

ARR Global L/S Equity Strategy Investor Letter, Second Quarter 2024



ARR | INVESTMENT
PARTNERS

Dear Valued Friends and Investment Partners,
I hope this message finds you in good health and spirits.

We posted a negative Q2 2024 performance of -1.9% in USD. We started the quarter by earning outstanding returns in April, which enabled us to be ranked 7th by performance in the Equity Long/Short category in BarclayHedge's monthly performance rankings. However, the next two months were subpar in terms of returns. During the quarter, we made a total of 108 trades, with 47 profitable and 61 loss-making trades. On average profitable trades contributed 0.28%, almost equal to the 0.26% that we lost on average loss-making trades.

Our most successful trades during the quarter were enabled by both our understanding of underlying business drivers and finding attractive entry points from fundamental as well as technical perspectives.

1. Long First Solar: This trade was the largest performance contributor in Q2 2024. The company is a US based solar technology company which is leading in the thin film PV technology. The company falls into the dynamic profit growth investment pattern with the consensus expecting a 26% sales CAGR and a 58% EPS CAGR 2023-2026. This growth comes with low risk as First Solar's total bookings backlog lasts till 2030 and is completely sold through 2026. With such inputs, it boiled down to finding an attractive entry point into this name, which we successfully did based on both technical and fundamental factors. The share price was propelled by the announcement of measures to support solar manufacturers in the US by the Biden-Harris administration, as well as the release of better-than-expected Q1 2024 results.

2. Short Microstrategy: Microstrategy is a loss-making IT company which issues convertible bonds etc. to buy Bitcoin with the aim to hold them forever. It's traditional IT business is insignificant and we think that the

premium of the company's enterprise value compared to the value of Bitcoin it holds exceeding 100% is not making sense especially as investor can buy Bitcoin ETFs. With this in mind, we were waiting for the right moment to short the company's shares and we did so as soon as we saw a technically attractive entry point. This trade earned us the second-highest return during the quarter.

Among other profitable trades, I would like to highlight our long positions in Oscar Health and, more recently, Tesla, both of which fall into the dynamic profit growth investment pattern.

Some of our least successful trades during the quarter and the lessons learned were the following:

1. Long cannabis stocks: Cannabis stocks were an investment theme where we lost the most money in Q2 2024. We bought select cannabis stocks when the news of cannabis rescheduling in the US from Schedule I to Schedule III hit the wire. The shares we bought fell into the rebound investment pattern, and we considered the rescheduling to be a long-awaited trigger for them to rerate. When the rescheduling will be finally implemented the financial impact is very significant as those companies are currently taxed on revenue and not earnings. However, it turned out that the rescheduling was a more complicated process than we had initially anticipated, and it could take an extended amount of time to happen. After the initial rally on the back of the news, the cannabis stocks we were holding began to correct, triggering our stop losses. In hindsight, we should have taken smaller positions in the sector considering the uncertainties around its drivers and resulting shares volatility. This would have allowed us to sustain smaller losses as our initial thesis proved to be wrong.

2. Negative earnings surprises & closing long positions ahead of earnings: We were holding shares of several companies ahead of their earnings releases. One example of such a

company was Shopify. As it missed earnings expectations, its share price dropped by 18%. Since it was not an isolated case, as part of our risk management strategy, we decided to cut our long positions in other stocks that were due to report earnings. We were concerned that they might miss estimates as well, potentially causing a significant monthly drawdown. In hindsight, our performance would have been better if we had not adhered to this risk management approach. For example, Aspen Aerogels which we sold, rallied 90% after reporting strong earnings. While in this particular case, our risk management approach resulted in lower performance (and our frustration), over the long run this approach allows us to avoid significant drawdowns in different market environments.

Business development

During the quarter, we participated in several investment conferences which proved to be instrumental in our fundraising efforts and allowed us to broaden our investor base and make the business more stable.

As mentioned above, I am pleased that our performance was featured in BarclayHedge's

monthly performance rankings for the 2nd time this year. Our strategy was ranked 7th by performance in the Equity Long/Short category for April 2024 when we achieved a net return of 5.3% in USD.



Should you have any questions or require more information, please feel free to reach out to me. I look forward to a future marked by shared success and prosperity.

I appreciate your continued support and trust in my team and me.

Best regards,

Christian

Net Monthly Returns Since Inception

(%)	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	ARR Cumulative	CS L/S Equity Cumulative
2015	3.3	7.9	1.0	7.0	2.7	1.8	-0.7	3.1	-3.4	9.7	3.2	-1.0	39.5	39.5	3.6
2016	5.4	-4.6	-2.4	-1.3	-1.5	-2.1	1.7	0.3	-0.5	-2.2	0.7	6.0	-0.9	38.3	0.0
2017	3.7	2.4	-1.7	4.6	3.2	-1.7	1.2	2.0	5.7	-2.6	0.8	0.5	19.2	64.8	13.4
2018	7.1	-1.4	-0.8	0.8	-1.5	0.3	-1.5	-0.5	3.8	-2.5	0.4	-3.3	0.5	65.7	8.2
2019	3.6	-3.0	-3.8	1.7	-3.0	3.6	0.7	-1.5	-0.3	-1.9	0.9	1.4	-2.0	62.4	21.3
2020	3.2	0.5	18.3	-2.2	-0.5	0.7	5.8	2.5	-7.0	1.1	8.0	3.9	34.6	118.6	30.9
2021	2.4	-4.3	-4.5	2.5	3.8	-4.6	-3.6	1.5	-7.2	3.1	-6.7	-4.6	-20.5	73.9	41.8
2022	-2.5	5.7	16.0	4.0	5.3	2.4	4.5	8.4	1.4	-3.1	-1.4	-0.2	46.8	155.2	33.4
2023	4.7	-4.2	6.0	-1.0	2.2	0.0	-0.2	0.4	0.2	-0.7	9.8	5.4	24.5	217.6	47.0
2024	0.1	12.1	2.7	5.3	-5.0	-2.0							13.0	258.5	61.2

Source: InteractiveBrokers, Credit Suisse, time-weighted performance of first managed account in USD, net of fees; performance from 2015-2023 verified by Spicer Jeffries accountancy; as of 30.06.2024. CS L/S Equity Index is reported with a one-month delay.

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