Aquamarine

ANNUAL REPORT

2023

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Annual Percentage Appreciation

Year	Aquamarine Fund Class A Shares[1] (1)	S&P 500 with Dividends Included[1] (2)	Relative Results (1) - (2)
2023	18.7%	26.3%	**-7.6%**
2022	-21.0%	-18.1%	**-2.9%**
2021	23.8%	28.7%	**-4.9%**
2020	11.3%	18.4%	**-7.1%**
2019	24.6%	31.5%	**-6.8%**
2018	-13.3%	-4.4%	**-8.9%**
2017	34.9%	21.8%	**13.1%**
2016	8.5%	11.9%	**-3.4%**
2015	-16.0%	1.4%	**-17.4%**
2014	5.5%	13.7%	**-8.2%**
2013	34.9%	32.4%	**2.5%**
2012	27.9%	16.0%	**11.9%**
2011	-3.1%	2.1%	**-5.2%**
2010	19.2%	14.8%	**4.4%**
2009	39.3%	25.9%	**13.4%**
2008	-46.7%	-36.6%	**-10.1%**
2007	17.0%	5.5%	**11.5%**
2006	37.1%	15.6%	**21.5%**
2005	7.2%	4.8%	**2.4%**
2004	11.2%	10.7%	**0.5%**
2003	29.6%	28.4%	**1.2%**
2002	-1.7%	-22.0%	**20.3%**
2001	1.9%	-11.9%	**13.8%**
2000	21.4%	-9.0%	**30.4%**
1999	-6.7%	20.9%	**-27.6%**
1998	26.1%	28.3%	**-2.2%**
1997[1]	2.5%	3.6%	**-1.1%**

Notes:

[1] 1997 is based on September 15-December 31 performance.

We have selected the S&P 500 Index because it is a widely known benchmark of performance. The vast majority of professional investors underperform the S&P 500 over the long run. We could just as easily have used the Dow Jones Industrial Average or the MSCI World index. The Aquamarine Fund's returns are calculated net of all fees. The S&P 500's returns include dividends, ensuring that this is an apples-to-apples comparison.

Management's Letter to Partners

Dear Partner,

In 2023, the Aquamarine Fund returned **18.7%**. This compares with **26.3%** for the **S&P 500**. Since the fund's inception in September 1997, our capital has compounded at a rate of **9.0%** annually, versus **8.3%** for the S&P 500, **8.6%** for the Dow Jones Industrial Average, **7.1%** for the MSCI World, and **3.7%** for the FTSE 100.

The Aquamarine Fund's total return from inception is **874.0%**, versus **716.6%** for the S&P **500**, **502.6%** for the MSCI World, and **162.2%** for the FTSE 100. [1]

[1] These results are net of all management expenses, incentive fees, and brokerage expenses. In other words, these are your actual returns. The figures for the S&P 500 include dividends, making this an apples-to-apples comparison. In 2022, I also began to include figures for the MSCI World index, giving you an additional measure by which to judge our performance. Given that we own a portfolio of international stocks, this global index probably provides a more relevant benchmark, but the S&P 500 (which is exclusively a US index) is more widely used.

The Game of Long-Term Compounding

I'm pleased to report to you that our capital has continued to grow at a healthy clip. After a challenging year in 2022 when the fund was down 21%, we rebounded strongly in 2023, gaining 18.7%. We're not yet back at our high watermark, but we're getting closer.

As you know, our mission at Aquamarine is to compound our partners' wealth in a patient and prudent manner over many years—a goal that we've continued to achieve. Since the Aquamarine Fund's inception in September 1997, an investment of $1 million would have grown to $9.74 million by the end of 2023. By comparison, $1 million invested in the S&P 500 would have grown to $8.17 million, while $1 million invested in the MSCI World index would have grown to $6.03 million. It's striking that even our modest level of annualized outperformance has delivered such significant rewards over time. Since 1997, the fund has beaten the S&P 500 by a total of 157 percentage points and the MSCI World index by 371 percentage points.

When I started out as a fund manager 26 years ago, I had visions of producing heroic returns and would have been disappointed by the idea of averaging 9% a year. But if we continue to compound at 9% a year, a $1 million investment made in the fund at inception in 1997 would grow to $31.41 million after 40 years and $74.36 million dollars after 50 years. These numbers are a testament to the extraordinary power of steady compounding sustained over decades.

Viewed in this light, I'm happy with our performance—especially when I think of the many talented and ambitious fund managers who have fallen by the wayside over the last 26 years. Many were knocked out of the game because they tried to shoot the lights out and failed. From my perspective, what matters most is that Aquamarine's path of long-term compounding remains intact. As I'll explain in this letter, that is my number one priority.

Viewed in another light, I'm frustrated that our recent results haven't been better. In 2023, the Aquamarine Fund trailed the S&P 500 by 7.6 percentage points. As I've often emphasized, short-term results carry very little weight. It's inevitable that our returns will be lumpy and that we'll lag the index in some years. But I have now lagged for six years in a row. The last year in which we beat the S&P 500 was 2017. This should be cause for some serious reflection. I need to take a long, hard look at myself and ask what does—or doesn't—need to change.

Some fund managers might want to hide these facts. They might quietly change the yardstick, comparing themselves to a different benchmark so that their relative returns would look better. Or they could obscure their results by launching another fund. The finance industry has plenty of ways to obfuscate. But I'm not about to do that. I want to be as open and transparent as possible, sharing the information that I would want to have if our positions were reversed and if I were an investor in a fund that *you* were managing. This self-reflection also helps me to clarify my own thinking about the possible causes of this recent stretch of underperformance.

One possible—or partial—explanation that I need to consider is that I may be more distracted than I used to be. These distractions include the responsibilities of a rich and fulfilling family life, which involves a fair amount of travel for me and my wife, Lory, to spend time with our three children, who are now studying in the US, the UK, and Switzerland. It's also fair to say that, in recent months, I've been more caught up than usual in following—and commenting on—the situation in Israel. In the wake of the October 7 attacks, I feel obliged to speak out publicly about the resurgence of anti-Semitism and the barrage of misinformation about the war in Gaza.

It's also possible that the fund's returns would be better if I were single-mindedly focused on making as much money as possible, instead of wanting to lead a more meaningful life. I want to achieve excellent returns, but not at any price. For better or for worse, there's a part of me that's more of an academic than a swashbuckling hedge fund titan. Do I really want to die without having read great writers like Dostoevsky, Nietzsche, and Jung, just so that I could make an extra buck or buy an extra house or fly on private jets more often? Reading great fiction or pursuing my fascination with mathematics may contribute to a happier and more balanced life, but my returns might be better if all I cared about was reading annual reports and hunting for new investment ideas. That said, a happy and balanced life seems more sustainable and probably more conducive to long-term investment success—at least, for me.

I'm aware, too, that there's a downside to being relentlessly focused on optimizing financial returns. I've seen the price that many of the most successful investors have paid in terms of broken marriages and problems with their children. In my case, I'm certain that I operate best as an investor when my family life is happy and stable and when I have a robust circle of close friends. In the long run, the strength of these relationships should help to make me more resilient both personally and professionally. But even if this weren't the case, I would still want to invest a lot of time and energy in nurturing these life-enriching relationships.

Going forward, I think the key is simply to be honest and introspective about this question of whether I might be too distracted or unfocused. There's a tension here, and I need to keep asking myself

IF WE CONTINUE TO COMPOUND AT 9% A YEAR, A $1 MILLION INVESTMENT MADE IN THE FUND AT INCEPTION IN 1997 WOULD GROW TO $31.41 MILLION AFTER 40 YEARS AND $74.36 MILLION DOLLARS AFTER 50 YEARS. THESE NUMBERS ARE A TESTAMENT TO THE EXTRAORDINARY POWER OF STEADY COMPOUNDING SUSTAINED OVER DECADES.

if I'm driving too slowly or if I'm maintaining a steady speed that's sustainable in the long run. I'm also reminded of the old adage that it doesn't matter how slow you go, so long as you don't stop. As we'll discuss, our investment portfolio is also consciously constructed to keep compounding over time—despite my flaws and idiosyncrasies.

A bigger concern, perhaps, is that I've been out of sync for several years with a market that has become increasingly dominated by a highly concentrated group of mega-cap growth stocks. An index of the so-called Magnificent Seven (Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla) surged by 110% in 2023. These seven companies accounted for about two thirds of the S&P 500's gain for the year. The best performers were Nvidia, which rose 239% in 2023, and Meta, which rose 194%.

We own a tiny position in Alphabet that I bought because I wanted to understand it better. We've also profited from Apple's immense success because it constitutes almost half of Berkshire Hathaway's public equity portfolio. Beyond that, we have no exposure to the Magnificent Seven.

If you weren't invested in these seven stocks over the last few years, the tide was heavily against you—and especially so if you were invested outside the US. The dollar has gotten stronger. Tech companies in fields like artificial intelligence and cloud computing have gotten stronger, benefiting from tremendous tailwinds. Almost everything else has been relatively weak. But that won't last forever. Eventually, markets turn—though nobody can predict when it will happen.

In the meantime, according to Bloomberg, the combined market value of the Magnificent Seven is now larger than the entire Chinese market, double the size of the Japanese market, and more than four times the size of the UK market. And with an average trailing price-to-earnings ratio of about 47, these seven stocks are far from cheap. There's no guarantee that a concentrated group of immensely profitable but expensive companies will continue to compound at a high rate. At some point, the momentum can reverse, and they could easily go nowhere for a decade.

Of course, I wish that I had owned these stocks, and I should try to learn from my mistakes. At the same time, there's an enormous danger that, in trying to correct for my mistakes, I end up lunging at dumb behavior. The last thing I want to do is blindly chase whatever jackpot strategy has been working best in the casino today. After all, what worked today may not work tomorrow.

When it comes to investing, there are plenty of strategies that pay off spectacularly for

THE FIRST THING TO REMEMBER IS THAT I HAVE TO SURVIVE. I CAN'T AFFORD TO DO ANYTHING THAT COULD POTENTIALLY TAKE ME OUT OF THE GAME. SO, NOTHING MATTERS MORE THAN AVOIDING A PERMANENT LOSS OF CAPITAL.

a while—for example, day-trading dotcom stocks before the bubble burst in 2000, betting on the BRICs when they were all the rage in the late 2000s, shorting bank stocks or mortgage lenders during the Global Financial Crisis of 2008-9, speculating on cryptocurrencies or NFTs during their meteoric rise in 2021, or making leveraged bets on the Magnificent Seven right before they shot up in 2023. But would these strategies work under different circumstances?

In financial markets, there are always some high rollers who are hitting the jackpot at any given time, whether through luck or smarts. It's frustrating to fall behind them, but I need to remind myself that I'm playing a different game—a long game that requires discipline and patience.

My thinking on this subject has been greatly influenced by Luca Dellanna, the author of a fascinating book titled *Ergodicity*. I've had the good fortune to spend time with Luca in person over the last year and our conversations have been extremely clarifying. As Luca explains, when it comes to competitive pursuits like downhill ski racing, motorsports, or investing in stocks, nothing matters more than survival. The winner over the course of a ski season isn't necessarily the fastest skier. It's the fastest skier who actually makes it to the end of the season without suffering a debilitating accident along the way that would knock him out of the competition altogether. As Luca likes to say, "Performance is subordinate to survival."

The same goes for gambling in a casino. Consider for a moment the croupier at a blackjack table. Every night the croupier plays all comers at the table. Once in a while, a high roller comes along and wins big either at our croupier's table or a nearby table. Meanwhile, the croupier keeps grinding away, benefiting over time from the small edge that the house has over the gamblers. It's not glamorous or exciting for the croupier. It's pretty boring. By contrast, the high rollers are having a blast, raking in their lavish winnings, and celebrating with champagne while basking in the approval of the crowd that's gathered to cheer them on during this winning streak.

But would it make sense for the croupier to switch sides and become a high-rolling gambler? Obviously not. Every night, a different gambler is winning—and while the attention is on them for now, the vast majority of gamblers in the casino can be relied upon to keep quietly losing. The house inevitably and inexorably wins over time, so it would be crazy for the croupier to give up that long-term, sustainable edge in the hope of hitting it big in the short term as a high roller.

It's much the same in financial markets. In every period, there's a different group of high rollers who hit the jackpot—most recently by loading up on the likes of Nvidia and Meta. Good luck to them. But, as with the croupier, my job is to stick to my knitting and keep the odds of long-term success on my side. How?

Well, the first thing to remember is that I have to survive. Like the skier we discussed earlier, I can't afford to do anything that could potentially take me out of the game. So, nothing matters more than avoiding a permanent loss of capital. I went through this once with Horsehead Holdings, which went bankrupt in 2016, and it's not something that I care to experience ever again. As Luca puts it, "Irreversible losses absorb future gains."

For many investors, it's tempting to jump on the bandwagon and adopt whatever strategy du jour has been performing best. But as Luca explains, strategies that have shot the lights out in the short term are generally not "reproducible." Sure, under particular conditions, they perform wonderfully. But if the conditions were different, the outcome of this supposedly winning strategy might be mediocre at best, or a total disaster. This brings us to the critical point.

There is an infinite number of ways in which the world might unfold from here. In one version, the world gets vastly richer, with tamed inflation and stunning productivity gains from breakthroughs in AI. In another version, we wind up in an economic depression worse than the one that followed the Crash of 1929. Needless to say, there is a whole myriad of possible versions of the world between such extremes. None of us knows for sure which one of these many possible worlds will come to pass. So, I need to run the Aquamarine Fund in such a way that we will have a satisfactory result in all of them.

To put it another way, I need to be certain that the success of my investment strategy is "reproducible" over the long run. For example, the strategy must work well enough in a world where incumbent tech giants like Microsoft and Apple become even more dominant, or in a world where they are displaced by new competitors. It must work well enough in a world where we wean ourselves off fossil fuels, or in a world where we remain as dependent on them as ever. And it must work well enough in a world of high interest rates, or in a world of low interest rates.

I don't want to run the fund in such a way that we'll have a fabulous result in some versions of the world but will be wiped out in others. And I will gladly run the fund in such a way that I reduce our overall returns but ensure our survival. After all, you have to survive so you can play out your hand, so you can place enough bets over time that the law of large numbers will ultimately apply. The name of the game is survival, no matter what.

With that in mind, here is a shocking statement: While I would certainly like to beat the index, there is something far more important. I'd like to continue compounding. Because compounding is what matters most. Over time, compounding will get us to the promised land.

To summarize, I need to keep in mind this simple set of practical principles:

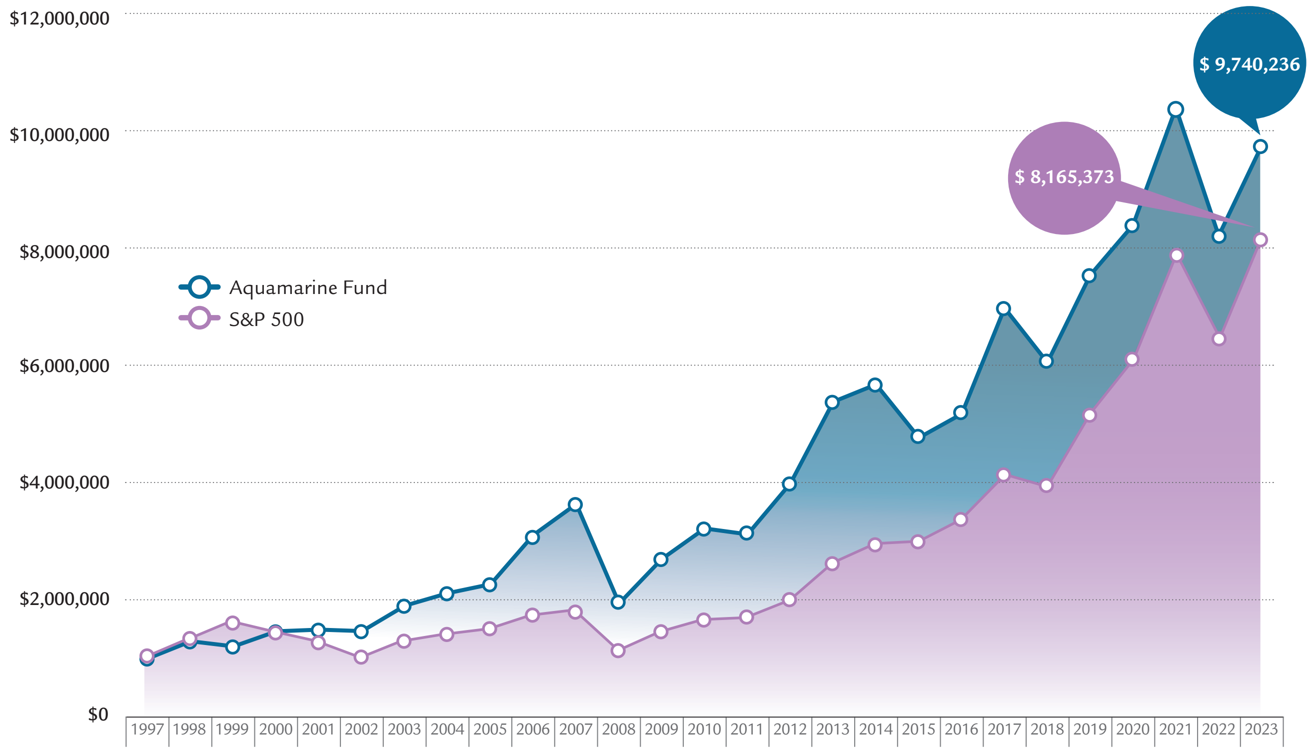
1. Accept the fact that, in any given period, I'm bound to underperform some other winning strategy that appears to be making other investors wildly rich in the short term.
2. Recognize that there will be pressure to stop doing what I'm doing and replicate what's been working brilliantly for these other lucky or skillful investors.
3. Resist that temptation.
4. Focus instead on sticking resolutely to the strategy that I believe will work well over the long run, despite these intermittent periods of underperformance.
5. Make peace with the reality that my long-term strategy will, on a regular basis, make me look and feel stupid over shorter periods of time.
6. Focus exclusively on taking actions that are consistent with my long-term strategy.
7. Look back in 10, 20, or 30 years and see how few of those high-rolling gamblers made it successfully to the finish line.

Our Grove of Oak Trees

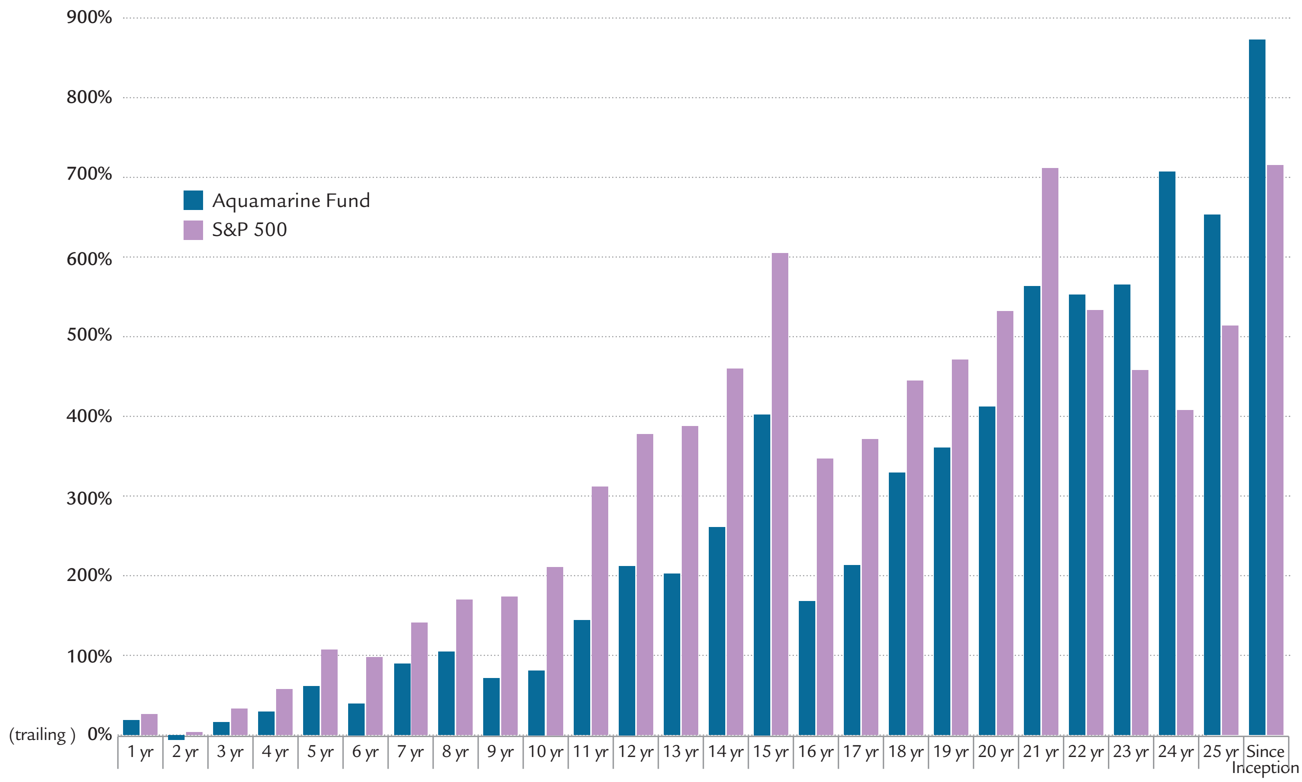
Our strategy at Aquamarine is built on a bedrock belief in the benefits of owning exceptional businesses that are highly likely to compound at an attractive rate for many years to come. At the core of our portfolio, we hold a fairly concentrated

Aquamarine Fund Performance Relative to the S&P 500 Index

Comparison of changes in $1,000,000 invested in Aquamarine Fund vs S&P 500



Cumulative Returns for the 26 Year Period 1997-2023



*This chart shows trailing cumulative returns of the Fund since inception as compared to the S&P 500 - i.e. 1 year trailing shows the return for 2023. 2 year trailing shows the cumulative return for December 31, 2021 - December 31, 2023. 3 year trailing shows the cumulative return for December 31, 2020 - December 31, 2023.

WHILE I WOULD CERTAINLY LIKE TO BEAT THE INDEX, THERE IS SOMETHING FAR MORE IMPORTANT. I'D LIKE TO CONTINUE COMPOUNDING. BECAUSE COMPOUNDING IS WHAT MATTERS MOST. OVER TIME, COMPOUNDING WILL GET US TO THE PROMISED LAND.

selection of these long-term compounders, which occupy what I regard as the economic high ground. To put this another way, these companies remind me of oak trees—strong, resilient, and capable of enduring over long periods of time even under the most challenging conditions.

Our largest holdings include a patiently held collection of these sturdy oaks, each of them so deeply rooted in the global economy that they would be remarkably difficult to displace. For example, we have big positions in companies like Berkshire Hathaway, BYD Auto, American Express, Mastercard, and Bank of America, along with smaller positions in Moody's and Nestlé. I don't view anything as a truly permanent holding because circumstances change, and it's dangerous to fall in love with your stocks or commit publicly to owning them forever. I prefer to think of these stocks as "core-for-now" holdings. That said, I'm comfortable giving these businesses the time and space to continue growing and compounding at a reasonable rate.

There's some risk that my desire to exercise the virtue of patience might tip over into the flaw of lethargy. But, in general, I've found that we're much better off when I don't meddle too much with our portfolio. Companies like Berkshire, Nestlé, and American Express may not be growing very rapidly, but they just keep grinding away year after year, and they steadily increase our stake along the way by buying back shares. We don't need to be in a hurry. We're not rolling dice with the high rollers in a casino. We're planting and nurturing our grove of oak trees.

Would our returns be better if, say, I sold some of our Berkshire stock and moved into something racier and more speculative? Maybe. But you have to decide whether you're in a get-rich-quick mode or, like Aquamarine, in a stay-rich mode. Berkshire, which accounts for about 19% of our assets, is the embodiment of steady, durable, persistent compounding. Over the past 25 years, our original investment in the company has grown from about $13 million to $66 million. My guess is that Berkshire will continue to perform well for a decade after Warren Buffett (who is 93) is no longer in charge. But when the time comes, I'll need to check in to see how his successors are doing and how decisions are made. At some point, the company and its exemplary culture are likely to decay. In the meantime, I see no reason to pare back this mighty—and growing—oak.

It might be helpful to share in more detail how I think about these nitty-gritty decisions about whether to buy or sell a stock—and, for that matter, how much to invest.

As you know, I'm constantly searching for businesses that can become long-term compounders, but I rarely find them. When I finally identify a strong contender, the question is: How much should I buy? At one point, before the Global Financial Crisis, Mohnish Pabrai talked about his ideal of a 10x10 portfolio—in other words, 10 positions of 10% each. For investors who are smart enough and calm enough, that might be fine. But in my case, I need to allow for the reality that there are so many things that I don't know and so many things that can go wrong.

With this in mind, I've come to the conclusion that investing 5% of our assets in a new position—at cost—is an appropriate level of risk for me and my investors. A 5% position is big enough that it can have a significant impact on our wealth, but it won't be devastating if the investment goes wrong and we suffer a 50% loss or even a total wipeout.

Not all positions make it to 5%. I tend to track 200 or so companies at various levels of granularity. Sometimes, there comes a moment when I realize that I won't learn more about a company unless I actually own it. So, I will initiate a small starter position. There is something about owning the shares that changes my relationship to the investment idea. I start to understand how the company is communicating with me. Once I own the stock, I continue to delve deeper—and I sometimes decide not to buy more. This happened with Alphabet, Alibaba, Prosus, and Daily Journal. In each case, we still own our starter position, but I never added to it.

Once we own a stock, I keep researching and monitoring the business to see how it develops. As part of my research, I read as much I can, talk to knowledgeable people, and make company visits. Of course, I'm just an outside observer, with no access to inside information. So, I make inferences based on the sum of my inputs, trying to reach conclusions as to whether the management is allocating capital rationally and intrinsic value is heading in the right direction.

I often get things wrong, despite my best efforts. For example, my investment in Seritage Growth Properties has been a notable failure so far, losing three quarters of its value. Likewise, Alibaba has lost two thirds of its value since I purchased it. In both cases, I've considered selling to free up cash for a new investment, but I ended up holding on. Was I wrong to buy Seritage? Yes. But I still believe there's enormous upside potential and that the current CEO is doing an excellent job. As for Alibaba, China's tech industry has become a brutally tough part of the market, but I think the company should be absolutely fine in the end, and the stock is exceptionally cheap.

In general, I have a strong inclination to hold onto what we own, unless I see that the long-term value of a business has been impaired, or I realize that the management team are not the type of people I want allocating capital on our behalf. I'm also acutely wary of churning our portfolio to pursue the next bright, shiny object. Over the last quarter of a century or so, I've learned again and again that extreme patience is the name of the game.

Thankfully, despite my many mistakes and misjudgments, our winners have outweighed our losers by a huge margin. Just consider three of the most powerful long-term compounders in our portfolio: Mastercard, Bank of America, and BYD. I invested $1.02 million in Mastercard and have watched that tiny investment grow to $28.04 million.
I invested $5.18 million in Bank of America and have watched it grow to $25.85 million.
I invested $4.99 million in BYD

and have watched it grow to $42.54 million. I'm mentioning these successes not to be self-congratulatory but to give you a tangible sense of just how lucrative it can be to buy and hold great compounders for the long term, resisting the urge to tinker with them.

Winners like these turn into large, core positions that dominate the fund, so it might seem at first glance like I'm making big, aggressive bets in an attempt to construct a highly concentrated portfolio. At the end of 2023, our top seven holdings (Berkshire, BYD, American Express, Mastercard, Ferrari, Indian Energy Exchange, and Bank of America) accounted for almost three quarters of our assets. But all of these investments started out as relatively modest positions and then grew dramatically because of my willingness to let our winners run.

One of the greatest challenges of this investment approach is deciding whether to sell or trim a stock that has skyrocketed and become overvalued. I'm willing to live with moderate overvaluation, not least because I know how hard it is to buy a great business once, let alone twice. If a company is truly a long-term compounder, it may be worth holding even through periods of extreme overvaluation. In fact, studies show that the best multi-baggers have appeared to be overvalued for most of their trajectory. In retrospect, one of the costliest mistakes I ever made was to cash out of CRISIL, India's leading credit rating agency, many years too soon.

Still, you can't abandon prudence and discipline. Early in my investing career, I helped EVCI to do a debt-for-equity swap. That catalyst and the removal of the debt overhang resulted in the stock soaring more than seven-fold in a short period. I felt like a genius and fell in love with the company. This was a mistake because it *wasn't* a true long-term compounder, and it was never going to live up to the inflated expectations embedded in the stock price. When a stock soars, the key question to ask myself is: What's the likelihood that this really is one of the great businesses, and not just a flash in the pan? The emotional rush that comes from a rapidly rising stock price can make it tough to see reality in a cold, dispassionate way, but if I have any doubt about the enduring quality of a business, it makes sense to take at least *some* of our money off the table.

One current example shows how challenging these decisions can be. It involves Ferrari, which we've owned ever since it was spun out of Fiat Chrysler in 2016. For all of the time that we've held this stock, I've regarded it as richly valued based on current

To give you a clearer sense of how your money is invested, here's a snapshot of our largest positions—at cost and at their current market value—as of December 31, 2023:

Holding	Market Value $	Percentage of Partners' Capital	Original Cost $	Gain/(Loss) $	Gain/(Loss) %
Berkshire Hathaway	66,425,147	18.86%	13,371,678	53,053,469	397%
BYD Auto Co Ltd	42,542,405	12.08%	4,986,800	37,555,605	753%
American Express	39,341,400	11.17%	10,907,959	28,433,441	261%
Ferrari NV	26,952,822	7.65%	332,807	26,620,015	7,999%
Mastercard	28,043,033	7.96%	1,019,194	27,023,839	2,651%
Indian Energy Exchange	26,663,460	7.57%	10,557,400	16,106,060	153%
Cash	22,830,095	6.48%			

earnings. Then again, Ferrari is an extraordinary, one-of-a-kind luxury brand—more than just a car company. So, I believed we were justified in holding on, despite the valuation. Finally, I sold half of our position during the Covid-19 crisis, deciding that it was sensible to free up some cash and reduce our risk exposure during a period of extreme uncertainty. That sale cost us a lot of money as the stock continued to surge. Thankfully, I sold only half of our shares back then. By the end of 2023, the value of our remaining stake in Ferrari had risen from about $333,000 to $26.95 million—an 8,000% return.

I'M ACUTELY WARY OF CHURNING OUR PORTFOLIO TO PURSUE THE NEXT BRIGHT, SHINY OBJECT. OVER THE LAST QUARTER OF A CENTURY OR SO, I'VE LEARNED AGAIN AND AGAIN THAT EXTREME PATIENCE IS THE NAME OF THE GAME.

In early 2024, I trimmed our Ferrari position once again. On the one hand, Ferrari, like Hermès, is one of those rare luxury brands that are virtually impossible to recreate. On the other hand, the company could face significant risks in the coming years, including questions over the transition to electric vehicles. In the meantime, there's a heady sense among investors that Ferrari can do no wrong. Its exalted reputation was further burnished when Lewis Hamilton—a seven-time world champion in Formula One—recently announced that he's leaving Mercedes to join the Ferrari team in 2025, fulfilling his "childhood dream."

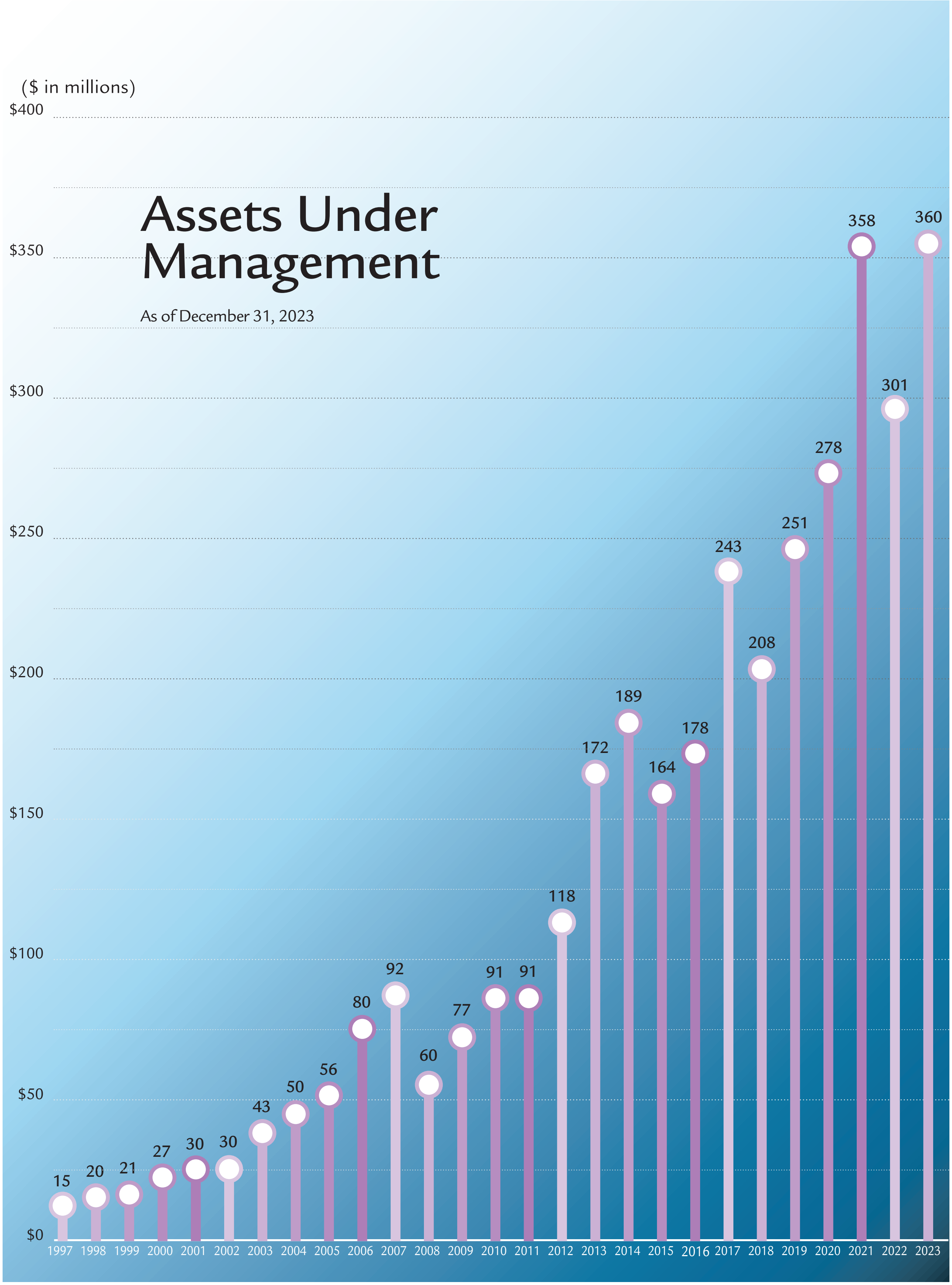
To me, it seemed clear that I had to scale back our position in Ferrari, given that the whole world is cheering for the company and that its stock is priced for perfection. Even with a business this good, storm clouds will eventually appear. There are never just blue skies ahead. My decision may prove to be wrong or premature, but I have to maintain my discipline to ensure that we stay in the game no matter what.

This way of thinking is deeply influenced by the fact that almost all of my family's net worth is invested in the Aquamarine Fund. The extended Spier family is by far the largest investor in the fund.

For us, like you, the stocks that we own are more than trophies. They represent financial security for my family and for many good friends and loyal partners who have entrusted me with their hard-earned savings.

As I hope you can see, I'm not trying to optimize or be perfect, but to make reasonable decisions at the margins. Fortunately, I don't *have* to be the very best investor to do exceptionally well over time. What I've come to realize is that the key is really to get just a couple of big ideas right. In our case, the big ideas have been remarkably simple:

(1) Focus on long-term compounding by buying and holding good businesses.


($ in millions)
Assets Under Management
As of December 31, 2023
$400
$350
$300
$250
$200
$150
$100
$50
$0
15
20
21
27
30
30
43
50
56
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92
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(2) Reduce friction by resisting the urge to trade the portfolio.

In my experience, you don't even need to own the *best* compounders, though it would be wonderful if you did! You'll do extremely well over the course of your investment life if you simply hold *good* businesses that keep compounding over many years—so long as you avoid self-defeating behavior like trading too much, shorting, leverage, or living beyond your means.

This time-tested approach has enabled me to build considerable wealth for our long-time investors over the last 26 years. I briefly strayed from this path when I made a recklessly aggressive bet on Horsehead more than a decade ago. I won't do it again. Given my personality and my family's outsized stake in Aquamarine, it makes much more sense to stick with reasonable investments that can't kill us—and then leave the miracle of compounding to work its magic. This is a good way to live, and it's a reproducible strategy that should continue to work well for decades to come. This isn't a heroically bold strategy that aims to shoot the lights out, but it provides a very high likelihood of a good—and possibly excellent—outcome.

It's important to understand that this is the game we're playing, and to be comfortable that it suits your financial goals and your temperament, so you can stick with it and enjoy the benefits of sustainable, long-term compounding.

Our Indian Investments

Aquamarine's assets are largely invested in dominant businesses that have already demonstrated their resilience. That said, we also own a few smaller, riskier businesses that are less proven, but that appear to have tremendous upside potential. Going back to our tree analogy, you could say that our portfolio includes several giants oaks clustered at the heart of our garden (for example, Berkshire Hathaway, American Express, Mastercard, and Bank of America); a towering oak that's closer to the garden's edge (BYD, a fantastic Chinese business located in an environment that's riskier, both politically and economically); and a few younger, faster-growing saplings that could eventually turn into oak trees (CARE Ratings and Indian Energy Exchange).

I want to write briefly about these two Indian investments, CARE and IEX, because they both have the potential to become great compounders. Between them, at the end of 2023, they represented slightly less than 10% of our portfolio, with about 7.6% in IEX and 2.1% in CARE.

Warren Buffett and Charlie Munger have written in the past that they would rather have a lumpy return of 15% a year than a smooth path to a return of 10% a year. IEX has followed the lumpy route, taking us on quite a turbulent ride over the last five years.

As I explained in last year's shareholder letter, IEX is a strategically important company with compelling growth prospects. It runs an electricity exchange on which an excess of energy can be sold to other participants in India's energy market, allowing them to match supply and demand in an efficient manner. I first bought the stock in 2019 and rode it up as it quadrupled in 2021. Then, in February 2022, Russia invaded Ukraine. As a result, oil prices surged on the exchange, causing volumes to plunge as buyers sought cheaper sources of energy elsewhere. In the wake of this geopolitical turmoil, IEX's stock price dropped almost 50%.

As India's dominant electricity exchange, IEX is at the center of the transformation of the country's vitally important power sector. Its future should be bright, despite the reversal sparked by the war in Ukraine. But now there are new clouds on the horizon. Competitors, who are jealous of IEX's dominance, are seeking to do an end-run around the company by getting regulations changed so they can muscle their way into this business by creating a rival exchange. These proposed changes fly in the face of a regulatory framework set up in 2003 and could lead to an epic debacle in India's energy markets, including power outages, misallocation of resources, and embarrassment for India's Central Electricity Regulatory Commission (CERC).

I've written to the Commission to express my belief that these regulatory changes could create mayhem—if they allow them to go through. Given that the existing exchange system is working well, why mess with it? My hope is that cooler and more rational heads will prevail, that any rule changes will be incremental, and that this trusted system won't be undermined by a self-serving interloper. Having previously invested in exchanges like ITG, I also believe that the dominant exchange is likely to win out no matter how reform happens. This was certainly the case when liberalization came to the trading of stocks.

Still, there is clearly more uncertainty for IEX than I had expected. Some regulators seem determined to risk dragging India back to the days when it was perceived as a country that was incompetent at capitalism and destined to be eternally poor. Whatever happens, IEX is still likely to play a prominent role, but its prospects would be diminished—along with our returns—if this regulatory risk becomes a reality.

This situation highlights a perennial challenge that I face as an investor. It's hard to tell whether a company like IEX can truly become an oak tree, as I believed, or whether it's really just a sapling that enjoyed a growth spurt and could still get blown down by a storm. This doesn't mean that we shouldn't own it, but it does mean that our position size should be modest enough to reflect this uncertainty. I'm sure to make some mistakes in picking these potential multi-baggers, and I want to sleep well at night. So, I'm happy to invest a maximum of 5% at cost, and I will avoid dreaming that these promising saplings can ever become a Berkshire Hathaway.

In a perilous world, there's also a strong argument for staying closer to the center of the garden, favoring businesses in more developed markets. This is a lesson I was reminded of recently when I spent time with my Harvard Business School classmate Sir Chris Hohn, who has made billions for himself and his investors while focusing his attention on about 200 companies in North America and Western Europe. Over time, this way of thinking may lead us to lighten up a bit on stocks like IEX in India and BYD in China. As Chris has shown, there's plenty to do at the center.

That said, I'm extremely optimistic about the future of CARE, a small Indian company that has the potential to make us many times our investment. We currently own about 3% of the company. In general, it pays to own the number one player in an industry. When it comes to Indian credit ratings, that spot belongs to CRISIL—by quite a margin. But I've also come to realize that it often pays to own the number two. Companies like PepsiCo and Bank of America have prospered mightily while playing second fiddle to Coca-Cola and JPMorgan Chase. Among other reasons, the challengers often have more room to improve, or they may be hungrier, or they may push harder to find great partners than if they were sitting comfortably in the lead position.

CARE is the challenger in India's ratings business. It has come a long way since it was founded, but there is still a long way to go. If all goes well, the company will make an enormous contribution to India and will make a lot of money in the process.

My case for owning CARE starts with India's sovereign debt rating. The country currently ranks as the world's fifth-largest economy, or the third largest based on purchasing power parity; it has a debt-to-GDP ratio of around 82% (considerably lower than the ratio in, say, the US and Japan); and it borrows predominantly in Indian rupees. Despite these and many other strengths, India has a BBB- credit rating from S&P Global, which means that the country sits just a notch above non-investment grade. Amazingly, countries like the Philippines, Thailand, and Botswana all have higher credit ratings than India, which is one of the most dynamic powerhouses of the global economy. This seems preposterous to me and makes no sense.

AMAZINGLY, COUNTRIES LIKE THE PHILIPPINES, THAILAND, AND BOTSWANA ALL HAVE HIGHER CREDIT RATINGS THAN INDIA, WHICH IS ONE OF THE MOST DYNAMIC POWERHOUSES OF THE GLOBAL ECONOMY. THIS SEEMS PREPOSTEROUS TO ME AND MAKES NO SENSE.

There are many reasons for this, but at least some of them are subjective and dubious. Part of the problem is that the people who judge India's creditworthiness are sitting in New York and London, where they work for the big three global ratings agencies: S&P, Moody's, and Fitch. It's an outmoded form of foreign domination over a powerful nation that broke free from the British empire in 1947. In China and Japan, local ratings agencies have given a much higher rating to their home country's sovereign debt than the ratings given by the big three. It's my view, and the view of many other observers, that India's homegrown ratings agencies should be able to rate the country's sovereign debt—and should also rate other countries' sovereign debt.

This would be good for India, for the depth and breadth of its financial markets, and for the projection of the nation's soft power. What's more, it would also be beneficial to break the stranglehold maintained by the big three, which were shamefully complicit in the irresponsible behavior that caused the Global Financial Crisis. Having a reputable, homegrown Indian credit ratings agency far away from the traditional capitals of New York and London would be a small step in redressing the global imbalances and injustices that have historically worked against India. It's high time.

Will it happen? At some point in the coming years, it's eminently possible. For now, I'm in regular contact with CARE's management, and I'm trying to play a positive role as an ally and advocate, making the case in private and public for why this needs to happen. It's an example of "friendivism" on my part. If you're reading this and agree with my views, please get in touch. I'm looking for support and would be delighted to band together.

There's no guarantee of success in this endeavor, but I'm confident that CARE is generally headed in a positive direction, whether or not this sovereign ratings opportunity materializes. Most important, I've sized the position appropriately. As I write this, we have a little less than $10 million riding on CARE, whose stock price has more than doubled since we bought it. If

INDIA'S HOMEGROWN RATINGS AGENCIES SHOULD BE ABLE TO RATE THE COUNTRY'S SOVEREIGN DEBT—AND SHOULD ALSO RATE OTHER COUNTRIES' SOVEREIGN DEBT. THIS WOULD BE GOOD FOR INDIA, FOR THE DEPTH AND BREADTH OF ITS FINANCIAL MARKETS, AND FOR THE PROJECTION OF THE NATION'S SOFT POWER. IT WOULD ALSO BE BENEFICIAL TO BREAK THE STRANGLEHOLD MAINTAINED BY THE BIG THREE GLOBAL RATINGS AGENCIES, WHICH WERE SHAMEFULLY COMPLICIT IN THE IRRESPONSIBLE BEHAVIOR THAT CAUSED THE GLOBAL FINANCIAL CRISIS.

everything pans out and it turns out to be a 20-bagger, I'll regret not having owned a bigger position. But if, for whatever reason, it doesn't work out, it won't be painful. This is a good example of the way we plant a bunch of seeds in fertile ground and wait to see how they grow.

Aquamarine's Value Proposition

As I reiterate each year, my principal obligation is to build wealth prudently, responsibly, and sustainably for all of our partners in the Aquamarine Fund. I take great pleasure in the fact that you and I are on the same side and that I'm rewarded only if I perform well on your behalf. This sense of partnership isn't just talk. It's baked into the fee structure of the fund.

I continue to believe that the Aquamarine Fund offers exceptional value to its investors, with our value proposition built on three pillars:

- Alignment of your interests and mine, with the fund genuinely structured as a partnership. As you know, the overwhelming majority of my family's life savings is invested in the fund. Why is this so important? Because it means that I eat my own cooking and am profoundly committed to the ongoing success of this fund, which is the rock upon which my family's financial security is built.
- Low or zero management fees. I'm dedicated to providing the best possible offering to our partners. Above all, I strongly encourage investors to take advantage of the shareholder classes that charge no annual management fee. I should mention that members of the Spier family pay a 2% annual management fee. This reflects my commitment to providing an exceptionally fair deal for the fund's partners.
- A conservative, long-term, value-oriented approach in which we partner with the best enterprises we can find, compounding wealth in a disciplined and durable manner.

Assets Under Management, Subscriptions, And Redemptions

In 2023, we received $13.9 million in new capital, along with redemption requests for $10.7 million. I regard this as part of the normal ebb and flow of assets as our investors' life circumstances change. While I'm always sorry to see investors leave the fund, it gives me immense pleasure to see friends and family benefiting from the appreciation of their holdings over the years. We ended 2023 with $361.3 million in assets, which gives us sufficient scale to run the fund comfortably, but still allows us the flexibility to react nimbly when necessary.

Aquamarine's Team in Zurich

My mission of compounding wealth for the partners of the Aquamarine Fund would be infinitely harder if it were not for the superb team working alongside me here at our office in Zurich. They handle countless business and administrative tasks with tremendous skill and scrupulous care, and they create a calm and cheerful environment that allows me to focus quietly on my day-to-day work of managing the portfolio. I feel immensely lucky to have this team, and I couldn't be more grateful to them.

As anyone who deals with Aquamarine soon discovers, David Jud is a supremely capable and dependable figure at the heart of our management team. In 2022, I promoted him to Chief Operating Officer and Chief Financial Officer, giving him responsibility for everything from finance to compliance. This is a role that David had been brilliantly trained to perform over several years by Mark Chapman, who took great pleasure in training him. It's been a priceless gift for

David to receive this one-on-one guidance from Mark, whose vast wealth of experience includes many years as the Managing Partner in the Virgin Islands for Deloitte & Touche.

David couldn't have had a better teacher than Mark, but he has also received constant support and encouragement from Chantal Hackett, who always recognized his great talent and character. David, who has worked at Aquamarine since 2014, is too modest to draw attention to his impressive background and accomplishments, so let me just mention a few highlights: He studied mathematics at the world-renowned University of Zurich; he served as a quartermaster in the Swiss Army, where he honed his impeccable logistical skills; and he earned the Chartered Financial Analyst accreditation in 2023 while working full-time at Aquamarine. It's been a delight to watch David grow into this crucial role.

Since joining us in 2018, Chantal has also become a central pillar at Aquamarine. As our Chief of Staff and Investor Services, she manages the daily business of the office here in Zurich; she maintains our relationships with existing investors and onboards prospective investors; she organizes corporate events such as VALUEx Klosters, VALUEx BRK, and our annual meetings; and she manages my calendar, helping in every way to keep my life on track. Her interpersonal skills, her boundless energy, and her organizational capabilities are a wonder to behold.

One of Chantal's many gifts is that she's also incredible at managing and nurturing talent. She works closely with Mariana Baldé, who runs our mailroom and database and handles many tasks around the office. Mariana is unbelievably efficient, and it's been a joy to see her going from strength to strength in recent years. We've also been very fortunate to have Daan Voskuil here, contributing to everything from analytical research to organizing my library. It's made a world of difference to be able to count on this team's seamless organizational support in everything I do.

As many of you already know, there has been a changing of the guard at Aquamarine in recent months, with Mark Chapman's retirement from the firm at the end of 2023. After many years of invaluable service at Aquamarine, he and I both felt that it was the right time for him to transition to a non-executive, non-supervisory role. This frees Mark up to focus on his many activities in the British Virgin Islands, including his family, the Chapman Property Group, the BVI Olympic Committee, other BVI sporting organizations, and more.

This transition also allows Aquamarine to centralize our management and decision-making entirely in Zurich. It completes a process that began with my move from New York to Zurich in 2009. Now, for the first time, our entire team is together in one place, instead of being dispersed around the world in the US, the Virgin Islands, and Switzerland. Sharing a single office in Zurich and working in a single time zone is extremely helpful in terms of efficiency and cohesion.

Mark remains a shareholder in the Aquamarine Fund, having taken the bulk of his remuneration in shares. He also remains a much-valued adviser to me and my family. In the meantime, it's impossible to convey the full extent of his contributions to Aquamarine, to our fund's partners, and to the Spier family. Over the last few years alone, Mark's many achievements include:

- Overseeing a change in our regulatory framework, which involved relinquishing our SEC license and moving instead to oversight by the Swiss Financial Market Supervisory Authority (FINMA), which is renowned for its exceptionally stringent regulatory standards.
- Ensuring our compliance with the Foreign Account Tax Compliance Act (FATCA).
- Closing our New York office.
- Teaching and training David Jud in the functions of CFO and COO.
- Finding and hiring Chantal Hackett, who, like David,

has become an integral member of the company's management team.

- Implementing formal structures and processes within the company while also ensuring that I would have the time, space, and flexibility to think creatively.
- Developing and structuring the VALUEx conference, which has provided me with an amazingly rich ecosystem of friends and fellow investors who share insights and ideas.

In short, I will be forever grateful to Mark for taking me under his wing over all these years and sharing the fruits of his rich experience and hard-earned wisdom. It's a reflection of his enduring contribution that he has left us with an extraordinary team that he did so much to build and train.

Thanks

I feel extremely fortunate to have such an exceptional group of shareholders. The Aquamarine Fund's base of sophisticated and loyal partners has stood firm over many years. This has enabled us to take advantage of the great buying opportunities that intermittently arise during times of heightened uncertainty and volatility. It has also given me remarkable freedom to focus my attention on the task of generating good long-term returns. This mindset is a great competitive advantage in an investment world that's increasingly obsessed with the short term.

Many of the partners in our fund came to us through recommendations from existing shareholders who were pleased with our performance, our culture, and our alignment of interests. If you know of someone who might benefit from investing in the Aquamarine Fund, please don't be shy about introducing them. Feel free to contact me about referrals or anything else by calling +41 44 210 1900 or +1 212 716 1350 or via email at investorservices@aquamarinefund.com.

I'm always pleased to partner with the right shareholders—that is to say, patient, value-oriented, long-term investors who would like to join us in compounding wealth over many years, without unnecessary risk. I'm particularly fortunate to partner with investors who have valuable experiences, insights, and networks of their own. I've enjoyed an ongoing dialogue with many of our partners about different industries and companies and have found their views extremely thoughtful and enlightening. Whenever we can welcome such people into the Aquamarine Fund, I regard them as a very valuable addition.

Thank you for joining me on this journey. I will do my utmost to be worthy of, and to reward, the trust you have placed in me.

Guy Spier
Managing Partner

25 Investing Principles

Mission & Goals

Our mission is to compound financial wealth for our investors. We want to do this in a prudent and patient way that is sustainable, honest, honorable, and fair. This ethos allows our investors to sleep well at night. We do this by aligning ourselves with great businesses and great people—great CEOs and management teams, great investors and clients, as well as our broader community of great suppliers and others.

This therefore also means that we are in the business of building businesses that improve the world. This therefore also means that we are working on creating an environment in which some of the world's best businesses—ones that serve society as a whole—can flourish. I and the entire team at Aquamarine want to create such an exceptional home for these high-quality businesses that their leaders will be proud that we have invested with them.

And in doing so we want to help the people involved—all of the stakeholders—to improve their lives. To help build fantastic futures for us all.

When we look to the societies that we are a part of, we want to make them places that are full of opportunity, with a good safety net, and in which people are treated fairly. Not only is this a moral and a laudable goal, it's also the best way to help ensure that the sort of calamities that come from social instability and inequality don't hurt us—the way the rise of Nazism in response to injustices in Germany hurt my grandparents, or the way that the injustices of apartheid uprooted members of my mother's family in South Africa.

We are more likely to achieve these goals by affirming a well-defined set of principles and values. The goal here is not to be comprehensive. Rather, it is to emphasize some important lessons that I've learned over the last quarter of a century that seem especially relevant to me and the fund's investors at this point. Based on what we know from Robert Cialdini about the "commitment and consistency principle," it's particularly helpful to write down our principles and values, to commit to them in this public manner, and to review them regularly. Another way to see this is that it's a valuable intention-setting exercise.

I will do all that I can to live up to these principles and values, and I invite you to hold me to them.

01 HARNESS THE MIRACLE OF COMPOUNDING

When it comes to investment results, many investors focus on what happened in the past month, quarter, or year. They might compare quarterly or annual results to an index or to the results of other funds. Financially sophisticated investors may talk about the search for alpha (a fancy way of referring to above-average returns) or the pursuit of superior risk-adjusted returns. I pay as little attention as possible to these metrics because they distract me from the true task at hand.

The only metric I find useful is thinking of long-term increases in net worth, or getting the miracle of compound interest to work in our favor. The table below illustrates the point that seemingly modest differences in the annual rate of return can generate profound differences in the ultimate gain over long periods of time. My goal is to compound wealth at a high rate, while minimizing the risk of permanent losses of capital. In order to keep my sights on the horizon, I frame the investing challenge as follows: I seek to double the Aquamarine Fund's price per share as many times as possible over the course of my investing lifetime.

Investment Result—As a Multiple of Original Investment

Years of Operation	Rate of Return		
	9.0%	7.0%	5.0%
10	2.4	2.0	1.6
25	8.6	5.4	3.4
50	74.4	29.5	11.5

02 DON'T LOSE MONEY

Another way to frame the investment challenge is to ask the following question: How can I compound my investors' wealth at the highest possible rate but in a manner that minimizes the probability of a loss? As the chart here illustrates, the more you lose, the harder it is even to get back to where you started. Big losses are a real killer. Or, as Warren Buffett has said: "Rule No. 1: Never lose money. Rule No. 2: Never forget Rule No. 1."

Initial Loss	Gain Required to Be Whole
10%	11%
25%	33%
40%	67%
50%	100%

03 AVOID LEVERAGE

The fastest and most effective way to violate Buffett's "never lose money" rule is to take risks with capital that I don't already own. Thus, I don't lever my portfolio, and I also seek to avoid overly leveraged investments. There's nothing wrong with getting rich slowly—especially if trying to do it rapidly could end badly, which it often does. I'm reminded of Buffett's comments about the implosion of Long-Term Capital Management: "Whenever a really bright person who has a lot of money goes broke, it's because of leverage... It's almost impossible to go broke without borrowed money being in the equation."

However, as I've come to realize, there is also the risk that leverage can seep slowly and insidiously into my portfolio without my taking sufficient notice—for example, when a company that has performed well gradually increases its debt levels. Charlie Munger warned of "boiling frog syndrome," which is the tendency not to recognize tiny, incremental changes until it's too late. Given the vicious nature of leverage, I need to monitor such changes closely and be ready to exit a stock in a hurry if the risk level has escalated. On the whole, I look to hold stocks for many years, avoiding the temptation to trim my winners. But when leverage has risen within a company, I have to be more willing to sell.

04 PLAY CENTER COURT

Donald Keough, who was president of Coca-Cola and a board member at Berkshire Hathaway, provided a great discussion of ethics in his book *The Ten Commandments for Business Failure.* One problem with playing the game close to the foul line, he explained, is that the foul line moves around. AIG and the Greenberg family discovered this in the realm of insurance. When the foul line was moved by Eliot Spitzer, they found themselves on the wrong side of it. Due to the uncertainty as to where the foul line actually is, playing close to it is a perfect example of how you can expose yourself to the possibility of low-probability outcomes with extreme consequences.

Another benefit of playing center court is that it usually doesn't require huge amounts of expensive input from lawyers, accountants, and other high-priced advisers. Accountants and lawyers often don't like it when their clients play center court, since people who push the boundaries tend to generate higher fees.

Keough passed away in 2015, but his wisdom will no doubt remain as relevant and timely as ever. "There is no such thing as business ethics," he wrote. "Just ethics. It's not separated from the rest of your life."

05 PAY ATTENTION TO INCENTIVES

Charlie Munger once said that while he certainly understood the paramount importance of incentives in human behavior, even he grossly underestimated their importance. Many investment partnerships are run by managers who don't have a substantial personal investment in their own partnership and who work primarily with other people's money. This creates an incentive to maximize short-term performance, and it ultimately leads to increased risk.

An important component of the set-up at Aquamarine is to make sure that my incentives are appropriately aligned with the interests of my shareholders. The overwhelming majority of my family's wealth is invested in the Aquamarine Fund, and virtually all of my own money is in the fund. This creates a powerful incentive to minimize the risk of loss. It's also important to note that my family—including my mother and father, my uncle and aunt, my sister and I—are all invested in exactly the same vehicle as the fund's other shareholders. Whatever the investment returns might be, we're partners in this venture, and we're all invested alongside one another in the same vehicle.

This is also my only fund, and I can focus on it without the distraction of any other business ventures or investment vehicles. I don't intend ever to launch another fund, since I like the idea of having one investment record for my entire career. That way, it will be easy to see whether or not I've truly added value. Another key component of our alignment of interests is the fund's zero-management-fee share class in which I make money only if my shareholders make money.

It's easy to identify the most egregious ways in which ignoring incentives can be damaging. For example, I can take with a pinch of salt a barber's comment that I need a haircut. Similarly, I can steer clear of the sell-side broker who wants to churn my account. However, here's something harder to spot: Consider an adviser who is honest, hard-working, and truly desires the best for our fund. While the course of action that he counsels is generally sound, it contains complications that could lead to problems in extreme circumstances. He will naturally tend to discount the downside (hey, it's not his downside, and it might even lead to more work down the road). My job is to recognize that downside. The adviser would certainly survive the hidden but fatal flaw, but I might not. Indeed, someone with good intentions and deep knowledge can still give dangerously flawed advice. While I might catch the egregiously imperfect advice, I also need to be on guard for this kind of subtly imperfect advice.

Over the years, a number of peers on the buy side have become a source of invaluable insights on important business and investment decisions. We often discuss particular companies, pooling our knowledge and exchanging opinions. But even with these trusted friends, I need to be conscious of the subtle ways in which incentives work. For example, a friend who wants to convince me to buy a stock might gain something psychologically from the validation this provides. Likewise, I might be vulnerable to the fact that I have a strong tendency to want to be liked. In other words, incentives are not just financial but psychological.

It's important to maintain a balance here: I have to remain open to the insights of my peers while never losing sight of the need to do my own due diligence and to retain my independence of mind. Cloning the best insights and practices of the most brilliant people is a smart move—but groupthink is not so smart.

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06 WORK WITH GREAT PARTNERS

During the Global Financial Crisis of 2008-9, several of the Aquamarine Fund's shareholders redeemed their partnership interests at the worst possible time, thereby locking in their own losses and reducing my ability to buy stocks at extraordinarily cheap prices. This experience taught me a lot about the importance of having the right partners. One way to achieve this is to create the best possible structure for the fund, since this affects the quality of investors we attract. In my case, this means:

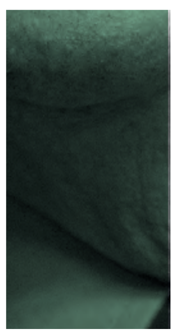
1. Providing share classes in which we charge no management fee.
2. Allowing only annual redemptions from the fund.
3. Communicating infrequently, but substantively, rather than communicating often but with little more than rewarmed market commentary.
4. Avoiding roadshows and beauty contests designed to attract more assets.

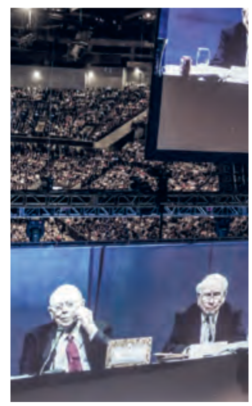
Why are these rules important? With no management fee and only annual redemptions, the fund attracts a group of sophisticated investors who have thought carefully about equities and about what they are looking for in a money manager. These investors tend to understand that I need to be able to think long term to do my job well; my wondering who might want to redeem each and every quarter would be a needless distraction. These investors also recognize that our fee structure (zero management fee, and only a performance fee) is a substantial boon to good long-term results—and that it's fair. This fee structure reflects the fact that I want to make money with my partners, not *off* them.

As for my preference for communicating infrequently but substantively, this is driven by a recognition that I need to focus on investing, without the regular pressure of having to look smart on roadshows or in other fundraising activities. Those activities are a distraction and are inimical to good investment returns.

When it comes to investment research, I also work hard to develop great relationships with a broad range of people who can help me to evaluate investment ideas. As with attracting great partners, there are a few key rules:

> “REMEMBER THAT REPUTATION AND INTEGRITY ARE YOUR MOST VALUABLE ASSETS—AND CAN BE LOST IN A HEARTBEAT.”
>
> CHARLIE MUNGER





1. Keep confidential the investment ideas that are shared with me.
2. Do not trade investment ideas sourced elsewhere until there is clear permission to do so from the originator.
3. Never tell anyone what to do, but give thoughtful and value-added feedback on ideas.
4. Always give credit when and where possible.

These are really just applications of Hillel’s advice: “What is hateful to you, do not do to your neighbor.” The benefits of behaving decently are cumulative. Charlie Munger, who was famously determined to act honorably at all times, said: “How you behave in one place will help in surprising ways later.”

One of the great lessons I've learned throughout my career is that all business is personal. The vast majority of the time, whenever I have gone beyond the call of duty regarding someone's well-being, it has resulted in all sorts of remarkable, unexpected, and fortuitous results for me. As Michael Eisner makes clear in his book *Working Together: Why Great Partnerships Succeed*, perhaps the best way to find a great partner is to be a great partner. That has been true for me in all areas of my life, and it has been true of the people I admire most. Indeed, writing about Munger, Warren Buffett once declared: "In 41 years, I have never seen Charlie try to take advantage of anyone."

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07 BUY BETTER BUSINESSES AT BARGAIN PRICES

One of the hardest things for me to learn and truly internalize has been to see the market as a pari-mutuel system, much like betting on a horse race. At the races, it's not that hard to identify the fastest horse that will most likely win the race on any given day. However, that horse is unlikely to be the best bet, since the probability of its winning will typically already be factored into the odds offered by the bookmakers. The real skill is to find the *mispriced* bet—the horse whose chances of winning are much greater than the odds suggest. This is much harder, and the opportunities to place such bets are much rarer than most people think.

One benefit of extreme volatility is that it occasionally makes it possible to buy great businesses when they are dramatically mispriced. Think of Buffett loading up on American Express during the Salad Oil scandal of the 1960s or Munger piling into Wells Fargo during the financial crisis when he saw what he later described as "a once-in-40-year opportunity."

Time is the friend of a great business. But if the business was purchased when it was priced to perfection, it has as much potential to impair returns as a much weaker business. Thus, the focus of my investment research is largely oriented toward finding businesses that are mispriced, rather than identifying great businesses and trying to justify paying a high price for them.

Whenever I can acquire them for an attractive price, my preference is to buy the best businesses and then hold them indefinitely. As Munger has said, "If you live in a small town and if you own a good car dealership, McDonald's franchise, the best apartment building in town, the highest quality office building in town, you are done." Investing is hard and there are many things I can miss in my analysis. But when I own better companies, life is more forgiving, and I can prosper while paying a little less attention. When I occupy this economic high ground, my portfolio is less vulnerable to market downturns and to my own misjudgments. My long-term goal is to upgrade my portfolio whenever the opportunities arise to invest in superior businesses.

08 MAKE THE MARKET MY SERVANT, NOT MY MASTER

The constant movement of stock prices is a call to action. The brain also experiences an emotional storm when we see that stocks or the market are falling. I try to detach myself as much as possible from the market's short-term gyrations, so that I can invest in a more rational, measured, and patient way, buying stakes in companies that I can hold for years. I typically check the price of my holdings no more than once a week; I leave my Bloomberg terminal switched off for extended periods; and I don't have a TV in my office. Simple rules and practices like these make it easier not to waste my willpower trying to resist the market's short-term calls to action.

As Ben Graham taught, we need to make the market our servant, not our master. That means using it to our advantage by buying bargains when pessimism reaches extreme levels and by reducing our risk exposure when the crowd is overly exuberant. The key is not to be swept up in the crowd's bipolar mood swings. If I avoid checking stock prices on a regular basis, it's easier for me to detach myself from the price action of the market, which is liable to stir up my emotions and cloud my judgment. Likewise, I have a rule that I can't buy or sell stocks while the market is open. This serves as a circuit breaker, so that I don't act precipitately. In my early days as a fund manager, I had an in-house trading desk, which brought the market right into the heart of my office in a way that was distracting and disruptive. Now, I place orders by emailing a broker after trading hours, so that we don't even need to speak with one another directly. These simple strategies make it somewhat easier to keep market noise at a safe distance.

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09 ACT COUNTER-CYCLICALLY

The stock market—and much else in life—is highly cyclical. When times are tough, it's important to remember that they will get better again; when they're great, it's important to remember that they will get tough again. As an investor, I strive to be counter-cyclical. Broadly speaking, I want to buy when others are fearful and sell (or, at least, reduce my risk exposure) when others are greedy.

This is easier said than done because the psychological forces at play are so powerful. The fact that you're intellectually aware of these forces doesn't protect you from them. For example, when the market is falling dramatically, self-reinforcing thoughts kick in that tell you that the world may come to an end. Fear is contagious, and it's easy to get swamped by these intense emotions. Then, when everything is going well and you've made handsome profits for years, it's easy to start believing that you're brilliant and to slip into a state of hubris and overconfidence. There's a terrible vanity that can get into your head merely as a result of all this positive price action. I've experienced this on more than one occasion,

proving to myself that I'm far from immune to these perils.

In the good times, the key is to reduce my risk, my concentration, and my bets on more aggressive industries. During bull markets, we tend to become more concentrated in our favorite investment ideas. If I can't bring myself to sell them, I should at least force myself to become more diversified, since a diversified portfolio will be less vulnerable when the cycle changes.

I'm increasingly focused on the idea of building counter-cyclicality into my life. Certain investments—for example, Berkshire Hathaway—are counter-cyclical, which helps. Berkshire is designed to be an anti-fragile business that is likely to prosper in good times and bad, not least by buying undervalued assets amid the tumult. Another aspect of being counter-cyclical is to surround myself with people who think and act this way—and to be aware that certain relationships are pro-cyclical and therefore more likely to be hazardous. If, say, a contrarian, risk-averse partner in my fund sells a significant portion of his shares after years

of strong returns, I need to take notice and ask myself if this is a useful sign that things are becoming irrationally exuberant.

Likewise, it's helpful to pay close attention to the words and actions of investors like Warren Buffett, Howard Marks, Francis Chou, and Seth Klarman, who have a long and successful history of operating counter-cyclically. Part of the gift of these investors is that they keep their egos in check and remain rational during periods of euphoria. One safeguard against my own vulnerability to hubris and overconfidence is to make sure that I take slightly less risk than the people I respect and admire. ●

10 TREAD CAREFULLY AROUND SALESPEOPLE

The investment business is full of people trying to hawk ideas that serve their own interests—bankers, brokers, sell-side analysts, CEOs, TV pundits, and others. In the past, I found that I made lousy decisions when I bought what people were trying to sell me, since our brains are not wired to make rational decisions when we are confronted with a well-argued pitch from a gifted salesperson. So, I adopted a simple rule: I don't let myself buy anything that's being sold to me.

This is one reason why I never participate in IPOs. When a company goes public, Wall Street puts all of its mind-bending sales power behind it, creating a situation that promotes poor decision-making. It's also why I seldom read research produced by sell-side analysts. As a long-term investor, my interests are in stark opposition to the interests of Wall Street. What I need to do is invest in a few great but undervalued (or reasonably valued) businesses and then stay put, resisting the urge to trade. Wall Street is rewarded for activity; my shareholders and I are typically rewarded for inactivity.

For similar reasons, I explained in my book, *The Education of a Value Investor*, that I had stopped speaking with corporate management because these are skilled salespeople who accentuate the positive and discount the negative. In retrospect, that was a mistake. For me, it's mostly beneficial to meet with management, given that they are a critical piece of the overall puzzle that I need to understand.

That said, the order in which I gather information matters because the first idea that enters the brain tends to have an outsized impact on our thinking. With this in mind, I try to gather the most objective and unbiased data first (for example, by reading the company's 10-K and 10-Q), so I can form my own ideas independently before speaking with management. Once I have a clear understanding of the company, it makes sense to visit its facilities and meet the management. On one occasion, a top executive was unenthusiastic about my visiting his company's new plant: I would have done well to see this as a warning signal. In any case, the key isn't to avoid management but to structure the relationship correctly, so that it adds insight, not noise.

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11 USE A CHECKLIST

This subject is discussed in Atul Gawande's excellent book *The Checklist Manifesto*. Our minds are filled with all sorts of evolutionary quirks that degrade the rational decision-making ability of even the most intelligent investors. I try to counter these tendencies by using checklists.

Before making any investment, I run the idea through a checklist that summarizes as many known investment mistakes as possible—mistakes made in the past either by me or by other money managers. I ask myself whether I might be committing the same mistakes again. Using a checklist as a circuit breaker has prevented me from making a number of bad investments. This method isn't foolproof, but my experience is that it has reduced my error rate dramatically. Most of the work on the checklist was done by my great friend Mohnish Pabrai, and I am deeply grateful to him for the collaboration.

My understanding of the power of checklists continues to grow. In the past, I primarily used a checklist before making an investment in order to see what factors I might be missing. In recent years, I've also turned my attention to building an "in-flight" checklist to help me monitor growing risks that may be developing within companies that I already own. I believe this process of reappraising companies that I own needs to be done in a regular, formalized manner. Otherwise, there is a psychological tendency to overlook these mounting risks, particularly in companies that have performed well for me. My in-flight checklist includes questions such as these: Has this company I own taken on any new debt, have any of its leverage ratios changed significantly, and has the price of a key raw material changed significantly?

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12 RUB MY NOSE IN MY MISTAKES

Even with a checklist, I'm still going to make my share of mistakes—partly because investing is hard and the world is complex and partly because of flaws in my own idiosyncratic wiring. As Sir John Templeton observed, even the best investors are wrong about a third of the time. This is a humbling business, and there are times when I will inevitably look foolish.

When I do make mistakes, I'm committed to admitting them, analyzing them, and learning from them. As Charlie Munger once said: "I like people admitting they were complete stupid horses' asses. I know I'll perform better if I rub my nose in my mistakes. This is a wonderful trick to learn." At the same time, it's not helpful to be paralyzed by regret over mistakes. I need to understand what went wrong, be honest about it, and then move on.

13 BE CAREFUL IN TALKING ABOUT CURRENT INVESTMENTS

As the psychologist Robert Cialdini explains, we need to be careful about taking public positions. Once we've made a public statement, the "commitment and consistency principle" makes it difficult for us to back away from our position, even if we have come to regret that opinion. With this in mind, I generally try to avoid walking into the trap of making statements about stocks that I currently own, since the situation might later change or I might discover that I was wrong. This is why I prefer not to discuss my current investments in public settings such as annual meetings, shareholder letters, and media interviews.

Occasionally, I've violated this rule when I thought it was particularly important to be candid with my fund's partners about a particular situation. For example, during the financial crisis, I made it clear that I was finding extraordinary opportunities to buy cheap stocks like Cresud and London Mining. Then, in early 2016, I wrote to shareholders to explain my thinking about how we were positioned to take advantage of an unusually turbulent market; I mentioned one company by name and alluded to our investment in two unnamed car companies. One partner in the fund responded by firing off an emotional email telling me that I should stick with "nice staple goods companies" and "rest in peace." I can understand any investor being

upset when I've lost some of their hard-earned savings. But discussions like these can be counterproductive, creating psychological conditions in which it's harder to make dispassionate decisions. Overall, the Aquamarine Fund will do better if I try to exercise my best judgment in a state of quiet, calm detachment. Indeed, one of those car companies has since proved to be among the most lucrative investments I've ever made.

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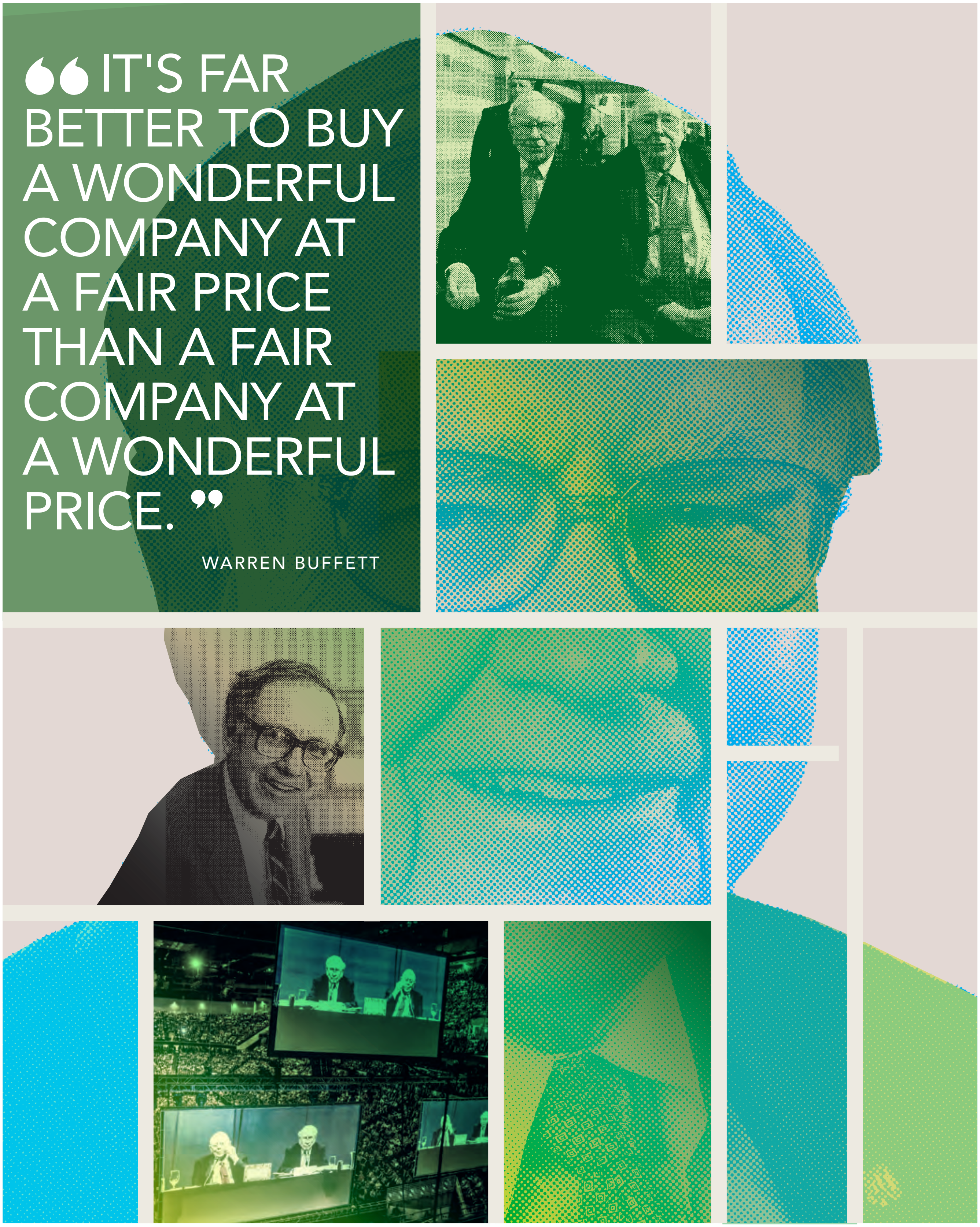
14 CONSTRUCT THE RIGHT ENVIRONMENT

After the financial crisis, I moved from New York to Zurich, where I set about constructing an environment in which I could think and invest more rationally. The goal wasn't to become smarter; it was to build an environment in which my brain wouldn't be subjected to such an extreme barrage of distractions, expectations, greed, envy, and other destabilizing forces that were likely to exacerbate my irrational tendencies. This reflects my belief that managing the non-rational part of my brain is an integral part of managing my investment portfolio.

It helps me to work in an environment that is serene and even slightly boring. The fact that Zurich is physically detached from Wall Street also makes it easier to think for myself and go against the crowd. It's no coincidence that some of the greatest contrarian value investors located themselves far from Wall Street: Sir John Templeton settled in the Bahamas; Warren Buffett works out of a nondescript office building in Omaha; Seth Klarman works out of an unflashy office in Boston.

As I discussed in my book, I've also tried to tilt the odds of success in my favor by constructing my immediate work surroundings in ways that encourage me to think and act calmly, instead of reacting impulsively to the short-term movements of the market. My office has a "busy" room with several computer screens; I placed my Bloomberg terminal there on an adjustable-height desk and positioned it so that I'd have to stand to use it—a practical way of ensuring that I wouldn't spend hours subjecting myself to a fire hose of information that might lead me to act too frequently or too emotionally. Instead, I spend as much time as possible in my library down the hall, where it's easier to shut out the noise, without any access to flashing screens.

I still believe that it's extremely helpful to create the right physical environment. But I've come to realize that it's even more important to nurture the right relationships as a means of constructing a stable *emotional* environment. Nothing matters more than having a happy relationship with my wife, my kids, my parents, my closest friends, and my colleagues. They play a crucial role in supporting me during difficult times, and they can also help me to see when my moods might be getting out of kilter. I'm not impervious to the emotional swings of the market. So it's important to have people in my life who can tell me if I'm at risk



"IT'S FAR BETTER TO BUY A WONDERFUL COMPANY AT A FAIR PRICE THAN A FAIR COMPANY AT A WONDERFUL PRICE."

WARREN BUFFETT

of getting overconfident when everything is on the rise or if I'm becoming too fearful and despondent in times of extreme volatility.

There are immeasurable benefits to structuring my life so that the right people are in my inner circle. To cite just one example, Aquamarine's CFO and COO, David Jud, has become an increasingly important conversation partner whenever I'm weighing a decision to buy or sell a stock. Investors often complain about companies that have weak governance. But what about my own governance? I'm committed to improving it by ensuring that I have the right people in my environment. Nurturing these relationships is a vital component of building a successful business and a successful life.

15 DON'T JUST PREDICT RAIN; BUILD AN ARK

Warren Buffett once quipped: "Predicting rain doesn't count. Building arks does." There are various ways in which I'm working to strengthen my investment process to protect the Aquamarine Fund from floods. As I mentioned above, part of this is a matter of making investments that are counter-cyclical, using checklists to avoid recurring mistakes, detaching myself from the mood swings of the market, and building the right relationships.

As part of the process of registering with Switzerland's Financial Market Supervisory Authority, we've also instituted more formal procedures for controlling risk. For example, before buying a stock, I now have to produce a signed document explaining exactly why I'm making the purchase. In addition, we perform a quarterly review within Aquamarine in which we discuss questions such as which companies in the portfolio have taken on more leverage.

This shift towards a more formal structure is helpful in regularly focusing my attention on risk. If I were Warren Buffett, I wouldn't need to keep myself on track by writing out a formal explanation of why I'm buying a particular stock. But for me, the discipline of having to do this is useful because it forces me to think through certain issues that I might otherwise gloss over, and this systematic process occasionally leads me to change my mind entirely. Strange as it might sound, I'm actually trying to reduce my own freedom, to restrict my range of motion—not in a way that hobbles me, but in a way that acknowledges how easy it can be for me to miss something. There's so much that I can learn by studying and replicating investors like Buffett, Li Lu, Mohnish Pabrai, and Sir Chris Hohn, but my wiring is different. So I have to set up an environment and a process that works for me, helping me to become the best version of myself—not a lesser version of them.

In analyzing companies, there are also important ways of safeguarding ourselves from certain negative outcomes. For example, it's critical to focus on the worst-case scenario. I need to ask myself unpleasant questions, such as what will happen to Berkshire Hathaway when Buffett dies, just as I should have asked myself what would happen to Horsehead Holdings (a major holding of mine that declared bankruptcy) if the price of zinc were to halve. I didn't have a game plan for that eventuality. This was a useful but expensive reminder that I need to rehearse my moves before taking them.

Another insurance policy against mistakes in analyzing individual companies is to look more carefully at the quality of earnings—a focus that has largely gone out of style. It's not just a matter of judging the absolute quality of earnings, but also of recognizing the direction in which they're headed. The question needs to be: Is the quality of earnings deteriorating? It's striking that Berkshire Hathaway socks away so much more cash than it reports, whereas many companies dress up their accounts to mask the fact that the business is actually getting weaker. If the quality of earnings is deteriorating, it's a clear sign that I need to take risk off the table. ●

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16 BE THE LAST MAN STANDING

One of my overriding concerns should be to assume less risk than others. I need to look carefully at where everyone else is on the risk curve and then make sure that I'm not going out as far on it as they are. That way, when floods do occur, I won't suffer as badly and will be in a better position than others to act opportunistically. My in-flight checklist can help on this front by specifying that, whatever I'm doing, I need to make sure that I'm doing less of it than other people. Berkshire Hathaway takes this approach to insurance by maintaining about ten times more capital than anyone else and resisting the temptation to underwrite too much risk. Buffett has structured the company in such a way that, in extremis, he's the last man standing. This must be a defining characteristic of my own investing approach.

Buffett once remarked: "When you build a bridge, you insist it can carry 30,000 pounds, but you only drive 10,000 pound trucks across it. And that same principle works in investing." But how do I establish the appropriate margin of safety when I don't know what's going to roll across my bridge? I can imagine what's going to roll across it, but I can't be precise about it. What I can do is to make sure that my bridge is better than, say, 99% of all the other bridges. That way, I'll be in the least-worst situation if things go wrong—and I'll be able to make hay when other people's bridges begin to break.

To put it another way, I may still be left holding the bag, but I'll be holding less of it than anyone else. This is a simple but hugely important concept. If I can successfully execute on this idea—not least, by reducing risk when many other investors are assuming risk in an increasingly complacent manner—it will make a tremendous difference over the coming decades.

There's a part of my personality that yearns to operate like an engineer, gauging with absolute precision how much risk is out there. But it's impossible to get absolute measures of risk. So, it's more useful to measure where I stand in relative terms compared to everyone else. My question should be: Is the environment fearful or greedy, and where do I stand on that spectrum? When the environment is greedy, my objective is to be less greedy than everyone else.

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17 KEEP LIFE SIMPLE

Occasionally, we can find ourselves in extreme situations where there's a risk of becoming emotionally flooded—where the stress is so intense that the mind virtually shuts down and we feel temporarily unable to make smart decisions. One aspect of building an ark is to set up my life in such a way that I have a good deal of emotional resilience to draw upon if extreme circumstances arise. It helps to invest real effort in building a happy family life. It also helps to have no debt and to live within my means. I believe it's also important to keep my life simple.

It's tempting to take on too much in times when all is well, acting on the assumption that the economy will keep expanding and our own fortunes will continue to grow. We also assume that we will be able to handle the volatility when it comes. But it's worth remembering that it might be accompanied by other factors that could push us beyond what we can handle. In a perfect storm, an investor might simultaneously be faced with a market meltdown, marital problems, multiple businesses to run, health concerns, philanthropic obligations, and financial pressure to lay people off. The details are unpredictable. But the point is that there can be a negative lollapalooza in which multiple pressures occur simultaneously. I'm wary of taking on too much during the good times—of overreaching or overcomplicating my life. Having one fund to run is hard enough.

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18 EMBRACE ADVERSITY

Adversity in investing, as in life, is a certainty. The writings of Marcus Aurelius taught me that the real question is how we handle this adversity when we eventually encounter it. Amid the turmoil of the Global Financial Crisis, his writings were a constant companion, teaching me that until adversity comes along, our virtues are theoretical. It's only when we actually have to act courageously and honorably that we get to prove that we have those virtues in reality, instead of merely aspiring to have them. We would all prefer not to deal with adversity. But if and when it comes, it's an important opportunity. As much as possible, I need to embrace it.

It helps to have powerful role models. For example, Sir Ernest Shackleton succeeded in getting all of his men home safely from the Antarctic—despite horrendous conditions and his own grievous misjudgments and mistakes. Misjudgments and mistakes, like adversity, are inevitable. If I handle them the way that Shackleton did on his great voyage, my partners and I will be much better off.

Likewise, Thomas Edison made a virtue of his setbacks, famously stating: "I have not failed 700 times. I've succeeded in proving 700 ways how not to build a lightbulb." Nobody likes to fail, any more than they like to be tested by adversity. But people who learn their lessons, who pick themselves up and keep going, have earned the right to consider themselves truly successful.

Charlie Munger said it best: "Even for the most successful people, adversity is inevitable. But we should use the opportunity to behave well, and thus to deserve the success that will eventually come." ●

19

LEARN FROM THE BEST, BUT THINK FOR MYSELF

I've long been fascinated by the strategy of borrowing smart ideas from the best investors. In many ways, I've built my career on an intellectual foundation provided by Warren Buffett and Charlie Munger. I've tried to follow their general approach to investing, with its emphasis on making a small number of big bets on high-quality companies that have a sustainable competitive advantage, without overpaying for the privilege. I've also consciously replicated the fee structure that Buffett used in his 1950s limited partnerships. And I've bought several stocks that Berkshire owned, having worked hard to figure out why Buffett had invested in them.

The idea of cloning great ideas from role models like Buffett and Munger makes abundant sense. It's a smart way to benefit from another person's depth of knowledge and experience. For example, no investment firm has a better understanding of the banking industry than Berkshire, so it was revealing when Buffett and Munger invested in Wells Fargo during the financial crisis. Whenever I'm stepping into an area where my own knowledge is lacking, it's helpful to get up to speed by studying the thinking of the people who know the field best.

But in recent years, I've become more acutely aware of the dangers of cloning. Unconsciously, I think I was less open to investing in great companies like Amazon and Google because I wondered why these investment masters hadn't seen fit to buy them. Somehow, I closed my mind, instead of taking the trouble to reach my own conclusions. Likewise, I lost my independence of mind when analyzing Horsehead Holdings, which is one reason why I wasn't sensitive enough to the gradual deterioration in its finances. My conclusion: Cloning is a valuable part of my toolkit, but I need to handle it with care, recognizing that there's a fine line between intelligent cloning and slavishly following others. It's smart to learn from the best in the business, but never at the expense of thinking critically for myself. ●

20 DELIVER VALUE TO OTHERS

Many people in business and finance approach life as a kind of gladiatorial fight to the death, convinced that there must always be a winner and a loser. The assumption that this model is the most viable strategy for success was reinforced in our school years: Students were graded on a curve, and there was intense pressure to scramble to the top so we could win one of a limited number of places at an elite university and could then land the most desirable jobs.

There's no question that the business world is fiercely competitive. But that doesn't mean that we should approach business as a zero-sum game in which everyone else must be vanquished or trodden on for us to succeed. On the contrary, the greatest success tends to come from being part of larger teams and tribes that seek to help one another. Many of the world's most successful and admirable businesses got that way by creating win-win situations for all of their stakeholders. Just think of companies like Berkshire Hathaway, Costco, Ikea, and Amazon.

As I've come to understand this better, I realize how often I've neglected to see the world from the perspective of my clients and suppliers. For example, an investor might complain that a private bank was charging exorbitant fees to hold an account in the Aquamarine Fund, and I didn't stop to ask myself: Is there any way that I can help to reduce those indirect costs? This realization led me to think about where else our shareholders could house their assets at an attractively low cost.

Personally, it gives me great pleasure to know that our fee structure has increasingly tilted the balance in favor of our investors, helping them to build more wealth over time instead of maximizing my wealth at their expense. But as we've seen from companies like Costco, GEICO, and Amazon, it's also smart business to deliver more and more value to others. The point is, it's not naïve to do the right thing. When you treat other people well, it builds good will, loyalty, and trust. It's impossible to measure these intangibles, but they are essential ingredients of enduring success. What's more, this non-gladiatorial approach makes for an infinitely happier life. With this in mind, I'm committed to building an ecosystem in which everyone can win.

21 LOOK FOR COMPANIES THAT HAVE A NOBLE MISSION

Having a noble mission reduces risk. I'm never going to understand or foresee all of the risks and potential calamities that might confront a company. I certainly won't understand these threats by reading through the risk factors dutifully listed in annual reports (although doing so won't hurt). But whatever uncertainty the future holds, a company is likely to weather it much better if it's pursuing a noble mission to improve humanity.

When a company's mission is not in the best interests of the society it serves, it's setting itself against that society in important ways that will ultimately make the business more fragile. At some point, the company's shareholders are liable to pay the price.

Having studied economics at college, I initially bought into the misguided belief that the goal for anyone running a business was simply to maximize shareholder wealth within the constraints of that society's legal and ethical framework. I was so enamored of Milton Friedman, Adam Smith, and the invisible hand that I failed to see that a business can be much more than just a player on the field. Businesses can shape the field or move the goalposts. Businesses can—and increasingly should—be a powerful moral force, helping to build a better, fairer, more gentle society.

Today, I no longer think it's good enough to look at a company like Philip Morris without taking into account its potential future legal responsibility for the health issues that its products cause. Similarly, we can't rule out the risk that a gunmaker might eventually be held liable for the deaths that its weapons cause. By contrast, I want to own businesses that are not only a win-win for their immediate ecosystem: Customers, suppliers, employees, and others. I want to invest in businesses whose mission is, in the broadest sense, to make civilization better.

When you start to look at companies through this lens, it's not hard to place them on a kind of moral spectrum. At one end, you have companies that get rich off tobacco, gambling, and prostitution (yes, there is at least one publicly-traded brothel company). At the other end, you have companies like Tesla and SpaceX, whose high-minded mission is to launch humanity into a more compelling future. It took me a long while to understand Tesla in a dynamic context as a company that aligns itself with political sentiment in moving us toward a carbon-free economy.

But a mission-driven company doesn't need to have such lofty goals in order to serve a valuable social purpose. Costco, for one, has a more simple and basic mission, which it describes like this: "To continually provide our members with quality goods and services at the lowest possible price." Similarly, companies like Berkshire Hathaway, CARE Ratings, and Aquamarine Capital all have worthy missions. For Aquamarine, it starts with the goal of compounding our partners' wealth in a prudent way, while always operating in an honest, ethical, and transparent manner, so that investors in the fund can sleep well at night.

As I've come to realize, sustainable investing is a recognition that, sooner or later, a company will have to align itself with the best interests of the society in which it is embedded. All good investing is sustainable investing. All value investing is sustainable investing. All intelligent investing is value investing is sustainable investing. The best way to reduce our fragility is to invest sustainably. Sustainable investing is the lowest-risk approach. There is a margin of safety, an anti-fragility, in this emphasis on service and sustainability.

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22 LOOK FOR COMPANIES WITH ECOSYSTEM CONTROL

Many companies operate in a world that resembles perfect competition. Trapped in a Darwinian struggle for survival, they have to work hard to eke out a relatively modest return. But a small number of superior companies succeed on a much grander scale by delivering truly exceptional value to their stakeholders. Some companies do this to such a degree that the stakeholders voluntarily lock their business into the company in question.

Dennis Hong, a hedge fund manager at ShawSpring Partners, describes such dominant companies as having "ecosystem control." Amazon Cloud, for example, has clients like Netflix that have voluntarily locked their business into Amazon's because they trust the company as a reliable, innovative, low-cost partner. Similarly, Indian power suppliers and distributors have increasingly allowed their businesses to be locked into Indian Energy Exchange because they rely on and trust the company to provide them with the liquidity they need.

Companies with ecosystem control get to set the rules of the game and have enormous influence on the evolution of the marketplace. To the extent that anybody can, they control their own destiny. Needless to say, they can be excellent long-term investments.

Ecosystem control is a powerful idea. Going forward, I will seek to use this framework as part of my analytical toolkit. I am certain that it will pay dividends.

It's worth noting that I might never have learned about this concept if I hadn't attended the inaugural VALUEx Middle East event, which is where I heard Dennis speak. This is a testament to the cumulative benefits of building a rich and dense network of friends and allies who are happy to share their insights and knowledge—something I've cultivated over many years, not least by hosting my own VALUEx events in Klosters and Omaha.

23 BE HONEST

The most sensible thing to do in the face of the unknown and unknowable is to be honest. Brutally honest. If we're not honest, we set ourselves against reality in ways that are ultimately self-defeating. As the Canadian psychologist and author Jordan Peterson puts it, if we tell a lie or mis-truth, it's as if we grabbed at the fabric of reality and sought to twist it. But if we do that, it's only a matter of time before that fabric snaps back to its original, untwisted shape.

Jewish Kabbalists point out that the Hebrew word for "to lie"—sheker—is made up of three letters that have pointed bases. So, if they were physical objects, they would be unstable. By contrast, the word for "truth"—emet—is made up of three Hebrew letters that have a long, stable base. So, if they were physical objects, they would stand firm.

When we make honesty our practice, we are setting ourselves in alignment with reality—even if we don't know exactly what reality is. Over the long run, things work out better that way.

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24 EVERYTHING CHANGES

Even things that look perfectly safe may turn out to be utterly insecure. Everything changes. Shiva Nataraja, the Hindu god of creation and destruction, is everywhere. In 1934, my grandfather, Selmar Spier, had recently married his sweetheart, Marlene, and was embarking confidently on his career as a young lawyer in Frankfurt. Three short years later, his right to practice law was taken away by the Nazi regime, and he found himself building a house in Israel with the £1,000 that he'd been able to take out of Germany when he fled.

These things happen far more frequently than we wish to imagine. Only a few years ago, the UK was part of the European Union. But then suddenly it wasn't. The country has been shaken to its core by populism and nationalism. And my family lost the automatic right to live there.

In 2011, I met the CEO of a leading Syrian bank that was doing very well, racking up record profits. Today, the bank is no more. He and his family feel lucky to have been able to make it to the United States.

As I write this, Israel is reeling from the unspeakable atrocities committed by terrorists on October 7, 2023—the deadliest day for Jews since the Holocaust. Before the attack, Israel seemed on the brink of normalizing relations with Saudi Arabia, potentially heralding a new era of stability in the Middle East. Now, instead, Israel is embroiled in a heartbreaking war in Gaza, and the prospects for peace in the region seem to have been blown apart once again.

At the same time, the world is also looking on in horror at scenes of terrible devastation and suffering in war-torn Ukraine. Before Vladimir Putin launched his invasion in 2022, Ukraine had seemed to be a land of opportunity, a bridge between East and West. In peaceful times, bridges bring disparate people together; in times of conflict, bridges are blown up.

During World War II, the chaos began in Germany, swept through Europe, and ultimately ravaged much of the world. But the list of countries where economic and political calamity has struck is long: Argentina, Venezuela, Syria, South Africa, Peru, and now Israel and Ukraine. The list goes on and on. Any country or region can change almost unimaginably.

When I began to write about this principle, I latched onto the phrase "Everything Changes," not realizing that I had subconsciously borrowed the title of the third chapter in William Green's book, *Richer, Wiser, Happier*. In that chapter, William (an old friend and a long-time investor in the Aquamarine Fund) profiles Howard Marks, who is rightly wary of periods of irrational exuberance when investors lose sight of the danger that things can rapidly change for the worse. As William writes, "everything is impermanent," and we should "never bet the farm against the inexorable forces of change."

I think that part of the key is to be keenly aware of the type of environment in which you're investing. In the United States, there have been some vicious cycles in which investors have lost a lot of money—especially those who took excessive risks by loading themselves up with too much debt and leverage. Still, broadly speaking, the US has been a relatively stable and benign environment (so far) over the last couple of centuries. By comparison, many parts of the world have been much more vulnerable to extreme disasters, such as wars and revolutions, which can completely overturn the order of things for a generation or more.

In general, I'm far more comfortable investing in the US than in most other parts of the world. But the truth is, even investors in the US need to respect uncertainty and be aware that everything can change. Even the safest place may not be safe enough for you. What we thought was impossible can become possible.

What's the answer? Be vigilant. Be prepared—psychologically, intellectually, and financially. Be ready to turn your thinking upside down. Take a global view. Maintain connections and relationships everywhere. Diversify your assets. Don't assume that everything will be okay. Have options, backup plans, and escape hatches that you and I hope we will never need to use. This applies to your family, your business, and your investments.

At Aquamarine, we're singularly focused on the goal of compounding wealth over the long term. Along the way, we should never forget the importance of protecting what we have and ensuring that we are as resilient as possible—in every way that is possible.

25 OCCUPY THE ECONOMIC HIGH GROUND

When it comes to investing, the best insights have often originated with Warren and Charlie. At one of Berkshire's annual meetings, I remember them musing about a fool-proof strategy for building wealth: All you need to do is own the best office block, best mall, best gas station, and best McDonald's franchise in town. Whatever happens, you'll be set for life. This got me thinking about the benefits of investing in exceptional businesses that possess this kind of unassailable strength—companies that occupy what I call the economic high ground.

One way to think about this is by using the analogy of real estate. If you own prime property in the heart of London or Manhattan, it's likely to be a much better investment than, say, a warehouse on the outskirts of a second-tier city. Prime properties in the most desirable cities have many advantages: for example, transportation density, an abundance of enticing restaurants, easy access to top-notch accountants and other professional services, a great catchment area for potential employees, and constrained supply. As a result, prices for prime properties tend to rise more in bull markets and fall less in bear markets than prices for warehouses in less coveted locations.

As I see it, the stock market routinely offers you investments on the edge of town. They often appear cheap. Still, I'd prefer to wait for indispensable companies that are much harder to displace—the equivalent of those prime properties in the best locations. Like a lot of wisdom from Warren and Charlie, it's considerably easier to talk about this than to do it. For a start, you need to be able to distinguish these special businesses. And, most of the time, it's difficult to buy them at anything other than nosebleed valuations, which is a danger.

As you might expect, many of Berkshire's businesses occupy the economic high ground. For example, MidAmerican Energy owns part of the US power grid, serving more than 1.5 million people in Iowa, Illinois, Nebraska, and South Dakota. Without this essential service, the economy simply wouldn't function. The same is true of Burlington Northern Railway, which hauls millions of carloads of industrial products and agricultural commodities each year. It moves enough grain to provide 900 million people with their annual supply of bread. Berkshire also owns some indispensable smaller businesses, including FlightSafety International. Without it, safe aviation would be almost unthinkable.

Businesses like these may not have the fastest growth rates or highest returns on capital. But they occupy a central position in our economic life. They are part of the infrastructure of our capitalist system, and a lot would have to go wrong for them to lose customers or be threatened. By contrast, plenty of businesses look more seductive but are much more likely to fail.

It's often tough to tell the difference. Before the bubble burst in 2021, many investors in Zoom and Peloton were convinced that they were investing in emerging behemoths that could become almost as indispensable as the electric grid. Even Buffett got it wrong with NetJets, betting that it would become the dominant, low-cost operator of private jets. A quarter-century after Berkshire acquired NetJets, it faces much stiffer competition than he expected when he made the investment.

In addition to our long-time stake in Berkshire, we've been fortunate to own significant positions in an array of businesses that occupy the economic high ground. These include great companies like Moody's and Nestlé, which are easy to identify but rarely available at low prices; some overlooked gems like Weetabix, Duff & Phelps, and Alaska Milk; and, in the case of Ferrari, one treasure that fell into our laps through a spin-off. But I've also made my fair share of mistakes. I prematurely sold CRISIL, an enduringly dominant ratings agency. And I invested in Smart Balance, hoping that it would displace the leading margarine spreads. In retrospect, I realize that it didn't stand a chance.

In short, this isn't easy. But my goal is to continue assembling a precious collection of the world's best and most irreplaceable businesses, so we have the comfort of knowing that Aquamarine itself occupies the economic high ground. ●

AFTERWORD

You may have noticed that many of these principles overlap and are clearly getting at the same ideas from different angles. But that's okay. My goal here is not to write a concise or precise treatise or some grand unified theory of good behavior for investing and life. Rather, it is to do an intention-setting exercise—to set out a series of affirmations as to how I want to behave, and to commit to them publicly.

-CHARLIE MUNGER: PHOTO BY LANE HICKENBOTTOM/ REUTERS;
-OAK TREE: PHOTO BY SMILEUS/SHUTTERSTOCK;
-GLASSES_BOOK: PHOTO BY LORENA GARIBO/ SHUTTERSTOCK;
-ZURICH: PHOTO BY RUDY BALASKO/SHUTTERSTOCK
-WARREN BUFFETT: PHOTO BY REUTERS/ALAMY;
-CYCLISTS_SWISS ALPS: PHOTO BY BARRIE HARWOOD / ALAMY
-OAK LEAVES: PHOTO BY ASTELS/SHUTTERSTOCK;
TREES: PHOTO BY RICHARD LOADER/UNSPLASH

AQUAMARINE MASTER FUND, L.P.

(A BRITISH VIRGIN ISLANDS INTERNATIONAL LIMITED PARTNERSHIP)

Auditor's Report & Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the General Partner and Limited Partners of
Aquamarine Master Fund, L.P.

Opinion

We have audited the financial statements of Aquamarine Master Fund, L.P. (the "Master Fund"), which comprise the statement of assets and liabilities, including the condensed schedule of investments, at December 31, 2023 and the related statements of operations, changes in partners' capital, and cash flows, for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Master Fund at December 31, 2023, and the results of its operations, changes in partners' capital and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Master Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Master Fund's ability to continue as a going concern for a period of one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Master Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Master Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte Ltd.

February 12, 2024

Statement of Assets and Liabilities

At December 31, 2023 (Expressed in United States dollars)

	Note	
ASSETS		
Investments in securities, at fair value (cost: $122,351,024)	5	$337,116,596
Cash and cash equivalents	4	18,638,891
Restricted cash		1,483,000
Receivables and prepayments		117,340
Total assets		**357,355,827**
LIABILITIES		
Derivative contracts, at fair value (proceeds - $107,931)	3	30,165
Capital withdrawals payable		2,794,378
Management fee payable	7	274,444
Accrued expenses and other payables		2,029,761
Total liabilities		**5,128,748**
PARTNERS' CAPITAL	6	**$352,227,079**

See Notes to the Financial Statements

Condensed Schedule of Investments

At December 31, 2023 (Expressed in United States dollars)

INVESTMENTS IN SECURITIES, AT FAIR VALUE

COMMON STOCKS

Amount of Shares	Description	Percentage of Partners' Capital	Fair Value
	United States of America		
	>Commercial Services		
65,750	Mastercard Inc, (cost: $1,019,194)	7.96%	$28,043,033
	Other, (cost: $2,518,385)	2.99	10,545,120
	Total Commercial Services, (cost: $3,537,579)	10.95	38,588,153
	>Consumer Finance		
767,845	Bank of America Corp., (cost: $5,181,863)	7.34	25,853,341
	>Application Software, (cost: $3,862,732)	1.11	3,919,430
	>Insurance		
140,600	Berkshire Hathaway Inc. Class B, (cost: $10,101,978)	14.24	50,146,396
30	Berkshire Hathaway Inc. Class A, (cost: $3,269,700)	4.62	16,278,751
	Total Insurance, (cost: $13,371,678)	18.86	66,425,147
	>Diversified Financial Services		
210,000	American Express Company, (cost: $10,907,959)	11.17	39,341,400
	>Semiconductor Devices, (cost: $11,199,203)	4.85	17,068,000
	>REITS, (cost: $19,620,220)	1.33	4,675,000
	>Internet Media & Services, (cost: $1,021,939)	0.63	2,235,040
	Total United States of America, (cost: $68,703,173)	56.24%	$198,105,511

See Notes to the Financial Statements

Condensed Schedule of Investments

At December 31, 2023 (Expressed in United States dollars)

INVESTMENTS IN SECURITIES, AT FAIR VALUE (continued)

COMMON STOCKS (continued)

Amount of Shares	Description	Percentage of Partners' Capital	Fair Value
	China		
	>Auto Manufacturers		
1,550,000	BYD Co Ltd, (cost: $4,986,800)	12.08%	$42,542,405
	Total China, (cost: $4,986,800)	12.08%	$42,542,405
	India		
	>Electricity & Gas Marketing & Trading		
13,200,000	Indian Energy Exchange Ltd, (cost: $10,557,400)	7.57%	$26,663,460
	>Information Services, (cost: $6,289,559)	2.12	7,457,148
	Total India, (cost: $16,846,959)	9.69%	$34,120,608
	Italy		
	>Auto Manufacturers		
80,000	Ferrari N.V., (cost: $332,807)	7.65%	$26,952,822
	>Investment Companies, (cost: $7,752,890)	4.25	14,985,443
	Total Italy, (cost: $8,085,697)	11.90%	$41,938,265
	Netherlands		
	>Internet Media & Services, (cost: $10,096,916)	1.79%	6,297,966
	Switzerland		
	>Food, (cost: $3,503,681)	2.96%	$10,430,116
	Zimbabwe		
	>Building Materials, (cost: $2,342)	0.00%	$0
TOTAL COMMON STOCKS, AT FAIR VALUE (cost: $112,225,568)		**94.66%**	**$333,434,871**

See Notes to the Financial Statements

Amount of Shares	Description	Percentage of Partners' Capital	Fair Value
	INVESTMENTS IN SECURITIES, AT FAIR VALUE (continued)		
	AMERICAN DEPOSITORY RECEIPT (ADR)		
	United States of America		
	Online Marketplace, (cost: $10,125,456)	1.05%	$3,681,725
	TOTAL AMERICAN DEPOSITORY RECEIPT (ADR) AT FAIR VALUE (cost: $10,125,456)	**1.05%**	**$3,681,725**
	TOTAL INVESTMENTS IN SECURITIES, AT FAIR VALUE (cost: $122,351,024)	**95.71%**	**$337,116,596**
	DERIVATIVE CONTRACTS, AT FAIR VALUE		
	OPTIONS WRITTEN		
	United States of America		
	Mining, (proceeds: $107,931)	0.01%	$30,165
	TOTAL DERIVATIVE CONTRACTS, AT FAIR VALUE (proceeds: $107,931)	**0.01%**	**$30,165**

See Notes to the Financial Statements

Statement of Operations

For the year ended December 31, 2023 (Expressed in United States dollars)

	Note	
INVESTMENT INCOME		
Dividends (net of withholding taxes of $650,543)		$2,037,543
Interest		593,590
		2,631,133
EXPENSES		
Management fee	7	3,209,726
Administration fee	8	349,043
Brokerage and bank expenses		100,262
Professional fees		58,644
Other expenses		6,505
		3,724,180
NET INVESTMENT LOSS		(1,093,047)
NET REALIZED GAIN AND NET CHANGE IN UNREALIZED APPPRECIATION FROM INVESTMENTS AND FOREIGN CURRENCIES		
Net realized gain (loss) from:		
Foreign currency transactions		233,777
		233,777
Net change in unrealized appreciation (depreciation) on:		
Investments in securities (including tax expense of $592,076)		55,538,344
Foreign currency transactions		694,834
Investment in derivatives		77,766
		56,310,944
NET REALIZED GAIN AND NET CHANGE IN UNREALIZED APPPRECIATION FROM INVESTMENTS AND FOREIGN CURRENCIES		56,544,721
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS		$55,451,674

See Notes to the Financial Statements

Statement of Changes in Partners' Capital

For the year ended December 31, 2023 (Expressed in United States dollars)

	General Partner	Special Limited Partner	Limited Partners	Total
PARTNERS' CAPITAL, DECEMBER 31, 2022	$ -	$13,329,196	$278,625,761	$291,954,957
INCREASE/(DECREASE) IN PARTNERS' CAPITAL:				
From operations				
Net increase in partners' capital	-	2,645,324	52,806,350	55,451,674
Incentive allocation	154,552	462,599	(617,151)	-
From capital transactions				
Capital contributions	-	-	14,260,000	14,260,000
Capital withdrawals	(154,552)	(300,000)	(8,985,000)	(9,439,552)
PARTNERS' CAPITAL, DECEMBER 31, 2023	$ -	$16,137,119	$336,089,960	$352,227,079

See Notes to the Financial Statements

Statement of Cash Flows

For the year ended December 31, 2023 (Expressed in United States dollars)

CASH FLOWS PROVIDED BY/(USED IN):	
OPERATING ACTIVITIES:	
Net increase in partners' capital resulting from operations	$55,451,674
Adjustments to reconcile net increase in partners' capital resulting from operations to net cash used in operating activities:	
Payments for investments purchased	(2,956,843)
Proceeds from derivative contracts	107,931
Net change in unrealized appreciation on investments	(57,033,731)
Net change in unrealized appreciation on derivative contracts	(77,766)
Change in receivables and prepayments	(93,925)
Change in due to related parties	25,593
Change in accrued expenses and other payables	627,428
Net cash used in operating activities	**(3,949,639)**
FINANCING ACTIVITIES	
Capital contributions received	14,260,000
Capital withdrawals paid, net of changes in capital withdrawals payable	(11,595,000)
Net cash provided in financing activities	**2,665,000**
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,284,639)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,406,530
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH, END OF YEAR	$20,121,891

See Notes to the Financial Statements

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

1. ORGANIZATION AND BUSINESS ACTIVITY

Aquamarine Master Fund, L.P. (the "Master Fund") was formed as an International Limited Partnership in the Territory of the British Virgin Islands ("BVI") on February 7, 2007, in accordance with the Partnership Act, 1996, and commenced trading on April 1, 2007. The Master Fund is recognised under the BVI Securities and Investment Business Act 2010, as a "professional" mutual fund.

The Master Fund operates under a "master/feeder" structure where its investors invest substantially all of their investable assets in the Master Fund. The Master Fund's feeders are Aquamarine Fund, Inc., a BVI Business Company (the "Offshore Feeder"), and Aquamarine Value Fund, L.P., a Delaware Limited Partnership (the "Onshore Feeder"), (collectively the "Feeder Funds").

The investment objective of the Master Fund is to compound wealth for investors over the long term. Entirely consistent with this goal is a strict focus on the potential downside for any investment. Conceptually, the objective is to "double" investors' wealth several times over the course of a lifetime. Practically, this translates into the goal of outperforming most equity indices by 5-15% annually.

Aquamarine Zürich AG ("Aquamarine Zürich" or the "Investment Manager"), a Swiss company limited by shares, serves as the investment manager to the Master Fund and the Aquamarine fund structure. Aquamarine Zürich is licensed with the Swiss Financial Market Supervisory Authority ("FINMA") as a manager for collective assets and its principal decision maker is Guy Spier.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States ("US") dollars. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Investment company

The Master Fund is considered an investment company pursuant to Accounting Standards Update No. 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements* ("ASU 2013-08"), and therefore follows the accounting and reporting guidance for investment companies.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and the differences could be material.

Investments valuation

The Master Fund values its investments in accordance with Financial Accounting Standards Board (the "FASB") Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements and*

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Disclosures ("ASC 820") which defines fair value, establishes a framework for measuring value, and requires certain disclosures about fair value measurements.

Fair value is the amount that would be received to sell an asset or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. See note 5, Fair Value Measurements, for further discussion relating to the Master Fund's investments.

Securities listed on national securities exchanges are valued at their last sales price on the day of valuation. If no sales occurred on that day, such securities shall be valued at the last closing bid prices for investments if held long and their last closing asked prices for securities sold short. If no bid or asked prices are quoted on such date, the security shall be fair valued by certain methods as the Investment Manager shall determine in good faith to reflect its fair market value. The change in unrealized appreciation on investments in securities is reflected in the statement of operations.

Geographical and industry classifications

The geographical and industry classifications included in the condensed schedule of investments represent the Investment Manager's belief as to the most meaningful presentation of the classification of the Master Fund's investments.

Fair value of financial instruments

The fair value of the Master Fund's assets and liabilities which qualify as financial instruments under ASC 825, *Financial Instruments: Disclosure about Fair Value of Financial Instruments*, approximates the carrying amounts presented in the statement of assets and liabilities.

Cash and cash equivalents

The Master Fund considers cash at bank, short-term deposits and other short-term highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Capital withdrawals payable

The Master Fund recognizes capital withdrawals payable in accordance with ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480"). Capital withdrawals are recognized as liabilities when the amount requested in the capital withdrawal notice becomes fixed.

Revenue and expense recognition

The Master Fund records its transactions in securities, including short sale of securities, on a trade date basis. Realized gains and losses on investment transactions are determined based on the first-in, first-out cost basis. Interest income is recorded on the accrual basis. Dividend income is recognized on the ex-dividend date and is recorded net of withholding taxes, where applicable. Interest expense and other operating expenses are recorded on the accrual basis.

Foreign currency

Investments in securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into US dollar amounts on the respective dates of such transactions.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Master Fund does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held when the securities are sold. Such fluctuations are included with the net realized gain or loss from investments in the statement of operations.

Reported net realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Master Fund's books and the US dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gain and loss arise from changes in the fair values of assets and liabilities, other than investments in securities at fiscal year end, resulting from changes in exchange rates.

Income taxes

Under the current laws of the BVI, the Master Fund is not subject to income taxes. The Master Fund intends to conduct its affairs such that it will not be subject to taxation in any jurisdiction, other than withholding taxes on investment income and capital gains, where applicable.

The Master Fund reviews and evaluates tax positions in its major jurisdictions and determines whether or not there are uncertain tax positions that require financial statement recognition.

In determining the major tax jurisdictions, the Master Fund considers where it is organized and where it makes investments. The Master Fund's US Federal and state tax returns for 2020 to 2023 remain open for examination by tax authorities and tax positions associated with foreign tax jurisdictions remain subject to examination based on varying statutes of limitations.

The Master Fund is not aware of any other tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The determination of income taxes is based on complex analyses of many factors, including matters that are subject to interpretation.

Individual partners of the Onshore Feeder, General Partner and Special Limited Partner of the Master Fund are taxed on their proportionate share of the Master Fund's income.

3. DERIVATIVE CONTRACTS

In the normal course of business, the Master Fund may enter into derivate contracts for trading purposes. The derivative contracts that the Master Fund holds, or issues include equity option contracts. The Master Fund records derivative contracts at fair value in the Statement of Assets and Liabilities with the resulting gains and losses reflected in the Statement of Operations. Derivative contracts serve as a part of the Master Fund's investment strategies and are used primarily to structure and hedge investments to economically meet the investment goals of the Master Fund.

Exchange traded derivatives (Options) are valued at the last sales price, if such price is equal to or is between, the “bid’ and “asked” prices (otherwise, the mean between the “bid” and “asked” prices will be used.

Notes to The Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

3. DERIVATIVE CONTRACTS (continued)

Options

The Fund may buy or write put and call options through listed exchanges. The buyer has the right to sell (in the case of a put option) or purchase (in the case of a call option) a specified quantity of a specific security or other underlying asset at a specified price prior to or on a specified expiration date. With the writing of options, the Master Fund is exposed to risk of loss if the market price of the underlying asset decline (in the case of a put option) or increase (in the case of a call option). The market and credit risk associated with the purchasing put and call options is limited to the amount originally paid.

Proceeds received from writing options are recorded as liabilities in the Statement of Assets and Liabilities which is subsequently adjusted to fair value. The difference between the fair value of an option and the proceeds received is treated as net change in unrealized appreciation/(depreciation) of derivatives.

As a result of writing put option contracts, the Master Fund is obligated to buy, at the holder's option, the underlying financial instrument. Options written by the Master Fund may expose the Master Fund to market risk of an unfavorable change in the financial instrument underlying the written option. The Master Fund maximum payout exposure of written put options is limited to the number of contracts written times the unit factor and option strike price. The maximum payout exposure for written put options as of December 31, 2023, is $1,483,000.

The following tables set forth the Master Fund's derivatives position as of December 31, 2023, in accordance with the provisions of ASC on Derivative and hedging (ASC 815). ASC 815 requires disclosure to enable investors to better understand how and why the Fund uses derivative instruments, how these are accounted for and their effects on the Master Fund's assets and liabilities and the results of operations. The values shown do not include the effects of collateral held or pledged, if any.

As of December 31, 2023, the following derivative contracts, all of which are not designated as hedging instruments, were included in the Master Fund's Statement of Assets and Liabilities:

Derivative Type	Primary Underlying Risk	Statement of Assets and Liabilities Location	Number of Contracts	Notional Amount	Fair Value
Liabilities					
Equity options written	Equity price	Derivative contracts	62	6,200	$ (30,165)

These were the only derivative transactions the Master Fund entered into during the year ended December 31, 2023.

The table below summarizes gains or losses related to the Master Fund's derivative instruments, all of which are not designated as hedging instruments, for the year ended December 31, 2023:

Derivative Type	Statement of Operations Location	Net Gain or (Losses)
Equity options written	Net change in unrealized appreciation of derivatives	$ 77,766

4. CASH AND CASH EQUIVALENTS

The Cash and cash equivalents balance in the statement of assets and liabilities includes the net cash and cash equivalents at December 31, 2023. This amount includes cash denominated in foreign currencies with a fair value of $24,991 (cost $37,217) at December 31, 2023. As at December 31, 2023, $1,483,000 of restricted cash is held as collateral for the Master Fund's option trading.

5. FAIR VALUE MEASUREMENT

The Master Fund selects an appropriate valuation technique for the market conditions and for which sufficient, reliable data inputs are available. The Master Fund distinguishes between inputs that are based on market data obtained from independent sources and inputs that reflect assumptions from one market participant as to actions of other market participants and emphasizes those valuation inputs based on market data. A determination of what constitutes "observable market data" requires significant judgment.

Market price observability is affected by a number of factors, including the type of investment and the characteristics specific to the investment. Investments with readily available active quoted prices or for which fair value can be measured from actively quoted prices, generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value.

Inputs to valuation techniques used by the Master Fund to determine the fair value of an asset or a liability are prioritized based upon a hierarchy, which gives priority to observable inputs in the marketplace that are more objective, rather than inputs that are more subjective because they have been derived through extrapolation or interpolation from market data. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The following describes the three levels of the fair value hierarchy, provides general characteristics and examples of measurement inputs associated with each hierarchical level as well as valuation techniques used by the Master Fund for components of its financial instrument inventory.

Investments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 Inputs are unadjusted quoted prices in active markets that are accessible at the measurement date for identical and unrestricted assets or liabilities. The types of investments included in Level 1 are exchange traded equities and derivatives. Level 1 investments are primarily securities that are listed or traded on a national or global exchange.

Level 2 Inputs are observable, either directly or indirectly, but do not qualify as Level 1 inputs and may include:

- Quoted prices in markets that are not considered to be active for identical or similar assets or liabilities, quoted prices in active markets for similar assets or liabilities, and inputs other than

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

5. FAIR VALUE MEASUREMENT (continued)

quoted prices that are observable or can be corroborated by observable market data, or price quotations vary substantially either over time or among market makers (e.g., some brokered markets), or in which little information is released publicly (e.g., a principal-to-principal market)

- Inputs other than quoted prices that are observable for the asset or liability (e.g., interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates)
- Inputs that are derived principally from or corroborated by observable market data through correlation or by other means (market-corroborated inputs)

Level 3 Inputs are both significant to the fair value measurement and unobservable, including inputs that are not derived from market data or cannot be corroborated by market data. The inputs into the determination of fair value require significant management judgment or estimation. Level 3 inputs reflect the Master Fund's assumptions that it believes market participants would use in pricing the asset or liability.

Level 3 inputs are based on the best information available in the circumstances, which may include indirect correlation to a market value, combinations of market values or proprietary data.

At December 31, 2023, all of the Master Fund's investments were valued using Level 1 inputs.

6. PARTNERS' CAPITAL

Capital contributions

The Master Fund GP may admit new limited partners and permit limited partners to make additional capital contributions on the first business day of each calendar month or at any other time in the Master Fund GP's sole discretion. The minimum initial and additional contribution to the Master Fund by each investor shall be such minimum as determined by the Master Fund GP from time to time.

Capital withdrawals

A limited partner has the right upon five (5) days prior written notice to the Master Fund GP to make a partial or total withdrawal from its capital account as of the last business day of each calendar quarter or such other date as determined by the Master Fund GP.

Allocation of net profits and net losses

Net profits or net losses during any fiscal period shall be allocated as of the end of such fiscal period to the capital accounts of all the partners in the proportion that the balance of each partner's capital account as of the beginning of such fiscal period bore to the aggregate of the capital accounts of all the partners as of the beginning of such fiscal period.

Special Limited Partner

The Special LP is entitled to receive a portion of the incentive allocation with respect to the Offshore Feeder's capital account in the Master Fund. At December 31, 2023, the Special LP's proportionate interest in the partners' capital of the Master Fund is 4.58%.

7. RELATED PARTY TRANSACTIONS AND BALANCES

Management fees

Under the terms of an investment management agreement dated July 1, 2022 the Investment Manager has agreed to render investment management services to the Master Fund.

The Investment Manager receives a monthly management fee in arrears of an amount equal to approximately 0.0833% (1% per annum) of the capital account for applicable non-related party investors and approximately 0.1667% (2% per annum) of the capital account for related parties, as of the last business day of each calendar month.

Management fee is payable by Class A limited partners of the Onshore Feeder, and Class A and Class B shareholders of the Offshore Feeder. No management fees are paid by the Special LP, Class B, Class E and Class F limited partners of the Onshore Feeder and Class C, Class D, Class E and Class F shareholders of the Offshore Feeder.

For the year ended December 31, 2023, the Investment Manager earned $25,710 from the Onshore Feeder and $3,184,016 from the Offshore Feeder, of which $274,444 is payable at the reporting date.

Incentive allocation

Offshore Feeder

Incentive allocation is calculated on the Offshore Feeder in accordance with the confidential information memorandum dated October 1, 2008 as amended in July 1, 2022.

Subject to the "loss recovery account provisions" discussed below, the following amounts will be reallocated (in the aggregate) from the Offshore Feeder's capital account in the Master Fund collectively to the Master Fund GP's and Special LP's capital accounts in the Master Fund:

(i) at the end of each calendar quarter of the Master Fund, 20% of the Class A and Class B aggregate net increase, in excess of the Class A and Class B hurdle return;

(ii) at the end of each calendar year of the Master Fund, 25% of the Class C aggregate net increase in excess of the Class C hurdle return;

(iii) at the end of each calendar year of the Master Fund, 25% of the Class D aggregate net increase in excess of the Class D hurdle return;

(iv) at the end of each calendar year of the Master Fund, 25% of the Class E aggregate net increase in excess of the Class E hurdle return;

(v) at the end of each calendar year of the Master Fund, 15% of the Class F aggregate net increase in excess of the Class F hurdle return.

The incentive allocation shall be allocated as follows: 15% will be allocated to the capital account of the Master Fund GP, and 85% will be allocated to the capital account of the Special LP.

Class A and Class B hurdle return means an amount equal to one percent (1%) of the portion of the Offshore Feeder's capital account balance in the Master Fund which is attributable to Class A and Class B shareholders, calculated as of the beginning of each calendar quarter. The Class A and Class B hurdle return will be adjusted throughout the applicable period to reflect additional

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

7. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

contributions and withdrawals by the Class A and Class B shareholders of the Offshore Feeder in the Master Fund. The Class A and Class B hurdle return is cumulative with respect to each quarter during a calendar year but not from year to year.

Class C and Class D hurdle return means an amount equal to six percent (6%) of the portion of the Offshore Feeder capital account balance in the Master Fund which is attributable to Class C and Class D shareholders, calculated as of the beginning of each calendar year.

The Class C and Class D hurdle return will be adjusted throughout the applicable period to reflect additional contributions and withdrawals by the Class C and Class D shareholders of the Offshore Feeder in the Master Fund. The Class C and Class D hurdle return is non-cumulative with respect to each calendar year.

Class E and Class F hurdle return means an amount equal to six percent (6%) of the portion of the Offshore Feeder capital account balance in the Master Fund which is attributable to Class E and Class F shareholders, calculated as of the beginning of each calendar year.

The Class E and Class F hurdle return will be adjusted throughout the applicable period to reflect additional contributions and withdrawals by the Class E and Class F shareholders of the Offshore Feeder in the Master Fund. The Class E and Class F hurdle return is cumulative with respect to each calendar year.

Under a loss carry forward recovery account, no incentive allocation is made from the sub-capital account of a particular shareholder of the Offshore Feeder until any net loss previously allocated to the sub-capital account of such shareholder has been offset by subsequent net profits. Any such loss carry forward will be subject to reduction for redemptions on a pro rata basis.

The incentive allocation shall be allocated as of the end of the performance period to the capital account of the Master Fund GP and Special LP. The Master Fund GP and Special LP may, at their sole discretion, waive or reduce the incentive allocation with respect to any shareholder.

For the year ended December 31, 2023, $462,599 and $81,635 were allocated from the Offshore Feeder to the Special LP and the Master Fund GP, respectively.

Onshore Feeder

Incentive allocation is calculated on the Onshore Feeder in accordance with the amended and restated confidential private placement memorandum dated January 1, 2008 as amended in July 1, 2022.

Subject to the “loss recovery account provisions” discussed below, the following amounts will be reallocated (in the aggregate) from the Onshore Feeder’s capital account in the Master Fund to the Master Fund GP’s capital account in the Master Fund:

(i) at the end of each calendar quarter, 20% of the Class A aggregate net increase, in excess of the Class A hurdle return;

(ii) at the end of each calendar year of the Master Fund, 25% of the Class B aggregate net increase in excess of the Class B hurdle return.

7. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(iii) at the end of each calendar year of the Master Fund, 25% of the Class E aggregate net increase in excess of the Class E hurdle return.

(iv) at the end of each calendar year of the Master Fund, 15% of the Class F aggregate net increase in excess of the Class F hurdle return.

Class A hurdle return means an amount equal to one percent (1%) of the portion of the Onshore Feeder's capital account balance in the Master Fund which is attributable to Class A limited partners, as of the beginning of each calendar quarter. The Class A hurdle return will be adjusted throughout the applicable period to reflect additional capital contributions and withdrawals by the Class A limited partners in the Master Fund. The Class A hurdle return is cumulative with respect to each quarter during a calendar year but not from year to year.

Class B hurdle return means an amount equal to six percent (6%) of the portion of the Onshore Feeder's capital account balance in the Master Fund which is attributable to Class B limited partners, calculated as of the beginning of each calendar year. The Class B hurdle return will be adjusted throughout the applicable period to reflect additional capital contributions and withdrawals by the Class B limited partners in the Master Fund. The Class B hurdle return is non-cumulative with respect to each calendar year.

Class E hurdle return means an amount equal to six percent (6%) of the portion of the Onshore Feeder's capital account balance in the Master Fund which is attributable to Class E limited partners, calculated as of the beginning of each calendar year. The Class E hurdle return will be adjusted throughout the applicable period to reflect additional capital contributions and withdrawals by the Class E limited partners in the Master Fund. The Class E hurdle return is cumulative with respect to each calendar year.

Class F hurdle return means an amount equal to six percent (6%) of the portion of the Onshore Feeder's capital account balance in the Master Fund which is attributable to Class F limited partners, calculated as of the beginning of each calendar year. The Class F hurdle return will be adjusted throughout the applicable period to reflect additional capital contributions and withdrawals by the Class F limited partners in the Master Fund. The Class F hurdle return is cumulative with respect to each calendar year.

Under a loss carry forward recovery account, no incentive allocation is made from the sub-capital account of a limited partner of the Onshore Feeder until any net loss previously allocated to the sub-capital account of such limited partner has been offset by subsequent net profits. Any such loss carry forward will be subject to reduction for withdrawals on a pro rata basis.

The incentive allocation shall be allocated as of the end of the performance period to the capital account of the Master Fund GP. The Master Fund GP may, at its sole discretion, waive or reduce the incentive allocation with respect to any partners. For the year ended December 31, 2023, $72,917 was allocated to the Master Fund GP from the Onshore Feeder.

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

8. ADMINISTRATION AGREEMENT

The Master Fund and the Feeder Funds entered into an administration agreement with SS&C Fund Services (Bermuda) Ltd. (the "Administrator") a subsidiary of SS&C GlobeOp for the provision of certain accounting, administrative and investor services. On October 1, 2022, SS&C Fund Services (Bermuda) Ltd. assigned all its rights and obligations under the existing agreement to SS&C Technologies, Inc. and SS&C Technologies, Inc. accepted the assignment of all rights and obligations under the existing agreement. The Master Fund pays the Administrator an annual fee calculated and payable on a monthly basis. The fee is calculated based on certain percentages of the partners' capital of the Master Fund at the beginning of each month and is subject to a monthly minimum of $5,000.

For the year ended December 31, 2023, total administration fees of $349,043 were incurred of which $34,088 was payable at the reporting date.

9. RISK FACTORS

Investment in the Master Fund involves significant risk factors and is suitable only for persons who can bear the economic risk of the loss of their investment, who have limited need for liquidity in their investment and who meet the conditions set forth in the private placement memorandum. There can be no assurances that the Master Fund will achieve its investment objective.

Investment in the Master Fund carries with it the inherent risks associated with investments in securities, as well as additional risks including, but not limited to, the following:

Borrowings and leverage

The Master Fund may utilize leverage in its investment program by entering into short sales, options and other similar techniques.

The concept of leverage is based on the premise that the Master Fund's cost of borrowing will be at rates that normally will be lower than the rate of return earned on the longer term investments it holds.

While the use of leverage may increase the returns on capital invested in the Master Fund, the use of leverage also increases the risk of loss of such capital, because the claims of lenders on assets and income of the Master Fund will be senior to the claims of the investors.

Financial instruments and associated risks

The Master Fund maintains active trading positions in a variety of instruments as directed by its investment management strategy. The investing activities of the Master Fund expose it to various types of risk, which are associated with the financial instruments and markets in which it invests. Such risks include, but are not limited to, market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that future changes in equity and commodity prices, interest rates and foreign exchange rates may make an instrument less valuable or more onerous. Market risk includes price risk, interest rate risk and currency risk. All investments held are subject to market

9. RISK FACTORS (continued)

risk, are recognized at fair value, and all changes in market condition directly affect net increase/ decrease in partners' capital resulting from operations.

The Master Fund manages its exposure to market risk in accordance with risk management principles set by the Investment Manager for buying or selling instruments.

Price risk – The Master Fund is exposed to market risk on financial instruments that are valued at market prices. Specifically, a risk exists that the ultimate selling price of such financial instruments may differ from their estimated fair values at December 31, 2023.

Interest rate risk – Certain of the Master Fund's financial assets and liabilities are interest bearing and as a result the Master Fund is subject to risk due to fluctuations in the prevailing levels of market interest rates.

Currency risk – The functional currency of the Master Fund is the US dollar. The Master Fund invests in financial instruments denominated in currencies other than its functional currency. Consequently, the Master Fund is exposed to risks that the exchange rate of its currency relative to other currencies may change in a manner that has an adverse effect on the value of the portion of the Master Fund's assets or liabilities denominated in currencies other than US dollars.

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Master Fund. Credit risk is generally higher when a non-exchange traded financial instrument is involved because the counterparty for non-exchange traded financial instruments is not backed by an exchange clearing house.

Substantially all financial instruments are cleared through and held in custody primarily by two major international institutions. The Master Fund is subject to credit risk to the extent that these institutions may be unable to fulfill their obligations either to return the Master Fund's securities or repay amounts owed.

The risk that counterparties to both derivative and other instruments might default on their obligations is monitored on an ongoing basis. To manage the level of credit risk, the Master Fund seeks to conduct business with counterparties of good credit standing.

Liquidity risk

Liquidity risk is the risk that the Master Fund may have difficulty in liquidating its positions due to existing or unforeseen market constraints. The Master Fund's financial instruments may include investments that are traded over-the-counter, which are not traded in an organized public market and may generally be illiquid. As a result, the Master Fund may not be able to quickly liquidate investments or respond to specific events such as deterioration in the creditworthiness of any particular issuer.

At December 31, 2023, the Master Fund's listed securities are considered to be readily realizable as they are listed on major United States and international stock exchanges.

These risks are monitored on an ongoing basis and the composition of the portfolio is amended accordingly while adhering to the investment guidelines set forth in the Master Fund's confidential information memorandum.

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

10. FINANCIAL HIGHLIGHTS

The following financial highlights are calculated for the limited partners taken as a whole and exclude data for the Master Fund GP and Special LP.

Individual limited partner's returns will vary due to the timing of capital contributions and withdrawals, and different management fees and incentive allocation arrangements.

Total return	
Total return before incentive allocation	18.77 %
Incentive allocation	(0.20)%
Total return after incentive allocation	(18.57)%
Ratio to average limited partners' capital*	
Operating expenses before incentive allocation	1.38 %
Incentive allocation	0.20 %
Operating expenses after incentive allocation	1.58 %
Net investment loss before incentive allocation	(0.58)%

* Ratios of operating expenses and net investment gain (loss) are computed based on the monthly average of the partners' capital of all limited partners excluding the Special LP for the year.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through February 12, 2024, the date that these financial statements were available for issue and found that there were no significant events which would have a material bearing on these financial statements.

AQUAMARINE FUND, INC.

(A BRITISH VIRGIN ISLANDS BUSINESS COMPANY)

Auditor's Report & Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Aquamarine Fund, Inc.

Opinion

We have audited the financial statements of Aquamarine Fund, Inc. (the "Offshore Feeder"), which comprise the statement of assets and liabilities, at December 31, 2023, and the related statements of operations, changes in net assets, and cash flows, for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Offshore Feeder at December 31, 2023, and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Offshore Feeder and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Offshore Feeder's ability to continue as a going concern for a period of one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Offshore Feeder's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Offshore Feeder's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte Ltd.

February 12, 2024

Statement of Assets and Liabilities

At December 31, 2023 (Expressed in United States dollars)

	Note	
ASSETS		
Investment in Aquamarine Master Fund, L.P., at fair value		$268,901,799
Cash and cash equivalents		2,088,170
Receivable from Aquamarine Master Fund, L.P.		260,000
Other assets		4,910
Total assets		271,254,879
LIABILITIES		
Subscriptions received in advance		1,999,945
Redemptions payable		254,172
Accrued expenses and other payables		29,163
Total liabilities		2,283,280
NET ASSETS	3	**$268,971,599**

See Notes to the Financial Statements

Statement of Operations

For the year ended December 31, 2023 (Expressed in United States dollars)

	Note	
NET INVESTMENT LOSS ALLOCATED FROM AQUAMARINE MASTER FUND, L.P.		
Income		$1,961,091
Expenses	4	(4,124,174)
		(2,163,083)
INCOME		
Other income		118
EXPENSES		
Administration fee	5	56,125
Professional fees		53,201
Director's fees and expenses		10,000
Office expenses		8,429
		127,755
NET INVESTMENT LOSS		(2,290,720)
NET REALIZED GAIN AND NET CHANGE IN UNREALIZED APPRECIATION FROM INVESTMENTS AND FOREIGN CURRENCIES ALLOCATED FROM AQUAMARINE MASTER FUND, L.P.		
Net realized gain from investments and foreign currencies		180,435
Net change in unrealized appreciation from investments and foreign currencies		43,225,764
NET REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION		43,406,199
NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS		$41,115,479

See Notes to the Financial Statements

Statement of Changes in Net Assets

For the year ended December 31, 2023 (Expressed in United States dollars)

NET ASSETS, DECEMBER 31, 2022	$226,609,707
INCREASE/(DECREASE) IN NET ASSETS	
From operations	
Net investment loss	(2,290,720)
Net realized gain from investments and foreign currencies	180,435
Net change in unrealized appreciation from investments and foreign currencies	43,225,764
Net increase in net assets resulting from operations	41,115,479
From capital transactions	
Issuance of shares	
Class B - Series 22	500,000
Class B - Series 23	100,000
Class B - Series 24	499,970
Class B - Series 25	100,000
Class B - Series 26	105,000
Class B - Series 27	500,000
Class C - Series 23	300,000
Class E - Series 10	1,000,025
Class E - Series 11	993,056
Class F - Series 26	509,487
Class F - Series 27	500,000
Class F - Series 28	1,000,000
Class F - Series 29	500,000
Class F - Series 30	100,000
Class F - Series 31	1,104,361
Class F - Series 32	100,000
Class F - Series 33	100,000
Class F - Series 34	100,000
Class F - Series 35	999,974
	9,111,873
Redemption of shares	
Class A - Initial series	(186,288)
Class A - Series 2	(2,000,000)
Class B - Series 9	(5,125,000)
Class E - Series 2	(254,172)
Class E - Series 4	(300,000)
	(7,865,460)
Net increase in net assets from capital transactions	1,246,413
NET ASSETS, DECEMBER 31, 2023	**$268,971,599**

See Notes to the Financial Statements

Statement of Cash Flows

For the year ended December 31, 2023 (Expressed in United States dollars)

CASH FLOWS PROVIDED BY/(USED IN):	
OPERATING ACTIVITIES:	
Net increase in net assets resulting from operations	$41,115,479
Adjustments to reconcile net increase in net assets resulting from operations to net cash provided by operating activities:	
Net realized gain from investments and foreign currencies allocated from Aquamarine Master Fund, L.P.	(180,435)
Net change in unrealized appreciation from investments and foreign currencies allocated from Aquamarine Master Fund, L.P.	(43,225,764)
Net investment loss allocated from Aquamarine Master Fund, L.P.	2,163,083
Payments for purchases of Aquamarine Master Fund, L.P.	(9,060,000)
Proceeds from sales of Aquamarine Master Fund, L.P.	10,486,000
Change in other assets	(4,910)
Change in accrued expenses and other payables	(27,376)
Net cash provided by operating activities	1,266,077
FINANCING ACTIVITIES	
Proceeds from issuance of shares, net of changes in subscriptions received in advance	10,602,331
Payments on redemption of shares, net of changes in redemptions payable	(10,331,030)
Net cash provided by financing activities	271,301
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,537,378
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	550,792
CASH AND CASH EQUIVALENTS, END OF YEAR	$2,088,170

See Notes to the Financial Statements

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

1. ORGANIZATION AND BUSINESS ACTIVITY

Aquamarine Fund, Inc. (the "Offshore Feeder") was incorporated in the British Virgin Islands ("BVI") on June 26, 1997 under the International Business Companies Act and commenced operations on June 26, 1997. On January 1, 2007, the Offshore Feeder was automatically re-registered under the BVI Business Companies Act, 2004. The Offshore Feeder is also recognised under the Securities and Investment Business Act, 2010 as a "professional" mutual fund.

The Offshore Feeder operates under a "master/feeder" structure, where Aquamarine Master Fund, L.P. (the "Master Fund"), a BVI International Limited Partnership, is the master fund. The Offshore Feeder invests substantially all of its investable assets in the Master Fund, together with Aquamarine Value Fund, L.P. (the "Onshore Feeder"), a Delaware Limited Partnership (collectively, the "Feeder Funds"). As at December 31, 2023, the Offshore Feeder's proportionate interest in the partners' capital of the Master Fund is approximately 76%.

The investment objective of the Offshore Feeder is to compound wealth for shareholders over the long term. The Offshore Feeder intends to achieve its investment objectives through its investment in the Master Fund, which has the same investment objectives as the Offshore Feeder.

Aquamarine Zürich AG ("Aquamarine Zürich" or the "Investment Manager"), a Swiss company limited by shares, serves as the investment manager to the Offshore Feeder and the Aquamarine fund structure. Aquamarine Zürich is licensed with the Swiss Financial Market Supervisory Authority ("FINMA") as a manager for collective assets and its principal decision maker is Guy Spier.

The performance of the Offshore Feeder is directly affected by the performance of the Master Fund. The Master Fund utilizes the services of the Investment Manager to invest the assets of the Offshore Feeder, together with the assets of the Onshore Feeder.

The financial statements of the Master Fund, including the condensed schedule of investments, are included at the end of this report and should be read in conjunction with the Offshore Feeder's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States ("US") dollars. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Investment company

The Offshore Feeder is considered an investment company pursuant to Accounting Standards Update No. 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements* ("ASU 2013-08"), and therefore follows the accounting and reporting guidance for investment companies.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and the differences could be material.

Valuation of investment in the Master Fund

The Offshore Feeder records its investment in the Master Fund at fair value based on its respective percentage of the Master Fund's partners' capital. Valuation of securities held by the Master Fund is disclosed in Note 2 of the Master Fund's notes to the financial statements (the "Master Fund's Notes").

ASC 820, *Fair Value Measurement and Disclosures* ("ASC 820") defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. Additional disclosures due to the impact of ASC 820 on the Offshore Feeder's underlying investments held within the Master Fund are included in Note 4 of the Master Fund's Notes.

Cash and cash equivalents

The Offshore Feeder classifies cash at bank, and short-term deposits with original maturities of three months or less as cash and cash equivalents.

Revenue and expense recognition

The Offshore Feeder records its proportionate share of the Master Fund's income, expenses, and realized and unrealized gains and losses. The Master Fund's income and expenses recognition policies and allocation are discussed in Note 2 of the Master Fund's Notes.

Income and expenses that are directly attributable to the Offshore Feeder are recorded on the accrual basis as incurred.

Redemptions payable

The Offshore Feeder recognizes redemptions payable in accordance with ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480"). Redemptions are recognized as liabilities when the amount requested in the redemption notice becomes fixed. Prior to December 31, 2023, the Offshore Feeder received redemption notices to be paid after year end but based on December 31, 2023 net asset value. Within the context of ASC 480, such redemption notices represent an unconditional obligation of the Offshore Feeder at December 31, 2023. The liability to such shareholders is presented in the statement of assets and liabilities as "redemptions payable".

Foreign currency

The books and records of the Offshore Feeder and the Master Fund are maintained in US dollars. The foreign currency translation policy is discussed in Note 2 of the Master Fund's Notes.

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes

Under current BVI law, the Offshore Feeder is not required to pay taxes in the BVI on either income or capital gains. Accordingly, no provision for taxation has been made in these financial statements for the Offshore Feeder. The Offshore Feeder intends to conduct its affairs such that it will not be subject to taxation in any jurisdiction, other than withholding taxes on investment income and capital gains allocated from the Master Fund, where applicable.

The Offshore Feeder reviews and evaluates tax positions in its major jurisdictions and determines whether or not there are uncertain tax positions that require financial statement recognition. In determining the major tax jurisdictions, the Offshore Feeder considers where it is organized and where it makes investments. The Offshore Feeder is filing a protective return in the United States. The tax returns for 2020 to 2023 remain open for examination by tax authorities. Tax positions associated with foreign tax jurisdictions remain subject to examination based on varying statutes of limitations. The Offshore Feeder is also not aware of any other tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The determination of income taxes is based on complex analyses of many factors, including matters that are subject to interpretation.

3. SHARE CAPITAL

Authorized share capital of the Offshore Feeder

As of April 1, 2007, the Offshore Feeder no longer offers Class A shares. Instead, the Offshore Feeder offers the Class B shares, which have the same rights, privileges and terms as the Class A shares, except for the terms of redemption as noted below. As of January 1, 2008, the Offshore Feeder offers Class C shares. As of November 2016, the Offshore Feeder offers Class D shares. As of October 2, 2017, the Offshore Feeder offers Class E and Class F shares.

The Offshore Feeder is authorized to issue unlimited shares consisting of 1,000 voting non-participating, non-redeemable shares of par value $0.01 each (the "Ordinary shares") and 9,999,000 non-voting, participating redeemable shares of par value $0.01 each (the "Participating shares"). The authorized capital of the Offshore Feeder may be divided into different classes with varying rights attached to each class. The Participating shares are divided into Class A, Class B, Class C, Class D, Class E and Class F Participating shares (respectively, the "Class A shares", the "Class B shares", the "Class C shares", the "Class D shares", the "Class E shares", "Class F shares", each a "Class" collectively, the "Shares").

The Ordinary shares of the Offshore Feeder are held by the Master Fund Special LP (the "Special LP"). The Articles of Association of the Offshore Feeder empowers the Board of Directors (the "Board") to create different classes of shares.

The Shares are issued in series with a new series being issued on each date that the Offshore Feeder permits subscription for shares. The series are issued consecutively per class (i.e. commencing with A1, B1, C1 etc.). Each of the outstanding series of shares participates rateably with all other outstanding series of the same class in the Offshore Feeder's fees, expenses, assets and earnings with respect to such series.

3. SHARE CAPITAL (continued)

The Shares are issued in various series to reflect equitably the differing incentive expense attributable to each series.

At the end of each quarter or year as applicable, all series that do not have a loss carry forward available to them will be converted into the initial series of the applicable class of Participating shares unless the initial series has a loss carry forward, then the next available series that does not have a loss carry forward shall be used in its place. Certain series may not be subject to the conversion at the discretion of the Board of Directors.

Issued share capital

Ordinary shares

1,000 shares at $0.01 par value issued and fully paid.

Participating shares

27,566.37	Class A shares at a $0.01 par value issued and fully paid.
12,045.78	Class B shares at a $0.01 par value issued and fully paid.
10,680.00	Class C shares at a $0.01 par value issued and fully paid.
7,842.27	Class E shares at a $0.01 par value issued and fully paid.
37,272.99	Class F shares at a $0.01 par value issued and fully paid.

Dividends and distribution

The offshore feeder has never declared a dividend and it is anticipated that it will not declare any dividends or make any distributions going forward.

Subscriptions

Shares may generally be subscribed to on the first business day of each month by giving two days written notice, or such other days approved by the Board of Directors in its sole discretion. The initial purchase price per share for each series of shares is $1,000. The minimum initial subscription for shareholders in the Offshore Feeder is $500,000 for Class A and B shares and $1,000,000 for Class C, D, E and F shares. These amounts are subject to reduction at the discretion of the Board of Directors.

Redemptions

Shares will be redeemed at the redemption price equal to such shares' net asset value (the "NAV") as of the close of business on the redemption date.

Class A shareholders have the right upon 20 days prior written notice to request a partial or total redemption of its Class A shares as of the last business day of each calendar month or such other day as determined by the Board of Directors.

Class B shareholders have the right upon 60 days prior written notice to request a partial or total redemption of its Class B shares as of the last business day of each calendar quarter or such other date as determined by the Board of Directors.

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

3. SHARE CAPITAL (continued)

Class A and B shareholders may be subject to a redemption fee of up to five percent (5%) of the redemption proceeds for redemptions made by a shareholder. In no event will any Class A or B shareholder be charged redemption fees in excess of five percent (5%). Redemption fees will be deducted from the amount otherwise payable to a redeeming shareholder and will be payable to the Fund. The Board of Directors may, in its sole discretion, waive or reduce the redemption fees. Since inception of the Fund, there hasn't been an occurrence where the Fund charged a redemption fee.

Class C and D shareholders have the right upon 60 days prior written notice to request a partial or total redemption of its Class C and D shares as of the last business day of the calendar month on which the Class C and D lock-up period (defined below) expires, and thereafter, on the last business day of the calendar month on each 12-month anniversary of the expiration of the Class C and D lock-up period, or such other date as determined by the Board of Directors.

A shareholder may not redeem any series of its Class C and D shares until the expiration of the 12-month period following the purchase of such series of Class C and D shares, (the Class C and D lock-up period), without the prior written consent of the Board of Directors.

Class E shareholders have the right upon 90 days prior written notice to request a partial or total redemption of its Class E shares as of the last business day of the calendar month on which the Class E lock-up period (defined below) expires, and thereafter, on the last business day of the calendar month on each 2-year anniversary of the expiration of the rolling Class E lock-up period, or such other date as determined by the Board of Directors.

A shareholder may not redeem any series of its Class E shares until the expiration of the rolling 2 years following the purchase of such series of Class E shares, (the Class E lock-up period), without the prior written consent of the Board of Directors.

Class F shareholders have the right upon 90 days prior written notice to request a partial or total redemption of its Class F shares as of the last business day of the calendar month on which the Class F lock-up period (defined below) expires, and thereafter, on the last business day of the calendar month on each 5-year anniversary of the expiration of the rolling Class F lock-up period, or such other date as determined by the Board of Directors.

A shareholder may not redeem any series of its Class F shares until the expiration of the rolling 5 years following the purchase of such series of Class F shares, (the Class F lock-up period), without the prior written consent of the Board of Directors.

<u>Allocation of net profits and losses</u>

As the Offshore Feeder is made up of more than one class and series of shares, the NAV per share of each class and series is calculated by determining that part of the NAV of the Offshore Feeder attributable to each class and series and dividing this value by the number of shares of that class and series in issue and rounding the result to two decimal places. Any increase or decrease in the NAV of the Offshore Feeder will be allocated between the classes and series based on their pro rata NAVs at the previous valuation date adjusted for any subscriptions and redemptions in the relevant period.

3. SHARE CAPITAL (continued)

Net asset value per share

The following table summarizes the shares outstanding, the NAV per share and the net asset value for each class of shares and series at the reporting date.

	Net asset value $	Number of shares	Net asset value per share $
Ordinary shares	1,000	1,000.00	1.00
Participating shares			
Class A			
Class A Initial Series	12,004,805	1,232.50	9,740.23
Class A Series 1	131,286,820	15,283.97	8,589.84
Class A Series 2	12,269,891	11,049.90	1,110.41
	155,561,516	27,566.37	
Class B			
Series 1	6,128,606	2,066.42	2,965.80
Series 2	34,444	25.00	1,377.76
Series 3	874,954	642.08	1,362.70
Series 9	6,204,900	2,464.76	2,517.45
Series 10	1,824,859	1,500.00	1,216.57
Series 13	1,103,274	1,000.00	1,103.27
Series 14	117,208	112.55	1,041.32
Series 15	232,972	230.00	1,012.92
Series 16	499,372	500.00	998.74
Series 17	465,247	500.00	930.49
Series 18	312,325	300.00	1,041.08
Series 19	107,597	100.00	1,075.97
Series 20	794,493	700.00	1,134.99
Series 21	124,693	100.00	1,246.94
Series 22	534,289	500.00	1,068.58
Series 23	110,177	100.00	1,101.77
Series 24	553,616	499.97	1,107.30
Series 25	108,876	100.00	1,088.75
Series 26	110,173	105.00	1,049.27
Series 27	535,270	500.00	1,070.54
	20,777,345	12,045.78	

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

3. SHARE CAPITAL (continued)

	Net asset value $	Number of shares	Net asset value per share $
Class C			
Series 1	33,911,067	8,524.85	3,977.91
Series 2	106,921	80.15	1,334.07
Series 3	397,111	275.00	1,444.04
Series 22	478,254	500.00	956.51
Series 23	323,566	300.00	1,078.56
Series 24	1,048,289	1,000.00	1,048.29
	36,265,208	10,680.00	
Class E			
Series 1	1,600,904	1,067.72	1,499.37
Series 2	255,197	171.69	1,486.38
Series 3	2,766,276	1,834.29	1,508.09
Series 4	337,391	226.40	1,490.25
Series 5	730,190	522.46	1,397.59
Series 6	1,497,639	1,000.00	1,497.64
Series 7	571,547	500.00	1,143.09
Series 8	282,006	250.00	1,128.02
Series 9	1,100,357	276.62	3,977.90
Series 10	1,053,934	1,000.03	1,053.91
Series 11	1,016,162	993.06	1,023.27
	11,211,603	7,842.27	

3. SHARE CAPITAL (continued)

	Net asset value $	Number of shares	Net asset value per share $
Class F			
Series 1	772,777	500.00	1,545.55
Series 2	381,756	250.00	1,527.02
Series 3	1,945,201	1,401.31	1,388.13
Series 4	666,222	445.00	1,497.13
Series 5	2,929,714	2,000.10	1,464.78
Series 6	1,979,675	1,299.95	1,522.89
Series 7	748,001	500.02	1,495.94
Series 9	1,870,855	1,100.00	1,700.78
Series 10	133,219	86.38	1,542.24
Series 11	2,920,391	2,000.00	1,460.20
Series 12	354,491	250.00	1,417.96
Series 13	41,158	30.00	1,371.95
Series 14	90,470	50.00	1,809.40
Series 15	363,672	300.00	1,212.24
Series 16	171,773	150.00	1,145.15
Series 17	1,109,599	1,091.80	1,016.30
Series 18	967,985	1,000.00	967.99
Series 19	2,247,794	2,350.00	956.51
Series 20	100,452	100.00	1,004.52
Series 21	576,003	500.00	1,152.01
Series 22	274,578	250.00	1,098.31
Series 23	290,226	250.00	1,160.90
Series 24	3,196,616	2,500.00	1,278.65
Series 25	13,288,994	11,692.15	1,136.57
Series 26	610,602	509.49	1,198.46
Series 27	558,371	500.00	1,116.74
Series 28	1,121,905	1,000.00	1,121.90
Series 29	543,588	500.00	1,087.18
Series 30	110,035	100.00	1,100.35
Series 31	1,167,415	1,104.36	1,057.10
Series 32	102,327	100.00	1,023.27
Series 33	2,380,243	2,262.46	1,052.06
Series 34	107,739	100.00	1,077.38
Series 35	1,031,081	999.97	1,031.11
	45,154,928	37,272.99	

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

3. SHARE CAPITAL (continued)

Share transaction summary

	Shares outstanding January 1, 2023	Shares converted during the year	Shares issued/ transferred during the year	Shares redeemed/ transferred during the year	Shares outstanding December 31, 2023
Class A Initial Series	1,595.77	-	-	(363.27)	1,232.50
Class A Series 1	15,283.97	-	-	-	15,283.97
Class A Series 2	12,958.81	-	-	(1,908.91)	11,049.90
Class B Series 1	2,066.42	-	-	-	2,066.42
Class B Series 2	25.00	-	-	-	25.00
Class B Series 3	642.08	-	-	-	642.08
Class B Series 9	4,669.45	-	-	(2,204.69)	2,464.76
Class B Series 10	1,500.00	-	-	-	1,500.00
Class B Series 13	1,000.00	-	-	-	1,000.00
Class B Series 14	112.55	-	-	-	112.55
Class B Series 15	230.00	-	-	-	230.00
Class B Series 16	500.00	-	-	-	500.00
Class B Series 17	500.00	-	-	-	500.00
Class B Series 18	300.00	-	-	-	300.00
Class B Series 19	100.00	-	-	-	100.00
Class B Series 20	700.00	-	-	-	700.00
Class B Series 21	100.00	-	-	-	100.00
Class B Series 22	-	-	500.00	-	500.00
Class B Series 23	-	-	100.00	-	100.00
Class B Series 24	-	-	499.97	-	499.97
Class B Series 25	-	-	100.00	-	100.00
Class B Series 26	-	-	105.00	-	105.00
Class B Series 27	-	-	500.00	-	500.00
Class C Series 1	8,524.85	-	-	-	8,524.85
Class C Series 2	80.15	-	-	-	80.15
Class C Series 3	275.00	-	-	-	275.00
Class C Series 22	500.00	-	-	-	500.00
Class C Series 23	-	-	300.00	-	300.00
Class C Series 24	-	-	1,000.00	-	1,000.00
Class E Series 1	1,067.72	-	-	-	1,067.72
Class E Series 2	342.69	-	-	(171.00)	171.69
Class E Series 3	1,834.29	-	-	-	1,834.29
Class E Series 4	454.98	-	-	(228.58)	226.40
Class E Series 5	522.46	-	-	-	522.46
Class E Series 6	1,000.00	-	-	-	1,000.00
Class E Series 7	500.00	-	-	-	500.00
Class E Series 8	250.00	-	-	-	250.00
Class E Series 9	276.62	-	-	-	276.62
Class E Series 10	-	-	1,000.03	-	1,000.03
Class E Series 11	-	-	993.06	-	993.06

3. SHARE CAPITAL (continued)

	Shares outstanding January 1, 2022	Shares converted during the year	Shares issued/ transferred during the year	Shares redeemed/ transferred during the year	Shares outstanding December 31, 2022
Class F Series 1	500.00	-	-	-	500.00
Class F Series 2	250.00	-	-	-	250.00
Class F Series 3	1,401.31	-	-	-	1,401.31
Class F Series 4	445.00	-	-	-	445.00
Class F Series 5	2,000.10	-	-	-	2,000.10
Class F Series 6	1,299.95	-	-	-	1,299.95
Class F Series 7	500.02	-	-	-	500.02
Class F Series 9	1,100.00	-	-	-	1,100.00
Class F Series 10	86.38	-	-	-	86.38
Class F Series 11	2,000.00	-	-	-	2,000.00
Class F Series 12	250.00	-	-	-	250.00
Class F Series 13	30.00	-	-	-	30.00
Class F Series 14	50.00	-	-	-	50.00
Class F Series 15	300.00	-	-	-	300.00
Class F Series 16	150.00	-	-	-	150.00
Class F Series 17	1,091.80	-	-	-	1,091.80
Class F Series 18	1,000.00	-	-	-	1,000.00
Class F Series 19	2,350.00	-	-	-	2,350.00
Class F Series 20	100.00	-	-	-	100.00
Class F Series 21	500.00	-	-	-	500.00
Class F Series 22	250.00	-	-	-	250.00
Class F Series 23	250.00	-	-	-	250.00
Class F Series 24	2,500.00	-	-	-	2,500.00
Class F Series 25	11,692.15	-	-	-	11,692.15
Class F Series 26	-	-	509.49	-	509.49
Class F Series 27	-	-	500.00	-	500.00
Class F Series 28	-	-	1,000.00	-	1,000.00
Class F Series 29	-	-	500.00	-	500.00
Class F Series 30	-	-	100.00	-	100.00
Class F Series 31	-	-	1,104.36	-	1,104.36
Class F Series 32	-	-	100.00	-	100.00
Class F Series 33	-	-	2,262.46	-	2,262.46
Class F Series 34	-	-	100.00	-	100.00
Class F Series 35	-	-	999.97	-	999.97

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

4. RELATED PARTY TRANSACTIONS AND BALANCES

Management fee

The Offshore Feeder, as a limited partner in the Master Fund, pays a monthly management fee to the Investment Manager who provides the Offshore Feeder with continuous supervision of the Master Fund's assets, including the composition of its portfolio and furnishes advice and recommendations with respect to investments, investment policies and the purchase and sales of investments in securities and derivatives.

The Management fee due to the Investment Manager is recorded in the financial statements of the Master Fund. The amount has been charged to each of the Feeder Funds' capital accounts in the Master Fund. Management fee is discussed in Note 7 of the Master Fund's Notes.

For the year ended December 31, 2023, a total management fee of $3,184,016 was incurred and $272,329 is payable at the reporting date by the Master Fund on behalf of the Offshore Feeder. The fee is included in the expenses allocated from the Master Fund in the Statement of Operations.

Incentive allocation

Incentive allocation to the Master Fund GP and the Special LP are recorded in the financial statements of the Master Fund. The amount is allocated to each of the Feeder Funds' capital accounts in the Master Fund. Incentive allocation is discussed in Note 7 of the Master Fund's Notes.

For the year ended December 31, 2023, the incentive allocations to the Master Fund GP and the Special LP from the Offshore Feeder were $81,635 and $462,599, respectively.

Share capital

The Offshore Feeder has related party shareholders inclusive of the Special LP. The shareholdings of these related parties total $154,707,802 and represent approximately 58% of net assets at December 31, 2023.

5. ADMINISTRATION AGREEMENT

The Master Fund and the Feeder Funds entered into an administration agreement with SS&C Fund Services (Bermuda) Ltd. (the "Administrator") a subsidiary of SS&C GlobeOp for the provision of certain accounting, administrative and investor services. On October 1, 2022, SS&C Fund Services (Bermuda) Ltd. assigned all its rights and obligations under the existing agreement to SS&C Technologies, Inc. and SS&C Technologies, Inc. accepted the assignment of all rights and obligations under the existing agreement. Refer to Note 8 in the Master Fund Notes for further information regarding the administration agreement.

A flat fee of $1,250 per month, annual exchange of information services fee and audit assistance fee are charged for the Feeder Funds.

For the year ended December 31, 2023, total administration fees of $56,125 were incurred of which $19,131 was payable at the reporting date.

6. RISK FACTORS

Due to the nature of the "master/feeder" structure, the Offshore Feeder may be materially affected by the risk factors affecting the Master Fund as discussed in Note 9 of the Master Fund's Notes.

7. FINANCIAL HIGHLIGHTS

The per share operating performance, total return and ratios to average net assets are calculated for the initial series of each share class. An individual investor's per share operating performance, total return and ratios to average net assets may vary from these amounts and ratios based on different management fee and incentive allocation arrangements and the timing and amount of capital transactions.

The following represents the per share information, total return and ratios to average net assets for the year ended December 31, 2023:

Per share operating performance	**Class A Initial Series**	**Class B Series 1**	**Class C Series 1**
Net asset value, beginning of the year	**$8,208.98**	**$2,499.56**	**$3,319.17**
Income from investment operations			
Net investment gain/(loss)	(55.77)	(16.98)	14.25
Net realized and unrealized gain/(loss) from investments	1,587.02	483.22	644.49
Total gain/(loss) from investment operations	1,531.25	466.24	658.74
Net asset value, end of the year	**$ 9,740.23**	**$ 2,965.80**	**$ 3,977.91**
Total return before incentive fee	18.65%	18.65%	19.85%
Incentive fee	0.00 %	0.00 %	0.00 %
Total return after incentive fee	**18.65%**	**18.65%**	**19.85%**
Ratios to average net assets *			
Operating expenses before incentive fee	1.37 %	1.41 %	0.39%
Incentive fee	0.00 %	0.00 %	0.00 %
Operating expenses after incentive fee	**1.37 %**	**1.41 %**	**0.39%**
Net investment income/(loss) before incentive fee	**(0.56)%**	**(0.62)%**	**0.39%**

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

7. FINANCIAL HIGHLIGHTS (continued)

Per share operating performance	Class E Series 1	Class F Series 1
Net asset value, beginning of the year	**$ 1,251.08**	**$1,289.61**
Income from investment operations		
Net investment gain/(loss)	5.37	5.54
Net realized and unrealized gain/(loss) from investments	242.92	250.40
Total gain/(loss) from investment operations	248.29	255.94
Net asset value, end of the year	**$1,499.37**	**$1,545.55**
Total return before incentive fee	19.85 %	19.85 %
Incentive fee	0.00 %	0.00 %
Total return after incentive fee	**19.85 %**	**19.85 %**
Ratios to average net assets*		
Operating expenses before incentive fee	0.39 %	0.39 %
Incentive fee	0.00 %	0.00 %
Operating expenses after incentive fee	0.39 %	0.39 %
Net investment income/(loss) before incentive fee	0.39 %	0.39%

*The ratios are computed based upon the weighted average net assets of shares as a whole throughout the year and includes the Offshore Feeder's proportionate share of the Master Fund's expenses and net investment income or loss. The ratios, with the exception of incentive fees, were annualized whereas the total return was not, for periods less than a year.

8. SUBSEQUENT EVENTS

Management has evaluated events occurring through February 12, 2024, the date that these financial statements were available for issue, and found that there were no significant events which would have a material bearing on these financial statements.

AQUAMARINE VALUE FUND, L.P.

(A DELAWARE LIMITED PARTNERSHIP)

Auditor's Report & Financial Statements

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INDEPENDENT AUDITOR'S REPORT

To the General Partner and Limited Partners of
Aquamarine Value Fund, L.P.

Opinion

We have audited the financial statements of Aquamarine Value Fund, L.P. ("the Onshore Feeder"), which comprise the statement of assets and liabilities, at December 31, 2023, and the related statements of operations, changes in partners' capital, and cash flows, for the year then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Onshore Feeder at December 31, 2023, and the results of its operations, changes in partners' capital and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Onshore Feeder and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Onshore Feeder's ability to continue as a going concern for a period of one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Onshore Feeder's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Onshore Feeder's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Deloitte Ltd.

February 12, 2024

Statement of Assets and Liabilities

At December 31, 2023 (Expressed in United States dollars)

ASSETS	
Investment in Aquamarine Master Fund, L.P., at fair value	$67,188,160
Cash and cash equivalents	2,103,034
Receivable from Aquamarine Master Fund, L.P.	350,000
Total assets	69,641,194
LIABILITIES	
Subscriptions received in advance	2,100,000
Capital withdrawals payable	359,478
Accrued expenses and other payables	34,073
Total liabilities	2,493,551
PARTNERS' CAPITAL	**67,147,643**

See Notes to the Financial Statements

Statement of Operations

For the year ended December 31, 2023 (Expressed in United States dollars)

	Note	
NET INVESTMENT INCOME ALLOCATED FROM AQUAMARINE MASTER FUND, L.P.		
Income		$556,956
Expenses	4	(194,290)
		362,666
INCOME		
Other income		47
EXPENSES		
Administration fees	5	40,750
Professional fees		36,871
Office expenses		397
		78,018
NET INVESTMENT INCOME		284,695
NET REALIZED GAIN AND NET CHANGE IN UNREALIZED APPRECIATION FROM INVESTMENTS AND FOREIGN CURRENCIES ALLOCATED FROM AQUAMARINE MASTER FUND, L.P.		
Net realized gain from investments and foreign currencies		42,979
Net change in unrealized appreciation from investments and foreign currencies		10,540,438
NET REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION		10,583,417
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS		$ 10,868,112

See Notes to the Financial Statements

Statement of Changes in Partners' Capital

For the year ended December 31, 2023 (Expressed in United States dollars)

	General Partner	Limited Partners	Total
PARTNERS' CAPITAL, DECEMBER 31, 2022	$ -	$52,322,554	$52,322,554
INCREASE/(DECREASE) IN PARTNERS' CAPITAL			
From operations			
Net increase in partners' capital	-	10,868,112	10,868,112
From capital transactions			
Capital contributions	-	4,804,992	4,804,992
Capital withdrawals	-	(848,015)	(848,015)
PARTNERS' CAPITAL, DECEMBER 31, 2023	$ -	$67,147,643	$67,147,643

See Notes to the Financial Statements

Statement of Cash Flows

For the year ended December 31, 2023 (Expressed in United States dollars)

CASH FLOWS PROVIDED BY/(USED IN):	
OPERATING ACTIVITIES:	
Net increase in partners' capital resulting from operations	$10,868,112
Adjustments to reconcile net increase in partners' capital resulting from operations to net cash used in operating activities:	
Net realized gain from investments allocated from Aquamarine Master Fund, L.P.	(42,979)
Net change in unrealized appreciation on investments allocated from Aquamarine Master Fund, L.P.	(10,540,438)
Net investment income allocated from Aquamarine Master Fund, L.P.	(362,666)
Payments for purchases of Aquamarine Master Fund, L.P.	(5,200,000)
Proceeds from sales of Aquamarine Master Fund, L.P.	569,000
Change in accrued expenses and other payables	(9,464)
Net cash used in operating activities	(4,718,435)
FINANCING ACTIVITIES	
Capital contributions received, net of changes in contributions received in advance	5,797,992
Capital withdrawals paid, net of changes in capital withdrawals payable	(488,537)
Net cash provided by financing activities	5,309,455
NET INCREASE IN CASH AND CASH EQUIVALENTS	591,020
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,512,014
CASH AND CASH EQUIVALENTS, END OF YEAR	$2,103,034

See Notes to the Financial Statements

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

1. ORGANIZATION AND BUSINESS ACTIVITY

Aquamarine Value Fund, L.P. (the "Onshore Feeder") was organized as a Delaware Limited Partnership on March 15, 2001 and commenced operations on April 26, 2001.

The Onshore Feeder operates under a "master/feeder" structure, where Aquamarine Master Fund, L.P. (the "Master Fund"), a British Virgin Islands ("BVI") International Limited Partnership, is the master fund. The Onshore Feeder invests substantially all of its investable assets in the Master Fund, together with Aquamarine Fund, Inc. (the "Offshore Feeder") a BVI Business Company (collectively, the "Feeder Funds"). At December 31, 2023, the Onshore Feeder's proportionate interest in the partners' capital of the Master Fund is approximately 19%.

The investment objective of the Onshore Feeder is to compound wealth for limited partners over the long term. The Onshore Feeder intends to achieve its investment objectives through its investment in the Master Fund, which has the same investment objectives as the Onshore Feeder.

Aquamarine Zürich AG ("Aquamarine Zürich" or the "Investment Manager"), a Swiss company limited by shares, serves as the investment manager to the Onshore Feeder and the Aquamarine fund structure. Aquamarine Zürich is licensed with the Swiss Financial Market Supervisory Authority ("FINMA") as a manager for collective assets and its principal decision maker is Guy Spier.

The performance of the Onshore Feeder is directly affected by the performance of the Master Fund. The Master Fund utilizes the services of the General Partner to invest the assets of the Onshore Feeder, together with the assets of the Offshore Feeder.

The financial statements of the Master Fund, including the condensed schedule of investments, are included at the end of this report and should be read in conjunction with the Onshore Feeder's financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("US GAAP") and are stated in United States ("US") dollars. The following is a summary of the significant accounting and reporting policies used in preparing the financial statements.

Investment company

The Onshore Feeder is considered an investment company pursuant to Accounting Standards Update No. 2013-08, *Financial Services - Investment Companies (Topic 946): Amendments to the Scope, Measurement and Disclosure Requirements* ("ASU 2013-08"), and therefore follows the accounting and reporting guidance for investment companies.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates and the differences could be material.

Valuation of investment in the Master Fund

The Onshore Feeder records its investment in the Master Fund at fair value based on its respective percentage of the Master Fund's partners' capital. Valuation of securities held by the Master Fund is disclosed in Note 2 of the Master Fund's notes to the financial statements (the "Master Fund's Notes").

ASC 820, *Fair Value Measurement and Disclosure* ("ASC 820") defines fair value, establishes a framework for measuring fair value and requires certain disclosures about fair value measurements. Additional disclosures due to the impact of ASC 820 on the Onshore Feeder's underlying investments held within the Master Fund are included in Note 4 of the Master Fund's Notes.

Cash and cash equivalents

The Onshore Feeder classifies cash at bank and short-term deposits with original maturities of three months or less as cash and cash equivalents.

Revenue and expense recognition

The Onshore Feeder records its proportionate share of the Master Fund's income, expenses, and realized and unrealized gains and losses. The Master Fund's income and expenses recognition policies and allocation are discussed in Note 2 of the Master Fund's Notes.

Income and expenses that are directly attributable to the Onshore Feeder are recorded on the accrual basis as incurred.

Capital withdrawals payable

The Onshore Feeder recognizes capital withdrawals payable in accordance with ASC 480, *Distinguishing Liabilities from Equity* ("ASC 480"). Capital withdrawals are recognized as liabilities when the amount requested in the capital withdrawals notice becomes fixed. Prior to December 31, 2023, the Onshore Feeder received capital withdrawal notices to be paid after year end but based on December 31, 2023 partners' capital balances. Within the context of ASC 480, such capital withdrawal notices represent an unconditional obligation of the Onshore Feeder at December 31, 2023. The liability to such partners is presented in the statement of assets and liabilities as "capital withdrawals payable".

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency

The books and records of the Onshore Feeder and the Master Fund are maintained in U.S. dollars. The foreign currency translation policy is discussed in Note 2 of the Master Fund's Notes.

Income taxes

The Onshore Feeder reviews and evaluates tax positions in its major jurisdictions and determines whether or not there are uncertain tax positions that require financial statement recognition. In determining the major tax jurisdictions, the Onshore Feeder considers where it is organized and where it makes investments. The Onshore Feeder's US Federal tax returns for 2020 to 2023 remain open for examination by tax authorities and tax positions associated with foreign tax jurisdictions remain subject to examination based on varying statutes of limitations.

The Onshore Feeder is not aware of any other tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next twelve months. The determination of income taxes is based on complex analyses of many factors, including matters that are subject to interpretation.

Individual partners are taxed on their proportionate share of the Onshore Feeder's income.

3. PARTNERS' CAPITAL ACCOUNT

The Onshore Feeder is currently offering limited partnership interests ("Interests"), which are defined as partners' share of the partners' capital as reflected in each limited partner's capital account. The Interests are divided into four classes, A, B, E, and F. The limited partners holding Class A Interests are sometimes referred to herein as "Class A limited partners", limited partners holding Class B Interests are sometimes referred to herein as "Class B limited partners", limited partners holding Class E Interests are sometimes referred to herein as "Class E limited partners" and the limited partners holding Class F Interests are sometimes referred to herein as "Class F limited partners".

As of December 31, 2023, there are Class A, Class B, Class E, and Class F Interests for amounts of $2,176,316, $20,091,825, $10,610,142, and $34,269,360, respectively.

Capital contributions

The minimum investment in the Onshore Feeder is $500,000 by each Class A limited partner and $1,000,000 for each Class B limited partner, Class E limited partner, and Class F limited partner. The General Partner may in its discretion waive the minimum initial contribution amount with respect to any partner. Following initial investment, a limited partner may make additional investments in amounts of not less than $10,000 subject to adjustment at the discretion of the General Partner. The General Partner may admit new limited partners and permit limited partners to make additional contributions as of the first business day of each calendar month, or at any other time in the General Partner's sole discretion.

3. PARTNERS' CAPITAL ACCOUNT (continued)

Capital withdrawals

Class A limited partners may make a complete or partial withdrawal from their capital accounts as of the last day of each calendar quarter, with 60 days' prior written notice to SS&C Fund Services (Bermuda) Ltd. (formerly Prime Management Limited), a division of SS&C GlobeOp (the "Administrator").

A withdrawal fee of up to five percent (5%) of the withdrawal amount may be charged for withdrawals made by a Class A Limited Partner. However, in no event will any Class A Limited Partner be charged withdrawal fees in excess of five percent (5%) of withdrawal proceeds for a withdrawal.

Withdrawal fees will be deducted from the amount otherwise payable to a redeeming Limited Partner and will be payable to the Fund. The General Partner may, in its sole discretion, waive or reduce the withdrawal fees otherwise due with respect to any Limited Partner's investment, by rebate or otherwise. Since inception of the fund, there hasn't been an occurrence where the fund charged a withdrawal fee.

Class B limited partners may make a complete or partial withdrawal from their capital accounts as of the last business day of the calendar month in which the Class B lock-up period (defined below) expires, upon 60 days prior written notice to the Administrator. Thereafter, a Class B limited partner may make a withdrawal on the last business day of the calendar month for each 12-month anniversary of the expiration of the Class B lock-up period, or such other date as determined by the General Partner.

Class B limited partners may not withdraw any capital contribution (and any appreciation thereon) until the expiration of the 12-month period following the contribution of such capital, (the Class B lock-up period), without the prior written consent of the General Partner.

Class E limited partners may make a complete or partial withdrawal from their capital accounts as of the last business day of the calendar month in which the Class E lock-up period (defined below) expires, upon 90 days prior written notice to the Administrator. Thereafter, a Class E limited partner may make a withdrawal on the last business day of the calendar month for each 2-year anniversary of the expiration of the rolling Class E lock-up period, or such other date as determined by the General Partner.

Class E limited partners may not withdraw any capital contribution (and any appreciation thereon) until the expiration of the rolling 2 years period following the contribution of such capital, (the Class E lock-up period), without the prior written consent of the General Partner.

Class F limited partners may make a complete or partial withdrawal from their capital accounts as of the last business day of the calendar month in which the Class F lock-up period (defined below) expires, upon 90 days prior written notice to the Administrator. Thereafter, a Class F limited partner may make a withdrawal on the last business day of the calendar month for each rolling 5-year anniversary of the expiration of the rolling Class F lock-up period, or such other date as determined by the General Partner.

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

3. PARTNERS' CAPITAL ACCOUNT (continued)

Class F limited partners may not withdraw any capital contribution (and any appreciation thereon) until the expiration of the rolling 5 years following the contribution of such capital, (the Class F lock-up period), without the prior written consent of the General Partner.

The General Partner in its sole discretion may waive or reduce the Class B, Class E, and Class F lock-up periods and/or the notice period required for withdrawals by Class B, Class E, and Class F limited partners. Class B, Class E, and Class F limited partners are not subject to withdrawal fees.

Each withdrawing limited partner will receive, at the General Partner's sole discretion, at least 90% of its estimated withdrawal amount with the balance payable 30 days after the Onshore Feeder's annual audit. The General Partner may in certain circumstances suspend withdrawals from the capital account of the Onshore Feeder.

Allocation of gains/losses and management fees

At the end of each month, the aggregate amount of management fees payable by the Onshore Feeder during such month which are attributable to each Class A limited partner shall be charged to such Class A limited partner's capital account, and any net capital appreciation or depreciation will be allocated to all partners (including the General Partner) based on their proportionate share of the Onshore Feeder's partners' capital for such month.

4. RELATED PARTY TRANSACTIONS AND BALANCES

Management fees

The Onshore Feeder as a limited partner in the Master Fund pays a monthly management fee to the General Partner (as the Investment Manager of the Master Fund). The management fee is calculated solely on the partners' capital of Class A limited partners as of the last business day of each calendar month. The Investment Manager provides the Onshore Feeder with continuous supervision of the Master Fund's assets, including the composition of its portfolio and furnishes advice and recommendations with respect to investments, investment policies and the purchase and sales of investments in securities and derivatives.

Management fee due to the General Partner is recorded in the financial statements of the Master Fund. The amount has been charged to each of the Feeder Funds' capital accounts in the Master Fund. Management fee is discussed in Note 6 of the Master Fund's Notes.

For the year ended December 31, 2023, a total management fee of $25,710 was incurred and $2,115 was payable at the reporting date by the Master Fund on behalf of the Onshore Feeder. The fee is included in the expenses allocated from the Master Fund in the Statement of Operations.

4. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

Incentive allocation

Incentive allocation to the General Partner is recorded in the financial statements of the Master Fund. The amount is allocated to each of the Feeder Funds' capital accounts in the Master Fund. Incentive allocation is discussed in Note 6 of the Master Fund's Notes.

For the year ended December 31, 2023, the incentive allocation to the Master Fund GP from the Onshore Feeder was $72,917. The allocation amount is included in the expenses allocated from the Master Fund in the Statement of Operations.

Partners' capital

The Onshore Feeder has no related party partners at the reporting date.

5. ADMINISTRATION AGREEMENT

The Master Fund and the Feeder Funds entered into an administration agreement with SS&C Fund Services (Bermuda) Ltd. (the "Administrator") a subsidiary of SS&C GlobeOp for the provision of certain accounting, administrative and investor services. On October 1, 2022, SS&C Fund Services (Bermuda) Ltd. assigned all its rights and obligations under the existing agreement to SS&C Technologies, Inc. and SS&C Technologies, Inc. accepted the assignment of all rights and obligations under the existing agreement. Refer to Note 8 in the Master Fund Notes for further information regarding the administration agreement.

A flat fee of $1,250 per month, annual exchange of information services fee and audit assistance fee are charged for the Feeder Funds.

For the year ended December 31, 2023, total administration fees of $40,750 were incurred of which $11,250 was payable at the reporting date.

6. RISK FACTORS

Due to the nature of the "master/feeder" structure, the Onshore Feeder may be materially affected by the risk factors affecting the Master Fund as discussed in Note 9 of the Master Fund's Notes.

Notes to the Financial Statements

For the year ended December 31, 2023 (Expressed in United States dollars)

7. FINANCIAL HIGHLIGHTS

The following financial highlights are calculated for the limited partners taken as a whole and exclude data for the General Partner.

Individual limited partners' returns will vary due to the timing of contributions and withdrawals, different management fees and incentive allocation arrangements. The incentive allocation is borne by the Master Fund.

Total return	
Total return before incentive allocation	20.13%
Incentive allocation	(0.13%)
Total return after incentive allocation	(20.00%)
Ratio to average limited partners' capital*	
Operating expenses before incentive allocation	0.33%
Incentive allocation	0.11%
Operating expenses after incentive allocation	0.44%
Net investment income before incentive allocation	0.40%

*Ratios of operating expenses and net investment income are computed based on the monthly average of the partners' capital of all limited partners for the year. Ratios to average limited partners' capital include the Onshore Feeder's proportionate share of the Master Fund's expenses and net investment income or loss.

8. SUBSEQUENT EVENTS

Management has evaluated subsequent events occurring through February 12, 2024, the date that these financial statements were available for issue, and found that there were no significant events which would have a material bearing on these financial statements.

Team Aquamarine

GUY SPIER, Managing Partner

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