

Performance

Variable Net, LP

	Gross	Net	S&P 500	Eureka Long Short HF Index
Oct 2019 - Dec 2019	0.5%	0.0%	9.1%	4.9%
2020	63.3%	44.5%	18.4%	18.7%
2021	13.3%	8.9%	28.7%	10.3%
2022 YTD	6.3%	3.9%	-23.9%	-11.0%
Cumulative	97.8%	63.4%	24.0%	20.7%
Annualized	25.5%	17.8%	7.4%	6.5%

TMR Long Short Opportunities, LP

	Gross	Net	S&P 500	Eureka Long Short HF Index
Sep 2020 - Dec 2020	16.2%	12.4%	12.1%	11.8%
2021	19.2%	14.1%	28.7%	10.3%
2022 YTD	6.7%	4.1%	-23.9%	-11.0%
Cumulative	47.9%	33.5%	5.5%	7.6%
Annualized	20.7%	14.9%	2.6%	3.6%

The Current State of the Market

We have continued to preserve capital in this bear market and have begun going on offense although our gross exposure continues to remain at historical lows. While we suspect that this bear market still has a way to go, as of this writing we are c.30% net long in both funds with a similar gross exposure. Our negative views on the broader equities market are not as strong as the beginning of the year and we are finding pockets of value.

We suspect that the Federal Reserve and many other Central Banks will be unable to continue fighting inflation by raising interest rates and tightening financial conditions given the high levels of debt to GDP. Therefore, the most logical outcome would be for the Fed to allow for higher inflation going forward (perhaps in the 4% range). Structurally higher inflation for the next decade would likely result in a more or less flat stock market with heightened volatility which is our base case scenario. However, structurally higher inflation would likely result in a factor and sector rotation out of fast growing but mostly unprofitable consumer and technology stocks and into inflation beneficiaries such as energy and housing stocks.

The stock market is currently dominated by the macro with stocks trading more on factors leaving bottoms-up analysis and traditional valuation work with little competition. There appears to be little interest in analyzing companies one by one, projecting their financials 3-5 years out, and picking stocks based on their valuations of future free cash flow. We will continue to focus on bottoms-up analysis that also fits with our top-down views.

Where the Value is Not

We believe that it will be difficult to find value in the former darlings of the prior bull market – fast growing but unprofitable consumer and technology stocks also referred to as “innovation” stocks. With many “innovation” stocks down 50%-90% from their highs, some are calling them “deep value”. Given the prior enthusiasm for innovation stocks since the Great Financial Crisis, and especially from 2016 to February 2021, there have been a record amount of “innovation stocks” being listed in the public markets via IPO or SPAC. Many of these recent issues are unlikely to have positive unit economics even at scale and thus will be forever reliant on the capital markets. While there are some “innovation stocks” that do have compelling unit economics and are truly re-investing through their income statement they are the exception. Many of the “innovation stocks” will likely go to zero or close to it.

Long Valaris

Valaris is an example of a stock that meets both our bottoms-up and tops-down criteria.

Valaris Limited is a global offshore contract drilling company. They are a leading provider of offshore contract drilling services to the international oil and gas industry. They currently own an offshore drilling rig fleet of 56 rigs, with drilling operations in almost every major offshore market across six continents. Their rig fleet includes 11 drillships, four dynamically positioned semisubmersible rigs, one moored

semisubmersible rig, 40 jackup rigs and a 50% equity interest in Saudi Aramco Rowan Offshore Drilling Company ("ARO"), their 50/50 joint venture with Saudi Aramco, which owns an additional seven rigs. Valaris operates the world's largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Valaris has a compelling value proposition built on four key elements

1 Active Fleet

- Active fleet of 33 rigs generated adjusted operating margin (excluding one-time reactivation costs) of \$344 million¹ in 2021
- Earnings power from the active fleet expected to increase meaningfully as we complete three drillship and one semisubmersible reactivations in 1H 2022

2 Stacked Fleet

- Stacked fleet includes 11 high-quality modern assets, providing operational leverage in an improving market environment
- Proven ability to win work for preservation stacked assets, with four long-term drillship contracts awarded in 2H 2021

3 Leased and Managed Rigs

- Eight rigs owned by Valaris currently leased to ARO Drilling under bareboat charter agreements
- Two managed rigs, which Valaris operates on behalf of a customer
- 2021 operating margin for leased and managed rigs was \$85 million¹

4 ARO Drilling

- 50/50 joint venture with Saudi Aramco, the largest customer for jackups in the world
- 2021 EBITDA was \$91 million and ARO had cash of \$240 million as of March 31, 2022
- 20-rig newbuild program provides future growth with guaranteed contracts at attractive economics



¹ Operating margin for active fleet and leased and managed rigs excludes onshore support costs and general and administrative expense

Customers include many of the leading national and international oil companies, in addition to many independent operators. Valaris is amongst the most geographically diverse offshore drilling companies, with current operations spanning 14 countries. The markets in which Valaris operates include the Gulf of Mexico, the North Sea, the Middle East, West Africa, Australia and Southeast Asia.

Valaris provides drilling services on a day rate contract basis. Under day rate contracts, Valaris provides an integrated service that includes the provision of a drilling rig and rig crews for which Valaris receives a daily rate that may vary between the full rate and zero rate throughout the duration of the contractual term, depending on the operations of the rig. Valaris also may receive lump-sum fees or similar compensation for the mobilization, demobilization and capital upgrades. Valaris's customers bear substantially all of the costs of constructing the well and supporting drilling operations, as well as the economic risk relative to the success of the well.

Valaris's drilling rigs drill and complete oil and natural gas wells. From time to time, their drilling rigs may be utilized as accommodation units or for non-drilling services, such as workovers and interventions, plug and abandonment and decommissioning work. Valaris provides contract drilling services to major international, government-owned and independent oil and gas companies. Demand for offshore contract drilling services is highly cyclical, which is primarily driven by the demand for drilling rigs and the

available supply of drilling rigs. Demand for drilling rigs is driven by the levels of offshore exploration and development conducted by oil and gas companies.


Investment Overview

Energy is the only game left in town on the long side. After over a decade of dismal performance, energy will likely be the best performing sector over the next decade. ESG and other anti-fossil fuel policies have created an attractive set-up for insufficient supply driving energy prices higher. Meanwhile, demand will likely be more inelastic than many market participants expect for decades. While energy prices have soared, energy equities have lagged the commodity price movements. Offshore development capital expenditures and offshore energy equities have lagged even more.

Valaris is the best positioned offshore driller with the most scale, is the low-cost operator, and has the best balance sheet, yet continues to trade at a discount to peers and at a fraction of replacement cost. As Valaris continues to contract its fleet at higher day rates, shares should trade more in line with peers. As offshore capital expenditures rebounds, the entire offshore drilling sector should trade at substantially higher valuations.

Lost decade +

Energy is one of the few areas in the market that is working right now on the long side. At a first glance, Energy does not look like a “Diamond in the Rough” when looking at the performance of the sector in 2022 and 2021. However, zoom out 15 years and the energy sector has suffered a lost 14 years.

The Select Sector SPDR Trust - The Energy Select Sector SPDR Fund  ARCA

XLE 88.53 USD +1.59 (+1.83%) 88.53 USD 0.00 (+0.00%) \$42.94b Energy Equity 24 75.44%
 Last Updated - Fri May 27 4:00PM EDT After Market - Fri May 27 7:59PM EDT AUM Focus Asset Class # of Holdings Top 10 Holdin

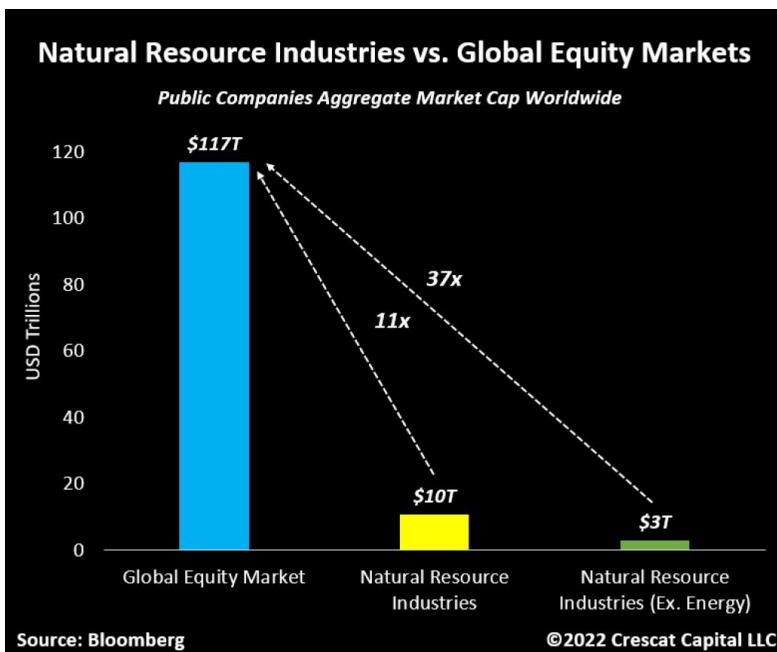
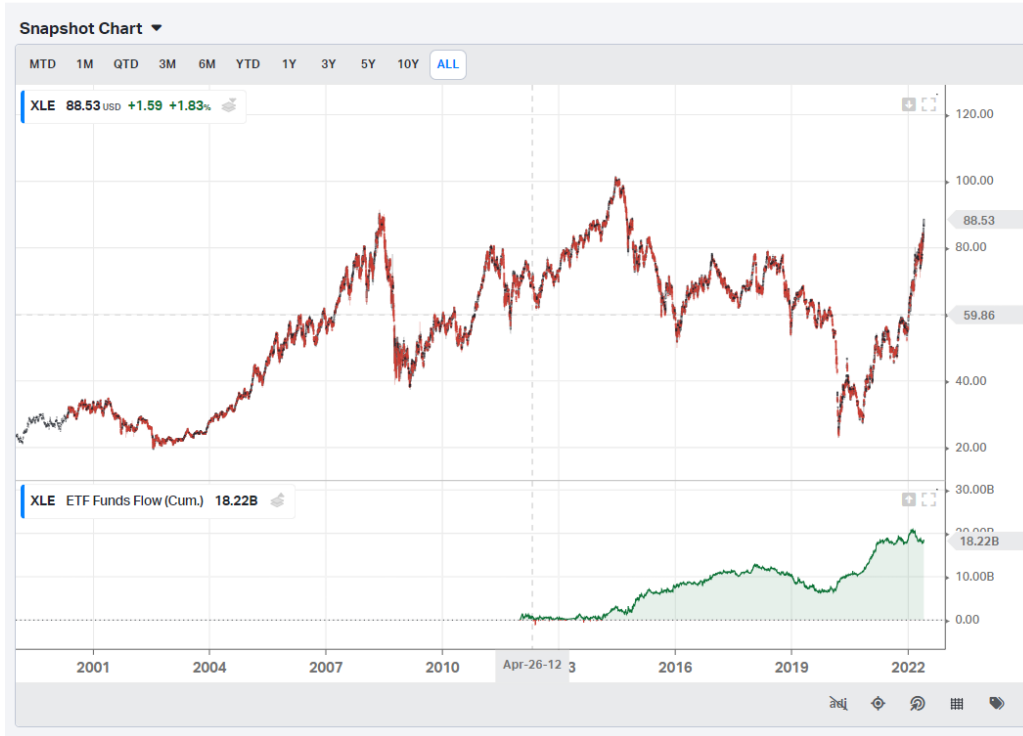
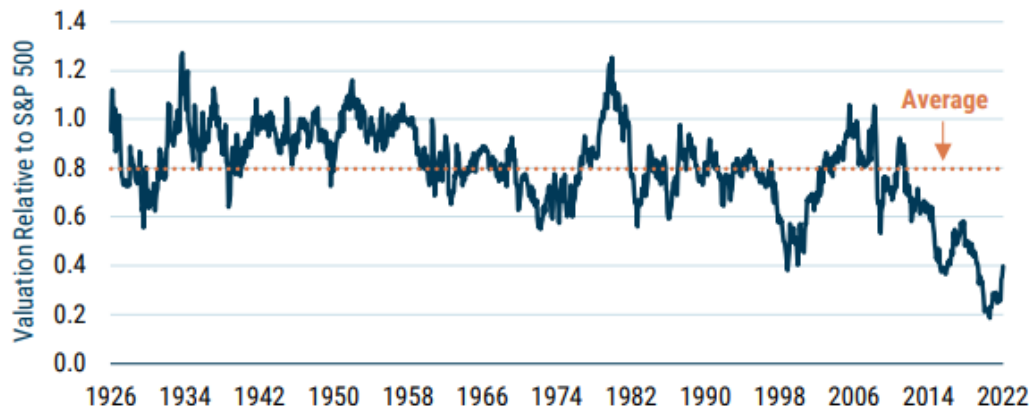


EXHIBIT 4: RESOURCE EQUITIES CONTINUE TO TRADE AT DEEPLY DISCOUNTED LEVELS

Valuation of Energy/Metals Companies Relative to the S&P 500



As of 3/31/2022 | Sources: S&P, MSCI, Moody's, GMO

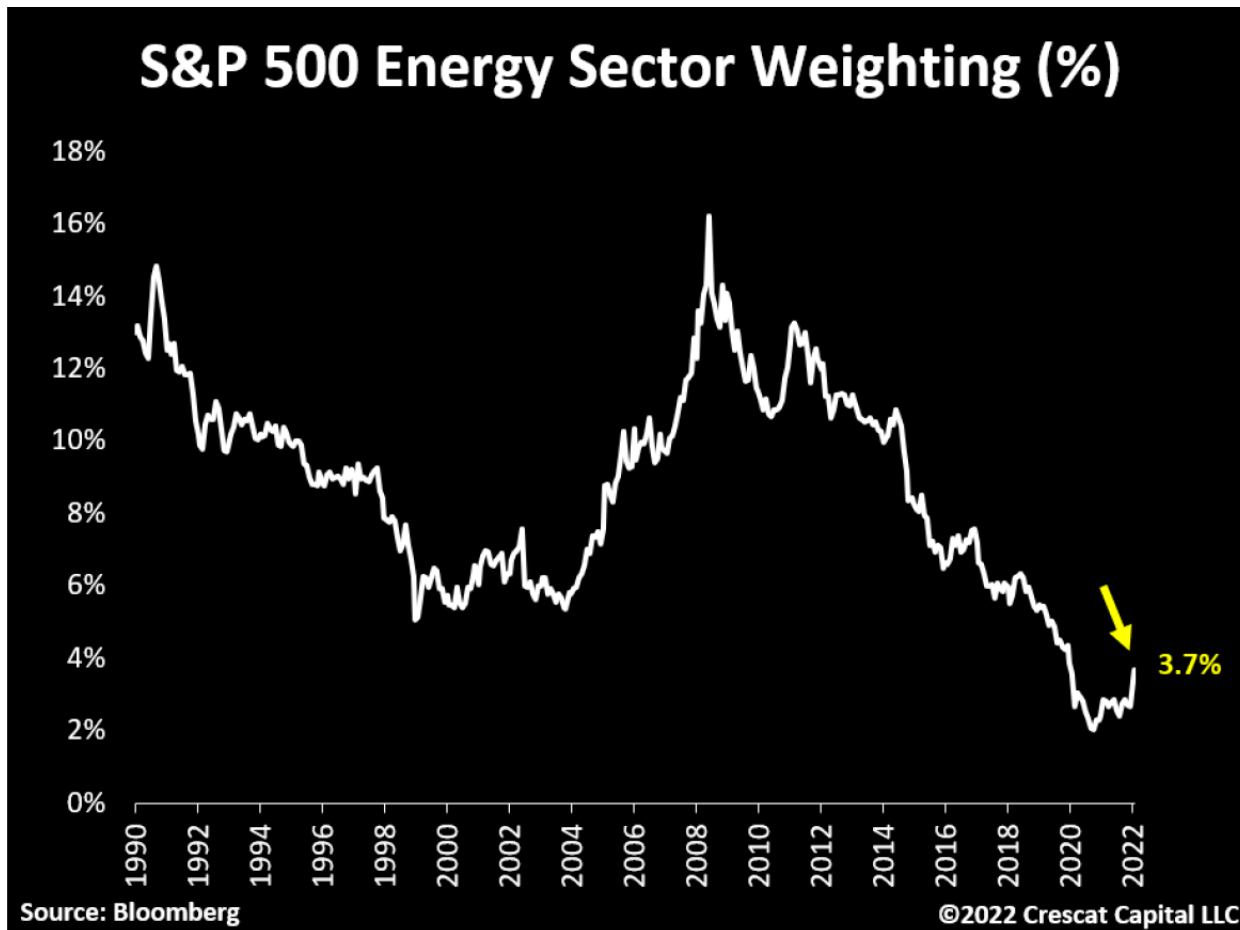
Valuation metric is a combination of P/E (Normalized Historical Earnings), Price to Book Value, and Dividend Yield.

It's Still Early – Devon's Unique Value Proposition

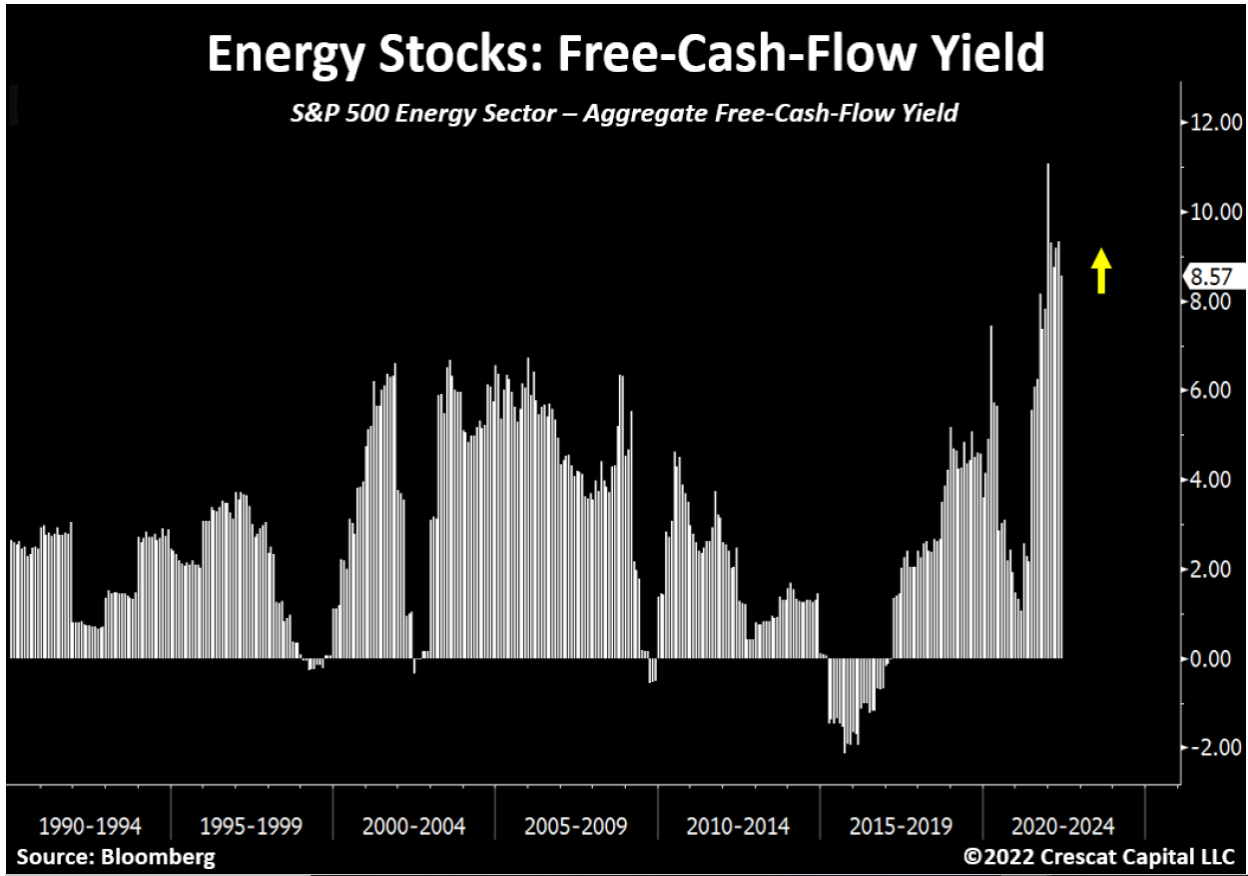
Energy sector weighting as % of the S&P 500 index

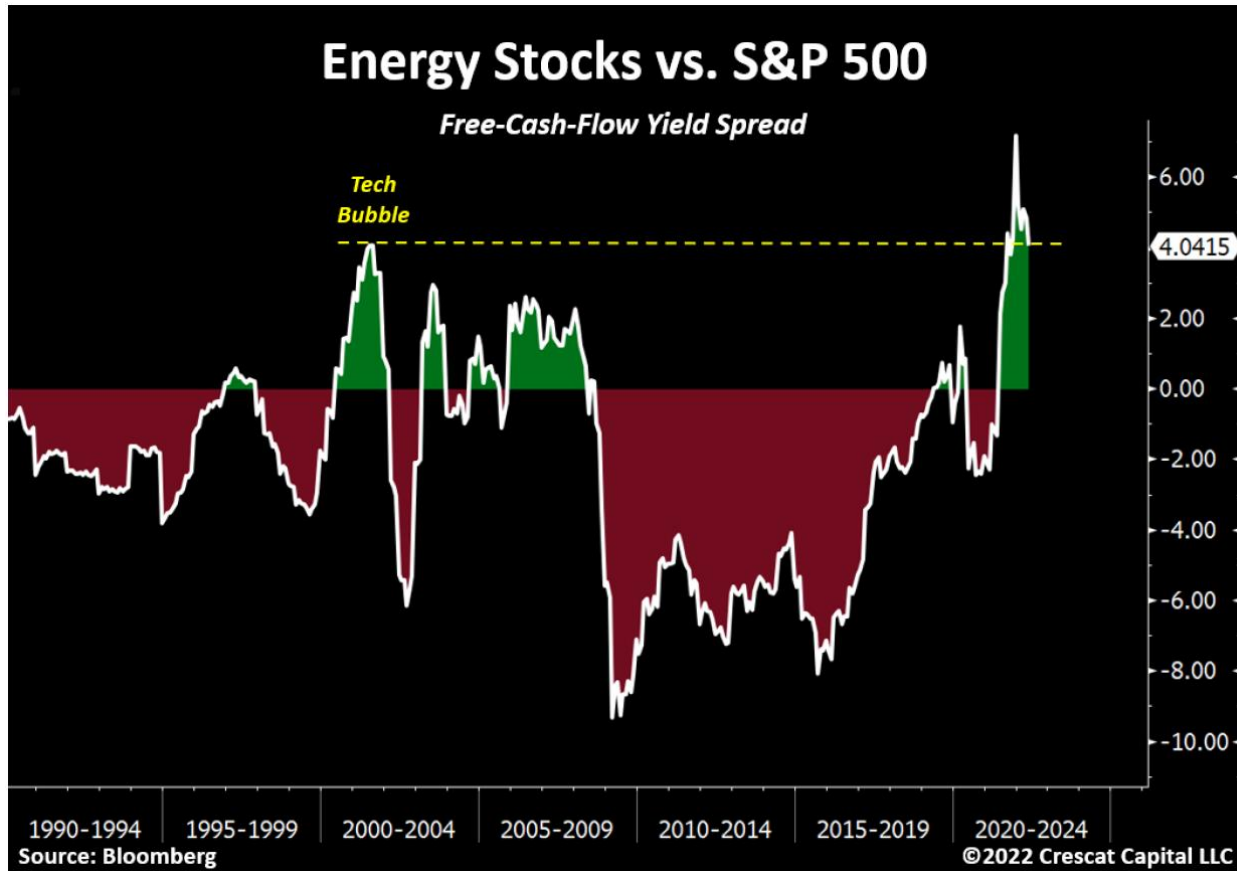


Note: Sourced from Raymond James, S&P & Bloomberg. (1) 2022 estimates. See slides 6 & 8 for more details and assumptions on estimated free cash flow, dividend yields & ROCE.

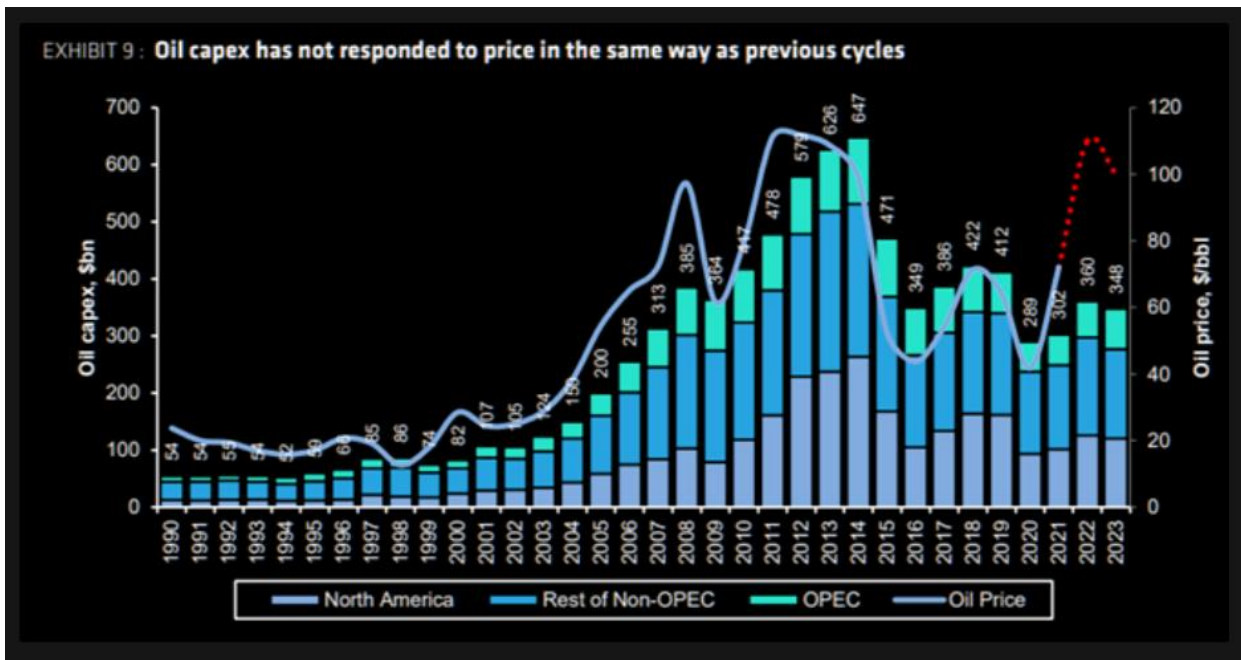
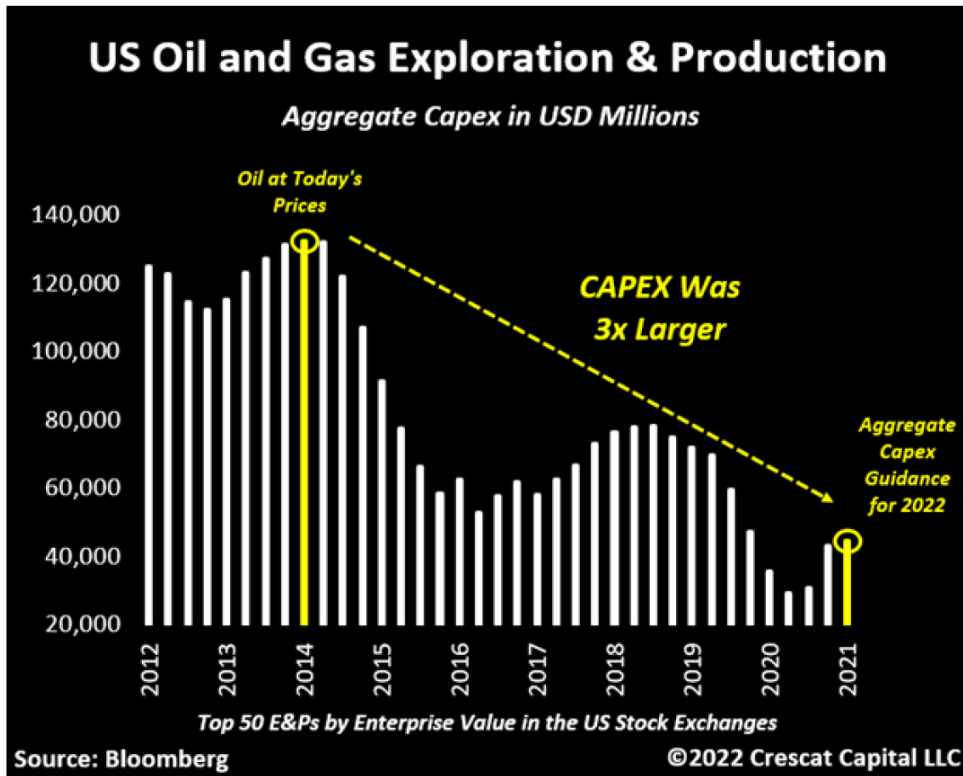


While flows have improved somewhat, there is still very little conviction that energy is an attractive investment. “Innovation” investing ETF ARKK is down 54% YTD and over the past three months has received \$747 million in net inflows. ARKK has received net inflows of \$1.3 billion in 2022. The energy ETF XLE is up 62.8% YTD and over the past three months has suffered \$1.5 billion in outflows. The lackluster flows come despite energy and natural resources companies in general printing the highest amount of FCF in decades.



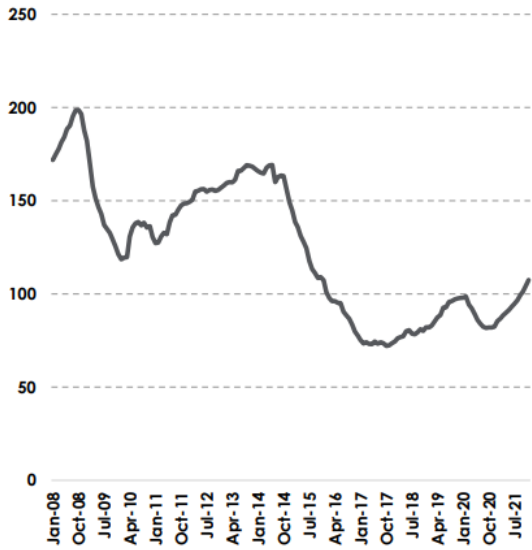


Energy investors have suffered for over a decade, especially since 2014 when a “growth at all costs” mentality prevailed. Economically unviable shale projects and OPEC underestimating the impact of shale resulted in a supply glut and lower energy prices. Offshore oil & gas exploration and development has been depressed since 2014 and has yet to recover despite the recent increase in energy prices. The last time oil was over \$100 oil & gas capital expenditures was three times higher.



The lower energy prices and offshore capital expenditures resulted in a long depression in Offshore Vessel Service (OSV) charter rates.

OSV rates improving (Clarksons OSV index)

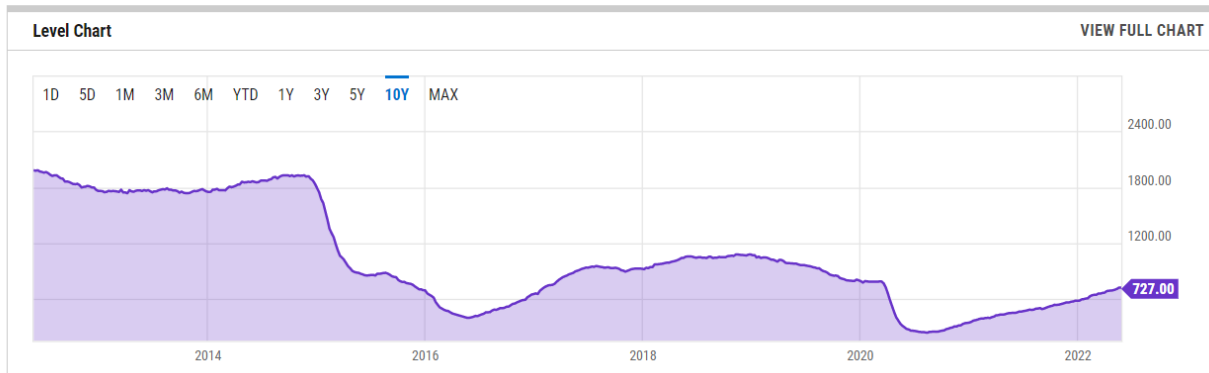


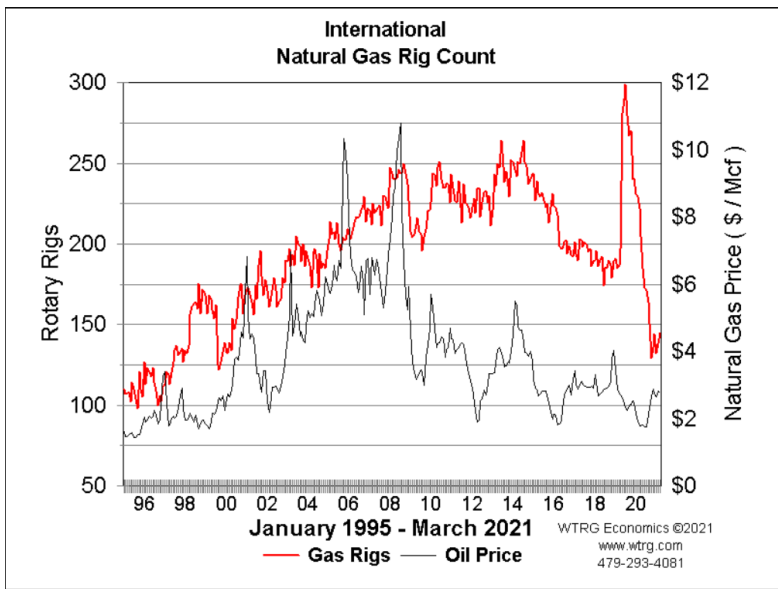
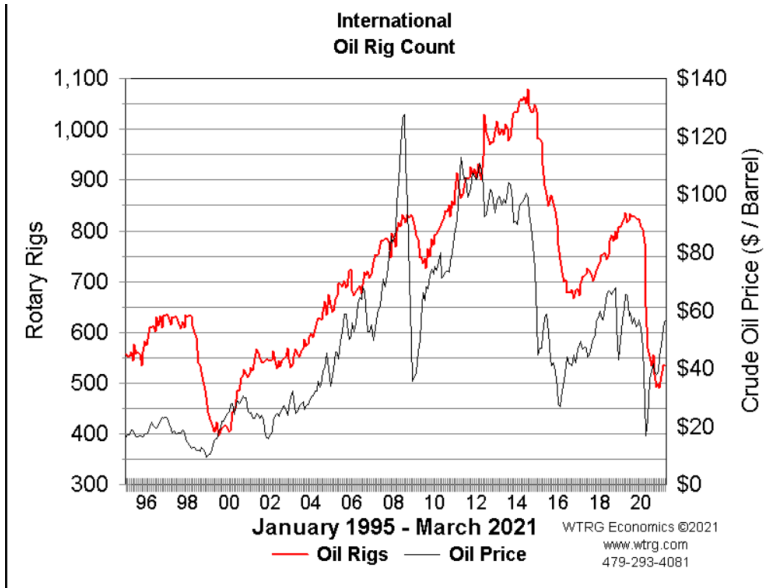
Rig count levels continue to remain depressed.

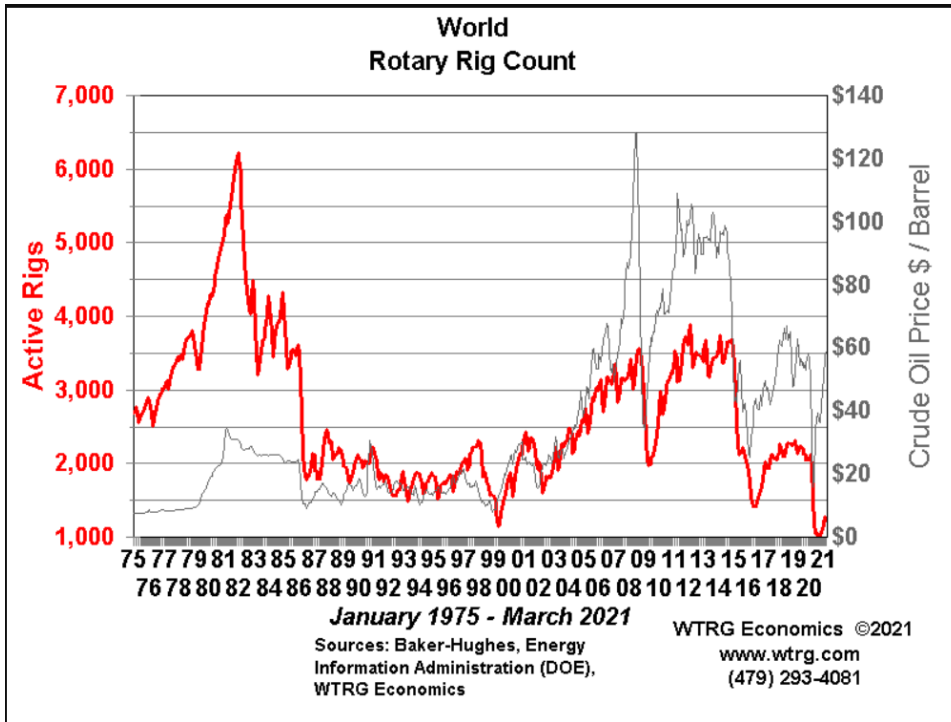
US Rig Count

727.00 for Wk of May 27 2022

Overview Interactive Chart



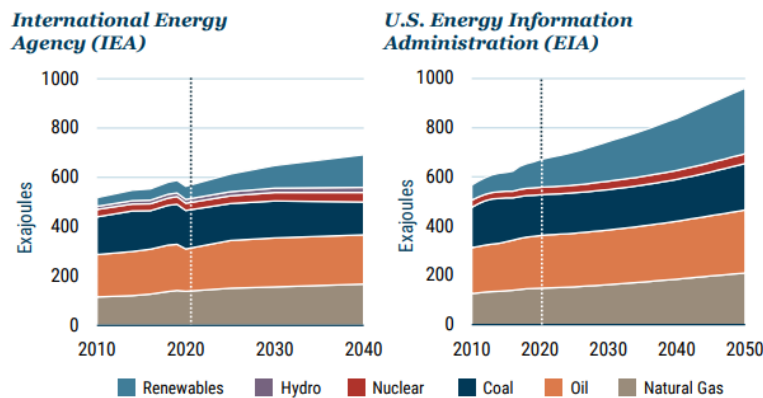




As Valaris and the rest of the offshore industry come out of the many reorganizations and bankruptcies over the last decade + for the industry, the industry will likely experience significantly higher ROCE's driven by consolidation, increased pricing and renewed discipline regarding supply.

Inelastic stable demand for oil & gas

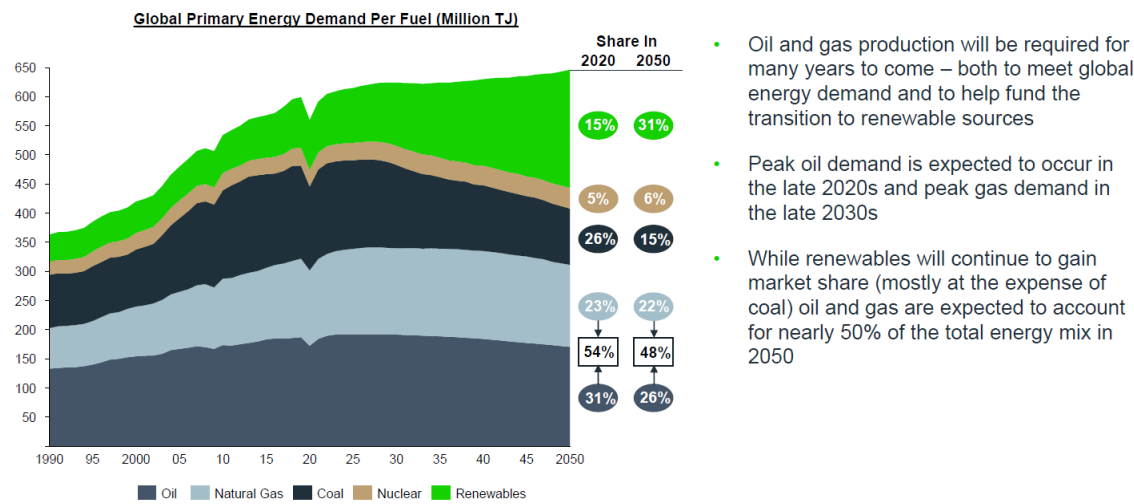
EXHIBIT 6: FOSSIL FUEL CONSUMPTION LIKELY TO BE FLAT TO SLIGHTLY UP OVER NEXT TWO TO THREE DECADES



As of 2021 | Sources: IEA, EIA

Exajoule: Standard unit of energy defined as the work required to produce 1018 watts of power for one second

Oil and gas will remain a vital energy source – expected to be ~50% of energy mix in 2050



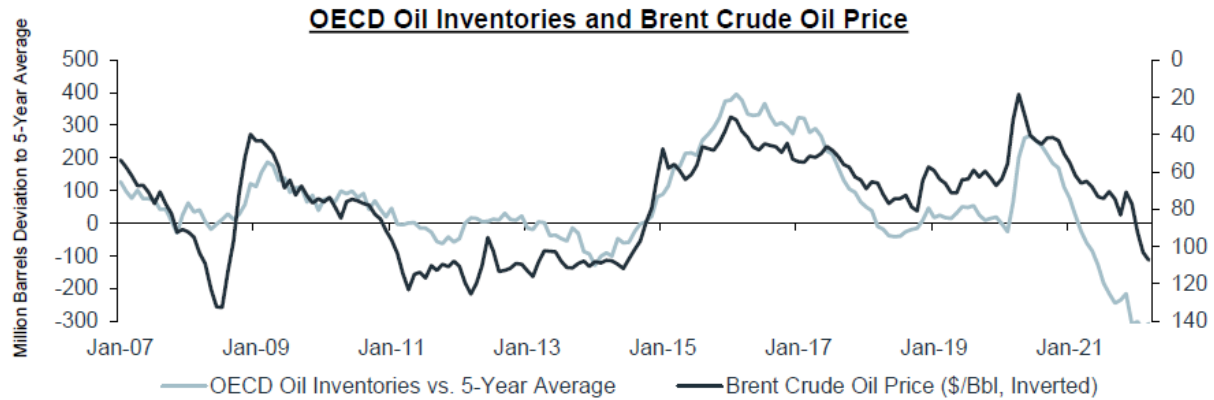
- Oil and gas production will be required for many years to come – both to meet global energy demand and to help fund the transition to renewable sources
- Peak oil demand is expected to occur in the late 2020s and peak gas demand in the late 2030s
- While renewables will continue to gain market share (mostly at the expense of coal) oil and gas are expected to account for nearly 50% of the total energy mix in 2050

Long-term structural growth in emerging economies will help sustain demand for decades as they increase their GDP per capita which will be particularly commodity intensive. For example, 940 million (13% of the world) do not have access to electricity. 3 billion (40% of the world) do not have access to clean fuels for cooking with devastating health consequences. Only 13% of Indian households have air-conditioning.

Constrained supply for oil & gas

The supply challenges in energy are likely structural driven by unrealistic ESG mandates, sustained underinvestment in energy which has been ongoing for many years and has now become difficult to reverse, low levels of oil inventories, OPEC countries struggling to meet quotas with spare capacity shrinking. The shareholder and stakeholder ESG pressures are driving strategies of Major IOCs away from fossil fuels, further restricting supply.

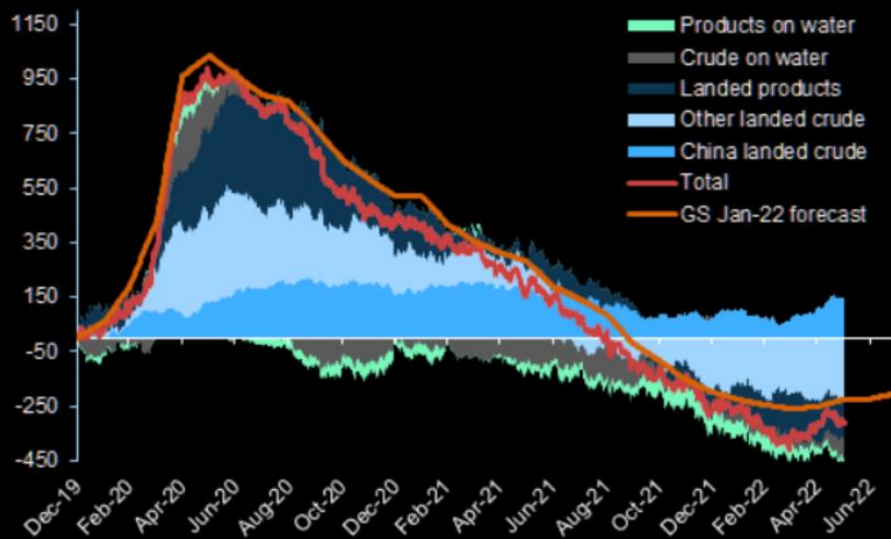
The energy industry has had a dramatic change in capital allocation philosophy. The industry has a newfound discipline of prioritizing shareholders by using the majority of their FCF for dividends, special dividends, share buybacks, debt reduction, acquiring competitors to increase scale and scope. The industry has moved away from a growth at all cost mentality which helped cause the lost decade for investors in the first place. This has resulted in OECD oil inventories well below the five-year average.



Source: EIA Short-Term Energy Outlook, April 2022; FactSet; Feamley Securities

Exhibit 7 : Despite China's lockdowns, global oil inventories continue to surprise to the downside YTD

Global high-frequency inventory tracking vs. Dec-19 compared to our Jan-22 GS supply-demand expectations (mb)



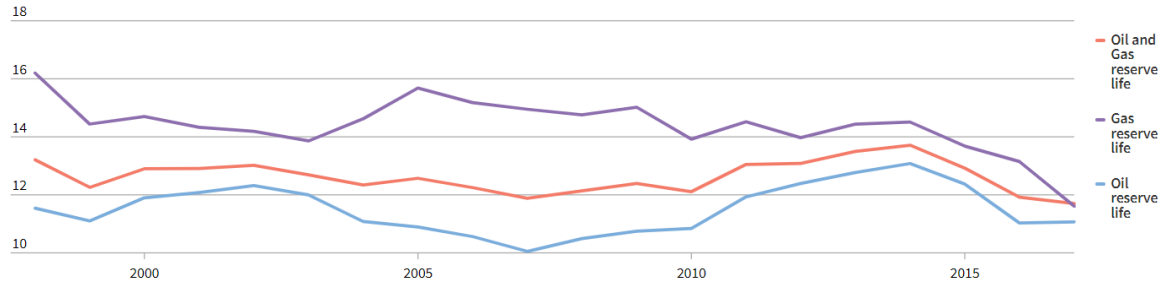
Source: Kpler, IEA, JODI, EIA, PJK ARA, PAJ, IE Singapore, Fujairah, Oilchem, Goldman Sachs Global Investment Research

Strong demand for offshore equipment

Years of under-investment in exploration and a decline in project development has blown a hole in the reserves of the major international oil companies (IOCs).

Oil Majors' reserves life

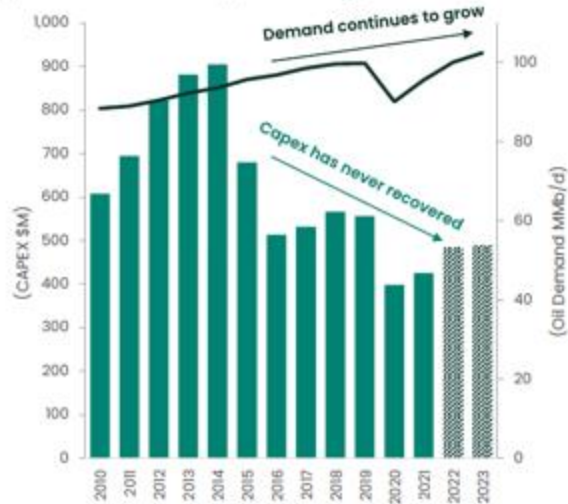
Reserves life for the world's top eight oil and gas companies are at their lowest in 20 years



In Years (reserves divided by annual production)
Company data, Guinness Asset Management, Reuters
Ron Bousoo | REUTERS GRAPHICS

The continued use of fossil fuels will eventually force E&P companies to increase their capital expenditures for offshore exploration and development to offset the natural decline rate of 4.5% – 6.7% per year. Oil & Gas exploration companies will need to increase capital expenditures significantly just to keep their reserves above 10 years. The rate of decline is increasing with time and offshore fields decline much faster than onshore fields. With oil demand inelastic over the next decade+ at least and projected to grow 1%-2% per year, supply will need to grow HSD at least just to offset the natural decline rate of natural resources necessitating increased capital expenditures from E&P companies.

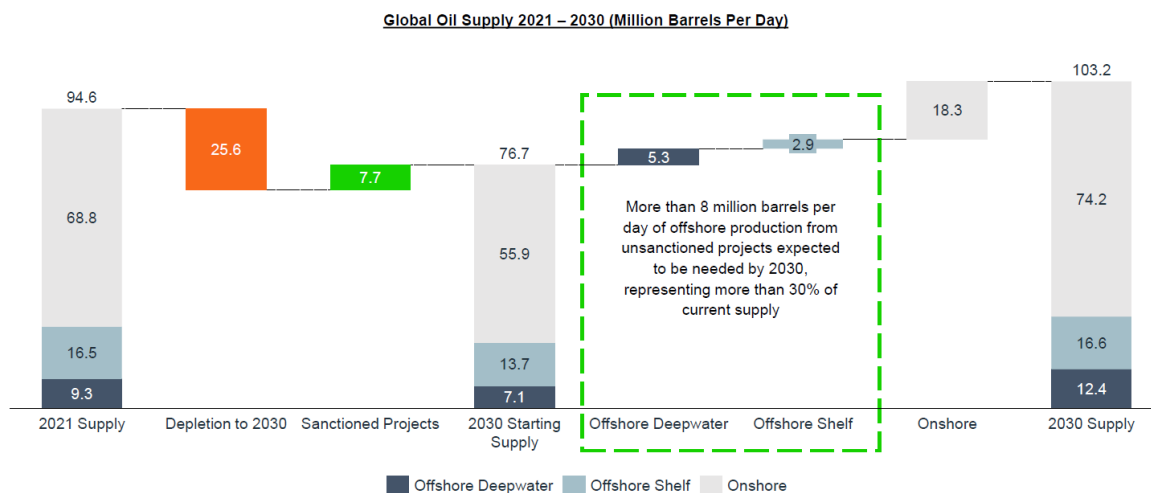
Upstream CAPEX spend vs. global oil demand¹



While the conflict in Ukraine has led to increased volatility in spot oil prices, given the longer lead times for offshore projects, customers tend to be more focused on medium- and longer-term commodity prices than what is happening in the spot market. 2-year forward Brent crude prices are currently above \$80 per barrel and 5-year forward prices are around \$70 per barrel, levels that are highly constructive for offshore project demand.

Research from Rystad indicates that virtually all undeveloped offshore resources are profitable at \$70 per barrel and almost 80% are profitable at \$50 per barrel. As a result of the constructive commodity price environment, offshore upstream CapEx is expected to see double-digit growth over the next couple of years, and offshore project sanctioning is expected to increase meaningfully over the same period with more FIDs expected in 2022 and 2023 than any other year since the start of the industry downturn in 2014 according to industry research. Increased upstream spending is expected to lead to more demand for offshore drilling services.

New production from unsanctioned projects will be required to meet demand



Source: Rystad UCube, April 2022

Demand for hydrocarbons has rebounded strongly from Covid-19 and is forecasted to exceed 2019 levels by 2023. This strong demand, along with the structural supply constraints alluded to above and emerging geopolitical tensions, have created a constructive environment for investment in new projects. Offshore upstream capex is expected to increase by 16% in 2022 and a further 8% in 2023 with most of the growth focused in ultra-deep and deep-water projects. Offshore project sanctioning is also expected to increase meaningfully in 2022 and 2023 with more final investment decisions (FIDs) expected than any other year since the start of the industry downturn. Furthermore, more than two-thirds of offshore FIDs anticipated over the next two years are expected to be for new greenfield projects, a positive indicator for long-term demand.

We have already seen a meaningful improvement in utilization and day rates over the past 12 months, particularly in the floater market. Several recently announced contract awards have been made at or above \$300,000 per day. While many of these have been for shorter-term programs in the U.S. Gulf, more recently, we have seen day rates at these levels in Australia, South America and West Africa.

Fears around the clean energy transition are overblown. Market participants fear that the clean energy transition, which has so much momentum behind it, will destroy demand for fossil fuels. This argument focuses on the demand side and ignores the supply side, the natural decline rate of oil fields necessitating more investment just to keep production from declining to zero, and that historically energy transitions take half a century and are incredibly complex.

In the unlikely event that energy companies see demand destruction, they can always reduce their capital expenditures leading to an immediate supply response that may in fact boost energy prices. This new

dynamic and sustained high energy prices should give energy companies the confidence to invest to grow or at least maintain production. BP CEO Bernard Looney on a recent earnings call talking about this dynamic:

“So I'll take the second question around price, and Murray will take the volume question and help me if we got anything right. So on oil prices, it's -- so we updated our oil prices as we do every year. We updated them last year. And basically, the -- from our existing assumption, the near-term prices drifted up a little bit. And the long-term prices drifted down a little bit, such that on average throughout the period, they were pretty much the same. Our oil price assumption for 2030 is \$60 real based on a 2020 baseline, which is \$71, which is roughly what it was in 2021. Now the question, of course, that you ask is, well, what if the transition goes faster, if it does this or that? What I think is interesting, Martin, about the transition question is that an accelerating transition doesn't always lead to a lower oil price. It depends on investment patterns, not just demand. So you could argue, you could see a world where because of lack of investment, even though the energy transition is accelerating, oil prices are much, much higher, which is sort of counterintuitive to how some people would think about it, I think, because the kind of general sense is that accelerating transition means lower prices. That need not be the case because, as we know, it relies not just on a demand side of the equation, but also a supply side. And of course, what people sometimes forget is that oil fields decline. And therefore, they need investment. So that's a long story short to say the energy transition could actually result in higher prices even if it's accelerating as well as obviously result in lower prices. Our job on an annual basis is to put forward our best view, knowing that it's probably not right. I think I can say that because it's true.”

Limited supply for offshore equipment

Since the third quarter of 2020, excess capacity that was constraining the pace of recovery in the global floater market has been significantly reduced due to a combination of increased demand and significant rationalizations on the supply side. The average marketed oversupply of rigs has decreased to 25 rigs (Q3 2020: 51 rigs), with the demand for modern, high specification drillships improving significantly. Utilization for 7th generation drillships is now approaching full capacity, driven by tight markets in the U.S. Gulf of Mexico, Brazil, West Africa, and South East Asia.

The current supply shortage of active floating rigs driven by the scrapping of rigs during the historically low demand cycle over the past 8 years, has contributed to the recent increase in day rates. Since 2014, more than 150 benign environment floating rigs have been scrapped and permanently removed from the global fleet.

Given the rise of ESG and the hostile environment for energy producers, it is unlikely supply from newbuilds of Jackups and Floaters will come online in any meaningful way. Here is some commentary on the current tightness in the market:

“So one thing that Tony pointed out is the Middle East, but the reality is the international market is not homogeneous. It's a bunch of different markets with different drivers. And most of the markets we are focusing on, we're experiencing tightness in rigs. I give you examples like Argentina, where Vaca Muerta is requiring higher spec rigs and they just aren't any in country. In Colombia, we're seeing expansion of drilling activity by Ecopetrol and others. And then in Mexico, we are seeing some rebirth on land activity that again requires some 30 high-spec rigs. So all of that is happening in multiple countries where the supply of rigs is just not there. So we are seeing a little bit of tension on the pricing and on the positive sense. So the pricing power seems to be solidly in the hands of the drilling companies today, even in the international market.” William J. Restrepo CFO Nabors Industries Ltd.

Best positioned in the industry

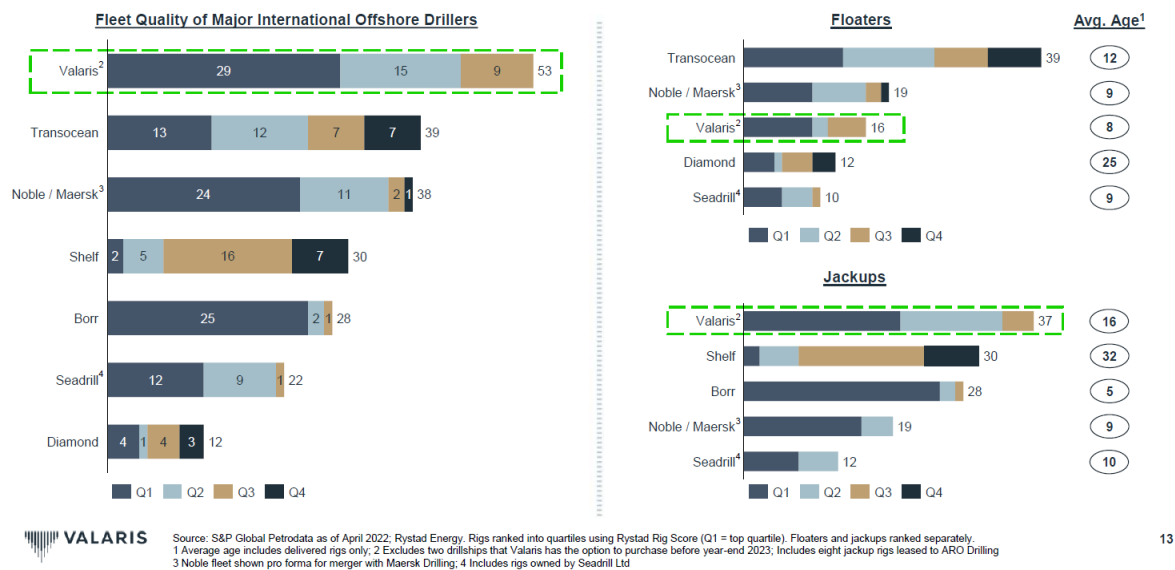
Valaris operates the world's largest fleet amongst competitive rigs, including one of the newest ultra-deepwater fleets in the industry and a leading premium jackup fleet.

Largest fleet of modern offshore drilling rigs in the industry

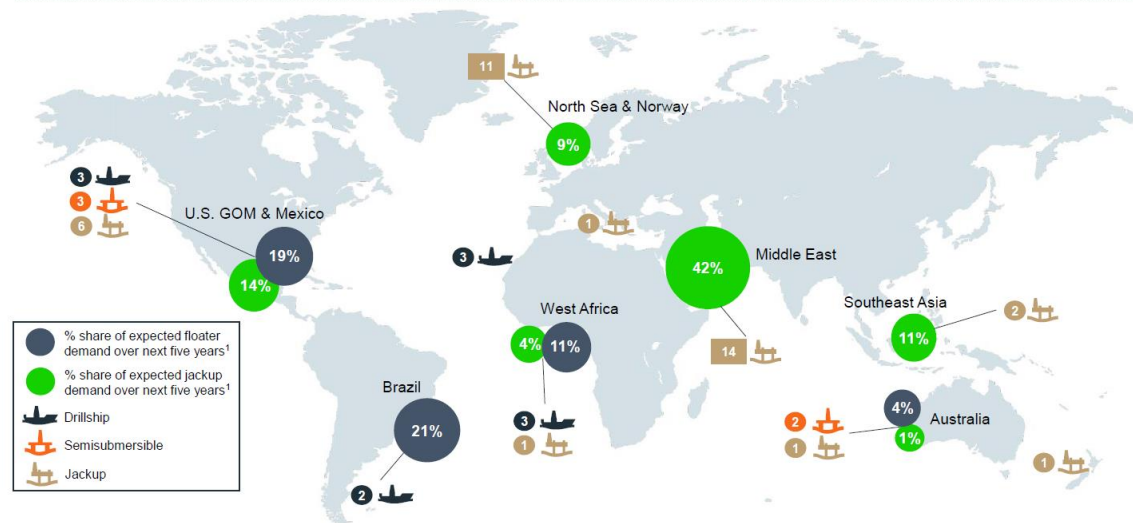


¹ Excludes newbuild drillships, VALARIS DS-13 and DS-14, which Valaris has the option to purchase before year-end 2023
² HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas

Largest fleet of high-specification assets



Operations focused on key basins expected to drive a large share of future demand

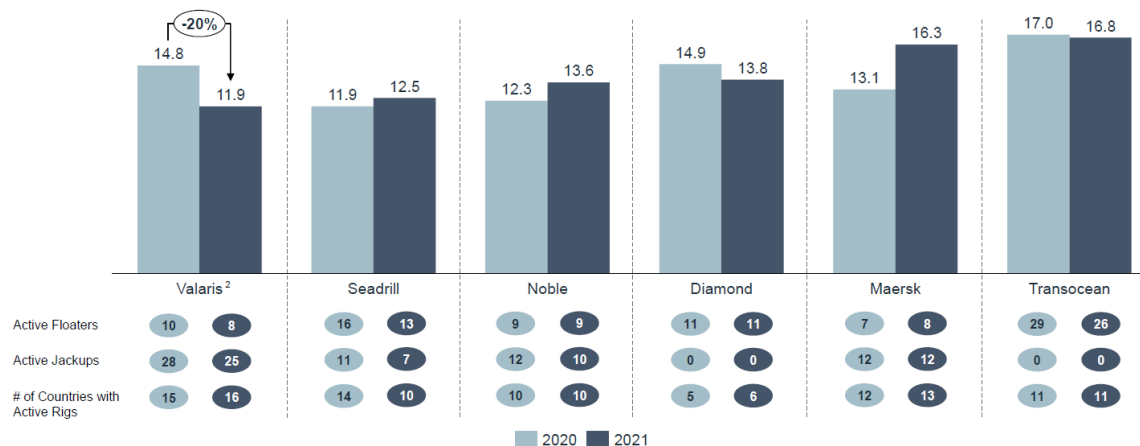


¹ Demand by country/region represents rig years as a % of total rig years for floaters and jackups, excluding China and Iran, per Rystad Cube Dashboards as of April 2022.
 Note: Rigs that are currently stacked with a future contract are shown in the location of the future contract. Includes eight jackup rigs owned by Valaris that are leased to ARO Drilling in Saudi Arabia. Excludes nine jackup rigs owned by ARO Drilling (operating and under construction), two rigs that Valaris manages on behalf of a customer and two drillships that Valaris has the option to purchase by year-end 2023.

Valaris has the largest customer base in the offshore drilling industry, with exposure to many of the largest holders of offshore oil and gas reserves. Valaris’s superior scale enables it to be the lowest cost operator in the industry.

Industry-leading cost structure

Operating, Support and G&A Costs per Weighted Active Rig (\$M)¹



Source: Company filings, S&P Global Petrodata
¹ Contract drilling expense (excluding reimbursable items) and general and administrative expense for each available period divided by weighted average rig count. Active rig weighting determined by cost complexity for discrete asset types: 1.0 for drillships, 1.3 for North Sea/Australia semisubmersibles, 0.9 for benign environment semisubmersibles, 0.9 for jackups active in Norway and 0.5 for all other jackups. Active rigs defined as rigs that are not cold stacked or under construction. Active rigs and countries per S&P Global Petrodata Current Activity Report. Represents an average of each quarter end in the given period. ² Valaris operating costs exclude costs related to two rigs managed on behalf of a customer as they are not included in the active rig count.

Valaris has the strongest balance sheet in the offshore drilling sector and is the only major offshore driller with a net cash position. Valaris has a significantly smaller backlog than its peers which will enable Valaris to benefit most from increased pricing in the industry.

Valuation

The biggest drivers of our valuation are utilization rates and day rates.

For Floaters / Jackups, we assume that utilization increases to 85% / 90% by 2026 as energy companies invest in offshore capital expenditures to offset their natural decline rates and potentially increase their production driven by increased confidence in sustainably higher long term energy prices. We assume that day rates increase to 500 k\$/day / 160 k\$/day for Floaters / Jackups, slightly higher than 2014 driven by the return of offshore drilling capital expenditures and continued inflation pushing up service costs. We model average operating expenses to remain elevated in 2022 at 388 k\$/day / 75 k\$/day for Floaters / Jackups, before mean reverting and then growing with inflation, ultimately reaching 265 k\$/day / 76 k\$/day in 2026 for Floaters / Jackups respectively. Valaris has a low order backlog and will have to spend one-time reactivation costs to bring their fleet back online. Combined with stacking costs creates a c.\$160 million cost headwind.

Significant earnings potential in a market recovery scenario

Total Rigs	Rigs Under Contract or with Future Contract	Illustrative Annual EBITDA from Valaris Fleet ¹				2014 ²
11	8	Drillship Day Rates	\$300K	\$350K	\$400K	~\$500K
5	3	Benign Semisubmersible Day Rates	\$200K	\$250K	\$300K	~\$400K
12	11	HD Ultra-Harsh & Harsh Jackup Day Rates ³	\$100K	\$125K	\$150K	~\$220K
21	16	Modern HD & SD Jackup Day Rates ³	\$75K	\$100K	\$125K	~\$160K
		Fleet Utilization	70%	75%	80%	85%
		Illustrative Operating Margin⁴	~\$680M	~\$1,220M	~\$1,820M	~\$2,970M
		Total Onshore Costs (2021)	~\$200M	~\$200M	~\$200M	~\$200M
		Illustrative EBITDA⁴	~\$480M	~\$1,020M	~\$1,620M	~\$2,770M



¹ Calculations based on total number of rigs in each asset category. Excludes standard duty legacy jackups on the basis that most of these rigs will likely be retired upon completion of current contracts.
² Average earned operating day rate and utilization for global fleet in 2014 per S&P Global Petrodata
³ HD = Heavy Duty; SD = Standard Duty. Heavy duty jackups are well-suited for operations in tropical revolving storm areas.
⁴ Daily operating cost assumptions are based on current operating costs for the fleet. Assumes full operating cost for 50% of idle periods and preservation stack cost for 50% of idle periods.

We also assume very modest growth in both Floaters and Jackups. Our day rate and operating expenses result in gross margins expanding to 49% in 2026 and EBITDA margins expanding to 47% in 2026.

At 6x 2026 EBITDA there is 390% upside for a 40% IRR.

Another way to think about valuation is analyzing replacement cost. Before Valaris’s bankruptcy and subsequent asset write-downs, when management may have been incentivized to excessively write down their assets and underestimate their financial forecasts coming out of bankruptcy, Valaris had over \$15 billion in net PP&E. Assuming \$600 million build cost per Floater and \$150 million build cost per Jackup results in \$15 billion in replacement cost and after considering the net debt and NCI results in \$197.4 per share in replacement cost vs. current share price of \$53. Valaris trades at a quarter of replacement cost indicating little optimism in Valaris’s prospects.

Using precedent transactions, Valaris trades at a discount to peers based on implied steel value per ultra-deepwater equivalent rig despite having the greatest scale, best cost efficiency, and strongest balance sheet. Recent market transactions for drillships have been completed at nearly 2x the implied steel value Valaris is currently trading at.

Catalyst

Continued contract wins: As Valaris continues to win contracts at ever higher day rates and laps one-time reactivation costs, shares should re-rate to at least be in line with peers.

Higher day rates for the offshore industry: Oil prices, while somewhat volatile, have remained highly supportive and are driving a steady increase in offshore activity. We continue to see a tightening of the offshore market unfolding across multiple regions with committed drillship utilization consistently

exceeding 90%, with some industry experts suggesting utilization as high as 97%. As further evidence that the market has reached an inflection point, according to rig broker, Clarksons, for the first time in 8 years, new contracts are on average being awarded at higher day rates than the contract they are replacing. We are already seeing signs of significantly higher day rates in the industry.

“Taking a closer look around the global market environment. Worldwide committed drillship utilization currently exceeds 90%. Many of these high-specification assets are concentrated in the U.S. Gulf of Mexico, where we continue to observe the most significant growth in day rates from the low \$200,000s just a few years ago to well over \$300,000 per day from recently announced fixtures.

It is very possible that we will see awards made in the near future at day rates above \$400,000 per day, which reflects the increasing tightening of this already nearly sold-out market. Historically, the Gulf of Mexico has served as a leading market indicator for other deepwater offshore drilling markets.” Jeremy D. Thigpen CEO of Transocean

Energy crisis: as the world energy crisis continues to get worse and energy prices remain higher for longer, policy makers will better appreciate the need for energy security and reduce restrictions that are currently hampering production. Better policy will give energy exploration and production companies more confidence to invest in offshore capital expenditures.

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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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