Hoofddorp, the Netherlands, 4th of October 2024

Dear Investor,

Last month have not been helpful for this years' performance, with the fund depreciating 3.5% while markets appreciated 1.4%. Though the 'Magnificent Seven' have stalled a bit, small caps remain out of vogue, as do cyclicals and especially oil & gas. While we benefit from China sentiment changing for the better, a handful of stocks in our portfolio have run into headwinds; some cyclical, some company specific.

In this letter I will go further into detail about these events and we will dive into one of our better picks: Navios Maritime. 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%	-2.0%	-3.5%	-	-	-	0.5%	14.9%
MSCI World ACWI ETF**	2.8%	3.7%	3.6%	-1.7%	1.0%	5.0%	0.2%	-0.1%	1.4%	-	-	-	16.9%	31.9%
MSCI Equal Weight EUR	1.1%	2.4%	3.8%	-2.5%	1.5%	-0.6%	3.4%	0.2%	2.4%	-	-	-	11.9%	19.0%
AEX Total Return	4.0%	4.0%	4.0%	0.2%	3.6%	2.3%	-0.3%	1.0%	-1.5%	-	-	-	18.4%	26.8%

*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

The bulk of this month's performance comes from two stocks: Gravity and Payfare.

This quarter was much anticipated, as it was the first in which Gravity would be reporting revenue from China. As we described earlier, Gravity is a gaming company with a large cash pile, a very low P/E, a decade of growth and beautiful IP in the form of their Ragnarok franchise. The largest catalyst in the near-term was (and still is) the rollout of their games into China through a collaboration with local distributers. To everyone's dismay, the Q2 earnings release made clear this collaboration did not meaningfully contribute to the bottom line thus far. The stock tanked over 20%.

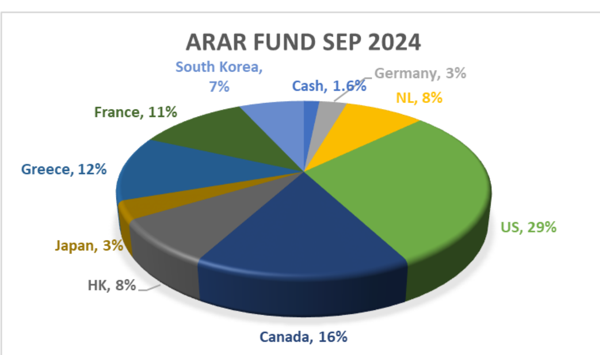
So how did we react this time? Well, we surely were disappointed they didn't get more out of the deal, but we are absolutely not less optimistic. The reason for this is that we *know* the releases in China were a great success, based on the number of downloads and other alternative data. What seems to be the case is that Gravity made the judgment call of giving away a larger percentage of profits to the distributers to incentivize them more to get the ball rolling. A solid strategy in our view that should really pay off in the long term. However, that meant that optically they got the short end of the stick in the short term. We remain positive on the stock and feel emboldened by the fact that GungHo Online, 59% shareholder and for profits highly dependent on Gravity's earnings, continues to make new highs and is buying back their own stock to capitalize on their ownership of Gravity.

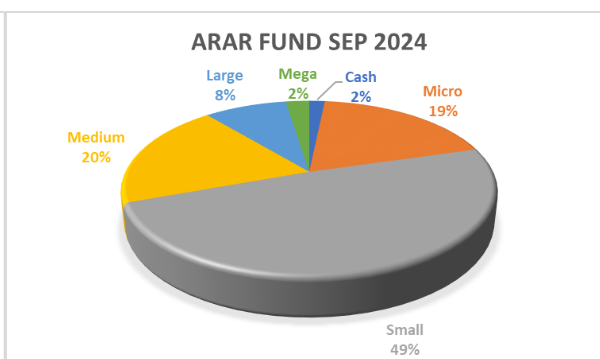
The biggest hit to performance, however, came from Payfare. After showing six excellent quarterly earnings, they put out a press release that was nothing short of a bombshell: They will lose their biggest saleschannel, 'Doordash Direct', as DoorDash has terminated the partnership. The stock opened 75% lower on the news and remains there for the moment.

As we previously flagged, dependency on a small number of partnerships or customers was a risk for Payfare, but given the win-win of the partnership agreements and the popularity of the product we did not expect this. We are curious about the reasoning for DoorDash and we are wondering how they will implement the announced change in a way that is beneficial to them and their users, but it is what it is. We obviously have had to redo the valuation of Payfare entirely. Revenue is expected to drop at least 70% and profits are set to go negative. However, the segments that are left were the faster growing part, with their Lyft Direct userbase growing over 50% year-to-date, for instance. We now see the current stock price as an opportunity but not a wild one compared to the rest of the portfolio.

Fortunately, there was more to celebrate after the release of Jackson Financial, as Jackson handsomely beat on most metrics. Given their great earnings and the structurally baked-in skepticism, it was disappointing to see the move on earnings day stay below +10%. Jackson continues to show they have a hedging strategy that has enabled them to generate stable profits quarter after quarter, despite the size of their balance sheet. This year alone the stock has gone up over 100%, but it remains a very undervalued stock within a very undervalued sector. The stock has been battling with the 90.00 usd/share level and people are especially reluctant to ride it out with multiple economic indicators deteriorating. While we share some reluctance for other parts within the financial sector (namely banks), we don't see why Jackson's business deserves to be judged with the same skepticism.

PORTFOLIO COMPOSITION





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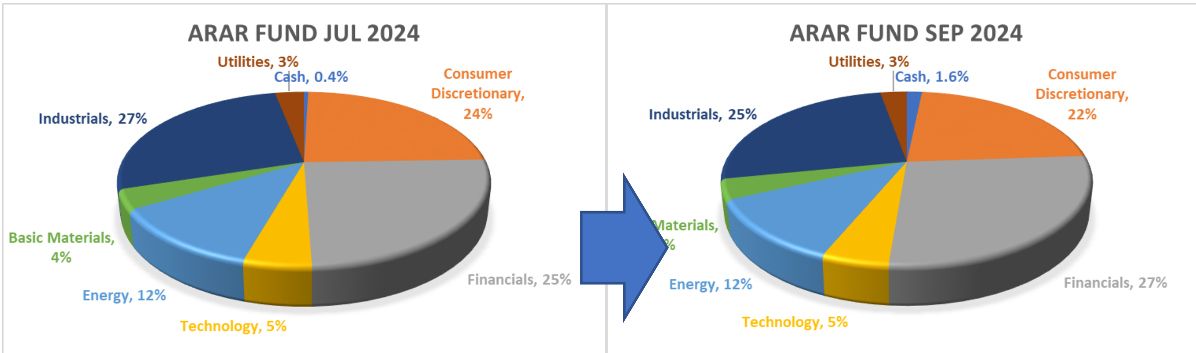
The current portfolio consists of 22 stocks and a 1.6% cash portion. Since our last Investor Letter, we have entered two new positions. We remain tilted towards small caps.



TOP 5 HOLDINGS:

Holding:	%	Adj P/E	Fwd P/E**	EV/adj EBITDA	Exp Rev Growth**
Jackson Financial (US)	19.4%	6.9	5.0	5.1	5%
Stellantis / Peugeot Invest (FR)*	8.7%	2.1	8.0	1.5	-15%
BasicFit (NL)	8.4%	56.0	41.0	9.3	17%
OneWater Marine Inc (US)	7.1%	4.9	13.1	6.1	-4%
Gravity Inc (South Korea)	6.7%	3.3	8.6	0.5	-25%

*As we consider Peugeot Invest as an efficient bet on Stellantis, we give the multiples for Stellantis here.
**Based on Refinitiv consensus analyst or proprietary estimates

COMPANY IN FOCUS: Navios Maritime Partners LP

The ARAR Fund is not a value fund per se, as we just look at the whole picture of the expected future cashflow: If a company is lossmaking today but will conquer the world tomorrow, we are there to buy (if it is attractively priced), whereas a traditional 'value investor' tends to focus mostly on the current P/E and balance sheet. Back in the seventies it was possible to find US stocks at very low P/E's or far below book value, tell everybody about it and then sell it six months later. 'Value investing' in this traditional sense is what made Warren Buffett successful in the early days. Today these companies still exist, but all of them have rough edges. Therefore, finding them only gets you halfway, as the real work lies in weighing the impact of these rough edges on the valuation of the company. We discussed Gravity last time, a great value proposition but with management that has decided to sit on their cash rather than buy back stock or pay dividends. Today we're discussing Navios, one of the bigger success stories of the ARAR fund this year.

Navios Maritime is a company in a sector that is infamous within the value investor community: maritime shipping. 'Worse', it is part of the infamous corner within shipping: Greek/Mashall Islands Shipping.

So let me explain how awful this sector is. First of all, maritime shipping is a capex heavy, highly cyclical industry: companies need to invest a lot upfront and are extremely inflexible in the capacity they offer:

the ships need to sail because they will rust away no matter what, and if more capacity is needed, they can't scale up. In the prior decade, overcapacity led to extremely depressed freight rates. The whole industry, burdened with high debt loads, had to offer their services at levels that were only economically feasible if you didn't take write-downs on the ships into account. Many of these companies were loss-making for almost ten years, and a lot of them, such as ZIM Integrated Shipping, even went bankrupt. The business is, as analysts call it while making a dirty face, 'commoditized': many players offer undifferentiated products, creating a cutthroat market in which market participants undercut their competitors until no one makes a profit anymore.

On top of that, the Greek/Marshall Islands part is arguably even uglier. Greek shipping has a long history of self-dealing and bad investment habits by CEO's and Navios is no different. One can even say it is exemplary: Their CEO Angeliki Frangou first sold part of the company to herself. Then she hired the services of her spun-off company on behalf of Navios at not-so-great rates, essentially draining Navios of its profit. And then, Frangou bid on her own company through Navios by offering 20% of Navios shares!

How could she get away with this? That's where the Marshall Islands comes in: Because Navios is domiciled in the Marshall Islands on paper, it is exempt from many corporate governance standards that we take for granted: very low fiduciary duty standards, fewer grounds for shareholder lawsuits, etcetera. In practice this means it is very difficult to challenge board decisions and provide 'oppression remedy': protecting minority shareholders against the actions favouring only majority shareholders. The Marshall Islands also gives management a lot of flexibility do deal with mergers and acquisitions as they see fit: blocking them or pushing them through against the will of shareholders.

So why did we buy into Navios nonetheless? The reason is there are quite a few mitigating circumstances. Vitally, the fact that the CEO has become a major shareholder aligned her interests a lot better with (other) shareholders. While robbing from a company where you own 20% can still be profitable, it just makes less sense. To us it is clear she has already made her move. And to make this point even clearer, she initiated an enormous stock buyback program as soon as her Navios' position had cleared and has recently even expanded it. In 12 months Navios has changed from a stubborn self-dealer to an admirable shareholder friendly corporation. But of course we will remain vigilant.

With that out of the way: we wouldn't be a shareholder if Navios hadn't had fabulous metrics that made all this hassle worthwhile to begin with. And indeed, we were primarily attracted to the fact that Navios was trading at a P/E of 2.0, but also had *very* low debt relative to their assets and was trading at a high discount to tangible book value. The stock has gone up over 100% since we bought six months ago. There's still room for it to go up more, but for now we see more upside in our other stocks.

GENERAL MARKET COMMENTARY

As expected, Jerome Powell has kicked off the rate cut cycle. More rate cuts are coming, and a number of our stocks should benefit from this. However, we also see a significant cyclical downturn developing at various speeds across sectors. We hope the rate cuts will come in time to cushion further impact on stocks such as Stellantis and OneWater. We remain positive on both for the longer term, but it would be nice if we could avoid a further downturn in between.

Presidential elections are looming. This doesn't have any impact on our investing decisions. If we lookback at the elections in 2016 and 2020, stocks went up after the results came in, even though in one Trump won the elections and he lost in the other. Stocks usually have a slightly harder time in the weeks prior to the elections as uncertainty increases but will veer up after the results are in. As a fund that is meant to be fully invested and has significant exposure to slightly less liquid stocks, this theme is not big enough for us to take meaningful action. Also, in the fourth quarter of an election year, 'time in the market' is more sensible than 'timing the market'.

Pres.	Average Price % Changes					Frequency of Advance				
Cycle	Q1	Q2	Q3	Q4	Year	Q1	Q2	Q3	Q4	Year
Year 1	0.2	2.8	1.2	4.2	**9.2**	55%	60%	65%	80%	**65%**
Year 2	0.8	(2.6)	(0.8)	6.4	**3.8**	45%	50%	60%	85%	**55%**
Year 3	7.0	4.7	0.4	3.8	**16.3**	90%	75%	55%	75%	**85%**
Year 4	0.6	3.2	1.2	2.3	**6.8**	58%	68%	58%	79%	**79%**
All Years	**2.0**	**2.0**	**0.5**	**4.2**	**9.1**	**62%**	**63%**	**59%**	**80%**	**71%**

Source: CFRA, S&P Global. Past performance is no guarantee of future results.
Data: 12/31/44-9/27/24.

We look forward to the last 3 months of the year and would love to stage the same comeback as we did last autumn. The season has started well with a bit of exposure to China, which has gone up 30% in two weeks, so who knows!

Best Regards,

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