TMR CAPITAL

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	8.0%	16.9%	4.6%
Cumulative	**48.3%**	**32.6%**	**16.4%**
Annualized	**14.9%**	**10.5%**	**5.5%**

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	10.6%	16.9%	4.6%
Cumulative	**81.4%**	**56.0%**	**30.6%**
Annualized	**17.2%**	**12.6%**	**7.4%**

Quarter Review

Our performance in the first half of 2023 was strong in absolute terms but unsatisfactory compared to the S&P 500 which is having one of the best starts to the year in its history. Market leadership has been extremely narrow. 10 stocks typically account for 32% of the S&P 500's returns each year. In 2023, 10 stocks account for 82% of the S&P 500's returns. Furthermore, AI-related stocks drove virtually all S&P 500 returns this year. The S&P 500's top performers were mega-cap tech stocks such as NVIDIA (up 220% YTD with a $1.15 trillion market cap) while our portfolio is comprised mostly of smaller companies in the $1-$10 billion market cap range. While we believe some of our longs will benefit from AI, their stock price did not increase much in the first half of 2023.

We are encouraged that market leadership started to broaden in July resulting in strong absolute and relative performance. Going forward, I will be spending almost half the year in San Francisco to interact with startup founders and startup investors to better understand and anticipate key technological trends (such as the rise of AI). Spending more time in the startup / tech ecosystem will help us to better develop and define a "long the disruptors and short the disrupted" theme in our portfolio.

Our strong absolute performance in the first half was driven by our more bullish positioning and our focus (on the long side) on fast growing but for the most part unprofitable consumer and technology companies that we predicted would 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, 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 gross exposure in our Long Short Equity strategy.

New long: Roku

We have traded in and out of Roku since 2020 and Roku is now a top 3 position. In that time-period, Roku has traded in a wide range from 1.7x NTM Revenue to 27x NTM Revenue. Despite the wide change in sentiment, Roku has consistently grown and gained market share.

Company Overview

Roku is the leading TV streaming platform in the United States, Mexico, and Canada by hours streamed. Roku pioneered streaming to the TV. Roku's mission is to be the global TV streaming platform that connects and benefits the entire TV ecosystem of consumers, content publishers, and advertisers. Through Roku's TV streaming platform, Roku connects consumers to the entertainment they love, enables content publishers to build, engage, and monetize large audiences, and provides advertisers with unique capabilities to reach consumers.

The foundation of Roku's platform is the Roku operating system which is purpose built for TV streaming. The Roku OS powers Roku streaming devices. Roku streaming devices include Roku streaming players, Roku Streambars, and TVs powered by Roku OS (which include TVs that are manufactured and sold by licensed Roku TV partners ("Roku TV models") and Roku's own TVs that will be available to purchase beginning in 2023 ("Roku-branded TVs")). Roku licenses the Roku OS to their licensed TV partners who leverage Roku's smart TV reference designs, and then manufacture and sell Roku TV models. In January 2023, Roku announced the launch of Roku Select and Roku Plus Series TVs, a new line of Roku-branded TVs that will be designed, made, and sold by Roku, which will also be powered by the Roku OS. The Roku OS is designed to run on low-cost hardware which enables Roku and their licensed Roku TV partners to sell streaming players and TVs at affordable prices. Consumers connect their Roku streaming devices to Roku's streaming platform via a broadband network and are able to access a wide selection of content through a streaming experience that is both delightful and easy to use.

ROKU is a neutral partner at the center of the streaming ecosystem, building capabilities to aggregate content and engage viewers, and further strengthening Roku's unique advertising platform which offers superior capabilities for brands. Content publishers can reach Roku's highly-engaged user base of 70.0 million active accounts and use Roku's billing services and data insight tools. Advertisers reach TV viewers at scale with targeted and measurable ads. Licensed Roku TV partners can build market share by offering smart TVs in a range of sizes and price points, and retailers can offer customers Roku's highly-rated streaming devices online and in stores.

Roku plans to build scale with these streaming devices and then monetize through services. Three core areas of focus define Roku's business model. First, they grow scale by increasing their active accounts. Second, they grow engagement by increasing the hours of content streamed through the Roku platform. And third, they grow monetization of the activities that consumers engage in through Roku's platform. Furthermore, Roku's business model is designed to fulfill the needs of the participants in the TV streaming ecosystem: consumers, content publishers, advertisers, licensed Roku TV partners, other device licensees, and retailers.

Roku generates revenue through Platform Net Revenue and Devices Net Revenue:

- **Platform Net Revenue (87% of Revenue)**: Platform revenue is generated from the sale of digital advertising and related services including the demand-side platform and content distribution services such as subscription and transaction revenue shares, media and entertainment promotional spending, the sale of Premium Subscriptions, and the sale of branded channel buttons on remote controls.
- **Devices Net Revenue (13% of Revenue, run at break-even or at a lost; devices is a customer acquisition channel for Roku)**: Devices revenue is generated from the sale of streaming players, audio products, smart home products, and, beginning in 2023, Roku-branded TVs, and related accessories as well as from licensing arrangements with service operators and licensed Roku TV

partners. Roku expects to continue to manage the average selling prices of their streaming devices to increase active accounts. The trade off from devices gross profit or loss to grow active accounts will result in increased platform revenue and platform gross profit.

Investment Overview

Roku is a quality, though currently unprofitable compounder, with strong unit economics and attractive growth prospects trading near trough valuations more in-line with commoditized consumer electronics companies. Fast growing unprofitable tech stocks are still out of favor, not withstanding the run-up YTD, and the advertising market is weak. Roku has therefore faced a perfect storm but as the ad market recovers and valuation multiple compression stops, Roku offers compelling returns.

Powerful secular growth

Digital advertising spending enjoys strong secular tailwinds and is projected to increase at a 15% CAGR to 2025 reaching $304 billion in the US. US subscription OTT spending accounts for 3.4% of digital ad spending and US Connected TV (CTV) accounts for 7.3% of total media spending. CTV ad spending in the US was $21 billion in 2022 and projected to double by 2027.

Most of TV content and TV advertising will likely be streamed. The shift of the TV ecosystem to streaming continues and is expanding TV's capabilities for consumers, content publishers, advertisers, and other industry participants. TV streaming is now mainstream. In 2022, for the first-time viewers in the United States spent more TV time streaming than watching cable, and "cutting the cord" from traditional TV services has accelerated. Essentially every major media company has entered TV streaming and launched a streaming service, with several expanding beyond pure subscription models to new ad-supported options. Similarly, advertisers can use TV streaming to reach consumers that are increasingly unreachable on traditional TV while also benefiting from the digital advertising capabilities that TV streaming platforms deliver.

People love movies and TV shows, but they don't love the linear TV experience, where channels present programs only at particular times on non-portable screens with complicated remote controls. Now streaming entertainment - which is on-demand, personalized, and available on any screen - is replacing linear TV.

Changes of this magnitude are rare. Radio was the dominant home entertainment media for nearly 50 years until linear TV took over in the 1950's and 1960's. Linear video in the home was a huge advance over radio, and very large firms emerged to meet consumer desires over the last 60 years. The new era of streaming entertainment, which began in the mid-2000's, is likely to be very big and enduring also, given the flexibility and ubiquity of the internet around the world.

Streaming entertainment is expanding rapidly because of:

- Ecosystem Growth: The internet is getting faster and more reliable, while penetration of connected devices, like smart TVs and smart phones is also rising.

- Freedom and Flexibility: Consumers can watch content on demand, on any screen, and the experience is personalized to individual tastes.
- Rapid Innovation: streaming entertainment apps have frequent improvement updates and streaming is the primary source of UHD 4K video content.

Eventually, as linear TV viewing falls in viewing and value, the spectrum it now uses on cable, fiber, and over-the-air will be reallocated to expand internet data transmission. Satellite TV subscribers will be fewer and more rural. In a few decades, linear TV will be the fixed-line telephone: no longer mainstream. By 2024 roughly half of all U.S. TV households will have cut the cord or never had traditional pay TV. We have now entered the streaming decade when consumers around the world will choose streaming as their primary way of viewing TV.

ROKU benefits from the re-platforming of the TV ecosystem from traditional linear TV distribution and legacy pay TV services that started when early adopters began embracing TV streaming which gained momentum rapidly and is creating even more opportunities for consumers, content publishers, advertisers and other industry participants. Over the last year, many of the biggest names in media and TV programming embraced the transition to streaming resulting in the launch of new TV streaming services, growing investment in original content that is exclusive to streaming, and more ad-supported TV viewing options. As TV streaming has become mainstream, consumers are spending more time watching TV streaming services, with many leaving legacy pay TV services entirely. As the shift to TV streaming continues, advertisers looking to reach and engage streaming audiences will take advantage of the benefits inherent with digital advertising capabilities available in TV streaming and will re-allocate their budgets accordingly. ROKU is capitalizing on this large and growing economic opportunity. ROKU believes that someday all TV content will be streamed presenting a large market opportunity for digital advertising.

Over the longer term, not only do we believe that the trends that we expect to define the streaming decade will remain intact, but changes brought on by the COVID-19 pandemic may even accelerate Roku's path to greater platform scale. In the years ahead, we believe that the vast majority of TVs will use a modern TV streaming OS to connect to the internet; more TV brands will adopt a licensed OS; cord-cutting will continue; ad-supported content will unlock enormous value for consumers; and shifting audiences and innovative ad tech will shift billions of advertising dollars from linear TV to OTT.

Roku benefits from strong network effects

While competition amongst various streaming services has become intense, ROKU is a neutral partner at the center of the streaming ecosystem, building capabilities to aggregate content and engage viewers, and further strengthening ROKU's unique advertising platform which offers superior capabilities for brands. ROKU is well positioned to thrive in this new streaming decade based on their increasing brand strength, the scale of their growing active account base, their purpose-built TV streaming operating system (OS) and first party customer relationships with growing engagement. Roku is a key partner for content publishers, advertisers, and TV brands.

Roku's highly engaged user base combined with the fact that it doesn't favor any one streaming service over others makes it a necessary distribution channel for new over-the-top video options. That creates a virtuous cycle where users opt for Roku for access to the broadest selection of content. That's the network effect in action, and it's one of the strongest competitive advantages in developing a platform business like Roku's.

Dominant market share

ROKU has the largest and most engaged streaming base in the US. In the U.S., Active Accounts are approaching half of all broadband households. This unmatched scale is the foundation of Roku’s business model, leading to significant engagement and growing monetization opportunities. The Roku operating system (OS) was the #1 selling smart TV OS in the U.S., achieving a record-high 43% of TV unit share, which was more than the next three largest TV operating systems combined (according to Circana). Roku’s brand strength and strong network effects give Roku bargaining power over content owners. Roku is not a commoditized consumer electronics company with low switching-cost even though it’s being valued as such.

Valuation

The powerful secular growth behind digital advertising, streaming, and CTV ad spending, along with Roku’s dominant position and strong network effects give us confidence to forecast 15%-20% revenue growth up to 2027. A recovering advertising market and the potential for greater ad load (Roku is half the ad load of traditional TV and fill rates are low as Roku is demand constrained on ad sales) serves as upside risk.

Roku’s operating expenditures are largely fixed costs and the main variable costs is the c.50% revenue share with third-party content owners. Therefore, Roku should see significant operating leverage as they continue to improve their monetization. We comfortably get to 22% EBIT margins by 2027.

7x 2027 Revenue gives you a 420% return for a 42% IRR. 15x 2027 EBITDA gives you 188% return for a 25% IRR.

Catalyst

The Roku Channel (TRC): While there is limited disclosure on TRC, TRC is gaining significant traction. Continued growth and more disclosures could cause shares to re-rate significantly higher.

TRC is Roku’s owned and operated streaming channel that drives engagement on their platform by providing users with free, ad-supported access to a large and broad library of content. This content is available both on demand and through more than 350 linear channels — all accessible from a single app on Roku’s platform. TRC also offers paid, subscription-based content from dozens of content partners through Premium Subscriptions, which gives users the ability to browse content before signing up, obtain free trials for subscriptions, sign up in one-click, and enjoy simple subscription management with a single monthly bill. In 2022, TRC was a top 5 channel on Roku’s platform in the U.S. by both Active

Account Reach and Streaming Hour engagement. In Q2 2023, Streaming Hours on The Roku Channel grew more than 50% YoY. For the first time, Nielsen reported that The Roku Channel was 1.1% of total U.S. TV viewing in May, which represents 3% of streaming hours, in line with Peacock and close to HBO Max. Additionally, a significant portion of streaming of other services ranked by Nielsen occurs on the Roku platform.

TRC is a core strategic asset that simultaneously benefits consumers, content partners, and advertisers, while generating increasing platform revenue. For viewers, TRC is a compelling destination for a diverse selection of free and paid entertainment, providing content through linear channels and on demand offerings. For content owners, TRC provides a variety of options to distribute and monetize content through both licensing agreements and Premium Subscriptions. And for both content owners and advertisers, TRC delivers a large and engaged audience at scale that we believe will continue to grow. Owning and operating both TRC and the Roku platform creates unique value, making Roku a leader in free content, positioning Roku to be a valuable partner to content owners, and providing a large source of ad inventory.

Some estimates have TRC revenue at c.20% of total revenue despite being only c.4% of total hours streamed. Fill rates are still not at 100% because Roku is demand constrained on ad sales – it's still a supply-rich environment and the biggest challenge is competing dollars away from the traditional TV spending pattern. Ad loads may therefore be able to double and still be half of linear TVs which is in line with Roku's commitment to keep ad loads at less than half of linear TVs to provide consumers with a better experience. With continued growth in CPM and steady 50% revenue share with third-party content owners, TRC revenue can grow multiples from where it's at now with most of the additional revenue going straight to the bottom line as the opex is relatively fixed. In this scenario, TRC could potentially be worth Roku's current enterprise value.

Advertising market rebounds: the ad market is under a lot of headwinds because of the macro environment. However, the ad market is cyclical and when it rebounds, Roku will be a large beneficiary. Meanwhile, the long-term opportunity in streaming remains unchanged, and Roku is at the center, serving viewers, content owners and advertisers.

This material does not constitute an offer or the solicitation of an offer to purchase any interests in TMR Partners Long Short Opportunities Variable Net, LP ("**TMR Variable Net**") and/or TMR Partners Long Short Opportunities, LP ("**TMR Long Short**"), both Delaware limited partnerships (each a "**Fund**" and collectively, the "**Funds**"), which such offer will only be made via a confidential private placement memorandum (the "**Memorandum**") pertaining to such Fund. An investment in the Funds is speculative and is subject to a risk of loss, including a risk of loss of principal. There is no secondary market for interests in the Funds and none is expected to develop. No assurance can be given that the Funds will achieve their objective or that an investor will receive a return of all or part of its investment. All statements herein are qualified in their entirety by reference to the relevant Fund Memorandum, and to the extent that this document contradicts that Memorandum, the Memorandum shall govern in all respects. All Fund investors must be verifiable accredited investors.

This material is confidential and may not be distributed or reproduced in whole or in part without the express written consent of TMR Capital LLC, a Delaware limited liability company (the "**Investment Manager**"). the information in this document is not personalized investment advice or an investment recommendation on the part of the Investment Manager. No representation, warranty, or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this document, and no liability is accepted as to the accuracy or completeness of any such information or opinions. This material is not intended to provide, and should not be relied on for, tax, legal, or accounting advice. You should consult your own tax, legal, and accounting advisers before engaging in any investment transaction.

In the case of both TMR Partners Long Short Opportunities Variable Net , LP 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.