of them also thinks about companies as potential investments. But most only take a consumer view. If they do both, they oscillate between these two perspectives—a consumer or an investor—much like flipping a flat sheet of paper from one side to the other.

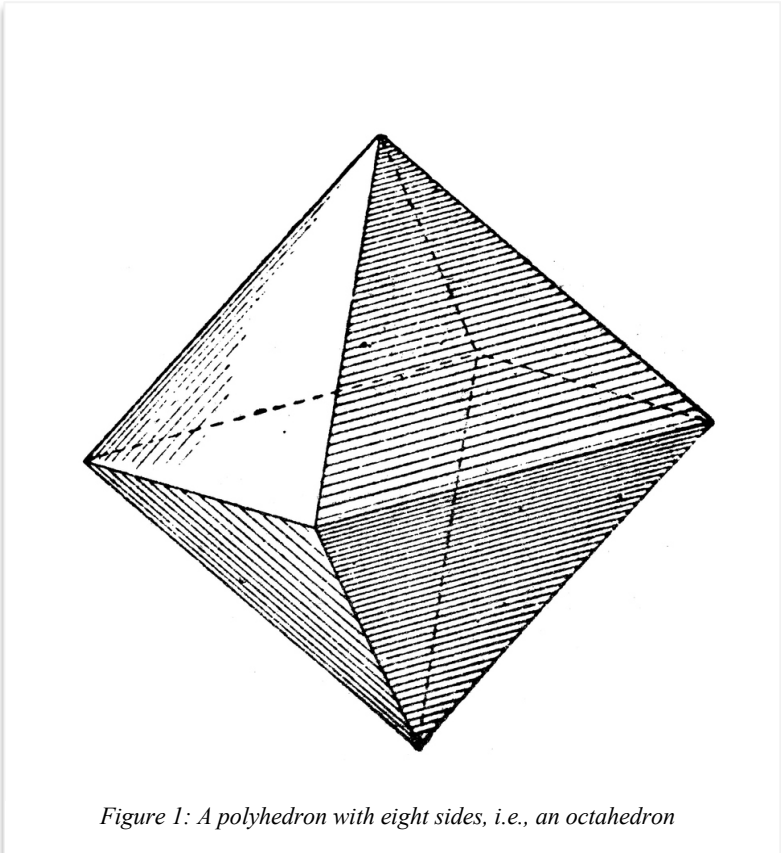
I developed another perspective through some combination of being unafraid to stand alone with my thoughts and an interest in business from a young age. To borrow a phrase from the Nobel laureate Daniel Kahneman, I saw that what you see is *not* all there is.

For example, when I would talk to acquaintances—even city-dwellers working in for-profit businesses—about being a banker in the transportation sector, our interactions usually focused on their personal experiences as consumers. Remarkably few understood my perspective advising companies in raising capital, acquiring businesses, selling assets, and so forth. Take airlines. While almost everyone has a story of being frustrated with them as a consumer or about the challenges of investing in them, which negatively colors their views of the industry, helping these companies raise money was a great business to be in. My growing, alternative viewpoint allowed me to see companies not just as consumer-facing entities but also as entities that serve other businesses and are themselves served by other companies. These added perspectives gave depth to my understanding of markets and the many ignored or unseen dimensions of human life. The flat piece of paper took on some shape and grew sides.

I also saw multiple sides to the banking industry. In 2008, as 25 banks failed in the United States, I saw how fragile the industry was for employees, borrowers, and others unaligned with a leading bank.

Several years later, after co-founding an investment company in the infrastructure sector and bidding for airports, I became acutely aware of another facet: the communities businesses serve. A company could frustrate many consumers and investors yet still provide essential employment and services to a community. This makes it indispensable and a highly sought-after asset. More shape, more sides. With a polyhedral view, I began to see industries as though they were objects you could pick up, turn around, and inspect from various angles.

I share this all because I want you to understand the importance that I place on industry selection when choosing our investments. I thought about this as I reviewed



the audited financials you received recently from our fund administrator. In it, the businesses we own are in five buckets: (1) Communications, (2) Consumer Discretionary, (3) Information Technology, (4) Financials, and (5) Industrials. While it is standard practice for accountants and auditors to group them like this, we can do a little better than that.

Because industries are shaped by more than just customers and investors, we can describe these in a way that reflects their broader ecosystems. In place of the above five, I offer eight. Strategist Clayton Christensen's "jobs to be done" framework partially inspires me.[†] In that approach, the literal features of a thing are less important than what it helps accomplish. While these companies exist in similar industries, I must stress they offer differentiated products, value propositions, and market strategies. Nevertheless, here we go:

1. **Building Meaningful Connections and Relationships:** We own three companies in this space, totaling 38.2% of our portfolio. These businesses shape the landscapes of digital communities, fostering environments where individuals and various societal norms thrive through innovative digital technologies.
2. **Achieving Distinctive Personal Style and Luxury Status:** We own three companies in this industry, totaling 21.1% of our portfolio. These businesses create ecosystems where brands, designers, and consumers combine to shape, elevate, and reinforce social identity and personal style.
3. **Seamlessly Integrating Technology into Everyday Life:** We own two companies in this sector, totaling 15.9% of our portfolio. These companies don't just produce technology; they establish and manage platforms where developers, users, and businesses converge to enhance and simplify daily life.
4. **Experiencing Hassle-Free Travel Planning and Exploration:** We own one company in this space, totaling 5.7% of our portfolio. This business provides a marketplace that connects travelers, service providers, and local economies to facilitate seamless travel experiences from planning to departure to return.
5. **Securing Long-Term Financial Stability and Growth:** We own one company in this sector, totaling 5.1% of our portfolio. This business stands at the intersection of finance and trust, where customers, investors, and regulatory bodies interact to ensure the financial security and growth necessary for functioning economies.
6. **Improving Industrial Efficiency and Productivity:** We own one company in this space, totaling 3.8% of our portfolio. With this business, industrial processes are not merely about selling machinery but involve the coordination of manufacturers, operators, and industry standards to boost efficiency and productivity.
7. **Ensuring Efficient Packaging and Distribution:** We own one company in this space, totaling 1.1% of our portfolio. This business operates within a complex supply chain, aligning producers, distributors, and logistical standards to ensure efficient packaging and distribution.

[†] Christensen, C., Hall, T., Dillon, K., and Duncan, D. (2016) "Know Your Customers' 'Jobs to Be Done'" *Harvard Business Review*, <https://hbr.org/2016/09/know-your-customers-jobs-to-be-done>

8. **Transforming Paperwork into Efficient Digital Workflows:** We own one company in this sector, currently totaling ~0.0% of our portfolio. This company provides a platform where businesses, legal frameworks, and technology intersect to transform traditional paperwork into streamlined digital workflows.

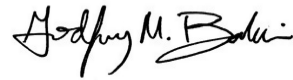
I hope these descriptions present a more holistic view of our holdings and the multi-faceted nature of the industries they lead. It matters because most market participants do not think beyond a flat paper view. With a polyhedral view, we are more likely to stomach volatility in the face of fleeting, superficial news and to reject opportunities that aren't right for us.

U.S. Public Equities	74.2%
European Public Equities	15.7%
Cash and Cash Equivalents	9.0%
<u>U.S. Options</u>	<u>1.1%</u>
Total Portfolio	100.0%

Table 1: The composition of our portfolio at the end of the quarter

Thank you for your ongoing partnership and support. I welcome your thoughts and questions. If you would like to add to your investment or know someone who might like to join us, please reach out.

Sincerely,



Godfrey M. Bakuli
Founder & Managing Partner