

Bokeh

Capital Partners LLC

What the Heck is Happening in the Markets?!?!?!?

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What the Heck is Happening in the Markets?!?!?!?

And what are investors to do?!?!?!?

Dictionary Definitions

Market – A market is a place or venue that facilitates the exchange of goods and services. Markets can be physical or virtual.

Money – A current medium of exchange in the form of coins and banknotes; the assets, property, and resources owned by someone or something; wealth

What the Heck is Happening in the Markets?!?!?!?

And what are investors to do?!?!?!?

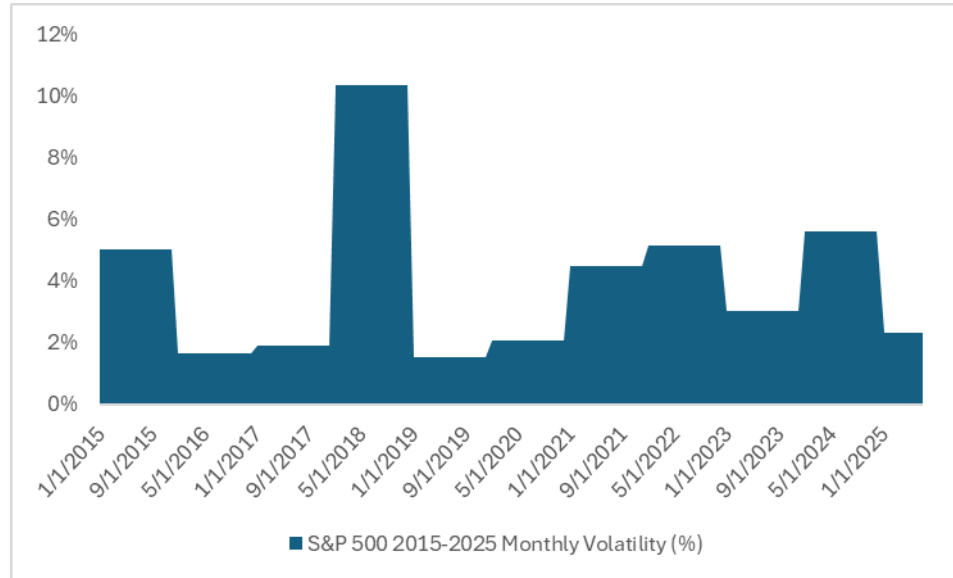
Bokeh Definitions

Market – Made up of people putting money to work. Importantly, not all markets have the same temperament, because the market participants are very different. Market composition changes over time, as people enter and exit the market.

Money – A store of a person's time and talent.

Recent Market Moves

Market Volatility 2015–Today



So, what are investors to do?

First Principles are a framework to use

First principles thinking is a problem-solving technique that involves breaking down complex problems into their most basic, fundamental elements (axioms) and then reassembling them from the ground up for a new solution.

Key Steps in First Principles Thinking

1. Identify and define the problem clearly
2. Break down the problem into fundamental truths
3. Analyze and challenge assumptions
4. Reconstruct the problem from the ground up using the fundamental truths

First Principles vs. Analogy Thinking

Analogy Thinking: Solves problems based on past experiences or existing models

First Principles Thinking: Solves problems by identifying core truths and building new solutions

First Principles Example – Inflation

Headline: Persistent inflation is eroding purchasing power and distorting economic signals.

Key Stats: CPI growth, core inflation, wage-price trends

First Principles Example – Inflation

Deconstructing Inflation

What Is inflation? A sustained increase in the general price level

What Causes it?

Too much money (monetary expansion)

Too few goods (supply constraints)

Consumer Expectations (behavioral feedback loops)

First Principles Example – Inflation

Fundamental Truths:

Prices are signals of scarcity and demand

Money is a medium of exchange, not the value itself

Inflation is not just a monetary issue, it's also about real constraints and psychology

First Principles Example – Inflation

Solution Framework:

Monetary discipline: Align money supply with real output

Supply-Side resilience: Invest in logistics, energy, labor productivity

Anchoring expectations: Transparent policy, credible institutions

First Principles Example – Inflation

Conclusion:

First principles thinking reveals that inflation is a multi-dimensional issue, not just a central bank problem

Call to action: Reframe policy debates around fundamentals, not just historical analogies

Weightings matter

First Principles in Practice

Kim's examples of First Principles thinking

Where have recessions gone?

Tech Stock Madness – 1999-2002

Changing my mind to own Apple

How to Change Your Mind

Changing a thought path is difficult

1. Recognize and acknowledge something isn't working
2. Find solution (First Principles) and change your mind. Embrace a new way of doing something
3. Take steps in the new way

Failure? Do these steps again, refine the solution

Bokeh Core Investment Beliefs



Our Goal – To achieve superior returns by finding companies whose potential is currently underestimated by many investors



We invest in companies, we don't "trade stocks"



Investing in a good company at the wrong price is not a good investment



Companies using productivity enhancing technologies separate them from their competition



Companies creating high-value technology solutions & products will win and retain customers



Balance sheets don't tell the whole story but must support the business



New technology deployments generally take longer than investors expect



Just because a technology is "mature" doesn't mean that it doesn't continue to create value



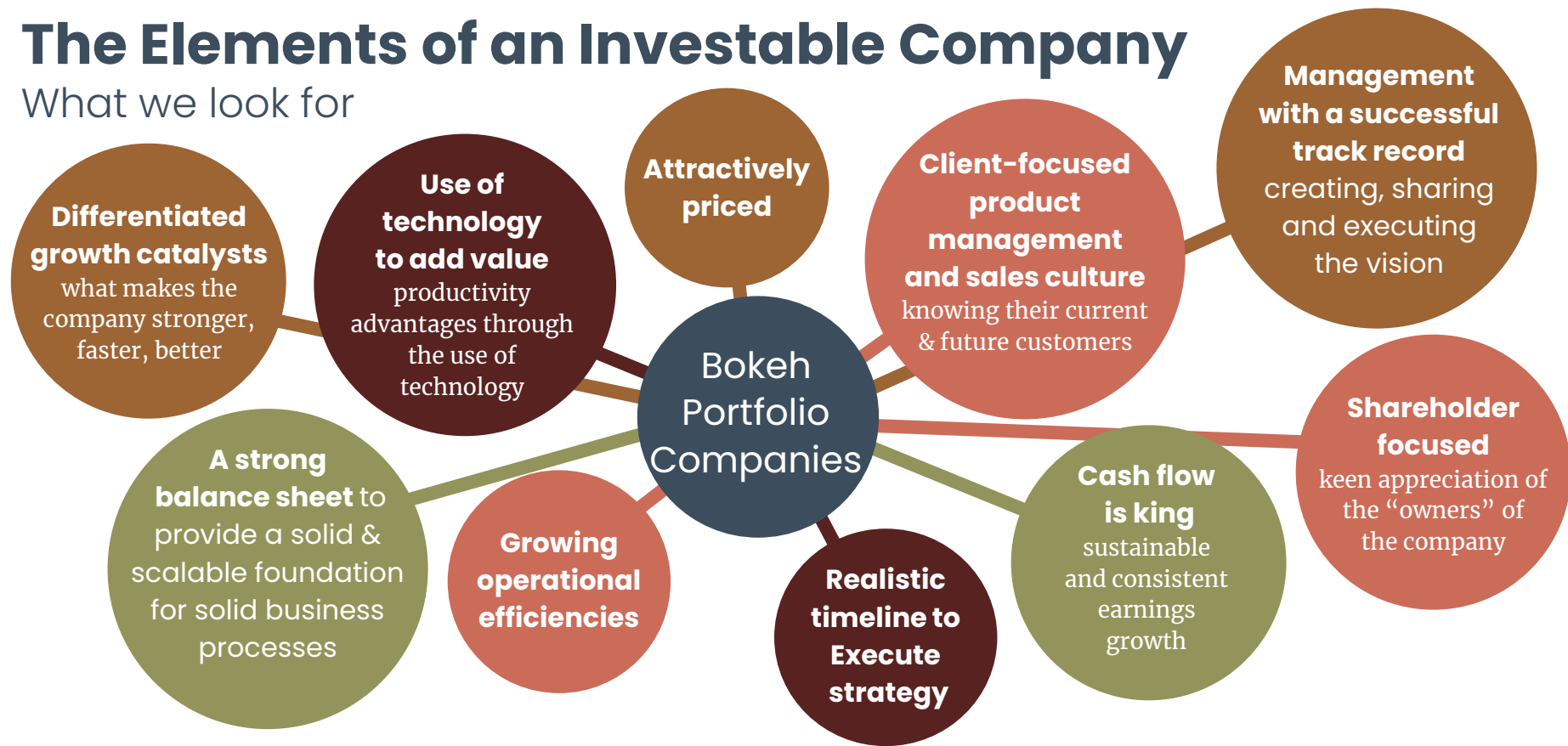
"Diamonds in the Rough" are polished over time – we watchfully monitor the growth process



Good companies respect employees, clients and community

The Elements of an Investable Company

What we look for



Portfolio Management / Risk Management

How we manage



Long Only, low turnover
typically held 3-5 years



High Liquidity
Market cap greater than \$1B



Strategic cash deployment
Opportunistic buying and selling



Initial positions
2-3% of AUM
(31-33 total positions)



Positions are evaluated to sell when approaching 8% of portfolio (pending tax efficiency)



Price targets generated with proprietary statistical methods



US listed stocks only
Readily valued using standard US accounting practices



Tax efficient strategies, utilizing tax loss selling to offset capital gains



Sector Neutral Strategy reflects benchmark (S&P500) sector weighting

GARP (Growth At a Reasonable Price)

Growth + Reasonable Price = Return



Growth Factors



Management

- Transparent
- Governance
- Stakeholder Focus



Technology

- Product Development
- Productivity Enhancement
- Marketing



Balance Sheet

- Sufficient Working Capital
- Unimpaired
- Debt Management



Price Drivers



Strong Financial Ratios

- ROA - ROE - P/E
- Current Ratio
- Debt to Equity



Currency value

- Stock Price vs. Competitors



Cash flow

- Revenue/Earnings Growth
- Debt Management
- Access to Capital Markets
- Expense Control



Market Share



Value Creation



Return to Shareholders

- Stock Price
- Dividends
- Buybacks



Acquisitions

- Vertical
 - Products & Services
 - Customers & Markets
- Horizontal



Market Cap Growth

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Bokeh - A photography term describing the blurred background in a picture. It serves to focus attention on the subject matter of the photo. Our investing style sees the whole investing picture but focuses on growth – the driving force of the market.



Bokeh Capital Partners is committed to community. A portion of our net revenue is distributed to local nonprofits.



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