2025 Letter
Ming Partnership

ANNUAL LETTER TO LIMITED PARTNERS

Our Investment Philosophy

First, I would like to clarify the core philosophy I uphold in managing and allocating your assets. Our goal remains consistent: to generate satisfactory long-term returns by purchasing common stocks of high-quality enterprises at prices below their intrinsic value. When bond yields are significantly more attractive than equities, fixed-income investments will also be an option; however, my primary energy is focused on finding outstanding companies. The distinction lies in the fact that the key to bond investment is assessing the ability to repay debts, whereas stock investment focuses more on a company's business model and operational quality.

I use the S&P 500 index as our benchmark for evaluating annual performance. For non-professional investors, a low-cost index fund is often the most effective strategy. Therefore, if I cannot outperform this benchmark over the long term, I have failed to create sufficient value for my partners.

As Benjamin Graham stated, "In the short run, the market is a voting machine, but in the long run, it is a weighing machine". A value investor's long-term horizon may span a decade or more, and I generally expect stock prices to gradually reflect their intrinsic value within 3 to 5 years. The principles emphasized by the pioneers of value investment and summarized in *Poor Charlie's Almanack*—"Preparation. Discipline. Patience. Decisiveness"—remain my code of conduct.

The General Market Picture

2025 was a volatile year with AI booms, trade tariffs, and the interplay of greed and fear. We saw stock prices skyrocket on AI capital expenditure news and plummet just as quickly on bubble fears. While the surge in advanced technology is exciting, I prioritize caution and deep understanding when deploying capital.

Overall, the market prices are at a high level. I do not attempt to forecast short-term market movements, though observing and quantitatively analyzing these conditions helps determine entry opportunities.

Performance and Interpretations

As of December 31, 2025, the annualized return of the S&P 500 index (with dividends reinvested) was **15.45%**, while our portfolio's annualized return (pre-tax, including dividends) was **7.47%**.

While our gain lags the index, I expect a higher return in the coming years for the following reasons:

- **The portfolio is still in its early stages:** Over half of our positions were established in mid-2025, and nearly one-third of the holdings were added in December (you never know when good opportunities will appear). The intrinsic value of these assets has not yet been fully reflected in their share prices, and I expect this value to be released gradually in the future.
- **Calculation method impacts the presentation of real annual returns:** The current return calculation aggregates annual gains against the total capital base (including the significant late-year additions); this approach mathematically dampens the return percentage. To reflect performance more accurately, starting in 2026, new funds will only be deployed in January of each year. If significant opportunities arise mid-year requiring a substantial injection of extra capital, I will segregate those funds into a separate pool to track their performance independently.
- **High concentration leads to significant short-term volatility:** Since our portfolio is highly concentrated on a few excellent companies, the short-term fluctuations can be huge. To illustrate the volatility of our portfolio: our return was approximately **15%** at the October close and sits at roughly **12%** as of this writing. This fluctuation underscores that short-term performance is significantly affected by timing and has little reference value for long-term gains. I remain confident in the companies we currently hold and believe we can achieve solid long-term returns over the next 3 to 5 years.

<u>Activities and Reflections</u>

Despite generally high market valuations, the macroeconomic environment provided specific buying opportunities in 2025. As the market focused its gaze on AI, some quality businesses in other industries were relatively neglected. I was able to allocate funds into competitively strong companies at fair prices.

At the same time, I want to candidly address two mistakes I made this year that negatively impacted our performance:

- **A misunderstanding of diversification:** At the beginning of the year, I identified two automobile companies with low P/E ratios. They had similar price levels but held different competitive positions in different market regions. One had weaker brand power and relatively insufficient management transparency. Due to the impact of tariffs, I purchased stocks in both companies based on the rationale of "diversifying

regional risk," with a smaller allocation to the weaker company. The results were starkly different: the less competitive company's stock price fell due to management issues, resulting in a **21.89%** loss even after a timely stop-loss; meanwhile, the other company achieved an annual gain of **13.37%**.
Upon introspection, ignoring opportunity cost in decision-making due to a long-standing misunderstanding of diversification was undoubtedly an error in judgment. Future portfolio diversity should be achieved by holding multiple high-quality companies, not by investing in suboptimal choices to "spread risk". Therefore, even though our portfolio is currently highly concentrated, I still believe it possesses a sufficient degree of diversification.

- **Hesitation regarding entry timing:** While less severe, this mistake eroded our potential returns. In past investments, I would adopt a strategy of "averaging in," meaning splitting purchases into multiple transactions to average the cost. However, I realized that when in-depth research confirms market prices are far below intrinsic value, such strategy is counterproductive. I must utilize sufficient preparation, patience, and discipline to wait for opportunities, but once they appear, the correct action is decisiveness, not averaging.

Fortunately, these mistakes did not cause permanent capital loss. Although Mr. Buffett and Mr. Munger expounded on these lessons long ago, knowing is easier than doing; even if progress is slow, I will persevere and continue to improve through constant learning.

<u>Conclusion</u>

2025 marks the first official year of my investment journey. While the return rate is modest relative to the index, our capital is deployed in excellent companies poised for satisfying future growth.

To maintain transparency, I am willing to explain my investment methods and operational logic in detail, but to protect investment ideas and avoid misleading, I will not disclose specific holdings. If you still have any concerns or questions, feel free to reach out and I would welcome hearing from you.

I want to express my deep gratitude to my partners for your trust in investing your capital with me at this inception stage. I look forward to compounding value together with you in the years to come.

Minghao Yang

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