

# PRAETORIAN CAPITAL

## Q2 2025 Investor Letter

August 7, 2025

During the second quarter of 2025, the Praetorian Capital Fund LLC (the “Fund”) appreciated by 3.59% net of fees. Given the Fund’s concentrated portfolio structure and focus on asymmetric opportunities, I anticipate that the Fund will be rather volatile from quarter to quarter. During the second quarter, our core portfolio positions appreciated moderately, while the Event-Driven book produced a small loss that partly offset the appreciation in the core book.

Praetorian Capital Fund LLC		
	Gross Return	Net Return*
Q1 2025	2.76%	2.44%
Q2 2025	3.91%	3.59%
YTD 2025	6.77%	6.11%
2024	-9.41%	-10.55%
2023	34.70%	26.45%
2022	16.38%	11.95%
2021	181.80%	142.87%
2020	161.87%	129.49%
2019	18.71%	14.97%
Since Inception (1/1/19)	1228.22%	761.03%

\*Net return varies from gross return as it accounts for management fees and incentive allocations. Please see the additional disclaimers on the final page of this document.

I remain highly frustrated with the Fund’s performance over the past few quarters, and I know that I can do better. While it’s easy to blame the fact that my sorts of companies (smaller value companies) are out of favor currently, I also recognize that many of our positions just haven’t put up accelerating numbers. Meanwhile, those that have put up such numbers, like Sprott (SII – USA) have rewarded us with appreciating share prices. To blame a market regime is wrong, as markets are mostly functioning as they always have, rewarding companies with improving results. Instead, I’ve failed in my quest to identify undervalued companies with accelerating momentum, while becoming attached to certain ideas, often failing to jettison them when the momentum stagnated. I feel that after a multi-year period with rather strong performance, I simply got a bit over-confident in things. This has periodically happened to me, and fortunately, unlike prior similar periods in my investing career, the drawdown since the start of 2024 has been rather shallow—though volatile.

Thankfully, our Event-Driven profitability has hidden the majority of the pain in our core portfolio, showing the continued benefit of the two-legged strategy that this Fund employs. For whatever reason, the two are rarely in sync, and instead tend to offset; hence when the core book does well, the Event-Driven book

tends to stagnate, and when the core book does poorly, the Event-Driven book tends to shine. While I know I cannot rely exclusively on the Event-Driven book to always power our performance, I am appreciative that it is frequently there to offset weakness in the core book and provide some liquidity.

All the same, in May, after a multi-quarter period of frustrating returns, I felt that it was time (overdue really) for a hard reboot of sorts. In the investing game, slumps are inevitable, and unfortunately, they have a way of feeding on themselves, which consumes capital as I make unforced errors. There is something about not seeing the world correctly, which then forces me to become stubborn and inflexible. From experience, I've learned to recognize when I'm in a slump, and once I become self-aware, it is best to go for a hard reboot (of both the portfolio, and my outlook on things).

This is certainly not my first slump, nor will it be my last one. I have learned that the way to break a slump is to jettison all the stagnant positions, and remove all the distractions. I need to turn off my brain for a bit, and completely step away from the markets. I need to come back fresh, with a bit of contrition about what hasn't been working, along with a plan to adjust towards a better path.

In May, I dramatically reduced our portfolio exposure and left the markets for the better part of two months. While I'm frustrated that many of our sales could have been better timed, I also recognize that price movements in the short-term are random noise, and one cannot really choose an ideal time for a reboot—it is Mother Market that tells you when you need one.

My most-recent prior hard reboot was in Q4 of 2019, during a time when the Fund's numbers were also rather disappointing. While I didn't know that the COVID volatility was just around the corner, the reboot certainly cleared my mind, and gave me the flexibility to appreciate a world in chaos during COVID. In fact, many of my prior hard reboots have also led to spectacular returns in the quarters after returning.

I'm back as of July, but plan to move slowly when wading back into positions for our core book. I want to await new trends with perfect set-ups, otherwise, I intend to be extra patient. This Fund has rarely been correlated to the overall market, and I do not care if the market goes up or down while we retain a large cash position. Cash is our edge here, and I plan to wait for undiscovered, and newly inflecting trends, only re-grossing the book as those trends come forward. Having an increasingly clear mind certainly gives me the perspective to wait and be patient. I don't want to make unforced errors or needlessly risk our capital, until a perceived layup arrives on my desk. The great advantage to our strategy is that we can wait, potentially a very long time, for the right setup. That said, I'm fully engaged on the Event-Driven side, and have been posting decent returns since I've returned. In the volatile world of Trump, I plan to allocate more of our balance sheet to Event-Driven opportunities—especially as they seem to be working well.

The main learning from my sojourn in Q4/2019, was that the market's attention span had further truncated. No longer could I simply purchase cheap shares and wait for someone to care. Instead, I needed to wait for an actual inflection in business performance, and become something of a share-price chaser AFTER the turn. This insight has been invaluable over the past few years, leading to a multi-year period of strong performance as we practiced 'inflection investing' as I like to call it.

While away from the markets over the past two months, I've had a number of epiphanies on why the past year (and really the past three years) has underperformed my expectations, and how to run the portfolio better. I know that many investors like to talk about their competitive advantages, but I've come to realize

that I really don't have any great advantages on the research side. So much of my process is simply trusting my gut. If I'm curious about something, it has a funny way of working, and when I become bored with something, it has a funny way of falling apart. I frequently have visceral views of things, and an uncanny inability to sleep when some position needs to be disposed of.

Competing investors, focused on harvesting real-time data for almost imperceptible competitive advantages have unlimited resources at their disposal, and we are always going to lose the informational arms race against them. Where we can win is through investing discipline, knowledge of prior cycles, and most importantly, by harvesting the foibles of others who fixate on the immediate, while ignoring that investing is a process—what happens a year or two from today, should get discounted today, yet rarely does, as investors increasingly truncate their timeframe.

Unfortunately, I feel like as this Fund has grown, I have over-embraced analytics and data. I've listened to more views on situations, trying to find answers to the unanswerable. I started speaking with more management teams, as I felt our scale gave us access, which should theoretically be a competitive advantage—it wasn't an advantage. It only served to anchor me as management teams misdirected me from the truth. I hate to say it, but I drifted towards becoming more 'institutional,' which is the polar opposite of my own personality and process. What has always made my process special is my ability to move fast and backfill the data afterwards; 'invest, then investigate' for lack of a better conceptual view. Unfortunately, as the Fund has grown, I've become slower to move as I've feared market impact should I change my mind—especially when it comes to jettisoning a position that's not quite working. Low liquidity is the nemesis of an active trader's mind—inertia is worse.

Instead, I tried to find new analytical edges, when my edge has always been to shut out the noise, listen to the markets, and simply do my thing. I plan to do much more of that going forward. I cannot overthink things—mental clutter is my enemy. I need to work in a vacuum, alone with my thoughts. I need to ignore everyone else's opinions. The path to superior returns comes from preserving capital and finding the occasional homerun set-up. It isn't through overanalyzing inconsequential details.

Markets are often irrational, and they defy logic. The trick is in seeing what can be, and what isn't priced for what could be. When I start trying to price it, or over-analyze it, I lose my edge. Everything is a trade. By their very nature, trades have rules, but they're free-flowing expressions of emotions and personal beliefs. When I look for consensus, I willingly close out the human element that guides my gut feel. When I'm anchored by data, I become inflexible. Meanwhile, the market is there giving me clues about what's actually happening, but only if I choose to listen to the market.

When I look back on the past three years, my investing mistakes were not terribly numerous or costly. I practiced good risk discipline, and had very few positions that declined materially from our cost basis. Rather, my uninspiring performance was due to tying up capital in stagnating positions, often giving back prior gains. A more attuned version of myself should have recognized the stagnation and jettisoned the positions sooner—unfortunately I had grown too attached to them. The abundance of data that we had collected, along with all my newly formed contacts, gave me comfort in my decisions, when the markets clearly told me that I was wrong. However, the much larger reason for weak performance was my inability to take advantage of good ideas by trying to overanalyze them, or waiting for additional data, or more frequently, getting talked out of great ideas by friends and employees. This has never been my style, and

I must try harder to simply shut out opinions going forward. In retrospect, we missed out on many multi-baggers that we should have capitalized on, and this was the great divergence between where actual results landed, and where I would have expected them to land. Appreciating what went wrong, then taking corrective action is my focus here.

In summary, I want to mentally go back to how it was when I was trading stocks by myself, and you guys all came along effectively as a side-car to my personal account. Though our back-office is quite institutional, I don't want this Fund to invest with an 'institutional' mindset. I'm going back to my roots. This is a fund that's meant for trading, and I want to get back to what I've always done best. I want to trade on multiple time-frames, accepting that I'll always have imprecise data, but a better sense of how the market may see that data in the future.

I want the flexibility to wake up in the morning, and jettison a position on a whim. I want to size up and down without qualms about what anyone may say. I want to be freed to simply judge risk vs. reward (with an over-anxious focus on the downside of things). I want to embrace more liquid securities (the ones that the mob tends to chase after anyway). I want to go back to being flexible.

I want to just go back to what has always worked for me.

I want to be me.

### **Thinking Through Our Evolving Strategy**

While away from the markets, I thought a lot about market structure. What has been working for us, and what has not been working. I believe strongly that at its core, investing is about buying undervalued businesses with strong tailwinds. In the shorter-run, where I practice my trade, there is a certain rock-paper-scissors element to things. A strategy seems to work for a period, more capital is deployed to harvest those excess returns, and then the capital deployed outgrows the market, leading to other untapped returns. These cycles often take many years, or even decades to play out.

I increasingly think that the concept of 'inflection investing' has now overshot, and I genuinely wonder if buying good businesses when deeply out of favor, and devoid of tailwinds, is once again viable as a strategy. When I started in investing, there were many well-funded value-oriented investing firms. They served to set a floor under unpopular securities, ensuring that they never got too cheap. Today, through two decades of redemptions, those investment groups are shells of their former selves, if they're even in the markets at all. Instead, those that can harvest data and guess next quarter's results have all the capital. This leads to a world where there is no ceiling on valuations, nor a floor. Investors increasingly fixate on rate-of-change, buying assets with positive rates of change, and shorting those with negative rates of change. Investors have become increasingly valuation-agnostic. They literally do not care how much they pay for something, or how undervalued the thing is that they're shorting. They simply believe that if next quarter's data plays out as they expect, the overvalued will become more overvalued, and the undervalued will become more undervalued.

During the middle of last decade, buying cheap assets without an inflection mostly stopped working, it's the reason that I took a hard reset in 2019, returning with a focus on only buying securities AFTER the inflection, even if this meant that I'd have to pay up for the potential certainty that things were getting better. I came to realize that this reflexive process should guide my returns. As long as the business results

were up and to the right, the share price would continue to appreciate. At the same time, no security ever seemed too cheap, as it would simply get cheaper on the next negative data point. Focusing on valuation ensured that I'd suffer, even if the security was unusually cheap. The inflection was the only thing that mattered.

Now, I genuinely wonder if the tables have turned. I know that this is very subjective, but I feel like top quality assets now get far cheaper than I could have ever previously imagined, but only when the next few quarters are expected to be poor. Meanwhile, when you look out a few years, you can see nothing but rainbows—except the active capital today does not have a timeline that extends that far.

Back in 2019, I realized that at the first sign of a positive inflection, there would be almost no change in the share price, as investors adopted a heavy dose of skepticism towards what could be a potential inflection—in inflection investing, there are many false dawns. That gave us an opportunity to pay a small premium to the undisturbed price, with the belief that a potential inflection was afoot. As always, the ratio between risk and reward is what drives an investment, and from a practical sense, if I could risk only the small change from the undisturbed price to see if the inflection had legs, spread over many situations, we were bound to prosper.

Now, I increasingly feel that any good news leads to an explosion in the share price, as every computer model is programmed to chase the inflection, and every short has to cover as the negative rate of change has reversed. Instead, I genuinely wonder if it's time to flip the script and purchase into the depths of despair, rather than chasing after the inflection. This may imply that we are likely to be early in both price and timing, as these securities are likely to go against us early in the process, but when top quality assets get this cheap, I wonder how much downside is really left. This is still an evolving thought-exercise, but I've always believed that to prosper at this game, you need to go where the capital isn't. Trust me, there's no one looking to buy after bad news, with the expectation that there could be another dose of bad news.

Over the past two years, we've passed on many situations that felt like cathartic bottoms, awaiting an inflection, only to then see the shares rally materially in the weeks before the first good news arrived, with an acceleration after the arrival. As noted previously, there are many really smart people, with incredible data mining abilities. They can see turns before the data is released publicly by the company, and they keep buying after the data comes out. By the time we'd be making a purchase, we'll be chasing on the way up, giving up a lot of our edge. Instead, I wonder if it now pays to be a bit earlier in the process and purchase great assets without clear tailwinds, but after the headwinds have subsided. I'm not talking about buying new lows, or even buying cheap companies just because they're cheap (I'm not foolish enough to think that is a viable strategy). Rather, I am talking about buying absolutely top-quality assets after they've stopped going down, yet before they've inflected.

As noted, this is still a thought exercise, but it's the direction that my thinking is evolving.

## **Macro Views**

I've increasingly come to realize that we don't have a traditional economy anymore. We simply have asset bubbles which feed the wealth of the top 10%, who coincidentally are approximately half of all domestic

spending. When assets go up, they can be borrowed against, with the tax-free proceeds spent to drive what is left of the traditional economy. When the government wants to grow the economy, what they're really talking about is growing the size and scale of the various asset bubbles, though they may also try and create new bubbles. While Trump (and many Presidents before him) pay lip service to broad-based economic growth, a true reorientation of the economy is simply too painful to suffer through. Trump couldn't even suffer a week of turbulence after Liberation Day. It now seems obvious that they plan to sacrifice the Middle Class to fuel the asset bubbles. I don't agree with this plan, but I recognize a plan when I see one.

While I like to point out the economic suffering of flyover country, there's a certain brilliance to how our economy is structured today. Simply put, the world produces goods that we consume, goods that are often cheaper and of better quality than we ourselves could produce here in America. Then they even lend us the capital to purchase their goods. Honestly, there's a certain irony of poor people in sweat shops, earning minimal wages, and then lending us their meager savings to buy the goods they're toiling to produce, but that's effectively what's happening. Then, when the wealthier citizens of these poor countries, those who own the sweatshops, take their profits in Dollars, they often recycle those Dollars into our financial system, buying our financial assets, making our Dollar stronger, and increasing our capacity to buy more products from their sweat shops. Given the size of the bubbles engendered, which have warped everyone's perceptions of valuations, we no longer even have to trade them productive assets for their recycled Dollars. Instead, we sell them shares in various Ponzi Schemes and FartCoins. You may laugh, but we've been doing this for decades now—remember CDOs Squared?? It's an amazing system if you're at the top of the pyramid, and I understand why no one wants to make changes.

Of course, this has created monumental imbalances in all sorts of financial and economic metrics. It has hollowed out our industrial capacity and increasingly hollowed out our middle class, but trends in motion do have a way of continuing—especially if those who are closest to the action, on both sides of this trade, profit mightily. Trump has talked about fixing these imbalances, but I worry that the pain will be too great to stomach, though we seem to be giving it another try with the recent round of tariffs. As a result, I expect more market turbulence.

What does the ultimate ascent of this bubble in nominal terms look like?? Do we have one last financial panic as Trump tries again to reorient our economy?? What about when inflation eventually reaccelerates?? What about when fiscal dominance becomes obvious, and begins to crowd out the private sector?? What about the fact that the real economy (basically everything outside of tech and AI) clearly seems to be rolling over??

Part of me thinks that we're into "Project Zimbabwe" and part of me realizes that on the path to the Zimbabwefication of equities, you must first suffer through a Brazilian phase where interest rates rise, equity multiples compress, and most businesses can barely cover their debt service costs, much less reinvest for growth. This is then followed by the Turkification of equities where they then trade at low single digit multiples, but the collapse of the currency propels them higher in nominal terms. Only then can equity markets truly hyperinflate. This is a multi-decade process, but when I see equity investors discussing this, they keep thinking that we can skip these steps, and simply enter the parabola to higher prices. Meanwhile, most historical evidence says that multiples compress on the way there, and these could be multiples on declining earnings too.

Think back to the equity markets of 1970s; could that be a dress rehearsal for what's unfolding today?? That certainly wasn't a strong period for most equities—only then, starting asset values were rather tame. Today, valuations are many standard deviations beyond historic norms. Should a crash gather momentum, the fiscal and monetary reaction may skip us ahead a few steps, but that's only AFTER the crash. Today, there still (sorta) are economic rules of engagement, even for Trump. He may want to run it hot, but he's running into roadblocks. Only a crisis can unleash "Project Zimbabwe," and I think therefore, that an economic crisis is inevitable.

I sometimes worry that my study of bubbles and inflations, has somehow inured me with a precise view of the unfolding events, robbing me of the innate stupidity to simply get long and stay long. I worry that I may suffer the curse of over-engineering this thing. At the same time, history does have a funny way of rhyming. It felt lonely to call it "Project Zimbabwe" at the lows of the Covid-induced money printing spasm, right before equities mooned. It was lonely saying that we would have no recession in 2022 and that cyclical businesses were quite cheap. Now, it feels lonely saying that most equities feel rather expensive, especially in an economy that has stagnated and seems to be rolling over. In fact, I think it would have already rolled if not for the 'wealth effect' as equities and crypto make new highs—not exactly the bedrock of a strong economy, especially should these assets roll over. Besides, as noted earlier, I plan to trust my gut when it comes to my investing decisions. This probably won't surprise you, but my gut says to stay on vacation, and as far away from equities as possible. I think this current move higher will end quite badly.

Returning to the narrative, I can see things going in multiple directions. As always, the first rule of investing is to do nothing unless it's obvious. The second rule is to never lose money. Somewhere between those two objectives, is how I'd describe our positioning today. We own beneficiaries of "Project Zimbabwe" and we own cash as I'm scared it all falls apart. Most of our positions are unusually liquid, and we can pivot rapidly should either view take precedence. Alternatively, we can wait it out until something more obvious comes forward, focusing our capital on Event-Driven situations, where we continue to harvest very attractive returns.

While I like to fixate on US equities, we can invest globally, and in situations that are far less of a knife's edge in terms of risks. I'm usually a guy who's often wrong, but never in doubt. After my forced market holiday, I'm simply an opportunist. Let's see which way things roll, then get after it. Though, my best guess remains that US markets are marking a multi-decade top in GDP terms, and there is a lot of hot air down below. People keep asking me where the money will flow to next. What if it simply vaporizes instead??

I'm pretty confident that in real terms, it will vaporize, as that's effectively been happening for two decades now if you compare equity markets against a constant like gold. What if that happens in nominal terms as well?? No one is prepared for that. To paraphrase Chuck Prince, everyone's too busy dancing to notice that it's going bad.

## **Position Review (Top core position weightings at quarter end from largest to smallest)**

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### **Precious Metals Basket**

In an inflationary world with loss of faith in Central Banks, precious metals tend to do well. We own three companies that should be beneficiaries of precious metals either appreciating or at least staying at elevated prices. None of these companies are directly in the mining business, which is risky and capital intensive—though one is a service provider to miners.

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### **Emerging Markets Basket**

For the past decade and change, Emerging Markets have been in a relative bear market, as investor capital has migrated to US markets. In the process, many emerging markets have gotten quite cheap when looking at them from a valuation perspective. This Fund has a sweet spot for cheap assets, but Emerging Markets have been cheap for quite some time now. You could have said the same thing years ago and likely be sitting on paper losses today, while having tied up capital. What you need is a catalyst that unlocks this value. I believe that catalyst is a potential decline in the US Dollar, tied to policy changes emanating from the Trump Administration. For MAGA policies to work, the US needs to follow a weak Dollar policy. At the same time, Emerging Markets, which frequently borrow in US Dollars, are hamstrung by a strong dollar, but a weakening dollar is a boon to their economies. As a result, I've built up positions in various Emerging Markets that are highly impacted by the US Dollar, with the view that a weakening Dollar should be a catalyst for asset values.

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### **St. Joe (JOE – USA)**

JOE owns approximately 167,000 acres in the Florida Panhandle. It has been widely known that JOE traded for a tiny fraction of its liquidation value for years, but without a catalyst, it was always perceived to be “dead money.”

Over the past few years, the population of the Panhandle has hit a critical mass where the Panhandle now has a center of gravity that is attracting people who want to live in one of the prettiest places in the country, with zero state income taxes and few of the problems of large cities.

The oddity of the current disdain for so-called “value investments” is that many of them are growing quite fast. I believe that JOE may grow revenue at a rapid rate for the foreseeable future, with earnings growing at a much faster clip. Meanwhile, I believe the shares trade at an attractive multiple on Adjusted Funds from Operations (AFFO), while substantial asset value is tossed in for free.

Besides the valuation, growth, and high Return on Invested Capital (ROIC) of the business, why else do I like JOE? For starters, land tends to appreciate rapidly during periods of high inflation. More importantly, I believe we are witnessing a massive population migration as people with means choose to flee big cities for somewhere peaceful.

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I suspect that every convulsion of urban chaos and/or tax-the-rich scheming will launch JOE shares higher, and it will ultimately be seen as the way to “play” the stream of very wealthy refugees fleeing for somewhere better.

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In summary, at quarter-end, we’re sitting on a book that’s almost 40% cash. I intend to be patient and re-engage when something obvious happens. Until then, I plan to pivot more of our capital into Event-Driven strategies. I remain convinced that while the markets will be higher in the future, first, they may suffer. Fortunately, our cash balance gives us the flexibility to maneuver with whatever unfolds.

Sincerely,



Harris Kupperman

## Appendix

Praetorian Capital Fund LLC		
Quarterly Returns		
	Gross Return	Net Return*
Q1 2025	2.76%	2.44%
Q2 2025	3.91%	3.59%
YTD 2025	6.77%	6.11%
Q1 2024	11.90%	9.25%
Q2 2024	-1.76%	-1.69%
Q3 2024	-2.51%	-2.29%
Q4 2024	-15.48%	-14.76%
2024	-9.41%	-10.55%
Q1 2023	-1.78%	-2.09%
Q2 2023	9.79%	8.00%
Q3 2023	15.04%	11.92%
Q4 2023	8.57%	6.85%
2023	34.70%	26.45%
Q1 2022	19.79%	15.55%
Q2 2022	-18.16%	-15.69%
Q3 2022	0.01%	-0.30%
Q4 2022	18.69%	15.26%
2022	16.38%	11.95%
Q1 2021	57.50%	45.66%
Q2 2021	28.14%	23.96%
Q3 2021	11.42%	9.85%
Q4 2021	25.32%	22.44%
2021	181.80%	142.87%
Q1 2020	-41.22%	-41.22%
Q2 2020	54.32%	54.32%
Q3 2020	34.09%	29.32%
Q4 2020	115.28%	95.63%
2020	161.87%	129.49%
Q1 2019	6.10%	4.88%
Q2 2019	7.96%	6.44%
Q3 2019	-10.23%	-8.40%
Q4 2019	15.44%	12.42%
2019	18.71%	14.97%

\*Net return varies from gross return as it accounts for management fees and incentive allocations. Please see the additional disclaimers on the final page of this document.

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The past performance of the Fund is not indicative of future returns. Net returns presented have been calculated net of fees, including a 20% incentive allocation, with up to 2% expenses from inception through December 2020, and a 1.25% management fee since January 2021. All returns reflect the reinvestment of dividends and do not include the performance of a side pocket portfolio. While the Fund undergoes annual audits, the returns presented have not been independently verified. The performance reflected herein and the performance for any given investor may differ due to various factors including, without limitation, the timing of subscriptions and withdrawals, applicable management fees and incentive allocations, side pocket participation, and the investor's ability to participate in new issues.

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The investments discussed herein are not meant to be indicative or reflective of the entire portfolio of the Fund. Rather, such examples are meant to exemplify PPR's analysis for the Fund and the execution of the Fund's investment strategy. While these examples may reflect successful trading, not all trades are successful and profitable. As such, the examples contained herein should not be viewed as representative of all trades made by PPR.