2021 ANNUAL LETTER

Long-Term Investors Providing Permanent Capital

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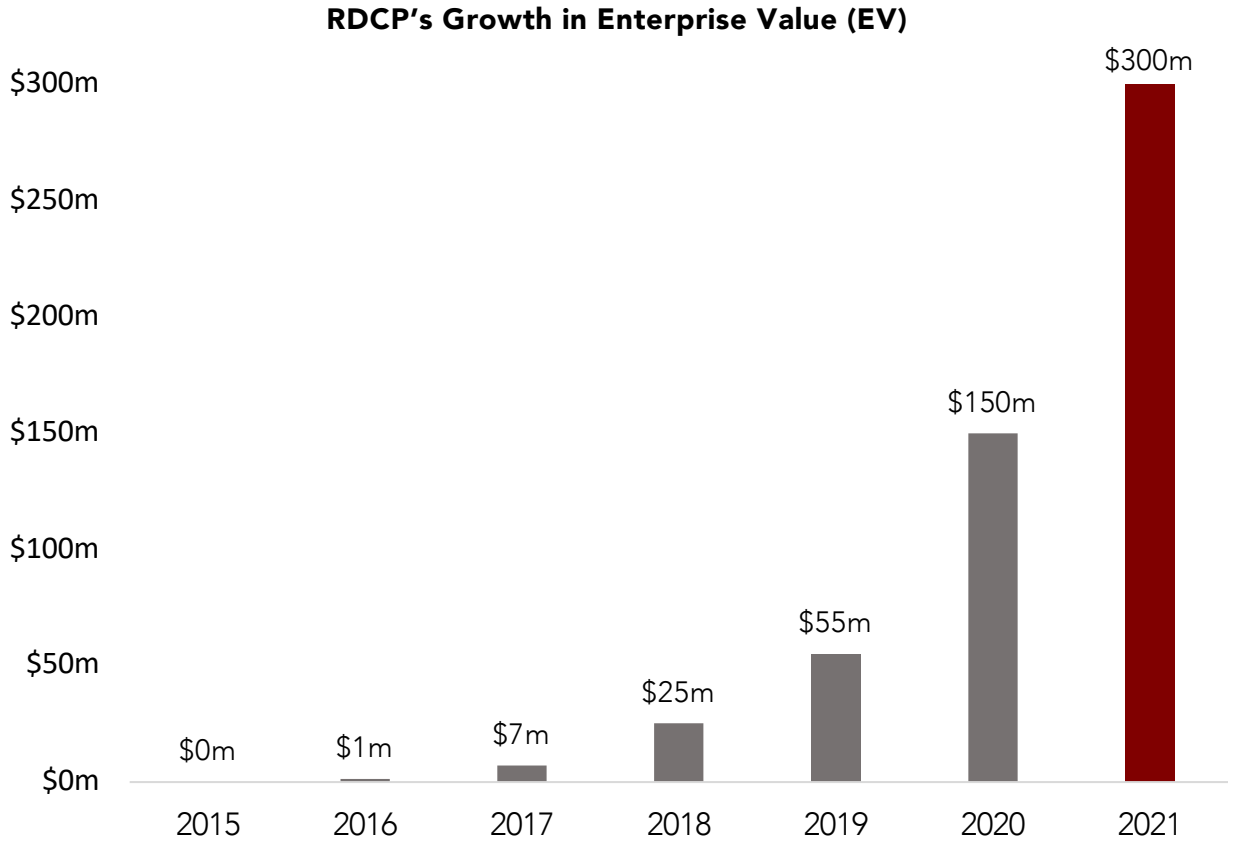
RDCPGROUP.COM



In my 2019 annual letter, I presented RDCP's annual return against the S&P 500 and FTSE 100. In my 2020 annual letter, I started presenting the annual growth rate of RDCP's enterprise value (i.e. assets under management). I now believe it is factual, useful and even interesting to present both. 2021 was another record year for RDCP. Every single one of our portfolio companies grew their revenues and their profits, but of course, majority of the 167% increase in our AUM came from the four companies we acquired and added to the portfolio.

RDCP's Performance vs. the S&P 500 and FTSE 100

	S&P 500	FTSE 100	RDCP Group
Annual Return 2015 - 2021	13.6%	0.5%	114.6%
Total Return 2015 - 2021	126.1%	3.4%	14208.5%

The figures above represent cumulative annualised returns for the six-year period starting from 2015 and ending in 2021. RDCP's annual return is calculated using the internal rate of return (IRR) method. Please note that these returns represent unrealised IRR, as RDCP has not exited any of its investments.

To the Stakeholders of RDCP Group:

This "pandemic period" seems to just carry on. Two out of six years of RDCP have now been in a global pandemic. My son, Victor, was born in February 2020 and thus has only known a world with masks and restrictions. As of writing this letter, I unfortunately do not see this coming to an end in 2022. Nevertheless, our job as rational investors and sound decision-makers is to be aware of the risks and threats the pandemic presents, but to exclusively focus on what we *can* control, and most importantly, to continue to find undervalued investment opportunities that are just so prevalent in this tumultuous period.

In 2021, we did precisely this and acquired Intelling Group, Ancient House Printing Group, SOS Wholesale and Woodford Engineering, thereby growing our AUM from $150m to $300m.

Portfolio Overview

In the past six years, RDCP Group has made 18 investments that have been consolidated into 7 companies, employing a total of 1,850 of staff members. These portfolio companies are presented in order of valuation size, largest to smallest.

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1. Intelling: Tech-enabled specialist communications business / intelling.co.uk

Sector: Technology / BPO
Leadership: Phil Morgan

Revenue: £40m
Headcount: 1,025

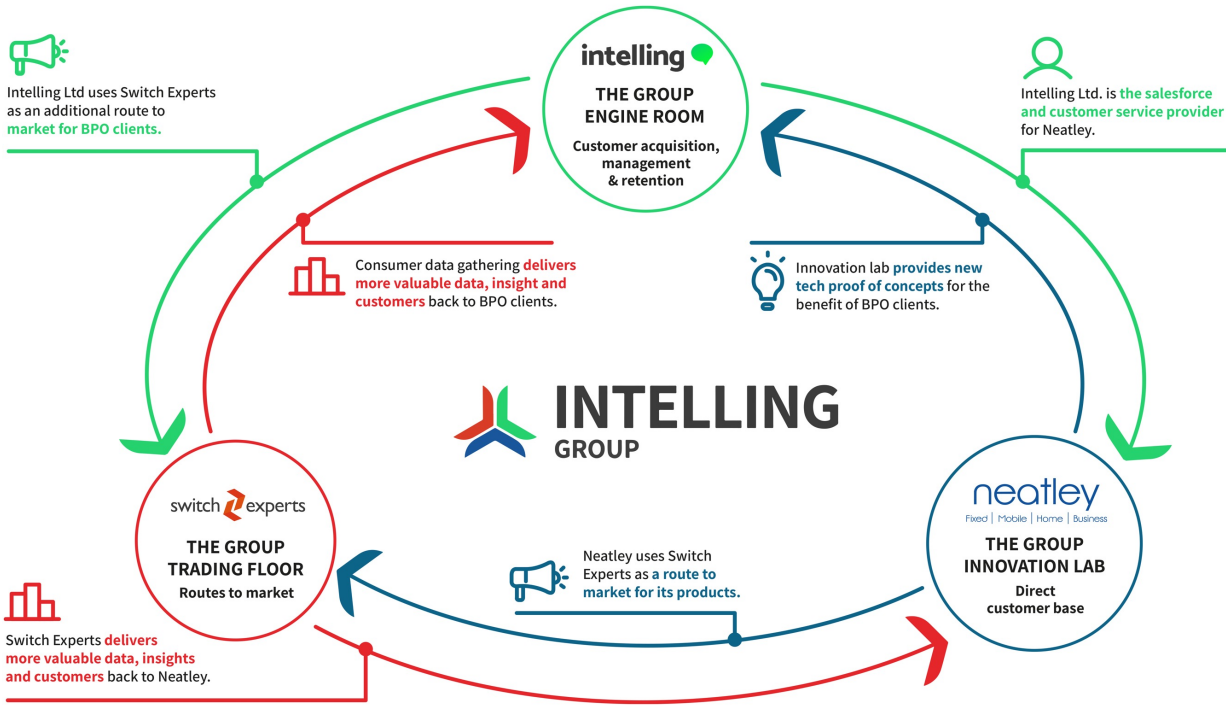
Intelling is a tech-enabled customer management business, delivering business process outsourcing (BPO) and communications services to a range of blue-chip clients, including O2, Virgin Media, Octopus Energy, TalkTalk, Serco, Cision and Experian.

Intelling is one of our most exciting portfolio companies – our first venture into a "new-economy" sector. We acquired a 67.4% stake in the business in October of this year. One of the reasons we are excited about Intelling's prospects is because the business has been growing its revenue at an average rate of 50% a year for the past four years, all whilst maintaining EBITDA margins of 14%. This growth has been purely organic, a combination of increased work with existing clients as well as onboarding new clients. Hence, without a doubt, out of all our investments, Intelling is the most scalable business.

Today, Intelling Group comprises three integrated businesses that proficiently focus on securing, supporting and sustaining customers. The business model exploits the opportunity to acquire data at a low cost and subsequently add value to it via cleansing and enhancing techniques.

As data is enhanced (improved accuracy and precise segmentation) and supplemented with new customer information,it increases in value. The data is then used as part of the company's core BPO contact services, utilised in-house through different service offerings (e.g. Switch Experts), or re-sold to third parties.

At its core, the BPO arm is the largest element of the business and acts as the key platform that underpins the entire Group's operations. The result is a truly compelling value proposition, whereby the individual divisions create value for each other, whilst maximising profitability for Intelling's clients and the combined business as a whole – the mechanics of which are below:



Leadership: Phil Morgan is the Founder and CEO of Intelling Group. He founded the business in 2012, taking on the highly competitive BPO sector. In the past nine years, Phil and his senior management team have grown Intelling from zero to a £40m turnover business, creating two further subsidiary businesses: Neatley and Switch Experts, and executing a £3m venture capital investment from NVM Private Equity. Phil is also a vested partner, owning 20.4% of the shareholding in Intelling.

Vision: Intelling is already a high-growth tech-enabled business. Our vision for the business is simple, which is to help and support the management team in executing their business plan of making Intelling a £65m turnover and £11m EBITDA business by 2024.

2. RDCP Infrastructure: Construction engineering specialist firm / rdcpinfra.com

Sector: Infrastructure
Leadership: Gareth Dillon

Revenue: £40m
Headcount: 200

RDCP Infrastructure is a construction engineering specialist business with five divisions. The business offers fully integrated delivery of complex construction projects featuring innovative engineering solutions across key building and infrastructure sectors. RDCP Infrastructure was born in March 2020 when we acquired Killingley. Subsequently, we embarked on a buy-and-build strategy acquiring Macair in September 2020, Su-Fix Precast and Buxton Water in December 2020, and most recently, Woodford Engineering in September 2021.

2021 was all about consolidation and getting the right business functions in place. This way, RDCP Infrastructure is set up to (i) allow for new acquisitions to be onboarded swiftly, (ii) enable cross-selling between the various subsidiary divisions, and (iii) become a scalable machine in the infrastructure, construction and engineering sectors.

After the consolidation was largely completed this summer, we completed the acquisition of Woodford Engineering. Woodford is an engineering business with over 40 years' experience in producing high quality precision engineered parts and fabrications for local, national, and international clients. It operates from a 23,000 sqft facility in Lydney, Gloucestershire, providing a first class machining, fabrication, laser, and water jet cutting service. Max Caan was brought on to lead the business, and we could not be more excited to be in partnership with Max. What attracted us to the business was its consistent trading history and its track record of revenue and profitability growth, even during the tough pandemic months of 2020/21. We see growth opportunities in working with Max and his team to bring on new clients and diversify the firm's revenue streams.

RDCP Infrastructure is now organised into five subsidiaries, offering different products and services:

Killingley: civil engineering, landscaping & earthworks / killingley.co.uk

Macair: mechanical engineering & facilities management / macair.co.uk

Su-Fix Precast: precast concrete supply & installation / sufix.co.uk

Buxton Water: hydro-demolition & civils / buxtons-water.co.uk

Woodford: precision manufacturing / woodfordengineering.co.uk

Leadership: Our businesses grow for two reasons. Firstly, the leadership team deliver growth organically by winning more projects or clients and thus growing their top-line. Secondly, the leadership team do such a brilliant job at managing the business, its people and its profitability that we feel compelled to make bolt-on acquisitions. RDCP Infrastructure continues to grow due to both these reasons and we have Gareth Dillon to thank for this. Gareth has done a terrific job at consolidating the five companies that were acquired in quick succession over the past 18 months. If it was not for Gareth's management style and raw leadership abilities, we would not feel confident in acquiring more engineering or construction businesses.

Vision: RDCP Infrastructure is currently our second largest business, behind Intelling. Based on the current pipeline of projects won by the company and its subsidiaries, coupled with the three live acquisitions we have ongoing, I have no doubt that by Q2 2022, RDCP Infrastructure will become the Group's largest portfolio company, surpassing Intelling's valuation. Our vision still is to become the next Keltbray in the UK. As every year passes, this vision starts to become more real. By Q2 2022, assuming our pipeline of live deals for RDCP Infrastructure achieve completion, the company's valuation will be just north of £100m.

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3. RDCP Care: Elderly care provider with 6 nursing homes / rdcpcare.com

Sector: Healthcare
Leadership: Rosie Howell

Revenue: £10m
Headcount: 315

RDCP Care always has been and still continues to be the bedrock that RDCP Group was built on. Despite the pandemic and the challenges it specifically brings to the healthcare sector, the business has had an incredible year.

Leadership: Rosie Howell has now been the company's Managing Director for 15 months, and the results speak for themselves. The business is better managed and more profitable than it ever has been, and staff morale is at an all-time high. As mentioned above in relation to Gareth Dillon and RDCP Infrastructure, the same applies to Rosie Howell and RDCP Care. I feel compelled to bring more care home acquisitions to Rosie and her team. However, the opportunity pool is dry. Any good operators do not want to bring their businesses to market as they worry about not achieving their desired valuation levels. Whilst the businesses that are on the market are either grossly overvalued or ensnared with CQC issues (Note: CQC is the healthcare regulator in the UK). Nevertheless, I am quietly confident that 2022 will provide more acquisition opportunities.

Vision: Our vision remains the same, which is to become one of the top 20 elderly care operators in the UK by 2025, managing at least 2,000 beds.

4. SOS Wholesale: Food wholesale business / soswholesale.co.uk

Sector: Wholesale
Leadership: Mark Beckett / Vipin Patara

Revenue: £45m
Headcount: 120

SOS Wholesale is a food wholesale business based in Derbyshire. RDCP Group acquired 100% of the shareholding of SOS Wholesale in December 2021. The business was founded in 1996 to provide great value products to independent retailers, and has since become one of the UK's largest wholesalers of groceries, soft drinks, cakes, biscuits, confectionery, pet food, household good, toiletries and alcohol. SOS prides itself on providing exceptional customer service and delivering superb value on well-loved brands. The Company operates from a 70,000 square feet warehouse and distribution centre in Derby.

SOS supplies over 5,000 products (i.e. SKUs) to its customers and represents all major brands including Mars, Walkers, Heinz, Nescafe, Colgate and Fairy. SOS also sells certain brands that it has exclusivity over including The Crucials Sauce range, Ye Olde Oak and Drivers Pickles. SOS has also developed a number of its own brands including Peppy Pets, Nico's Deli Range, Mrs B's and Haddon Grove Biscuits & Flapjacks.

Leadership: The business is jointly run by Mark Beckett and Vipin Patara. Mark Beckett and his brother Steven Beckett founded the business in 1996, and have grown the revenue to £45m over this time. Vipin Patara was brought in five years ago and is the Trading Director of the business. In a few years' time, Mark will move on and Vipin will formally step into the role of Managing Director.

Vision: One of the reasons we backed the business was because of Vipin and her vision for SOS Wholesale's growth. We like the food and wholesale sectors, and feel comfortable with both helping SOS grow organically via increased sales channels, but also by bringing bolt-on acquisitions of smaller competitors (horizontal integration) and of our suppliers (vertical integration).

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5. Ancient House Printing Group: Commercial printing business / ancienthouse.co.uk

Sector: Manufacturing
Leadership: Michael Underdown

Revenue: £18m
Headcount: 100

Ancient House ("AHP") is one of the UK's most established and experienced web and sheet-fed printing businesses, situated in Ipswich, Suffolk. The business caters to a large number of high-profile clients across the UK. We acquired a 95% shareholding in the business in May 2021, with 5% retained by Michael Underdown and Allison Berry.

Ancient House has had another strong year of both sales and EBITDA performance. Despite the pandemic environment, the business has consistently maintained margins across the board. In fact, the pandemic provided Michael and his team with the opportunity to "streamline" operations, and once sales levels returned to pre-pandemic levels, EBITDA margins shot up.

Leadership: Ancient House is jointly led by Michael Underdown (Managing Director) and Allison Berry (Managing Director), and supported by Paul McMorrine (Commercial Sales Director) and Adrian Howard (Finance Director). One of the reasons we were in favour of this acquisition was because Michael Underdown, who has been running the business since 1985 alongside his sister, Allison Berry, wanted to continue leading and growing Ancient House in a full-time capacity. These two bring with them a well-established and longstanding reputation within the printing industry, as well as decades of industry experience. We are excited to be in partnership with Michael and Allison.

Vision: Our vision for Ancient House is for steady annual growth in both revenue and profit margins. The focus will be on organic growth via increased sales channels and additional work with existing clients.

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6. Chilango: Mexican quick-service restaurant chain and brand / chilango.co.uk

Chilango

Sector: Hospitality
Leadership: Richard Franks

Revenue: £10m
Headcount: 100

Chilango is a 15-site quick-service Mexican restaurant chain and brand, headquartered in London, with a presence in Manchester and Brighton.

Restaurants:

1. Brewer Street in Soho
2. Croydon Boxpark
3. Tooley Street in London Bridge
4. Upper Street in Islington
5. London Wall
6. Chancery Lane
7. Brushfield Street near Spitalfields
8. Monument (currently closed)
9. Fleet Street (currently closed)
10. Oxford Street in Manchester

Vibrant Kitchens:

1. Battersea
2. Canary Wharf
3. Acton
4. Dulwich
5. Brighton

We acquired Chilango in August 2020 and have now owned the business for almost 1.5 years, and without doubt, it has been the most incredible journey and learning experience. No MBA program or business book can teach you what I have learned as an active board member of Chilango.

Leadership: Richard Franks is the Managing Director of Chilango, and also a widely respected industry leader. The current pandemic continues to carry on, and as you can imagine, Richard has had to navigate through the most choppy of waters, making tough, but fair decisions along the way. One of the smartest decisions made by Richard was to bring on Nigel Sherwood (Chief Operating Officer of Wagamama) as a Non-Executive Director (NED) of Chilango. Together as a Board, we respond quickly to any threats and consistently make sound decisions about growth, profitability and people.

Vision: Last year, I wrote that my five-year vision for Chilango was to "become one of the three largest Mexican restaurant groups in the UK." I still have this same vision. However, this has now evolved into a razor-sharp focus on profitability. Growing without a constant focus on profitability and margins is a recipe for disaster. And out of all sectors, we see this the most in hospitality. Businesses that look pretty from a distance, but don't actually make any money. Hence, we want Chilango to grow, but steadily and profitably. This is the only way to ensure longevity for any business.

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7. RDCP Real Estate: Owner of high quality real estate in the UK

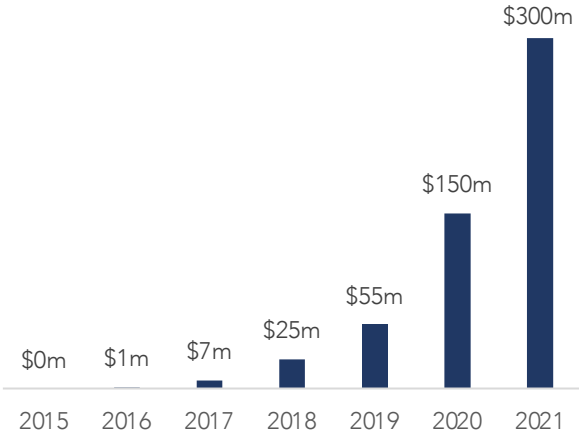
Sector: Real Estate
Leadership: –

Revenue: <£1m
Headcount: –

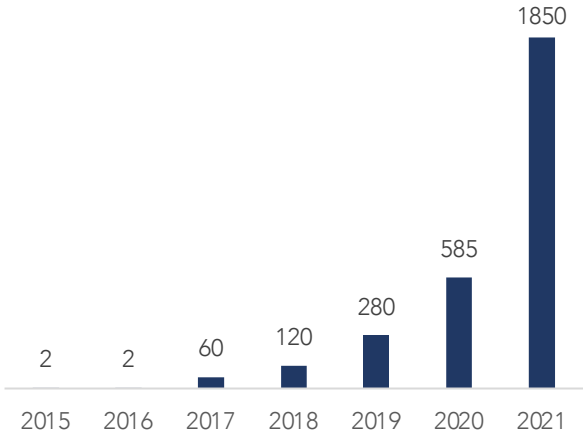
RDCP Real Estate is our smallest and least-developed business. However, this started to change in 2021 and the business will continue to mature in 2022. In 2021, we developed our first HMO (House in Multiple Occupation). A 5-unit HMO located adjacent to two of our care homes in Birmingham. We are working in partnership with Robert McMillan and Richard Dupoy of HomeZones, with whom we completed this Birmingham project.

Vision: Our vision is to grow our real estate portfolio to over 400 units in the next five years. Just like the rest of the business, we want the existing real estate portfolio to self-fund all of this growth, i.e. compound dramatically on its own with limited cash injections from RDCP Group. This is the challenge we are currently working on with the trusted team at HomeZones. Based on the model outputs I have seen, I feel confident in our ability to scale to 400 units by 2027.

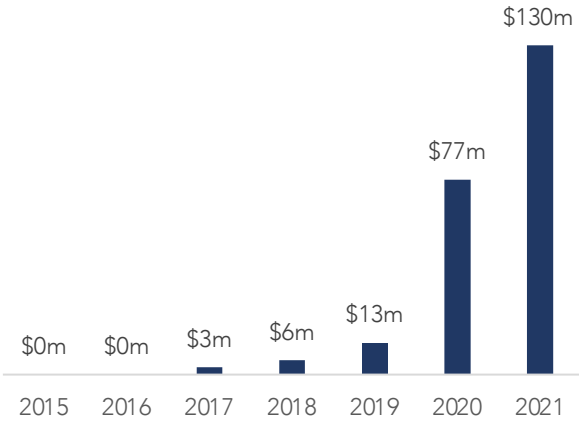
RDCP as a Snapshot in 2021



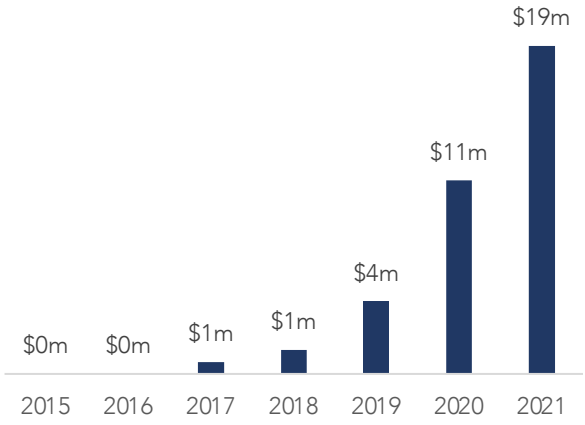
Growth in Enterprise Value (EV) (USD)



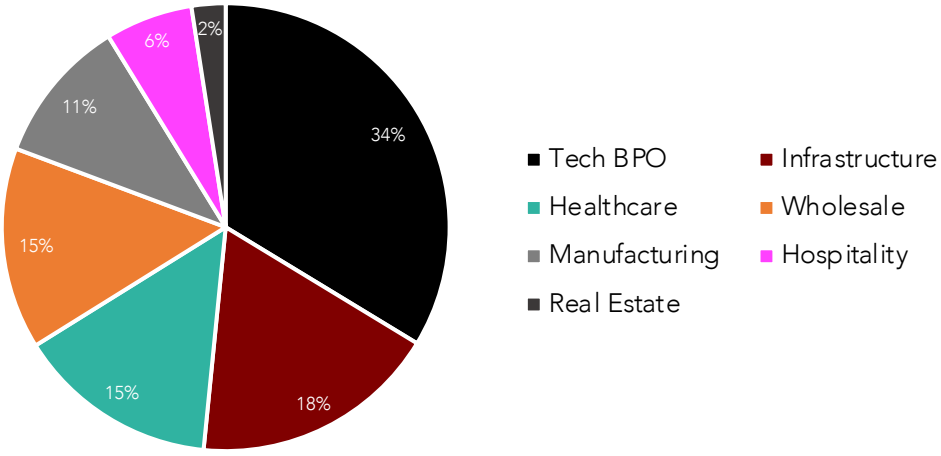
Growth in Staff Headcount



Growth in Run-Rate Revenue (USD)



Growth in Run-Rate EBITDA (USD)



Sector Diversification

Valuation Methodology / Multiples Arbitrage

Our game is simple. We create value for RDCP Group every time we make an acquisition by buying businesses at below what we deem as intrinsic value. However, once the business is a part of RDCP Group, I reflect its value on our books at the specific business' true intrinsic value, and not the price we paid. Of course, we are set up as a holding company with shared ownership, and not as an investment advisor advising third party funds. Hence, we also have the benefit of scale and the "multiples premium" that comes with being part of a conglomerate.

Each portfolio company's intrinsic value is calculated using a combination of methods, generally looking at average trading or acquisition multiples in the target's sector, but always having a certain floor multiple that well-managed conglomerates typically command. Certain portfolio companies are freehold asset heavy; for example, RDCP Real Estate or RDCP Care. Hence, a different valuation methodology applies. Others, such as Intelling, are tech-heavy and thus command a higher average multiple. Similarly, well-managed hospitality businesses tend to trade on a higher of a revenue multiple, or a restaurant-level EBITDA multiple. All of these sector-specific valuation methodologies are given a lot of thought and attention when determining intrinsic value.

Simply put, price is what we pay, value is what we get. Two very different things, something most investors just do not understand. This entire process is what we call multiples arbitrage.

Why USD and not GBP

Although we are focused on exclusively investing in British businesses, and this will not change for several years; for marketing purposes, on our website and in brochures, we present our high-level figures (AUM, enterprise value, revenue and EBITDA) in USD, and not GBP. This is for two reasons:

1. We want the business to be relatable to a global audience;
2. And this is the real reason: it is faster to grow our AUM to $1 billion than to £1 billion.

I have found that milestones seem easier to achieve if we help ourselves by moving the goalpost closer. Beyond that, success breeds success.

Reasons Behind Our Success

Each year I try to reflect on what values and principles are currently helping us to succeed; and frankly, each year the answer is different. Every month, with every acquisition, with every milestone, we learn something new. Sometimes this new lesson or principle supersedes a previous closely held belief. Hence, I particularly enjoy writing this section and then comparing notes with the previous year's annual letter.

1. We are firm about our vision, but flexible about its execution. Our vision is to grow RDCP Group's AUM to $1 billion by 2025. Every decision we make and step we take needs to bring us closer to this goal. However, in order to get there, we have to be flexible. We have to be willing to roll with the punches, and not be too set in our ways.

2. We are constantly reinforcing the "moat" around RDCP Group. Creating an investment conglomerate that will be here for generations, the likes of Berkshire Hathaway, does not just involve picking good investments and making sure great managers run them, it is also about ring-fenced corporate structures. At RDCP, one portfolio company can never bring down the Group or any other portfolio company. This is why we avoid or limit cross guarantees, personal guarantees or parent company guarantees.

3. We are both investors and entrepreneurs. Warren Buffett once famously said: "I am a better investor because I am a businessman, and a better businessman because I am an investor." We live this statement every day. For the first few years of RDCP, when we had just one main portfolio company, I was the interim CEO of RDCP Care. Now, my time is roughly split 50/50 between investment decision making on potential acquisitions and making strategic decisions as an active board member of our portfolio companies. One job makes me better at the other.

4. We have gamified RDCP. At the end of every year, I set very specific goals and milestones that we must achieve each quarter of the following year. Achieving these goals (typically AUM targets) brings us that much closer to the $1 billion vision. By breaking it up into multiple quarterly targets, we create an environment for ourselves that allows for bitesize milestones and consistent wins. The dopamine release that is associated with these wins creates the effect of a synthetic drug that makes us want to chase that same vision over and over again. This is proof that success breeds further success.

5. We have control over capital allocation. Buying a company outright, or at least a majority shareholding, gives RDCP the power to make all capital allocation decisions. This has been the key to our growth and investment success, and this is precisely why we do not acquire minority stakes.

6. We have focus. We acquire majority stakes in promising British businesses that have a consistent and profitable trading history, committed and ambitious management teams and a defendable and dominant market position within their respective sectors, generating between £2m to £20m in annual EBITDA. We do consider smaller business (at least £1m in EBITDA) as bolt-on acquisitions for existing portfolio companies. We do *not* acquire businesses that are priced at above their intrinsic value, no matter how brilliant the business might be. The business and the transaction (i.e. the business' price) are two very different things. We do *not* take minority positions in businesses.

7. We reject about 99.1% of all opportunities. In the last six years, we have made 18 investments that have been consolidated in 7 companies, but we have rejected nearly 2,000 investment opportunities. These are estimated numbers, but I think the point is quite clear – it is incredibly hard to become a RDCP portfolio company. The companies and the leaders that are a part of the Group should be very proud.

8. We practice "margin of safety" investing. Margin of safety means buying a business for less than its intrinsic value. The greater this margin, the more protection we have. This is why we focus on finding good value, rather than spending boatloads of money on every type of due diligence exercise under the sun. Frankly, no amount of due diligence will save us as an investor if things go wrong; no McKinsey commercial due diligence report or KPMG financial due diligence report. The only thing that can save us is the margin of safety that comes with having bought the business at below its intrinsic value. This way, even if profitability drops, we can still be "within the margin."

9. We are lone wolf investors. There is a certain pleasure we derive from investing our own balance sheet capital, owning 100% of RDCP Group, and doing what we love. There are no investors in RDCP Group. We do not manage a "Fund" with Limited Partners (LPs) capital. We do not partake in co-investments. There is literally no one we report to. We hold ourselves accountable. We are, in very sense, a lone wolf investor. This means we can provide patient and permanent capital to our portfolio companies. We can structure deals in unconventional ways. Most importantly, we can be our truest selves to all stakeholders.

10. We are first principles decision-makers. Most investors believe that high returns are directly correlated with the technical difficulty of the problem. This is just not true. Investing is about logic, insight and initiative. First principles is about investing based on the fundamentals of a business and its sector, utilising logic and rational thinking to make investment decisions, rather than overly complicated models that do not reflect reality. This is why some of the best business leaders and investors did not even go to university. This is also why some (not all) MBAs or PhDs get stuck in "analysis paralysis," because once you have been taught how to use a hammer, everything looks like a nail. Do not forget the basics, the first principles – we never do.

RDCP vs Private Equity

The entire fee-driven investment management business model (whether it be private equity funds, hedge funds or venture capital funds) is lopsided, in favour of the investment manager instead of the investor actually providing the capital. RDCP Group competes in the same arena as mid-market private equity firms, bidding for businesses that generate between £2 million to £20 million in annual EBITDA. Fortunately for us, in competitive "auction processes," we have found that entrepreneurs and business owners are increasingly starting to choose RDCP over private equity buyers, for a number of reasons. Firstly, we are investing our own balance sheet capital, whilst private equity investors are essentially middlemen, investing on behalf of others and just collecting a fee for doing so. Secondly, private equity buyers tend to be focused on 'exits' as they need to return their investors' capital after three to five years, whilst we have the luxury of investing our own balance sheet capital and thus providing long-term permanent capital to our portfolio companies. In 2021, on three occasions, we convinced the shareholders to choose us instead of a private equity buyer. These businesses are Intelling, SOS Wholesale and Ancient House Printing Group.

I am proud to say that RDCP Group is making a name for itself in the UK mid-market investment space at a time when there is pressure on private equity firms to reduce their unjustified fees and improve their mediocre returns. Many entrepreneurs and sellers are choosing to partner with RDCP as a reliable long-term investor, one that provides a safe home for their businesses, their staff and their legacy.

I believe that with an increased number of private equity firms crowding the space, fighting for the same LP (Limited Partners) capital, chasing the same assets and offering the exact same undifferentiated service offering, fees will keep dropping down. I can see that the "2 and 20" model has already started to reduce to "1 and 10" or "0.5 and 10." In fact, I see this further mean-reverting towards the pension fund model, i.e. they will be around to offer a service, a rather dull service, and fees will be a mere 0.5% to 2% of the AUM. If this does happen, pay levels will start to fall, regulations will tighten further and talent will start to flee from the sector. It will no longer be a "sexy" sector to work in. Then again, I am highly biased. I personally hope this does happen because it means less competition for RDCP Group on acquisition processes.

Berkshire Hathaway Vice Chairman Charlie Munger shares a similar view. He says:

"Everyone wants to be an investment manager, raise the maximum amount of money, trade like mad with one another, and then just scrape the fees off the top. Why are they so reckless with our money? Because it is not their money! Let's say I manage a hedge fund; you give me your money to invest, and I use it to help me borrow more money. I then use your money and the borrowed money to place a really big bet. If it works out, you make a ton of money and I make a ton of money in fees. It's a win-win. But if I lose it, you and the bank will be crying, not me. That, for a hedge fund is a great business model."

A real-life example of this is John Meriwether of Long-Term Capital Management (LTCM). After crashing LTCM into the ground in 1998, John started another fund, JWM Partners, in 1999, which he successfully ran for eight years, getting assets up to $3 billion. Then the 2008 financial crisis cost him 44% of the fund's assets and he was forced to close it. He then went on to start another fund, JM Advisors, in 2010.

Investment managers are just not aligned with their investors when it comes to the downside. There is basically no penalty. If they are good salesmen, they can go again and again and again.

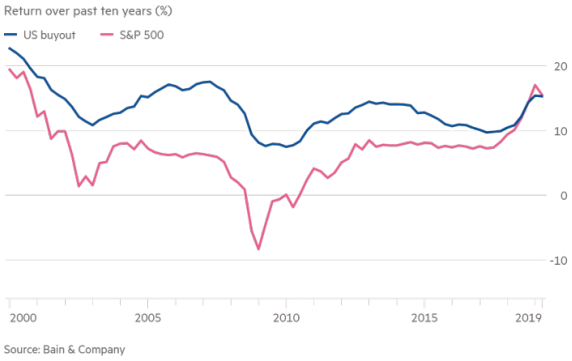
Now, let's look at an example of the world's most successful investment manager: Blackrock. Whilst Blackrock is an unbelievable business, in that, they control $9.5 trillion in assets, what baffles me is that their Founder & CEO Larry Fink is worth a mere $1.1 billion. That is 0.01% of his company's AUM. On the other hand, Warren Buffett's Berkshire Hathaway's market capitalisation is $650 billion, and Buffett is worth $100.5 billion. That is 15.5% of his company's AUM, and this is after nearly two decades of slowing giving away his shares to various charitable foundations. Blackrock is 15x the size of Berkshire, but Buffett is worth 100x that of Fink.

The arguments for an investment conglomerate rather than an investment management business seem quite obvious to me. I can see why Warren Buffett picked this model, and it further reaffirms our decision of becoming a holding-company style conglomerate, rather than an investment manager.

Ultimately, if I were advising a pension fund, a sovereign wealth fund, a family office or a high net worth investor on which type of "fund" they should invest their money into, I would say spread it across a portfolio of exchange traded funds (ETFs) with an overweighted allocation towards S&P 500 ETFs. The fees will be next to nothing; this is of crucial importance because fees are the primary drag on returns. As an investor, you are basically betting on the US economy continuing to steadily grow. Finally, and most importantly, there are only a handful of investment managers that can consistently beat the market decade after decade. I would rather put my money in an ETF, than spend time betting on the right money manager.

As a "fun exercise" over this festive holiday period, go compare net returns of private equity, venture capital and hedge funds to ETFs over a 20 year or 30 year period. Feel free to use indices that aggregate certain investment manager categories. The results will be eye-opening and help demonstrate that the vast majority of investors are in this business to scrape some fees off the top in the short-term, with little to no real understanding of how to make money in the public or private markets over the long-term.

As an example, look at this chart from Bain & Company showing how S&P 500 returns have converged with US PE fund returns in the last few years. A more recent chart including 2020/2021 data will show S&P 500 far outperforming private equity. This means that PE fund managers are not generating any alpha for their clients. There is no argument for investing capital with a PE fund, over a low-cost, low-risk ETF.



Origin Story

I have never properly documented our origin story, but this annual letter is all about radical transparency. This is why I have shared our valuation methodology, our financial performance, and deep insights into our portfolio companies. So, let's get into this too.

We went all in to launch RDCP Group. We had no other choice. We were too inexperienced to raise outside capital (note: our weakness has over time become our biggest strength and unique selling point). Neither I nor Iryna Dubylovska (my wife and co-founder) come from money. My father is a career accountant and now the CFO of a regional insurance company based in the Middle East. Iryna's late father was an engineer, who ran a small construction business in France. Despite the lack of wealth around us, we found the money. We capitalised RDCP with $3.5 million (£2.5 million) of initial capital: £875,000 came from my father, which was 100% of his cash savings at the time. He took the biggest financial risk of his life by supporting me. £1,685,000 came from Iryna, which was 100% of her inheritance monies from a life insurance pay-out of her late father. She took an even greater risk because she invested all of her inheritance monies with her boyfriend who she had known for less than a year.

I never really reflected on what this meant, but a recent conversation with my favourite finance professor from my at time at McGill University, Dr Jiro Kondo, shed light on something very important: I always reflect on the attributes that make us successful, but I never really thought about the most important one. When RDCP was nothing more than an idea, and I had never even bought a car, let alone a business, two individuals (my wife and my father) showed me the highest levels of faith and trust. Not just with their words, but also with their capital, all of their capital in fact. This is what empowered me to take RDCP forward with the greatest levels of confidence. It also meant that I did not take any of this lightly. John Meriwether of LTCM might be willing to lose billions of third party LP capital, but I was not willing to lose even one penny of the capital that my wife and father trusted me with. This is what drove us to be so focused on doing more with less, and established the early tenets of our value investing approach.

Future Plans

Our vision is to grow RDCP Group's assets under management (AUM) to $1 billion by 2025. We have compounded the $3.5 million we started with to $300 million. We will now continue this journey to $1 billion.

What is also very important to me is what the business looks like when we reach the $1 billion milestone and what we prove to the market by achieving this. The following characteristics are what make our journey to $1 billion so unique:

1. RDCP Group will have no additional shareholders besides me and Iryna.
2. Besides the $3.5 million of initial capital, no further equity capital will be raised.
3. We will build a $1 billion portfolio with an investment team of just two (me and Iryna).

No one in recent history has built a $300 million, let alone a $1 billion business or investment portfolio in this way. We want to be the first. In a world overcrowded with *investment managers*, we want to be the only genuine *investor*.

Finally, if I look at the very best investors of our time, with several decades worth of track records each: Warren Buffett, Sam Zell, Ray Dalio, George Soros and Jim Simons, there is a clear pattern that emerges. They have all structured their investment vehicles as either a conglomerate (Buffett), a family office (Zell, Soros), or a fund that is not open to further outside capital and has not been for years (Dalio, Simons). Essentially, the argument is that if you truly are an outstanding investor, you should compound your way to increased AUM, not be constantly focused on raising new funds. Makes you think.

For us, it is not building a billion dollar business that is important. It is the people we must become in order to build a billion dollar business that is important.

We are still in the early chapters of the RDCP journey. We make mistakes, learn from them quickly and turn those mistakes into lessons and principles. Most importantly, we are grateful that we get to do what we love every single day, and that we are able to share our work with the world.

Respectfully,

Sameer Rizvi
Founder & CEO
27th December 2021