

A Snapshot of Our Investment Philosophy

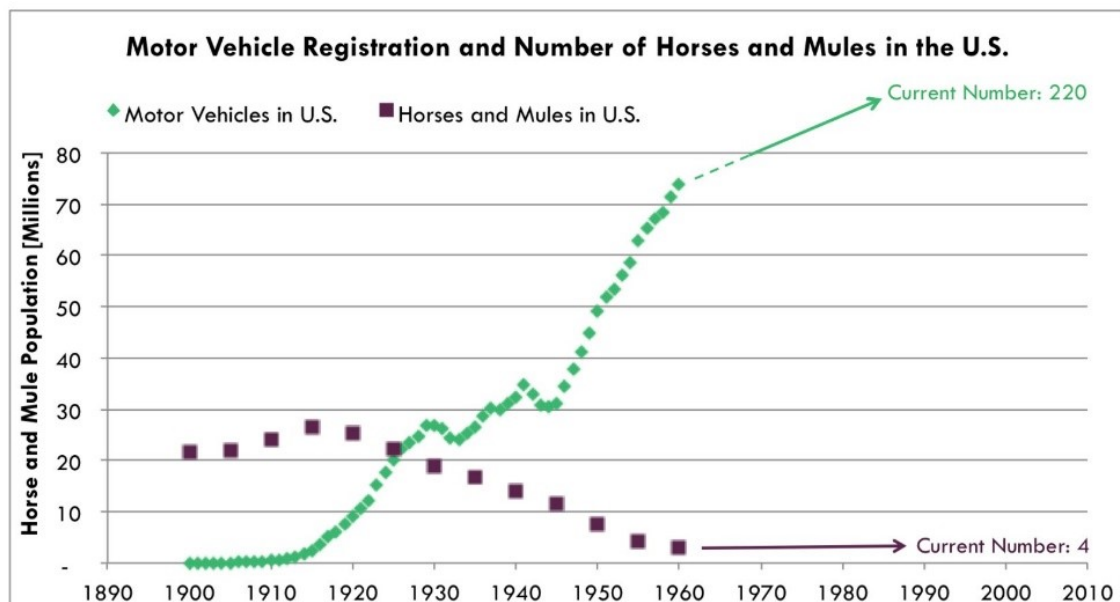
This article is excerpted from a letter by MOI Global instructor Edward Chang, portfolio manager at Pledge Capital, based in New York.

Edward is a featured instructor at Best Ideas 2021.

We love finding two types of investments:

(1) A business which has a great product or service that is in the early days of market share gains. The company's product/service is better than current industry norms and most customers have not discovered the company. There is usually a great management team, but the best businesses can do well with even average CEOs. In the ideal scenario, you do have a talented and highly incentivized executive team. The key is a great system, model, and advantage. Their product/service must address a major pain point and provide a superior customer experience.

(2) A company that is building or has recently built a new product. Good management teams maximize efficiencies, but great CEOs build new product cycles. They have a vision that will transform an industry and the ability to execute.



Source: ARK Investment Management LLC, Bureau of Transportation Statistics, Bloomberg Intelligence, EVvolumes.com, IDC

While many companies in the second group come from the start-up universe, they also come from incumbents with an established competitive position that management then builds on

top of. In the mid-2010s, while covering restaurants at UBS, I witnessed Panera and McDonald's roll out digital initiatives to their franchised systems. They were early adopters of mobile ordering and tablet/kiosks that transformed their customer experience. These initiatives took significant investments in technology and restaurant re-designs, but ultimately helped reduce wait times and increase convenience. The changes were popular with customers and drove improved financial performance. As a result, investors in these two stocks reaped a considerable financial return.

With the second group of opportunities, the key is finding a management team that thinks like a founder. They are making strategic changes and building a new product cycle that solves a significant pain point in their industry. As this new product is developed and improved, the company hits an inflection point when customers embrace the new product/service.

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