Investors & Friends of Ironvine-

Like puberty, bad markets are hard to watch, but they are a natural and necessary occurrence in the long life of compounding equity capital. And they are notorious for creating opportunities that appear obvious only in hindsight.

Inflation is stubbornly high, and the Fed has signaled it will raise interest rates aggressively to bring it back into check—even at the risk of triggering a recession. Higher discount rates mean lower valuations (price to earnings, or P/Es). A recession means lower earnings (the E in P/E). The double whammy. Markets have fallen 20% to reflect the specter of a retrenchment in aggregate demand and volatility has increased notably as investors wrestle with a wider range of potential outcomes. We don't wish a recession or bear market on anyone, but as we wrote a quarter ago, a little gravity in the system isn't an entirely unhealthy thing. The absence of an appropriate cost of equity capital incents poor resource allocation and enables bad actors. With its abrupt return, speculative excesses in many corners of the world have continued to unwind. The incineration of unprofitable tech stocks, special purpose acquisition companies (SPACs), and the retribution facing cryptocurrency or so called Web3 "investors" are a few of the most potent examples. The list goes on and will likely grow before it shrinks.

Not every business we own will escape the present malaise unscathed, but taken in the aggregate, our portfolios are durable. What we do works. Owning great companies led by good people is a timeless and productive way to invest capital. We're excited about the effort being made behind the scenes in our offices, day in and day out. We're proud of the cadence and rigor with which our team of analysts is unearthing new opportunities. We're continuing to invest in and improve our back office and client service organization. And we have a lot of confidence this elbow grease will continue to pay off. The types of businesses we invest in will all but see to that. They create value for their stakeholders and will deservedly grow as a result. They have established themselves as key cogs in their respective value chains and have the profits and free cash flow to back it up. They are led by talented people who care deeply about their employees, their customers, and their shareholders. With few exceptions they have fortress balance sheets and are well-positioned to play offense in times like the present when capital markets are more miserly. And they are a whole lot cheaper than they were six and nine months ago.

Human nature ensures that deploying capital rarely feels comfortable in the face of stacked unknowns. But history shows that opportunity is often ripe when sentiment swings sharply negative. Case in point: The market value of the most dominant business in North America has nearly halved in the last six months…

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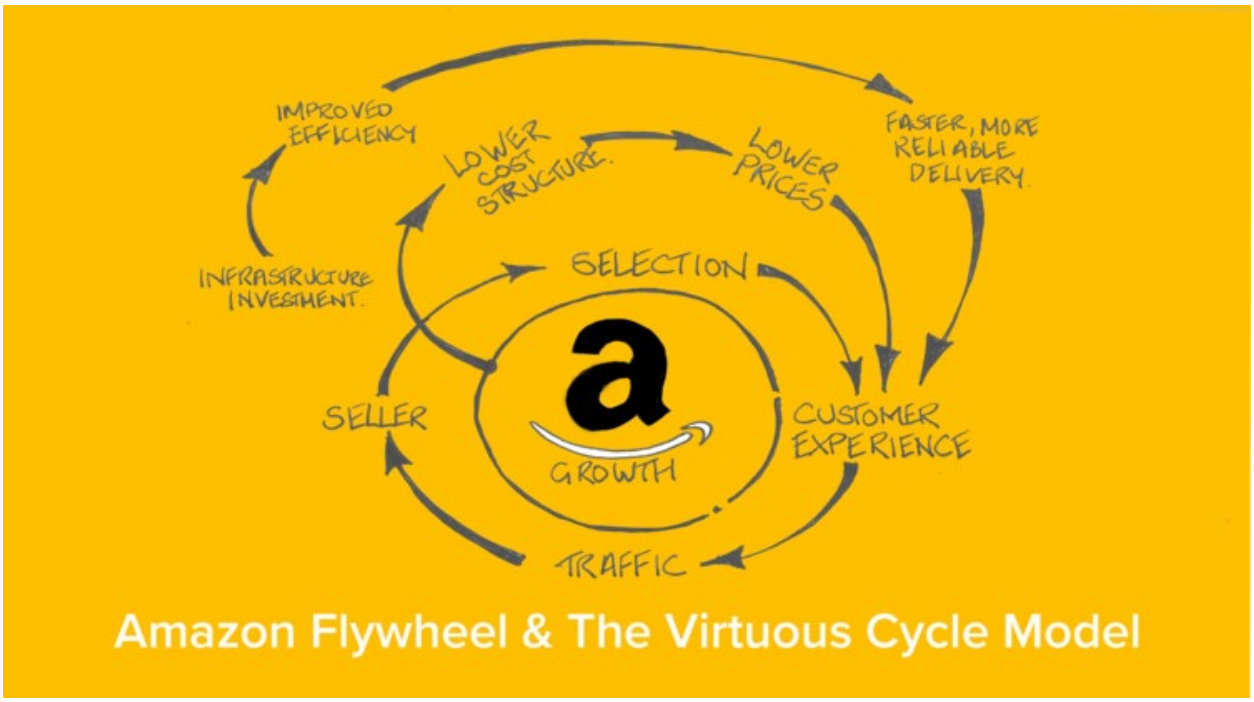
"More fundamentally, I think long-term thinking squares the circle. Proactively delighting customers earns trust, which earns more business from those customers, even in new business arenas. Take a long-term view, and the interests of customers and shareholders align."

– Amazon Founder & Chairman Jeff Bezos (2013 Shareholder Letter)

Amazon's retail platform is a marvel of modern capitalism that has spawned enormous benefit for buyers and sellers around the world. The company has a direct relationship with billions of people who utilize an ever-improving web and mobile shopping experience free from significant interference by the world's largest digital gatekeepers. Amazon has leveraged the value of these relationships to create a burgeoning fulfillment, delivery, and return network that further enhances the customer experience and burnishes one of the world's most trusted brands. All of this is in the name of one of Ironvine's most endeared qualities: the consumer surplus.

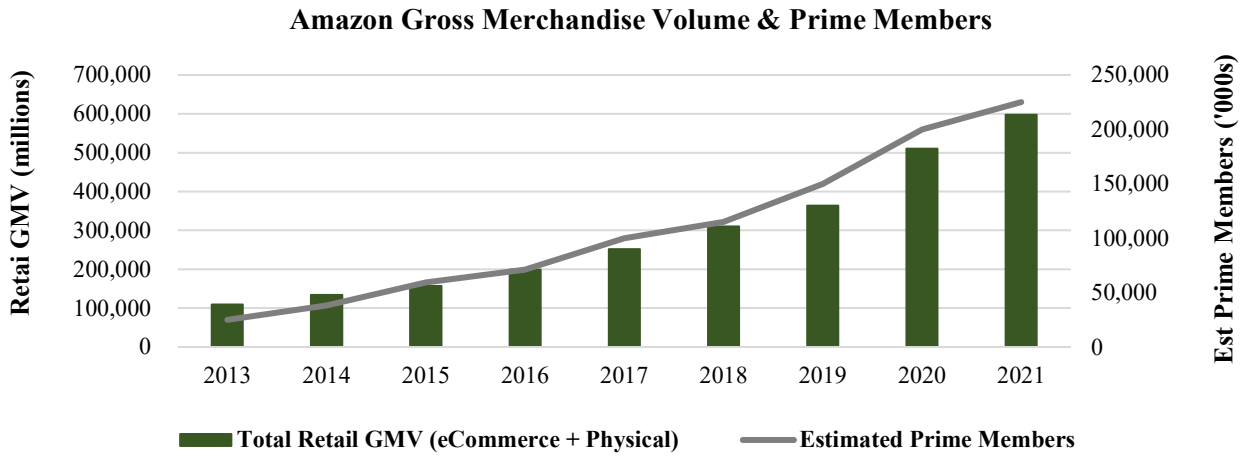
Most are familiar with Amazon's famed flywheel (below, courtesy of Axios). Its underlying simplicity and intuitiveness are elegant. The fortitude, operational muscle, culture, and capital required to get—and keep—it spinning, however, introduces complexity that has been the subject of business school case studies, investigative journalism, and political/antitrust discussion for a couple of decades. The core of this flywheel combines several advantages—scale economies, network effects, and brand equity—that underpin the kind of durability we covet when committing capital. The company's insistence on continuing to reinvest aggressively (we estimate more than $300 billion of capital expenditures over the next five years) in better tools, broader selection, lower prices, and faster delivery has earned it a growing and diverse collection of customers and a greater share of their wallets.



The Prime membership program, which Amazon launched in 2005, represented a sea change in the global consumer economy. Customers received unlimited two-day shipping from Amazon and several million third-party sellers with no minimum order size, one-click checkout, hassle-free returns, and video and music streaming, among other benefits for a fixed annual fee of $79[1]. From a strategic perspective, Prime represented a means of leveraging Amazon's growing scale to provide members with a lower-cost, more convenient shopping experience. Multi-week shipment times and elevated shipping costs on most online purchases had given physical stores a distinct advantage over catalog and internet-based retailers for

[1] An annual Amazon Prime membership costs $139 today

decades. Amazon sought to change that by investing its Prime subscription revenue into, among other areas, the construction of a nationwide distribution system capable of UPS and FedEx-like reach and efficiency. Receiving packages in two days or less was a game changer, enabling Amazon to increase its share of U.S. ecommerce from the single digits to roughly 40% today. A year after launching Prime, Bezos introduced Fulfillment by Amazon, offering its distribution and logistics services to third party sellers on its platform in exchange for a high-margin referral fee. This move brought yet more volume, lowering Amazon's per package distribution costs, and opened the door to the prospect of even faster delivery.



Earlier this year, Amazon took another important step with the introduction of Buy with Prime. Buy with Prime enables any online merchant—not just those selling on Amazon's website or app—to use Prime's one-click checkout, free returns, and one or two-day distribution. In addition to the fixed cost leverage gained by additional volume, Buy with Prime provides Amazon the opportunity to earn a piece of the ecommerce pie that was/is unlikely to have otherwise made its way onto Amazon.com, further feeding the flywheel. The infrastructure necessary to offer this service to a wider array of customers was assembled during the pandemic-fueled demand boom of 2020 and 2021. In his first letter to shareholders as CEO, Amazon Web Services architect Andy Jassy further dimensioned the scale of recent investment: "We spent Amazon's first 25 years building a very large fulfillment network, and then had to double it in the last 24 months to meet customer demand." This physical asset—which today includes over 400 fulfillment centers, 170 sortation centers, 1,000+ delivery stations, 260,000 drivers, and delivers more packages than FedEx or UPS[2]—is best in class and positions Amazon as a pillar of global commerce moving forward.

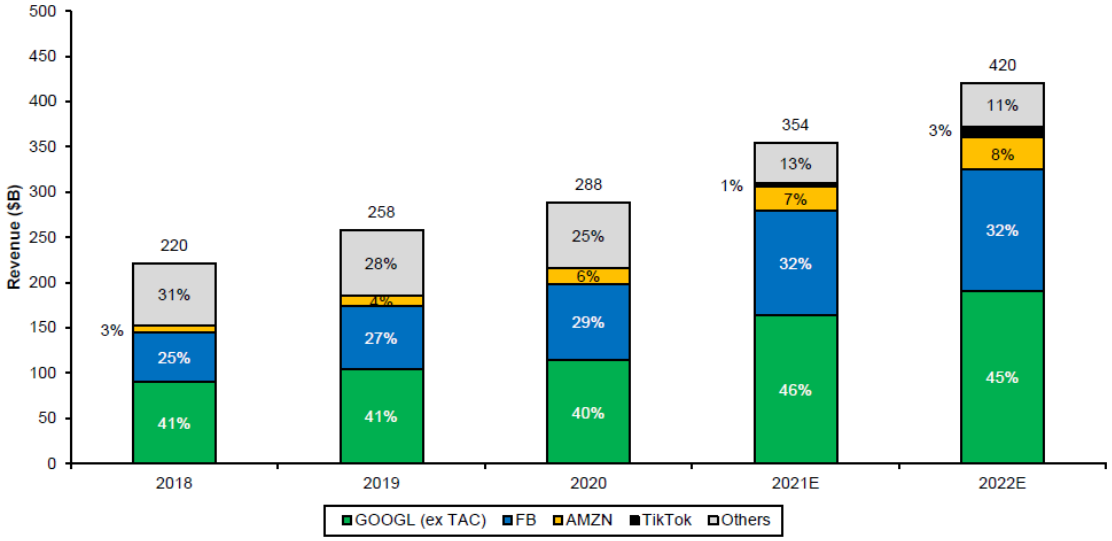
The company is far more than a digital marketplace with advantaged distribution, however. Amazon Web Services (AWS) and the company's increasing relevance in digital advertising are two powerful, homegrown adjacencies with significant growth opportunities of their own. AWS effectively launched the cloud computing / infrastructure industry in 2006, enabling customers on limited budgets to purchase extra processing power over the internet on Amazon's existing servers. Usage has broadened considerably since, with many of the world's governments and largest enterprises taking advantage of the efficiencies offered by the aggregation of infrastructure spending, data storage, and engineering talent. The digitization and automation of workflows continues to increase the data intensity of day-to-day operations, enabling the repurposing of dollars saved and insights gleaned toward gaining or sharpening a competitive edge. As the industry's largest player, AWS is poised to surpass $100 billion in annual revenue over the next couple of years. Gartner estimates the market opportunity for cloud services will approach $1 trillion in annual

[2] https://www.cnbc.com/2021/11/29/amazon-on-track-to-be-largest-us-delivery-service-by-2022-exec-says.html

spending by 2025, leaving significant room for high returning investment. Further, the scale advantages enjoyed by the globe's three largest players—Amazon, Microsoft, and Alphabet—all but ensure the industry continues to operate as a competitive, but rational oligopoly. We anticipate AWS' operating profit will grow durably at an attractive rate over the next five to ten years, with its standalone value reaching—possibly even exceeding—the price we paid to own the entire business.

Advertising is an area Amazon initially approached with skepticism given the potential conflicts it introduced for buyers and sellers within its digital storefront. Bezos' thinking evolved in time, however, to believe that when used judiciously, advertising dollars should ultimately subsidize lower prices for the consumer (reinforcing the flywheel yet again). Amazon decided that in the long run it would potentially be at a *disadvantage* if it chose not to move forward with an in-house advertising solution. And thus Amazon Marketing Services—now Amazon Advertising—was born. Perhaps not surprisingly, the results have been impressive. Over half of all product searches begin on Amazon with an estimated 40%[3] of its 225 million Prime members visiting the site daily (spending an average of $1,900 to $2,000 per year[4]). And Apple's recently launched App Tracking Transparency "privacy" initiative has made Amazon's ability to tie ad-driven clicks to actual sales more valuable, allowing it to provide industry-leading metrics for an advertiser's return on ad spend. *Amazon Unbound* author Brad Stone put it this way: "While Google knows what people search for and Facebook knows what they like, Amazon has one of the most substantive data points of all: what they actually bought." From a standing start in 2012, Amazon Advertising revenues of $40 billion are already larger and faster growing than YouTube and are a key contributor to Amazon's current and future free cash flow generation. The chart below provides a snapshot of Amazon Advertising's growing presence in the digital advertising ecosystem.

Digital Advertising Revenue (Global, ex China)[5]



Taken together, Amazon embodies much of what we value in an investment at Ironvine. The company's durable and growing cost advantages, customer-centricity, long-term orientation, and demonstrated willingness to invest behind its core strengths cement its increasingly essential service platforms within some of the largest end markets in the global economy. While these characteristics have been true for much

[3] Per Feedvisor
[4] Bank of America September 2020 annual survey
[5] Source: eMarketer, Bernstein Research

of the past decade, several events crystallized during the second quarter that enabled us to purchase Amazon shares for the first time. Rising inflation and slowing ecommerce growth on the heels of a period of significant expansion raised concerns about the company's near-term financial performance. As a result, Amazon's stock revisited pre-pandemic levels amidst the broader exodus of all things tech. While there was undeniably excessive excitement in the growthier corners of the technology universe, it seems to us the pendulum swung too far toward the other extreme in Amazon's case. Our anonymous Twitter friend "Jerry," who embellishes the increase in personalized apparel seller StitchFix's market value[6] last January to drive home his point, perhaps captures the swing in sentiment best:

Our analysis suggests Amazon's annual free cash flow is likely to exceed $50 billion a couple of years from now and grow appreciably from there. We believe purchasing that stream of excess cash at an implied yield of 5% sets the table for attractive investment returns over the next five to ten years.

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Ironvine is excited to introduce Jake Wilson as the newest member of our team. Jake is a graduate of the University of Nebraska-Lincoln and joins us after starting his career as a credit analyst at First National Bank of Omaha. Jake will be helping us build on the aforementioned operations function within Ironvine and will be working alongside Paul Penke as a trusted resource for our investors.

Finally, the addendums to this letter contain additional information on each of our strategies.

We look forward to seeing many of you at our Investor Day & Ten-Year Anniversary Celebration in Omaha on September 6th. Thank you for your continued trust and confidence,

The Ironvine Team

July 27, 2022

[6] StitchFix (ticker: SFIX), an online personal styling service selling apparel to men, women and children, had its market value reach a peak of $10 billion in January 2021; the company's current market value is ~$620mm

	YTD 06/30/22	1 Year	Annualized Returns as of 06/30/22 3 Year	5 Year	Inception 04/01/12	Cumulative Inception 04/01/12
Ironvine Concentrated (net)	(21.42%)	(16.23%)	10.89%	11.60%	10.80%	186.10%
S&P 500	(19.96%)	(10.62%)	10.60%	11.31%	12.32%	228.86%

Performance reflects the results of the Ironvine Concentrated Equity Composite. See the Important Disclaimers at the end of this document for additional pertinent information.

Concentrated Equity Highlights

- Returned -15.4% net of fees in the second quarter of 2022
- Initiated a new investment in Amazon.com at $112/share with proceeds from the partial sales of Microsoft ($259/share), Dollar Tree ($156/share), Alphabet ($2,296/share; $115/share split adjusted), and Berkshire Hathaway ($308/share)
- Sold small remaining investment in Costco Wholesale at $492/share as a part of funding the purchase of Amazon.com
- Increased our investment in Analog Devices at $150/share

Top 10 Holdings as of 6/30/2022	
MICROSOFT CORP.	10.4%
ALPHABET INC.	7.9%
AON PLC	5.7%
VISA INC.	5.7%
AMAZON.COM INC.	5.7%
THERMO FISHER SCIENTIFIC INC.	5.6%
BERKSHIRE HATHAWAY INC.	5.2%
S&P GLOBAL INC.	5.2%
DOLLAR TREE INC.	5.0%
MOODY'S CORP.	5.0%
Top 10 as % of Assets	**61.3%**

Company	Portfolio Contribution
Top Contributors - LTM 6/30/2022	
DOLLAR TREE, INC.	1.7%
DOLLAR GENERAL CORP.	0.4%
AON PLC.	0.3%
THERMO FISHER SCIENTIFIC INC.	0.1%
COSTCO WHOLESALE CORP.	0.1%
Top Detractors - LTM 6/30/2022	
META PLATFORMS	(3.5%)
LIBERTY BROADBAND INC.	(2.2%)
ADOBE INC.	(1.5%)
JPMORGAN CHASE & CO.	(1.4%)
MOODY'S CORP.	(1.4%)

IRONVINE
CAPITAL PARTNERS, LLC

CORE EQUITY

	YTD 06/30/22	1 Year	Annualized Returns as of 06/30/22 3 Year	5 Year	Inception 01/01/16	Cumulative Inception 01/01/16
Ironvine Core (net)	(21.20%)	(13.63%)	12.39%	13.04%	13.48%	127.51%
S&P 500	(19.96%)	(10.62%)	10.60%	11.31%	12.02%	109.16%

Performance reflects the results of the Ironvine Core Equity Composite. See the Important Disclaimers at the end of this document for additional pertinent information.

Core Equity Highlights

- Returned -13.4% net of fees in the second quarter of 2022
- Sold investment in Walt Disney at $125/share as our questions around the ultimate economic outcome of a wholesale shift to streaming led us to favor shares of seven existing Core Equity holdings trading at steeper discounts
- Initiated a new investment in Amazon.com at $112/share, utilizing proceeds from the partial sales of retailers Dollar Tree ($173/share), Costco ($495/share), and Lowe's ($194/share)
- Intercontinental Exchange (ticker: ICE) announced an agreement to purchase Core Equity software holding Black Knight (BKI) for $85/share in cash & stock on May 4th; we had increased our stake in BKI in early March at $59/share and continue to believe the business trades at an attractive discount regardless of whether the deal with ICE is ultimately consummated

Top 10 Holdings as of 6/30/2022	
MICROSOFT CORP.	5.8%
THERMO FISHER SCIENTIFIC INC.	5.6%
CATALENT INC.	5.2%
ALPHABET INC.	4.2%
BERKSHIRE HATHAWAY INC.	4.2%
DOLLAR TREE INC.	4.2%
DANAHER INC.	4.1%
DOLLAR GENERAL CORP.	3.9%
HEICO CORP. CL A	3.8%
AON PLC	3.8%
Top 10 as % of Assets	**44.7%**

Company	Portfolio Contribution
Top Contributors - LTM 6/30/2022	
DOLLAR TREE, INC.	1.4%
COSTCO WHOLESALE CORP.	0.4%
DOLLAR GENERAL CORP.	0.4%
AON PLC.	0.3%
THERMO FISHER SCIENTIFIC INC.	0.2%
Top Detractors - LTM 6/30/2022	
PAYPAL HOLDINGS, INC.	(2.5%)
META PLATFORMS INC.	(2.0%)
LIBERTY BROADBAND INC.	(1.0%)
MOODY'S CORP.	(1.0%)
ADOBE INC.	(0.9%)

Important Disclaimers

Please visit our website at https://ironvinecapital.com for copies of our Form ADV, Customer Relationship Statement, and Privacy Policy.

Reported performance figures represent an average, or composite, of our progress. Individual returns will vary based on the timing of your investment with us, fee differentials, or other account-specific circumstances. Client reporting, including positioning and performance, is sent under separate cover.

Past performance is not a guarantee or a reliable indicator of future results. All investments contain risk and may lose value. This material contains the current opinions of the authors such opinions are subject to change without notice. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed. Holdings mentioned, including the Ironvine Core Equity Top Ten Holdings, are subject to change and are not recommendations to buy or sell any security.

Ironvine Capital Partners, LLC (Ironvine) is an independent registered investment adviser registered with the United States Securities and Exchange Commission. The firm definition includes all assets that are managed by Ironvine.

***The Ironvine Concentrated Equity Composite** includes all accounts over which Ironvine deems to have discretion and that follow the composite strategy. Ironvine Concentrated Equity seeks to earn above average returns by investing primarily in a concentrated portfolio of global issuers in all facets of capital structures, including and not limited to common and preferred stocks, debt instruments, convertibles etc.*

The Ironvine Concentrated Equity Composite was created on December 1, 2013, with an inception date of April 1, 2012. The strategy does not seek to directly track or compare itself to any particular equity benchmark, but the composite is compared against the total return of the S&P 500. The benchmark includes 500 stocks representing all major industries of the economy. Ironvine Concentrated Equity employs a total return strategy and the S&P 500 is provided as it is the most widely recognized alternative to any actively managed mandate amongst global investors. Past performance is not indicative of future results. All results are calculated in US Dollars and include reinvestment of dividends and other earnings.

Performance presented prior December 1, 2013 occurred while the Portfolio Management Team was affiliated with a prior firm and the Portfolio Management Team members were the only individual(s) responsible for selecting the securities to buy and sell. A review of the performance record for compliance with the portability requirements of the GIPS standards was completed by an independent accounting firm. The verification and performance examination report are available upon request.

Prior to October 2017 the composite was named "The Ironvine Composite."

***The Ironvine Core Equity Composite** includes all accounts over which Ironvine deems to have discretion and that follow the composite strategy. Ironvine Core Equity seeks to earn above average long-term returns by investing primarily in a portfolio of common equity securities with a particular focus on companies that have the ability to generate high and sustainable returns on invested capital.*

The Ironvine Core Equity Composite was created on 12/29/2017, with an inception date of January 1, 2016. The strategy does not seek to directly track or compare itself to any particular equity benchmark, but the composite is compared against the total return of the S&P 500. The benchmark includes 500 stocks representing all major industries of the economy. Ironvine Core Equity employs a total return strategy and the S&P 500 is provided as it is the most widely recognized alternative to any actively managed mandate amongst global investors. Past performance is not indicative of future results. All results are calculated in US Dollars and include reinvestment of dividends and other earnings.

Performance presented prior January 1, 2017 occurred while the Portfolio Manager, Richard L. Jarvis, was affiliated with a prior firm. Mr. Jarvis was the only individual responsible for selecting the securities to buy and sell at the predecessor firm and was a primary decision maker in that capacity at Ironvine until his retirement on 12/31/20. This performance record was incorporated into the Ironvine Core Equity Composite in compliance with the portability requirements of the GIPS standards. A copy of the Portability report is available upon request.

Ironvine Capital Partners ("Ironvine") claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Ironvine has been independently verified for the periods 12/1/13– 12/31/21. A firm that claims compliance with the GIPS® standards must establish policies and procedures for complying with all the applicable requirements of the GIPS® standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS® standards and have been implemented on a firm-wide basis. The Ironvine Concentrated Equity Composite has had a performance examination for the periods 12/1/13– 12/31/21. The Ironvine Core Equity Composite has had a performance examination for the periods 1/1/17– 12/31/21. The verification and performance examination reports are available upon request.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. To be included in the composite an account must have a minimum value of $25,000 at the beginning of a month. The U.S. Dollar is the currency used to express performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Returns are presented net of management fees and commissions and include the reinvestment of all income. Net of fee and commission performance was calculated using actual management fees and commissions. The investment management fee schedule for the composite is tiered, at 1.0% for relationships less than $10 million, 0.90% for relationships between $10 million - $25 million, 0.80% for relationships between $25 million - $50 million, 0.70% for relationships between $50 million - $100 million, and 0.60% for relationships above $100 million (each tier indicated as an annual percentage charged quarterly). Actual investment advisory fees incurred by clients may vary. The collection of fees produces a compounding effect on the total return net of fees. For example, a portfolio that earned 8% annually for ten years would result in a cumulative return of 115.9% before investment management fees and 96.7% net of such fees, assuming a 1.00% fee per year.

The firm's list of composite descriptions is available upon request. Effective 1/1/2017 Ironvine merged with Saddle Road Partners, LLC (Saddle Road). The surviving entity is Ironvine Capital Partners, LLC. For more information about any of the above contact Paul Penke at 402.916.1702 or ppenke@ironvinecapital.com. No part of this article may be reproduced in any form, or referred to in any other publication, without express written permission.