

Sung Nam
October 9, 2012

2012 Shareholder Letter

The letter may be a bit premature, but we were looking through the 2010 and 2011 Shareholder letters and were inspired to provide our readers with the latest updates on our website, research and upcoming goals, plans for 2013.

2012 has been the best year so far. We completely revamped and fine tuned our equity reports utilizing our SNV Automated model. Since the inception in Oct. 2011, we have created a 45 stock portfolio, with 25 reaching their target return within the 1 year span at an average 15%. Inclusive of the unrealized gain/losses, the total return is -1%, which has greatly underperformed the benchmark targets, yet has rallied from their all-time low of -7% earlier this year.

We have been placed a priority on our distressed debt related research, which has truly opened our eyes to the capital markets and valuation. We realized the importance of fulcrum securities and EV valuation. Also, we couldn't figure out a way to value real estate properties since most of the cash flow data is held privately, but we realized REITs are a great alternative and started to analyze a handful in mid-2012.

2012 was a very volatile market, especially with Europe, the commodity rally in the summer and concerns of a slowdown in China. As a result, the daily Musings upload have greatly increased our views on the market, economy and their deep correlation.

From Jan. 1, 2012 to Oct. 09, 2012

75 reports for equities

8 reports for distressed debt

5 reports for real estate/REIT related

8 reports for Korean companies

75 Daily musings

We believe SN Valuation will reach new milestones in 2013 with a goal to further develop the distressed debt and real estate space. Also, we plan on collaborating with more interns. We have been in communication with 1 intern on a consistent basis this year. We would like to create a monthly meeting for a group of 4-5 individuals starting 2013 in the Seoul area with a clear intent to develop a Gyopo finance network and discuss relevant valuation topics.

Most importantly, we have started a Business Acquisition Series and we would like to turn an idea into an actual business in 2013. We don't want to leave the research as a good tidbit or theory; we want to see the ideas moving and tangible. We thank God for the idea, inspiration and drive to continue with this venture. May many people benefit from this firm in tangible ways and see His wonder and might as a result. Amen.