Performance

TMR Long Short Opportunities, LP

	Net	S&P 500	Eureka Long Short HF Index
Sep 2020 - Dec 2020	12.4%	12.1%	11.8%
2021	14.1%	28.7%	10.3%
2022	7.1%	-18.1%	-8.0%
2023 YTD	14.8%	13.1%	4.0%
Cumulative	**57.7%**	**28.3%**	**15.7%**
Annualized	**16.4%**	**8.7%**	**5.0%**

Variable Net, LP

	Net	S&P 500	Eureka Long Short HF Index
Oct 2019 - Dec 2019	0.0%	9.1%	4.9%
2020	44.5%	18.4%	18.7%
2021	8.9%	28.7%	10.3%
2022	4.3%	-18.1%	-8.0%
2023 YTD	13.3%	13.1%	4.0%
Cumulative	**85.8%**	**50.8%**	**29.8%**
Annualized	**17.1%**	**11.1%**	**6.9%**

Quarter Review

Our performance in 2023 YTD is strong in both absolute and relative terms. Market leadership continues to be narrow with the Russell 2000 negative for the year. Our long book is comprised mostly of small & mid-caps while our short book this year has skewed towards mid and large cap low-beta value traps and companies over-earning. Our short book has been profitable this year, with shorts contributing 3.1% to our returns despite the broader equity market rally.

Our long book has eked out a double-digit gain YTD despite the Russell 2000 being negative in 2023 because of our focus on less efficient areas of the market such as extraordinary corporate events and major inflections. We continue to focus on attractive spinoffs, companies emerging out of bankruptcy, extreme sentiment changes in specific sectors, shifting business models, inflection points in various industries, inflections in management capital allocation, and financial inflection points.

Our long book continues to be focused on fast growing but for the most part unprofitable consumer and technology companies that we believe will inflect towards profitability faster and become more profitable than consensus believed.

The current environment continues to be attractive for our strategy. On the long side, we are finding quality compounders at reasonable valuations, emerging compounders at distressed valuations, and we continue to find companies going through major inflections (either corporate such as spinoffs or at the business level such as new products, emphasis on profitability over growth, etc…) that are being underappreciated by the market. On the short side, there are still junk / bubble stocks to short. Furthermore, many value traps and over-earners continue to trade at elevated multiples compared to our estimates of their earnings over the next 18-36 months. Thus, we have increased our gross exposure.

The Big Long: Small Caps

We believe that we have a generational opportunity to invest in small cap stocks. We are not market timers and invest bottoms-up, one name at a time. When markets are at extreme levels of greed (late 2020 early 2021) or fear (late 2022), through our bottoms-up analysis we can develop a good sense of how risky the environment is for investors and thus, how cautious we should be with respect to gross, net, and factor exposure.

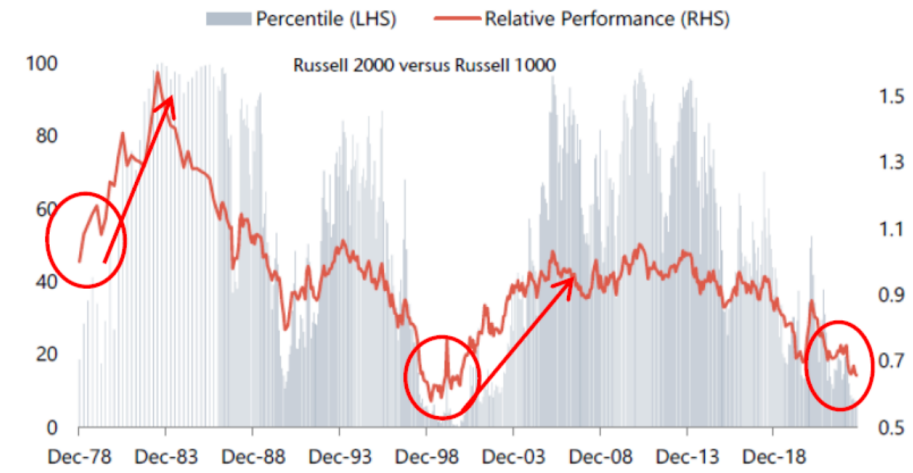
In our 4Q 2021 investor letter, titled “Dedication to Short Selling”, we summarized the difficulties of short selling post GFC – especially late 2020 to early 2021 when the speculative excesses peaked. We also reaffirmed our commitment to short selling and that eventually, our efforts would pay dividends by protecting our portfolio in major down markets and helping us avoid permanently impairing capital in our long book. Our short selling efforts paid off in 2022 and continues to benefit us even this year.

In our 1Q 2022 investor letter, appropriately titled “Brace for Impact”, we highlighted that the speculative excesses we identified in 2021 (meme stocks, ARKK, SPACs, etc…) which had already begun cracking,

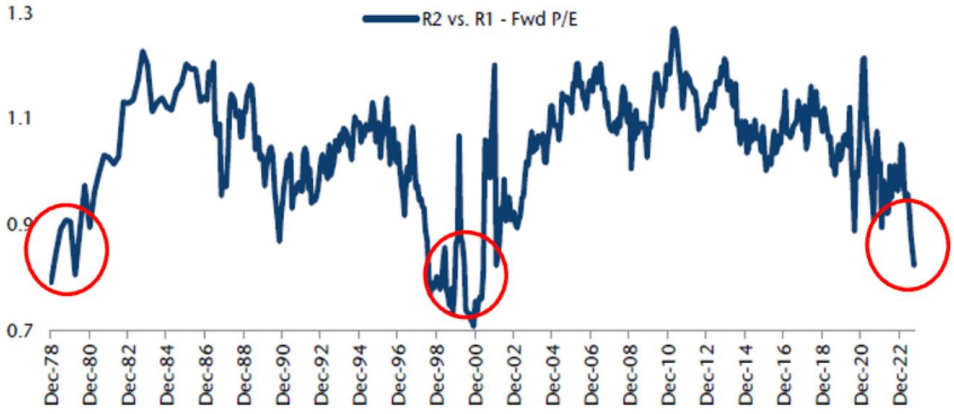
started to spill over into the broader market. Reflexivity would suggest that rapidly declining stock prices could and would negatively affect the fundamentals of many businesses, whether it be more cautious ad spending, lower contract values in enterprise software with larger deals being pushed out, large capital equipment decisions being deferred, and many other examples of belt tightening across different industries.

Our objective since Day 1 has been to generate Hall of Fame returns while keeping risk under control and cultivating a like-minded, long-term oriented LP base. Sometimes, this means focusing our time on the long book with fast growing consumer and tech companies. Other times, this means spending more time on short selling, targeting frauds, fads, and failures. As alluded to above, we are currently focused on the long side in areas of the market that has seen extreme sentiment change over the past several years.

Small cap stocks have greatly underperformed.



Source: FactSet; FTSE Russell; Jefferies



Source: FactSet; FTSE Russell; Jefferies

The small caps in our portfolio are improving at the individual business level but have seen severe multiples compression. Furthermore, they have minimal to no sell side coverage and there appears to be little interest from the buyside as well. There are multiple ways to win here: some have hard catalysts where we can gain conviction through scuttlebutt, continued business momentum, listing on a larger stock exchange, and improved investor relations just to name a few.

When we were shorting bubble stocks in 2021 and 2022, we often compared the bubble to the internet bubble of the early 2000s. Continuing with that analogy, small cap stocks had also severely underperformed as the internet bubble gained steam. When the internet bubble burst in early 2000, small caps greatly outperformed large caps for several years. From 2000 to 2004, the Russell 2000 Value index posted a return of over 120% while the S&P 500 lost 11%.

Going forward, we may also seek to develop relationships with the smaller companies in our portfolio and become value-add investors.

New long: Harrow Health

Harrow is an example of a smaller company ($480M market cap) we have recently added to our long portfolio. With minimal sell side coverage and limited buyside interest, Harrow is off the beaten path, and we were able to conduct differentiated primary research.

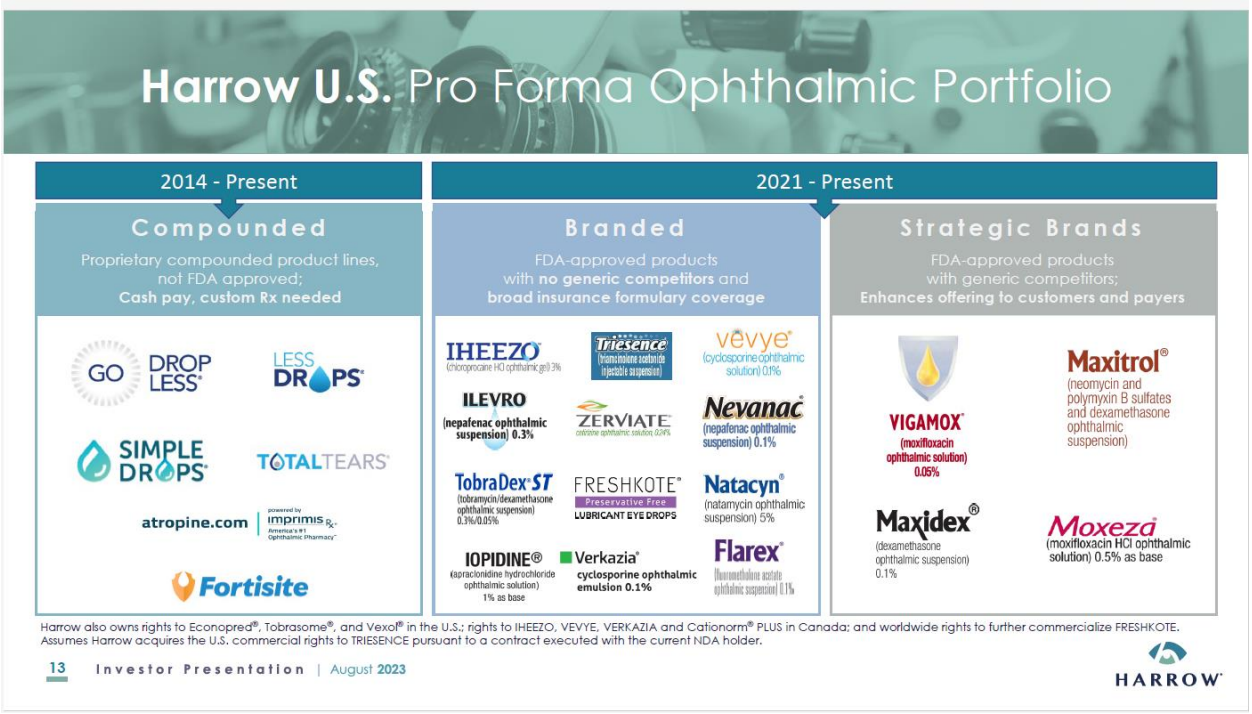
Company Overview

Harrow is an ophthalmic-focused pharmaceutical company, specializing in the development, production, sale, and distribution of innovative prescription medications that offer unique competitive advantages and serve unmet needs in the marketplace. Harrow serves ophthalmologists and optometrists by providing FDA-approved branded ophthalmic pharmaceuticals and innovative compounded prescription medicines that are accessible and affordable.

Harrow owns the U.S. commercial rights to ten branded ophthalmic pharmaceutical products, including IHEEZOTM, IOPIDINE® (both approved concentrations), MAXITROL® eye drops, MOXEZA®, ILEVRO®, NEVANAC®, VIGAMOX®, MAXIDEX®, and TRIESENCE®. Harrow also owns and operates ImprimisRx, one of the nation's leading ophthalmology-focused pharmaceutical-compounding businesses. Harrow has non-controlling equity positions in Surface Ophthalmics, Inc. ("Surface") and Melt Pharmaceuticals, Inc. ("Melt"), both companies that began as subsidiaries of Harrow and were subsequently carved-out. Harrow owns royalty rights in certain drug candidates being developed by Surface and Melt.

Harrow started out with ImprimisRx, Harrow's ophthalmology-focused pharmaceutical compounding businesses. From its inception in 2014, ImprimisRx, whose business consists of integrated research and development, production, dispensing/distribution, sales, marketing, and customer-service capabilities, has offered physician customers and their patients access to critical medicines to meet their clinical needs. Initially, ImprimisRx focused exclusively on compounded medications to serve needs unmet by commercially available drugs. ImprimisRX's compounded medications include various combinations of drugs formulated into one bottle and numerous preservative-free formulations. ImprimisRx's customer base has grown to include more than 10,000 U.S. eyecare-dedicated prescribers and institutions. Since 2014, they have grown this business from zero revenues to $72.5M revenue in 2021 with a 75% gross margin.

Over the past three years, to more fully serve the needs of Harrow's growing customer base, Harrow invested in broadening their product portfolio to include FDA-approved products, all of which are focused on eyecare pharmaceuticals. Harrow will be able to provide more physician prescribers and their patients with access to a complete portfolio of affordable eyecare pharmaceuticals to address their clinical needs.



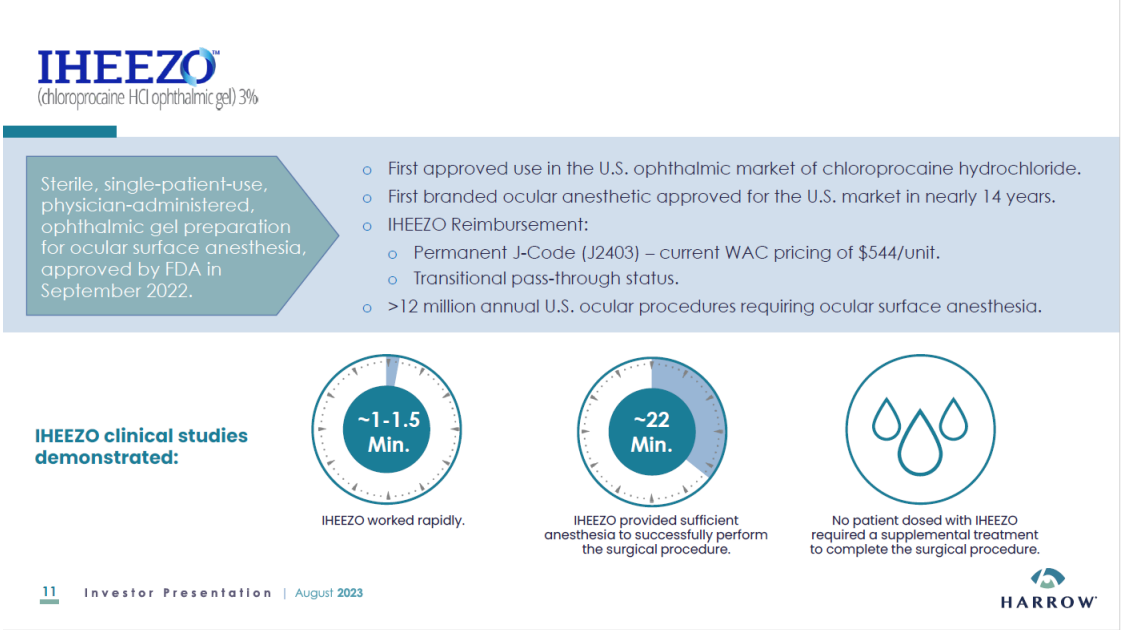
Investment Overview

With a $490M market cap, $637M TEV, and trading at 3.5x NTM Revenue and 9.8x NTM EBITDA, the market is underappreciating Harrow's potential to become a top-tier US-focused ophthalmic pharmaceutical company capable of producing over $1B of annual revenue at attractive operating margins within five years. Furthermore, Harrow has off-balance sheet optionality.

Harrow has five discreet Revenue Buckets with nine-figure annual revenue potential outlined below. IHEEZO and VEVYE are Harrow's largest revenue opportunities.

Revenue bucket #1: IHEEZO®

Harrow officially launched IHEEZO in May 2023. IHEEZO is an opioid-free surface anesthetic and is the only FDA-approved topical ocular anesthetic with transitional pass-through and a permanent J-code. IHEEZO is protected by an Orange Book-listed patent that is valid until 2038. IHEEZO is a $440M+ revenue opportunity with 75% gross margins.



Our discussions with numerous physicians indicate that current solutions for ocular anesthesia are inadequate. Current solutions have myriad protocols, with most using multiple different anesthetics during a series of applications – all with inconsistent durations of anesthetic effect. Inconsistent anesthetic durability or reliability leads to a poor customer experience and more stressed doctors.

With IHEEZO, doctors can use a single product for ocular anesthesia. Furthermore, the onset and duration of the anesthetic effect are consistent and predictable. Ophthalmologists like the viscosity of the IHEEZO gel, which is 75% less viscous than the leading branded lidocaine-based gel anesthetic. Staff at ambulatory surgery centers (ASCs) and hospitals appreciate the compliance benefits of IHEEZO's single-use packaging. While early in IHEEZO's launch, management has indicated strong traction and our discussions with physicians corroborate managements claims.

"One way to explain what we see among IHEEZO users is to draw an analogy to how I felt about my Blackberry cell phone 15 years ago. Similar to how our advisors described their ocular anesthesia protocols during our market research phase as "good," I would have said the utility of my Blackberry was "good," with features like texting, a decent camera, and reliable email access. If approached to switch to the iPhone, I would have said that my Blackberry was "good" and that I didn't need the iPhone. Of course, once I experienced the value and benefits of an iPhone, I never went back to a Blackberry. In turn, we believe eyecare professionals (ECPs) who implement IHEEZO into their ocular anesthesia protocols and experience IHEEZO's benefits won't return to their old, and perhaps less efficient, ways." Mark L. Baum, CEO of Harrow

There are two main anesthetic use cases for IHEEZO: (1) a surgical intervention such as cataract, glaucoma, and retina procedures, which takes place in a hospital or outpatient setting of care, and (2) an intervention in a physician's office, such as an intravitreal injection.

We estimate that, in the aggregate, there are 12.5 million such use cases in the U.S. each year. IHEEZO was granted a product-specific J-Code (J2403) for all such use cases, and the current wholesale acquisition cost (or WAC) is $544 per unit.

IHEEZO	
Ocular procedures in US	12.5
# of which are cataract surgeries	5.0
ImprimisRX market share	20%
Cross-sell %	90%
IHEEZO cost, $ amount	544.0
% Discount	10%
IHEEZO realized pricing	489.6

in millions	
Revenue	**440.6**
Gross profit	**330.5**
% margin	75%

The beauty of Harrow's model is that Harrow's initial pharmaceutical compounding business, ImprimisRX, already has a dominant 20% market share of cataract surgeries in the US. Therefore, Harrow can leverage its existing scale and sales relationships to add accretive FDA-approved products to their platform such as IHEEZO. We have heard anecdotally that pharmaceutical companies that also sell into cataract surgeries tell their sales reps to not even bother competing with ImprimisRX and simply walk away if a practice uses ImprimisRX because when a practice switches to ImprimisRX, Harrow gets 100% of that practices business.

In a more bullish scenario, IHEEZO is a multi-billion-dollar annual revenue opportunity. We have not given Harow any credit for penetrating physicians offices that don't use ImprimisRX. Early feedback from IHEEZO customers indicate that there may be more potential applications such as glaucoma and retina surgeries, and certain laser procedures. IHEEZO has also helped surgeons eliminate opioid use from most of their cataract surgeries.

"We estimate that the number of use cases for the physician's office setting of care is double that of the ASC/hospital, creating a multi-billion-dollar annual revenue opportunity for IHEEZO. Therefore, the physician's office setting of care is our primary market for IHEEZO, and the ASC and hospital market is secondary." Mark L. Baum, CEO of Harrow

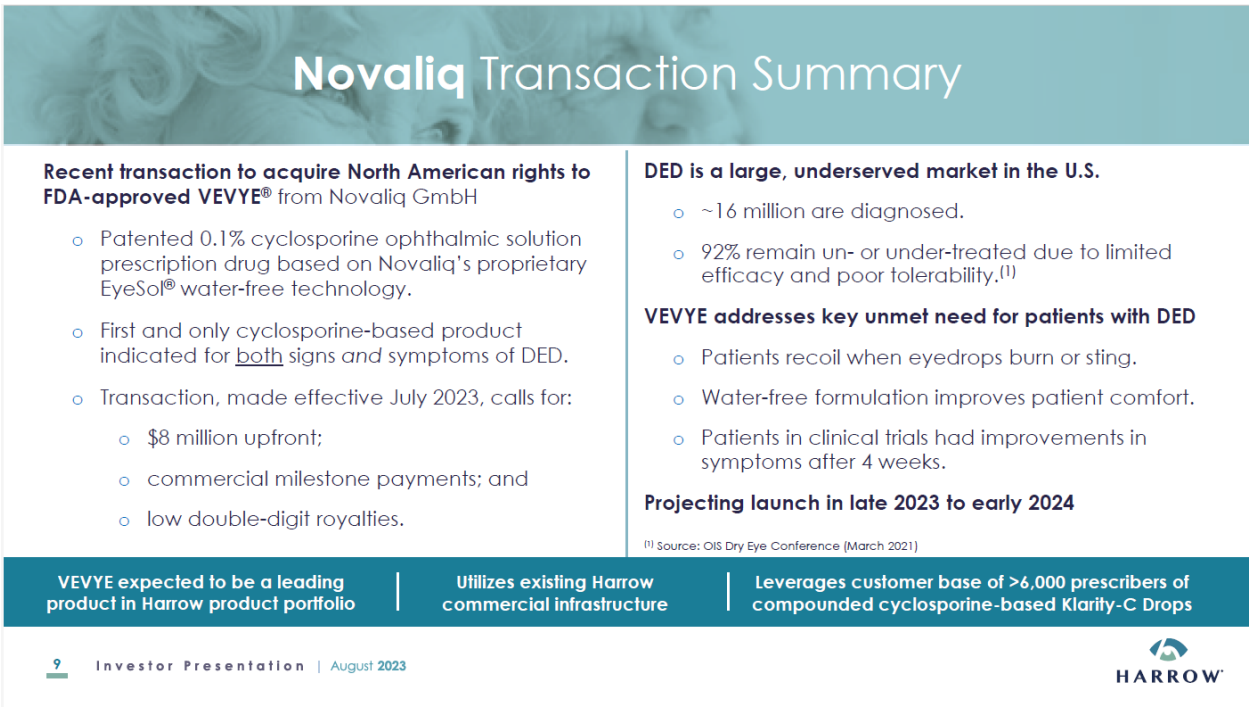
Our survey of physicians suggests that both physicians and end consumers love the product. The physicians we surveyed also said that they would recommend IHEEZO to other physicians. The physicians appreciated that IHEEZO can be used as a stand-alone product – no other anesthetics were required.

Here is what a physician in Jacksonville, Florida had to say:

"The product is by far amazing. My patients have compared it with other products that they have used before, and they felt more active after the operation with the use of IHEEZO anesthetic."

Revenue bucket #2: VEVYE

Harrow is planning on launching VEVYE by the end of 2023. VEVYE will be Harrow's cornerstone product in the US DED (dry eye disease) space. The U.S. dry eye market is large and growing, with an estimated diagnosed patient population that exceeds 16 million, 9 million of whom are diagnosed with moderate to severe disease. The DED market is a therapeutic area Harrow knows well and a patient population they have meticulously studied and served for many years through their ImprimisRx brand, dispensing ImprimisRx compounded formulations to more than 6,000 U.S. prescribers to help these ECPs manage their patients' dry eye conditions.



Despite a handful of prescription products being available and myriad over-the-counter (OTC) choices, the data is unmistakable – American DED patients are highly underserved by these choices (i.e., 92% are un- or under-treated due to limited efficacy and poor tolerability in current prescription product options). We believe that a part of the reason fewer than 10% of the diagnosed DED patient population uses a prescription DED therapy has to do with the performance and tolerability profiles of the existing prescription product choices – which, despite their shortcomings, in the aggregate, deliver north of $1 billion in annual sales.

Because the existing prescription drug choices have been suboptimal for many years, we view the U.S. DED market as wide open. With so many U.S. DED patients who have tried and failed one or more of the existing prescription choices and a large percentage of patients who have never treated their disease with a prescription product, we believe there is a very significant need and opportunity for a DED medication that shows efficacy within one month, has a lasting treatment effect, and doesn't cause pain, eye or nose irritation, sneezing, or dysgeusia upon instillation. We believe VEVYE will meet this need, win meaningful market share, and expand the pool of patients benefitting from a prescription DED therapy.

Management believes that each revenue bucket has the potential for nine-figure annual revenue which implies at least 10% market share for Harrow in the DED market.

Vevye	
in billions	
US DED TAM 2027	**2.4**
% market share	10%

in millions	
Revenue	**242.6**
Gross profit	**182.0**
% margin	75%

Revenue bucket #3: TRIESENCE®

Expected to be available in the first half of 2024. TRIESENCE has a unique label as it is approved for (1) visualization of the vitrectomy and (2) the treatment of the following ophthalmic diseases: sympathetic ophthalmia, temporal arteritis, uveitis, and ocular inflammatory conditions unresponsive to topical corticosteroids. We estimate there are approximately 600,000 annual use cases for TRIESENCE.

TRIESENCE has been in and out of stock for several years. During this out-of-stock situation, ECPs have had to resort to off-label and potentially dangerous manipulation of other products, which cannot be billed using the TRIESENCE product-specific J-Code (J3300).

Like hundreds of critical medicines in the U.S., TRIESENCE has been listed on the FDA's drug shortage list for much of the past five years. While several factors have contributed to this, pricing has challenged the economic incentive to ensure the widespread availability of TRIESENCE. In fact, TRIESENCE has not seen any upward pricing adjustment in about 12 years – not even to keep up with inflation. Few products in the U.S. ophthalmic pharmaceutical market have had complete pricing stasis for that long. While it may sound great to keep the price of TRIESENCE stable for 12 years, the costs associated with producing this critical medicine have increased markedly during this period. To avoid any disincentive in making TRIESENCE available and to best ensure TRIESENCE is finally off the FDA's drug shortage list, once Harrow gets access to the TRIESENCE NDA, they intend to adjust pricing to reflect the value it delivers – while at the same time, investing significantly in inventory build to meet the expected demand.

We have talked to people close to the matter and believe that TRIESENCE can be marked up at least by 100%.

Triesence	
in thousands	
Annual use cases	**600.0**
Price	**179.0**
% markup	100%
in millions	
Revenue	**214.8**
Gross profit	**161.1**
% margin	75%

Revenue bucket #4: Specialty Anterior Segment (SAS)

This is an important and steady source of revenue because each product below has a very high need and utility among eyecare professionals. Some of the products below are part of the Fab Five products. Excluding Triesence, the Fab Five products, acquired from Novartis, have the potential to produce revenues north of $200 million with 90% gross margins. Novartis was able to achieve this with these branded products less than five years ago before the abandonment of marketing and sales detailing. Management believes historical sales figures are achievable form the products due to ongoing strong clinical and market need with demographic changes expected to further increase target patient populations. The upside opportunity is to re-market the products and ensure there is an adequate supply available, including bringing Triesence back to the market after being out of supply for some time.

Fab Five

Revenue	**200.0**
Gross profit	**180.0**
% margin	90%

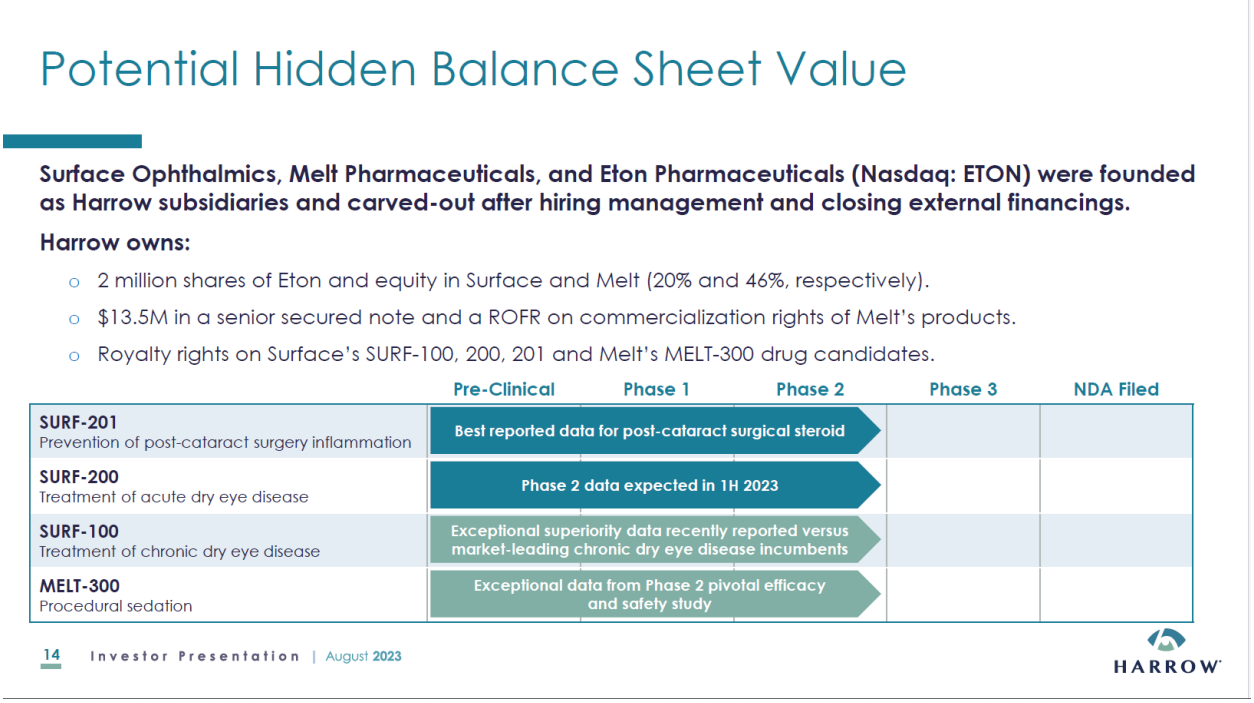
Revenue bucket #5: ImprimisRx's Compounded Pharmaceutical Products (CPPs)

This business has historically served Harrow stockholders well by producing double-digit annual revenue growth and consistent streams of cash, which Harrow has invested to build their FDA approved pharmaceutical products. The ImprimisRx CPP business has also been an innovation hub, allowing Harrow to develop new affordable and accessible compounded formulations to address clinical needs that are unmet by FDA-approved drug products.

ImprimisRx is the US leader in ophthalmic pharmaceutical compounding.

Optionality

Potential hidden balance sheet value:



Distribution moat

ImprimisRx's dominant market share has put Harrow in the enviable position of serving over 10,000 U.S. eyecare-dedicated prescribers and institutions. 1 out of every 5 cataract surgeries in the US use ImprimisRx's products. With sales & marketing distribution already in place, Harrow can plug acquisitions and FDA-approved products into their network with minimal additional cost, making products highly more valuable in their sales network.

Secular growth

For any ocular procedure, a surgeon may require drugs for sedation, dilation, anesthesia, inflammation and infection prevention, and ocular surface preservation. The cataract surgery market continues to experience significant growth. According to *Market Scope*, approximately 4.8 million lens procedures were performed in the U.S. in 2021, 97% of those procedures for cataracts, with the number expected to grow to 5.5 million lens procedures in 2026 as the population ages.

We believe that dry eye disease ("DED") affects over 30 million people in the U.S., and a major epidemiological study, the Beaver Dam Offspring Study, published in 2014 in the *American Journal of Ophthalmology*, reported that in a cohort of over 3,000 patients, DED was self-reported by 14.5% of the patients. According to a 2022 *Market Scope* report, the global dry eye product market was expected to

grow from $5.7 billion in 2022 to $7.0 billion in 2027. Dry eye is among the most common conditions seen by eyecare professionals.

Operating leverage

Operating margins should increase to 30%+ as the business continues to scale and Harrow continues to plug highly accretive FDA approved products into their existing distribution network. Sales & marketing, and distribution are already in place so new FDA approved products revenue should come at extremely high incremental margins. Operating margins have increased from -45% in 2017 to 7% in the most recent quarter while revenue has nearly quadrupled.

Valuation

We forecast Harrow to generate $1B of revenue in 2027, driven by traction in the revenue buckets described above. Harrow made $88.6M of revenue in 2022 and is on track to do $138.6M of revenue in 2023. We model 30% operating margins in 2027 driven by economies of scale and the growth of FDA approved products dropping into Harrow's existing distribution platform.

12x 2027 EBITDA results in 757% upside for a 61% IRR.

Catalyst

IHEEZO: continued strong traction in IHEEZO over the next 6-12 months will drive shares higher.

TRIESENCE: the introduction of TRIESENCE in the first half of 2024 along with the expected price increase.

VEVYE: the launch of VEVYE in the end of 2023.

Investor relations: improved investor relations will lead to more sell side coverage and buy side interest.

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Results are compared to the performance of the S&P 500 Index and the Eurekahedge Long Short Equities Hedge Fund Index (collectively, the "**Comparative Indexes**") for informational purposes only. The Fund's investment program does not mirror any of the Comparative Indexes and the volatility of the Fund's investment program may be materially different from the volatility of the Comparative Indexes. The securities included in the Comparative Indexes are not necessarily included in the Fund's investment program and criteria for inclusion in the Comparative Indexes are different than criteria for investment by the Fund. The performance of the Comparative Indexes reflects the reinvestment of dividends, as appropriate.

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