

Muturo Group Partners, LP
Third Quarter 2019 Letter

October 28, 2019

“Let me taste the dish,’ said Brillat-Savarin, ‘and you can spare yourself the rhetoric on how well you cook.” – As paraphrased by Rosser Reeves in *Reality in Advertising* (1961)

“Real G’s move in silence like lasagna.” – Lil Wayne (2011)

Dear Partner,

The fund finished the first nine months of 2019 up 16.06% net of fees and expenses. We ended September with 36.0% of the fund in cash. Having this much cash means much of our fund has been in an asset that in the near-term just sits there, neither declining nor growing. This implies that the remainder of the portfolio, made up of companies we own, has risen sharply. (We try to buy at discounts so that can happen.) Is this cash balance good or bad? It depends. Imagine for a moment two funds with identical year-to-date returns of 16.06%. One has a 36.0% cash balance; the other has a cash balance of 0.0%. Thoughtful, reasonable people will disagree on this—because the devil is in the details and this is a rough thought experiment—but if given the option between the two, I would rather be in a fund in this market context that has cash on hand. Cash provides optionality when prices fall; optionality we have deployed to our advantage.

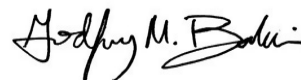
Speaking of the devil: We added one new position. It is of a currently controversial company headquartered in Europe. To say it is a European company, though, would be somewhat inaccurate. As with eight of the nine total businesses we own, this new holding has operations that span several continents. That is not to say that the location of its headquarters is irrelevant. It is relevant because it must adhere to regulatory, social, and corporate governance frameworks that are European. That said, it was news stories about legal challenges the company faced in American courtrooms that first brought it to my attention. These same legal challenges halved its share price. Studying lawsuits against the company gave me confidence that its future cash generation and market power are likely higher than marginal opinion assumes. At the end of the most recent quarter, this new portfolio holding, Company M, was 10.1% of our portfolio. The exhibit below shows the composition of our portfolio at the end of the third quarter:

Cash and Cash Equivalents	36.0%
European Public Equities	11.1%
<u>U.S. Public Equities</u>	<u>52.8%</u>
Total Portfolio	100.0%

Table 1. Portfolio Composition

Thank you for your partnership and your long-term mindset. If you have any questions or comments, please feel free to email or call.

Sincerely,



Godfrey M. Bakuli
Managing Partner