Dear Partners,

Despite the recent market selloff, the businesses that we own are compounding in value at, or beyond, our expectations. There's been no change to our long-term investment theses on any of our core positions, and so we've made very few changes to the portfolio in the last three months.

We continue to feel extraordinarily bullish on our specific set of investments. Once some of the broader macroeconomic pressures abate—and we are confident they will—we believe we could snap back in relatively short order.

Please see below for results since inception:

Long/Short Equity Growth Strategy Net Performance

	June	YTD	1 Year	2 Year	3 Year	Inception*
Strategy	-16.42%	-59.59%	-51.04%	-18.01%	31.25%	17.71%
S&P 500 TR	-8.25%	-19.95%	-10.60%	12.19%	10.61%	11.23%

*3/1/2017

Long-Only Equity Growth Strategy Net Performance

	June	YTD	1 Year	3 Year	5 Year	Inception*
Strategy	-11.79%	-42.39%	-31.83%	36.52%	27.66%	25.95%
S&P 500 TR	-8.25%	-19.95%	-10.60%	10.61%	11.31%	12.96%

*7/1/2012

Past performance is not indicative of future results. Performance shown are monthly net returns for each strategy since inception. Please see attached Composite Presentations for each strategy for additional information and disclosures.

Bear markets are inherently uncomfortable, but historically, they have been short-lived. They also have tended to be followed by much longer periods of market growth. As we wrote in our Q1 letter earlier this year, "major declines are relatively rare, and always followed by five to 10 years of 'good times,' in our experience." Historically, markets also tend to bottom *midway* through economic downturns. For any long-term investor, short-term market fluctuations should be considered noise. If anything, they are typically a good time to load up on one's highest conviction ideas.

In this letter, we'll discuss two core positions: Tesla and Spotify.

Our highest conviction idea, Tesla, continues to execute on its core objectives. Right now, we believe fair value for the business is far higher than the stock quote, but we do not believe this discrepancy can exist for much longer.

To be clear, this quarter presented significant—but temporary—challenges for Tesla. In particular, Covid-related shutdowns caused a multi-week idling of Tesla's factory in Shanghai, which halted all vehicle production. Supply chain issues have also persisted globally, limiting Tesla's true production capacity.

These challenges—combined with macroeconomic factors—have certainly weighed on Tesla's stock price year-to-date. Looking forward, however, we remain increasingly bullish on both the business and its stock price. Tesla achieved record production in June 2022. Barring no future factory shutdowns, we believe Tesla is poised to accelerate production in the coming years—far beyond consensus expectations.

This quarter, we also released a 90+ page research report detailing our view on Tesla's near-term and long-term structural advantages, its opportunities, and its likely growth trajectory. We invite you to read the report here. The report covers many substantive themes—from Tesla's lead in artificial intelligence to its extreme vertical integration. At a very high level, we believe Tesla is on a path to dominate the S&P 500. And we belive this could happen sooner than many people might believe.

For this letter, we want to emphasize one theme from the report that we think many on Wall Street miss: Tesla is in a class of one when it comes to manufacturing. In fact, we believe Tesla is ushering in an advanced manufacturing renaissance that will drive production speed, capacity, and margins at an accelerated pace. We also believe Tesla will soon be generating extreme levels of cash flow, which we elaborate on below, along with an update on how we view its fair value.

Speed is cash

As you'll note above, the theme of this quarter's letter is "Continuous motion, experimentation, and innovation."

Tesla's manufacturing process is a prime example of experimentation and a First Principles approach: Based on our on-the-ground research, they have made significant strides in the reinvention of the production of a large manufactured good by using extreme automation, unique die-casting molds, and novel stamping processes (using Tesla's giant "Giga press") that speed production of a Tesla vehicle by a factor of at least 10x.

At Tesla's new facilities in Austin and Berlin, for instance, lines will stamp out car bodies every 45 seconds—an order of magnitude faster than any existing production line in the world.

One of the major themes we see very often in the media and financial press is that incumbent OEMs or startup EV manufacturers could tweak existing factories to produce electric vehicles at scale. This, the theory goes, will create significant competition for Tesla — and thus Tesla's demand will slow. We believe this is a fundamentally incorrect view.

While OEMs and well-capitalized startups have come to market with new EV variants in recent months, no other manufacturer has come close to Tesla's ability to generate millions of units of EVs at a 30%+ gross margin profile.

There is a good reason for this: Tesla's factories—not its cars—are becoming the true drivers of its technical innovations.

Back in 2020, Elon Musk noted that Tesla needed to redesign its factories from scratch to allow for maximum speed and efficiency, and to meet the company's ambitions of 50 percent annualized growth.

Speed *is* cash, and the results of this continuous experimentation and innovation is bearing fruit.

In Q1 2022, Tesla generated $2.2 billion in free cash flow—a 660% YoY increase. Despite challenges encountered in Q2 2022—from Covid lockdowns to supply chain issues—Q3 and Q4 are poised for explosive growth. For a product that has excessive demand, the speed at which a factory can build and deliver goods to customers enables free cash flow to grow dramatically.

By designing its new factories with the goal of maximizing volumetric efficiency, Tesla also increases the speed and density of movement within the facility.

The goal, of course, is increasing margins, faster cash flows, and more output. “A factory that’s moving at twice the speed of another factory is equivalent to two factories,” Musk noted. “And the company that will be successful is the company that with one factory can accomplish what other companies take two or three or four factories to do.”

Later, he added: “Tesla is aiming to be the best at manufacturing of any company on Earth.”

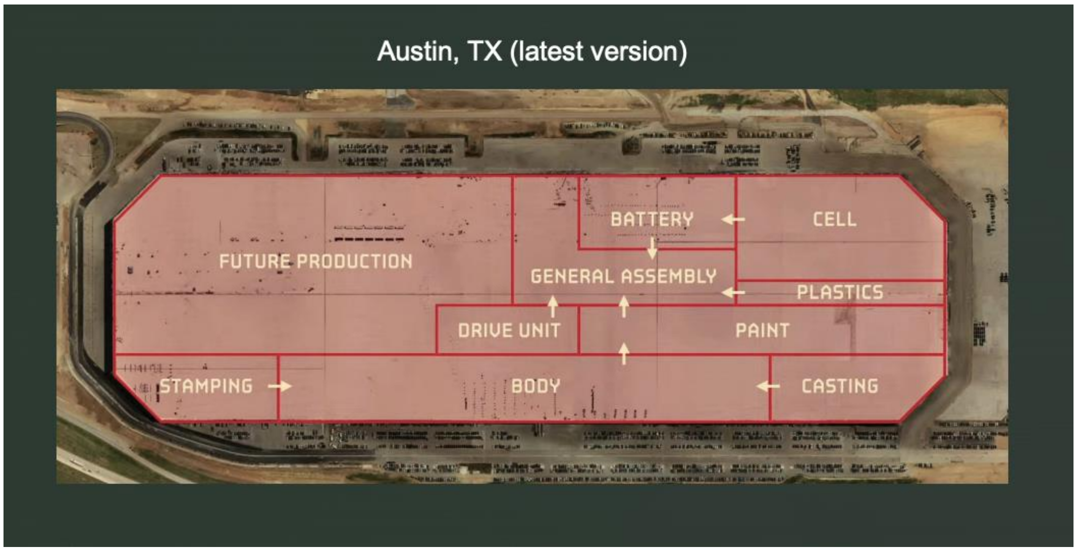


Figure 1: Source, Tesla

We agree. In our report, we noted the comparison of Tesla’s factories to semiconductor chips. The similarities are striking. Tesla’s initial factories were arguably more bloated, larger, and certainly slower—just like early semiconductor chips. Tesla’s newer factories in Shanghai, Berlin and Austin are increasingly more compact, faster, and utilize more volumetric space, enabling far more efficiencies to scale. The use of the third dimension of space generates faster output with a smaller footprint.

We believe the financial implications of increasing velocity in the manufacturing process will show up in the P&L, far beyond current sell-side estimates over the next several years.

Looking out towards 2024, we believe Tesla could deliver 5 million units (if existing factories ramp as we expect them to ramp). As of this writing in mid-2022, the average sell-side estimate is 2.4 million units produced by 2024. This discrepancy in expectations of volume growth is, in our view, creating a significant discount to Tesla’s share price today—but it will not last forever.

To use some basic math: By 2024, if Tesla produces 5 million vehicles at an ASP of $50,000, that is $250 billion in revenue. On those topline figures, we believe they’d achieve roughly $50 billion in net income (assuming ~20% net income margins) in 2024. This would translate to roughly $50 in earnings per share by year-end 2024, assuming no further dilution to the stock (which we do not expect). Based on these projected earnings, our anticipated stock price for year-end 2024 would be around $3,750. This implies roughly 400% upside from where it trades today—and a market capitalization of nearly $4 trillion.

Again, this is our conservative view, and does not factor in additional earnings growth from the company's energy operations division, FSD operations, or other future ambitions, such as the humanoid bot.

"The Spotify Machine"

In addition to Tesla, we continue to have high conviction in the ability of our other core holdings to outperform. Despite the stock's underperformance year-to-date, we include Spotify in that cohort.

At its June investor event, Spotify reiterated its long-term goal of reaching 1 billion users by 2030, driving $100 billion in revenue with 20% operating margins. We believe these goals are not only achievable but could prove to be conservative in the long run. The company is building what it is calling "The Spotify Machine," a sort of reinforcement feedback loop of growth, new users, new creators, and new high-margin monetization opportunities.

We believe Spotify's business model will work best at truly global scale, and we believe the company is still in the early days of growth. To be clear, we don't expect the company to generate excessive profits in the short-term as we believe the company *should* reinvest all available capital into growth and territory expansion. It's also worth noting that Spotify is free cash flow positive and has a strong balance sheet—this reduces the likelihood of further share dilution and lowers near-term risk as shareholders.

As investors, we tend to look at our portfolio as one might look at a group of bananas: Some are yellow and ripe and ready to eat now, and others are green and will take some time to ripen. Spotify is a green banana.

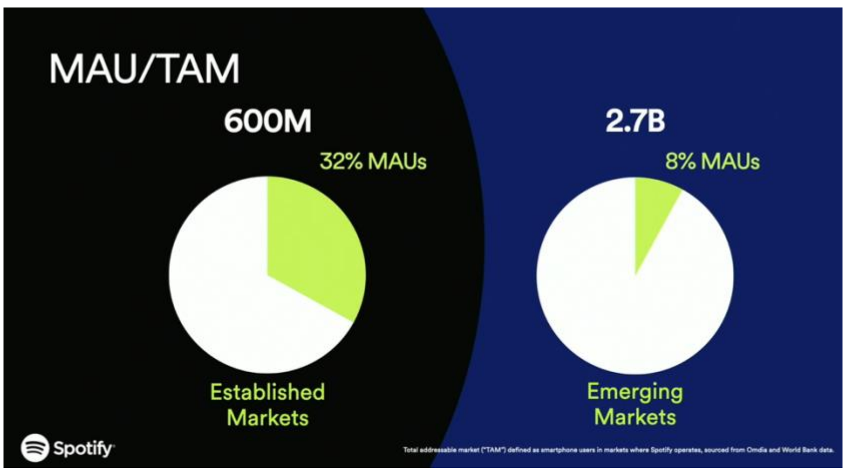
At scale, Spotify will command significant leverage to increase revenues through re-negotiation with labels, subscription price increases, and other high-margin monetization strategies that have yet to launch, but are in the product pipeline (e.g. audiobooks, paid podcasts, live audio, events, ticketing, etc.). We believe Spotify's market value today (~$20b) represents one of the more extreme mismatches between price and value in the market.

There are many ways to value a company, but in any risk-off market environment, valuations tend to compress for any company that does not generate near-term profits. However, in our experience, sentiment can shift rapidly on a company like Spotify. Our valuation methodology for Spotify focuses primarily on global user growth, market expansion, and platform monetization that we believe will enable a geyser of free cash flow. At 422 million active users growing roughly 20% a year, we are well on our way.

What's often missed about Spotify's monetization strategy is that it is not one-dimensional. For Spotify, getting more content onto the platform (especially non-music content) is helping to build a powerful reinforcement loop to attract new users—and new advertisers. As we note below, advertising will be a large driver of gross profit and net income over the long-term, and yet we believe most Wall Street analysis tends to underemphasize this growth driver. As Spotify's Chief Content Officer said at the Investor Day, "gone are the days of ads accounting for less than 10% of Spotify's total revenue."

For those interested, we recommend this link to a 20-minute Investor Day highlights. Below are a few of our observations from the event:

- **The TAM is objectively massive –** We believe MAU growth still has a huge amount of runway, and Spotify reiterated its 1B MAU target by 2030 (from ~420mm today). At scale, this enables enormous leverage to increase revenues through re-negotiation with labels, price hikes, and other high-margin monetization strategies that have yet to launch (audiobooks, paid podcasts, live events, ticketing, etc.)



- **Spotify continues to invest its capital into growth of the product, which we think will lead to very attractive margins at scale.**
  Right now, the podcast business is still a drag on consolidated gross margins, but that's because it's in the early stages of growth and there are significant costs to acquire content and build out podcast infrastructure. The strategy is working, which improves the LTV of users and adds incremental value back to the platform, which is why we're excited about the reinvestment of capital.
    - At the Investor Day, Spotify shared that 7% of listening hours on its platform are podcast hours (up from ~1% in 2018), and of those podcast hours only 14% are monetized today. At scale, podcasting could reach a 50% gross margin business – a margin profile that is not reflected in today's value.

Future Growth Drivers

Gross Margin Profiles by Vertical: Medium to Long-term

	2021	3-5 years	Long-term
Music	28%	30%	35%
Podcasting	-57%	30-35%	40-50%
Other	NM*	30-60%	40-80%

Spotify

*Not Meaningful

- **We believe Spotify's advertising platform growth is akin to Facebook's mobile ad program circa 2012 or even Google AdWords in its early days.** Spotify's advertising business used to be a non-essential part of our thesis. Now, it's clear that advertising growth is going to be a big driver of both revenue and margin over the next several years. We are in the very early innings of on-demand audio advertising, but we think it has the potential to be a massive, AWS-like driver for Spotify's core operations. Podcasts are key to driving bigger ad-spends- "*In the US, when we bundle music and podcast advertising, the average size of the spend on a campaign is 4 times that of a music-only campaign, so we're driving bigger spends from advertisers and growing our revenue significantly.*"-Dawn Ostroff

- **Spotify's music Marketplace is a real tech business – high initial capital outlay, but revenue can increase without additional investment, giving it a high long-term profit potential.** One of the major knocks on Spotify is that it pays out too much to music rightsholders, but we can see that its marketplace business is driving rapid gross profit growth. Management now expects Marketplace gross margin to increase 30%+ this year, and continue to grow at healthy double-digits. “In 2018 our Marketplace contribution to gross profit was only $20 million. In 2021 it grew to $160 million, 8x the size in just four years. We expect that number to increase another 30% or more in 2022. We see tremendous upside in Marketplace, and anticipate that its financial contribution will continue to grow at a healthy double-digit rate in the years ahead. Marketplace is the quintessential example of our approach to capital allocation. There was a significant up-front cost to build-and-launch these offerings, but we saw compelling data which gave us the confidence to double-down and invest aggressively against our goals.”- Paul Vogel, CFO

- **Revenue, margin targets, price targets.** In the next decade, Spotify’s goal is to generate $100b in revenue and achieve 40% gross margins at scale, with a 20% operating margin. We think this goal is not only achievable, but perhaps even conservative, should any of the company’s new high-margin initiatives (advertising platform, audiobooks, etc.) take off faster than anticipated. Even on a shorter-term basis, we think the stock is fundamentally mispriced – at a time when the future looks very bright for the core business, shares are down some 65% from highs – which we see as a temporary dislocation of price and value. Even on a conservative basis and with a recognition of the challenging macro environment, we think the stock should be on a path to 10x over the next several years, driven purely by improving fundamentals and earnings growth. By 2024/2025, we think it’s likely that Spotify will be achieving significant positive earnings— growing at more than 50%—far beyond consensus expectations.

Business as a game of survivor

In our experience, dramatic selloffs like the one we've experienced this year tend to create wonderful buying opportunities. Frankly, we're quite excited about the setup for the next few years. Asset values across the board have compressed to attractive levels; we're of the view that dominant businesses will spring back in value—others will not. And this can happen very quickly.

On the other side, as capital has now retreated from the market, unproven business models that depend on financing could be starved. It's like a big game of *Survivor:* If firms cannot effectively compete in this environment, they may simply cease to exist—voted off the island.

A deep research process is integral to our strategy, and especially in this environment. Not only does it help us identify dominant business models, but the process itself affords us the conviction to hold our businesses during the inevitable bouts of volatility we may face in the market. Like Arne said in our recent Q&A (which we have attached to the end of this letter for your reference): "I know it may not feel like it, but this is all normal. Give it a few months. These corrections don't last forever, especially for premier growth businesses that tend to rip right back once the dust settles… When sentiment shifts, I think you'll be surprised by how quickly we come back and reach new highs."

The best way to mitigate true investment risk, in our view at least, is to only own companies that have extraordinarily loyal, happy customers—and who have a proven ability to generate increasing free cash flow as the business scales.

Despite the overall bearish sentiment we're facing today—looming economic concerns, inflationary pressures, Covid-19 lockdowns, etc.—we're actually quite optimistic about the next several quarters. Stock quotes can and will diverge from reality for a period of time, but we believe our patience will be rewarded. As Arne also says in the latest Q&A, "it's just a bid." As always, we appreciate your trust. We hope you can relax, enjoy your summer, and we're always around if you'd like to chat.

Best,
Worm Capital

Arne Alsin – Founder, CIO + Portfolio Manager
Zak Lash, CFA – COO
Daniel Crowley, CFA – Director of Portfolio Management
Eric Markowitz – Director of Research
Philip Bland – Director of Investor Relations
Emily Bullock – Head of Compliance
Cam Tierney – Research Analyst

Worm Capital

Equity Growth Strategies

JUNE 2022

Firm Description

At Worm Capital, we are a hyper-competitive and intellectually curious team. We aim to be the best research analysts in the world and may spend months, if not years, developing conviction and a valuation framework before initiating a position. Time is our best arbitrage, and we play the long game: All investment opportunities are viewed on a 3-5+ year basis and our concentrated public equity portfolios reflect only our best ideas of dominant, #1 business models. We believe the current "winner take all" market environment is accelerating, and the next decade provides significant opportunity for concentrated stock picking.

Strategy Summary

Research-driven, growth-oriented, and concentrated long-term equity strategies targeting innovative, disruptive firms across multiple industries, including: Energy, Transportation, Commerce, Entertainment and Information Technology. The strategies seek long-term capital appreciation by investing in a concentrated portfolio of best ideas. There is no limitation or restriction on the industry or market capitalization of investments held or targeted.

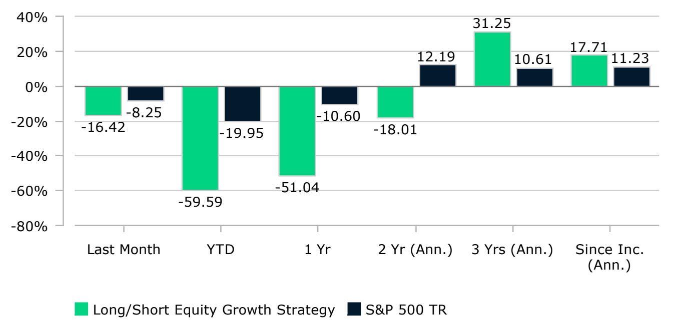
The long-only strategy typically invests in 5-10 publicly traded equity securities and does not employ leverage.

The long/short strategy typically invests in the same equity securities as the long-only strategy, however, also utilizes short equity and strategic option positions as well. Gross and net exposures are variable depending on market developments, specific long and short opportunities, and updated macro-outlooks, among other potential factors, however, will typically be net long.

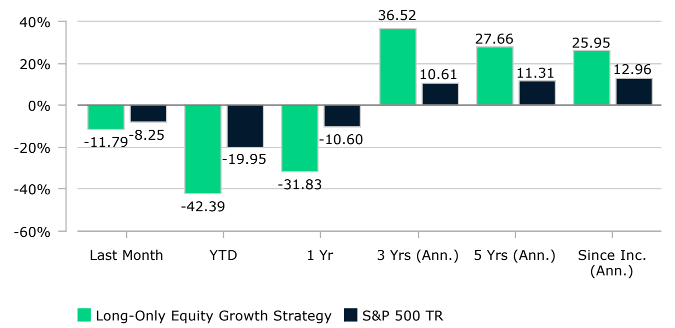
Investment Summary

Company	Worm Capital, LLC
Company AUM	145M USD
Long/Short AUM	122M USD
Long-Only AUM	21M USD
Minimum Investment	1M USD
Management Fees	Long/Short: 2%, Long-Only: 1.0%
Performance Fees	Long/Short: 20%, LongOnly: 10%
Liquidity	Quarterly
Lockup	1 Year
Highwater Mark	Yes
Administrator	NAV Consulting, Inc.
Auditor	EisnerAmper LLP
Legal Advisor	K&L Gates LLP
E-mail	info@wormcapital.com
Website	www.wormcapital.com

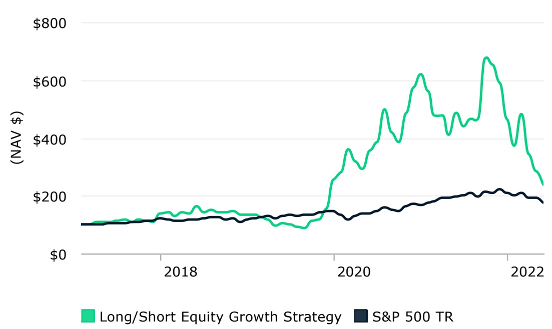
Long/Short Equity Growth Strategy



Long-Only Equity Growth Strategy

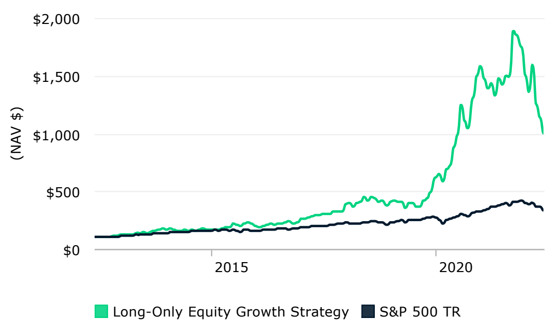


Long/Short Equity Growth Strategy



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2022	-21.51	-19.35	29.35	-29.02	-16.82	-16.42							**-59.59**
2021	8.06	-9.78	-14.79	-0.25	-13.40	18.19	-9.39	5.64	-0.41	45.56	-3.25	-9.73	**2.78**
2020	67.75	8.32	28.55	-11.42	-7.88	21.35	8.86	28.50	-16.05	-7.16	25.68	18.12	**274.34**
2019	-0.15	0.06	-6.43	-8.60	-15.81	8.06	-3.55	-9.05	-4.71	26.05	5.79	30.46	**13.04**
2018	27.59	2.97	-10.24	10.18	-1.26	15.87	-12.23	6.20	-6.15	1.77	2.42	-7.76	**25.03**
2017			1.82	5.32	3.04	0.04	1.70	2.95	-7.09	10.21	-5.72	-2.83	**8.57**

Long-Only Equity Growth Strategy



	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2022	-13.72	-9.23	16.64	-21.19	-9.29	-11.79							**-42.39**
2021	6.04	-6.76	-6.04	3.06	-7.15	10.81	-3.20	5.09	-0.13	25.70	-1.67	-5.77	**16.57**
2020	26.63	3.57	-9.01	17.27	4.83	21.68	12.65	26.26	-11.22	-5.28	25.06	14.05	**204.54**
2019	8.45	1.23	-1.40	-0.76	-13.23	11.37	-0.06	-6.43	-0.76	14.25	3.95	12.87	**29.15**
2018	21.15	2.19	-7.70	6.96	2.89	9.65	-5.13	7.26	-4.02	-6.30	2.19	-8.83	**17.57**
2017	11.03	0.32	4.03	6.25	3.94	-0.22	2.15	1.23	-1.05	6.78	-0.40	0.31	**39.39**
2016	-13.90	-3.49	7.19	3.04	8.14	-4.33	4.33	0.36	3.29	2.82	-5.50	3.36	**3.14**
2015	-1.91	4.49	-4.15	10.84	3.28	1.78	12.62	-4.05	-3.64	10.55	5.00	-2.53	**34.83**
2014	-7.72	5.79	-5.01	-4.47	-0.15	2.88	-1.59	2.60	-2.26	3.26	5.20	-4.80	**-7.12**
2013	5.03	-0.27	3.45	-0.01	8.69	-3.52	4.40	-2.91	9.64	2.53	6.47	8.73	**49.89**
2012							2.36	3.13	3.29	0.03	3.74	5.95	**19.88**

Disclaimer

WORM CAPITAL, LLC
LONG/SHORT EQUITY GROWTH
COMPOSITE DISCLOSURE PRESENTATION

Year End	Total Firm Assets (USD Millions)	Composite Assets (USD Millions)	Number of Accounts	Annual Net Performance Results Composite	S&P 500 Total Return	Composite Dispersion	Composite 3 Yr. Std. Dev.	Benchmark 3 Yr. Std. Dev.
2022**	145	122	1	-59.59%	-19.95%	N.A.1	72.36%	18.38%
2021	341	304	1	2.78%	28.72%	N.A.1	64.66%	17.17%
2020	346	315	1	274.34%	18.40%	N.A.1	59.80%	18.53%
2019	88	77	1	13.04%	31.50%	N.A.1	N.A.2	N.A.2
2018	102	93	1	25.03%	-4.38%	N.A.1	N.A.2	N.A.2
2017*	115	13	1	8.57%	15.00%	N.A.1	N.A.2	N.A.2

*Composite and benchmark performance are for the period March 1, 2017 through December 31, 2017
**Composite and benchmark performance are for the period January 1, 2022 through June 30, 2022
1. Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire period.
2. The three-year annualized standard deviation measures the variability of the composite net returns and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for the period due to less than 36 months of composite and benchmark data.

Long/Short Equity Growth Composite: includes a private fund managed by Worm Capital, LLC, which seeks a positive, above average absolute return over a diverse set of market environments by investing in a concentrated portfolio comprised of long and short equity investments and strategic options positions. There is no limitation or restriction on the industry and market capitalization of investments held or targeted.
Long positions are equity investments, or derivatives thereof, identified as potentially exhibiting superior and sustainable growth compared with the broader market. Short positions are equity investments, or derivatives thereof, identified as potentially exhibiting inferior or negative growth prospects compared to the broad market due to specific adverse events, deteriorating fundamentals, and/or momentum considerations, among other potential factors. The goal of short equity positions and long put option positions is to minimize equity market volatility, provide efficient portfolio management along with downside protection, and potentially contribute to additional return generation. The strategy does not have a long or short bias mandate. Gross and net exposures are variable depending on market developments, specific long and short opportunities, and updated macro outlooks, among other potential factors. Put and call options may be more volatile than the underlying security it is tied to and can expire worthless. Leverage is utilized through the shorting of securities, and short sale cash proceeds may be used to purchase additional assets. Portfolios within this composite are highly concentrated and will have more stock specific risk and potentially lower correlation with the benchmark than a fully diversified strategy. This strategy may also be more volatile than the benchmark or a fully diversified strategy. The benchmark is the S&P 500 Total Return Index. This index is a market-value weighted index that measures the total return, including price and dividends, of 500 leading companies in leading industries in the U.S. economy. It is not possible to invest directly in this index. The Long/Short Equity Growth Composite inception and creation date is March 1, 2017.

Worm Capital, LLC ("Worm Capital") claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Worm Capital has been independently verified for the periods October 1, 2016 through December 31, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Long/Short Equity Growth Composite has had a performance examination for the periods March 1, 2017 through December 31, 2021. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

Worm Capital is a SEC registered independent investment adviser registered in accordance with the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill of training. More information about Worm Capital, including investment strategies and objectives can be found in the firm ADV which is available upon request. A list of composite and pooled fund descriptions are also available upon request.

Results are based on fully discretionary fund managed by Worm Capital. The performance is reflective of what an investor would have received if they invested at the inception of the fund. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. Composite returns represent investors domiciled in the United States. Past performance is not indicative of future results. This is not a recommendation to buy or sell any particular security and you should not assume that any security, sector, or holding discussed are or will be profitable, or that recommendations Worm Capital makes in the future will be profitable or equal the performance herein. Worm Capital reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs.

The U.S. Dollar is the currency used to express performance. Returns are presented net of all management fees, incentive fees, applicable fund expenses and include the reinvestment of all income. Net of fee performance is calculated by accruing expenses and a model of the composite management fee schedule monthly. The annual composite dispersion presented is the standard deviation calculated for the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The fee schedule for the composite includes a 2.0% management fee in addition to an annual 20% incentive fee subject to a high- water mark. These, in addition to recurring fund expenses like audit and administration fees, are accrued monthly. The management fee schedule for the private fund which is included in the composite, is 2% on all assets and the expense ratio as of 31 December 2021 was 2.56%.

WRC-20-08

WORM CAPITAL, LLC
EQUITY GROWTH COMPOSITE
DISCLOSURE PRESENTATION

Period	Total Firm Assets (USD Millions)**	Composite Assets (USD Millions)	Number of Accounts	Annual Net Performance Results Composite	S&P 500 Total Return	Composite Dispersion	Composite 3 Yr. Std. Dev.	Benchmark 3 Yr. Std. Dev.
2022***	145	21	1	-42.39%	-19.95%	N.A. [1]	43.56%	18.38%
2021	341	38	1	16.57%	28.72%	N.A. [1]	38.29%	17.17%
2020	346	32	1	204.54%	18.40%	N.A. [1]	37.62%	18.53%
2019	88	11	1	29.15%	31.50%	N.A. [1]	24.04%	11.93%
2018	102	9	1	17.57%	-4.38%	N.A. [1]	22.03%	10.80%
2017	115	58	53	39.39%	21.83%	1.62%	18.59%	10.07%
2016	84	72	55	3.14%	11.96%	N.A. [1]	19.40%	10.74%
2015	93	76	69	34.83%	1.38%	5.56%	17.95%	10.62%
2014	71	59	61	-7.12%	13.69%	2.17%	N.A. [2]	N.A. [2]
2013	73	59	51	49.89%	32.39%	5.34%	N.A. [2]	N.A. [2]
2012*	36	25	31	19.88%	5.95%	N.A. [1]	N.A. [2]	N.A. [2]

*Composite and benchmark performance are for the period July 1, 2012 through December 31, 2012.

** Total firm assets presented prior to 10/1/2016 are those of Alsin Capital Management, Inc.

***Composite and Benchmark data are for the period January 1, 2022 through June 30, 2022

1 – Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire period.

2 - The three-year annualized standard deviation measures the variability of the composite net returns and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for 2012 through 2014 due to less than 36 months of composite and benchmark data.

Equity Growth Composite: is comprised of a private fund managed by Worm Capital that seek long-term capital appreciation by investing most of its assets in a concentrated portfolio comprised of approximately 6-10 equity securities identified as potentially exhibiting superior and sustainable growth compared with the broad market. There is no limitation or restriction on the industry and market capitalization of investments held or targeted. This strategy is highly concentrated and will have more stock specific risk and potentially lower correlation with the benchmark than a fully diversified strategy. This strategy may also be more volatile than the benchmark or a fully diversified strategy. Leverage is not used. The benchmark for this strategy is the S&P 500 Total Return Index. This index is a market-value weighted index that measures the total return, including price and dividends, of 500 leading companies in leading industries in the U.S. economy. It is not possible to invest directly in this index. The Equity Growth Composite inception date is July 1, 2012 and creation date is October 1, 2016. Prior to 8/1/2018 this composite contained separately managed accounts.

Worm Capital, LLC ("Worm Capital") claims compliance with the Global Investment Performance Standards (GIPS) and has prepared and presented this report in compliance with the GIPS standards. Worm Capital has been independently verified for the periods October 1, 2016 through December 31, 2021. A firm that claims compliance with the GIPS standards must establish policies and procedure for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Equity Growth Composite has had a performance examination for the periods October 1, 2016 through December 31, 2021. The verification and performance examination reports are available upon request. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

The information presented prior to 10/1/2016 occurred while the Portfolio Management Team was affiliated with a prior firm, Alsin Capital Management, Inc. ("Alsin Capital"). Alsin Capital was independently verified for the periods July 1, 2012 through September 30, 2016. While the composite was at the prior firm it received a performance examination. The prior firm track record has been reviewed by an independent accounting firm and conforms to the portability requirements of the GIPS standards.

Worm Capital is a SEC registered independent investment adviser registered in accordance with the Investment Advisers Act of 1940, as amended. Registration does not imply a certain level of skill of training. More information about Worm Capital, including investment strategies and objectives can be found in the firm ADV which is available upon request. A list of composite and pooled fund descriptions is also available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. Composite returns represent investors domiciled primarily in the United States. Past performance is not indicative of future results. This is not a recommendation to buy or sell any particular security and you should not assume that any security, sector, or holding discussed are or will be profitable, or that recommendations Worm Capital makes in the future will be profitable or equal the performance herein. Worm Capital reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs.

The U.S. Dollar is the currency used to express performance. Returns are presented net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees from 7/1/2012 through 9/30/2016 and a hypothetical 10% annual performance fee subject to a high-water mark. Starting 10/1/2016 and through 7/31/2018, net of fee returns were calculated using a model 1.5% management fee that is accrued monthly and a hypothetical 10% annual performance fee subject to a high-water mark. Effective 8/1/2018, net returns are from The Worm Capital Fund, LP – Series B on a model 1.5%management fee and 10% incentive fee schedule subject to a high water mark. These are net of accrued fund expenses as well as the management and incentive fees. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the net return of accounts in the composite the entire year prior to 1/1/17 and an equal-weighted standard deviation from 1/1/17 onward. Policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request.

The investment management fee schedule for the composite is 1.5% and a 10% annual performance fee subject to a high-water mark provision. The management fee schedule for the private fund, which is included in the composite, is 1.5% on all assets and the expense ratio as of 31 December 2021 was 1.6%.

WRC-20-09

May 2022 – Interview with Arne Alsin

Prices are down quite a bit. How are you feeling about the current environment?

AA: It's frustrating, but nothing out of the ordinary when you zoom out and look at the big picture. This is a typical market cycle. Markets go a little haywire every decade or so, which is why I think it's so important to always go back to basics… We own *businesses*. All the attention is on the market prices, but I'm focused on the actual businesses and their fundamentals. Are we dominating? Are our customers happy? Is the business expanding? Is the valuation compelling when I take a multi-year view?

If the answer is yes, and the value of our business is increasing, I don't worry too much about the stock price in the short-term. And that's pretty much how I'm feeling right now – our businesses are thriving, and prices should inevitably bounce back. Our assets drive performance—the fundamentals and trajectory have not changed. This is the best way to compound wealth over the long-term. Markets overreact in the short-term, but over a period of years, prices catch up and reflect value. Remember – back to basics.

I know this is frustrating to see falling prices on our businesses. But you should remember that it's just a bid. Some days we get good bids, some days we get bad bids. That's fine. The most important thing is that we own #1 businesses—that's the key.

I should also point out that these types of corrections are generally healthy -- they tend to wash out all the excesses that build up in the market over time. And there was a lot of excess built up in 2020 — crazy SPAC valuations, fake electric vehicles companies, meme stocks. There was some crazy stuff.

Anyone on margin, leverage – they've got to go. I've lived through a bunch of corrections and crashes – in 1987, the Nasdaq Bubble, 08-09, etc. I've also studied the S&P 500 history back to its inception—these boom-and-bust cycles are natural. They come every 10, 15 years. The winners recover quickly, and the losers never make it back.

So - hang in there. I know it may not feel like it, but this is all normal. Give it a few months. These corrections don't last forever, especially for premier growth businesses that tend to rip right back once the dust settles. And that's my expectation, by the way. I don't see this drawdown lasting for a particularly long time, at least not for our businesses… When sentiment shifts, I think you'll be surprised by how quickly we come back and reach new highs.

So sleep easy. The most important thing to remember is that we own <u>real</u> businesses whose value has only increased over the last year. At some point, and maybe soon, we'll get a better bid. Until then, hang tight and try not to pay too much attention to market prices – it's just noise. We're not getting a good bid today – that's fine, we weren't planning to sell anyway. I'm not concerned whatsoever, and you shouldn't be either.

May 2022 – Interview with Arne Alsin

Truth be told, I'm more bullish now than *ever* about the businesses that we own. I think we're in for a fantastic next couple of years. With Tesla especially. Once sentiment shifts, I expect a speedy recovery in prices—back to new highs and beyond…

What are your thoughts on Elon Musk right now—and Tesla?

AA: Elon's an incredible businessman. He's probably the best entrepreneur I've ever studied. But he's also human and he's a complex guy. I don't really have an opinion on him—all I care about is Tesla's business, which is entirely separate from the headline drama. My calculation for fair value for Tesla's stock today is in the high teens – maybe around $2,000 by early next year.

I believe Tesla is just in a class of its own. No other company is growing almost 80% per year at this scale, with increasing margins and operating leverage. I've never seen anything like it. Wall Street still doesn't get it, and that's fine. They will. Give it a few more quarters, and the earnings growth will boggle their minds.

Within the next year or two, I think there's going to be a scramble to get our shares. And that's when things are going to get exciting. I happen to think Tesla will soon be Wall Street's favorite stock – it's got everything they love in a darling: huge growth into a global market, expanding gross and net margins, endless demand—and it's a big cap stock, which makes it highly liquid for institutions to own. As a reference, look at Amazon. It was hated by Wall Street in the early to mid-2010's when we built our position, and ultimately rated a "buy" by pretty much every sell side analyst over the past few years.

On FSD – it's not priced into the stock, but the advances are incredible. When Tesla achieves full self-driving–whether it's this year or in 2023 or in 2024—it could be the biggest valuation repricing event of the century.

And we will be there to enjoy that windfall.

Are we heading into a recession? If so, are you going to change anything about the portfolio?

AA: I think we're midway through a recession already. GDP was negative in Q1. It will likely be negative through Q3. Markets tend to bottom midway through a recession, so that's a positive.

I'm not changing anything in the portfolio in this environment. Stocks are still the place to be. Bond yields are still low. Even if there's cash on the sidelines now, I think it eventually has to come back into the market.

If prices are cheap, are you looking to buy any new businesses?

AA: In the main funds, we have a watchlist of about a dozen businesses. We're not buying anything imminently, but that could change quickly. For now, we're focused on the core holdings.

If you're looking to invest additional cash, now's probably a good time while prices are cheap. Could things get cheaper? Of course. But I like the setup for the next few years.

As you know, we also launched the new fund, which I'm enjoying managing. There's a range of businesses in that portfolio that we like—all dominant, #1 type of businesses in a range of industries. Those businesses also happen to be a wider mix of more traditional value and growth businesses.

Are you concerned about high inflation and interest rates and the broader macro context?

AA: Nope. If I've learned anything from 30+ years of doing this, it's that there's always a reason to be afraid in markets. There's always a boogeyman. "But this time is different." Nope – it's not. The key to investing is simple – stay focused on the winning businesses. That's all that matters in the long-run.

On rates – don't get me started on the Fed. Between us, I think they're a bunch of yo-yo's. They're reactive and always behind the curve. What they're doing makes some sense, though. They raise rates to crush inflation, which slams stocks in the short-term.

Over the long-term though, it's noise. They key is fundamental *business* growth—we don't need low interest rates to thrive. Remember that next time you turn on CNBC…

Do you still believe it's best to be concentrated in this environment?

AA: Absolutely. If you have a multi-year time frame and you want to beat the market, this is the only way to invest. In fact, I think being concentrated in a select group of winning businesses in this environment actually lowers our risk. I know that's not how Wall Street thinks—that's okay. I embrace the day-to-day quote risk, but I absolutely will not tolerate business risk. I don't invest in story stocks.

I tell my team constantly—we need "wheels on the ground." The best way to lower risk is to own the best businesses. Owning a small grouping of these businesses that are beloved by customers is the best way to mitigate risk over the long run.

What are you doing during this volatility?

AA: I'm in the research bunker with the team, which is where I love to be. I like to use frustrating periods of times like this to go deep on the research and tune out most of the noise.

Plus, I caught a ballgame recently – Mariners, right behind the plate, with my son. It was great.

If you have any questions, shoot us a note and we can set up a call.

As a final note - I couldn't be more excited about the next few years. We own dominant global businesses whose value is compounding every month, every quarter, and every year. I believe prices will catch up.

Imagine the pilot's voice: "Just a bit of turbulence, but nothing out of the ordinary. We'll be at the destination soon."

That's how I'm feeling—the bumpiness is just part of the ride.

May 2022 – Interview with Arne Alsin