PLURAL INVESTING LLC

99 Wall St, Suite 1101, New York, NY, 10005

	Partnership (Gross)	Partnership (Net of Fees)	MSCI World Index
2020 (Apr 1-Dec 31)	121.3%	97.1%	46.8%
2021	37.4%	29.9%	21.8%
Annualized	88.8%	71.1%	39.4%

January 19, 2022

To our Partners:

Plural Partners Fund L.P. delivered a gross return of -0.4% and net return of -0.4% in Q4. Our goal is to deliver returns over a five-year period significantly above that of global markets.

We are value investors. We invest in businesses that we believe are worth substantially more than the price they are trading at. We think of risk primarily as the chance of a loss over a five-year horizon and not the temporary drawdowns in stock prices that occur from time to time. We manage this risk by only investing in businesses trading at a substantial discount to a conservatively calculated intrinsic value and that we would be happy to own if the market was to shut for five years. We therefore welcome stock price volatility as it often presents opportunities to invest further at even better prices. When such opportunities cannot be found we hold cash instead.

The majority of our capital is typically allocated to our six to eight best investments. We look for qualities such as attractive business economics and management teams who possess and foster a culture of high integrity, customer focus, and prudent capital allocation. Our businesses may be ‘hidden gems’ because they are small, receive little coverage, listed on under-researched exchanges, operating in unpopular industries, or offer terrific opportunities beyond short term concerns. We develop a research edge over other investors by doing extensive primary research and utilizing quantitative tools. This edge can be significant when we are competing mostly against retail investors or the small positions of larger institutions, which is why we deliberately fish in those waters.

A one-page appendix entitled “Principles of Our Partnership” is attached to this letter. This should give you an idea of what you can and cannot expect from our partnership.

Q4 was volatile quarter for stocks, particularly small caps. That has created a number of potential investment opportunities, and we are conducting due diligence on several of these. We also added to a few of our holdings and so the portfolio is fully invested as a result. We continue to be in the pleasant position of having to find ‘room’ to increase our investments. As usual, being fully invested is not the result of an explicit forecast of macro events.

Portfolio Allocation	
% of Net Assets by Business Type:	
Consumer	65%
Payments	24%
Travel	11%
Special Situations	0%
Others	0%
Cash	0%
	100%
Portfolio Statistics:	
Net Exposure	100%
Long Exposure	108%
Short Exposure	-8%

Texhong Textiles (2678.HK)

Texhong is the world’s largest producer of stretchable yarn, and has been building a downstream business that turns its yarn into fabrics. The company is run by its Founder and Chairman Tianzhu Hong, who owns 52% of the business, and his Co-Founder and CEO Yongxiang Zhu. They have steered the company to an acceptable 20 year record of 15% post-tax returns on tangible capital, while treating minority shareholders well in the process. The stock trades on 4x trailing EV/EBIT and 2x our three-year estimate, versus it’s historic average of 8x. We had previously sold out of the stock in early 2021, but continued to follow the business closely. We recently invested again at around HK$10/shr and think it will be worth HK$35/shr or more in three years’ time.

The textile industry has few barriers to entry; most yarn manufacturers are based in China and earn returns below their cost of capital. However, Mr. Hong has made three key decisions in his 20+ years that have enabled the company to do better.

The first was to expand from China to Vietnam in 2006. Vietnam now accounts for over half of production and has access to cheaper cotton. This is because China places tariffs on cotton imports to keep its domestic cotton producers price competitive and operating. The tariffs mean cotton in Vietnam costs 15-20% less, which is an advantage as cotton accounts for more than half the cost of making yarn.

Texhong’s yarn is typically sold to Chinese customers, at the price of Chinese *domestic* cotton prices plus a markup. Since the company has lower *international* cotton, labor, and utility costs, the company is able to earn a 15% EBIT margin in Vietnam when Chinese competitors barely break-even. With roughly half of Texhong’s production in each of Vietnam and China, the company average a 10% EBIT margin.

Mr. Hong made a second key decision a couple years ago to build factories in Nicaragua and Mexico to supply North America and in Turkey to supply Europe. While the expansion has been slowed by Covid, once complete it will give Texhong lower costs and protect the company from trade wars by supplying customers in each region ‘locally’.

Mr. Hong's final key decision is likely the most underappreciated by investors. Five years ago, the company began investing heavily to build its own downstream factories in Vietnam to use Texhong's yarn to produce fabrics and jeans.

This is a major transformation that will increase returns and bring strategic advantages. Mr. Hong thinks downstream will eventually be a higher margin and return business, and we agree. We think the downstream business will grow from just over 20% of revenues today to 40% in five years' time and deliver returns of around 20% post-tax.

Just as importantly, being vertically integrated will improve Texhong's existing yarn business. 'Fast fashion' has resulted in the company's order book shrinking to just three weeks long and so the company has kept half of its yarn production in China to remain close to downstream customers. Building out its own downstream business in Vietnam will free up all future investments to be allocated to the higher margin geography and further reduce the group's vulnerability to US/China tariffs.

Texhong's revenues today are HK$29bn and we expect will be HK$40bn in three years' time. Assuming a 10% EBIT margins results in EBIT of HK$4bn, and applying the historic average EV/EBIT of 8x gives a valuation of HK$32bn. Adding retained earnings over the next three years and subtracting net debt gives an intrinsic value of HK$34bn or HK$37/shr.

This opportunity exists because the stock trades US$1mm/day and is mostly owned by Hong Kong retail investors. Sentiment has historically swung wildly with the short-term macro environment and is still recovering from being hit badly two years ago by the US/China trade war, falling cotton prices and RMB, and then Covid.

With macro headwinds now reversing to become tailwinds, we expect Texhong to report record profits this year. That should act as a catalyst for the stock to catch up to the company's short term and long term results.

One thing worth discussing is the 'China risk'. We think the biggest risk to our thesis is a 'new paradigm' where Chinese stocks are simply ignored and fundamentals don't matter. Yet while there may be changes in investor sentiment, we see the underlying risk for this stock as low over time. Texhong has most of its production outside of China, those operations inside serve Chinese clients, the company is building out a global network to mitigate the impact of potential tariffs, and the stock is listed in Hong Kong rather than Shanghai. Since the float is mostly owned by local investors, even an extreme scenario where US investors are banned from owning HK stocks should have relatively little impact beyond an initial drop from sentiment and some forced selling.

Additionally, Texhong's management have high integrity and minority shareholders are treated well, with no unscrupulous behavior in over 20 years and an average dividend payout ratio of 30% pre-Covid. The remaining cash is reinvested into growing the business. We are therefore comfortable that with Hong in charge the stock is not a typical HK listed value-trap. At 53, he continues to have a good runway ahead of him.

Jet2 (Jet2.L)

Jet2 is a UK based package holiday business that also operates its own airline. The company is run by its Founder and Chairman Philip Meeson, who owns 22% of the business, CEO Steve Heapy, and CFO Gary Brown. All three have high integrity, exceptional customer focus, and concentrate on long term value creation when allocating capital. They have done an outstanding job, with Jet2 succeeding as a value-for-money entrant that is profitably taking share from legacy players. The company's tour operation has gone from being a startup a decade ago to having 14% market share today. We invested in the business at around £5/shr, the stock trades at £12/shr today, and we think it is worth £25/shr or more.

The emergence of the Omicron variant of Covid-19 this quarter was an unwelcome development that highlighted the importance of having a strong balance sheet. Importantly, Jet2 has substantial cash reserves that allow it to continue investing for the long term, pay hotel partners on time and in full, and automatically refund customers. Our work continues to suggest the company is doing a significantly better job in these areas than its competitors. That is resulting in improved customer sentiment and therefore market share.

Pleasingly, the UK's travel restrictions were eased early this January as Omicron turned out to be milder than feared. The reduced restrictions mean that fully vaccinated people only need to take a lateral flow test on their return from travelling to most countries.

Demand has picked-up significantly after each easing of restrictions in the past, and we expect that Jet2 will take more customers on holiday in the coming summer than they did in 2019. Management guided to 13% growth vs 2019 in November and are traditionally conservative in their estimates.

Regardless of whether this summer turns out to be as strong as we hope, our thesis is based on a calculation of Jet'2 long-term intrinsic value as it emerges from Covid as the UK's leading package holiday company. We continue to think the company will be earning £1.5-£2.5/shr in three years' time as it emerges from this crisis with a significantly strengthened market share, reputation, customer loyalty, list of hotel partners, and airports to fly from.

The dial-in details for our quarterly call are attached on the next page.

Please do not hesitate to contact us at chris.waller@pluralinvesting.com.

Best Regards,

Chris Waller
Portfolio Manager

Dial-In Details for Quarterly Call

Time: Feb 2, 2022 10am Eastern Time / 3pm UK time.

Join Zoom Meeting:

https://us06web.zoom.us/j/81082953729?pwd=NEZPVWNZS3ppaWxqY2pWcmZhSFZWQT09

Meeting ID: 810 8295 3729

Passcode: 846758

Dial by your location

+1 929 436 2866 US (New York)

+1 312 626 6799 US (Chicago)

+1 301 715 8592 US (Washington DC)

+1 253 215 8782 US (Tacoma)

+1 346 248 7799 US (Houston)

+1 669 900 6833 US (San Jose)

Find your local number: https://us06web.zoom.us/u/kdhDP8QGTT

Principles of Our Partnership

I take the trust you place in me very seriously and view this as a partnership. These principles are inspired by a similar letter Warren Buffett wrote in 1962 to his partners at the beginning of their partnership. They are my attempt to be up-front about what I can and cannot promise you, and what I ask from you in return:

1. Success for the fund in five years' time is delivering a substantially higher return than global stock market indices, rather than how many clients or assets are under management. The investment approach and my time are allocated accordingly.
2. I cannot guarantee that the fund will achieve this success. However, I can promise that the vast majority of my liquid net worth will be invested alongside you.
3. The fund will only invest in businesses that I estimate are worth substantially more than the price they are trading at.
4. The fund will only invest in businesses that I would be comfortable owning if the stock market were to shut for the next five years and we had to hold on.
5. I will view the risk of each investment as the chance we lose money over that five year period and not the volatility or beta of the stock price in the meantime. Indeed, I can promise you that the price of our investments will decline 20% from time to time.
6. I will judge the returns of the fund over five year periods.
7. Nobody gets every investment decision right. I will be up-front about mistakes made.

What I ask from you:

1. You should only invest an amount where your sleep will be completely unaffected when the fund has a 20% drawdown. This may mean the right decision is not to invest at all.
2. While I would like you to also judge the performance of the fund over a five year period, three years is the absolute minimum required. I would strongly counsel against reading much into quarterly results as prices are often driven by emotions in the short run. Our patience is essential if we are to let the volatility of prices serve us rather than guide us.

Yours sincerely,

Chris Waller
Portfolio Manager

Performance Comparison

	Partnership (Gross)	Partnership (Net of Fees)	MSCI World	MSCI World Small Cap Value	S&P 500	HFRX Global Hedge Fund
2020[1]	121.3%	97.1%	46.8%	58.0%	46.7%	14.7%
2021	37.4%	29.9%	21.8%	21.1%	28.7%	3.7%
Annualized	88.8%	71.1%	39.4%	44.9%	43.8%	10.4%

[1]Results for 2020 represent the total return of the Fund and Comparative Indexes from April 1, 2020 to December 31, 2020.

Important Disclosures

This material does not constitute an offer or solicitation to purchase an interest in Plural Partners Fund LP (the Fund"), or any related vehicle. Any such offer will only be made via a confidential private placement memorandum. An investment in the Fund is speculative and is subject to a risk of loss, including a risk of loss of principal. There is no secondary market for interests in the Fund and none is expected to develop. No assurance can be given that the Fund will achieve its objective or that an investor will receive a return of all or part of its investment. This material is confidential and may not be distributed or reproduced in whole or in part without the express written consent of Plural Investing LLC (the "Adviser").

The performance results shown and discussed herein represents the performance of the Fund, a vehicle managed by the principal of the Adviser (the "Principal"). The Fund began trading on April 1, 2020. "Gross" results shown reflect the deduction of transaction costs actually incurred but are before management fees or performance allocation were incurred. "Net" results shown reflect the deduction of a 1.0% per annum management fee and 20.0% performance allocation.

Results are compared to the performance of the MSCI World Net Return Index, or similar indexes (collectively, the "Comparative Indexes") for informational purposes only. Returns data for the HFRX Global Hedge Fund Index are from source: Hedge Fund Research, Inc. www.hedgefundresearch.com, © 2022 Hedge Fund Research, Inc. All rights reserved. Past performance is not necessarily indicative of future trading results. The Fund's investment program does not mirror the Comparative Indexes, and the volatility of the Fund's investment program may be materially different from the volatility of the Comparative Indexes. The securities or other instruments included in the Comparative Indexes are not necessarily included in the Fund's investment program and criteria for inclusion in the Comparative Indexes are different from those for investment by the Fund.

The positions presented and discussed herein represent investments in the Fund as of the date listed. These positions are presented for informational purposes only to demonstrate a portfolio allocation of the Principal as of a recent date. Results of large "contributors" to the Fund's returns are also included for informational purposes only. No representation is being made that the Fund will or is likely to hold the same or equivalent positions or allocations in the future.

Certain information contained in this presentation is derived from sources believed to be reliable. However, the Adviser does not guarantee the accuracy, completeness, or timeliness of such information and assumes no liability for any resulting damages. Due to the ever-changing nature of markets, the deductions, interrelationships, and conclusions drawn from historical data may not hold true in the future.

This material contains certain forward-looking statements and projections regarding market trends, Fund allocation, and investment strategy. These projections are included for illustrative purposes only, are inherently speculative as they relate to future events, and may not be realized as described.

These forward-looking statements will not necessarily be updated in the future.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.