PLAY

14 January 2026

Play Capital Performance Summary*

Total Portfolio	Total Value to Paid-In Capital (TVPI)	Distributed to Paid-In Capital (DPI)
2024	1.85 X	-
2025	1.60 X	-

**After an internal review, we're transitioning to report on TVPI (Total Value to Paid-In) and DPI (Distributed to Paid-In) metrics. Play Capital operates as a multi-strategy investment firm, deploying capital opportunistically across public equities, private companies, real estate, crypto protocols, and alternative asset classes. Geography and stage are secondary to our ultimate objective: delivering exceptional risk-adjusted returns. Given this cross-asset mandate, DPI serves as our primary performance indicator because actual cash distributions represent the most transparent measure of investment success - money in versus money out. This approach provides clear visibility into realized returns rather than relying solely on unrealized valuations, which can fluctuate significantly across different asset classes.*

Dear friends of Play Capital,

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

Our annual letters serve as a way for us to document our thoughts, ideas, and insights, creating a reference point for reflection and growth. Although these letters are primarily for internal use at Play, we choose to publish them openly as a way to hold ourselves accountable.

The India Investment Thesis

In 2024, we launched Play India I alongside a group of strategic, long-term partners, as a focused vehicle to invest in early-stage funds in India. This marks a key step in our India investment thesis.

We believe India is entering a defining decade. The country is no longer exporting its talent - it's retaining it. A new generation of founders is building globally relevant companies. India's role in the global economy is shifting - from a back office to a front-runner. We see a clear opportunity to participate early in one of the world's most dynamic innovation ecosystems.

<u>India's Strategic Opportunity</u>

Geopolitical shifts - most notably the ongoing U.S.-China trade tensions - are redrawing the global technology supply chain. As companies seek stability and diversification, India has emerged as a compelling alternative for both manufacturing and innovation.

Apple's shift is emblematic: iPhone production in India has grown from under 5% to nearly 14% of global output in just two years, with plans to double again and serve the U.S. market directly from India by next year. The semiconductor sector is also accelerating, with projects like the $11 billion Tata PSMC chip fab marking India's entry into advanced tech manufacturing.

At the same time, India's software and AI ecosystems are gaining global relevance. While Chinese platforms face geopolitical resistance, Indian SaaS and AI startups are scaling internationally with fewer barriers. Global tech leaders - Nvidia, Microsoft, and Meta - are deepening their presence through partnerships with local players like Sarvam, which is building India's own large language model.

By 2030, India is set to become the world's third-largest economy. With over a million engineers graduating each year, the second-largest internet user base, and 65% of its people under 35, India boasts unmatched scale and youth.

Key indicators over a decade

2013	**2023**
$1.8T economy	$ 3.6T economy
2 unicorns	> 100 unicorns
11 % Internet penetration	> 50 % internet penetration
Not in top 3	#1 globally in data consumption
-	> $ 330B of software export

<u>The India Opportunity - With Eyes Wide Open</u>

There's no denying India's momentum. With a deepening talent pool, world-class digital infrastructure, and rising global ambitions, the startup ecosystem is better positioned than ever.

At Play Capital, we've been long India way before our inception. But we also believe in engaging with the opportunity with clear eyes. The macro story is compelling - but there is also an execution gap. The enthusiasm is everywhere: UPI, mobile penetration, IPO volumes, Bangalore's rise, or Indian-origin tech CEOs abroad. But on the ground, we still meet founders facing structural challenges, among others:

- High CACs, low retention, and value-driven consumers.
- Low monetization of mobile internet users.
- Underdeveloped GTM playbooks for global markets.
- Eroding cost advantages versus international peers.

To fully realize the opportunity, India's startup ecosystem must evolve beyond optimism into precision. That means, among others:

- Embracing U.S.-style global sales and marketing strategies to compete at scale.
- Investing in research-driven engineering to drive long-term innovation and differentiation.
- Cultivating a culture of bold, transformative thinking to avoid being perpetually overshadowed by Silicon Valley, Zhongguancun or Shenzhen.

Indian founders are among the best in the world at surviving, hacking, and stretching every last resource. From the outset, they seem very good at doing more with less. But if U.S. VC taught us anything, it's that survival alone isn't the goal. The real magic happens when founders shift their mindset from just surviving to scaling.

In India, early-stage capital still can behave more like debt than venture risk - board seats in the first cheque, monthly financial reporting before product-market fit. That mindset slows down the very risk-taking we're supposed to fuel.

The best U.S. VCs didn't just fund companies; they created status. In Silicon Valley, that status could be manufactured through community and brand. In India, the status economy works differently - prestige has long been tied to the IIT or IIM tag. Startups are rewriting that script, but it's still a work in progress.

At Play Capital, we're not here for the sprint. We're here for the marathon - with founders who are building durable, category-defining companies in one of the most dynamic markets in the world.

Startups Need Less Money, But Are Getting More

The opportunity for venture-backed startups is growing rapidly, thanks to AI. While individual companies may need less capital to get started, the overall market for startups is expanding significantly. As a result, the total capital required across the ecosystem is growing, even if the capital needs of each company are smaller.

Oversized funds lead to overfunded companies, which results in poor returns and, more importantly, negative outcomes for founders and businesses. We risk seeing a repeat of SoftBank's approach, but on a much larger scale - where every company could be lean and profitable, but instead is driven toward reckless spending that undermines long-term success.

Breakout companies in our portfolio are frequently offered significantly more capital than they reasonably need. Some choose to accept it, which can create pressure to deploy rather than to compound efficiently.

Fund Managers and The Top Quartile Trap

<u>Investing Where It Matters</u>

This year at Play Capital, we crossed a new milestone: investing in 30 + venture funds across the Nordics and Asia. In the ever-shifting world of venture, what does it really mean to be "top quartile" - and, more importantly, does it actually matter?

Venture capital is rife with outlandish claims. It sometimes feels like every other fund pitches itself as "top quartile." Statistically, this should be an impossibility, but in practice, selective benchmarking and reporting can make almost everyone look like a winner. If every fund is top quartile, are any truly exceptional?

<u>Why Quartiles Fail Us</u>

The prevailing measure of success in venture - being in the top quartile - relies on statistical tools better suited for normal distributions. But venture returns are anything but normal. Most of the meaningful returns are concentrated in a tiny handful of outliers, not spread around the middle. The venture world is ruled by power laws: one fund can return as much as the other 99 combined.

By focusing on robust statistics like medians and quartiles, the industry often ignores the real story found at the extremes. Being “merely” good masks the vast difference between great and truly generational. It is not enough to avoid missing out on the next unicorn - it is critical to spot it before most even know what it is.

Outperformance: The Intersection of Geography, Timing, and Talent

Our experience across the Nordics and Asia has underscored this key insight: outsized returns are not purely about hustle - they require the right geography, the right moment in the cycle, and the right manager.

Consider Chris Sacca’s Lowercase Capital, perhaps the best example in recent history. The magic recipe was not just a capable manager or the right deals - it was being in Silicon Valley at the dawn of a generational tech wave, interpreting signals others ignored, and acting decisively.

Geography: Different ecosystems don’t just produce different companies; they reward different playbooks. In India, we are happy to back digital‑first retail brands riding the rise of the online consumer, while avoiding anything tied to crypto or token economics. In China, our focus is on robotics and embodied AI, where the combination of industrial depth and supply‑chain advantage is creating a new generation of automation champions. In Norway, by contrast, the most attractive opportunities often sit in B2B and government‑adjacent markets, where a large, sophisticated public sector is both customer and catalyst. Even between neighbours that share borders and culture, such as Norway and Sweden, sector mix, capital depth, and exit pathways differ meaningfully – and so does the way to generate outperformance.

Timing: Returns are not evenly distributed over time. The best vintages emerge when capital is scarce and innovation is surging, not when everyone is piling in.

Manager Quality: The people who create outsized value see the world differently. They aren’t pattern matchers - they are pattern breakers.

The Top Quartile Illusion

Funds have many ways to position themselves in the best light. They wait for portfolio markups before fundraising, cherry-pick benchmarks, spotlight their best-performing vehicles, or emphasize IRR over TVPI, depending on what flatters most. It is all too easy to look good versus an arbitrary crowd, especially when the metric itself hides the real outliers and mutes their stories.

This dynamic means allocators risk spending too much attention on funds that are “good enough,” while the great funds - the ones that create lasting value - are easily overlooked. In VC, the gap between “good” and “great” is as wide as it gets.

What Matters to Us

We resist the comfort of easy metrics. Our commitment at Play Capital is to seek outliers: funds, founders, and teams whose vision and execution can create seismic value. We strive to:

- Embrace the messiness of power-law distributions, knowing that the next breakthrough may look nothing like the last.

- Study the outliers - not just their numbers, but what drives them, what they see before the crowd.

- Ignore the benchmark noise and focus on the underlying substance: *"Is this the team, in this place, at this time, that can do something rare?"*

Our Approach

- We invest across markets to harness diversity, but we are not chasing quartiles - we are looking for waves, shifts, and the handful of opportunities that can define a vintage.
- Our due diligence goes deeper than financials. We look at context, motivations, and the fabric of the ecosystems.
- We stay grounded yet ambitious, always asking: "Are we close enough to the next outlier?"

From Bitcoins to Crypto-first Firms

Kraken just dropped the Krak Mastercard in the UK and Europe - a clear power move toward becoming a full-stack neobank. 1% cashback in fiat or Bitcoin, zero FX fees, zero monthly fees, and Vaults paying up to 10% yield underscore a clear strategic move toward a broader financial services offering. Combined with direct salary deposits, this begins to resemble an integrated platform that brings earning, spending, saving, and investing closer together. It is a higher-risk, higher-volatility model that could prove structurally challenging for traditional banks if executed well.

Play Capital has been exposed to this shift for some time. We backed the Norwegian crypto company Norwegian Block Exchange early and were among the ten largest shareholders when it launched a credit card with 1% Bitcoin cashback in 2023. We expect the convergence between traditional finance and crypto-native platforms to continue and are selectively increasing exposure to crypto-first firms building core infrastructure in this space. As financial assets become increasingly digital, the distinction between 'bank products' and 'crypto products' will matter less than security, regulation, and user experience.

This development is emblematic of a broader and accelerating trend among crypto-first firms vying to displace traditional financial institutions. Coinbase is expanding beyond crypto trading, preparing launches of stock trading and prediction market platforms, aiming to create an "everything exchange" that integrates digital assets with traditional market instruments. Crypto.com is aggressively broadening its offerings to include equities trading and banking products across multiple jurisdictions, while Revolut, Robinhood, PayPal, and Stripe are embedding tokenization and blockchain rails deeper into their existing ecosystems to enable frictionless token-based finance.

Play Capital is positioned in the middle of this transformation, backing crypto-native firms building the infrastructure for the next financial stack - super apps, tokenized markets, and permissionless liquidity. As the old system digitizes and value migrates on-chain, the winners will be those building at the intersection of crypto and capital markets.

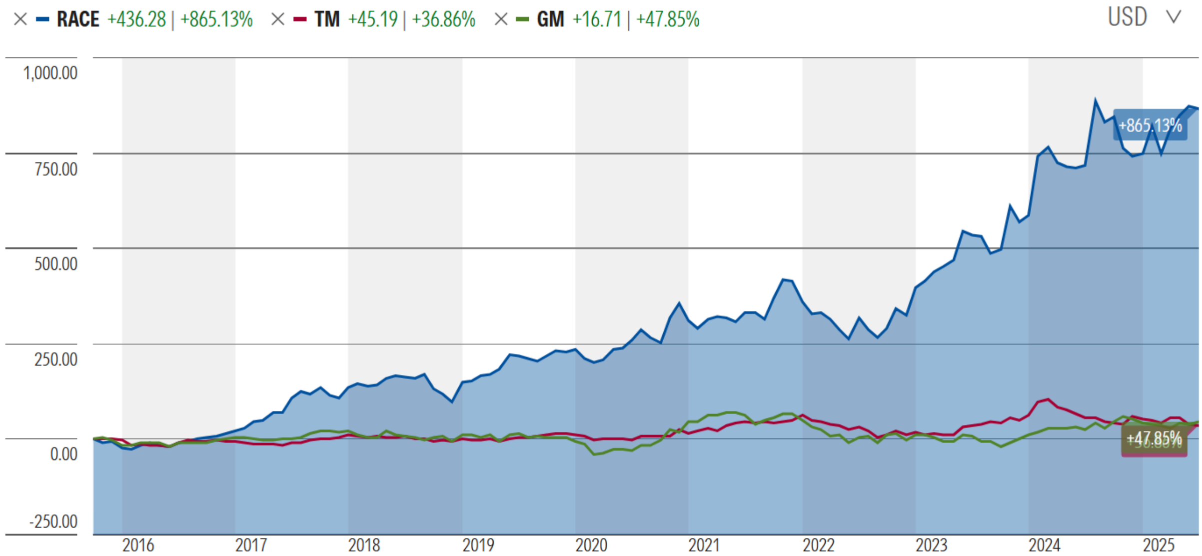
Maintaining Ferrari-status

Are we an investment firm?

At first glance, Play Capital might appear to be just another investment company. Yet, this doesn't fully capture our ambition. Much like Benedetto Vigna, Ferrari's CEO, who has described the carmaker not simply as a car company but as a luxury company that is also doing cars, we too see ourselves differently. Ferrari adheres to Enzo Ferrari's legendary "scarcity dictum" - always producing one fewer car than the market demands. In a parallel spirit, we see ourselves not as a conventional investment firm, but as a technology company that also invests.

Why the reluctance to chase scale?

Growth, size, and scale hold obvious allure - bigger funds, more deals, more headlines. Yet, as history has shown across sectors, size alone doesn't guarantee strong performance. Ferrari sold fewer than 60,000 cars from 2020 to 2024 at an average price north of $450,000. In contrast, giants like Toyota and General Motors moved tens of millions of cars at far lower average prices. Despite the massive revenue gap, Ferrari's margins - and its stock - have far outpaced the behemoths. The result has been drastically different stock price performance, as seen in the chart below (RACE = Ferrari, TM = Toyota, and GM = General Motors). Margins matter.



What's more, this phenomenon is visible everywhere: retail, banking, technology, and, of course, in investments. So why not follow Ferrari's path? Because the pressure to grow is immense. The problem is that sometimes you can't grow. Many times, you don't want to grow because growth can force you to take on bad customers/clients/shareholders, excess risk, or excess leverage.

Despite this wisdom, the market's euphoria for hyper-growth, scale and size is louder than ever. Everyone wants to chase the biggest imaginable "TAM" (total addressable market) and fund sizes. The consequences? Companies are pushed beyond their circles of competence, into hasty hiring and unready product launches, often losing the discipline that made them special in the first place.

Scarcity and quality first

Does this mean abandoning venture altogether? Not at all. Instead, our approach is to aim for Ferrari-status - for Play Capital to remain disciplined, selective, and deliberate. This means doing a few things exceptionally well, rather than trying to be everything to everyone. In the spirit of Enzo Ferrari, we strive to "deliver one fewer" investment than the market demands - holding ourselves to a higher standard, even when that means saying no. Growth is not the goal - quality is.

2025 Key Observations

(i) China had 115 IPOs last year. India led with 367 IPOs.
(ii) China's market is seeing reduced inflows; capital is now moving to India for growth.
(iii) Investor sentiment toward India's growth and consumption story has never been stronger. The India consumption story is becoming a global magnet.
(iv) Secondaries are rising, with new funds emerging as companies stay private longer.
(v) Amid growing geopolitical turmoil - from Russia/Ukraine and the Middle East to US-China tensions - more individuals are recognizing the rise of network states as alternative governance models.

Navigating 2026 and some predictions

(i) The creator economy will become hotter and influencers will IPO their holding companies.
(ii) More traditional public equity investors will look to diversify across private markets (venture, private equity etc.).
(iii) Major institutions and governments will increasingly adopt stablecoins as settlement infrastructure, driving mainstream acceptance.
(iv) Big VCs will be outplayed - smaller, sharper funds are grabbing pre-seed to Series A deals.
(v) Tiny teams will achieve $100 million+ ARR with minimal headcount due to AI-powered productivity gains.

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Best,

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