Here is where things stand:

- The portfolio experienced a significant drawdown over the course of July, which was exacerbated by extreme moves in core positions over the past week. Many AI names drew down by half or more, while our positive L/S spread reversed violently. While we could say much about how unusual the month was, we hold ourselves to a higher standard, irrespective of market conditions.
- As these moves proceeded, we started to see increasingly adverse trading in names publicly associated with us. These dynamics are essentially similar to a bank run: vulnerability begetting more vulnerability. We worked to keep the portfolio within our risk parameters, but gradually this became more difficult as positions rapidly moved against us and market liquidity dried up.
- On Wednesday night/Thursday morning, we took decisive action to protect LP capital. We traded a portion of our public portfolio in a block transaction to remove all leverage from the fund, and prevent further losses. All shorts were closed and reliance on portfolio financing removed. We currently manage a fully-paid-for public book (long stock and long fully-paid-for options, with no margin/liquidation risk). This restored stability and allowed us to preserve our private positions.

I take full responsibility for these events.

To be clear, this should rightly have been a very painful month in terms of the performance of our fund: when AI stocks draw down dramatically while AI technical/business fundamentals are improving, you should expect our fund to be down a lot. We embrace volatility. But it should never jeopardize the fund.

The fund was not shut down, liquidated, or transformed into a private-only fund.
We are continuing to operate as a hybrid public-private fund as before. However, we will manage our public book on a fully-paid-for basis while we draw the lessons from these developments. Most importantly: *we took the steps that were necessary to fight another day.*

In the coming weeks, I will focus on putting in motion the necessary changes—across our portfolio management, risk team, and vigilance applied across the board—to ensure a higher level of resilience going forward. AI may continue to intensify market volatility for years to come. These were very expensive scars, but I am dedicated to ensuring they will be invaluable lessons for our organization and for myself as we move forward. My core promise to you is that we will not waste the opportunity to learn from these events.

Dear Partners,

We let you down this month. We came closer to permanent capital impairment than is acceptable to us. While we ultimately found a solution that protected the fund and you as investors, our intention in running the fund is to never find ourselves in such a position in the first place.

Volatility is the price of long-term investment returns. Over the past two years, we have delivered outstanding results, despite occasional sharp pullbacks. But our fund must always be structured such that we can take a loss and fight another day.

I will make it my mission to ensure that we learn the necessary lessons from this experience.

On the portfolio itself: we are very optimistic about the current investment opportunity set. The underlying fundamentals are accelerating at the very same time that prices have declined significantly.

Thank you for your patience and your partnership. I am fully invested alongside you—virtually all of my capital is in the fund—and I intend to work relentlessly to demonstrate that the events of this month have made me a wiser and stronger investor. I am available next week for 1:1 phone calls with each of you to discuss all of the above.

As an interim update, our current, unaudited estimate of net MTD performance is -67%, and of net YTD performance is +80%. Final figures will follow through our normal reporting process.

We will follow up regarding a group call next week to share further details.

All the best,
Leopold