Noah Investment Management Co., Ltd.

2025 Annual Letter

Performance

Year	Noah Investment Management	KOSPI
2020 (2020.12.03 ~)	+3.1%	+7.4%
2021	+18.5%	+3.6%
2022	-17.8%	-24.9%
2023	+29.8%	+18.7%
2024	+13.3%	-9.6%
2025	+8.8%	+75.6%
Cumulative (2020.12.03 ~ 2025.12.31)	+60.4%	+57.5%

(Professional investor type, Time-weighted return)

The 2025 return was +8.8%, which is -66.8% relative to the KOSPI index return of +75.6%. On a cumulative basis, our return of +60.4% is +2.9% ahead of the KOSPI index return of +57.5%.

In last year's annual letter, I noted that while the U.S. market had risen significantly, the Korean market remained sluggish, and I said with a mix of hope that 'the wind is bound to change direction.' Within just one year, the wind not only changed direction but blew as a gale through the Korean market. However, this gale was particularly selective, and unfortunately, it passed us by.

Five years have now passed—the quarter mark of our 20-year marathon—making this an appropriate time to evaluate our performance.

Evaluation and Purchasing Power

In our early (2022) annual letter, I discussed our goals. I stated that setting a target time horizon should take priority over setting a target return, and that once the time horizon is determined, the target return naturally follows. At that time, I set our goal at 20 years, and said that a legendary investor would achieve approximately 30% annually, an excellent investor 15%, and an average investor about 7%.

Our annualized return over approximately five years is 9.7%, placing us between excellent and average, skewed toward average. Since our goal is above the excellent threshold, we are significantly short of it. To reach the excellent level from here, we would need to achieve an annualized return of at least 16.8% over the remaining 15 years, and to become a legendary investor, we would need 37.6% or more. Considering that high early returns typically regress toward the mean over time, the probability of achieving our goal is declining. This is similar to the probability of a runner in the trailing group winning the marathon at the quarter mark.

If we have fallen short of our goal, we should at least justify our existence. Timely to this point, Li Lu recently spoke about wealth and investment performance as follows:

> *"Wealth is one's share of purchasing power in the global economy, and the goal of investing is to grow that share of purchasing power regardless of economic cycles by holding shares of the most dynamic companies in the most vibrant economies."*

Source: Global Value Investing in Our Era, Li Lu's keynote speech at Peking University, December 2024

If we cannot protect our clients' wealth, there is no reason for our existence. Evaluating whether our share of purchasing power in the global economy has been maintained, as Li Lu described: our five-year return of 60.4%, when adjusted for 27% inflation[1] and 33% currency depreciation[2] over the same period, appears to have barely preserved our share of purchasing power in the global economy.

To summarize our five-year performance: we are far short of our goal, and our justification for existence is marginal at best. Nevertheless, I still believe that if we can improve the quality of our decision-making through continuous learning, we can challenge the excellent hurdle of 16.8% annualized return over the remaining period. Since this letter is the only material that can serve as a reference for predicting my future performance, I believe its primary purpose is best served by documenting what I have learned and executed over the past year.

In that spirit, it is worth reflecting on the lessons from Li Lu's remarks mentioned earlier. Li Lu said that to continuously grow one's share of purchasing power, one must invest in 'dynamic companies' within 'vibrant economies.'

He explained that by owning relatively dynamic companies, even when economic crises cause markets to crash, one's share of purchasing power will increase beyond its previous level when the economy recovers and booms—emphasizing the quality of the companies one invests in. When you consider whether a candidate investment will grow the relative size of your purchasing power over the long term, the answer can sometimes be surprisingly straightforward. Today, I add another line to my checklist.

While discussing vibrant economies, Li Lu quoted Charlie Munger's frequent refrain: 'Fish where the fish are.' He noted that the sole reason Charlie Munger entrusted capital to Li Lu was precisely this—the fact that there are many fish in China and Asia.

Due to various structural reasons, I do not believe there will be many fish in Korea going forward. Fortunately, as key domestic industries have begun benefiting from AI, the Korean market has recently regained some vitality. I believe AI has bought us time to explore other markets. Awakened by Li Lu's words, I believe now is the time to actively seek out companies that will grow our share of purchasing power in markets where vibrant economies are alive and well. I hope that starting next year's letter, I will be able to include overseas investment performance as well.

[1] Based on IMF data
[2] KRW vs. USD

Small Flaws and Games

This year's gold medal for failure goes to the following:

In early 2025, I made a sizeable investment in a B2C company at good timing. After discovering a small flaw in the company, when the market plunged, that small flaw loomed large in my mind, and I sold. As of this writing, the company's stock price has risen 10.7x over a period of just over one year, and the small flaw turned out to have absolutely no impact on the company's intrinsic value. This is quite a heavy gold medal.

Had the market not plunged, or had I not judged the small flaw as a significant risk, I would not have sold. The combination of these two factors drove me to make the worst decision at the worst possible time. There are lessons to be drawn from each of these two components that forged this gold medal.

The first is that the small flaw remained in my mind simply as 'a risk exists,' without considering its actual impact on the business, which degraded the quality of my investment decision-making. My personal tendency to find and criticize small flaws seems to have influenced my investing. To overcome this personal trait, I must develop the habit of not shrinking at the mere existence of risk, but rather assessing its actual impact on the company as a probability-weighted change in expected value.

I recently researched the investment philosophy of Andreas, partner at RV Capital, known for its Business Owner Fund. RV Capital is somewhat known in Korea through its founder Robert Vinall's shareholder letters, but I recognized that his relatively lesser-known partner Andreas possesses extraordinary investment depth, and I sought out as much material about him as possible. He was a math prodigy and achieved annual returns exceeding 100% from 1994 to 2000. At RV Capital's 2025 Annual Meeting, he happened to discuss how to handle encountering negative views about a portfolio company that one was previously unaware of—relevant advice given the mistake I had already made. I noted the following:

> *"You should not too easily decide that you are wrong. Sometimes I get the impression that I'm wrong, I maybe sell something, and in the end it turns out I was always right. So you have to have some conviction in your own thinking. If your thinking was based on facts and you bent over backwards to be as objective as possible when making the decision, then maybe you're not as wrong after all as you may think after the share price goes down. So maybe you should believe in your own judgment."*

Source: Rob and Andreas' Q&A at RV Capital's 2025 Annual Gathering, https://www.youtube.com/watch?v=xNezcoquYrg, 59:07

The second lesson is that as the market was falling (while thinking about the incorrectly assessed risk mentioned earlier), I made the sell decision out of a desire to avoid losses as they seemed increasingly likely. Since the 2023 letter, I have been striving to view investing as a game and to let go of the fear of loss (attachment to money), but I clearly still have a long way to go.

In November 2025, amid the height of concerns about AI capital expenditure, a rumor circulated that OpenAI had requested a government guarantee from the U.S. government, and Sam Altman's related clarification post became a topic of discussion. While the content of his post was a rebuttal of the government guarantee rumor and an argument for the necessity of AI investment and betting, the part that struck me most was the following:

> *"If we screw up and can't fix it, we should fail, and other companies will continue on doing good work and servicing customers. That's how capitalism works and the ecosystem and economy would be fine. [...] to have the conviction to take a run at building infrastructure at such scale for something so important. This is the bet we are making, and given our vantage point, we feel good about it. But we of course could be wrong, and the market—not the government—will deal with it if we are."*

Source: https://x.com/sama/status/1986514377470845007

He speaks nonchalantly about leading what may be the fastest-growing successful company in history and potentially becoming a failure overnight. Because Sam Altman understands that forecasting AI demand at this point is an enormously difficult task, and that even a slight forecasting error could sink OpenAI, he called it a 'bet' and spoke honestly about the failure scenario. Personally, I am not a fan of Sam Altman's character, and I genuinely believe OpenAI is in an extremely precarious position. But setting personal preferences aside, reading this post, I felt no fear of failure whatsoever from him—it felt as though he were simply playing a game. I got a similar feeling from Elon Musk, who bet everything on new ventures right after his PayPal exit, and from Warren Buffett concentrating his investments in American Express.[3]

People say he can make such statements because he is already enormously wealthy and failure would not matter, but I believe that attachment to money and fame does not diminish simply because one has more of it. Nassim Taleb also said that once you become wealthy, the pain of losing your fortune is far greater than

the joy of having gained it.[4]

Through this failure and Sam Altman's post, I was reminded once again that investing should not be about anxiously clinging to a handful of wealth, but rather about accepting failure with the equanimity of losing a single play in a game. This is not a claim of moral superiority—it is because such an attitude is overwhelmingly advantageous in the highly volatile domain of investing. This failure made me acutely aware of how much further I have to go, and because it is an extraordinarily difficult standard to achieve, rather than self-blame, I intend to use this experience as motivation to keep feeling and keep striving.

[3] 2023 Annual Letter, page 5
[4] Antifragile, Nassim Nicholas Taleb, p. 236

Inner Scorecard

In the second half of 2025, I had the opportunity to dine with a successful investor in the industry. We had met occasionally before; he was someone whose AUM placed him among the leaders and who commanded respect and attention in the industry. The last time we met, I had heard he achieved returns exceeding 30% in the first half alone. But at this meeting, he confided that he was in great pain and that this was the most difficult period in his entire investment career. In the second half, as the market's mood shifted, his portfolio experienced a correction while semiconductors—which hold a large weight in the KOSPI—began their full-fledged rally, causing the KOSPI to surge. The irony was that even his annual results were decent in absolute return terms, and his clients' and personal assets were likely at all-time highs, yet he was going through the most painful period of his career.

I suspect the reason he was suffering was that the metric by which he evaluated himself was performance relative to the index, measured over short intervals. Unfortunately, the index is an external variable that cannot be changed by one's own effort or ability. Even Warren Buffett underperformed the S&P 500 in 20 out of 60 years through 2024. Yet cumulatively, he produced a 140x performance differential. If Buffett had evaluated himself by external standards like this investor, he would have suffered one year out of every three. Moreover, evaluating at short intervals can cause one to perceive short-term results as excessively bad even when good long-term outcomes await. Consider the students who take their own lives after a poor college entrance exam result—it illustrates how foolish it is to stake everything on short-term outcomes.

Warren Buffett, who has experienced it all, repeatedly emphasized the inner scorecard, and the expression that resonates most with me is the following:

> *"Would you rather be the world's greatest lover, but have everyone think you're the world's worst lover? Or would you rather be the world's worst lover but have everyone think you're the world's greatest lover?"*

Source: Snowball, Alice Schroeder, p. 19

I too went through a period of anguish caused by market fluctuations and external variables, so I have steadily worked to establish internal standards following Buffett's teachings and to evaluate myself independently of the market. Where effort alone was not sufficient, I created mechanisms such as not checking stock prices or index levels. During the same period, my performance was likely worse than that investor's (I hadn't checked my account for over a month and didn't know the exact figures), but I was largely unconcerned about my performance relative to the index for the year. I believe this is the result of my internal standards functioning as intended.

Of course, given the scale of his clients, I can understand why comparing to the market is unavoidable. However, if internal standards alone are insufficient and one is suffering because of external benchmarks, I believe the scale or nature of one's client base needs to be adjusted. During his partnership days, Warren Buffett had each client sign an individual pledge; ultimately, as everyone knows, he switched to a public

corporation structure. Mohnish Pabrai gave none of his clients his contact information, effectively blocking external evaluation entirely.

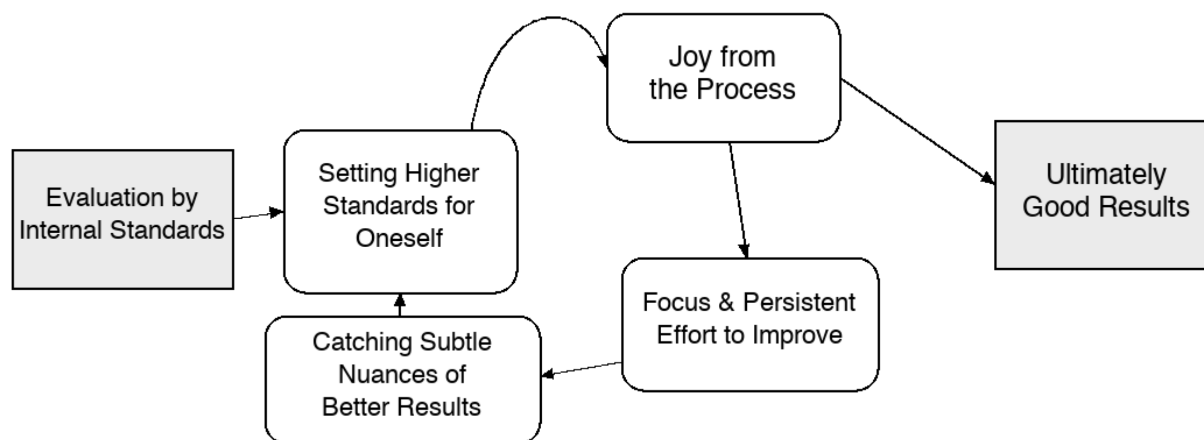
Buffett frequently emphasized the inner scorecard but rarely elaborated on what his inner scorecard actually consists of. He once briefly mentioned that one should periodically assess whether the moat of a portfolio company is widening, and so I have been evaluating the moats of my portfolio companies each year, independent of stock prices. An excellent example of evaluating portfolio companies according to an inner scorecard rather than price movements is Fundsmith, run by Terry Smith. In his semi-annual investor letters, he records metrics such as ROCE for his portfolio companies each year and evaluates and discloses them independently of stock price fluctuations, communicating his own inner scorecard with his clients.

	Fundsmith Equity Fund Portfolio								S&P 500	FTSE 100
Year ended	2018	2019	2020	2021	2022	2023	2024	2025	2025	2025
ROCE	29%	29%	25%	28%	32%	32%	32%	31%	17%	17%
Gross Margin	65%	66%	65%	64%	64%	63%	64%	62%	45%	43%
Operating Margin	28%	27%	23%	26%	28%	29%	30%	28%	18%	17%
Cash Conversion	95%	97%	101%	95%	88%	91%	85%	94%	89%	99%
Interest Cover	17x	16x	16x	23x	20x	20x	27x	29x	9x	8x

Source: Fundsmith LLP/Bloomberg.
ROCE (Return on Capital Employed), Gross Margin, Operating Margin and Cash Conversion are the weighted mean of the underlying companies invested in by the Fundsmith Equity Fund and mean for the FTSE 100 and S&P 500 Indices. The FTSE 100 and S&P 500 numbers exclude financial stocks. Interest Cover is median.
2018–2019 ratios are based on last reported fiscal year accounts as of 31st December and for 2020–25 are Trailing Twelve Months and as defined by Bloomberg.
Cash Conversion compares Free Cash Flow per Share with Net Income per Share.

Source: Fundsmith Letter to Shareholders 2025, https://www.fundsmith.co.uk/documents

However, I had a longing for an inner scorecard that transcends portfolio company evaluation and penetrates one's entire investment philosophy. Then I recently read the book Wisdom: How to Think and Judge Well in an Uncertain World by Marcel Gozali of Stone Sentinel Capital, and things became clearer. I first encountered Marcel Gozali as a speaker at Guy Spier's ValueX event, and upon reading his first essay on his website, I could immediately sense his depth. I became a devoted reader, eagerly awaiting each new quarterly letter. His investment performance, verifiable each quarter, has also been excellent. The core concept running through the book was an expansion of thinking about internal standards, and through it I was able to further concretize Buffett's concept of the inner scorecard. I have condensed and diagrammed the relevant content from the book as I understood it:



Source: Wisdom: How to Think and Judge Well in an Uncertain World, https://www.amazon.com/dp/B0GSZ6KDFP (diagram by the author)

When one evaluates by internal standards, the process itself brings joy, which naturally leads to focus and improvement, driving one to pursue excellence, which in turn sets higher standards—creating a virtuous cycle. And just as a master archer releases the arrow effortlessly from their fingers to produce the best result without deliberate intent, results follow naturally. In contrast, evaluation by external standards cannot produce joy in the process, nor can it set higher standards.

If you look closely, the core engine of this virtuous cycle is joy. Therefore, one's inner scorecard and the joy one experiences must be inextricably linked. I now better understand why Warren Buffett said he tap-dances to work every morning.

Treasure Hunting

Having learned investing from books, I came to believe that the essence of investing is finding hidden treasure-like companies—like Charlie Munger's Blue Chip Stamps, Warren Buffett's GEICO, or Peter Lynch's L'eggs (Hanes Corporation) that form the climactic moments of those books. Back when I worked in a different industry, I spent evenings and weekends poring over company filings in the library until the lights went off, searching for my own treasures—and those hours were joyful. I imagine those hours were to me what middle school was to Bill Gates and Paul Allen, what the Atari days were to Steve Jobs and Wozniak, and what the Hamburg days were to the Beatles. The combination of that devotion to treasure hunting and my penny-pinching tendency to not overpay is what I believe has produced consistent investment results to date.

However, treasure hunting can present several obstacles to maximizing returns.

First, treasure is hard to find, and even when found with difficulty, it is likely to be fake. The very premise that treasure is buried in the dirt is an improbable one. Likewise, the probability that an excellent company is being overlooked and undervalued by the market is low, and the probability that an ugly duckling company will suddenly become a swan is much lower than the probability that a company already doing well will continue to do better. Especially in the AI era where anyone can easily access information, such treasure hunting will only become harder. Guy Spier also recently wrote in a similar vein.[5]

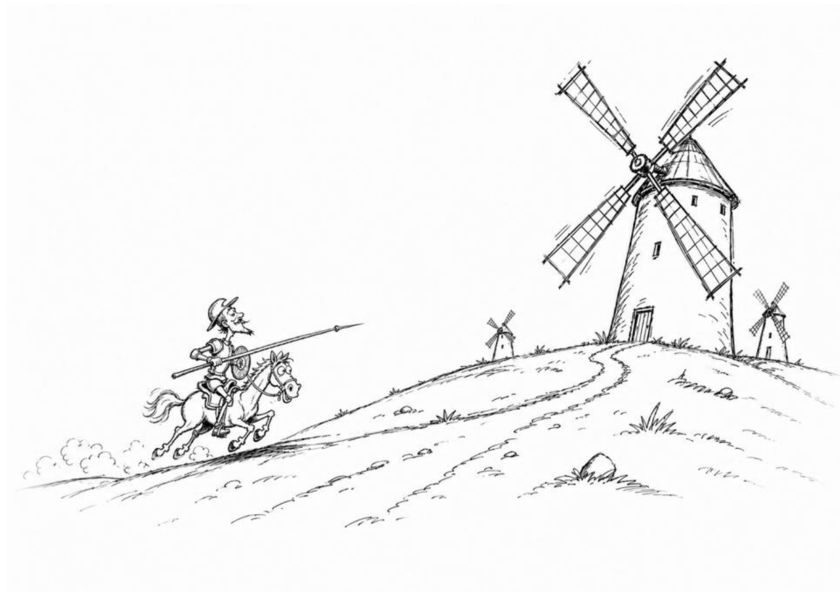
Furthermore, if one is solely devoted to treasure hunting, the opportunity cost of not investing in the many already-discovered treasures—that is, ideas and companies actively discussed in the market—is enormous. Ignoring already-discovered treasures means missing all opportunities to maximize time-adjusted returns through the rallies that come with concentrated attention and even bubbles in widely followed companies.

I have been aware of this problem for a long time and have made continuous efforts to view so-called market-leading stocks without prejudice, yet time and again I have failed to translate this into actual investments. Reflecting honestly on the cause this time: because ideas circulating in the market come with the thought that 'someone already knows about this,' my conviction was already weakened before I even began forecasting the future; the conclusion would always be 'I'm not sure,' and as the range of possible futures widened, the expected value fell, making the price seem too ambiguous for a concentrated investment—leading me to pass repeatedly.

The reason my conviction weakened was that the process was not enjoyable. Even if I forced myself to invest in market-leading stocks, if it is not enjoyable, I cannot produce the quality improvement that comes from joy, and ultimately the results would not be good either. Of course, for some people, the process of finding market leaders and maximizing returns brings great joy. And perhaps such differences in temperament are innate. Through this thought process, I realized that maximizing returns cannot be my inner scorecard. I also realized that people who maximize returns are playing a different game from mine. Comparing or evaluating results between different games is as nonsensical as comparing basketball scores with soccer scores.

So going forward, I intend to devote myself even more to treasure hunting, focusing on the joy of discovering Li Lu's gas station and the 'aha moment' as described in my 2024 letter, and on my inner scorecard.

Perhaps if I continue down this path for a long time, I may someday realize I have become Don Quixote charging at windmills. I will try to find the right path by bridging the gap between my long-term goals and actual results through learning, but if this is a path governed by joy, and if I was born this way, then if the end is a windmill, so be it. I ask investors and prospective investors to observe the game I am playing and the path I am taking, and judge well whether this is a Don Quixote.



<Source: Created by the author with AI>

[5] The Golden Age of Value Investing Is Over, Guy Spier, Bloomberg, 18 September 2025

AI and Bubbles

I mentioned earlier that Warren Buffett underperformed the S&P 500 in 20 years. His worst year of relative underperformance was 1999, when Berkshire Hathaway returned -19.9% while the S&P 500 returned +21.0% (NASDAQ +85.6%). Among his major holdings, Coca-Cola's stock was cut in half, and General Re delivered dismal results. Berkshire Hathaway's own stock also fell nearly 50% (-48%) during the year and only recovered to that level after a share buyback announcement. (It was precisely during this period that Buffett most strongly emphasized the inner scorecard.) And the following year, as everyone knows, the dot-com bubble burst.

With everything converging on AI right now, it is natural to study the history of the dot-com bubble. The facts that caught my attention while studying that history are as follows:

- The internet, which created the bubble, turned out to be genuinely something in subsequent history.
- Revenue at Cisco—the technology leader of that era—continued to grow for some time even after the bubble burst. That is, fundamentals are a lagging indicator.
- During the four years leading to the bubble, the NASDAQ rose 5x, with extreme valuations and concentration of capital.

The dot-com bubble's bursting turned Silicon Valley into a wasteland for several years, but subsequent history proved that the internet was the technology with the greatest impact on humanity at that time. Oil, which gave everyone cheap and safe light, also created bubbles, and its value was proven through subsequent history. I believe bubbles form when the market recognizes a technology as one that will affect

human history.

The more AI is proven to be something that can change the course of human history, the more inevitable a bubble becomes. The scenario where the market prices AI's value at precisely the right level each year is actually the less probable outcome. I believe the size of a bubble is proportional to the future impact that the bubble-creating technology will have on society. Given AI's magnitude of impact, a bubble is inevitable, and it could potentially be even larger than the dot-com bubble.

The company that played a role remarkably similar to today's Nvidia during the dot-com bubble was Cisco. Cisco's financial results before and after the dot-com bubble collapse were as follows:

Quarter	Period	Revenue	YoY	Op. Income	YoY
1999 Q1	Jul 98 ~ Oct 98	2,597	39%	727	52%
1999 Q2	Oct 98 ~ Jan 99	2,844	41%	483	-27%
1999 Q3	Jan 99 ~ Apr 99	3,165	44%	880	220%
1999 Q4	Apr 99 ~ Jul 99	3,548	48%	894	28%
2000 Q1	Aug 99 ~ Oct 99	3,918	51%	654	-10%
2000 Q2	Oct 99 ~ Jan 00	4,357	53%	1,046	117%
2000 Q3	Jan 00 ~ Apr 00	4,933	56%	713	-19%
2000 Q4	Apr 00 ~ Jul 00	5,720	61%	822	-8%
2001 Q1	Jul 00 ~ Oct 00	6,519	66%	902	38%
2001 Q2	Oct 00 ~ Jan 01	6,748	55%	1,032	-1%
2001 Q3	Jan 01 ~ Apr 01	4,728	-4%	-3,801	-633%

Source: Cisco Annual Reports 1999–2001

Revenue actually grew even more steeply after the dot-com bubble collapsed. It was not until April 2001—a full year after the stock market crash—that Cisco reported deteriorating results as its customers began going bankrupt. Predicting the collapse of a bubble through any single signal is extremely difficult.

In the four years before the dot-com bubble burst, the NASDAQ rose 5x and Cisco's P/E exceeded 200x. Psychological mania drove all capital to concentrate exclusively in related companies, and sectors unrelated to the internet could not escape stock price declines. You can imagine this by looking at Buffett's 1999 returns. Currently, Nvidia's P/E is below 30x, and there is no capital concentration severe enough to seriously damage other sectors' stock prices, so the AI bubble does not appear to have arrived yet. In terms of the dot-com bubble timeline, I believe we are somewhere between 1995 and 1998.

If we are at the early stages of a bubble, one should ride it to maximize returns—but as I emphasized earlier, the process is not enjoyable for me, so that is not a game I can play. What remains, then, is to prepare for Warren Buffett's 1999. Whether it takes one year or five, the AI bubble will continue to inflate and the performance gap versus the market will widen further. And when the bubble reaches its extreme, my performance will likely be at its worst, just as Buffett's was in 1999. Enduring an uncertain number of years clinging to the inner scorecard will not be easy. Even Isaac Newton could not resist the temptation of the South Sea bubble and jumped in just before it collapsed.

Amid the loudest AI fanfare, Warren Buffett quietly stepped down as chairman of Berkshire Hathaway. As one era fades and a new one dawns, perhaps there are investment methodologies suited to each age. But some things cannot be changed—like what brings a person joy. Writing without any AI assistance when one has already grown accustomed to AI is no easy task. I do it because AI-generated writing does not yet

meet my standards. Preparing for a bubble that has not yet truly begun, or refusing to play the return-maximization game while managing client assets—these too stem from an inner scorecard rooted in unchangeable joy. I still believe that finding joy in the daily process and using it as the driving force to pursue excellence will, over the long term, lead to the results we aspire to.

April 2026

Sincerely,

Jonghyun Shon, Noah Investment Management

Appendix

Returns

번호 (정렬기준 유형순, 가입일순)	기간	기간 수익률	비고	수수료율
1	2025.01.01 ~ 2025.12.31	8.2%	전문투자자	기본보수 0%, Hurdle rate 6%, 성과보수 25%
2	2025.01.01 ~ 2025.12.31	9.4%	전문투자자	기본보수 0%, Hurdle rate 6%, 성과보수 25%
3	2025.01.01 ~ 2025.12.31	9.3%	전문투자자	기본보수 0%, Hurdle rate 6%, 성과보수 25%
4	2025.01.01 ~ 2025.12.31	9.2%	전문투자자	기본보수 0%, Hurdle rate 6%, 성과보수 25%
최고	2025.01.01 ~ 2025.12.31	9.4%		
최저	2025.01.01 ~ 2025.12.31	8.2%		
평균	2025.01.01 ~ 2025.12.31	8.8%	시간가중평균	

Disclosure

This document is an Annual Letter sharing the overall operational status of Noah Investment Management Co., Ltd. over the past year and is not investment advertising or a solicitation for investment. This document provides information regarding fees, commissions, returns, and portfolio details of financial investment products managed or sold by Noah Investment Management Co., Ltd. in a standardized format through the company's internet and mobile homepage. This document includes the weighted average return by type and the highest and lowest returns for a given period.