Dedication to Short Selling

In the last quarter of 2019, 2020 and 2021 we have noticed increasingly extreme speculative behavior by retail investors perhaps rivaling the speculative excesses of 2000 and 1929. We have also seen many signs of capitulation from short sellers. We remain committed to single name short selling in our Long Short strategy and opportunistic ETF short selling in our Long Biased strategy. A large and diversified short book enables us to generate strong absolute returns without the market/drawdown risks typical of long only funds. Short selling gives us the cash and stability to add to our favorite longs in times of market stress when other market participants lack both the cash and willpower to invest when terrified.

There are a few common misconceptions we would like to address regarding short selling:

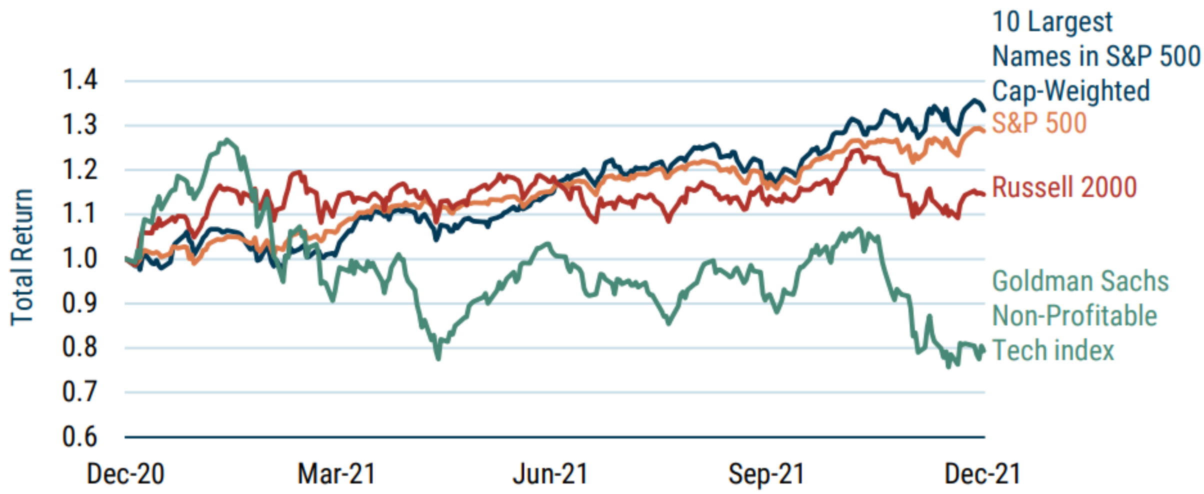
1) Potential losses are unlimited since a stock price can theoretically go to infinity.
2) Poor risk reward. The most you can make is 100% if the stock goes to zero, but you can lose an unlimited amount of capital.

Regarding #1, we have never seen a stock go to “infinity” but have seen plenty of stocks go to zero. We usually start a short position at 2% (smaller if the market cap is smaller) and do not let a short position go above 4-6% (depending on how volatile the stock is). #2 is misleading. As the stock price declines, the short position becomes a smaller percentage of the portfolio and therefore we can add to our short and make over 100% in a short position.

2009-2019 has been a difficult decade for short selling and the challenges reached a crescendo in 2020 and the first eleven and a half months of 2021. 2009-2019 was difficult because of low volatility, the longest bull market in history and unprecedented loose monetary policy. However, the bull market from 2009 until 3Q 2019 lacked an essential ingredient of a true bubble: frenzied retail investor participation. With the introduction of commission free trading, boredom from being at home due to Covid and unprecedented monetary and fiscal stimulus in response to Covid, nearly 50 million retail investors (some speculating in stocks for the first time) entered the market from 4Q 2019 – 2021 setting the stage to end the longest (but mostly boring) bull market in history with an epic bubble driven by frenzied trading of stocks and options by retail investors.

The rampant speculation is not noticeable when looking at the major indexes such as the S&P 500. However, underneath he surface, there is rampant speculation in certain segments of the market such as Meme stocks, certain SPACs, clean tech and to a lesser extent growth-oriented “innovation” stocks. Shorting perceived frauds, fads and failures that are heavily promoted to retail investors was a significant source of alpha for us in the beginning of 2021 right after the January meme stock mania but between the last two weeks of May and end of June caused us significant losses. Furthermore, many of these promotions started 2020 as micro caps and grew to become multi-billion-dollar market cap companies at their peak in 2021 (with little if any change in the fundamentals) which provided plentiful supply for our short book.

EXHIBIT 5: BIGGEST AND HIGHEST QUALITY STOCKS CARRIED THE MARKET IN 2021



As of 12/31/2021 | Source: Bloomberg, Goldman Sachs, GMO

Even more concerning was the widespread use of short-dated call options with massive buying of one-week call options being the preferred weapon of retail investors. For the first time in history, options activity in the US has exceeded stock market activity with retail investors accounting for more than 25% of options trading activity. These unprecedented levels of call buying forced dealers to hedge by buying the underlying stock, causing further price increases and adding fuel to the speculative frenzy. Most perplexing, millions of retail investors concluded that buying stocks in speculative promotions was a way to "fight inequality", harm short sellers and "get back at the suits". Thus, unlike the dot-com bubble where retail investors bought companies deemed to be innovative out of greed, this time they are buying mostly structurally declining businesses with high short interest out of both greed and anger (populist revolt). A few examples:

- The two most popular Meme stocks GME and AMC, both structurally declining businesses with poor balance sheets that were further decimated by Covid and with AMC on the brink of bankruptcy, rallied 120x and 38x respectively from their post-pandemic lows to their peak bubble 2021 highs. Their breathtaking moves were driven by online message boards such as Wall Street Bets and the desire to hurt short sellers and improve income inequality. GME and AMC reached peak market caps of $22.52 billion and $31.41 billion respectively (they reached even greater market caps during their intraday highs). AMC reported over 5 million new retail investors and GME briefly became 20% of the entire Russell 2000. We have found over one hundred other companies promoted to retail investors with similar parabolic moves and in many cases even worse fundamentals.
- The bubble in certain segments of the stock market would have been even worse if it weren't for Crypto taking some of the retail flows. Dogecoin, a cryptocurrency conceived as a joke with no use cases, increased nearly 300x reaching a market cap of $90 billion partly because Elon Musk repeatedly tweeted about it.

We responded to this treacherous short selling environment by reducing the size of each short position and increasing the number of shorts in our portfolio. The large number of shorts is made possible by the large supply of shorts. We still suffered for much of 2021 but our short selling eventually added substantial alpha and we expect the best is yet to come. Short selling is like weight training. It's unreasonable to expect to go to the gym and on Day 1 become big and powerful. We must put in the reps, accept the inevitable setbacks knowing that eventually short selling will pay huge dividends.

TMR Long Bias Opportunities, LP Highlights

TMR Long Bias Opportunities, LP				
	Gross	Net	S&P 500	Eureka Long Short HF Index
Oct 2019 - Dec 2019	0.5%	0.0%	9.1%	4.8%
2020	63.3%	44.5%	18.4%	17.9%
2021	13.3%	8.9%	28.7%	10.7%

We continue to believe that our long portfolio would significantly benefit from higher inflation and interest rates – much more so than the S&P 500. We continue to be overweighted to slower top line growing lower valuation multiple companies in financials, consumer discretionary, energy, materials and industrials while being underweight unprofitable hypergrowth new economy companies. We may also be on the cusp of a commodity super cycle and have long exposure to energy and metals stocks as illustrated below with our long in Teck Resources.

Long Teck Resources

TECK engages in exploring for, acquiring, developing, and producing natural resources in Asia, Europe, and North America. It operates through Steelmaking Coal, Copper, Zinc, and Energy segments. The company's principal products include steelmaking coal; copper concentrates and refined copper cathodes; refined zinc and zinc concentrates; energy products, such as bitumen; and lead and molybdenum concentrates. It also produces gold, silver, germanium, indium, and cadmium, as well as chemicals, industrial products, and fertilizers. In addition, the company holds interest in Frontier oil sands projects in the Athabasca region of Alberta; and owns interests in exploration and development projects in Australia, Chile, Ireland, Mexico, Peru, Turkey, and the United States.

TECK is a "hidden" compounder and a way to gain exposure to the EV (electric vehicle) boom trading at 4.9x NTM consensus P/E and 1x P/BV. TECK's QB2 copper mine expansion project in Chile is set to come online in the second half of 2022 accelerating TECK's copper growth and improving TECK's valuation narrative towards a copper and EV growth story. After the Chilean mine project expansion, copper revenue will contribute around 50% of their total revenue.

Copper is widely used in batteries and electric motors as well as wind and solar installation because of the metal's special features including electric and thermal conductivity, and corrosion resistance. Whether you're building electric vehicles chargers' storage, solar wind, power generation and transmission, to grow the electric grid, we need lots of copper. EVs have 4x the copper content of ICE vehicles. Chargers, solar panels, and wind power all require lots of copper with 5M tons of predicted demand growth by 2029, equal to16% of global demand. The critical role copper will play in achieving the Paris climate goals cannot be understated. There's no decarbonization without copper. Copper demand from the energy transition is predicted to grow nearly 600% by 2030 to 5.4 metric tons. In the case of "hyper adoption" of green technologies demand could surge 900% to 8.7 metric tons.

Copper has a favorable supply and demand setup. A decade of lackluster returns combined with the momentum behind environmental, social and governance or ESG investing has curtailed investment in copper's future supply growth. This has had the effect of making the market the closest it has ever been to peak supply. This leaves the market vulnerable to large open-ended deficits from the middle of the decade, culminating in a long-term supply gap of 8.2 metric tons by 2030. This is double the size of the gap that sparked copper's bull market in the early 2000s. Copper is so integral to the green transition—a global effort underpinned by government support—that the supply requirements necessitate a spike in copper prices. Metals are at the heart of the new commodity super cycle, and green demand is at the heart of the metals price rally. Electric vehicles should account for 40% of green copper demand by the end of the decade. Solar panels and energy storage are other areas where copper will be key to widespread rollout. Copper mine supply growth will likely come to a halt this decade. The number of new world-class discoveries coming online will decline substantially and depletion problems at existing mines will accelerate. Also, geological constraints surrounding copper porphyry deposits, a subject few analysts and investors understand, will contribute to the problems.

As alluded to in previous letters, over the past decade there has been an enormous emphasis on investing in money losing disruptive tech, consumer and healthcare companies growing their top line quickly and perceived to be addressing large TAMs (total addressable markets). Commodities have suffered a lost decade, losing investors a lot of money and costing many investors their careers. While commodity prices have rebounded strongly post Covid, we believe that investors are still scared and are unwillingly to underwrite even modestly higher commodity prices in the future. The consensus is mean reversion. During bubbles, investors are willing to extrapolate the recent great results seemingly forever. This is clearly not the case with natural resource equities.

We continue to hedge our long portfolio by shorting two growth-oriented ETF's: ARKK and IWO (Russell 2000 Growth). Our hedges reduce our net market exposure and provide us with the right factor bias over the next 6-18 months. Higher inflation and interest rates would have a disproportionately negative affect on these ETF's since they are comprised of long duration assets.

TMR Long Short Opportunities, LP Highlights

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%	11.7%
2021	19.2%	14.1%	28.7%	10.7%

Our long portfolio is consistent with the TMR Long Bias Opportunities LP reviewed above. Our short portfolio has begun to perform well starting in December and continuing into 2022. Fundamentally, we believe there is over 70% downside to our short portfolio with several shorts expected to go bankrupt. In addition to company specific catalysts, we believe an increasing supply of speculative stocks in the public markets will overwhelm demand. Whether it be more SPACs, meme stocks or alleged frauds, in previous stock market bubble bursts such as 2000, eventually supply overwhelmed demand causing the speculative areas of the market to fall by over 80%. We continue to believe that the retail favorites such as meme stocks represent the best opportunity for short alpha and there is still plenty of supply of these types of stocks.

We continue to maintain strict position sizing limits on our individual shorts consistent with our risk parameters. Our short portfolio continues to be highly diversified with over 70 shorts. However, from a factor perspective the shorts are more correlated (a conscious decision) and move with the high short interest, momentum factor and with the ARKK ETF.

We are looking forward to the markets correcting such that our long and short positions will deliver the results we expect, taking advantage of the fundamental research that defined their value and rationale for portfolio inclusion.

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In the case of both TMR Partners and TMR Long Short, the performance data discussed herein reflect the deduction of: (i) an annual asset management fee of 2.0%, charged quarterly; (ii) a performance allocation of 20%, taken annually, subject to a "high water mark;" and (iii) transaction fees and other expenses actually incurred. Results were achieved using the investment strategies described in the Memorandum.

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.

This material contains certain forward-looking statements and projections regarding market trends, investment strategy, and the future asset allocation of the Funds, including indicative guidelines regarding position limits, exposures, position sizing, diversification, and other indications regarding the Funds' strategies. These projections and guidelines are included for illustrative purposes only, are inherently predictive, speculative, and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. The guidelines included herein do not reflect strict rules or limitations on any Fund's investment program and that Fund may deviate from the guidelines described herein. There are a number of factors that could cause actual events and developments to differ materially from those expressed or implied by these forward-looking statements, projections, and guidelines, and no assurances can be given that the forward-looking statements in this document will be realized or followed, as described. These forward-looking statements will not necessarily be updated in the future.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.