Hoofddorp, the Netherlands, 4th of October 2023

Dear Investor,

The portfolio did not continue the positive path that started in the beginning of the summer, as it depreciated by 4.2% this month. Substantial culprits were badly received earnings from Alphawave on the one hand, and a general downtrend in markets (~-2% depending on which benchmark you use) on the other. Markets were negatively surprised by the hawkish tone from the FED. While rate hikes are now paused, the FED has started indicating they believe higher interest rates in 2024 and 2025 are necessary.

THESE MONTH'S PERFORMANCE

August and September's performance were dominated by two macro items and three stock news items.

On the macro front, the 'higher for longer' interest rates hit the markets and this was even more felt by stocks that do not have large passive inflows to count on, such as smallcaps and 'exotic' markets such as Europe. The markets continue to favor the Big 7 (Meta (Facebook), Apple, Amazon, Nvidia, Alphabet (Google), Microsoft, Tesla) as safe-havens due to their solid balance sheet and perceived safe revenues. These super caps are still up >30% while many small cap indices have already retreated well into negative territory. Except for Alphabet, we have stayed clear of these stocks as we identified stocks that have much better balance sheets, lower P/E's and/or higher expected growth. With most of these stocks trading at P/E's over 40, a lot is riding on the idea that they will 'figure out a way' to repeat the magic of 2010-2020. A fragile investment case.

The other macro feature of this period is the rising oil price. We partially benefited, as we held three energy stocks. We were not able to fully benefit from the move as one of our oil stocks was taken over in the meantime.

On the micro level, multiple events shook up the portfolio. In our last letter we mentioned the disappointing earnings from OneWater. This by itself took down our performance by -4.5% in August. This month Alphawave's earnings came out and were ill-received. We do not see any reason for the 30% downdraft, though there were items in the earnings that make us weary: The share of revenue coming from China is larger than hoped and the orderbook from the OpenFive acquisition was surprisingly unprofitable. On the bright side, growth is continuing at a break-neck speed and their guidance for the year is unchanged. If they deliver on this promise, this would backload this year's profit and would mean the company became very profitable 2023H2. Skepticism is in order, but many were skeptical when they had problems with their auditor in May and were proven wrong.

On a more positive note, one of our energy stocks is in the process of being acquired: We bought Earthstone Energy at around 13.00 usd per share and sold them last month at slightly over 19.00 usd per share after Permian Resources offered to acquire the company in an all-stock exchange. As this would expose us to the stock price of Permian Resources, we sold our position and invested it elsewhere.

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%	-6.3%	-4.2%	-	-	-	0.6%
Benchmark*	-	-	0.2%	0.0%	2.3%	3.6%	2.6%	-0.9%	-1.7%	-	-	-	6.2%

*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.

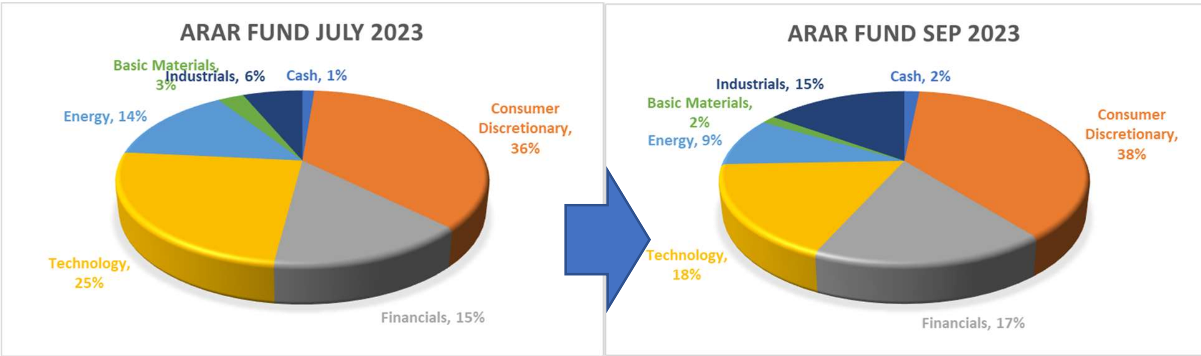
PORTFOLIO COMPOSITION

The current portfolio consists of 17 stocks and a 1.6% cash portion. Since our last Investor letter there have been two exits and two entries. The cash position is the result of these shifts. We expect to sell out of one of the stocks this month and have one prospect waiting in the wings, while multiple stocks are under investigation. We continue to see very attractive stocks available, especially on the 'Value' part of the market: low P/E's in combination with attractive balance sheets.

Sector shifts in our portfolio have been largely due to the decline in OneWater and Alphawave, while the weight of Jackson Financial increased as they benefitted from being introduced into the S&P 1000, which meant a lot of passive managers needed to buy shares. The company is still ridiculously cheap, so we kept the position as is.

We have sold out of Interfor Corp (CA). This company primarily engages in the production of wood in Canada and the US. We bought the stock at a time when it was trading at a P/E near 3. We modelled their cashflows based on various lumber-futures and based on its we expected earnings would come back from their Q4 dip. However, in contrast with the housing market (a primary source of demand), the lumber market deteriorated. Interfor is now loss-making and we estimate this will continue for some time. In spite of this, Interfor had managed to appreciate in-line with homebuilders and we were able to substantially exit the position at a profit of around 10-15%. Our last 1/4 was sold at a 10% loss.

We also exited the aforementioned Earthstone Energy after a takeover offer from Permian Resources. We skillfully waited until 3 days after the offer, as a nod to the relentless buying-momentum that occurred on the back of the news. We sold out at over 19.00, even though the stock opened at 17.63.



TOP 5 HOLDINGS:

Jackson Financial (US)	12.1%
OneWater Marine Inc (US)	12.1%
Stellantis NV (NL)	9.2%
BasicFit (NL)	9.0%
Alphawave Semiconductors Group PLC (UK)	8.5%

COMPANY IN FOCUS: STELLANTIS N.V.

Stellantis is the biggest household name you probably never heard of. It is actually the name of the conglomerate recently formed by the merger of Fiat-Chrysler Automobiles and PSA Group, and encompasses Peugeot, Chrystler, Fiat, Opel, Ram, Jeep, Alfa Romeo, Lancia, Vauxhall and a number of smaller brands.

This stock is thoroughly hated by the investment industry. It must be, because it is trading at a trailing P/E multiple under 3 despite having an extremely solid balance sheet. The existence of these opportunities for more than 12 months makes me pull out my hair, but here we are. Apparently, people thoroughly believe Chinese EV's will take over the car industry and there will be no room for European carmakers within five years. Or maybe people believe the upcoming recession will destroy American carmakers like it did in 2008. Or maybe investors think Tesla's Full Self Drive will make all other cars inferior. We are here to tell you this is extremely misguided, and none of it makes sense.

Let us tackle these arguments one at a time:
-Chinese EV's: The reality is that outside of automotive, markets are afraid of DE-globalization, not globalization. Trade with China is declining, not accelerating. And governments are trying to support this 'reshoring'/'friendshoring' effort. Specifically for this industry, we see the EU actively investigating what tariffs they can impose on Chinese EV imports. Similarly, Italy has its own plans to reduce Chinese imports. One should also not forget protectionism has a long history in this industry, specifically in Stellantis' primary markets. If anything, a tailwind is coming for Stellantis, not a headwind.

-EV technology: While it is true that Stellantis is lagging behind when it comes to EV sales, it is difficult to see them not catching up. Seeing how many brands are successfully entering this market, one can hardly say the technology itself is an in surmountable roadblock.
-The recession: When a recession hits, this typically hits automotive even harder. In 2008, it basically bankrupted the US car industry, for instance. However, this time is substantially different, as in that episode carbuilders had heavily indebted themselves (to buy back shares, which was very much in vogue at the time). This time around, Stellantis carries the leftovers from more than two extremely profitable years (2021/2022/2023). Even if a serious recession arrives, the starting position is completely different. This also applies to a scenario with very high interest rates, with the extra benefit that the debt they have have been secured at very attractive interest rates in 2020.
-Autonomous Drive: In contrast to many, I believe autonomous driving will have vastly more impact on the automotive landscape than EV. I simply cannot fathom anyone buying a 25.000 dollar car without autonomous drive when such a feature is available elsewhere. But here's the catch: while Elon Musk has done a brilliant job at making everyone believe Tesla will be the first to deliver FSD, the truth is Tesla is actually lagging behind in this technology. Currently, 33 companies have permits for [Testing with a driver] in the US, three have an additional permit for [Driverless testing], and only four companies have obtained the actual permit for [deployment]: Cruise LLC, Merc Benz, Nuro and Waymo LLC. Tesla is one of the 33 laggards still at stage one! Stellantis, on the other hand, is the preferred partner of Waymo and therefore in pole position to get this technology to market. If anything, Tesla is losing this race!

To drive the point home further vis-à-vis Tesla: Stellantis boasts four times higher revenue, a higher profit margin with a better trajectory, has more cash on its balance and able to spend almost double on R&D. But while Tesla carries a 782.5 Billion USD market cap, Stellantis is currently valued at… 59 billion USD.

GENERAL MARKET COMMENTARY

In line with comments from FED Chair Powell, markets have picked back up on the idea that interest rates will be higher for longer. US 30 year treasuries are now yielding almost 5% (up from 1.25% in 2020 and 3% for the most of last decade). More painful to stocks is that inflation-linked treasuries are now paying 2.4% over inflation (from -0.5%). Bonds are now serious competition for stocks, and defensive stocks in particular. This can only be corrected by stocks trading lower, which is what we see now. A company trading at a P/E of 20 in 2021 is now only as fairly priced if it trades at a P/E of 12.5. Such is the logic of (inflation adjusted) discounted cashflow.

I am fearful for the first period in which we rediscover the value of bonds in a diversified portfolio. Perhaps people will seize to be as enthusiastic about being overweight S&P 500 ETF's at a forward P/E of 19.

While our valuation of some of our companies has come down a bit here and there, our stocks continue to be amazing opportunities to outperform the market in our view. We believe these companies carry a much better risk-reward ratio and will outperform in the long run.

Best Regards,

Joost van der Mandele
Director Pendelhaven Asset Management B.V.
www.ararfund.com

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