SYMMETRY INVEST A/S

Symmetry

NEWSLETTER

H2 2022

SYMMETRY INVEST A/S

CVR: 35056467

The purpose of this Newsletter

Every month, Symmetry sends out a portfolio update to the shareholders. In them, we report the last month's return, news regarding our investments, and much more. In addition, we send out write-ups and a yearly investor letter analyzing our biggest positions. This newsletter will not replace our copy of the above-mentioned activities, since they are issued exclusively to Symmetry's shareholders. The free newsletter will therefore to a very limited extent be able to reflect on individual holdings, as this is reserved for our shareholders. Instead, this newsletter will touch upon general trends and developments in the markets and explain how Symmetry navigates them.

The newsletter will from time to time discuss specific stocks in which Symmetry could have a long or short position in, or no position at all, but an interest in.

The newsletter aims to increase awareness of Symmetry for all our stakeholders, including current investors, potential investors, and others who follow the stock market. Symmetry will continuously describe our strategy and make it as easy to understand as possible for readers.

We will, among other things, include quotes from well-known value investors and substantiate claims with graphs and other material that can be used to support our point.

We hope that as many people as possible will find the material useful and easy to read and that it will help sign up new people to the newsletter to follow us.

In the newsletter we mention "us", implying Symmetry, and sometimes "I", implying Andreas Aaen.

Newsletter

In this newsletter we will summarize the year 2022 and walk through several topics we find relevant.

Table: Historical return in percentages

The table shows historical returns and the funds net exposure since its foundation in 2013

%	Jan	Feb	Mar	Apr	Maj	Jun	Jul	Aug	Sep	Okt	Nov	Dec	FYTD	Avg. Net Exposure
FY13						8,1			7,9			15,0	**34,1**	N/A
FY14			3,2			10,2			2,8			17,0	**36,8**	N/A
FY15			6,8			23,2			-13,3			5,7	**20,5**	76,0
FY16			1,3			10,6			3,5			3,4	**19,9**	44,3
FY17	6,2	3,2	0,7	4,0	5,1	-2,7	1,1	-2,7	0,6	3,3	-2,1	-0,7	**16,8**	46,5
FY18	1,9	-4,5	-4,4	0,8	-0,8	-5,9	-4,5	-1,8	-0,9	-12,8	1,9	0,3	**-27,7**	75,2
FY19	7,3	6,4	4,5	4,5	-2,4	6,3	0,5	-7,1	5,8	0,3	10,0	2,5	**44,4**	73,3
FY20	2,0	-4,1	-37,2	22,6	14,5	10,1	1,2	9,0	-0,2	1,8	17,1	12,9	**40,4**	74,9
FY21	9,0	8,3	8,0	5,0	0,1	-0,5	2,2	4,8	-2,7	3,9	-5,4	0,9	**37,8**	75,6
FY22	2,0	-6,0	-2,3	-7,0	-1,0	-3,7	3,5	0,0	-7,9	8,2	-0,1	-2,3	**-16,4**	77,7

As always, returns and portfolio updates are sent to shareholders on a monthly basis through the website.

Table: Performance compared to Benchmark

Below is our long-term and short-term performance compared to MSCI Europe Small Cap[1]

	2022	Total	IRR
Symmetry Invest	-16,4%	422%	18,3%
MSCI EU SmallCap	-22,5%	81%	6,2%

We will, as always, send out our more detailed 2022 review in the annual investor letter in April. But in general, 2022 have been the most difficult year since we started the fund back in 2013. While our returns were worse in 2018 than in 2022, the loss in 2018 was self-inflected, whereas 2022 have been difficult for a lot of managers. We have a high bar on what we want to achieve. People often ask if it’s a hard pressure to manage other people’s money. It is. But it is not a pressure I often feel from investors, probably because we have good long-term investors. But as a competitive person, I always put the biggest pressure on myselves. I want to be the best. And the hard job is to find the balance, as being the best long term requires you to be able to underperform in the short run. 2022 was as mentioned a difficult year to navigate in. Fortunately, we were defensive positioned going into the year, with a lower net exposure than normal, and a bigger short book and some other hedges. During the year, as several stocks on our watchlist declined with more than 50 %, we started to buy and build positions again for long term success. This with a clear mindset that we could end up underperforming in the short run. This is okay. We don’t mind underperforming for a while. We are

[1] *Be aware that we in 2022 changed our benchmark in our public communication. Our historical benchmark is still included in our ongoing internal investor reporting for comparison purpose*

comfortable taking on risk in situations where we are paid a lot to do so. This was not the case in the end of 2021. But it is clearly the case today. This is also one of the reasons we underperformed a little in Q4 2022. The market rose again, but primarily from flows into the most known names and large caps. Our small obscure stocks did not get the same rebound. And because we focused on buying beaten down stocks, we also to some extend got hit by "tax-loss-selling" and "window dressing" in Q4. In some cases, it has been like catching falling knifes. Again, this is okay. When the market offers us amazing long-term opportunities, we are ready to catch them despite what the market does in the short run.

And despite the underperformance in Q4, we still ended up beating the European smallcap index for 2022 as a whole. Despite Symmetry being agnostic on sectors, we have had an overweight of technology. This helped a lot in 2019-2021, but was also a headwind in 2022. Despite this, we managed through 2022 decently, as we earned money from shorts and hedges. We those avoided the big +50 % drawdowns that several of our peers was hit by. A lot of the managers that achieved superior 2019-2021 performance, have since seen their IRR since inception fall a lot, and in some cases even go negative. We have despite 2022 still managed an annualized return of 18,3 % net and +20 % gross since inception close to 10 years ago.

While we are not happy with our return in 2022, we are still standing on our feet's, with a decent long term track record and a setup and position that makes us ready to fight another day and to create superior performance over the next 10 years.

The FOMO cycle:

The 2021 bubble I internally refer to as the FOMO cycle. It seemed like people was so afraid to miss the next Crypto-coin or SPAC, that they just went with it without any proper due diligence. And it was not only retail investors. We later learned that big funds like Sequoia etc. invested in FTX with (at least it seems) basically zero due diligence, probably again a result of FOMO of loosing the deal. While Symmetry never invested in these kinds of projects, one of the silliest things going on to us, was the reluctance people had with taking profits on high flying winners. The amount of people on podcasts and twitter etc. that basically all said "I should not cut my winners – my mistake has always been selling to early" was amazing. It seemed like everyone though their stock that went from 5x revenue to 20x was still a buy, just because Nick Sleep didn't sell Amazon neither. But guess, not all stocks turn out to be the next Amazon. As growth slowed, those named now traded from 20x revenue to 3x. One of the things we are most proud off in this cycle was our valuation discipline. We managed to participate in the 2020-2021 rally, but also mostly stepped away at the silly part. We significantly trimmed or sold winners like Kambi or Naked Wines etc. on the way up during the covid-boom. And we excited stocks like GAN and CDON at huge gains, that we later learned was just bad investments. We were then able to redeploy these gains into defensible stocks like Protector and Catella etc. But we could and should have done more. Instead of just trimming we should have sold out totally of more names. There is a lot of learnings from this cycles that we take into our processes and hopefully learn from, so that we can perform even better during the next cycle.

You only get one chance

Another event that happened over the last year is the view/sentiment that happened around underperforming managers on social media like: "they can just start over without the high-water-mark". To me that's a total misunderstanding. While in principle its correct that one can just close a fond and restart without a high-water-mark, in reality its much more difficult. Investors remember, and a name is attached to a fund. Most managers also have a personal pride and ethics that gives them a responsivity to earn back what is lost and not just close down. While there are examples like Bill Ackman starting Pershing after closing Gotham its more the exemption to the rule. To me, in this business you only get one change to get it right. That's why we also see most managers deliver blood, sweat and tears into building their funds and track-records. This is also why it makes me a little sad to see the huge "bashing" that is going on within social media on some underperforming managers. While I understand people joking around with Cathie Wood etc. I really don't get why some people feel the need to hammer hard on people that's already laying down. If a manager is honest, open and transparent, there is simply no need to attack people just because they don't perform. While its natural to debate performance (both publicly and privately) and learn from it, I simply am a little disgusted by some of the public bashing going on. Just a few cents.

Be agnostic (sector and geography):

One thing the last few years have taught us, is how important it is to be agnostic with investment decisions. Both in relation to sectors one invests in, but also geographic location, long/short mandates etc. Funds that have limited themselves to narrow mandates like "only finance, only commodities, only consumer internet" etc. are doomed to go through extreme boom/bust cycles. Especially if its long only and concentrated. Our opinion is, that some people took Warren Buffets "stay within the circle of competence" a little to far. We don't think everyone should be trend followers. But one of the biggest opportunities as a value investor, is to be able to move to where value is. Over the last few years, we have invested in everything from American tech stocks to Greek smallcaps and be exposed in everything from finance to consumer stables. Unless you do relative pair-trades, a fund should have the option to move into the best opportunities. Othervise, one ends up investing in a stock trading at 15x revenue just because it looks cheap compared to a peer trading at 20x revenue.

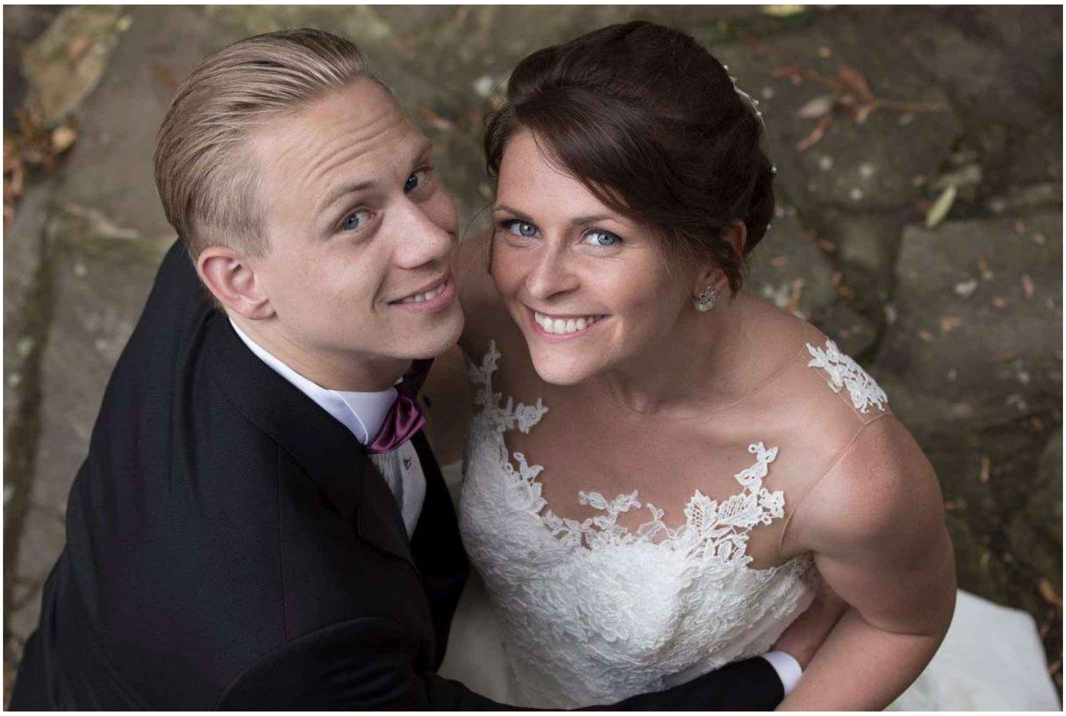
Covid have also helped in breaking down geographic barriers in relation to getting access to management teams in countries we would seldom travel to. Our share of 1-1 meetings with managements have gone up dramatically when including web calls, despite the number of physical meetings going down. We still love to travel and meet our companies in person. But we also need to be honest, that our limited time and resources probably are better spend at having 10 web meetings compared to 1 physical meeting. At Symmetry we are adding resources to our team. We hope to able to expand our options both regarding sectors and industries, in order to stay competitive in the future. This is the only way we can make sure we always are allocating to the best ideas possible.

Choosing your partner

One of the areas we seldom hear about in investor letters are the importance in the choice of a partner. And here I don't talk about choosing a CFO, COO or investment partner, but the choice of your life partner. I have in previous investor letters been writing about the importance of investing in sleep and welfare (Q2 2020), optimization of time spend (H1 2021) and the use of a performance coach (H2 2021). One angle that's sometime forgotten is the importance of your relationship. Bill Ackman talked around this recently:

> "It's very helpful when you're going through a difficult period to be in a great relationship" with someone who is "super-supportive, loving and warm and believes in you," Ackman said Tuesday at the 13D Monitor Active-Passive Investor Summit in New York. [2]

Like (hopefully) most other men, I feel like the luckiest man in the world over my choice of partner:



[2] Bill Ackman credits marriage to Neri Oxman for fund's comeback (nypost.com)

It is often hard to explain to people outside the industry, how mentally hard it is to operate within the investment industry. You are always on. You have no place to hide and your scorecard is constantly moving and it is public. To be able to manage emotions and feelings, to make sure one is always mentally stabile, are one of the absolute keys to sustain high returns over a 5-10-20-30 year period, without burning out along the way. In my experience, most managers often come from a multi-year, often a little nerdy interest in the stock market. Such an interest and personality seldom come hand-in-hand with the strong emotional control that's important to long term success in this business.

To have an amazing partner to rely on is one of the most important things. While my wife doesn't understand anything about short-selling or free cash flow multiples, she understands the most important. My personality. She has the ability to read me like no one else. She constantly knows when to support me and when to pressure me. She knows when to pick me up when I am down and when to yell at me. She knows when to give me freedom to work and when to pull me away from the computer. When to be understanding and when to be demanding. To have this emotional stability and rock to rely on in my everyday life, helps me enormous to also have it in my work life (and in this industry the two often melts together). I mentioned in the H1 2021 newsletter how a performance coach helps me individually. But this is also important in your marriage. I remember when I told my wife we should go to couples therapy 4-6 times a year. She looked with big eyes like "Andreas, I thought our marriage were going well". But that was exactly the point. You insure your house against burning down, you take your car to annual service checks and you regularly go to the gym to maintain your body. Our relationship (and family) is (hopefully) the most important thing we have. It's important to use resources on maintaining this relationship independently on how well its going. But to secure a good personal life and business life. And if you don't believe me, read what Bill Ackman said on the previous page or what Poul Tudor Jones is writing below:

> "One of my No. 1 rules as an investor is as soon as … I find out that [a] manager is going through divorce, [I] redeem immediately. Because the emotional distraction that comes from divorce is so overwhelming. … You can automatically subtract 10 to 20 percent from any manager if he is going through divorce."
>
> - Paul Tudor Jones II, May 2013[1]

The reference above comes from a longer research study that shows how managers going through heavy personal changes (new marriage or divorce etc.) perform must worse than their peers in stable relationships.

[hedgefund_marriageX (villanova.edu)]

Symmetry is able to celebrate our 10-year anniversary in March. It is few funds that manage to survive such a long time. I feel Symmetry have just started. My goal is, like Warren Buffett, to be able to tip-dance into work after 50 years. This only happens if I am willing to invest in building the foundation for the business. To be open to take investments that costs in the short run but benefits in the long run. I hope you are all seeing me making these investments.

We are looking forward to 2023 with confidence and hope to achieve great results.