

Bina Ormasel, SA de CV

To the shareholders of Bina Ormasel, SA de CV:

Since we restarted operations in 2021, there are no reports on income, ownership, or profits for 2020.

Why Are We Restarting Operations?

Bina Ormasel (Bina) was founded in 2014. Let me share some background information for you.

From February 2015 to June 2019, Bina ran a “pilot” test. +It was a very small project, and I kept things very private during this time because I was developing and preparing Bina's investment thesis.

Back then, Bina's partners were my sister, a friend from university, a friend I met during my master's program in finance, my mother-in-law, my brother-in-law, and a friend of my wife Carolina.

I mention them because these people will always have a special place in my heart. Even with limited evidence at the time (including my abrupt career change to build Bina), they placed their trust in me. They committed resources with great effort, relying only on my promise that I would manage their investment carefully, with the goal of growing it.

From 2015 to 2019, the Mexican peso experienced a net inflation rate of 24.1%, while the peso's exchange rate shifted from \$14.88 per dollar to \$19.22, reflecting a net depreciation of +29.1%.

Furthermore, the average progress of major Mexican corporations was +3.1% net. In comparison, an average American corporation experienced a net growth of +47.3% during the same period.

At the end of this “pilot” operation in 2019, the shareholders at that time were bought out. In the end, they enjoyed an annual compounded growth rate of 24.9% in the value of their initial investment, or in other words, a net gain of +162.2% for this period. It was a good investment if you ask me, and not easy to imitate or replicate in the future.

One of the most valuable lessons I learned was that I finally discovered the investment strategy to use in the next stage. Some of you may wonder, “So why was this ‘pilot’ operation closed if it was so successful?”.

The explanation is simple. On one hand, my personal relationship with my wife ended in 2019, which caused me to feel deep sadness. At the same time, I was ashamed that the project was still small, despite all the business analysis skills I had developed over this period.

Then 2020 arrived, and along with it, we all experienced the global COVID-19 pandemic. I tried, without much success, to develop creative ways to generate income beyond my office job, however, the global recession and lockdowns eventually led me to move back to my parents' house in Durango, and into a deep reflection, allowing me to finally organize several ideas that I had been developing for many years.

Among these ideas, I was able to put together a summary of principles I believe are necessary to succeed in the discipline of investing. On the other side, I tried to answer certain philosophical questions about what determines human happiness, which I had proposed in my master's thesis.

The first of these, perhaps the easiest to study, was compiled as a set of principles. I published it as a separate book for Amazon Kindle called *Principles for Capital Allocation*, available at the following link:

<https://www.amazon.com/dp/B099MZBGLB/>

On the other topic, I produced and recorded my conclusions on the determinants of happiness, which are also available independently. You can find this as a podcast on Google, Apple, and Spotify under the name “Cómo ser más feliz” (by the way, I also edited a book for its English version available here: <https://www.amazon.com/dp/B09NRD778M>)

These works are published online with the intent that someone who doesn't know me can access my way of thinking. I sincerely hope that with these two works, my career as an “aspiring writer” comes to an end, as I feel I have expressed everything I wanted to on these topics. I can now focus all my intellect and abilities on the development and execution of *Bina* in the present and future.

Finally, although there are signs that COVID-19 may remain with us for many years, as Warren Buffett mentioned, “it seems we have realized it is more contagious than we would like but much less deadly than we feared”.

Vaccines are being developed and distributed, but we will likely need to live with this illness and adapt to a new reality.

At the end of 2020, I came to the conclusion that there are two ways to see reality. Either "the conditions are never perfect to start a business," or "it is always a good time to start a good business."

I realized that often, it is our own irrational fears that stop us from becoming what we are meant to be. So, once again, we start as the mustard seed that a man planted in the field.

Also, if we think about it, the formula for compounded growth works the same regardless of the initial capital. And another way I see this humble beginning is that no support is too small because, for those who have faith, anything is possible.

Our Vision

Now, I want to tell you about the present and future of Bina.

First of all, we want the organization to last for many years. I can't guarantee how long I will live, but I can assure you that Bina's structure is designed to protect your interests as a partner. The plan is the same as it was seven years ago, but the strategy is now stronger, and I have a clearer idea of what to do to reach our goal: creating wealth for everyone.

The purpose of Bina is for its core business value (or intrinsic value) to reach its highest possible worth. The aim is for its value to grow every year, outperforming an average American company and, of course, a typical Mexican company.

This will happen as we are able to invest in businesses with favorable competitive positions, and in some cases, those that provide dividend income.

Bina's thesis focuses on becoming a partner in outstanding businesses at reasonable prices. This means that opportunities matching this strategy are quite rare.

There is another aspect I want to emphasize. At Bina, we are not obsessed with controlling any business. We simply want to be part of a reasonably diverse group of businesses with strong economic qualities and good management, and to grow as a collection of high-quality businesses.

Therefore, our job is simply to allocate Bina's capital in opportunities that make the most sense. We base this on lasting strength, management skills and character, and a reasonable price. We do not intend to interfere with the success of the companies we partner with.

Since we are relatively small at the start, the smartest move right now is to invest in businesses with stocks that fluctuate with the market's ups and downs.

These companies have businesses that we don't control, but they allow us to share in their success, ideas, and plans as long as we remain with them.

Investments

Here is a list of our main investments as of the first quarter of 2021, with values based on the market price:

Shares Company	<u>Cost*</u>	<u>2021-03-31 Market Value</u>
		(000's of pesos)
2 Alibaba Group Holding Limited.....	\$10.0	\$9.3
4 Apple Inc.....	\$10.1	\$10.0
6 Bank OZK.....	\$5.3	\$5.0
2 Berkshire Hathaway Inc.....	\$10.9	\$10.4
1 Dollar General Corporation.....	\$3.9	\$4.1
2 Facebook Inc.....	\$11.4	\$12.0
9 Grupo Aeroportuario del Sureste SAB de CV.....	\$3.1	\$3.3
27 Grupo Financiero Banorte SAB de CV.....	\$3.2	\$3.1
28 Qualitas Controladora SAB de CV.....	\$3.2	\$3.1
1 Skyworks Solutions Inc.....	\$3.8	\$3.8
1 SVB Financial Group.....	\$11.6	\$10.1
1 Teradyne Inc.....	\$2.4	\$2.5
1 Topbuild Corporation.....	\$4.3	\$4.3
Others**.....	\$2.9	\$2.9
Total Market Value of Stock Investments.....	\$86.0	\$84.0

* This is the purchase price.

** Includes 9,000 shares from the "pilot" test, from a previous entity before the current company ICA.

The problem we face now is that the large amount of money circulating in the U.S. economy seems to have significantly impacted market prices.

Even though the Federal Reserve reports that the U.S. economy is in a global recession worsened by lockdowns, the U.S. stock market shows strong economic momentum, which has pushed most stock prices to what some might consider very high levels.

When you look at these numbers, I want you to understand that the key is in the process of selecting and placing in "essential business value." I hope you will join my strong belief that whatever figure you see in the financial report, over time, Bina will have substantial capital gains from its stock holdings. This will directly affect your levels of wealth.

About Bina's Society

Right now, we do not have institutional investors or very financially sophisticated ones.

Bina's stock ownership is currently in two "parts." One part is held by me as the "founder" through my personal investment company called Betsela, S de RL de CV (Betsela).

The other part is held by individual investors who trust that I will represent their interests, no matter what the future holds. These are friends I have known since high school, college friends, cousins, and friends from the church I attended as a child.

Over time, my wish is for Bina's partners to feel they made the right decision for their lives by joining Bina. I hope they will want to stay with us and continue as owners of Bina, knowing they will always be treated as partners.

This is the kind of investors we want.

These are people who have trusted us with a part of their wealth, treating it as if it were our own. They have either trusted their intuition or my word, and they have concluded that I have a strong dislike for permanent capital loss. They also believe I would not accept the role of managing their wealth unless I expected us to do reasonably well in this business.

The plan for increasing capital is that, over the next few years, we will work at Bina to encourage shareholders to buy around 1.5 million "Series C" shares.

This will be done at Bina's book value, so your ownership will remain at the same value. The goal is to have a large enough size so that the stock can be easily traded, and we can also participate in acquiring private businesses.

This will eventually create opportunities to increase the intrinsic value of each share for our partners.

Since this vehicle has only a limited number of seats—available shares—we want to fill them with people we like, who are comfortable with our way of thinking, and who understand that we do not expect to pay dividends for many, many years.

Bina might seem too boring for a business shark who jumps from opportunity to opportunity, always looking for exotic options to exploit the markets for huge profits.

Our method is careful selection and patiently partnering with good business ideas while keeping the ability to act boldly when the situation calls for it. We just need to let time pass on correct decisions and minimize our operating expenses.

Anyone looking for different opportunities can certainly find them in the market. We won't spend too much energy trying to convince them otherwise. We cannot force anyone to see value where we see it.

Anyone who decides to join our company should understand that I do not promise results, but I do promise to treat you like a partner.

César Arias, one of my best friends and also the first shareholder of Bina at this stage, reminded me that his uncle Carlos Aguirre—who I happen to know from many years ago—is an excellent lawyer in corporate matters.

Carlos is helping us in the process of transforming from a “Variable Capital Stock Company” to a “Variable Capital Investment Promotion Company.”

This transformation requires us to form a Board, which I invited César and another dear friend of many years, Santiago Castillo, to join. By law and by conviction, the Board of Bina has the duty to always act in the best interests of the corporation and its owners.

Israel Díaz is the friend I made during my master’s in finance. He decided to invest in the adventure of 2015 and has offered to help us ensure that Bina makes sense in all tax and accounting aspects. I consider his friendship invaluable in my life, and I hope his contribution will also be valuable for the partners of Bina.

As the general manager, Betsela will not receive commissions or payments. Instead, it will receive compensation from the partners in the future if everything goes well.

This compensation will be divided into two events.

The first event is equivalent to 12.5% of the shares of Bina when the shares are available to public investors or ten years from the restart of this operation (whichever comes first).

The second event will grant another 12.5% of the shares of Bina five years later.

These share packages will not be put up for sale. Although their allocation temporarily dilutes the book value for the partners, I hope that when they are eventually traded, the market will adjust the price to remain above book values, which will keep the value for the owners of Bina.

It seems that the securities law limits the ability to offer shares of an entity to more than one hundred partners. Therefore, we will probably form several companies as more partners want to join this adventure. At some point, we will need to merge these companies into one when the time is right.

I will always be very transparent about these details. At Bina, we will always adhere to the law and ethical principles to ensure that you and your wealth are treated with respect, equality, and dignity.

The Annual Meeting

Eduardo Alonso Martínez is another good friend who invited me this year to teach some modules in the Finance program at “Capacitación Integral Empresarial.” I’ll take a moment to promote it. It’s a great place in Guadalajara for professionals in your company to develop technical and administrative skills.

Although most modules were initially taught in person, they had to adapt to virtual classes due to the pandemic.

Eduardo has been very kind in allowing me to use his facilities to comfortably host our annual meeting.

The annual meeting will be held virtually on May 8, 2021, at 4:00 p.m. (Central Mexico time).

During the meeting, I will give a general presentation of Bina using slides.

We'll introduce ourselves, as there aren't too many of us. If you'd like, please share a few sentences about what you do and the type of services you offer.

We'll have a question-and-answer session, and I'll do my best to answer any questions you have. However, I don't expect there will be too many questions since we're just starting out.

At the end of the session, only the slide presentation—without your introductions as partners or the question-and-answer section—will be uploaded to YouTube.

I know this format might seem a bit strange and maybe even boring for some of you. Of course, meeting in person will be much better, and I hope that happens in 2022.

April 26, 2021

Guillermo Estefani M.
Chairman of the Board