TMR CAPITAL

Performance

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 YTD	16.2%	12.6%	7.5%	2.2%
Cumulative	**78.8%**	**54.6%**	**22.0%**	**13.7%**
Annualized	**25.2%**	**18.4%**	**8.0%**	**5.1%**

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 YTD	18.3%	14.3%	7.5%	2.2%
Cumulative	**136.4%**	**87.4%**	**43.4%**	**27.6%**
Annualized	**27.9%**	**19.7%**	**10.9%**	**7.2%**

Quarter Review

Our strong performance in the first quarter 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. Our top contributors for the quarter were SE, ROKU and WIX (all long positions). Our top detractors were long positions in RNG and various energy securities (which we view as just one position).

We did not have any material exposure to financials during the quarter and thus were not materially affected by the bank collapses. We did use the selloff in financials to re-establish a core position in BHF which we continue to believe that the market is not appreciating its business transformation towards a more predictable, less capital intensive, and greater free cash flow generating business. The market indiscriminately sold off BHF as well as other life insurers and financials despite BHF having long duration liabilities instead of the short-term deposits that can be subject to a bank run.

The current environment is becoming increasingly 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: Hilton Grand Vacations (HGV)

HGV is a top three position and a good example of the types of longs we seek. HGV is a misunderstood quality compounder that spun-off from Hilton and is undergoing an inflection in its business with its transformative acquisition of Diamond.

Company Overview

Hilton Grand Vacations (HGV) is the result of a spinoff from Hilton Worldwide Holdings (Hilton) in 2017. HGV is a global timeshare company engaged in developing, marketing, selling, managing and operating timeshare resorts, timeshare plans and ancillary reservation services, primarily under the Hilton Grand Vacations brand. HGV also owns and operates Legacy-Diamond resorts and sales centers that have been acquired through the Diamond Acquisition, which are undergoing rebranding.

Operations primarily consist of selling vacation ownership intervals and vacation ownership interests (VOI) for HGV and third parties; financing and servicing loans provided to consumers for their timeshare purchases; operating resorts and timeshare plans; and managing both HGV's points-based Hilton Grand Vacations Club and Hilton Club exchange program and the Diamond points-based multi-resort timeshare plans and exchange programs. HGV operates their business across two segments: (1) real estate sales and financing and (2) resort operations and club management.

- **Real estate sales and financing (67.2% of Revenue, 65.1% of EBITDA)**:
    - **VOI sales (80% of Revenue, 85.9% of EBITDA)**: HGV sells their owned inventory and interests directly and, through their fee-for-service agreements, they sell VOIs on behalf of third-party developers using the Hilton Grand Vacations brand in exchange for sales, marketing and brand fees. Under these fee-for-service agreements, HGV earns commission fees based on a percentage of total interval sales.
    - **Financing (20% of Revenue, 14.1% of EBITDA)**: HGV provides consumer financing, which includes interest income generated from the origination of consumer loans to members to finance their purchase of VOIs owned by HGV. HGV also generates fee revenue from servicing the loans provided by third-party developers to purchasers of their VOIs.
- **Resort operations and club management (32.8% of Revenue, 34.9% of EBITDA)**:
    - **Resort management (26.5% of Revenue, estimated 40.6% of EBITDA)**: resort management services primarily consist of operating properties under management agreements for the benefit of homeowners' associations (HOAs) of VOI owners at both HGV resorts and those developed by third parties. HGV's management agreements with HOAs provide for a cost-plus management fee, which means HGV generally earn a fee equal to 10% to 15% of the costs to operate the applicable resort.
    - **Club management (19.6% of Revenue, estimated 40% of EBITDA)**: HGV operates and manages the Clubs and receive annual membership fees as well as incremental fees depending on exchanges and transactions members choose for other vacation products and services within the Club system.
    - **Rental of available inventory (54.0% of Revenue, estimated 10.2% of EBITDA)** : HGV generates rental revenue from unit rentals of unsold inventory and inventory made available due to ownership exchanges through their Clubs programs. This allows HGV to utilize otherwise unoccupied inventory to generate additional revenues. HGV also earns fee revenue from the rental of inventory owned by third parties as well as revenue from retail, spa and other outlets at their timeshare properties.

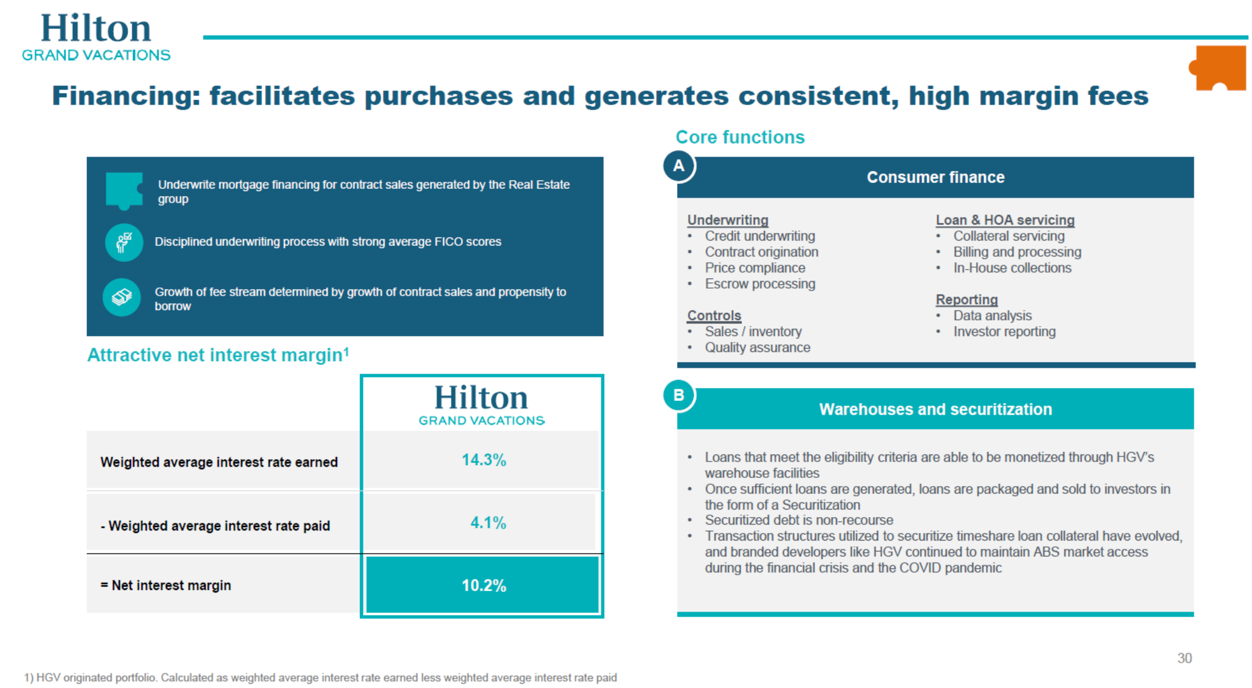
Investment Overview

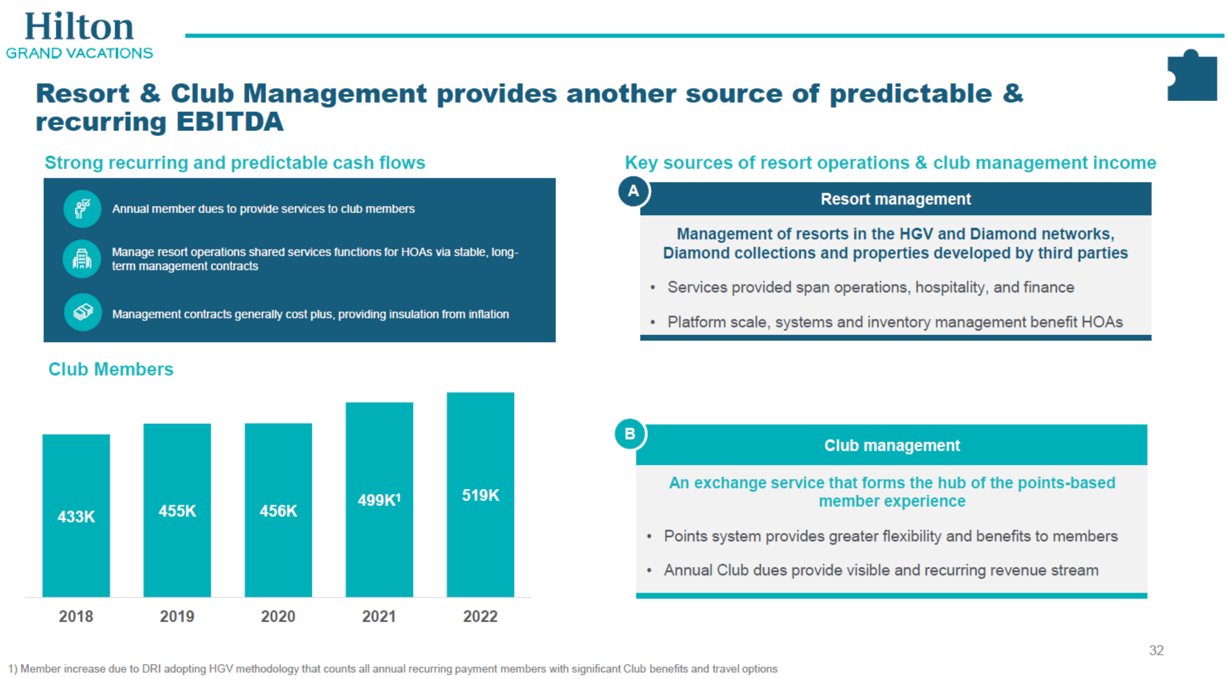
HGV is an undervalued quality compounder on its own and should provide a strong IRR at current valuations of 10.6x NTM P/E (consensus forecasts) and 6.1x 2023 TEV/EBITDA (consensus forecasts). However, the real juice of this investment thesis is the game changing acquisition of Diamond in August 2021 which has and will continue to result in significant cost synergies. In addition, the HGV / Diamond acquisition may prove to be one of the rare acquisitions that also provides significant revenue synergies although the stock is still cheap even if the revenue synergies don't materialize.

High Quality Compounder

HGV currently trades like a mid to low quality cyclical consumer-discretionary stock. However, pro-forma for the Diamond acquisition, nearly 70% of HGV's EBITDA comes from recurring revenue streams (contractually recurring revenue from financing and resort & management operations) or highly predictable owner upgrades and the associated transaction fees with those upgrades. HGV is also partly insulated from inflationary pressures as maintenance capex and resort operating costs are funded by owners each year.

It's worth noting that for HGV's financing revenue, the consumer finance portfolio has a weighted average length of loan of 10 years, 13.4% interest rate, and 1.2% interest cost to fund financing receivables resulting in a 12.2% net interest margin.



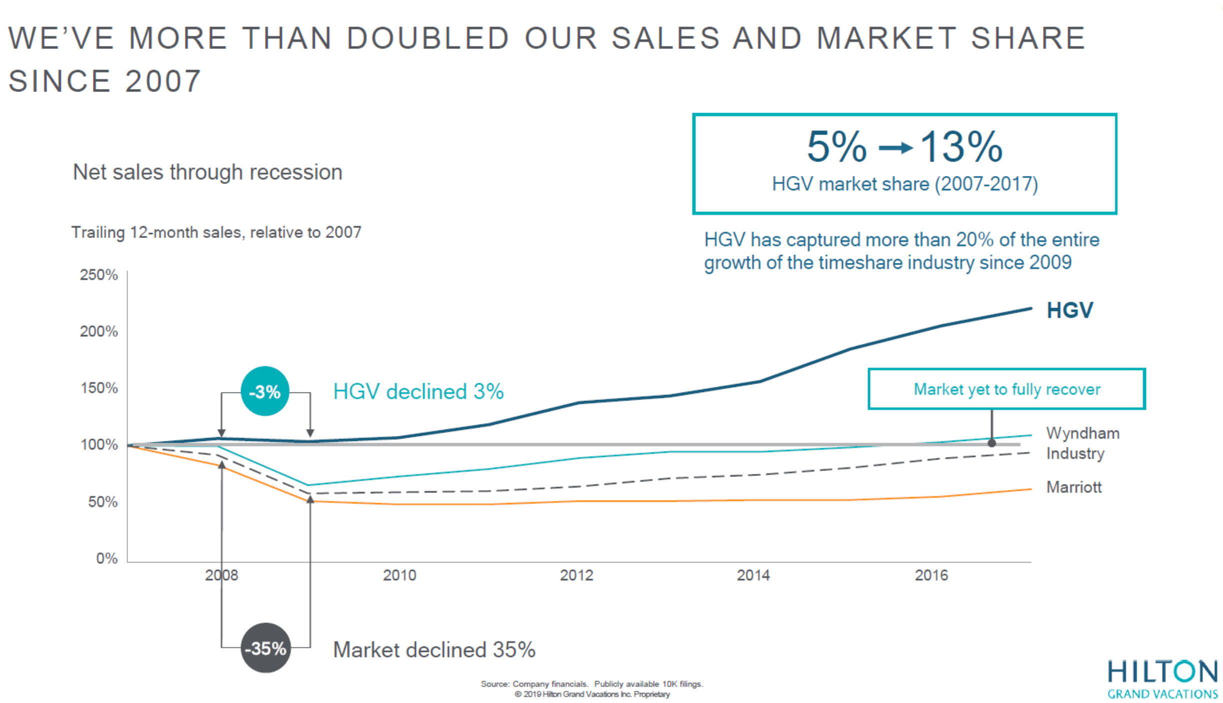


HGV has visibility into long-term supply. The estimated contract sales value related to HGV's inventory that is currently available for sale at open or soon-to-be open projects and inventory at new or existing projects that will become available for sale in the future upon registration, delivery or construction is approximately $11 billion at current pricing. Capital-efficient arrangements, comprised of HGV's fee-for-service and just-in-time inventory, represented approximately 39% of that supply. This enables HGV to efficiently manage inventory to meet predicted sales, reduce capital investments, minimize their exposure to the cyclicality of the real estate market and mitigate the risks of entering new markets.

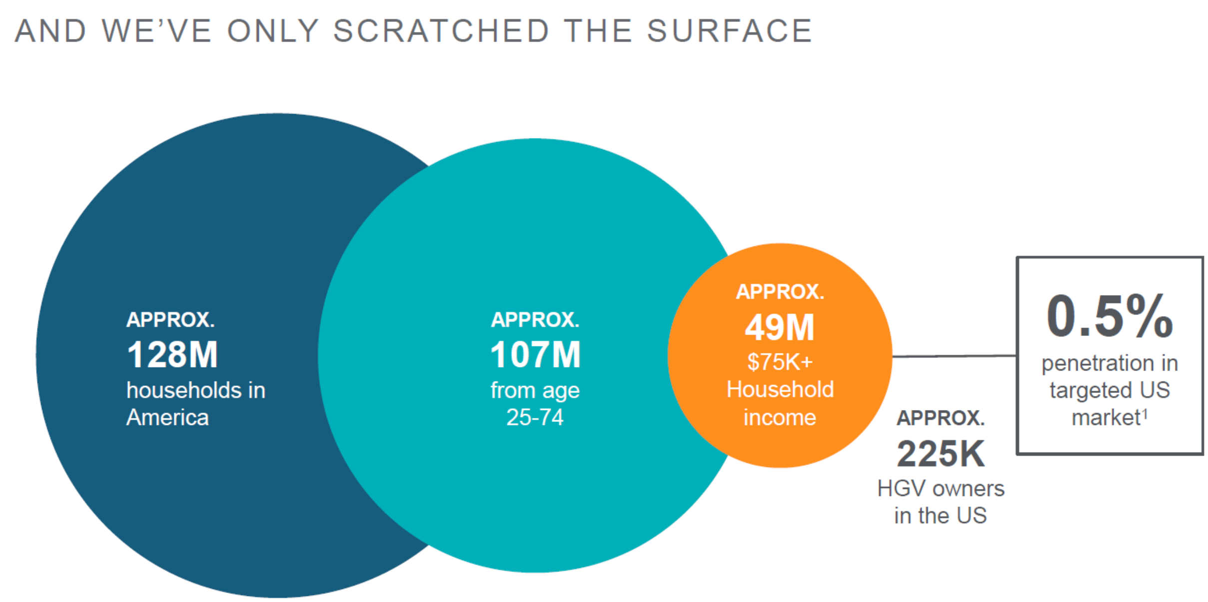
HGV is differentiated in the timeshare industry because of the Hilton brand.

HGV's unique relationship with Hilton gives it a unique sourcing opportunity from Hilton's large and growing loyalty members.

HGV has been a consistent market share gainer and while the timeshare industry as a whole saw sales fall -35% in 2009, HGV's sales fell just 3%.



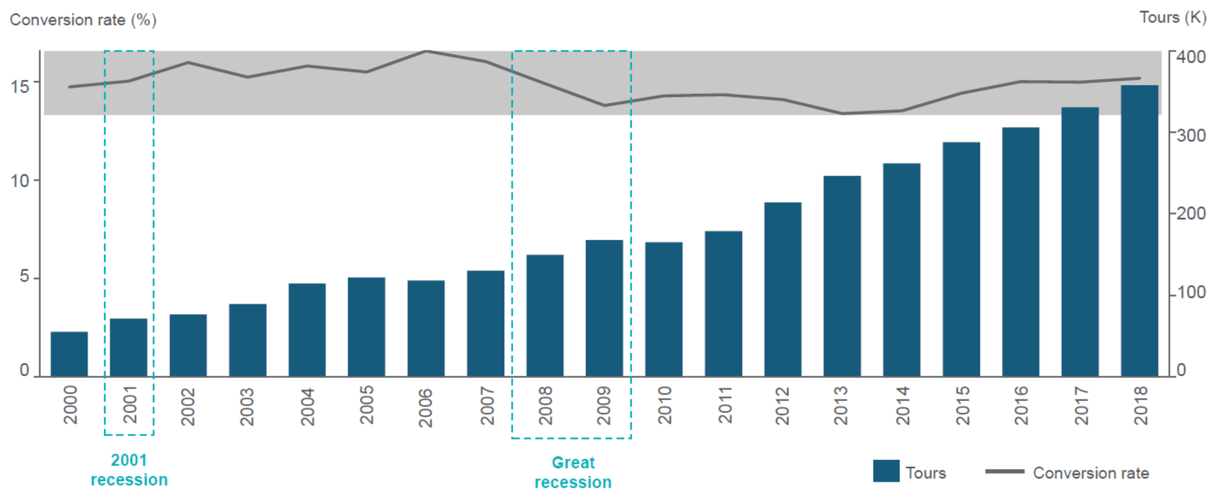
HGV is also a best-in-class operator with thirty straight years of Net Owner growth and continues to have a long runway for growth.



New owners consistently spend more incrementally compared to their initial spend giving HGV more predictability into higher margin repeat business.

Leisure travel and the increased emphasis on experiences are dominant themes that are likely to stay and remain recession resilient.

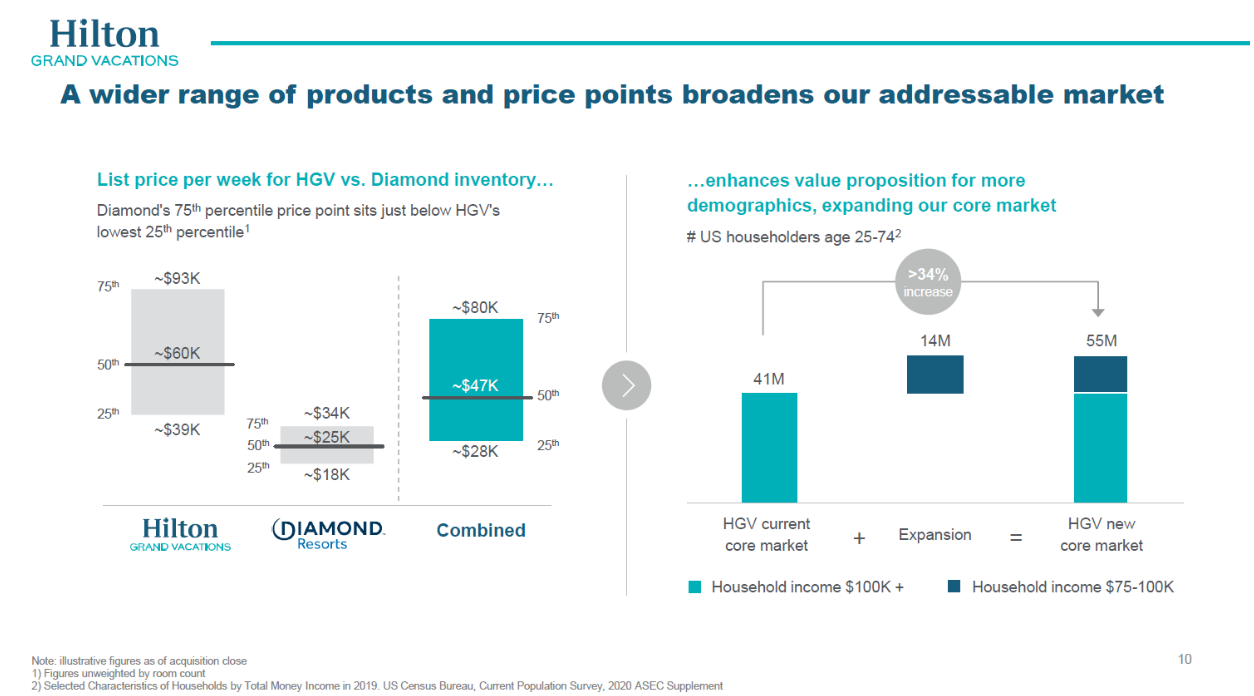
TOURS HAVE GROWN CONSISTENTLY AND CONVERSION RATES HAVE REMAINED IN A TIGHT RANGE EVEN IN RECESSIONARY TIMES



HGV's recurring business model, unique brand, consistent market share gains and strong growth, and exposure to the more recession resilient leisure travel market gives us confidence to model continued HSD revenue growth even without any benefits from the Diamond acquisition.

Diamond Acquisition is a Game Changer

HGV has the best brand (Hilton) in the timeshare industry while Diamond is unbranded and at the time of acquisition was the largest independent timeshare operator. Diamond will now have access to Hilton's membership base which should increase Diamond's membership retention, boost growth and lower customer acquisition costs. The acquisition brings HGV significant scale, doubling their owner base, properties, and sales centers. Diamond also enables HGV to target the upscale customer segment potentially reaching millions of Hilton loyalty customers that were previously not a good fit for HGV's mostly luxurious properties. Acquiring Diamond provides HGV with a level of product diversity and scale immediately which would have taken over a decade to achieve organically.



While there has not been that much M&A in the timeshare industry, it is common to underestimate the revenue synergies and for the combined company to over-deliver on the estimated cost synergies. For example, when Mariott Vacations Worldwide (VAC) acquired Welk Resorts (one of the largest independent timeshare companies in North America), VAC projected they could more than double EBITDA by simply integrating Welk's unbranded properties into the branded Hyatt loyalty program network. In another VAC deal (acquiring ILG), VAC increased their synergy estimates from 20% of ILG's EBITDA right before the acquisition to almost 60% after a couple of years of execution. As of the end of 2022, HGV has rebranded one-third of total keys acquired and remains on schedule to have nearly all Diamond targeted properties rebranded by 2025.

While we believe that there is a high likelihood of significant revenue synergies from this transformative acquisition, we do not model them and instead have EBITDA margins expanding only slightly from 27.8% to 29.7% driven by increased scale.

Valuation

12x 2027 EBITDA results in 312% upside for a 32.8% IRR and our 2027 EBITDA does not give credit for any revenue synergies HGV might be able to achieve. Our multiples expansion is justified as the market comes to better appreciate the resiliency of HGV's highly recurring business model which should shine through in the next recession, the increased scale from the Diamond acquisition, and the potential for revenue synergies.

Catalysts

Successful rebranding of Diamond acquisition. Nearly all Diamond targeted properties should be rebranded by 2025.

Earnings resiliency. HGV earnings should prove to be more stable even in a tough macro environment.

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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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