April 2024

Dear Partners and Friends,

In the first quarter, the partnership returned +3.4%, net of all fees and expenses.[1]

In 2018, I wrote, "Headlines highlight risks regarding interest rates, the Fed, China, house prices, auto sales, trade wars, and more. Uncertainty abounds."

In 2022, I wrote, "The world is awash with problems: war, pandemic, inflation, and the knock-on effects of each."

There is always plenty to be worried about, and today is no different. Most of the above risks, fears, and problems are still evident. I don't intend to dismiss these risks; the world confronts many challenging problems.

But what are we supposed to do? Sell our stocks and pull the covers up over our heads?

No.

As a reminder, our job is not to try to guess when the market is going to have a 10% or 20% correction, sell our positions, and then try to buy them back lower. Instead, we acknowledge that volatility is an element of a sensible, long-term investment approach, and attempt to position ourselves so that we can thrive in a variety of economic conditions.

"Position, don't predict."[2]

If you are going to sail around the world, you can't hope to zig and zag around every storm. You will instead take a strong boat, and an experienced crew, and be prepared for anything.

Our approach is unconventional on many fronts, and I believe our portfolio positioning is meaningfully differentiated compared to the market and most funds across a number of vectors. Each of these components contributes to margin of safety, and I believe set us up to generate attractive risk-adjusted returns over the long term, despite the fact that there are, and always will be, risks and uncertainty.

[1] Net returns based on the fund's highest fee share class. Individual partner returns may vary based on share class and timing of investment, among other factors. Please refer to individual account statements for more detail. Please see page 6 for important disclaimers, and our investor presentation for complete monthly results since inception.

[2] I'm walking well-trod ground in embracing this concept. While the roots of the idea probably date back millennia, recent authors adjacent to our domain who have addressed it are Nassim Taleb in various writings including *Antifragile* ("Invest in preparedness, not prediction"); Shane Parrish ("Prepare don't react. Position don't predict."); and Howard Marks ("You can't predict. You can prepare.").

Positioning: Growth, Leverage, Valuation, Catalysts

- **Growth**

  As a self-proclaimed value investor, some may look askance at my inclusion of growth on this list. Of course, growth is an input to valuing a company, and all else equal (especially the capital intensity of the growth), I prefer to own companies that are growing over those that aren't. I just don't want to pay too much for expected growth.

  In the **Portfolio Update** section that follows, focus on the rates at which some of our companies are growing or should grow. They aren't too shabby.

- **Leverage (or lack thereof)**

  Only a quarter of our capital is invested in levered companies; most of our holdings have meaningful net cash positions. This makes them less fragile and enables them to invest for growth and buy back stock.

  Further, the fund doesn't utilize any margin or leverage; instead, it typically operates with a comfortable net cash position that positions us to take advantage of opportunities when they arise.

- **Valuation**

  As I have said before, one of the best hedges to a market sell-off is owning cheap stocks. Our portfolio companies may not always screen cheap on trailing earnings—as they may be going through various types of change—but I believe our holdings are universally undervalued when utilizing the correct valuation methodologies for the situation. These can include normalized earnings power, private market value, future cash generation, asset value, comparable transaction value, etc.

- **Catalysts**

  While our partnership is structured to be patient while compounding works its magic, we still have many companies that have upcoming catalysts that should help the market appreciate their value. Our portfolio companies typically have good capital allocators at the helm, and indeed many of them are actively buying back stock.

This type of positioning is nothing new. I almost always seek well-financed, solid, growing businesses with asymmetric risk-reward profiles and numerous catalysts. Many of our special situation trades are uncorrelated to the market. I believe this has helped us generate solid results with less risk. Quantitatively, it is reflected in our portfolio data: We have generated our 7.4 percentage points of annual alpha over the Russell 2000 since inception without the use of leverage and with a correlation of just 0.7 and a beta of 0.6.

***

"Good fortune often happens when opportunity meets with preparation."[3]

While we must be positioned to thrive in a variety of macroeconomic and market environments, we also must be constantly preparing to find the next great investment idea.

This preparation can take many forms. It typically looks like the intense research and study of businesses, but it can also appear less structured: talking to lots of companies and businesspeople; reading broadly (from trade rags to nonfiction; psychology to philosophy to science to biography; tweets to Reddit threads to blog posts to research papers; EDGAR to PACER); following my nose; going down rabbit holes; learning different industries and business models; touring facilities; and following companies for long periods of time waiting for the stars to align on fundamentals, and valuation, and risk, and reward.

I'm excited about the latest meaningful addition to our portfolio. It is a company that I know well—having followed it for almost a decade—that finally became compelling again. I've been adding to it almost every day of late; it will likely become a top-five position shortly. It has a strong moat, a low valuation (double-digit free cash flow yield), and a solid growth outlook (the core business growing mid-to-high single digits and an emerging business is growing much faster). It is highly cash generative and has reduced its share count over time. If we could buy the whole company today at its current valuation, I believe the company could return our entire purchase price in free cash flow by 2030. We'd then get to own the business outright "for free" for the subsequent decades.

The outcome space seems very asymmetrically skewed to the upside. I think this company can hit our bar of being a three-year double or better, and I believe downside is limited by the quality of the business, its cash generation profile, and its low valuation. This business also has a "hidden lottery ticket" in that it has a chance to grow an emerging business line into something worth the company's entire market cap over the next few years.

***

Portfolio Update

Our top five positions were unchanged from year-end: API Group (APG), Clarus Corp (CLAR), Correios de Portugal (Euronext Lisbon: CTT), Scott's Liquid Gold-Inc. (SLGD), and Vistry Group (LSE: VTY).[4] Along with the addition described above, our top six positions account for approximately two-thirds of our capital.

APi Group (APG)

APi grew adjusted EBITDA 16%, net income 20%, and free cash flow 30% last year, deleveraging in the process. APi continues its evolution towards more recurring inspection and service revenue, expanding its

[3] I have seen versions of this quote attributed to both Thomas Edison and Seneca.
[4] Listed alphabetically.

margins in the process. It is positioned for further acquisitive growth this year and beyond as it pursues its "buy and build" strategy.

Clarus (CLAR)

At the end of February, Clarus closed on the sale of its Precision Sport segment for $175 million. This brought the company to a net cash position of over $1 per share. With its stock price hovering around $6, Clarus' enterprise value is approximately $185 million. At its recent analyst day, the company laid out a path to generating ~$50 million of EBITDA in 2026, more than 100% growth from 2024's expected level.

Obviously, investors don't believe this guidance is likely to be attained.

If Clarus hits the 2026 forecast, the stock could perhaps triple. If it doesn't, I believe we still have a large margin of safety at the current price. After all, Clarus has a fortress balance sheet and a history of realizing value for its brands when warranted (including the sales of POC, Gregory, and recently, Sierra and Barnes). This stock is out of favor to an extreme degree. I believe the set-up is highly asymmetric. Upside is perhaps a double or triple over a few years, while I believe the risk of permanent capital loss is limited.

Correios De Portugal, S.A. (Euronext Lisbon: CTT)

CTT, our "sleepy" Portuguese conglomerate, grew recurring EBIT by 36%, free cash flow by 40%, and its "Express and Parcels" segment revenue by 32% in 2023. Maybe not so sleepy after all.

After beating and raising guidance several times last year, the company guided for further growth in 2024. 2024 EBITDA should exceed €150 million, while 2025 guidance is for €175 million at the midpoint. These figures compare to the current enterprise value of around €600 million, putting valuation at a very cheap sub-4x level. The company continues to monetize non-core assets such as its excess real estate while repurchasing shares daily.

In a few years, this business could generate €200 million of EBITDA and have 125 million shares outstanding. At a highly conservative 6x multiple, that would put the stock at ~€10, more than double the current price. At a more appropriate 8x multiple: €13 per share (almost a triple).

Scott's Liquid Gold-Inc. (OTC: SLGD)

Scott's is working on closing its previously announced merger with Horizon Kinetics. I hope to have more to share on this in my next letter.

Vistry Group PLC (LSE: VTY)

Vistry, our UK Partnerships business (dubbed by some the "NVR of Europe"), grew revenue by 30% and completions by 35% in 2023. Vistry continues to guide to a near doubling of adjusted operating profit over the medium term, from last year's £490 million to greater than £800 million (60%+ cumulative growth) in the next several years. And let's not forget, the company is in the midst of returning £1bn to shareholders via buybacks and dividends by 2026, which is over 25% of the current enterprise value.

Simply put, Vistry could generate £1.50-2.00 of earnings per share in a few years. Given the quality of the business, should probably trade at 15-20x earnings. There is a reasonable case this stock could triple over the next few years.

Beyond the Top Five | Special Situations

- We exited Delek (DK) as the stock appreciated and the company has taken much longer than expected to announce any kind of concrete value-unlocking strategy.
- The delisting I mentioned last quarter did indeed delist, giving us an opportunity to acquire shares from what I believe were motivated sellers who couldn't or didn't want to own an OTC-listed security. This trade has been nicely profitable thus far, and we continue to hold the position given expected further catalysts.
- The up-listing I mentioned continues to plan to uplist, and its business continues to improve while we wait.
- We established a small position in an off-the-beaten-path, well-run royalty company. It has attractive growth ahead of it. I believe that if this company were to be acquired today, the price would be meaningfully higher than where it currently trades.

***

Conclusion

Buffett and Munger have spoken about this extensively, but the longer I have been doing this—over 20 years at this point, approximately half my life—the more I appreciate the importance of temperament in the domain of investing. If investors' Scylla is outright fear, then their Charybdis is "FOMO"—*fear of missing out*.

If you'll allow me to mix my Homeric metaphors, consider me tied to the mast. I'm aware of risks but am focused on what I can control. Avoiding panic. Avoiding temptation. Exercising patience but, when warranted, acting decisively. Yes, there will be the occasional rough seas along the way, but I believe our principled approach has demonstrated its merit and should continue to do so.

I continue to have the majority of my family's investment capital invested in the partnership alongside yours.

Thank you for your continued trust.

Sincerely,

Dan Roller

Disclaimer

This document is not an offer to sell or a solicitation to buy any interests in any partnership ("Fund") managed by Maran Capital Management, LLC ("MCM"). Any such offering will be made only in accordance with the Fund's Confidential Offering Memorandum (the "Offering Memorandum"). The Fund may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Prior to investing, investors are strongly urged to review carefully the Offering Memorandum and related documents, including the risks described therein associated with investing in the Fund, to ask additional questions and discuss any prospective investment with their own advisers. Additional information, including detailed Fund performance report, will be provided upon request.

The statements of the investment objectives are statements of objectives only. They are not projections of expected performance nor guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives. Performance returns are estimated pending the year-end audit.

An investment in the Fund involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

The analyses, conclusions, and opinions presented in this document are the views of MCM and not those of any third party. The analyses and conclusions of MCM contained in this document are based on publicly available information. MCM recognizes there may be public or non-public information available that could lead others, including the companies discussed herein, to disagree with MCM's analyses, conclusions, and opinions.

Funds managed by MCM may have an investment in the companies discussed in this document. It is possible that MCM may change its opinion regarding the companies at any time for any or no reason. MCM may buy, sell, sell short, cover, change the form of its investment, or completely exit from its investment in the companies at any time for any or no reason. MCM hereby disclaims any duty to provide updates or changes to the analyses contained herein including, without limitation, the manner or type of any MCM investment.

Prices for securities discussed are closing prices as of April 26, 2024 unless otherwise noted and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 1Q 2024, the return of the S&P 500 was +10.6%, and the return of the Russell 2000 was +5.2%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

August 2024

Dear Partners and Friends,

In the second quarter, the partnership returned +4.4% net of all fees and expenses,[1] which brings the year-to-date return to +7.9%, net. Over the past five years, the partnership compounded at a rate of greater than 13% annually, net, more than doubling the gross return of the Russell 2000. Annualized alpha since inception vs. the Russell 2000 has been 8%.

As usual, I caution you not to place much emphasis on our short-term results. Our fund looks different from the market because we are seeking results that are different—i.e., better—than the market over the long term. We are concentrated in a handful of positions that I believe I have researched thoroughly and have asymmetric return profiles with a number of ways to "win." This approach means that our short-term results may deviate widely from various stock market indices. Many of our positions are small caps and some are quite illiquid, which can exacerbate volatility. I remain focused on process and what is in my control. Our structure, underpinned by you—our fantastic partners with patient, aligned capital—allows me to attempt to take advantage of market volatility, rather than be whipsawed by it.

***

Horizon Kinetics Holding Corporation (formerly known as Scott's Liquid Gold-Inc.; SLGDD/HKHC[2])

We held the proverbial presses on this letter so that I could share the fantastic news that Scott's Liquid Gold's ("Scott's") merger with Horizon Kinetics ("Horizon") has closed. Horizon is an asset management firm run by a renowned team led by contrarian value investor Murray Stahl. He is joined by his partners Steven Bregman and Peter Doyle and a capable operating and investment team in managing Horizon's nearly $8 billion of assets under management (AUM) and the $250 of million Net Tangible Assets on its balance sheet.[3] Horizon's public market debut coincides with the 30th anniversary of its founding in 1994 and the fifth anniversary of Maran Capital's involvement in Scott's.

Maran first invested in Scott's in the fall of 2019 (though we strategically and opportunistically added to our position over time). I joined the board of Scott's in January 2021 and became its chairman in April 2021. Over the subsequent few years, we cut costs, sold eight brands in five separate transactions, and repaid all debt, taking the company to a net cash balance sheet. It was from this position of strength that Scott's negotiated and entered into, in December 2023, the merger agreement with Horizon.[4]

---

[1] Net returns based on the fund's highest fee share class. Individual partner returns may vary based on share class and timing of investment, among other factors. Please refer to individual account statements for more detail. Please see page 7 for important disclaimers, and our investor presentation for complete monthly results since inception.
[2] The Company's common stock is expected to trade under temporary ticker symbol "SLGDD" for approximately 20 trading days starting August 5, 2024 before trading under its permanent symbol "HKHC."
[3] AUM ($7.9 billion) and Net Tangible Assets ($250 million) as calculated for the close of the transaction as defined in the merger agreement.
[4] This paragraph alone could be expanded into the contents of an entire essay or business school case study. While this letter is already delayed and must be sent out, I hope to share more on the key takeaways and learnings from this experience in the future.

I would like to thank Murray Stahl and the entire Horizon team for their partnership and collaboration as we executed this transaction. I would also like to thank Tisha Pedrazzini (board member, President), David Arndt (CFO, President), and John McAnnar (board member) for their tireless efforts in transforming Scott's and assisting in the execution of the transaction with Horizon.

I would especially like to thank Rimmy Malhotra, whose title of board member of Scott's doesn't begin to do justice to the role he played in this successful outcome for Scott's shareholders. He was a true partner in this endeavor and his strategic advice and skill at execution were instrumental in the outcome. Thanks again, Rimmy.

The press release announcing the close of the transaction can be read here:

Horizon Kinetics Holding Corporation Announces
Closing of Merger with Scott's Liquid Gold-Inc.

Horizon remains a core position in our fund, and I intend to continue to serve on its board of directors. As such, the information and analysis that I share in these letters regarding this position may continue to be limited. I am excited about the future of the company and look forward to sharing more as appropriate.

Returning to Turning Point Brands (TPB)

In my first quarter 2024 letter, I indicated that we had purchased shares of a company, making it our sixth largest position. This company is now firmly in our top five. It will be familiar to long-time partners and readers of these letters: Turning Point Brands ("TPB").

Turning Point Brands is comprised of Zig Zag rolling papers and a portfolio of non-combustible nicotine products, including Stoker's (oral tobacco) and—spoiler alert—a non-tobacco nicotine pouch product called FRE. Zig Zag benefits from the tailwind of cannabis legalization currently underway in the U.S., and Stokers continues to take share and benefit from an industry pricing umbrella.

There are times when stocks get ahead of themselves; when a thesis breaks; when fundamentals weaken; or management makes mistakes. We must always attempt to be rational in the face of change, and when faced with certain situations, to sell and move on. Just as importantly, when we know a name well, it makes sense to continue to track it as the set-up may improve and create opportunities down the line. I have followed TPB since its IPO in 2016. We owned it as a core position from the first quarter of 2017 through the third quarter of 2018, and then again from the second quarter of 2020 (following its merger with its parent holding company, Standard Diversified) through the third quarter of 2021.

Despite its solid core in Zig Zag and Stoker's, Turning Point had a tumultuous 2022 and 2023 as investments it made in vaping faltered, among other challenges. I continued to monitor the company during this period, though, doing checks on the brands, business, and team.

While investors fled the stock, the company was making numerous beneficial changes: it transitioned its senior management team (new CEO, CFO, and Chief Revenue Officer), de-emphasized the vaping segment, optimized inventory, generated cash (as always), paid down debt (including buying some of its converts at a discount), and incubated FRE. As a result, I think the TPB story is as exciting as ever, but it is only just starting to get back on investor radars.

TPB has a ~$650 million market cap and $225 million of net debt, bringing its enterprise value to approximately $875 million. It should generate approximately $100 million of EBITDA and $50-$60 million of free cash flow this year.

TPB is trading at a high single-digit free cash flow yield (low teens on our cost basis). Its core brands (Zig Zag and Stokers) should drive mid-single-digit growth in EBITDA. If the stock re-rates from just over 10 times free cash flow to the mid-teens over the next three years, that would add over 10 percentage points per year to the expected return. These components (high single-digit starting yield, mid-single-digit growth, 10%+ from multiple expansion) should therefore drive an expected mid-20% return profile (the “three-year double” for which I like to underwrite).

If this were the whole thesis, it would be sufficient. But there is an additional source of meaningful upside that I believe the market does not yet appreciate. This is the company’s nicotine pouch product called FRE.

Nicotine pouches deliver nicotine without tobacco. ZYN, owned by Philip Morris International (PM), is the market leader in this category, and will almost certainly remain in that position. That said, Turning Point has an excellent playbook for capturing market share and growing brands under the umbrella of larger competitors. It has grown Stokers to a high single-digit market share against entrenched competitors, for example.

Nicotine pouches are riding a huge wave of global growth—one which could continue to build for decades. The U.S. nicotine pouch market is $2.5-$3 billion and will likely double in the next few years. To give a sense of the growth rates, PM’s ZYN has grown from 13 million cans sold in the U.S. in 2018 to 174 million in 2021 to 385 million in 2023. It will likely top 550 million cans this year if production can keep up (there have been numerous recent reports of ZYN out-of-stock issues).

Despite FRE’s small market share, it has a number of competitive advantages and moats. First of all, it has PMTAs (premarket tobacco product applications) for each of 3, 6, 9, 12, and 15mg pouches, and is already in market with the latter four dosages. Most of its competitors are only in market with 3mg and 6mg versions, and don’t even have PMTAs for higher dosages (which means it could take them several years to launch them, if they chose to try).

While FRE capacity is a fraction of ZYN’s, FRE has established a robust supply chain. It has expanded capacity and is positioned to continue to do so. This should drive trials and conversion while ZYN faces capacity limitations.

FRE has been a fun one to research. I still think it is very early days and that not many investors are paying attention to it. The company has kept disclosure regarding FRE close to the vest, so independent research has been rewarding.

Based on both top-down and bottom-up assumptions, I believe FRE has a chance of growing to a $100 million revenue brand in the next few years. If things go very well, it could even take 5% share of a $5 billion (and still growing) market over time (i.e., $250+ million of revenue).

What is a high-growth, high-margin consumer brand in an emerging category worth? PM paid over seven times revenue for Swedish Match (the prior owner of ZYN). Even four times revenue (which implies a low double-digit multiple of EBITDA) would mean that FRE could attain a value of $400+ million in the next few years (and the blue-sky scenario is that FRE could eventually be worth $1 billion or more). These are very meaningful numbers relative to TPB's current market cap of ~$650 million.

In my interactions with the TPB board and management team, there seems to be a renewed energy and determination, kindled in part by FRE. They appreciate the magnitude of the current opportunity and want to take advantage of it. These insiders are putting their money where their mouths are. Several executives, including the Chief Revenue Officer and Chief Strategy Officer, have recently purchased TPB shares in the open market. Additionally, TPB's newest board member purchased over 2% of the company, a position worth over $15 million.

Capital allocation remains a further lever for value creation. After paying off its convert with cash on hand this summer, TPB restarted its buyback. TPB could comfortably repurchase up to one million shares per year (on a base of 17.6 million), even while continuing to invest in FRE. Compared to legacy tobacco companies, which generally have no—or negative—growth and pay high dividends, TPB is unique: a growth nicotine and cannabis-adjacent company that can be a share buyback machine. We already own the "NVR of the U.K." in Vistry; I'm hoping TPB, this time around, can become the "Autozone of nicotine and rolling papers."

TPB should generate $3.50-4.00 of normalized free cash flow per share next year, and over $5.00 by 2027. If it trades at a 15-18x multiple, that would put its value at $75-90 per share in a few years, and there is no reason to think that TPB can't continue to compound from there (that is, if it isn't bought out by one of the tobacco majors first). It just needs to avoid distracting M&A, execute on the brands it owns, and shrink the share count while maintaining appropriate leverage—and I believe, under the current management team, that it will.

The profile of our investment in TPB is similar to many of my prior favorites. I believe that we have limited risk of permanent capital loss; a core business that can drive excellent performance on its own; and an additional asymmetric source of potentially meaningful upside. If FRE disappoints, our investment in TPB should still be solid. If FRE is a real winner, though, then watch out.

***

Portfolio Update

Our top five positions as of mid-year were Clarus Corp (CLAR), Correios de Portugal (Euronext Lisbon: CTT), Horizon Kinetics Holding Corporation (formerly known as Scott's Liquid Gold), Turning Point Brands (TPB), and Vistry Group (LSE: VTY).[5]

Clarus Corp (CLAR)

I have discussed Clarus at length in recent letters. While the consumer remains weak, Clarus is working to strengthen its brands with new hires, reduced SKUs, and improved structural margins. Some of these things will take time to show up in the numbers.

[5] Listed alphabetically.

The stock remains cheap relative to the private market value of its brands. Given its net cash balance sheet ($1.50+ per share by year-end on a $5 stock) and healthy free cash flow generation (it should generate cash this year despite the challenging industry backdrop), I think the stock is asymmetric and our risk of permanent capital loss is limited. Looking out three years, I think there is less than $1 per share of downside and plus or minus $10 per share of upside.

Correios de Portugal, S.A. (Euronext Lisbon: CTT)

After finishing its prior authorization in May (which was for €20 million), CTT recently announced a new share buyback in the amount of €25 million. CTT has reduced its share count from 150 million shares to 138 million shares since 2022, and at recent prices, it can repurchase another six million shares under this new authorization. It started its buyback aggressively, repurchasing over 250 thousand shares in the first week. The CEO and Chairman each also purchased shares in the open market.

Horizon Kinetics Holding Corporation (SLGDD/HKHC)

Discussed above.

Turning Point Brands (TPB)

Discussed above.

Vistry Group PLC (LSE: VTY)

Vistry's first-half results were solid; the "NVR of the U.K." thesis is playing out. Completions, revenues, and profits are growing, and Vistry's share count keeps shrinking (recent pace of buyback: £250 million annually). Vistry is well-positioned to support the U.K. government's housing policies.

This remains a top idea and I expect this to be a company that we can own for many years.

***

Beyond the Top Five | Special Situations

We established a position in a company that I expect to sell itself in pieces over the next 18 months; processes to sell the majority of assets by value are underway. I think this could generate a 60% - 100% return in six to eight quarters while asset value helps protect against downside.

***

Conclusion—The Nassim Taleb Wall of Shame

Volatility has increased in the market, and it seems to be catching some people off guard. This is not to say that I predicted this bout of volatility, but just that I always attempt to be both positioned and mentally prepared for periods of increased volatility—they are inherent to the nature of markets. Commentators have been quick to highlight how "surprising" the volatility has been:

"Nearly 4-sigma volatility in [ ] this month."

"…[ ] volatility was a 1 in 4 million event."

"Small caps outperformed large caps by [ ]% today, a 6 standard deviation event."

But is it really that rare? Assuming a normal distribution, a four-sigma event should happen once in several decades. Five-sigma: Once in thousands of years. And six-sigma: Once in millions of years. In the world of listed securities, these types of events—in some asset class or other—seem to happen all the time, though. What's going on?

The obvious answer is not that exceptionally rare or unexpected events keep occurring, but that the statistics are wrong (or rather, people are using the wrong statistics). Simply put, markets do not exist in the Gaussian world of normal distributions. They live in what Nassim Taleb calls "extremistan," the world of fat tails. And the "sigmas" and "standard deviations" referenced above are based on normal distributions. In other words, you won't have to wait around thousands of years for what is proclaimed as the next "five sigma" event in the stock market, I promise.

Whenever I see headlines proclaiming N-standard deviation events, or N-sigma moves, I think that they belong on what I call the *Nassim Taleb Wall of Shame*. Taleb, author of *The Black Swan* and proponent of clear thinking about risk and uncertainty, would not be proud of those writing or uttering these lines. And we have seen more than a few such examples in the last few weeks. Volatility may continue to be high for a while, or markets may settle. Perhaps the tides are starting to turn on a longer-term basis with respect to the large-cap technology leadership of the market, or perhaps not.

Regardless, we should never be surprised by bubbles forming and bubbles popping; by momentum going farther than we expect; by the cheap getting cheaper (or eventually bouncing back); or by or volatility picking up "out of nowhere." It is wise to maintain a certain level of equanimity when it comes to short-term movements in stock prices.

As usual, I remain focused on the long-term.

And with that perspective, I am excited about our portfolio and believe we are well-positioned. I continue to remain aligned with you via my meaningful *skin in the game* in our partnership.

Thank you for your continued trust.

Sincerely,

Dan Roller

Disclaimer

This document is not an offer to sell or a solicitation to buy any interests in any partnership ("Fund") managed by Maran Capital Management, LLC ("MCM"). Any such offering will be made only in accordance with the Fund's Confidential Offering Memorandum (the "Offering Memorandum"). The Fund may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Prior to investing, investors are strongly urged to review carefully the Offering Memorandum and related documents, including the risks described therein associated with investing in the Fund, to ask additional questions and discuss any prospective investment with their own advisers. Additional information, including detailed Fund performance report, will be provided upon request.

The statements of the investment objectives are statements of objectives only. They are not projections of expected performance nor guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives. Performance returns are estimated pending the year-end audit.

An investment in the Fund involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

The analyses, conclusions, and opinions presented in this document are the views of MCM and not those of any third party. The analyses and conclusions of MCM contained in this document are based on publicly available information. MCM recognizes there may be public or non-public information available that could lead others, including the companies discussed herein, to disagree with MCM's analyses, conclusions, and opinions.

Funds managed by MCM may have an investment in the companies discussed in this document. It is possible that MCM may change its opinion regarding the companies at any time for any or no reason. MCM may buy, sell, sell short, cover, change the form of its investment, or completely exit from its investment in the companies at any time for any or no reason. MCM hereby disclaims any duty to provide updates or changes to the analyses contained herein including, without limitation, the manner or type of any MCM investment.

Prices for securities discussed are closing prices as of August 2, 2024 unless otherwise noted and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 2Q 2024, the return of the S&P 500 was +4.3%, and the return of the Russell 2000 was -3.3%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

October 2024

Dear Partners and Friends,

In the third quarter, the partnership returned +1.0% net of all fees and expenses,[1] which brings the year-to-date return to +9.0%, net. Over the past five years, the partnership compounded at a rate of greater than 14% annually, net—just slightly less than a "five-year double."

Investors who care about the long-term preservation and growth of their hard-earned capital are faced with a conundrum. Fixed income securities seem unlikely to keep up with inflation and don't offer the prospect of high absolute returns. Equity index funds, such as the S&P 500, are widely touted as "sure things" over the long term, but their performance over the last decade seems unlikely to prove sustainable (a 13%+ CAGR in the case of SPY) and they are currently filled with expensive stocks. The top handful of holdings in the S&P 500 are Apple, Microsoft, Nvidia, Alphabet, Amazon, and Meta—all amazing companies, but whether they are inexpensive and have large margins of safety is a different question (and the one that investors should care about).[2]

Obviously, Maran Partners Fund is my solution to this conundrum. Rather than diversify widely via indices that contain many expensive stocks, I have strong conviction that owning a small group of well-researched, quality, growing companies that I believe are trading at fractions—in some cases one-third to one-half—of their fair values is the right approach to protecting and compounding wealth over time. This has proved true over the first near-decade of our partnership's life, and I think it remains the right approach for the coming decades.

Of course, this idiosyncratic approach does not deliver results in a straight line. During good times and bad, I try to remind myself—and you, my partners—that the path to long-term compounding is winding and, well, long. Patience and a willingness to accept volatility are requisite mindsets on the path to wealth creation.

During the inevitable drawdowns and periods in which it seems like we just aren't making much progress, it is necessary to have *north stars* to guide us—that is, principles on which to rely so that we know we are on the right track. As I have stated in the past, some of these principles are an adherence to deep research, investing with a margin of safety, and independent thought and analysis. Knowing what we own; having confidence our stocks are trading at well less than their intrinsic values and have limited risk of permanent capital loss; and ignoring crowds, trends, and noise are pillars of our approach.

If we ever need a reminder about the power of long-term investing, patience, conviction, contrarianism, and independence, we need look no further than Murray Stahl and his firm, Horizon Kinetics.

[1] Net returns based on the fund's highest fee share class. Individual partner returns may vary based on share class and timing of investment, among other factors. Please refer to individual account statements for more detail. Please see page 7 for important disclaimers, and our investor presentation for complete monthly results since inception.
[2] Combined market cap of these six companies: over $15 trillion. Can this group be expected to double in a few years to over $30 trillion?

Last quarter, I introduced Horizon Kinetics as a new top five position (and as a new public company!). As a reminder, Horizon Kinetics completed its merger with Scott's Liquid Gold in August, which brought it public. It now trades under the ticker HKHC.

Horizon Kinetics is an asset management operator and investment holding company that was founded in 1994 with a small amount of capital. Today it is a thriving asset management business (it had approximately $8 billion of assets under management as of August 1, when it last disclosed that figure) that has also built up a sizeable balance sheet of its own (approximately $250 million as of August 1, again, when it was last disclosed).

One of Murray's partners and co-founders, Steven Bregman, published a corporate update to coincide with HK's public listing in which he shares a bit of its history and lays out some of the core principles of the firm. You won't be surprised to learn that I share many of Horizon's principles; we *speak the same language* as it were. These principles include a focus on value, doing primary research, thinking independently, and having a long-term horizon.

I encourage you to read the whole update to get a better sense of the philosophy and approach behind one of our core positions.

The Old New Horizon Kinetics—Going Public but Staying the Same

You'll notice the recurring themes of patience and risk avoidance, as in the following two excerpts:

> We try to manage investment portfolios the way we try to manage our business: to think about the process of investing, rather than just investments. About what must be done *long term* to advance one's *long-term* financial condition while, on the other hand, guarding against the most serious long-term risks.
>
> …
>
> Amid the market's noisy day-to-day fog-of-war character, which tends to induce tactical reactions, the long view induces clearer strategic thinking about building generational wealth and avoiding emergent risks. In that vein, we tried to make our business development strategic in nature, not just about raising more assets (which itself can be counterproductive). Risk avoidance or control precedes each growth effort; the latter can't succeed, at least not serially, without the former.

The power of a long-term horizon coupled with an aversion to risk but a tolerance for volatility is clearly evidenced by HK's largest position, Texas Pacific Land (TPL), which the firm or its predecessors has owned for over 30 years. TPL's market capitalization is now greater than $25 billion, but it was a microcap when Horizon first invested. On a split and dividend-adjusted basis, TPL traded for a dollar or so[3] per share in 1994, the year of HK's founding. It recently surpassed $1,000 per share.

[3] I'm intentionally being slightly vague here, as various data sources vary slightly. I think the order of magnitude is correct. Perhaps this will be a test of Cunningham's Law.

Owning a stock that turns a few dollars into more than $1,000 (or for those keeping track at home, a few million dollars into more than $1 billion) is obviously an incredible outcome, but high levels of conviction and equanimity in the face of volatility were required to hold onto the stock. Over the course of those 30 years, TPL experienced a 70%+ drawdown, a few 50%+ drawdowns, several more 40%+ drawdowns, and numerous 30%+, 20%+, and 10%+ drawdowns. The longest drawdown lasted almost six years.

I hope that our portfolio—which, while concentrated compared to many actively managed portfolios, is still more diversified than a single stock—never exhibits quite this level of extreme downward deviation. That said, individual holdings in our portfolio can, and have, experienced such drawdowns. My job is to exercise the judgement to realize when to be decisive, when to be patient, and when I'm wrong and need to move on.

You've got to know when to hold 'em

Know when to fold 'em

- Kenny Rogers

If TPL had been a private company, its owners never would have had to face the gut-wrenching volatility of its shares. But of course, investors would not have been able to take advantage of the vicissitudes of Mr. Market along the way, and add to their positions, either. There is opportunity in volatility; we just need the temperament to be able to take advantage of it.

***

The Private Lens

I was talking to an acquaintance of mine recently, and he told me he was thinking about selling his business. He had built it up over a number of decades. The business generated over $300 million of revenue, and it generated mid-cycle EBIT margins in the low double digits. He thought the business might be worth $300 million to $500 million. Indeed, he had already received several offers for the business for around $400 million.

I told him I respected his business and that I might be interested in buying it as well, so I asked if he would sell it to me for $100 million.

Okay, this story is apocryphal—I just made it up. It is obviously absurd. But these types of opportunities exist in the public markets every day. We can buy pieces of businesses that would transact privately at wildly different valuations from those at which they are quoted in the public market.

Over the years, I have used this lens of private ownership of businesses as a mental model or *intuition pump* to think about our individual holdings and the portfolio as a whole. The perspective does not solely apply to valuation; it is a useful framework for zooming out and remembering to think about what matters in the long term.

If we owned 100% of (or even minority interests in) our portfolio companies, but they were not listed and did not trade every day, we would focus solely on fundamentals (rather than the day-to-day fluctuations in their quoted prices) as signposts regarding progress and value.

Portfolio Update

Our top five positions as of September 30th were Clarus Corp (CLAR), Correios de Portugal (Euronext Lisbon: CTT), Horizon Kinetics Holding Corporation (HKHC), Turning Point Brands (TPB), and Vistry Group (LSE: VTY).[4]

I have tried to balance patience when fundamentals warrant it with ongoing research and pragmatism. There are no "one-decision" stocks. I'm willing to trade around or sell core positions when I think it makes sense.

The fact that the fund was up 1% in the quarter belies the underlying volatility of some of our positions, which ranged from -33% in the case of Clarus to +34% in the case of Turning Point Brands.

Clarus Corp (CLAR)

I believe the private market approach that I discussed above provides a useful alternative perspective on Clarus. Through this lens, we would acknowledge that this is a challenging year for Clarus: the outdoor industry is weak as it moves past a Covid-related pull-forward of demand. But we would also reflect on the fact that Clarus has a large cash balance and no debt. It should generate additional free cash flow this year. Its brands remain strong and are being positioned to reaccelerate in the coming years. Ultimately, I believe the private value of Clarus's brands is significantly higher than where the stock is currently trading in the public market.

Clarus' enterprise value (based on the estimated year-end cash balance) as this letter goes to print is just under $100 million. Clarus recently sold its bullet and ammunition business for $175 million. If it put its remaining two businesses up for sale, it's hard to know exactly where the bids might come in, but I think reasonable people would conclude that each business (Black Diamond Equipment and Rhino Rack/MAXTRAX) might be worth between $150 million and $250 million. In total, Clarus owns brands that would probably sell in private transactions for a total of $300 to $500 million. Given the challenging environment, bids might come in at the low end of this range if Clarus were to sell in the near-term. If the businesses were generating $40 - $50 million of EBITDA in a year or two, then perhaps the higher end of the range would be in play.

$300 million of value for the remaining brands implies a stock price of about $10/sh. $500 million of value for the remaining brands implies a stock price of about $15/sh. Clarus is in the process of selling PEIPS, its avalanche transceiver business, and has meaningful real estate in the Salt Lake City area (together just under $1 per share of additional value). Clarus is trading for ~$4/sh and should have almost $2/sh of net cash on its balance sheet by year-end. I continue to think this is a highly asymmetric situation.

[4] Listed alphabetically.

Why is Clarus languishing at a sub-$100 million enterprise value? Yes, business isn't great; earnings are going to come in lower than initially hoped this year. But it also appears that several large holders of the stock sold significant volumes in the third quarter for non-fundamental reasons.

Clarus was a tiny position relative to these funds' assets under management. As Clarus fell below $5/sh (becoming a "penny stock" in the eyes of certain brokers), these funds may have effectively become forced sellers. Clarus's executive chairman, who already owned over 15% of the company, was a buyer on the weakness, adding over $1 million to his holdings. I believe management is aligned and motivated to close the gap to fair value over time.

I enjoyed the recent podcast episode with Black Diamond Equipment founder Peter Metcalf on *How I Built This*.

How I Built This with Guy Raz
Black Diamond Equipment: Peter Metcalf

As a reminder, the brand traces its roots to Chouinard Equipment Ltd., which gave birth to both Patagonia and Black Diamond Equipment in the late '80s. The stock market is currently pricing BD for death, but as the podcast highlights, it was doing $5-7 million of revenue in '89-'91. Therefore, it has grown at a mid-teens CAGR for 25 years—not exactly evidence of a brand in decline.

Correios de Portugal, S.A. (Euronext Lisbon: CTT)

Business for CTT was solid in the first half, and I expect a strong holiday season for their Iberian parcels business. The company is slowly executing on its sum-of-the-parts unlocking strategy (separating the bank and monetizing the real estate holdings) and has been consistently buying back shares.

Horizon Kinetics Holding Corporation (HKHC)

Discussed above.

Turning Point Brands (TPB)

Turning Point Brands was a bright spot in the quarter. The market is starting to catch on to what we have seen unfolding at TPB: A secular tailwind in its Zig Zag business; continued share gains and price increases in its Stoker's business; and the growth of FRE in the white pouch oral nicotine market.

If you missed it, please see last quarter's letter for a more detailed write-up on TPB.

Vistry Group PLC (LSE: VTY)

Vistry appreciated by 10% in the third quarter, but it has since given back all that ground and then some. Vistry had a hiccup in its transition to a pure-play partnerships business, as it discovered that it had under-accrued certain expenses in one of its legacy homebuilding regions. Given the relatively new management team and ongoing business model shift (which should, once complete, position Vistry as a capital-light, high ROIC business), I am cautiously giving the company the benefit of the doubt that this was an isolated issue and now behind them.

***

Conclusion

Thank you for the trust that you demonstrate in me year after year. I sincerely appreciate your partnership, as well as all of the pushback, feedback, ideas, introductions, and referrals that you share and make.

I continue to have the majority of my family's investment capital invested in the partnership alongside yours. I look forward to writing again in January. In the meantime, don't hesitate to reach out if you have any questions or would like to discuss the partnership further.

Sincerely,

Dan Roller

Disclaimer

This document is not an offer to sell or a solicitation to buy any interests in any partnership ("Fund") managed by Maran Capital Management, LLC ("MCM"). Any such offering will be made only in accordance with the Fund's Confidential Offering Memorandum (the "Offering Memorandum"). The Fund may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Prior to investing, investors are strongly urged to review carefully the Offering Memorandum and related documents, including the risks described therein associated with investing in the Fund, to ask additional questions and discuss any prospective investment with their own advisers. Additional information, including detailed Fund performance report, will be provided upon request.

The statements of the investment objectives are statements of objectives only. They are not projections of expected performance nor guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives. Performance returns are estimated pending the year-end audit.

An investment in the Fund involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

The analyses, conclusions, and opinions presented in this document are the views of MCM and not those of any third party. The analyses and conclusions of MCM contained in this document are based on publicly available information. MCM recognizes there may be public or non-public information available that could lead others, including the companies discussed herein, to disagree with MCM's analyses, conclusions, and opinions.

Funds managed by MCM may have an investment in the companies discussed in this document. It is possible that MCM may change its opinion regarding the companies at any time for any or no reason. MCM may buy, sell, sell short, cover, change the form of its investment, or completely exit from its investment in the companies at any time for any or no reason. MCM hereby disclaims any duty to provide updates or changes to the analyses contained herein including, without limitation, the manner or type of any MCM investment.

Prices for securities discussed are closing prices as of October 30, 2024 unless otherwise noted and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 3Q 2024, the return of the S&P 500 was +5.9%, and the return of the Russell 2000 was +9.3%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.

January 2025

Dear Partners and Friends,

In the fourth quarter, the partnership returned +6.4% net of all fees and expenses; the full-year 2024 return was +16.0% net.[1] Over the past five years, the partnership compounded at a rate of approximately 14% annually net, just shy of the rate needed to produce a "five-year double."

Of course, these returns didn't happen in a straight line. If you had invested $1 million in the partnership on January 1, 2020, you would have experienced a decrease in the market value of your investment of more than $170,000 over the subsequent three months (remember the market reaction to Covid?) and another mark-to-market drawdown in 2022. But as of the end of 2024, your account balance would be sitting between $1.9 and $2 million.[2]

Over the short term, small changes in the lens through which we look at performance can result in striking differences. For example, if you were to look at our results over the last thirteen months, rather than twelve, you would see that we were up 37% net. Over the last two years, we were up 44% net. On the flip side, over three years, our performance—up high single digits—was disappointing because of our decline in 2022.[3]

I have tried to be consistent in suggesting that our results should be evaluated over long periods of time (i.e., at least five years). Looking at results over shorter periods introduces a fair amount of noise into the picture. I hope to generate good absolute performance over, say, 30 or 40 years (or dare I say longer), and I think that if I achieve this, then a co-product will be that we have good relative performance, too. Since inception, the fund's annualized alpha (net of fees) relative to the Russell 2000 has been approximately eight percentage points per year.

Tilt

Importantly, I don't believe we are taking excess risk to generate our results. Our holdings typically have low leverage or even net-cash balance sheets and have been purchased, I believe, at large discounts to intrinsic values. Further, we utilize a number of strategies to attempt to "tilt the odds in our favor" throughout our portfolio. Some are softer and some more concrete. They include:

- selecting a less competitive **hunting ground** in smaller-capitalization companies and off-the-beaten-path securities;
- performing diligent **research** to help identify opportunities as well as potential pitfalls;
- keeping the **fund size** small to allow us to continue to traffic in our preferred hunting ground;
- seeking **special situations** and/or **catalysts** that can help value be realized; and

[1] Net returns based on the fund's highest fee share class. Individual partner returns may vary based on share class and timing of investment, among other factors. Please refer to individual account statements for more detail. Please see page 7 for important disclaimers, and our investor presentation for complete monthly results since inception.
[2] Again, net returns based on the fund's highest fee share class.
[3] For what it's worth, we've been down many months, quarters, and years, but we still haven't been down over any rolling 3-year (or longer) period. Of course, this could change in the future.

- **activism / engagement** – the most direct manner in which we can potentially tilt the odds in our favor, whether through suggesting changes to companies or attempting to directly create change.

On this last point, we completed our first major activism/engagement effort in 2024 as SLGD merged with Horizon Kinetics (HKHC), culminating in a fantastic outcome for Maran Partners Fund thus far. We generated a multiple on invested capital (MOIC) of 3.7x and a 69% IRR over our ~2.5-year weighted-average holding period in the position.[4] Of course, we continue to hold a meaningful position in HKHC, and I'm excited about the future.

We frequently engage with companies in some manner, including via conversations with management teams and board members as well as sending occasional formal letters to boards. But SLGD was the first time we rolled up our sleeves and went on the board of a portfolio company. While the process was tumultuous at times, the result demonstrates the potential of activist/engaged approaches. We learned many lessons from the experience, expanded our capabilities and resources as a firm, and grew our network. Regardless of whether or how we next engage with portfolio companies, I'm confident that the experience acquired from our involvement in SLGD/HKHC has led to my improving as an investor and businessperson.

The Frog in Boiling Water

I recently caught up with a family that was an early investor in our fund. This family's children were little when I last saw them a few years ago. More recently, they were, well, not so little! Yes, I was the lame adult these kids barely knew saying some variation of "my, how you kids have grown."

I even find myself doing this with my own kids. They appear essentially the same from day to day, but when I take a step back and look at photographs from last summer, or compare height marks on a doorframe, their transformation is starkly evident.

Like the growth of children over the course of even six months (or the infamous frog in the tragic parable), investors frequently miss the cumulative impact of a series of small changes over time. This can, of course, manifest in both the directions of improvement and decline. It is critical that investors cultivate the perspective of objectively evaluating progress (or deterioration) and frequently re-underwrite theses on holdings and prospects.

While "thesis drift" is generally considered problematic, I believe that it can be appropriate in the context of a thorough and objective reevaluation of a company or situation. The thesis that takes a stock from $10 to $20 may be different from the one that took it from $5 to $10. (And if one invested at $5 with a $10 "price target," he may not stick around for the next double if he's too narrow minded.)

We have had fairly low turnover of our core positions over the last few years. Perhaps this manifests in these letters sounding a bit repetitive. But let's not become inured to a series of seemingly small quarterly updates and changes. Some of our positions have undergone meaningful evolutions under our noses.

Our position in Correios de Portugal, S.A. (CTT) is a prime example. While SLGD's transformation into HKHC was more akin to the story of the frog being transformed into a prince, CTT's has been a slower burn. Investors may have missed the transformation that has occurred, increment by increment, over the last

[4] Through year-end 2024.

few years. The cumulative result is stark. It is worth, as always, objectively reviewing the thesis as it stands today.

As a reminder, CTT is the privatized postal operator in Portugal. It holds the country's monopoly postal contract, a leading Iberian express and parcels ("E&P") business (think FedEx or UPS), a financial services business, and ownership of Banco CTT and a portfolio of legacy real estate assets. Over the past few years, CTT's express and parcels business has taken market share across the Iberian Peninsula, cut costs, and improved margins. As you would expect, parcels is a fairly seasonal business—there is a big Christmas/holiday surge every fourth quarter. One datapoint that highlights CTT's rapid growth is that in the *third* quarter of 2024 it generated more revenue in parcels than it did in the *fourth* quarter of 2023! Elsewhere in CTT's portfolio, we've seen monetization of a piece of the bank, sales of parcels of real estate, and repurchases of approximately 10% of its shares.

You've heard most of this before. It's not as if the market has completely missed these changes—the stock has more than doubled over our holding period. But despite this appreciation, future upside may be as high as it has ever been. Further realizations of the sum-of-the-parts values are likely, shares are being repurchased at the maximum possible rate in the open market, and most importantly, the parcels franchise has dramatically improved its competitive positioning through a series of core operational improvements as well as several savvy deals.

CTT's ongoing transformation was punctuated by a complicated series of transactions announced in December that the market is still digesting. First, CTT announced the purchase of Cacesa—a Spanish customs clearing, warehousing, and sorting business—for approximately 5x EBIT, a deal that is expected to be 15-20% accretive to CTT's earnings per share. Second, CTT announced the first phase of a JV with DHL in Portugal and Spain. This was consummated by DHL purchasing 25% of CTT's express and parcels business at an implied enterprise value of €482 million, or about 12x EBIT. Yes, in these two transactions, CTT was a buyer at ~5x and a seller at ~12x.

It just so happens that the cash coming in from DHL is about equal to the cash going out for Cacesa, such that the net impact of both transactions is roughly cash neutral for CTT. But the EBIT accretion from the deals should be around €10 million (on a base of ~€80-90 million in 2024, per the latest guidance). While this oversimplifies things, CTT essentially got €10 million EBIT, worth ~€120+ million at the value DHL placed on the business, for "free." Synergies are still to come.

An updated, simplified sum-of-the-parts valuation for CTT would peg the bank's value at €300 million; real estate: €200 million; mail and financial services: €200-300 million; and E&P, pro forma for the DHL JV, at €600 million to €1 billion. In total: €1.3-1.8 billion on ~130 million (and falling!) shares, or a total potential fair value for the stock of €10-14/sh (compared to the recent €5-6 trading range).

Management is well aligned via share ownership and an equity plan with aggressive targets. They will likely hold a capital markets day this year to highlight the recent acquisitions and lay out a new three-year plan. The last three-year plan included an EBIT target of €100-120mm for 2025, which I believe CTT will achieve. I also expect further monetization of additional real estate and the bank (possibly an outright sale of the latter). With some of these catalysts and continued execution on core operations—and more and more people waking up to the transformation that has already occurred—I think CTT is positioned to generate continued solid stock returns from here.

Portfolio Update

Our top five positions as of year-end were APi Group (APG), Clarus Corp (CLAR), Correios de Portugal, S.A. (Euronext Lisbon: CTT), Horizon Kinetics Holding Corporation (HKHC), and Turning Point Brands (TPB).[5]

APi Group (APG)

> *"As we look to 2025 and beyond, we have great confidence in the business, our backlog, our balance sheet and our ability to continue to evolve APi into an even lower CapEx asset-light business focused on high-margin statutorily mandated services."* - 3Q 2024 earnings call

We have owned APi Group for a number of years—since it was a sub-$1 billion-dollar market cap, pink-sheet listed, de-SPAC. It is now a ~$10 billion market cap, ~$1 billion EBITDA, NYSE-listed behemoth (at least by our usual standards), but I still believe it can continue to appreciate from here. APi is a possible long-term, buy-and-build compounder, but it still has some "special situation" characteristics in the form of a few upcoming catalysts.

Managements' share-based compensation scheme matures at year-end 2026, so they are incentivized to maximize APG's stock price at that time. The company recently announced that starting in 2025, it will report its HVAC business under the Specialty Services segment, which will allow it to highlight its core Life Safety business as a clean segment. This change will certainly highlight the quality of APi's "best" segment, but it would also be a logical step if a split of the two major business segments were being planned.

Regardless of whether APi executes a spin of its Specialty Services business, it will lay out strategic initiatives for both segments at an upcoming investor day in NYC. APi Group has made excellent progress on its last multi-year plan, and I'm looking forward to seeing what they will target in the next three-to-five years.

Clarus Corp (CLAR)

My conviction—backed by ongoing research, channel checks, and numerous management, competitor, and other industry touch points—in the underlying value of Clarus's businesses has allowed me to remain patient. In a year in which a number of the company's former largest holders blew out of the stock (at times, in less-than-controlled manners), we added to our position. Looking forward a year or two, I think we will be rewarded.

Clarus has a fortress balance sheet (net cash of over $1/sh on a sub-$5 stock), and I believe is trading at a fraction of private market value. I believe profitability should accelerate meaningfully this year and that sell-side estimates are conservative. The stock is trading at around 6x EBITDA and less than 0.5x sales. Comps have traded or transacted at more than double (in some cases quadruple) those metrics. Given the strong balance sheet, profitability, and growth, time is on our side.

[5] Listed alphabetically.

Correios de Portugal, S.A. (Euronext Lisbon: CTT)

Discussed above.

Horizon Kinetics Holding Corporation (HKHC)

HKHC is fairly new to the public markets, so investors are still getting a handle on the business. It hosted its first quarterly public call in November, a replay of which can be found here. The company will continue to share its story and strategy this year via quarterly calls and other investor touchpoints.

Horizon's policy is one of transparency. As CEO Murray Stahl stated on the last investor call, "When we answer questions, what I propose to do is we're going to answer every question that we get. So if you are wondering about something, don't hesitate to ask it."

You are all welcome to join the next HKHC call and ask any questions you have. The more the merrier.

Turning Point Brands (TPB)

Turning Point Brands was a bright spot for our portfolio in 2024. We made it a meaningful position in the spring in the mid-$20s per share, and it basically went straight up to as high as $60+ from there (it is now in the mid-to-high $50s). We rarely get the timing so right, but of course I'm always looking for catalysts and inflection points to better time entries and position sizing.

Our thesis on TPB rests on three pillars: share gains and pricing power in Stoker's; a great brand and tailwinds from cannabis legalization in the U.S. for Zig Zag; and growth in TPB's white pouch nicotine products. It is this last pillar that creates the most potential upside asymmetry. We have been attempting to track the progress that these brands are making by utilizing a variety of publicly available data sources and channel checks. Early results appear promising in both TPB's fully owned brand, FRE, as well as its joint venture with Tucker Carlson, ALP.

Beyond the Top Five – Additional Positions and Special Situations

Vistry Group PLC (LSE: VTY)

Vistry is our U.K. housebuilding business that is transitioning from a traditional homebuilder to a "partnerships" model. In 2024, Vistry was a frog in boiling water to the negative. Following cost overruns in the legacy homebuilding part of the business (which led to an October profit warning and a further November profit warning), the company pushed some asset sales from 4Q 2024 into 2025, which put even more pressure on 2024 results (disclosed via a December profit warning). Vistry fell out of our top five positions as the stock price declined.

Should I have updated my thesis after the first profit warning and sold the position? Hindsight is obviously twenty twenty; the answer is at the very least *maybe*. That said, the profit warnings were focused on one region of the legacy homebuilding business, which Vistry is exiting in favor of its partnerships model. There is still good shareholder alignment with management and the board. And ultimately, my initial read of the issues in the fourth quarter didn't change my view of the long-term earnings power of the business.

It is painful to have round-tripped this stock in the manner that we did, but it could have been much worse. The silver lining is that we didn't add to this position at all last year. Our cost basis is approximately £6.20, which is close to where the stock is currently quoted.

Vistry is now trading well below tangible book value, and sentiment is rock-bottom—three profit warnings in three months saw to that. With our now relatively modest position size, I am continuing to evaluate the situation with a level head. While the recent quarter was more than rocky, the full, multi-decade body of work of Vistry's management team still gives me confidence. For example, Vistry's CEO has built meaningful value across a number of homebuilding businesses over his career. We don't want to fall prey to recency bias or salience bias and thus don't want to let one tough quarter become over-weighted in our analysis. It will take management and the board time to rebuild credibility, but if they can execute, there is meaningful upside in the shares.

Special Situations

We have a small position in a real estate liquidation in which the company has announced the strategy of selling assets and returning capital to shareholders. My base case is that this could return 30-40% in 12-18 months, which I believe is an acceptable return given the risk profile (reasonably low) and embedded catalysts.

We recently exited another asset-based investment with an excellent IRR after a short holding period, although this position was very small.

***

Operational Matters

Our accounting, tax, and audit partners have begun work on 2024 reports and filings. Keep an eye out for K-1 tax forms in late March and the partnership's annual audit report by the end of April.

***

Conclusion

Nine full years are in the books for Maran. I can't thank you enough for your trust and support over the years. This partnership was built almost entirely via word of mouth and referrals, so we wouldn't have grown and thrived without you.

I'm looking forward to wrapping up our first decade on what is hopefully a high note, and to launching into our second decade smarter, wiser, and as focused as ever. I am planning to host a partner's event in the next year or so to celebrate our 10th birthday. I hope it will be fun and educational. Stay tuned for further details.

As always, I continue to have the majority of my family's capital in the partnership alongside yours. Please don't hesitate to reach out if you would like to catch up or if you have any questions.

Sincerely,

Dan Roller

Disclaimer

This document is not an offer to sell or a solicitation to buy any interests in any partnership ("Fund") managed by Maran Capital Management, LLC ("MCM"). Any such offering will be made only in accordance with the Fund's Confidential Offering Memorandum (the "Offering Memorandum"). The Fund may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Prior to investing, investors are strongly urged to review carefully the Offering Memorandum and related documents, including the risks described therein associated with investing in the Fund, to ask additional questions and discuss any prospective investment with their own advisers. Additional information, including detailed Fund performance report, will be provided upon request.

The statements of the investment objectives are statements of objectives only. They are not projections of expected performance nor guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives. Performance returns are estimated pending the year-end audit.

An investment in the Fund involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

The analyses, conclusions, and opinions presented in this document are the views of MCM and not those of any third party. The analyses and conclusions of MCM contained in this document are based on publicly available information. MCM recognizes there may be public or non-public information available that could lead others, including the companies discussed herein, to disagree with MCM's analyses, conclusions, and opinions.

Funds managed by MCM may have an investment in the companies discussed in this document. It is possible that MCM may change its opinion regarding the companies at any time for any or no reason. MCM may buy, sell, sell short, cover, change the form of its investment, or completely exit from its investment in the companies at any time for any or no reason. MCM hereby disclaims any duty to provide updates or changes to the analyses contained herein including, without limitation, the manner or type of any MCM investment.

Prices for securities discussed are closing prices as of January 27, 2025 unless otherwise noted and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 4Q 2024, the return of the S&P 500 was +2.4%, and the return of the Russell 2000 was +0.3%. In 2024, the return of the S&P 500 was +25.0%, and the return of the Russell 2000 was +11.5%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and are not representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.