

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



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PARTNERS

Dear Valued Friends and Investment Partners,

I hope this message finds you in good health and spirits.

I am pleased to announce that we had an outstanding Q3 2024 with a net return of 11.9%. We posted positive performance every month during the quarter: we earned a net return of 2.8% in July, 0.6% in August, and achieved a particularly strong net return of 8.2% in September. During the quarter we made a total of 101 trades, with 57 of them profitable and 44 loss-making. We earned almost four times as much on our top winners as we lost on our biggest losers. This was enabled by our adherence to a disciplined risk management process, including maintenance of tight stop losses.

Most of our successful trades during the quarter fell into the rebound investment pattern. This contrasts with Q1 2024, when we profited the most from investments in companies which we characterize as 'dynamic profit growth'. Our most successful trades are described below.

1. Long Tesla: Our long positions at different times were the largest contributors to our performance in Q3 2024. We think that the company will offer dynamic profit growth in the future, particularly considering the development of the robotaxi. Using technical analysis, we managed to identify attractive entry points and reduce our positions in a timely manner.

2. Long Chinese equities: This was the most profitable investment theme during the quarter. We had been monitoring the Chinese stock market for quite some time, as many Chinese stocks fell into our rebound category due to their inexpensive valuation relative to their growth prospects. So, when the Chinese central bank and government announced economic stimulus, we saw this as a clear trigger to start buying. We opened long positions in equities with significant exposure to China, including Prosus, Ehang, JD.Com, Futu Holdings, and others. We also opened a long position in the Hang Seng Index futures.

3. Short Alpha Metallurgical Resources: We have been observing a striking discrepancy between the share price of this metallurgical coal producer and met coal prices. It became particularly pronounced when AMR, alongside some peers, rallied following the suspension of production at Anglo American's Grosvenor met coal mine in Australia, which, on our estimates, was an overreaction. We opened a short position in this name as soon as we identified a technically attractive point to do so.

4. Long REITs: This was another example of investments falling in the rebound investment pattern that produced significant returns in Q3 2024. We went long select real estate companies such as American Tower and Innovative Industrial Properties, positioning ourselves for the September Fed rate cut. We continue to have exposure to the sector anticipating further easing.

Our losses from individual trades were limited by our adherence to risk management policy and maintenance of tight stop losses. Many of our short positions were in European stocks as the weak economic growth exposes the weakness of certain business models.

Our least successful trade during the quarter was a long position in Moderna. In this case, Moderna's share price gapped down after the company downgraded its 2024 guidance. We were stopped out, but we had to close our position below our stop loss due to the gap in the share price. This case showcases that there are rare occasions when our bottom-up risk management process when we set stop losses for each position can be ineffective.

Business development

I am glad to welcome new investors, including two charities, who joined us last quarter. I am pleased that we had a strong start for the new investors, and I am delighted that, by earning returns, we are helping these charities to fulfil their missions, which include, among others, relief of poverty and the advancement of education.

I am also very happy to announce that our strategy has finally won the prestigious With Intelligence HFM European Performance Awards in the category Global Equity under \$500 million.



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 truly 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
2024	0.1	12.1	2.7	5.3	-5.0	-2.0	2.8	0.6	8.2				26.4	301.2	66.4
2023	4.9	-4.2	6.0	-1.0	2.2	0.0	-0.2	0.4	0.2	-0.7	9.8	5.4	24.5	217.3	48.2
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	154.9	33.6
2021	2.7	-4.2	-4.5	2.5	3.8	-4.6	-3.6	1.5	-7.2	3.1	-6.7	-4.6	-20.5	73.7	41.8
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	118.4	30.9
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	62.3	21.3
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	65.6	8.2
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	64.7	13.4
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	38.2	0.0
2015	3.3	7.9	1.0	7.0	2.7	1.8	-0.7	3.1	-3.3	9.7	3.2	-1.0	39.5	39.5	3.6

Past performance is not necessarily indicative of future returns. Investments can go down as well as up and you may get back less than you invested. Source: Interactive Brokers, Credit Suisse, time-weighted performance of 'reference managed account in USD', **net of fees**; performance from 2015-2023 verified by Spicer Jeffries accountancy; as of 30.11.2024. CS L/S Equity HF Index is reported with a one-month delay. MSCI, S&P, FTSE and Credit Suisse indices are in total return since 1st January 2015. The investment manager runs a number of related managed accounts in USD pari passu with the 'reference managed account in USD'. The performance results of the 'reference managed account in USD' are not materially different than if all related managed accounts in USD had been included; and the exclusion of any related portfolio would not alter the presentation of the applicable time periods prescribed in paragraph (d)(2) of the SEC marketing rule. The 'reference managed account in USD' is not available for investment. Performance of an investor's managed account in USD may differ from that of the 'reference account in USD'.

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