Hoofddorp, the Netherlands, 1st of August 2024

Dear Investor,

Last two months have been full of interesting events but in the end it did not move the value of the fund too much. June's -1.6% was followed by -0.5%, underperforming MSCI World and MSCI Equal Weight. Our portfolio ran into multiple cyclical earnings disappointments that have outweighed positive developments elsewhere.

In this letter I will go further into detail regarding our current portfolio and recent events. I will also share my view on current markets.

2024	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full Year	Cum
ARAR Fund*	-1.6%	4.6%	4.6%	-5.4%	6.6%	-1.6%	-0.5%	-	-	-	-	-	6.3%	21.5%
MSCI World ACWI ETF**	2.8%	3.7%	3.6%	-1.7%	1.0%	5.0%	0.2%	-	-	-	-	-	15.3%	30.1%
MSCI Equal Weight EUR	1.1%	2.4%	3.8%	-2.5%	1.5%	-0.6%	3.4%	-	-	-	-	-	9.1%	16.1%

*This shows the performance *after all fees and costs* for the A-Class of the ARAR Fund, which is (still) available to new investors.
**This is the Euro denominated MSCI ACWI ETF (IUSQ), which follows a market cap weighted index consisting of ~80% Developed Market and 20% Emerging Markets Stocks. We believe this represents the most prudent and most likely alternative to investing in the ARAR Fund.

PERFORMANCE IN DETAIL

To the casual observer, markets looked very quiet as the S&P500 wasn't moving more than 2% per day for the entire year up until August. However, looks can be deceiving: While the Mag7 (Nvidia, Google, Amazon, Microsoft, etc.) went up over 30% this year, small-caps around the world were even in the minus. Stocks including ours are moving quite volatile to all the changes in the macro environment: Trump or not, recession or not, China tensions or not, China economy boom or bust, France won by Le Pen or not, etc. etc. . If we take the last one, for instance: Our portfolio experienced the full force of the France panic, with Basic Fit, Stellantis *and* OK Wind going down 10%-20% in a week, outside of earnings season.

Last two weeks have been dominated by the rotation away from the mag7 into small-caps. What was an enormous drag in the 15 months before last Investors Letter is now reverting a bit. However, taking a deeper look one can see the comeback of small-caps is actually only happening in the USA at the moment. We did benefit slightly, but most of our tickers are outside of the USA and are only feeling a mild undercurrent right now.

Q2 earnings season was as impactful as ever, with some positive surprises (BasicFit) and a few disappointments (OK Wind, Stellantis, Pax Global and OneWater).

BasicFit really didn't report anything unexpected, except that they showed they remain steady after all the French drama. With so much negativity baked into the stock, it took nothing more than this to lift it up. The stock went up 10% after earnings.

The same couldn't be said about OK Wind, who did something that seems to be a bit of a small-cap trait: they had reported poor earnings in Q1 but nonetheless repeated their earlier guidance ('we expect a rebound in Q2 due to the postponing of orders by customers'). But instead of delivering on their promise, Q2 showed more of the same and they were forced to lower guidance for 2024. They did not change their 2027 outlook, which I bet they will in due time. The stock was really trounced and went down 35% after the announcement. In hindsight there was enough to triangulate they would not keep their promise, and we should have sold. However, it should be said that it's not an easy decision: For instance, Alphawave, for instance, out of all companies, used exactly the same messaging in 2023Q3, but they *did* deliver on their promises in 2023Q4 (going up 40% in the process)…

Stellantis went down 10% on a normalization of earnings, in line with many other car manufacturers such as Renault, Ford, General Motors and even Tesla. Stellantis was trading at an annualized 2024H1 P/E of 5 but apparently that is still deemed too expensive so after the drop it can now again trade at P/E of 3.5. Meanwhile Tesla is showing a comparable growth profile and a lot less cash on the balance, but apparently that should be valued at a 'healthy' annualized 2024H1 P/E of… 100!

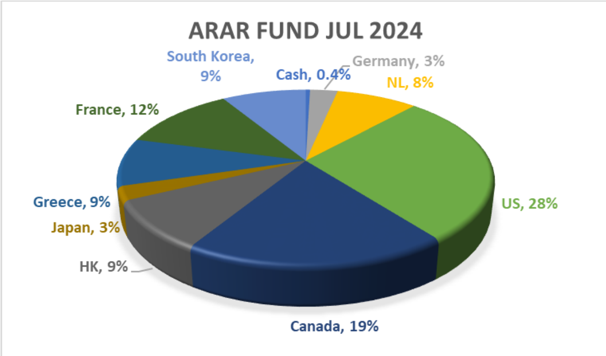
Pax Global produced a profit warning that left little to the imagination:

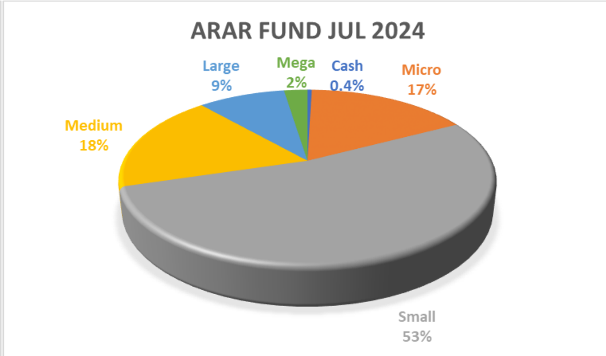
> *'The Board wishes to inform the shareholders of the Company and potential investors that based on the preliminary assessment by the Board of the unaudited consolidated management accounts of the Group and the information currently available to the Board, the Group is expected to record a decrease of approximately 30% to 40% in net profit for the Reporting Period as compared to a net profit of approximately HK$660 million for the six months ended 30 June 2023. Shareholders of the Company and potential investors should exercise caution when dealing in the securities of the Company'*

PAX has pinpointed the disappointment to Latin America and the USA, with Europe and Asia Pacific apparently continuing strong. The stock went down 25% since. The company now trades near their cash level, and a forward P/E of around 8. With a dividend yield of around 10% now (that is easily covered by their forward annual profit) it's extremely cheap by any reasonable metric. So yes, we are holding on to it. We'll be hoping for a switch to stock buybacks if the depressed valuation persists.

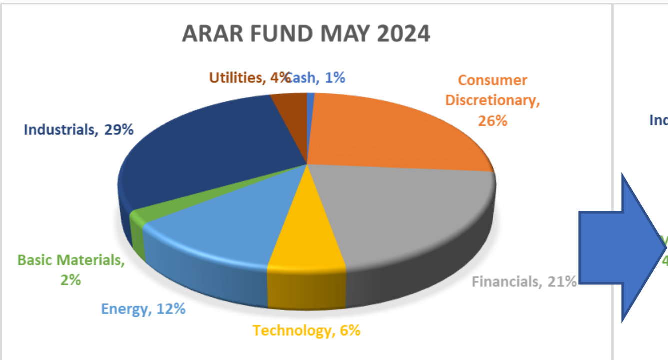
OneWater had a bit of a roller coaster. First there was chatter around a merger between OneWater and their archrival MarineMax. Although nothing transpired, it did give an indication that things were looking up. Then their identical twin MarineMax positively surprised (after multiple disappointing quarters). These events both led to OneWater going up a lot. Then they retraced everything by reporting a very disappointing quarter. In their main selling season they were hit by bad weather conditions in Texas in an already disappointing June month. Subsequently management has halved their profit guidance for the year. What was clear is that they have substantially worked through their inventory, which should alleviate some of the debt pressures somewhat. In the end I do not think we should value the company based on one year of earnings, especially as they remain profitable. And then there's also the irony that as the sector deteriorates, a serial-acquirer like OneWater can actually benefit in the long-term by picking up small companies on the cheap.

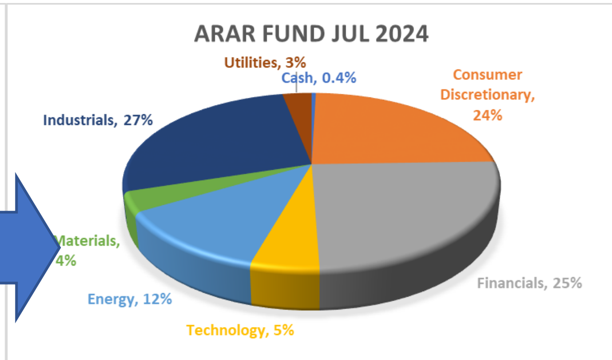
PORTFOLIO COMPOSITION





The current portfolio consists of 21 stocks and a 0.4% cash portion. Since our last Investor Letter we have entered into two new positions. We have done some trimming on OneWater and Alphabet at attractive levels, and bought stock in various other names. We remain tilted towards small caps.





TOP 5 HOLDINGS:

Holding:	%	Adj P/E	Fwd P/E**	EV/adj EBITDA	Exp Rev Growth**
Jackson Financial (US)	18.2%	2.0	5.0	5.1	5%
Stellantis / Peugeot Invest (FR)*	9.0%	3.4	3.5	1.45	-10%
BasicFit (NL)	8.2%	53.0	37.0	9.3	17%
Gravity Inc (South Korea)	8.7%	4.3	6	1.8	-20%
OneWater Marine Inc (US)	7.1%	5.0	14.1	6.4	-4%

*As we consider Peugeot Invest as an efficient bet on Stellantis, we give the multiples for Stellantis here.

**Based on Refinitiv consensus analyst estimates

COMPANY IN FOCUS: Payfare Inc.

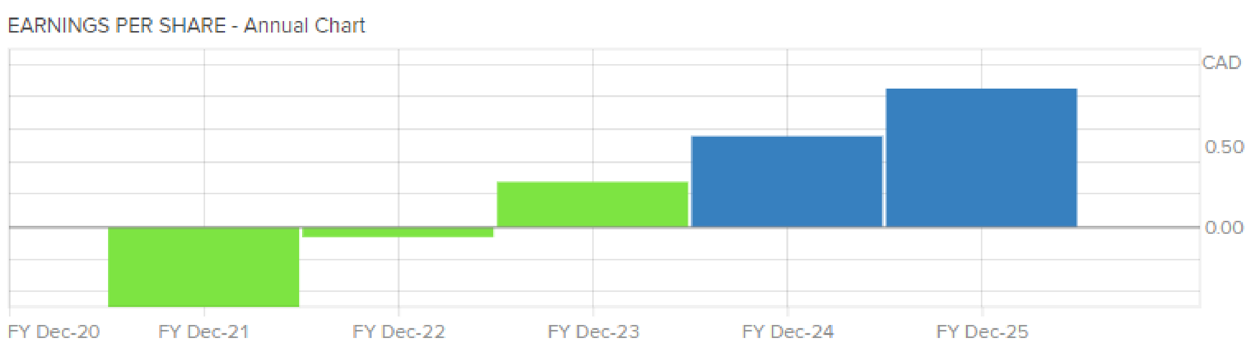
Payfare is a medium sized position in our portfolio. It’s one of our few growth companies in the portfolio and last week went up almost 30% within a week, so well worth our attention.

Let’s go back to the beginning 2021: we had survived the pandemic, interest rates were 0% and ‘never’ going to rise again. Investing in the ‘old’ economy was out, while everybody wanted to invest in the ‘next’ Tesla or Zoom. The epitome of this era must have been Cathy Wood and her Ark Invest fund: She embraced growth and a negligence of looking at profits: SaaS, FinTech, biotech, autonomous driving, anything that captured the imagination was right up Wood’s ally. As we all know, all of it came crashing down and companies that were extremely popular back then lost 80-100%. While most of this was reasonable, there are some outliers that continued to grow and more importantly: started making actual profits. Uber is one of them, and Payfare is another.

Payfare is a fintech company operating in Canada and the USA that specializes in providing digital banking, instant payment, and loyalty-reward solutions. Their primary niche is providing accessibility to banking to gig workers (Uber-drivers, JustEat delivery guys, etc.).

The way Payfare grew so fast is that they collaborate with the giant gig-platforms (Lyft, Doordash, and yes, Uber as well) and let the platform offer an extra feature to their gig workers: direct and immediate payment on an instantly accessible bank account. This has allowed Payfare to ride the coattails of the platforms and have *them* do the promotion, which is quite brilliant. It also reduces the amount of time it takes to go through all the motions and makes the gig-worker more dependent on the gig-platform.

With the entrepreneurial spirit running deep at Payfare, new features are added continuously though I am admittedly skeptical how interested people really are in reward programs and such. In any case, the speed of growth is very real, with revenue going up *fivefold* in the last three years: When Payfare ‘mooned’ to 12.00 per share in 2021 it had a revenue of 44 million and an annual loss per share of 0.50. Forward three years and it is going to *earn* 0.50 per share on a revenue of 240 million! With more growth to come, we expect earnings yield to be 10% by 2026. That is, unless people award a more reasonable valuation to such an amazing growth story that will not end in 2026.



Is there nothing wrong with the company? Of course there is! We always end up with diamonds in the rough and Payfare is no different! Payfare has three stains worth mentioning: First of all, it seems opening an account at Payfare is used as a workaround for illegal immigrants. This carries a bit of regulatory risk, and if immigration is curtailed this could lower user growth. Also, if it is true that Payfare is mostly just for illegal immigrants, this would reduce the chances of success in other parts of the world. Second, Payfare is highly dependent on a small number of gig-platforms. This concentration is usually considered a mayor liability. However, I don't think these platforms can easily ditch Payfare from their platform. It would really upset their users and I don't think there's much to gain from such a move. And last but not least: Payfare ran into issues preparing their audited results. Luckily, with a lot of delays, it passed eventually with no adjustments. However, optics matter and to many it probably left Payfare looking a bit less solid than before.

That being said: a company that is growing their profits exponentially for the coming years does not deserve to be valued at ten times 2025 earnings. We would argue it should be closer to 30 times 2025 earnings instead, in which case the stock should be valued at triple current levels. We probably won't stick around that long, but we will happily stay in for the next 50% move up.

GENERAL MARKET COMMENTARY

We are in very interesting times. It seems clear to me we are approaching a cyclical downturn, as witnessed by numerous earnings releases from last month outside of tech: carbuilders, retailers, materials: all are pointing to lower demand and a good time to start cutting rates. My main expectation is for rates to go materially lower, creating a good setup for longer duration government bonds to shine. Alas, we are not in the multi-asset business, so you'll have to make up your own mind.

Speaking of making up ones mind: It is really tough to navigate on the premise of an approaching deterioration of the economy: a few of our cyclicals are seeing their revenue decline (such as OneWater and Stellantis). But at the same time, we already expected this downturn and adjusted our models to this. OneWater, for instance, is *precisely* where we expected it to be, and based on its long-term potential has remained an attractive stock every step of the way as their long-term is largely unaffected by the current downturn. But, somewhat expectedly, this didn't mean it didn't sell off on bad earnings. Should we have sold early and tried to time a re-entry a couple of quarters later?

Another theme that I continue to swirl around is Artificial Intelligence, and Large Language Models to be more precise. I am absolutely convinced most of the price moves we have seen have been warranted (in hindsight). However, my opinion has changed on what I expect to happen next: After listening to the conference calls from Alphabet, Microsoft and Apple I do not think Nvidia will sustain its growth path nor its profit margins. I don't think the mantra "when everybody wants to dig for gold, sell the shovels" has much further to run, especially for Nvidia. Competitors *are* adapting, and the hyperscalers (Microsoft, Alphabet, etc.) are showing there are alternatives to Nvidia: Google is using their own chips, Microsoft started using AMD, etc. . At the same time, the ease with which Microsoft has been able to make customers pay for AI is astounding. My conclusion seems to be that these software giants will be very effective in driving us to these services, and that the integration with their platforms (Chrome, Windows, etc.) will make it very hard for other companies to compete. So to me, as boring as it sounds, this means the incumbent software giants are probably the best pure bets on AI now.

However, this does not mean the end of it for me: I am very much on the lookout for companies that will benefit from using AI in their businesses. I have come across companies that will substantially reduce costs through the replacement of calling agents with robocalls, for instance. There is no doubt in my mind that the amount of desks needed for doing business will be substantially smaller a decade from now. The future is already happening.

Lastly, it is increasingly hard to make investing decisions without having a view on China. I have been told the Chines word for ‘peril’ also means ‘opportunity’. While I don’t think there will ever be much reason for joy in such events, I am trying to prepare for any form of escalation and be able to make the best out of it.

Best Regards,

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