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FRAZIS

• CAPITAL PARTNERS •

August 2021

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Dear investors and well-wishers,

The fund declined 7.4% in July, almost entirely due to our China/Asian positions, reducing our calendar year-to-date to +7.4%. We have returned 68% net over the last 12 months and our long term net IRR is 27% per annum.

I'll host a webinar next Monday at 11am so please [register here](#) and send me any questions or topics you'd like me to address.

Cortexyme

A few months ago we discussed Cortexyme and their novel approach to Alzheimer's. The stock has more than doubled since our initial purchase.

As a recap, their approach is based around the idea that many dementias are caused by *Porphyromonas gingivalis* which gets in the brain and causes havoc - backed up by their discovery of *P. gingivalis* in the vast majority of Alzheimer's brains and their ability to induce dementia in rodents by infecting their gums with the bacteria.

This also fits the observation that many viruses, like HIV, Herpes, and perhaps even coronavirus in some https://us02web.zoom.us/webinar/register/WN_JAfcvLSOR06zpgCfJEEc1Qe circumstances, can have an effect on cognition, and also the role of amyloid beta in the brain, which is conserved across all species, so is likely to be doing something useful.

The pathology also fits, specifically: microglial activation (brain's white blood cell equivalent), complement activation, and general inflammation, all synonymous with an immune reaction.

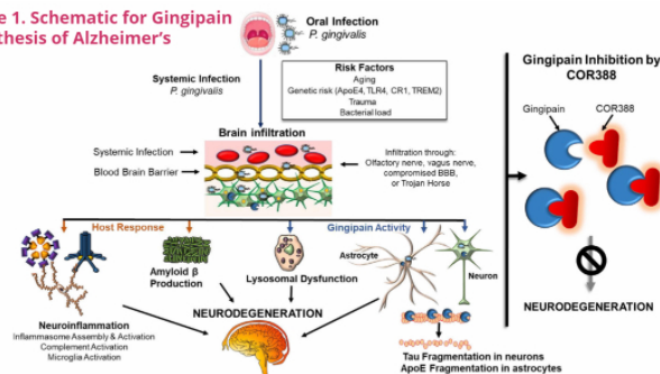
And a 39 person trial showed improvements in both biomarkers and cognition though lacked the statistical power to conclusively decide the matter.

This would also explain the consistent observation that flossing leads to significantly increased longevity.

P. gingivalis is nasty stuff. *P. gingivalis* cannot live off sugars and fats, instead living off proteins which their harmful enzymes (the gingipains targeted by Cortexyme) dissolve.

In effect, gingivitis eats your cells from the inside out. A reason to floss - and perhaps one day to take Cortexyme's drug, which directly inhibits these enzymes.

Figure 1. Schematic for Gingipain hypothesis of Alzheimer's



The *P. gingivalis* hypothesis and Cortexyme's treatment

This is a small position for us and definitely not one for your personal account!

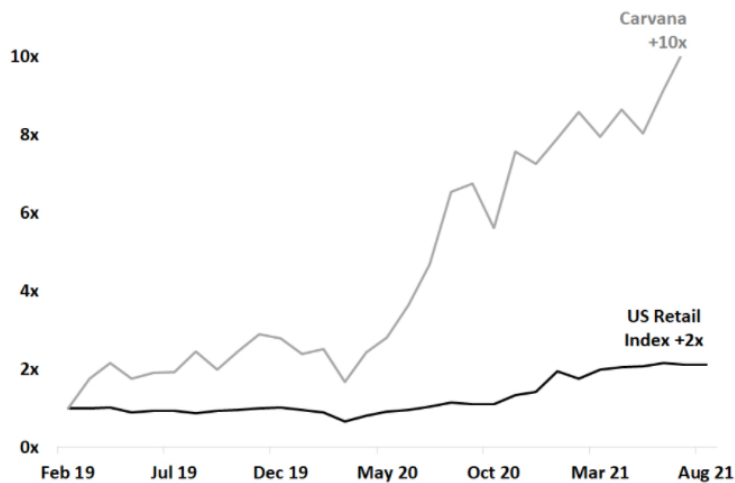
Vaccines

Moderna, Novavax, BioNTech and Pfizer have been on a tear, though are now off their highs earlier in the month. Many countries have started ordering booster shots with supply agreements as far out as 2024, and the mRNA manufacturers have negotiated price increases with the EU. Quite a feat in a region where there is no particular love for American pharmaceutical companies.

From here, the move looks somewhat done, though we will be watching Moderna's progress in HIV and cancer closely.

Carvana

The second quarter of 2021 was a landmark quarter for Carvana. It was the first quarter they delivered over 100,000 cars to customers. It was the first quarter they exceeded \$3bn in revenue and 195% revenue growth. It was the first quarter they hit \$100mn in EBITDA and positive net earnings. And to top it off, Carvana are one of the four fastest companies to ever make the Fortune 500 list organically along with Amazon, Google and Facebook. The combination of extraordinary innovation in a fossilized industry structure, and improving profitability, gave us another 10x return from \$34 initial price:



MercadoLibre

MercadoLibre appears something of a bellwether of the portfolio. The company reported unique user growth of ~50% year-on-year, reaching 76mn, and net revenue growth of over 100%.

Despite these outstanding results the company sold off ~40% from February highs to May and while there has been a strong recovery, remains down about 11%. There has been a strong recovery but the stock remains below that peak.

These opportunities are always fleeting when fundamentals and share price momentarily diverge and show how much value can be created by buying after sell-offs like February to May this year.



It is encouraging to see something of a recovery, and as we move into the latter part of the year we expect (and certainly hope) to see more of this.

Third-party traffic data suggests Sea Ltd is also on track for >100% GMV growth, on the back of tough comps from last year.

Sea

An interesting chart

We came across this chart (electric vehicles make up about 8% of our portfolio).

Electric vehicles make up large share of new car sales in Northern Europe

New electric cars as share of automobile sales, globally and in selected countries, 2020



Source: International Energy Agency, "Global EV Outlook 2021."

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There are two striking points.

First, nearly three-quarters of new car sales in Norway are electric, which stands as powerful evidence that a developed nation can turn its fleet electric - all the more ironic in this case, given that Norway is one of the world's largest oil exporters.

Secondly, there is clearly a very, very, long way to go, for the rest of the world.

To pick on three - the United States, with still the largest consumer market on the planet, is only at 2%.

China, for all the press, is at 5.7% and growing fast.

And finally, Australia stands at 1%. Which might explain why so many local fund managers got caught short Tesla and the like. The movement all seems less real from here.

Outlook

We have now been below our February peak for six months, which has resulted in some fairly serious multiple contractions across the board.

Our life sciences portfolio, with long-held positions in companies like Moderna and Alnylam, and new positions like Cortexyme has pushed to new highs, but our Asian portfolio remains >100% from recent highs. Growth stocks, with some exceptions, are still down, but those that reported well are grinding higher.

As we move into the latter half of this year, and eventually 2022, the market will start to value these companies on 2022, and increasingly 2023 numbers, so we may see some of this explosive fundamental growth finally reflected in stock prices. The nature of our kind of strategy is that the longer it takes, the sharper the eventual move may be as valuations wind up like a spring.

We are also focusing on finding the next Afterpay/Moderna/Tesla of coming years and have some ideas... and as mentioned above, I'll host a webinar next Monday at 11am, so please [register here](#) and email me any questions or topics you want me to address.

Thank you for your support

Michael

Please note: we are now taking applications weekly, so if applications, funds and supporting documents are received by 2pm on a Friday, the investment will be priced for Friday COB / Monday morning start. We are also available on Netwealth and Hub24.

If you'd like to invest with us, you can access our investment portal and fund documentation through the button below, or simply reply to this email and we'll be in touch.

Invest

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