

Pine Investment Advisory

Investment Memo: 1st half of 2025

TO: Clients (Investment Partners), July 11, 2025

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The stock market is where fear and expectation intersect. Market volatility is the sum of stock price declines and increases. Stocks are classified as risky assets because of stock price volatility. Companies with excellent competitiveness generate cash profits and grow in the medium to long term. When corporate profits are reinvested and profitability are maintained, the long-term performance of the company is excellent. Pine Investment Advisory invests in differentiated competitive business structures. There are approximately more than 2,700 listed/registered companies on the Korean stock market. Pine Investment Advisory invests in 15 to 20 companies.

The investment performance of Pine Investment Advisory customers in the first half of 2025 was 40.8%. The annual return over the past 15 years was 15.3%. Recent performance was relatively high. Downward adjustment is possible at any time. Since it is difficult to predict investment sentiment, it is impossible to predict stock price increases and decreases. The average return on equity (ROE) of the top 10 investment companies is around 24%. The 10-year average of KOSPI is in the range of 6 to 10%.

(Table 1) Investment returns (Accumulated) (Yearly)

Year	PINE Investment	KOSPI (+dividend)	PINE Investment	KOSPI (+dividend)	Difference (+/-)
2010 (9~12)	12.7%	17.7%	12.7%	17.7%	-5.0%
2011	19.9%	4.3%	6.4%	-11.4%	17.8%
2012	42.3%	15.6%	18.7%	10.8%	7.8%
2013	54.0%	17.6%	8.2%	1.8%	6.5%
2014	70.3%	13.3%	10.6%	-3.7%	14.3%
2015	85.2%	17.5%	8.7%	3.7%	5.0%
2016	86.3%	23.2%	0.6%	4.9%	-4.3%
2017	131.4%	51.5%	24.3%	22.9%	1.3%
2018	96.6%	27.8%	-15.0%	-15.7%	0.6%
2019	176.4%	40.4%	40.6%	9.9%	30.7%
2020	241.1%	86.4%	23.4%	32.8%	-9.4%
2021	334.8%	96.7%	27.5%	5.5%	22.0%
2022	252.3%	51.1%	-19.0%	-23.2%	4.2%
2023	320.1%	83.0%	19.3%	21.1%	-1.8%
2024	485.0%	68.7%	39.2%	-7.8%	47.1%
2025 (1~6)	723.5%	115.9%	40.8%	28.0%	12.8%
Accumulated returns	723.5%	115.9%	723.5%	115.9%	607.6%
Annualized returns	15.3%	5.3%	15.3%	5.3%	9.9%

Notes: For 4 months of 2010, PINE's PI returns. After 2011, PINE clients avg. returns (fee unexcluded)

Source: Pine Investment Advisory, KRX. **"Past performance does not guarantee future returns"**

In the first half of 2025, Korea's political and economic environment was chaotic. The impeachment and election of the president, the Trump administration's tariff policy in the US, and the downgrade of the US credit rating by Moody's, etc., affected the capital market. Investment sentiment was negative. Political and economic news affect market environment

variables. Stock prices rose even amid uncertainty. Political and economic variables changed. Stock investors' expectations led to the rise in stock prices.

We have summarized recent information related to companies with a top position.

Samyang Foods (003230)'s 2nd factory in Miryang will be put into operation in the second half of the year. It will be able to resolve the supply shortage caused by the increase in overseas demand¹ for Samyang Foods' 'Buldak Ramen' and 'Carbo-Buldak Ramen'. The annual ramen production capacity of 1.8-2 billion units will increase to 2.8 billion units. This is about 2% of the global market in terms of volume. If facility investment in China is carried out in the future, Samyang Foods' global supply share may expand to 3-4% or more. Samyang Foods is pursuing a product diversification strategy with 'Buldak Ramen', 'Carbo- Buldak Ramen', and 'Tangle²'. The 'Tangle' product is a diet pasta concept. Samyang Foods' product diversification is similar to the product diversity strategy of the global potato chip brand 'Pringles'. Samyang Foods' operating profit margin in the first quarter of 2025 expanded to 25% due to improved production efficiency. It improved by 5.4% points compared to the annual 19.9% in 2024.

Recently, an increasing trend in spending on dermatological procedures has been confirmed in the card usage amount of foreign tourists visiting Korea. According to **Pharma Research (214450)**, the 'Rejuran' medical device procedure is estimated to have a 40-50% share of the domestic skin boosting market (market data). The satisfaction of foreign tourists visiting Korea with the 'Rejuran' procedure is high. Academic papers related to Rejuran PDRN ranked first in citation frequency (2023)³. This is data that can confirm the reliability of doctors, who are the first customers of dermatological procedures, regarding Rejuran.

(Table 2) Global Investment Returns (Accumulated)

Year	Pine	ACWI	S&P500	KOSPI(+d)
2020 11~12	1.8%	5.9%	5.3%	12.9%
2021	56.0%	23.8%	33.6%	19.1%
2022	5.7%	-0.5%	7.6%	-8.5%
2023	29.1%	17.5%	33.7%	10.8%
2024	97.2%	37.0%	64.8%	2.1%
2025 1~6	147.8%	47.1%	73.0%	30.7%
Accumulated returns	147.8%	47.1%	73.0%	30.7%
Annualized returns	21.5%	8.6%	12.5%	5.9%

(Yearly)

Pine	ACWI	S&P500	KOSPI(+d)
1.8%	5.9%	5.3%	12.9%
53.1%	16.9%	26.9%	5.5%
-32.2%	-19.6%	-19.4%	-23.2%
22.1%	18.0%	24.2%	21.1%
52.8%	16.5%	23.3%	-7.8%
25.7%	7.4%	5.0%	28.0%
147.8%	47.1%	73.0%	30.7%
21.5%	8.6%	12.5%	5.9%

Notes: MSCI ACWI, S&P500, and KOSPI is not included dividends. Pine investment returns is not excluded fees.
Source: Quantwise.com, Pine Investment Advisory. **"Past performance does not guarantee future returns"**

Pine Investment Advisory's Global Investment Asset invests in US, Japanese, Chinese and Korean companies with high correlation with Korean business. We invested in cosmetics distributor '**Ulta Beauty' (ULTA-US)** a year ago. Ulta Beauty is similar to the business of 'Olive Young', a Korean cosmetics specialty store. Ulta Beauty is a cosmetics, skincare, and beauty service business model. It is the number one beauty-related distribution company in the US. Pine Investment Advisory started investing in August 2024 at \$370-\$380. It is \$467 at the end of June 2025, +25% increase.

Cosmetics industry are sensitive to economic changes. There is also a saying that sales of relatively inexpensive lipsticks increase during a recession. However, the global cosmetics industry has recently changed. 1) The competitiveness of luxury cosmetics has slowed down, and 2) the cosmetics consumer base has expanded through various channels. We can meet new commercial models/actors online. New distribution channels have increased on SNS such as TikTok, YouTube, and Instagram. Ordinary people are transforming into e-commerce market participants from their own homes. The market of famous celebrity models and high-end brands sold on the first floor of department stores is giving way to new competitors.

The change in the cosmetics business market is confirmed in the US market. In 2023, the top country for cosmetics imported into the US was France. French products such as L'Oréal and Estee Lauder accounted for 17.3% of the total cosmetics import amount in the US, worth \$1.15 billion. In 2024, the top importing country was Korea. Korean cosmetics accounted for 22.4% of the total US import amount, worth \$1.7 billion. In the past, the top 1 and 2 imported cosmetics in the US were French and Canadian products. Korean cosmetics led the change in consumers. In the online distribution market, consumers preferred new and high-quality products. Korean cosmetics are of good quality and reasonably priced. 'Ulta Beauty' is strengthening its digital sales channel with its membership customer base.

The number of Ulta Beauty's stores in FY24 (24.02~25.01) increased by 4.3% year-on-year to 1,445, but sales increased by only 1%. Market investors sold 'Ulta Beauty' stocks due to low sales growth. Pine Investment Advisory took it as an investment opportunity. Current profit reinvestment is business performance after 1~2 years. Investment and performance occur with a time difference. It was the reason for investing in 'Ulta Beauty' in the summer of 2024. If the investment perspective is expanded to the last 5 years, the results are different. Sales increased by 8.8% per year compared to the 2.9% increase in the number of stores. Operating profit increased by 11.7%. Improvement of the mid- to long-term business structure is important.

The ROIC for the past three years has been in the range of 30-37%, and the PE is 16-21 times. The net income per share has increased by +12.1% per year. Sales for the same period have grown by 9% per year. The Ulta Beauty management purchased and burned treasury stocks with cash profits after reinvesting for business capacity growth. As a result, the value per share has increased. The combined treasury stock purchase amount for the past three years was \$2.93 billion/FCF \$3.17 billion. 92.4% of cash profits were returned to shareholders.

The structural law of 'investment company profit growth' = 'value increase' has not changed. We are investing in global companies that increase business efficiency in the Korea-US-Japan-China industrial structure. The performance of the global investment fund in the first half of 2025 was +25.7%. MSCI ACWI rose 7.4% and S&P 500 rose 5.0%. Global investment performance for 4 years and 8 months from November 2020 to June 2025 is a 2.5-fold increase, an annual return of +21.5%. Our Global investment management is investing 44% in Korea, 41% in the US, 9% in Japan, and 4% in HK (China).

Investment psychology and rational judgment

The number of people participating in the Korean stock market is 14.1 million (Financial Investment Association, March 2025). Of the 30 million economically active population, approximately half are investing in stocks.

The Korean stock market has a high proportion of individual investors. Individual investors have relatively weak psychology. Maintaining patience in investment is a difficult task. The average turnover rate of KOSPI over the past five years is 145% per year and that of KOSDAQ is 650%. This means that stocks change hands every 2 to 8 months. However, corporate value does not change once every 6 months. The corporate investment period requires at least 3 to 5 years. The stock market encourages agile response to unexpected situations. Mobile news is delivered in real time, faster than daily newspapers. News promotes stock trading decisions. Psychological factors have a strong influence on stock prices. Corporate value and psychological changes cannot go together. Warren Buffett, who has over 60 years of experience in stock investing, warned investors to beware of psychological volatility at the annual shareholders' meeting in May.

"What happened in the last 30 to 45 days, 100 days, whatever that period is, is actually nothing. If it had gone up 15% instead of down 15%, people would have accepted it surprisingly well. But if the stock price goes down 15% and it affects you in a big way, you have to have a slightly different investment philosophy because the world is not going to adapt to you. You have to adapt to the world. This is part of the stock market, and if you have the right temperament, it's a good place to focus your efforts, but if you get scared when the stock market goes down and excited when the stock market goes up, it's the worst place to invest. I'm not being particularly critical. I know people feel emotions, but when you invest, you have to check your emotions at the door." -- Warren Buffett, BRK Annual Shareholders' Meeting, May 2025

The clients of Pine Investment Advisory are diverse. Investment partners range from 90-year-old seniors to corporations and individuals (HNW) and family asset management. There is also financial institution fund investment consulting. Pension fund management assets are also managed. Individual investment partners (customers) cannot have the same tendencies. Most of Pine Investment Advisory's customers are joining Pine Investment Advisory's investment strategy/philosophy with a calm mind. There has been a recent increase in net numbers of customers. This investment memo is important for new customers (investment partners). This is because patience to overcome the volatility of the stock market is important. The average contract period for Pine Investment Advisory's existing customers is in the 7~8 years range.

The author recommends medium- to long-term investment of at least 3-5 years to investment partners (customers). In the stock market, a crisis occurs once every 3-5 years. There is a period where stocks with good corporate value become cheap due to stock market volatility. A decline in stock price is not a loss. It is an opportunity to amplify future wealth. PINE's investment team investigates corporate business capabilities and focuses on analyzing

sustainability. Companies that generate cash profits and reinvest the profits to maintain profitability and grow are the most preferred. Reinvestment of profits amplifies **the long-term compounding effect**.

Pine Investment Advisory settles investment performance fees in 1-3 years intervals according to the contract terms for each client. Most investment partners make long-term investments by reinvesting investment profits. A few clients were case of withdrawal investment profits. The differences in long-term investment compounding effects were compared.

(Table 3) Comparison of income withdraw or not (units: billion KRW, %)

	Investment	Withdraw	No Withdraw	PINE's return
2013 (7~12)	4.0	-	4.2	5.3%
2014	4.0	0.0	4.7	10.6%
2015	4.0	1.1	5.1	8.7%
2016	4.0	0.4	5.1	0.6%
2017	4.0	0.1	6.3	24.3%
2018	4.0	0.0	5.4	-15.0%
2019	4.0	0.6	7.6	40.6%
2020	4.0	0.2	9.3	23.4%
2021	4.0	0.6	11.9	27.5%
2022	4.0	1.5	9.6	-19.0%
2023	4.0	0.2	11.5	19.3%
2024	4.0	1.1	16.0	39.2%
2025. (1~6)	4.0	1.8	22.5	40.8%
Sub Total	4.0	7.7	22.5	
Total amounts		11.7	22.5	
Accumulated returns		192.0%	463.1%	463.1%
Annul returns		9.3%	15.5%	15.5%

Note 1) Assuming the income withdrawal is maintained in cash,

Note 2) The investment return rate is based on average return rate of PINE's clients.

Source: Quantwise.com, Pine Investment Advisory. **"Past performance does not guarantee future returns"**

"W family assets" have been invested for 12 years. We compared cases where investment profits were withdrawn annually and cases where they were reinvested without withdrawal.

(1) In the case of reinvesting investment profits, the average annual rate of return for PINE's customers +15.5% was applied. Initial investment amount of KRW 4 billion to KRW 22.5 billion, a 5.6-fold increase. (2) On the other hand, in the case of withdrawing investment profits annually and holding them as cash assets, the initial investment amount of KRW 4 billion to KRW 11.7 billion (including KRW 7.7 billion in cash withdrawal) is a rate of return of 9.3% per year. Whether profits are reinvested or not is an opportunity cost in investment, and the difference in the effect of long-term cumulative compound investment.

We compared cases of investor investment decisions (actions). We compared cases of (1) reinvesting investment profits and (2) withdrawing investment profits. Assuming the same conditions (rate of return) in the future and extending the investment period to 12 years, the difference in asset size is significant. If extended to 24 years of investment period, (1) Investment profit reinvestment annual return 15.5%, assets are KRW 4 billion to KRW 127.1 billion. (2) Investment profit withdrawal case Annual return 9.3%, investment assets are

KRW 4 billion to KRW 33.8 billion.

Pine Investment Advisory Investment company = Investment company profit increase = Customer asset increase. The chain must be connected to experience long-term compound interest effects. Longer investment period is also important.

‘Investor performance = corporate value growth X investment partner behavior’.

There is an old saying. *“Patience is a virtue. If you can, you absolutely need patience. Patience is something that is rarely found in women and absolutely not in men.”* ⁴ There are no exceptions to the principle, but if you make an effort (action) to be patient, you can have good results.

5 year performance comparison

The investment performance for 14 years and 10 months from September 2010 to June 2025 is +15.3% per annum. If the investment profit reinvestment is maintained, the investment asset will double every 5 years. The compounding effect works at 4 times in 10 years and 8 times in 15 years. The investment performance improved with an annual return of +12.2% in the first period of the past 5 years, +13.0% in the second period, and +21.6% in the recent period. Most of the investment partners (customers) reinvested the profits, and Pine Investment Advisory continued long-term investment. The PINE’s management team made efforts to reduce mistakes. Luck also played a big role.

(Table 4) Investment returns by 5-years period

	Period(yrs)	PINE	KOSPI	different
2010.09~2015	5.3	12.2%	3.1%	9.2%
2016~2020	5.0	13.0%	9.7%	3.3%
2021~2025.06	4.5	21.6%	3.3%	18.3%
2010.9~2025.06	14.8	15.3%	5.3%	9.9%

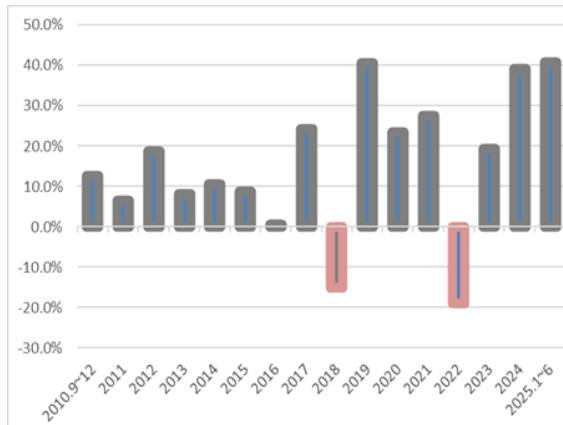
Notes: PINE clients avg. returns (fee unexcluded) and Kospi returns (dividends included)

Sources: Quantwise.com, Pine Investment Advisory, **"Past performance does not guarantee future returns"**

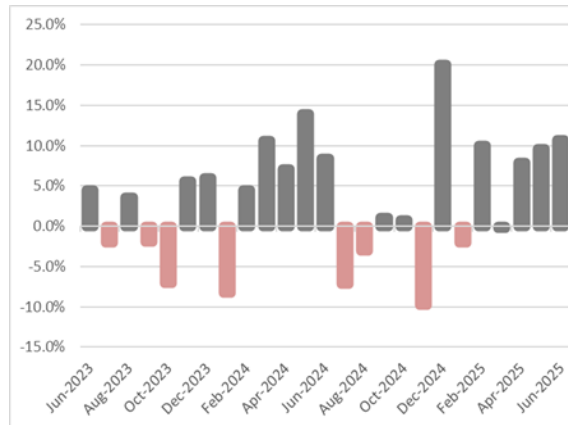
The number of new investment partners (customers) increased due to the improvement of Pine Investment Advisory’s investment performance and the transition to a recovery phase in the Korean stock market. New investors who have high expectations for the recovery of the Korean stock market need to lower their expectations. Volatility is a characteristic of the stock market. (Figures 1 and 2) should be referred to.

Looking at Pine Investment Advisory’s 15 years of investment experience (Figure 1), there were also -15 to 20% declines in one year on an annual basis. In the recent 24 months, a 5 to 10% decline in monthly returns (Figure 2) was a frequent occurrence. The volatility of the stock market is unpredictable. Although expectations are high regarding the Korean stock market value-up program, if there is no actual corporate profit creation, expectations for a stock market recovery can increase the cause of a stock price decline adjustment. It takes time to implement policies to improve the Korean stock market value reevaluation system and change the investment culture.

(Figure 1) PINE's returns yearly (14.8 years)



(Figure 2) PINE's returns monthly (24 months)



Source: Quantwise.com, Pine Investment Advisory. **"Past performance does not guarantee future returns"**

Investment Strategy and Portfolio

Pine Investment Advisory 1) prefers companies that generate cash profits with excellent competitiveness. Companies that grow while reinvesting cash profits are investment targets. 2) Narrow investment targets to companies with efficient capital allocation capabilities and managed by trustworthy management (major shareholders). 3) Invest at a reasonable value level. Invest patiently in companies within the scope of the Pine Investment Advisory management team's understanding over the medium to long term.

The new government is promoting a value-up program for the Korean stock market. Changes in the market environment cannot be effective in the short term. Dividend increases and treasury stock buybacks are not corporate competitiveness. Improvement and sustainability of the business capabilities of invested companies are important. Investment opportunities can be found in the possibility of change in companies that do not reinvest business capabilities and have excessive retained earnings.

The effect of the Korean stock market value improvement policy can lead to improvements in the market environment and system in the medium to long term. As the capital efficiency of the Korean stock market increases, the discount rate on the cost of capital also decreases. Improvement in the medium to long term ROE (return on capital) can lead to a reevaluation of corporate value.

The investment memo is written for all investment partners (customers). The investment timing is different for each investor. The investment performance may also be displayed differently. Different investment performance tables are provided for each individual investment partner (customer). Past investment performance cannot guarantee future performance. Stock market volatility cannot be avoided. Investors who invest in mid- to long-term companies with long-term growth in corporate value can share the cumulative effect of corporate profit growth in the future. This is why we recommend investment partners (customers) to invest for at least 3 to 5 years.

The PER for the domestic stock investment portfolio for the forward 12 to 18 months is around 14 times. The current stock price level is KRW 780 compared to the value of KRW 1,000 of the investment portfolio. The investment ratio by industry is 35% in healthcare plus cosmetics, 30% in consumer staples, and 20% in semiconductors/IT. Global investment is invested at a ratio of 44% in Korea, 41% in the US, 9% in Japan, and 4% in HK (China).

*** Please refer to the quarterly reports sent separately for investment return rates by customers and investment companies.*

The investment compounding multiplier effect increases assets exponentially with long-term compounding, as of 2x-4x-8x-16x-32x xxx... Pine Investment Advisory's investment time passed around 15 years with annual return of 15%. If investment profits are reinvested at the continuously action, the initial investment amount increases by 8 times. Investor assets of KRW 1 billion increased to KRW 8 billion in value. It took 15 years to create additional + KRW 7 billion in investment profits. If the same conditions are met, an additional + KRW 8 billion in investment profits is possible in 5 years. The investment compounding multiplier effect works for everyone, but investor action (practice) is required. Patience is a difficult task, but it is possible for mid- to long-term smart investors.

Most of the investment partners of Pine Investment Advisory who are reading the investment memo are making mid- to long-term investments while reinvesting investment profits. The investment partners' efforts (actions) have been together in the growth of Pine Investment Advisory. The environment where we can be free from market noise is thanks to our investment partners (customers). Thank you.

Take care of your health in the summer heat. I will see you in the next investment memo.

Warmest regards.

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¹ Maeil Business Newspaper 2025-06-15, 'Please give me Carbonara Buldak'
<https://www.mk.co.kr/news/business/11342815>

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- ² Samyang Foods – ‘Tangle’ Product, <https://www.youtube.com/watch?v=W6eOk2pLwC8>
- ³ Pharma Research “Rejuran Main Ingredient PN Paper Selected as ‘Most Cited Paper of 2023’ by International Journal” - M Medi Consumer News, 2025.05.09.
<https://www.medisobizaneews.com/news/articleView.html?idxno=125403>
- ⁴ “The 100-Billion Stock Unchangeable Law”, Thomas Phelps, FN Media, p76