



ARR GLOBAL L/S EQUITY STRATEGY

INVESTOR LETTER Q4 2024

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Dear Valued Friends and Investment Partners,

I hope this message finds you well. As we reflect on 2024 from early 2025, I'm deeply thankful for your trust and partnership. Last year, our ARR global long/short equity strategy delivered a **solid net return of 11%**, a competitive result within the hedge fund landscape. For context, the **Credit Suisse Hedge Fund Index returned 10.69%** for the year. Over the past 10 years our strategy outperformed this benchmark by more than 150%, highlighting the strength of our disciplined approach to long and short stock-picking in challenging market environments.

Our Asymmetric Risk-Reward Philosophy

Our long/short strategy is grounded in an asymmetric risk-reward philosophy, emphasizing disciplined **risk management** combined with **progressive exposure**. This approach means we carefully scale our market exposure based on the performance of individual trades, increasing our positions only when market feedback validates our thesis, and swiftly reducing them when conditions turn unfavorable.

A **disciplined stop-loss framework** remains at the heart of our method. Even with a modest success rate, adhering rigorously to defined stops ensures small losses remain manageable, preventing setbacks from escalating into severe drawdowns. While this rigorous stop-loss discipline can feel challenging in volatile markets—such as the “thousand needle cuts” we experienced during Q4 2024—it is essential for long-term capital preservation and steady performance.

Progressive exposure complements this discipline. We gradually increase our positions as trades move favorably, systematically scaling into winners while strictly limiting downside risk.

This dynamic exposure management allows us to maximize returns when market conditions are favorable, while swiftly pulling back exposure when markets turn adverse. Over time, it positions us to generate substantial returns, even with modest hit rates, by consistently **aligning risk with opportunity**.

Entering Q4 2024, we'd achieved an impressive 23% return through the first three quarters—a high watermark fueled by our ability to identify undervalued longs and overvalued shorts. However, the final quarter proved challenging, with increased market volatility leading to a 12.2% drawdown.

This performance was driven by an accumulation of smaller losses and a retracement of unrealized gains from the prior months.

We responded swiftly and reduced gross and net exposure, a decision that mitigated further downside—though I wish I'd acted even sooner. Despite the Q4 setback, our 11% annual return demonstrates resilience and represents a solid outcome in an environment that was not favorable for our strategy.

Q4 2024 Highlights and Losses

Amid Q4's turbulence, we secured notable wins, such as:

- **Long Arcadium Lithium:** The stock surfaced on our rebound screen, allowing us to capitalize swiftly on acquisition speculation involving Rio Tinto, effectively capturing a valuation gap we had identified earlier in this lithium sector leader.
- **Long EHang:** Our in-depth analysis of this innovative aerial vehicle leader, characterized by exceptional growth rates, paid off significantly—precise timing delivered a meaningful boost to our long book.

- **Long Core Scientific:** A crypto-friendly election outcome lifted this digital mining name, affirming our positioning

Our loss-making positions included:

- **Long U.S. Housebuilders:** Rising long-term interest rates persisted despite calls for lower rates from the new U.S. President, offsetting the solid fundamentals of the companies we invested in.
- **Long Chinese Equities:** Many U.S.-listed companies with significant China exposure, along with the Hang Seng Index, declined due to investor concerns over renewed trade war risks and disappointment with the Chinese government's stimulus measures.
- **Long Gold and Silver Miners:** Both gold and silver corrected after the U.S. elections, primarily due to a strengthening U.S. dollar (DXY index), which negatively impacted the performance of their miners, triggering our stop-loss exits.

Looking ahead, 2024 has once again validated our strategy. We delivered an impressive 23% return heading into Q4. While it might have been tempting to lock in profits early, our philosophy has always been to stay positioned and aim higher—twice in the past, we've achieved **returns exceeding 50%** (gross of fees) in similar circumstances. Although the fourth quarter didn't align with this pattern, our disciplined approach positions us strongly for future opportunities. We see ample opportunities in the current market environment, and we're confident in our ability to profit from those in 2025 in a disciplined manner.

Thank you for your partnership—it fuels everything we do. As always, I'm available for questions or discussions.

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%	-6.6%	0.0%	-6.0%	11.0%	252.1%	72.3%
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%

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 31.12.2024. CS L/S Equity Index is reported with a one-month delay.

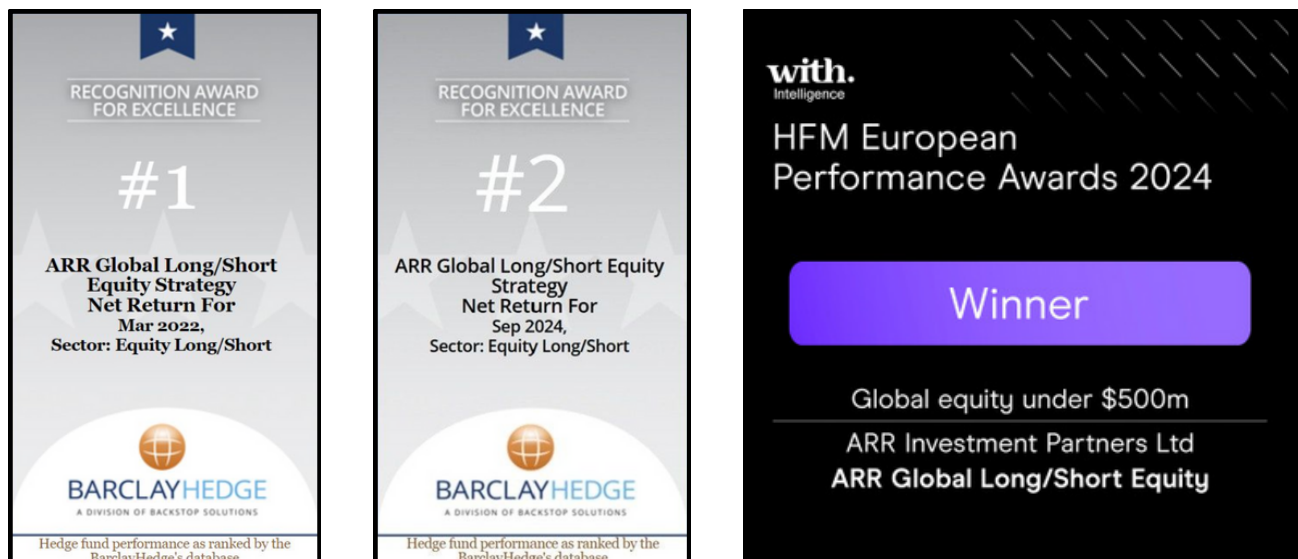
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The **ARR Global Long/Short Equity Strategy** was awarded **“Winner – Global Equity Under \$500M”** at the 2024 With Intelligence HFM European Performance Awards.



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