PATIENT
BUSINESS OWNER

$$(1 + r)^t = \text{Bajic Capital}$$

AVOID BIG RISKS

BUY GOOD COMPANIES

PAY LOW PRICE

Owner's Manual – An overview of our Partnership and investment approach

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INTRODUCTION

Investing is simple, but not easy.

On paper, the rules are straightforward: buy productive assets, hold them patiently, and let time do the compounding. Yet in practice, few people succeed.

Why?

The biggest challenge in investing is not the market. It is human behaviour. Most of us are wired with instincts that work against good investing. We crave certainty, follow the crowd, look for authority figures, and prefer action over inaction.

Markets reward the opposite.

Successful investing often requires resisting the urge to act, ignoring the noise of headlines, and tolerating years of uncertainty without losing conviction.

That instinct is not natural.

Yet over decades, the true opportunity of equity investing becomes clear. Despite short-term chaos, the equity market remains one of the most powerful vehicles for building long-term wealth. With historical returns in the 6-10% range annually, equities have consistently outpaced most other asset classes.

The reason is simple: when you own shares, you own a fractional interest in a real operating business. Over time, businesses grow as human ingenuity, innovation, and productivity compound. Economies expand. Earnings rise. Invested money grows with the best businesses. What appears to be a simple stream of numbers on a chart is a reflection of human progress.

Owning businesses allows us to participate in that progress.

However, there are no shortcuts. Investing in businesses is not a path to quick riches. It demands patience through uncertainty, conviction through drawdowns, and discipline when doing nothing feels hardest.

The reward for enduring this is not guaranteed, but history shows the odds are strongly tilted in favour of those who stay the course.

This brings me to the purpose of this Owner's Manual.

The intention is simple: to explain how this partnership is structured, what principles guide it, how decisions are made, and what expectations are realistic.

To be clear: this manual is not marketing material. It is not written to impress, entertain, or persuade. It is written to inform. By the time you finish reading, you will understand not just what this partnership does, but why.

You should know how to judge performance, what risks are inherent, and what role your own behaviour will play in the outcome.

While the future is unknowable, my commitment is clear.

Thank you for your interest in understanding both the investment approach and the operational structure of this partnership.

PARTNERSHIP PRINCIPLES

Successful investing is not about speculation, instincts, or intuition. It is about structure and discipline to tilt the odds in your favour.

One way to do this is to put things in proper order. In a world driven by noise and short-term thinking, staying grounded in sound principles is an advantage.

For this reason, I want first to outline the partnership principles that define my approach and the values on which Bajic Capital was founded.

Why Bajic Capital?

I started Bajic Capital with a clear purpose: to provide a simple and cost-effective path to long-term investing. For years, I observed how the financial services industry became increasingly complex and misaligned with the interests of clients.

Today, finding a simple solution to reach your financial goals has never been more difficult.

Traditional investment options like savings accounts, treasuries and bonds no longer offer meaningful real returns.

Real estate has also lost its appeal. Returns have diminished while the burdens of debt, management, and operational hassle have grown.

Equities remain the only asset class with attractive long-term returns, but even here, investors are typically left with underperforming products, high fees, and layers of hidden costs.

Many products marketed by banks and asset managers carry “all-in” costs ranging from 2% to 4% per annum, once management fees, performance fees, product costs, and commissions are included. That level of fee drag severely compromises compounding.

Beyond performance and fees, there is a more fundamental issue: trust.

The investment industry has increasingly prioritized short-term revenue over client interests. Financial institutions are pressured to meet quarterly sales targets, not build lasting partnerships.

Most financial advisors and bank representatives are essentially salespeople, often with limited investment knowledge. High employee turnover means clients rarely have a consistent relationship. Each time you call, you are likely speaking with someone new or unfamiliar with your financial background and goals.

Bajic Capital was created as an alternative to these structural shortcomings.

At Bajic Capital, I am committed to earning your trust by doing what’s right, not what’s easy or most profitable for me. This principle forms the foundation of the partnership.

You may notice that I write in the first person and have chosen to name the firm Bajic Capital using my own last name rather than a generic “we” or fancy Greek or Latin name. By saying “I” and putting my name on the door, I make it clear that I stand personally behind every decision and every outcome.

Structure

Bajic Capital is the company I have established to manage an investment fund called the Bajic Partnership. I am not interested in diversifying into different strategies or products. My commitment is a long-term partnership, and I expect the core tenets of my structure to remain unchanged even twenty years from now. This focused approach is intentional.

I believe the structure plays a critical role in capital allocation.

The right setup creates clarity and consistency in decision-making, helping to ensure good outcomes. Even the most talented investor will struggle to deliver strong results if the underlying framework encourages the wrong behaviour.

Many fund models emerge as a response to the easiest path to raising capital, but that is a mistake. The structure must be designed deliberately from the beginning. Once in place, change becomes difficult.

I have taken this principle seriously and built Bajic Capital with a foundation that aligns my interests with those of my partners and sets the conditions for long-term success. I do not want to be influenced by trends, short-term incentives, or pressures from outside stakeholders.

With Bajic Capital you get: one clear focus.

That simplicity allows full concentration on investing and delivering the best possible results. Investors can evaluate performance without confusion or distraction. This clarity of purpose is a cornerstone of how Bajic Capital will operate today, tomorrow, and for many years.

Partners

The right partners are crucial to making the right investments. To save both your time and mine, let me clarify who should not invest with me.

Bajic Capital is not designed for those seeking smooth, predictable returns or who need quick access to their capital. I follow a long-term investment strategy that can include periods of volatility.

This means that individuals who are likely to withdraw funds during downturns or who define risk based solely on short-term price swings are unlikely to be comfortable with my approach. I also do not accommodate those looking for social prestige, excitement, or the thrill of speculation.

While my approach is not for everyone, it is exactly what some investors are looking for.

Those who understand the value of long-term thinking, who want to partner in building real wealth, and who are willing to weather the ups and downs of the market in pursuit of success will find a home at Bajic Capital.

Although Bajic Capital operates as an alternative investment firm, I do not view us as just another investment product. I take a different approach, one based on partnership.

I view my investors not as customers or clients, but as partners. I think of the fund not as the owner of assets, but as a channel through which partners hold ownership in real, productive enterprises.

Alignment of Interests

One of the most important principles guiding this partnership is alignment of interests between me and my partners.

Nearly all my family savings is invested in this fund, so my financial outcome is directly tied to yours. I am fully exposed to the same risks and rewards.

If the fund performs well, we benefit together. If the fund suffers a loss, we are affected equally.

There is only one share class and a single price for every investor, including my family. I do not have special treatment, inside deals, or preferred terms. Everyone stands on the same ground.

That is how I believe it should be.

Fees

In technical terms, fees are the charges that investors pay to asset managers for managing their savings, typically including a management fee, a performance fee, and other fees. In practical terms, it is the reason why passive funds are often a better deal.

Fees are often overlooked but are a critical factor in long-term investing. Over time, even seemingly small annual charges can have a significant impact on your returns due to compounding.

At Bajic Capital, I have built the partnership around a different philosophy.

I deliberately charge a 1% management fee, below industry standards in Croatia and reasonable by global measures.

Bajic Capital charges no other fees. No performance fees, no entry fees, no exit fees, no commissions, and no hidden charges from my side.

What you see is what you get.

INVESTMENT PHILOSOPHY

When Ingvar Kamprad started IKEA in the late 1940s, he was seventeen, ambitious and broke.

He sold matches, pens, and small household items out of a catalogue he ran from his parents' farmhouse in Sweden. A few years later, he added furniture to the list. Simple, functional pieces that ordinary people could afford.

It would have been easy to try to impress. To chase trends, build fancy stores, or expand as fast as capital allows.

But Kamprad did not do that. He moved slowly. He tested ideas, learned from mistakes, and always focused on building a business that could endure. He simplified designs, optimized logistics, and introduced flat-pack furniture.

Small innovations that seemed mundane but created compounding advantages over decades.

That story is instructive for anyone who wants to create value.

Investing works the same way. The formula $(1 + r)^t$ captures it precisely: modest returns (r) compounded over time (t) can become extraordinary.

It requires patience to ride out cycles, restraint to resist fads, and judgment to focus on businesses that endure. Most people try to "beat the market" with clever timing or hot trends, but compounding works quietly for those willing to stay the course.

My investment philosophy is built on four principles:

I. AVOID BIG RISKS
II. BUY GOOD COMPANIES
III. PAY LOW PRICE
IV. PATIENT BUSINESS OWNER

None of these principles are flashy. They will not make headlines or excite. However, the purpose is simple: to provide a clear framework for making rational decisions through time.

Together, these principles form the investment philosophy of Bajic Capital.

By understanding the meaning behind the principles, you are better positioned to make informed decisions about this partnership.

In the sections that follow, I'll explore each principle in detail, starting with the most important: Avoid Big Risks.

Avoid Big Risks

There are many books and articles about Warren Buffett, widely regarded as the most successful investor of our time. Each segment of his life and investing is analysed in detail, but what is extraordinary and less understood is how little risk he has taken to achieve such an outstanding track record.

Not losing money should be the number one priority.

There is a nonlinear relationship between losses and the required gain to recover. A 10% loss needs ~11% gain, but a 50% loss needs 100% gain just to break even.

While most investors focus on finding good investments, it is far more important to avoid bad ones. In investing, there is no such thing as a sure bet. Even the most blue-chip business has a probability of not being in business tomorrow.

To me, investment risk is not defined by volatility or the beta of a company's shares. Those are merely measures of price fluctuation.

The true risk is permanent loss of capital. That definition governs my decisions.

When I evaluate potential investments, I classify risks into three broad categories:

1. Known Knowns – risks I am aware of and understand. For example: turnarounds, unprofitable companies, transformative M&A deals, excess leverage, or high customer concentration. These can be managed with discipline.
2. Known Unknowns – risks I know exist, but don't fully understand. Examples include investing based on a compelling story or judging whether management is truly aligned with shareholders. These risks can be partially managed through research and experience.
3. Unknown Unknowns – risks I don't even know I don't know. This is the most dangerous category because it cannot be anticipated or measured. Black swan events, sudden regulatory shifts, unprecedented crises or technological disruptions fall here. The harsh reality is not that things can go wrong, but that they will go wrong.

By avoiding obvious risks and managing the ones I partially understand, I build a buffer against inevitable surprises. In simple terms: if I consistently avoid the biggest mistakes and handle moderately unpredictable ones wisely, the remaining uncertainties are unlikely to take us out of the game.

This approach is difficult to execute because of human nature. Like everyone else, I tend to overestimate what I know, underestimate risks, and look for excitement. When an opportunity appears in the market, the logical part of my mind may see the risk, but my instincts still push me to act. I am prone to greed, fear, and the illusion of control, the very impulses that make obvious risks dangerous.

This brings to mind the tale of Odysseus and his encounter with the Sirens, whose song lured sailors to destruction. Odysseus knew no man could resist.

Instead of relying on willpower, he prepared in advance. He ordered his men to plug their ears with beeswax and tie him to the mast, forbidding them to release him. When the Sirens sang, he begged to be released, but his crew obeyed his earlier orders and held him until they were safe.

Odysseus survived not because he was stronger than temptation, but because he acknowledged his weakness in advance.

Rational investing requires this discipline. Markets will always sing their dangerous songs, but with preparation and structure, we can pass safely by the rocks.

Most importantly, we remain in the game.

Buy Good Companies

A good business is profitable, has a durable competitive advantage, and returns excess cash to shareholders. It is mostly run by honest management with “skin in the game,” while operating in a steady, slow-changing, and understandable industry.

Why do these specific traits matter?

Profitability is the foundation of a good business. Without it, nothing else matters.

Profit represents the residual reward after all stakeholders (employees, suppliers, governments, and creditors) have been paid. What remains belongs to the owners.

But profit alone is not enough.

In competitive markets, excess profits attract competition. New entrants replicate products, undercut prices, and erode margins. Over time, most industries gravitate toward average returns. This is why the defining trait of a truly good business is not simply profitability, but the ability to protect it.

That protection comes in many shapes. A trusted brand that customers instinctively choose. The lowest-cost producer in an industry where every penny counts. A network where each new user adds value for others. Or simply control over assets that are scarce and essential. The form is secondary. Protection of returns, market share, and time is what matters.

Generating profits is one thing. Deploying them wisely is another.

How a company allocates capital reveals far more than financial judgement. Every dollar retained or distributed tells a story about how management thinks, what they value, and most importantly to whom they serve.

As an outside and passive owner, I want management’s interests aligned with shareholders. Leaders with “skin in the game” think like owners.

Industries where winners and losers have largely been sorted out and the rules are clear tend to offer a narrower range of unpleasant surprises. Growth, if it comes, is a bonus.

Durability is the trait that ties it all together.

The world is full of businesses that look great in one season and fade in the next. A truly good company endures. It can take a punch, adapt, and keep compounding through cycles. It may not always grow fast, but it grows steadily. It may not always be fashionable, but it’s rarely fragile.

And one more thing. I do not bet only on good companies. I bet on good odds.

That brings us to the next part of the equation: price.

Pay Low Price

Delivering satisfactory long-term investment returns is difficult. History shows that most investors fail to achieve them, often because they pay too much at the start.

Investors tend to overpay when narratives are compelling, recent performance is strong, and optimism is widespread. High prices feel justified in the moment. Yet it is precisely during such periods that future returns are often compressed.

Valuation must act as a tailwind, not a headwind, over my investment horizon. The most reliable way to ensure this is to avoid overpaying for ownership in a business.

A fair question is why one might buy a good business at a low price?

Before I answer that question, consider the share price fluctuations of the top 10 companies in the S&P 500 index in 2026. These ten companies are the largest in the world and among the most widely followed.

Top 10 Largest Companies in S&P 500 (as of July 2026)					
Company	Current Market Cap ($ bn)	52 Week Low	52 Week High	% Change (High/Low)	$ Change in Market Value (bn)
Nvidia	$ 4,940	$158.4	$236.5	49.3%	$1,893
Apple	$ 4,600	$201.5	$317.4	57.5%	$1,702
Alphabet (Google)	$ 4,420	$172.8	$408.6	136.5%	$2,878
Microsoft	$ 2,850	$349.2	$555.5	59.1%	$1,532
Amazon	$ 2,620	$196.0	$278.6	42.1%	$888
Broadcom	$ 1,850	$269.6	$495.0	83.6%	$1,072
Meta Platforms	$ 1,530	$520.3	$796.3	53.0%	$701
Tesla	$ 1,480	$293.6	$498.8	69.9%	$771
Eli Lily	$ 1,080	$623.8	$1,249.5	100.3%	$558
Micron	$ 1,070	$103.4	$1,255.0	1114.0%	$1,301
Median Change High/Low				**64.5%**	

Source: Bloomberg

From the table you can observe that the share price of these ten largest companies fluctuates around 60% between 52-week low and 52-week high levels. In some cases, the change has exceeded 100% (even 1000%), adding or subtracting trillions of dollars in market value within months.

This effect is even more pronounced in smaller companies, whose share prices often exhibit even greater swings.

The answer is that attractive investment opportunities exist because the equity market is driven by human behaviour, not just business fundamentals. Prices fluctuate far more than the real value of companies, creating a gap between intrinsic value and market price.

That gap is the source of opportunity.

When pessimism pushes the price of a good business below its worth, I act as a buyer. When enthusiasm inflates valuations to unsustainable levels, I wait or sell.

I do not try to predict when these moments will arrive, but I know they will continue to appear because human behaviour does not change.

Patient Business Owner

What is needed to become a successful investor is not intellect, but patience.

The average holding period for shares today is measured in months, sometimes weeks. Investors exit positions after modest gains, fearing those gains will disappear. They sell after modest losses, fearing further decline.

This behaviour interrupts the compounding process.

Investing has certain rules. Knowing the rules and following them is an essential part of playing it. One of the most important rules in investing is to ignore the constant stream of opinions, forecasts, and distractions that fill the market. Most of this information is irrelevant to long-term outcomes and only encourages unnecessary action.

Instead of reacting to every fluctuation, the simplest and most rational approach is to think like an owner. When you buy shares in a company, you are not buying a symbol on a screen. You are buying a proportional interest in a real enterprise, one that produces goods or services, earns profits, and reinvests capital.

Business value does not compound overnight.

A substantial portion of long-term equity returns has historically come from the underlying earnings of businesses and their reinvestment over time. This process requires time. It cannot be accelerated by frequent trading.

Research has shown that higher trading activity is associated with lower investment returns.

One well-known study* of over 66,000 brokerage accounts found that the most active traders underperformed the market by approximately 6.5 percentage points per year, with much of the gap attributable to frequent trading and its associated costs.

Historical evidence suggests that the probability of experiencing a negative cumulative return from a broadly diversified equity portfolio declines as the investment horizon lengthens.

Blaise Pascal observed that all human problems arise from the inability to sit quietly alone. Investing provides a direct test of this principle. The investor must endure periods where nothing appears to happen, even when progress is quietly taking place beneath the surface. This is often the period during which the most important work of compounding is being done.

Once ownership in a good business has been established under sensible conditions, the role of the investor becomes less active. The responsibility shifts from selecting to allowing.

Compounding does the rest.

* Barber, B. M., & Odean, T. (2000). *Trading is hazardous to your wealth: The common stock investment performance of individual investors. The Journal of Finance, 55(2), 773–806*.

INVESTMENT PROCESS

The process begins with saying “NO”.

There are roughly 60,000 public companies worldwide. Most businesses lack the durability required for long-term compounding. Starting from rejection reduces the risk of lowering standards or rationalizing weak ideas.

The first step narrows the universe structurally. Focus is placed on regions with strong governance, transparency, and deep capital markets, primarily North America and Europe. This limits exposure to risks that cannot be reliably assessed or controlled.

A size filter follows. Companies below €100 million in market capitalization are excluded. Smaller firms are more vulnerable to external shocks and often lack the financial strength to endure difficult periods.

What remains is still a large set of companies, but now more comparable and manageable. From here, the process becomes more selective, like a funnel where each stage removes candidates.

The priority is risk. Businesses with excessive leverage, structurally fragile models, or exposure to constant disruption are discarded immediately, regardless of upside. The objective is to remove situations where a single adverse development could permanently impair capital.

Only after passing the risk screen does attention shift to business quality. Companies must be profitable with a sustainable moat that shields returns from competitors. This ensures results are driven by business economics, not favourable conditions or temporary circumstances.

After that, the process evaluates shareholder orientation. The company must return capital to investors through dividends or share repurchases when appropriate and demonstrate alignment with owners.

Valuation is the final step. Intrinsic value is estimated conservatively, recognizing uncertainty and the limits of forecasting.

When market price offers a sufficient margin of safety, the company is purchased and added to the portfolio. If valuation is unattractive, the company remains on a watchlist and is monitored until price and value align. Inaction is preferred to action without sufficient margin of safety.

By the time a company enters the portfolio, it has passed multiple layers of elimination. The portfolio is therefore the result of disciplined selection, not prediction.

One of the principal threats to consistent execution is overconfidence. Even well-reasoned decisions can prove incorrect, and outcomes cannot be known in advance.

For that reason, the portfolio holds a focused yet meaningfully diversified group of companies. Attractive opportunities are limited and capital is allocated gradually as businesses meet the strict requirements of risk, quality, and valuation.

Position sizing reflects this restraint. No single position exceeds 5% of the portfolio at the time of purchase. Once that threshold is reached, additional capital is not allocated. This limit reduces the impact of individual errors and prevents excessive concentration.

Leverage, derivatives, and short selling are avoided. Turnover remains low, with only a limited number of carefully selected investments each year. The objective is to compound capital through ownership of businesses rather than through financial engineering or frequent activity.

The portfolio is not constructed relative to indices and does not target short-term benchmarks. The strategy does not rely on macroeconomic forecasts, but on acting only when price and value diverge meaningfully.

EXPECTATIONS

Charlie Munger once said that the secret to a happy marriage is a spouse with low expectations. Behind the humour lies a profound truth: excessive expectations distort judgment.

When expectations run too high, we set ourselves up for disappointment. When they're grounded in realism, we give ourselves room to think clearly, act rationally, and endure inevitable ups and downs.

Investors have a natural tendency to extrapolate recent outcomes into the future. Research has shown that periods of strong performance often lead to elevated expectations, which are rarely sustained indefinitely.

For this reason, expectations must be anchored in long-term historical experience rather than recent results.

Over the very long run, equity markets have produced 6-10% annual returns.

This provides a reasonable reference point for what ownership of productive businesses has delivered over time.

Against that backdrop, performance should be viewed in proper context.

If the partnership delivers negative or low single-digit results over decades, it will represent failure. Mid-to-high single digits would be acceptable, low teens excellent, and high teens hall-of-fame territory.

It is equally important to understand what cannot be promised.

No investor can guarantee a specific return. The only commitment that an investor can honour is to adhere to a proven process that increases odds of modest outperformance. Returns will ultimately be determined by business performance, purchase price, and time. Not by forecasts or promises.

Short-term results are less informative.

Investment outcomes over a single year are influenced by many factors beyond any investor's control. Meaningful evaluation requires observing performance across full market cycles, typically five years or longer. Anything less measures noise, not skill.

There will inevitably be periods of underperformance.

In such periods, results may test our patience and conviction. We may lag behind, appear foolish, and watch others make money while we wait. But investing is not a race measured in months or even years. It is the quiet accumulation of value over time.

Our task is simple, but not easy: to remain rational when others are emotional, patient when others are restless, and disciplined when others abandon their standards.

If we do this consistently, outcomes will take care of themselves.

CONCLUSION

Investing is often presented as a search for brilliance. In reality, it is more often a test of humility.

The principles described throughout this manual: avoiding big risks, buying good businesses, insisting on low prices, and allowing time to do the heavy lifting are not designed to predict the future. They are designed to survive it.

Mistakes will happen. Surprises will arise. Outcomes will sometimes diverge from expectations. This is inevitable. What matters is that these events do not break the partnership, the process, or the discipline behind it. This partnership is built with that reality in mind.

The structure of Bajic Capital is intentionally straightforward. It allows me to operate without external pressures, short-term incentives, or conflicts that may compromise judgment.

My responsibility is to protect your capital, to act only when the odds are favourable, and to ensure that nothing I do interrupts the compounding process. This requires discipline, patience, and an understanding of my own limitations.

Over time, this approach will produce a record by which partners can judge results.

Thank you for the trust you place in this partnership. It is a responsibility I take seriously.

Sincerely,

Tomislav Bajić,

Founder and Managing Partner

July 2026

DISCLAIMER

This Owner’s Manual is provided strictly for informational and educational purposes. It is not intended to constitute, and should not be construed as, investment advice or a recommendation to buy, hold or sell any security or financial product.

Investing involves risk, including the potential loss of principal. No assurance can be given that any investment strategy, philosophy, or approach discussed herein will achieve its objectives or result in profits. Market conditions, economic factors, and unforeseen events may materially affect outcomes.

The information contained in this Manual is believed to be accurate and reliable at the time of writing. However, Bajic Capital and the Managing Partner makes no representation or warranty, express or implied, regarding its completeness, accuracy, or suitability. While Bajic Capital is committed to its core investment principles and philosophy, certain views, opinions, and forward-looking statements contained in this Manual may evolve or change over time, without prior notice, in response to market conditions, regulatory developments and other relevant factors.

Each prospective partner or investor is responsible for conducting their own independent analysis and due diligence, and for consulting with their own professional advisors including financial, legal, and tax advisors before making any investment decision.

Bajic Capital and the Managing Partner disclaim all liability for any direct or consequential loss arising from the use of, or reliance on, the information contained in this Manual.

Participation in the Bajic Capital Partnership is available only to professional and qualified investors who meet applicable regulatory and suitability requirements. No person should invest who is not prepared to bear the risk of loss and the nature of the strategy.

Bajic Capital is a registered alternative investment management company based in Zagreb, Croatia. This structure falls under the Croatian Financial Services Supervisory Agency (HANFA) simplified regime for registered AIF managers pursuant to Article 8(2) of the Croatian Alternative Investment Funds Act (Official Gazette of the Republic of Croatia Nos. 21/18., 126/19., 110/21., 83/23., 152/24., 13/26.) (hereinafter: the “AIF Act”). It is subject exclusively to specific registration and reporting obligations under Articles 16a–16f, 19, and 20 of the AIF Act and is exempt from the full scope of the AIF Act.