Compounder

Equity Fund

Owner's Manual

VISIO

Investing simply makes sense

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Dear investor,

You are holding the Owner's Manual for Visio Compounder equity fund.

We decided to write a comprehensive manual to provide our prospective investors a clear understanding of the objectives of our fund. We also want to share our thoughts related to investing in general.

Compounder is an equity fund designed for long term (over five years) investing. The longer the investment period the better. Long term investment horizon simply makes sense because that is the best way to exploit equity investing and the power of compound interest.

Simple and clear investment philosophy is the main differentiating characteristic of Compounder. We are convinced that a long-term buy and hold strategy focused on owning good quality companies is superior to complex, costly strategies based on constantly buying and selling stocks.

Welcome on board.

Antti Aalto, Jouni Saario
Portfolio Managers for Compounder

Compounder Fund is managed by Visio Asset Management Ltd (Visio)

Founded 2009, Visio is an independent licensed Finnish investment firm regulated by the Finnish FSA.

We focus solely on finding investments that are expected to generate high return. This enables our clients to fully benefit from the power of compound interest.

We offer two mutual funds which both target high return: Visio Compounder and Visio Allocator.

Our staff is a majority owner of Visio and we have substantial investments in the two funds we manage.

Compounder

Compounder is an equity fund diversified globally and across industries. It is designed to beat the equity market [1] over the long term.

We started Compounder because funds that truly outperform the stock market are in short supply. Trying to maximise return is obviously a very important goal. In the long run, the higher the return, the higher the benefit created by compound interest.

To outperform the equity market we do things differently than most of our peer funds. We invest in better quality companies, invest to a fewer number of companies, hold our investments for longer and charge only a moderate fee.

We find classifications such as value, growth or dividend investing mostly redundant. The latest and most fashionable talk-of-the-hour investments are of no interest to us. We refrain from carrying excessive risk in any single company, sector or country. We are not in the business of fast-paced stock trading.

Anyone can invest in Compounder. We however recommend it only to investors who are willing and able to invest long-term (over five years). Minimum initial investment is 1 000 euros.

Fund inception date is December 31st, 2019.

1) MSCI ACWI Total Return Net Euro -index. The index is widely used as representation of the investment performance of the global stock market measured as total return (including dividends) denominated in euro.

How does Compounder reach its return target

Compounder is designed to beat the stock market. It is a very difficult target to achieve. According to various statistics roughly 90% of actively managed equity funds fail to do so in the long run. In our opinion, the poor success rate is a result of four factors:

1. Investing in not just “good” companies but also to “bad” companies
2. Overdiversifying the portfolio
3. Failure to resist the temptation to buy and sell stocks frequently
4. Charging too high management fees

We have designed Compounder in the exact opposite way. That is the main reason why Compounder stands a good chance of beating the stock market.

1. We invest only in top quality companies

By investing in best businesses only one is poised to get the best investment result. By investing in a very large number of companies (e.g. index funds) one is destined to get an average investment result. Index investing is a sensible and prudent way to invest but Compounder aims higher.

So we invest in the very best businesses in the world. What kind of companies are we talking about here?

- Their **return on capital employed** is high and it has been high for years. This is often a result of highly unique business model which competitors cannot copy combined with a market-leading position. We are inclined to invest in a business that already has an exceptional track record. We then rely on our own research to analyse which businesses are the ones most likely to produce a high return on capital employed over long-term.
- The business can make **profitable growth investments**. In other words, the business can reinvest a large part of its free cash flow to grow the business. These investments also generate a high return on capital. Ideally, this will over time create a continuum that we view as "internal compound interest" within the business. If implemented successfully it will greatly increase the value of the business over time. The stock market will inevitably reward such long-term winners. On the other hand, it will show no mercy to a business unable to generate returns exceeding its capital cost.
- It has a **strong balance sheet**. Markets will face downturns from time to time. It is essential for businesses to perform

This continuum is also the origin of our fund's name. Our friendly name for a business that can profitably reinvest its cash flows in growing its operation, is "compounder".

also during tough times. Such businesses are usually low-debt industry leaders. Their competitors are more exposed to various types of market shocks. Challenging market conditions may also open growth opportunities for leading low-debt companies to make accretive acquisitions.

- The business is **managed sustainably**. It is very beneficial for the business to genuinely take into consideration also the interests of all its stakeholders such as customers, employees, environment, suppliers, community etc. We believe that sustainably managed companies stand a better chance to remain good businesses in the long-term. In other words: a good way to look after shareholders interests is to look after all stakeholders' interests.

2. We invest in fewer companies

Compounder invests in approximately 25 companies. This is sufficient for both effective geographical and sectoral diversification. It is also concentrated enough for the fund's divergence to enable outperformance.

We will never compromise on adequate diversification. Compounder will never be a "one trick pony" type of fund that takes excessive risk in a single sector, country or company. There will never be an investment fad fashionable or attractive enough for us to bend this principle.

We do not actively follow weightings on equity indexes or holdings of other funds. What's most important to us is to concentrate on analysing the businesses we believe in.

3. We hold our investments longer

Equity investors' time horizon has dramatically shortened since the 50's. Average holding period is currently less than a year [2]. Several factors contribute to this shortening. Financial media can make also less relevant news sound like there's reason to buy or sell. Professional analysts are also focused on short-term developments encouraging trading. Short-term trading is also being marketed widely and effectively. Additionally, technological progress has made trading easy, cheap and accessible to all investors.

As other market participants are increasingly focused on short-term issues, we deliberately take the opposite view. We aim to hold our investments for a very long time. We believe that it is much more important to focus on essential analysis than to react on every piece of news and try to chase stock prices. It is also considerably less difficult to correctly identify the best businesses than try to constantly correctly anticipate fast-moving stock prices with adequate accuracy.

2) Source: World Bank, NYSE

4. We charge only a moderate fee

Compounder's return net of fees is of the utmost importance to both our clients and to us as co-investors. To maximize the return, we charge only a moderate management fee of 1.00% per annum. This covers portfolio management and administrative costs.

There are no other fees in Compounder. No subscription fee, no redemption fee, no performance fee.

As long-term investors we rarely sell our investments and that is why our trading costs are very low.

FAQ

Why invest in Visio Compounder?

Because high return in the long term is something worth pursuing. The stock market is a source of high return and Compounder aims to beat that.

Who can invest in Compounder?

Anyone can invest. We recommend it to those willing to invest long-term (over five years). Compounder's current investor base is very broad ranging from professional institutional investors to regular private people investing for the first time.

How do I invest in practice?

1. Fill out a client information form on our website. It is all digital and easy, takes about 10 minutes.
2. Once completed you will receive instructions for a bank transfer to Compounder's subscription account.

How do I get money out of the fund?

1. Let us know how much you would like to redeem.
2. If your redemption notice arrives before 1 pm Finnish time, the redemption will be paid on the following banking day. Otherwise within two banking days.

Is there a minimum investment and can I invest also on a monthly basis?

The minimum for initial investment is 1 000 euros and 100 euros for recurring investments.

How can I follow my investment performance and what documentation are there?

- You will receive a confirmation for each subscription (and redemption).
- You will receive a monthly report of the fund's development spiced up with portfolio managers' comments.
- You will receive additional portfolio managers' commentary on the markets or the fund when the situation calls for it.

- You can follow the fund’s performance on a daily basis on our web site.
- You will receive a tax report annually.
- We are happy to provide you a personalized report upon request.

Are there different share classes?

Compounder has one share class only. Every client (including us portfolio managers personally) are all invested in the same share class. Compounder does not pay annual dividends or interest.

Is Compounder a value, growth, or dividend style fund?

We are not interested in classifying our fund. Our interest is to discover the best businesses in the world and own them for a very long time. A good company will always seek to invest when it makes sense (“growth“). It will pay a dividend when growth prospects and/or balance sheet structure favor dividend payment (“dividend“). Also, finding out whether a company bears value relative to its stock price requires a much more profound thought process than to just seek out cheap stocks (“value“).

Is Compounder riskier or less risky than other equity funds?

In principle, Compounder and other equity funds have a similar risk. If prices go down (up) in the stock market it is very likely that Compounder value decreases (increases).

On the one hand, since Compounder invests in approximately 25 companies it is a riskier investment than a fund diversified to hundreds or even thousands of companies. On the other hand, Compounder invests in companies that have substantially less debt than companies on average. This implies lower risk than equity markets on average.

Beating the stock market in the long run is Compounder’s objective. There are no guarantees it will achieve that objective.

Facts

Inception:	December 31st 2019
Asset class:	Equity
Fund type:	UCITS [3)]
Geographical universe:	Global
Sector universe:	All sectors
Portfolio managers:	Antti Aalto, Jouni Saario
Management fee:	1.00%
Performance fee:	-
Subscription fee:	-
Redemption fee:	-
Subscriptions / redemptions:	Daily
Initial investment:	1 000 euros minimum
Recurring investments:	100 euros minimum
Currency:	Euro
Share class:	1 share class, growth
Fund management:	UB Fund Management Co Ltd
Custodian:	SEB
Regulatory authority:	Finnish FSA
ISIN:	FI4000414453
Bloomberg:	COMPNDR FH

3) UCITS (Undertakings for the Collective Investment in Transferable Securities) is a regulatory framework of the European Commission that creates a harmonized regime throughout Europe for the management and sale of mutual funds.

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