Investment thesis with capital allocation rule

EPD, Exorbitant Privilege and Duty

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My key theme when constructing a portfolio is "**biggest bang for a buck**" with diversified investment duration, in a technical term, efficient allocation perspective.[1] In other words, allocate capital to firms that need the most. As price of a stock is determined by supply and demand of the stock, it is inherently up to speculation. I do my best to impose large margin of safety and diversifying the investment duration for each class of stocks (value, growth, cyclical, hedge,...).

For example, while I have little doubt that Amazon, Google, Microsoft, and Nvidia are great companies, those companies have enough capital from other investors, that they would not need my money. I try to stay away from those companies or at least not buy when the consensus towards the stock is promising. I look for candidate companies that have potential to generate profits, but are struggling in the short-term.

While my portfolio has about 10-12 holdings per country, it is reasonably diversified with a large margin of safety criteria. The strength lies in macro-robustness, rather than forecasting an individual asset price movement. For instance, during a market crash, US dollar almost always appreciates for a few days, upto a few weeks, and likely revert back down. Hence, having small portion of US dollar exposure is a good hedge with negligible risk, working as a inexpensive insurance.

Likewise, it is almost always the case that growth stocks tend to outperform when yield curve flattens (in times of low policy rates). Forecasting policy rates is futile and notoriously difficult, but having portions growth stocks will work as low risk high return hedge for these term structure changes.

[1] Like a social planner

Funds structure

I have roughly 50% of total investment in Korean equities, mostly value stocks. The other 50% are in public equities traded in the U.S., except a few (e.g. WISE, LSE). The U.S. portfolio is divided into three funds: **Flagship** (60%), **Opportunistic** (20%), **Hyper growth** (Long-duration, 20%).

A. Flagship fund

The **Flagship Fund** combines Value, Growth, and Venture exposures, supplemented by selective Macro and Hedge positions to capture distinct risk premia across market cycles. I monitor cross-asset correlations and occasionally add hedges through leveraged ETFs or options, but keep total exposure below 10%. Typical weighting is 5:2:2:1 across value, growth, venture, and macro.

B. Opportunistic fund

The **Opportunistic Fund** maintains over 50% cash, deploying capital only when margin-of-safety thresholds are met either on the short-selling side by buying put options or buying call options. It targets high-conviction, high-volatility opportunities such as long-duration options or macro binary trades (e.g., TLT calls; USO, HOOD, ORCL, NVDA puts).

C. Growth fund

The **Growth** holds the longest-duration, highest-variance positions, focusing on firms with multi-year growth horizons such as Coupang, Airbnb, and Wise.

Strategy

My strategy follows a disciplined, research-driven long/short equity framework with 80-90% long (Mainly equities) with 5-10% short. Short exposure is never a naked short; it is implemented through put options or leveraged ETFs and kept below 10% within the flagship fund. The portfolio is divided into Value, Growth, and Venture categories to capture distinct risk premia across market cycles, supplemented by selective Macro and Hedge positions for risk management.

Positions are selected using measurable fundamentals-low price-to-book ratios, mean-reverting growth metrics, and revenue momentum-and are rebalanced quarterly within categories. I allocate roughly $5:2:2:1$ across value, growth, venture, and macro exposures, with total hedge exposure under 10%. The objective is to compound capital through patient, fundamentals-based investing while maintaining asymmetric protection against tail risk and preserving flexibility to respond to shifts in market conditions.

A. Scalability

There may be a threshold beyond which my strategy could face liquidity constraints, particularly in the options market, but I don't believe this would materially affect its core principles. My current portfolio runs around $\$40,000 - \$50,000$, and the strategy should scale efficiently across larger capital bases as long as liquidity allows. I expect to manage progressively greater assets as I refine execution and risk controls.

B. Edge, Comparative advantage of the portfolio allocation

My edge is portfolio construction, reflecting how each holding will interact with each other. Thinking in terms of cross-country valuation (in different currency denomination) and macro dynamics has helped me greatly to avoid the "*home bias*" that constrains many U.S. investors. Hence, I feel equally confident in investing in Korean public equity market. Such combination likely allows me to achieve reasonably high returns, 15%–35%, with taking little to no leverage.