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18 January 2024

Dear supporters and friends of Play Capital,

We are pleased to share with you our first annual letter, providing insights into our activities and sharing our thoughts on technology, markets, and our mission.

In 2023, we embarked on the journey of Play Capital ("**PLAY**") as a venture builder and technology investment platform. Our vision was to execute a set of ideas at a time when few others were venturing into this space. While the startup world saw many founders and investors chasing companies with existing traction and raising ever larger rounds of funding in pursuit of the next unicorn, we chose a different path. We committed ourselves to building traction from the ground up, focusing on carefully selected niches and collaborating with founders and operators possessing specific backgrounds and qualifications.

Our belief is anchored in the idea that small, dedicated teams, united by strong cultures of excellence and integrity, are the winners in the landscape of entrepreneurship. Simultaneously, we remain steadfast in our conviction that organizational and portfolio complexity are the adversaries of returns.

Our journey thus far has been one of purpose and dedication. We've taken deliberate steps to cultivate a portfolio that reflects our core values and vision. By partnering with exceptional individuals who share our ethos, we are not just building businesses; we are nurturing a community of like-minded innovators.

In the coming years, we intend to build upon the foundations we've laid in 2023. Our focus remains on those niches and industries where we see potential for growth, innovation, and room for improvements. We are excited about the prospects that lie ahead and are committed to staying true to our principles as we navigate the technology and investment landscape.

As we embark on this journey, we extend our gratitude to you who have supported and believed in our mission. Thank you for being a part of the PLAY community. We look forward to sharing our progress with you in the coming years.

Respectfully,

Rony Solaiman
Founder

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1. Values and Principles

The ABC-Principles

At PLAY, our main risk management framework is the ABC-Principles, extended to our team members, co-founders and investors alike. ABC embodies the values of Authenticity, Boldness, and Curiosity.

1. On being Authentic

It is vital that we place trust in our team members and co-founders. Avoiding individuals engaging in deceptive practices and hiding information is crucial. Instead of favoring presentations showcasing a seemingly flawless team, we prefer discussions with co-founders that highlight the team members currently absent and the strategies in place to attract them.

2. On being Bold

We embrace responsible risk-taking and innovative thinking. Our team members and co-founders are encouraged to build a fearless company culture where uncertainties are turned into opportunities. We provide advice and foster a workplace where bold ideas are rewarded. We need to be able to discuss the significance of making tough decisions for the benefit of the company and its shareholders.

3. On being Curious

Curiosity propels us to ask the right questions, to explore diverse investment opportunities and vehicles and understand the underlying factors that drive market trends.

By staying curious, our team members and co-founders position themselves to identify trends before they become mainstream. In a world where information is abundant, being curious is not only an advantage; it's a necessity.

2. Investment beliefs and practices

Organizational and portfolio complexity are the enemy of returns

At PLAY, we recognize that organizational and portfolio complexity can be detrimental to achieving our goals. Our company and investment size is a part of our investment strategy. We will resist the allure of expansion, not only in terms of team members but also in the size of our investments and the number of businesses within our portfolio.

We are committed to staying small and flexible. Our agility is a direct result of this commitment, allowing us to respond promptly to market changes and opportunities. Unlike our counterparts, we sidestep the pitfalls of bureaucratic hurdles, showcasing our proficiency

in cutting through red tape. At our core, we value initiative, drive, and keen insight. These qualities define us as more than just players in the field; we are executors.

We have chosen to operate exclusively within carefully selected niches, specifically business software and web 3.0. By specializing in a few selected sectors we gain deeper expertise, build stronger industry networks, mitigate risks, and enhance our deal flow. On the other hand, we are better suited to provide strategic guidance, industry-specific knowledge, and operational support to the companies, increasing the likelihood of success.

Capital Efficiency

Capital efficiency is part of our DNA. It's not something we apply during specific periods. All our businesses are constructed to generate profits with a focus on efficiency.

Instead of celebrating billions of dollars raised or competing on reaching the highest market valuation, we celebrate how scarcity drives revenues and innovation. We value the art of achieving more with less. When reflecting on the businesses we have nurtured, one question is key: *how much capital was raised and utilized since inception to attain the current level of revenues and market valuation?*

Striking the Right Balance: Overhype vs. Underhype

The venture industry operates in cycles, inherently self-correcting over time. The accessibility of venture capital has consistently fluctuated between phases of irrational abundance, as witnessed in the past two years with fintech or crypto, and periods of restraint, such as the current scenario for pre-revenue seed-stage startups.

The environment we’re in at the moment is not a new one, nor is it permanent. We recognize that we operate in a cyclical industry and, as a result, proactively adjust to it.

Despite the setbacks experienced during the “software-recession” and "crypto-winter", we remain strong supporters of software businesses and crypto technologies for the long term. We are confident that we are navigating our way out of these challenging periods, prompting us to implement our investment strategy by increasing our exposure to both sectors. We prioritize companies that possess sustainable business models, are strategically positioned for growth, and demonstrate attractive cash flow dynamics.

Founder-led Companies Outperform the Rest

We prefer companies which are led by the founder in the capacity as the CEO and or chairperson. We believe companies where the founder is active are more innovative and are more likely to 1) increase value at a higher rate, 2) make bolder investments and decisions to renew and adapt the business model and 3) maintain more loyal employees.

The founder's mentality can be divided into three elements which we believe indicates the company's ability to act quickly, adapt to change and retain the “on the ground”-working style:

1. **Obsession**: founder´s have a special front line-obsession with the details and culture of the company. Losing this obsession on what is going on at the front line, will set back the company.
2. **Owner-mindset:** the owner-mindset involves taking personal responsibility for the risk and the costs. Without this, companies easily become slow to act and bureaucratic.
3. **Purpose:** over time, many companies tend to drift away from the founder's original clear sense of purpose. Without a sharp purpose, these companies can easily lose direction and fail to inspire.

Performance Reporting

Over the years, venture capitalists have employed various metrics to assess their performance, each with its strengths but also weaknesses:

1. Total Value of Paid-In Capital (TVPI) compares a fund’s realized and unrealized gains to the amount of money invested but has issues like sensitivity to market changes and neglect of time value.
2. Internal Rate of Return (IRR) addresses time value and includes paper gains, but can be manipulated (e.g. by reducing the time span between a capital call and a higher valuation or exit).
3. Distributed-Paid-In Capital (DPI) measures performance based on actual cash distributions to investors.

We believe actual cash distributions to investors is the cleanest and most accurate way to measure performance and consistency – money in vs. money out. This is done by comparing the total value of cash and/or securities returned to investors vs. the money they invested. At PLAY we solely report performance by DPI

On getting acquired

PLAY´s main business is to identify opportunities within selected niches and build traction from the ground up. Once we have transformed the ideas and opportunities into businesses we work actively to identify partners to lead them for the next phases.

We don't view ourselves as long term holders of companies; we are either a buyer or a seller. This requires constant monitoring of our portfolio and identifying strategic partners and potential acquirers.

Being profitable is our key strategy for acquisition success. Profits signal a well-operating business, validate market demand, and simplify valuation. It also enables the buyer to convert balance-sheet assets into tangible profits—an attractive proposition for large companies. Additionally, profits provide us with the flexibility to walk away from deals, underscoring our strategic autonomy.

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