

## Annual Letter 2016

March	Looking for English tutoring
April	Received samples from earphone and air sofa
May	Organic fruits; Baby shoes failed
June	Launched Azusa Investments and integrated with SNVH
	AI TearSheet/Yukdoh development
Aug, Sept	Developed Azusa Investments website
	Factory Broker
	FormCard Correspondence
Oct	Diamonds
Nov	Sell jackets
Dec	Look into 2017 Spring items

2016 - a very different year compared to developing SNVH..

AI is not just a research firm for public equities, it has been working on startups for the past year, mainly focused on global trade, or import/export. Introducing new products to the Korean market. Compare this to SNVH, which didn't require emails to distributors, manufacturers. It didn't require capital investment and business licenses. SNVH was a great playground to develop the underlying investment principles.

We loved every moment of it. We didn't want to be subjugated to a computer monitor and Excel files. No, we wanted to provide a service that was tangible, and therefore, marketable. No longer theory, but an actual money generating company.

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### SNVH | Research. Execute.

SNVH is the holding company of 2 distinct business groups – SNValuation and SN Group. SNValuation is our investment research division which focuses on public companies, and is involved in equity valuation, investor activism, and publication of research. SN Group is our business incubator where we invest in, manage and reposition our startups and acquired businesses.

## Public equity=> Startups=>Venture Capital=> Private Equity

We are now in the 2<sup>nd</sup> stage of our development.

We were primarily a research firm. Now, we are developing startups. Once the cash starts rolling in, we will invest in other developed startups, which is called venture capital. After this works, we will invest in more mature businesses, which is called private equity.

We advise new entrepreneurs to focus on investing in stocks and starting their own business. It requires minimal capital and one can learn a lot about business, before putting larger amounts of capital into the bigger ventures.

Public Equity		Private Equity	
AI Korea	Research	<b>Startups</b>	
AI USA	Research	Yukdoh	Webapp
AI Tearsheet	Webapp	AI Trading	Global Trade
Automated Valuation Model	Excel based	Diamonds	in progress
		Factory broker	in progress
		3D Printer	in progress
		FormCard	in progress
		Earphones	Completed; Still have a lot of inventory
		Imported Fruits	Completed; 2x Return
		Air sofa	Dropped
		Baby shoes	Dropped
		Portable fan	Dropped; regret the most due to heat wave
		<b>Venture Capital</b>	
		<b>Mature Private Equity</b>	
		Acquire a wholesale company	Goal 2017

### Startups

Need to either import/export, manufacture, broker, or develop the technology. Requires a lot of labor, attention, but costs little money.

**Manufacture** – outsource to factories in China and Korea

**Broker** – market the products made by the factories; commission of 1-2% of total sales volume

**Import/Export as principal** – try to import stuff that are small and have a higher price range; this is why diamonds are a great product. You pay less for shipping.

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Diamonds –very high risk of stale inventory, or less inventory churn. Sitting on \$50k worth of diamonds. Also, counterparty risk.

3d Printer – we are the broker so that is fine, but hard to move an item that is \$1,000/unit, for something that has a bad reputation from Indiegogo and the owner seems to be dodging pledgers.

Earphones – awesome margins but have to sell on the streets or on GMarket.

Portable fan – wasn't sure about margins (50%) but it would have sold at the beaches

Imported fruits – people liked the price, and bought our shipment. However, the fruits went bad after a couple days so need to sell with firm buyers in place.

Air sofa – I felt a lot of enthusiasm for this product, but the people around me were skeptical. Margin wasn't that great too.

FormCard – good margin, small, but hard to find buyer. The seller seems very eager to sell in Korea.

## Review

From the outside, it seems like AI didn't accomplish much. However, from my standpoint, we got over the large hurdle, which is the initial implementation stage.

The implementation stage is the dirtiest, toughest, most frustrating part of the process. Everything is new. Need to create brand new Excel files. Have to make cold call contacts to suppliers. Have to worry about taxes, import fees, and shipping. No rocket science here, but it is very tedious and draining, to say the least.

However, once the implementation stage is completed (making website, making email accounts, creating accounts for wholesale distributor websites, creating business license), the hard part is now refining the process, so that it is less cumbersome and time consuming. Over time, this process will be more efficient, and we can focus on the bigger picture.

We got the admin stuff out of the way, and now we are focusing on making contacts with buyers.

Another hard part was finding the right item. We have decided small sized objects (FormCard, diamonds) with high margins (100-200% markup) are the best. We don't need to pay high upfront costs for shipping and storage. We could

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technically start to sell from our house.

## 2017 Goals

The great business leaders are defined not only by leadership, but surprisingly, by their reinvestment prowess.

Once they generate the profit, what do they do with that? Do they pay out dividends, which is great for the now and here, but not so good for the future? Do they build a stronger moat, a defense from competitors, and etc? Do they invest in products/services which could generate more money in the future?

Of course, we would love to make money from one item first. However, we need to keep a pipeline of high conviction products/services so that we are not a one trick pony.

We need to keep in mind Spring products, few months in advance of the Spring season.

We need to continue researching the potential buyers for the factory products.

We need to continue generating reports for the equities, and really have high conviction because the capital will be ready very soon. Very soon.

## Personal Life

Now 1 year into wedding. Trying to have a child.

Thanking Jesus for all the goodness this past year.

Got a car (Sonata, Range Rover, Santa Fe) when we didn't have a car at the beginning of the year.

Bro been in France for 1.5 months with JTBC.

Been to Jeju Island 2 times this year with parents and mother-in-law. We also went to Seorak Mountain.

Been enjoying a period of prayer and answered prayer. Thank you Jesus!

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