



To Focused Compounding Capital Management Clients:

Geoff here. I wanted to use this month's memo to go over two changes we've made to how we manage your account.

Your account will be made up of just 5 stocks

We originally planned for your account to hold 6-8 stocks. However, over these last 3 months, I found it too difficult to select more than five "overlooked" stocks that pass the 3 criteria I care most about: quality, safety, and price. Rather than compromise on one of those criteria, I'd prefer to compromise on diversification. Under the old system, a single position usually accounted for 15% of your account. Each position will now be in the 15% to 25% range. I've run a 5 stock portfolio in the past. And I'm comfortable doing so in the future. I'm not comfortable lowering our standards for business quality, financial strength, or price.

Your account will always be close to 100% invested

At all times, we will target an allocation of 98% of your account to stocks. We've gotten a lot of questions about how comfortable we are sitting in cash, letting that cash amount build up, timing cycles in the market, etc. The answer is "we're not comfortable doing that at all". The account you have with Focused Compounding Capital Management is intended to be a basket of the five very best overlooked stocks we can find. I believe that – over all sorts of different market cycles – the 5 very best overlooked stocks out there will do well. We aren't going to make any attempt to time markets, switch from more conservative stocks to more aggressive stocks, etc. Going forward, there will never be a meaningful amount of cash in your account.

Finally, we've also made a change to how we will communicate with you about your account. Originally, we had planned to alternate monthly between a letter from me and a letter from Andrew. From now on, you will get a letter from me each month. You will not get any letters from Andrew. These monthly letters will be the only communication I have with you. Andrew and I have decided on a strict division of labor: I handle the investment side of things and he handles client relations. Expect another letter from me at the start of November.

If you have any questions about your account, call or text Andrew at 469-207-5844 or email him at info@focusedcompounding.com