TMR CAPITAL

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	6.2%	4.2%	-20.0%	-9.3%
Cumulative	**97.6%**	**63.9%**	**30.4%**	**23.0%**
Annualized	**28.1%**	**19.7%**	**10.1%**	**7.8%**

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	7.7%	5.3%	-20.0%	-9.3%
Cumulative	**49.2%**	**35.0%**	**10.9%**	**9.6%**
Annualized	**24.4%**	**17.8%**	**5.8%**	**5.2%**

The Pendulum & Risk Management

The Pendulum that we have spoken about at length in prior communications is in full swing, swinging away from greed and heading towards fear. Unlike many of our peers, we are generating positive performance for the year, off the back of strong absolute returns in prior years, and we have reduced our gross and net exposure in both funds throughout the year.

Currently, we are all in cash (except for one small put option position in the Long Short fund). As discussed in prior letters, we view the current "Everything Bubble", when measured at its peak, as being more excessive than prior bubbles such as the 2000 Internet Bubble. When bubbles of this magnitude break, it's a multi-year process with plenty of bear market rallies to squeeze late shorts and suck in complacent longs. Therefore, bubbles can hurt both bulls and bears.

Cash is a terrible long-term investment, but we view it as the most prudent tactical allocation for the moment. Our number one goal is and always has been to not lose money and goal number two is not to forget rule number one. We began shorting the most speculative stocks (meme stocks, "innovation" stocks, clean technology stocks, retail promotions, SPACs etc…) in 1Q 2021 when many of those stocks peaked. Those stocks are down 50%-90%. While we believe that many of those stocks will ultimately be worthless, these types of speculative stocks can have their most violent rallies during bear markets which would force us to cover at exactly the wrong time. Furthermore, short selling has become more crowded. In our 2021 letter, titled "Dedication to Short Selling", we posited that now was one of the best times to short despite many funds de-emphasizing or pulling back altogether from short selling due to the meme stock mania and overall equity bubble inflating to unimaginable heights. In 2022, many funds that were caught offsides from the stock market decline and posting negative performance through May 2022 are now ramping up their single stock short selling. We believe this may exacerbate the inevitable bear market rallies. Therefore, we have proactively covered our shorts given the increasingly treacherous short selling environment in the near term.

Cash has other benefits as a short-term tactical allocation. We will not lose money (nominal). Cash gives us optionality to upgrade our portfolio when the time is right to increase our gross exposure. We view cash as superior to running a high gross low net portfolio given the extreme volatility and unattractive short-term setup in short selling.

Our risk management process is now complete, and we continue to diligently work on our watchlist to identify attractive businesses we would like to own at the right price and time. However, we will be cautious in grossing up because bear markets have plenty of countertrend rallies. Based on historical multi-year bear markets, we are maybe one-third to one-half (if bulls are lucky and every macro factor plays out perfectly) of the way there before reaching a bottom. Valuation multiples have contracted (especially in fast growing unprofitable technology companies) due to fears around inflation and tightening financial conditions. Earnings revisions then need to meaningfully come down, but so far, they have not. Corporate profit margins as a percentage of GDP are at a record high. Historically, a rising dollar, rising commodity prices, and accelerating inflation have never boded well for corporate earning over the next twelve months. Finally, we need to see a full-scale capitulation (like March 2020) which we have certainly not yet experienced in the equity markets (excluding the frothiest parts of the markets such as Meme stocks and "Innovation" stocks which are down 50%-90%+ from their peaks in 2021). We are deeply skeptical of fund managers that are down over 40% for the year claiming that their longs are cheap now, that we no longer need worry about inflation, and that the bear market is over.

We have over one hundred stocks in our Long watchlist and continue to refresh those stocks while looking for more stocks to add to the watchlist. Our watchlist on the long side is divided into:

- **Emerging compounders**: fast growing top-line businesses benefiting from strong secular growth. However, they are currently GAAP EBIT and FCF negative (or slightly positive) but likely have strong unit economics and are choosing to remain unprofitable as they reinvest all their gross profit and more back into the business in Sales & Marketing and Research & Development.
- **Established compounders**: durable, profitable growth with established growth algorithms. They are likely also benefiting from strong secular growth trends.
- **Quality cyclical**: like the established compounders but they are more cyclical.
- **Cyclical**: lower business quality and more cyclical.
- **Business model transitions**: the company is undergoing a transformation in its earnings power going forward that the market is not fully appreciating.

In the current macro and factor driven market, babies are being thrown out with the bathwater. There will likely be generational buying opportunities for those that manage to survive the bear market. We have strong returns, ample cash, and the willingness to act aggressively when the time is right.

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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.

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