



Peterson Investment Fund I

Quarter 2, 2025

“Bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria.”

- Sir John Templeton

Period	PIFI	S&P 500	Hedge Fund Index
	Net Return	Return with Dividends	(HFRI)
2011 ¹	34.0%	11.8%	1.9%
2012	58.6%	16.0%	7.4%
2013	26.4%	32.4%	14.3%
2014	(5.8%)	13.7%	1.8%
2015	(25.5%)	1.4%	(1.0%)
2016	7.3%	12.0%	5.5%
2017	19.4%	21.8%	13.2%
2018	(26.2%)	(4.4%)	(7.1%)
2019	24.8%	31.5%	13.5%
2020	24.5%	18.4%	17.1%
2021	22.5%	28.7%	11.7%
2022	(18.6%)	(18.1%)	(10.2%)
2023	21.7%	26.3%	10.4%
2024	8.8%	25.0%	12.3%
YTD 2025	13.6%	6.2%	6.1%
Cumulative	315%	610%	145%
Annualized	10.9%	15.3%	6.7%

1) Performance and Overview

During Q2 2025, Peterson Investment Fund I declined by 10.1%, while the S&P 500 appreciated by 10.9%. Year to date, PIFI has outperformed the index returning 13.6% net to investors versus the S&P 500's return of 6.2% including dividends. Over the past 13.75 years, our disciplined strategy has transformed a \$1 million investment into \$4.2 million net of fees, reflecting an annualized return of 10.9%. This long-term, double-digit compounding underscores the strength of our value-based, research-driven approach and our focus on investor alignment.

During the quarter, several key positions experienced temporary downward price movements. Berkshire Hathaway and the Talas portfolio fell, and Alibaba was a major detractor. These are all temporary swings, and we expect rebounds in our portfolio prices during the second half of 2025.

Contents:

1. Performance and Overview
2. Investment Philosophy
3. Operations

Primary Objectives:

1. Capital preservation
2. Limitation of downside risk
3. Capital appreciation that outperforms the S&P 500

Service Providers:

- **Auditors:** Spicer Jeffries
- **Administrators:** Yulish & Associates
- **Compliance:** Gordian Compliance Solutions
- **Legal:** Investment Law Group
- **Prime Broker:** Interactive Brokers Group
- **Bankers:** JP Morgan Chase

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¹ Fund inception date was October 1, 2011.

Alibaba (BABA)

The market's current sentiment toward Chinese equities has created a significant dislocation between Alibaba's intrinsic value and share price. After reaching a 52-week high of nearly \$150 in late March, Alibaba's ADRs fell over 30% to under \$100 and remain near this significantly undervalued price. Given our portfolio's exposure through multi-year option contracts, this volatility produces material mark-to-market price swings. However, these low prices are temporary, and the price today is not reflective of the company's underlying fundamentals. Alibaba has the capacity to generate and return enormous amounts of cash to shareholders in the coming years.

The recent sell-off reflects regulatory uncertainty, tariff speculation, guidance noise, and delisting headlines. Behind the scenes, President Xi Jinping's February symposium with technology leaders including Jack Ma suggests potential regulatory relief from Beijing's multi-year regulatory crackdown.

Alibaba is characterized as a cash-rich, free-cash-flow compounder with global growth in e-commerce, cloud, and AI. As sentiment normalizes, we expect the ADR price to double reaching \$200 in 2028, driven by growing free cash flow and multiple expansion combined with robust share repurchases.

Alibaba's management is returning substantial capital to shareholders. The company approved a \$2.00 per ADR dividend during Q2 (a \$4.6 billion distribution) and repurchased \$805 million of its own stock, delivering over 2% in cash to shareholders in a single quarter. With \$19 billion more authorized for buybacks, we expect this aggressive return of capital to continue for the next two years.

The company's valuation remains exceptionally compelling. By adjusting its \$250 billion market capitalization for \$25 billion in net cash and its \$67 billion investment portfolio (including Ant Group), the core operations enterprise value (EV) is just \$158 billion. This amounts to just ~6x EV/EBITDA on its 12-month trailing \$26 billion, about half the ~12x median for mature tech firms. Free cash flows are growing, yet the market has priced Alibaba as if it is in decline.

The stock price swings will be volatile; however, the upward trajectory is clear, and we anticipate strong performance from Alibaba in the coming quarters and years.

Berkshire Hathaway (BRK.A / BRK.B)

During the 2025 Berkshire Hathaway Annual Meeting, 94-year-old Warren Buffett announced the natural succession of leadership, with Vice Chairman Greg Abel assuming day-to-day responsibilities effective January 1, 2026.

Buffett will retain his role as Chairman of the Board to ensure a seamless transition in governance and strategy. The market's predictable short-term reaction to this announcement was a sell-off, pushing prices down 10%. This is certainly temporary and creates a compelling entry point into one of the world's greatest compounding machines.

Berkshire enters the second half of 2025 with a record cash balance of approximately \$350 billion. This is not idle cash; it is a fortress of dry powder, earning over 4%, providing extraordinary and unmatched capability to deploy capital into attractive assets during the next market downturn. This contrarian advantage, combined with the proven capital-allocation discipline of its culture, is what has driven decades of returns. Under the operational leadership of Abel and the continued strategic oversight of Buffett, we are confident that Berkshire Hathaway is positioned to compound in value during the years ahead.

Talas

Our Turkish-focused basket of securities within Talas experienced a pullback amid geopolitical turmoil, persistent inflation and the resulting indiscriminate sell-off in Turkish equities. In this environment, fear overrides fundamentals, creating the asymmetric opportunities we seek. The nature of the selling among the

Turkish markets has driven the prices of many high-quality businesses in our Talas fund to shrink to just 4–5 times earnings.

This valuation disconnect is happening despite these companies generating strong free cash flow. Talas Portfolio companies like Arcelik distribute and sell their products throughout Europe and around the world, insulating their value from local currency fluctuations. Furthermore, other holdings like Tupras provide large dividends yielding 10% in U.S. dollars. This uncorrelated international allocation is a powerful diversifier for the portfolio and positions our partners for compelling long-term returns.

The Titan Strategic Income Fund

In response to significant partner interest, we are pleased to announce the upcoming launch of a dedicated vehicle for our proprietary cash management strategies: The Titan Strategic Income Fund. For years, we have run these income-generation strategies, including our Structured Dividend Capture framework, within Peterson Investment Fund I.

Launching this strategy in a standalone fund accomplishes two key objectives. First, it allows PIFI to remain laser-focused on its core mission of identifying and holding long-term compounders. Second, it offers our partners direct access to a liquid, income-generating vehicle managed with the same rigor and discipline you have come to expect from us. The fund will be managed by a world-class quantitative analyst brought on specifically for this purpose. We will open October 1, 2025, and existing partners who wish to learn more are encouraged to contact us directly for details.

AlphaOne AI, Inc.

During the second quarter, we formally launched our proprietary AI research platform, AlphaOne AI, Inc., which is now available to our partners at www.veritasalpha.com. This platform dramatically enhances the scope, scale, and speed of our research, generating comprehensive analyst reports on any U.S. public company in under 20 minutes. This is work that previously required weeks or months of manual data collection and synthesis.

AlphaOne AI, Inc., the entity that houses our team of developers, is constantly integrating more advanced AI models to improve the quality and depth of the analysis. While this technology is a powerful accelerator, it does not replace our investment process. Rather, its outputs serve as a powerful starting point for our rigorous, human-led verification and decision-making framework. This platform will be instrumental in identifying future opportunities and delivering an enduring analytical edge for our fund.

Our Position and Path Forward

We thank you for your continued trust and partnership. Our portfolio is structured with intention: concentrated positions in world-class compounders that are temporarily mispriced, supported by a dedicated cash management solution and a cutting-edge, proprietary AI research engine.

Temporary pullbacks, like those experienced this quarter, present an opportunity to add capital at attractive prices. The current dislocations offer a chance to purchase extraordinary businesses at compelling prices. We are well-positioned for the second half of 2025 and beyond. For partners considering incremental or new allocations, please note that October 1 is the final commitment date for 2025.

We look forward to continuing this journey of thoughtful compounding together.

Performance Highlights:

- Time since inception: 13.75 years
- \$1 million is now \$4.2 million net of all fees and expenses
- PIFI returned (10.1%) net of all fees and expenses during Q2

- S&P 500 including dividends returned 10.9%
- PIFI has achieved a 10.9% annualized net return since inception

2) Investment Philosophy

Our mission is to provide a world-class capital appreciation vehicle that builds enormous wealth for our long-term partners.

PIFI adheres to a disciplined value investing philosophy. Our objectives include capital preservation, limiting downside risk, and surpassing the S&P 500, including dividends, over the long term.

PIFI is a concentrated, long-term, value-based fund. Our focus is on owning thriving businesses with proven leadership teams trading at discounts to their growing intrinsic values.

Portfolio Characteristics:

- Seven core positions across the financial, industrials, insurance, and technology sectors
- Companies headquartered in China, South Africa, Turkey, and the United States, serving customers globally

Core Tenets:

- Perform bottom-up, in-depth, fundamental analysis used to selectively purchase undervalued companies with great business models and exceptional management teams
- Deploy capital with high portfolio concentration on our highest conviction ideas
- Employ a low portfolio turnover strategy, holding most positions for years
- Avoid excessive leverage with rare use of margin
- Focus on minimizing taxes and expenses

3) Operations

Alignment of interests is a top consideration in every operational design decision.

On August 16, 2025, we will host our virtual Annual Meeting. Your invitations have been distributed electronically, and we look forward to seeing you.

The 2024 Annual Meeting is available on our YouTube channel.

Incentivizing Structure:

Our unique fee structure, based on the original Buffett partnerships, places incentives on performance to align interests and deliver our mission. My family is among the largest partners in the fund. Your capital is invested alongside our own, and the fund is the sole investment for nearly all our family's net worth.

- Zero management fees for commitments over \$2 million with annual liquidity
- Annual hurdle rate of 5%
- Performance incentive of 25% earned only on profits over the annual hurdle rate each year
- High-water mark provision (incentive allocation earned only when reaching new all-time highs)
- Balances under \$2 million include a very small 0.9% management fee and offer quarterly liquidity

Future Commitments:

Our minimum commitment range for new LPs is \$250,000 - \$2 million, and as little as \$25,000 can be added to existing accounts. Balances over \$2 million have zero-management fees, while balances under \$2 million have a small 0.9% management fee.

- Accepting capital from new accredited investors and existing partners quarterly (January, April, July, October)
- Email me for guidance on completing the electronic subscription document (available online)
- The subscription documents and capital must be submitted prior to the next participation date (July 1)
- Please email me or find the subscription documentation online if you would like to participate ahead of the upcoming commitment date.

Partner Communication:

We provide detailed communication through quarterly statements, quarterly letters, annual reports, and annual meetings. Historical letters, public appearances, and legal documentation are available to review on our website.

- **Statements:** Quarterly electronic statements are delivered by our administrator, Yulish & Associates
- **K-1 Tax Documentation:** Delivered annually in March by our auditor, Spicer Jefferies
- **Quarterly and Annual Reports:** All past letters and reports are available online
- **Audit:** Included with each Annual Report available online
- **Annual Meeting:** Replay on our website and YouTube channel
- **Redemptions:** Zero-Fee Class (annually on December 31) and Exception Class (quarterly), each with 60 days' written notice
- **IRA, Trusts, and Qualified Capital:** Some partners use a self-directed provider to participate in the fund. These assets and their returns maintain their tax-advantaged status

Thank you for taking the time to review our quarterly letter. I am honored to work with such an esteemed group of partners and proud of what we are accomplishing together. Thank you for your continued interest, referrals, and support. You play a critical role in our continued success and in helping us fulfill our mission of providing a world-class capital appreciation vehicle that builds enormous wealth for our long-term partners. I appreciate you and look forward to our future success.

Warmly,



Matthew Peterson, CFA
Managing Partner
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Matthew Peterson, CFA

Matthew Peterson is the Managing Partner of Peterson Capital Management, LLC. Matthew has been working as a financial professional for over two decades. His experience includes working with global financial services firms including Goldman Sachs, Morgan Stanley, Merrill Lynch, American Express, and Ameriprise Financial.

Prior to forming Peterson Capital Management, LLC and launching Peterson Investment Fund I, LP, Matthew split time between Wall Street and London as Capital Markets Manager at Diamond Management and Technology Consultants. Matthew worked as a member of both the U.S. and U.K. offices, with expertise spanning risk management and derivative processing. During his tenure with Diamond, Matthew worked with top-tier investment banks, global payments firms, and international insurance companies to deliver high impact solutions to his clients' most challenging business problems.

In 2010, Diamond was purchased by PWC and became Diamond Advisory Services.

Before Diamond, Matthew worked with Merrill Lynch and founded M. Peterson Financial Services, a financial planning firm that offered client planning services to American Express Financial Advisors.

Matthew holds a Chartered Financial Analyst (CFA) designation. He earned his Bachelor of Science in economics and minor in mathematics from the University of Puget Sound. Matthew has lived and worked in China, England, and the United States. Matthew and his wife, Gamze, have two children, Isabel and Adrian.

The performance data presented represents that of Peterson Investment Fund I, LP.

This document does not constitute an offer to sell, or a solicitation of an offer to buy membership interests in Peterson Investment Fund I, LP. We will not make such offer or solicitation prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the fund, we advise potential investors to carefully read the offering memorandum, the operating agreement, the related subscription documents, and to consult with their tax, legal and financial advisors.

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