

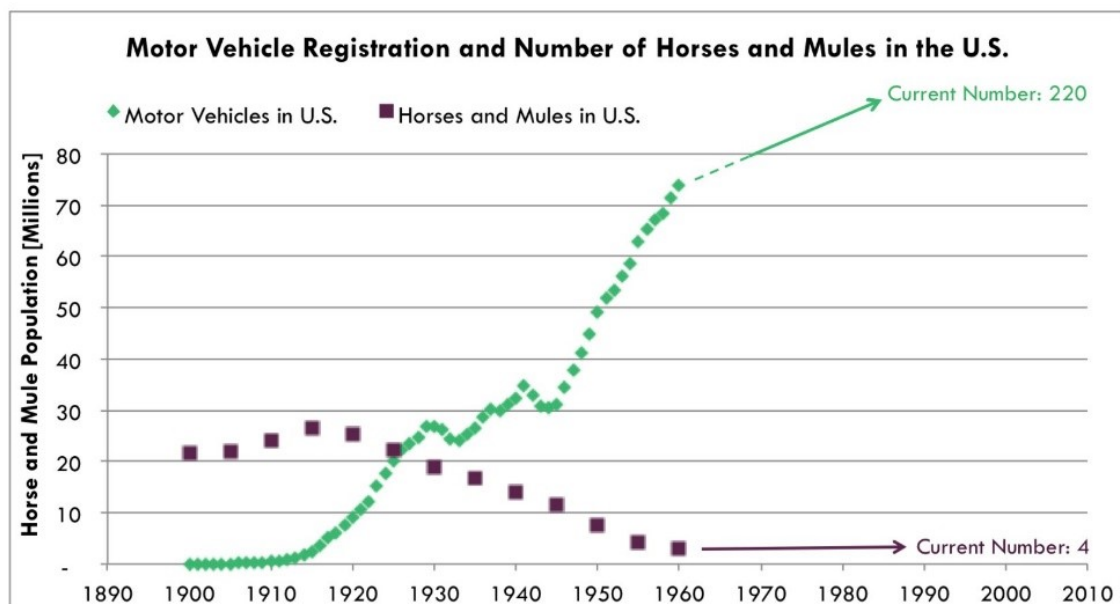
A Snapshot of Our Investment Philosophy

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.



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.

The content of this website is not an offer to sell or the solicitation of an offer to buy any security. The content is distributed for informational purposes only and should not be construed as investment advice or a recommendation to sell or buy any security or other investment, or undertake any investment strategy. There are no warranties, expressed or implied, as to the accuracy, completeness, or results obtained from any information set forth on this website. BeyondProxy's officers, directors, employees, and/or contributing authors may have positions in and may, from time to time, make purchases or sales of the securities or other investments discussed or evaluated herein.