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	11.0%	7.1%	-18.1%	-8.0%
2023	27.9%	20.5%	26.3%	9.0%
Cumulative	**96.7%**	**65.4%**	**43.3%**	**21.2%**
Annualized	**22.5%**	**16.3%**	**11.4%**	**5.9%**

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	7.4%	4.3%	-18.1%	-8.0%
2023	28.8%	21.1%	26.3%	9.0%
Cumulative	**157.3%**	**98.6%**	**68.5%**	**36.0%**
Annualized	**24.9%**	**17.5%**	**13.1%**	**7.5%**

Year End Review

Market leadership was narrow for most of the year with the Russell 2000 negative for the year as recently as October 30, 2023 before broadening out to small caps in the final two months of 2023. 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 underperformed the broader market (S&P 500) and only contributed -3.4% to our overall returns despite the S&P 500 being up over 25% for the year.

We remain committed to short selling, which has generated positive absolute returns since inception. We focus on structurally declining companies, companies that are over-earning, companies with unsustainable unit economics, and bubble stocks. We apply our knowledge & experience from studying competitively advantaged tech businesses towards finding "value" stocks where the business is in structural decline. The coverage universe for many value investors is full of structurally declining businesses that look cheap based on the balance sheet and current & near-term earnings. These "melting ice cubes" are systematically overvalued.

Our long book performed well despite SMID caps underperforming large caps. Our value-oriented approach towards SMID cap tech investing, and our focus on companies outside the tech sector that have tech-like characteristics continues to serve us well. Being value investors focused on tech gives us the best of both worlds: we apply the discipline & analytical rigor of value investing (FCF focus, margin of safety, valuation sensitive) to competitively advantaged businesses typically found in tech. Traditional tech investors tend to overemphasize top line growth and may neglect unit economics and valuation. Traditional value investors have more valuation discipline but the typical coverage universe for value investors tend to be lower quality businesses that may also be structurally challenged. Here are some examples of how our approach uncovered systematic mispricing's in 2023:

- We have invested in several previously fast-growing tech companies that experienced growth de-acceleration. Especially if the name is crowded, the stock may have a lot of room to fall before it starts attracting a different, value-oriented shareholder base – or it may remain an orphaned stock. These dynamics gave us an opportunity to buy high-quality tech stocks at a "value" multiple and benefit from growth re-accelerating and multiples expansion.
- We have invested in several previously fast-growing tech companies that started to focus on profitability. After growth slows down, valuations compress, and the company states that it will now focus on profitability, there is a window where the stock remains orphaned – revenue growth is too slow for growth investors to get excited, but profitability is not there yet for value investors to get excited despite the significant share price decline.
- We have invested in several businesses undergoing business model transitions. For example, companies transitioning from transaction-based revenue towards subscription, from license-based revenue model to subscription-based model, transitions from a hit-based business (gaming)

towards a more predictable subscription or 3P publisher. These business transitions can cause changes in financials, confusion, changes in shareholder base, and changes in the overall unit economics and capital intensity of the business.

Focusing on tech enables us to study various forms of competitively advantaged businesses which enables us to look for those qualities in other sectors where investors without a tech investing background may not appreciate. One example in our portfolio is VTY.

New long: Vistry Group PLC (VTY)

VTY is a 3.1B GBP market cap UK homebuilder trading at 10x P/E and 1x price/book value. While homebuilders trade on book value, VTY is transitioning to a capital light Partnership model (lower EBIT margins, higher ROCE, cycle-agnostic) which will unlock 1B GBP of excess cash for shareholder returns over the next three years - the transition should be complete by end of 2024. Should also see valuation multiples expand as VTY becomes cycle-agnostic, and generates continued earnings growth with higher FCF conversion. Countryside (VTY's partnership brand) grew earnings from 2007-2010 and from 2019-2022.

There is a severe housing shortage in England. 340k units need to be built each year and at that rate housing supply and demand would come into balance by the mid-2030s. Wide support from the UK government for financial aid to homeowners and initiatives to increase home construction.

In the partnerships business model, VTY partners with housing authorities and local governments who donate land for regeneration purposes, minimizing the builder's initial capital outlay and providing a large land bank without the risks associated with typical land speculation. The builder then builds a mix of affordable housing, rental units, and private homes on the donated land, incurring costs only for project management, materials, and labor. It's the housing authorities/local governments that hold the land on their balance sheet and VTY's land acquisition costs are minimal - land is provided on a deferred payment basis upon the completion and sale of each project, essentially eliminating inventory/land management risk.

In a Partnership project, Vistry generally pre-sells its units by 6-9 months resulting in 80%+ of Partnership projects pre-sold and a less cyclical business vs. traditional homebuilders. With this increased revenue visibility, Vistry can deliver units at 3-4x the pace of traditional homebuilders which increases FCF and is exactly what customers want to address the severe housing shortage in England. VTY is also now selling to a different set of customers (typical split is 50-50 split between government entities/charities and PRS with less than 25% sold outright to private homeowners:

- Housing associations & other public sector entities: highly risk-averse, not dependent on interest rates to finance their purchase - cycle-agnostic demand, public mandate to increase housing deliveries to alleviate housing crisis in the UK, lacks operational expertise to deliver housing so need to partner with Vistry, non-economic customers - they aren't commercial entities focused on maximizing ROCE, they're more focused on having their housing needs

met. It takes years/decades to develop relationships with these authorities and this time-consuming relationship building is a different skill set from those required in traditional homebuilders.
- PRS (private rent sector): institutional investors such as PE, REITs
- Private homeowners: traditional homebuilding - vulnerable to the housing market cycle.

Partnership has a higher ROCE because: less cash upfront for development from partnering with government entities/charities and financial buyers, higher asset turns, which more than compensate for the lower margins vs. traditional homebuilders.

VTY is the dominant Partnership homebuilder in the UK and has a long track record of success, expertise, and relationships with local authorities, housing associations, and PBRs. For large projects, customers want to go with Vistry over a local/regional competitor - similar to large institutional investors wanting to invest with Blackstone/KKR, you don't get fired for buying IBM.

VTY has a high ROCE (40% ROCE target), barriers to entry, predictable revenue, and a long runway for growth - these aren't characteristics typically found in traditional homebuilders but are more common in high quality technology companies. By 2027, VTY should have a 40% ROCE, HSD revenue growth, 14% EBIT margin. 12.5x our 2027 EBITDA-Capex results in 293% upside for a 36% IRR.

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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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