Hoofddorp, the Netherlands, 7th of August 2023

Dear Investor,

We are happy to inform you the portfolio has performed admirably last month. After an amazing June month (up 8.74%), July brought even more fortune with our fund up another 4.67%. Both months we clearly outperformed the market, as the overall market 'only' appreciated 6.3% (vs the 13.8% of the ARAR Fund). In June and July, the markets have shifted towards the expectation of a 'soft landing': inflation coming down without a big recession. This was extra beneficial to our portfolio, as we have a slight tilt towards cyclicals.

THIS MONTH'S PERFORMANCE

In July the first earnings have rolled in, and we already have a lot to talk about for August. Our oil companies performed well, and M/I Homes managed to go up another 5% on their quarterly earnings, even though they already had gone up more than 50% in the few months since we bought the stock.

BasicFit earnings were OK. The stock initially opened 6%, but the gain didn't hold. Main culprit is a fairly disappointing subscription growth this quarter. This can be contributed to their first quarter promotions that likely frontloaded new subscriptions and likely even caused a higher quit rate this quarter. It will be a number to watch in Q3. Interesting note from their conference call was the CEO stated more enthusiasm around their venture into Germany, which was kind of curious to hear since they are currently lagging in new club openings there. Perhaps he wanted to use the occasion to counter the idea that the delays are due to lack of opportunity, but it could also be typical pie-in-the-sky-talk from a growth-company CEO. That being said: as BasicFit has continued their growth path and continues to increase the percentage of premium members, and will start paying a much lower gas bill in 2024, we expect people will be astounded by how profitable it will be 12 months from now.

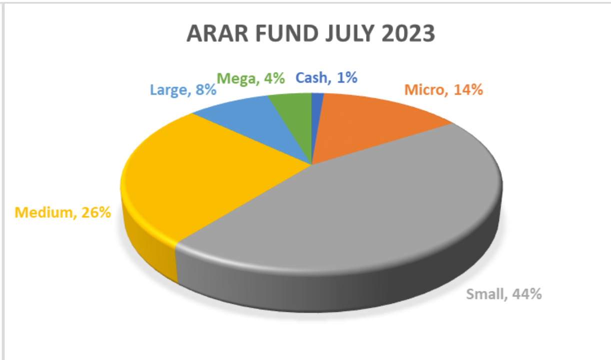
Last Investor's Letter we flagged how we are long some stocks whose earnings are expected to deteriorate. This earnings season OneWater Marine provided an unfortunate example. While the (experienced) management team had given a very optimistic briefing in April, they had to roll it all back on their earnings release last Thursday. While we view the stock as attractive even in a much darker scenario, that doesn't shield a stock from reacting negatively to a profit warning like the one OneWater gave: their effective halving of their profit outlook sent the stock down more than 25%. This means the stock is back at the level we bought it at four months ago. This drawdown will impact our August performance. We anticipate the earnings drought will continue for 12 months, but we don't want to be on the sidelines and potentially miss the stock repricing when people start to see through the temporary dip in margins.

2023	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full Year
A	-	-	2.5%	-4.4%	0.4%	8.7%	4.7%	-	-	-	-	-	12.0%
Benchmark*	-	-	0.2%	0.0%	2.3%	3.6%	2.6%	-	-	-	-	-	9.0%

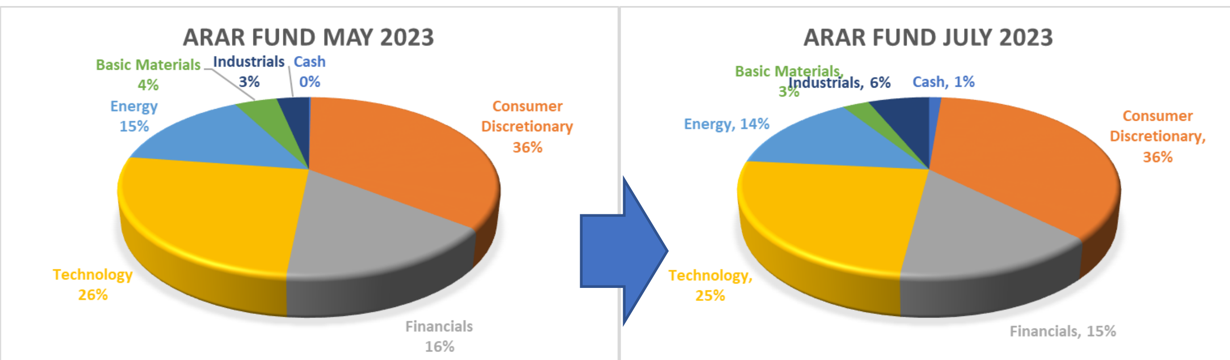
*Benchmark is the Euro denominated MSCI ACWI ETF (IUSQ), which follows a market cap weighted index consisting of ~80% Developed Market and 20% Emerging Markets Stocks.

PORTFOLIO COMPOSITION

The current portfolio consists of 17 stocks and a 1.3% cash portion. The cash position is the result of some portfolio adjustments and will disappear in the coming weeks.



The appreciation of our stock was spread fairly evenly. Some of our outperformers we have trimmed, making the portfolio look similar to two months ago. With the free cash we have added a freight stock called StealthGas (GASS.O) to our portfolio. This new stock already went up 70% since we started buying it, which was a bit unfortunate as we blinked when it started jumping up and didn't build up our position in time.



TOP 5 HOLDINGS:

OneWater Marine Inc (US)	15.8%
Alphawave Semiconductors Group PLC (UK)	10.7%
Jackson Financial (US)	9.3%
Stellantis NV (NL)	8.4%
Kiwetinohk Energy Corp (CA)	7.9%

COMPANY IN FOCUS: KIWETINOHK ENERGY CORP

Kiwetinohk is one of many shale gas companies that trade at a very low P/E (Price/Earnings). The reasons behind this are twofold: In the early 2010's, a lot of shale companies aggressively funded themselves through high amounts of debt. When oil prices deteriorated, a lot of these companies went bankrupt. This has earmarked the industry as very high risk. However, much has changed and management of these firms has become much more conservative. Debt levels are much lower than 10 years ago. In spite of that, P/E's are now much lower than back in the day instead of higher! A second reason why people are staying away from this industry is the ESG-aspect, as it is considered ESG-unfriendly. For Kiwetinohk, there is a third reason: It has decided to reinvest all their profits into ESG projects such as gas plants and CO2-storage facilities. This makes it a weird investment for tradition oil/value investors (who like dividends and positive cashflows), while it is still not ESG enough to be ESG-eligible. It also makes it tough to value, as you invest in an oil&gas company AND in a company that does not exist yet.

As a flexible fund, we are able to tap into stocks that are less desirable for others. When you accept the complexities involved in valuing Kiwetinohk, what remains is a stock that trades at a clear discount. The biggest risk in Kiwetinohk (aside from declining oil&gas prices) is that the company reinvests its profits into unprofitable projects. But 1) this seems to be significantly priced in and 2) there is some protection we can draw on: it is very closely monitored by an oil industry focused investment firm that holds a significant stake (ARC Financial). We expect them to force a sensible and value enhancing strategy.

Kiwetinohk is currently trading at less than 4.75x forward earnings, while companies like Shell and Exxon trade at 7.5- and 12-times earnings (with similar inventory life characteristics). All in all, this works out to a very attractive proposition.

GENERAL MARKET COMMENTARY

In the last 12 months, the market has rapidly shifted its expectations from 'hard landing' to 'soft landing' to 'banking crisis', to 'relief rally' and back to 'soft landing', and now in august shifting to a somewhere in between. As a macro-observer it is extremely tough to gauge where exactly we are heading. It is rare (unique?) that some really forward indicators, such as Manufacturing PMI and yield curve inversion (a higher short-term interest rate than longer term interest rate), are screaming that a recession is imminent for over a year, while at the same time employment and Services PMI remain resilient and the recession is still not happening.

I continue believe it is unlikely we will avoid a recession in the next 12 months, which might seem a bit contradictory to our cyclically-tilted portfolio. However, our positioning is not (just) the product of our macro view, but mostly the product of a stock market that is overpricing defensive stocks and underpricing cyclicals. Stocks such as Pepsico, Walmart and LVMH are all trading at very lofty P/E's (32, 38 and 25), while many 'defensive' tech stocks are heading into the stratosphere even if their revenues will be declining or flat (Apple at 30x earnings, Tesla at 72x earnings). The earnings yield of these stocks is now well *below* what you can get through simply buying government bonds, and I do not see these companies growing (enough) to compensate for the risk you are taking with owning stock instead of bonds. We should never forget that these 'boring' stocks hold idiosyncratic risk: Nobody knows whether your ‘safe-haven’ will make an expensive acquisition and ruin itself (like DSM and Bayer), or will simply fall out of flavor (like Nokia, Blackberry, or GameStop).

Bonds, on the other hand, look better than at any time in the last decade. Now that bonds actually yield real interest, you can also expect long-term bonds to provide a lot of stability when the next crisis hits (in contrast to 2022, where bonds and stocks both went down). This contrasts to the a forementioned stocks. These have depended a lot on customers not caring about pricing, and can see their earnings go down in a recession. I do not think these stocks can go up much more when interest rates go down, and I do not think they can sustain their revenue and margins when people become nervous about their jobs and their spending.

As such, we continue to bet on the resilience of the balance sheets of our cyclicals, and the continuation of the dash to profitability of our growth stocks. We believe these companies carry a much better risk-reward ratio and will outperform on the long run.

Best Regards,

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