PRIME

Dear Prime Friends and Investors,

It's springtime again, when everyone's fancy turns to chirping birds, budding trees, and money. So, let's dig right in.

In our 14-year history of running the Prime Traditional Long/Short hedge fund, we've seen exceptional performance. Last year, our fund was down 51%, as opposed to many of our previous years in which we have seen gains of as much as 295%, 123%, 62%, and 58%. The dip doesn't surprise or discourage me. Last year was a brutal one for the stock market, but the market is by nature volatile, and the truly undervalued investments in the market are even more so. Thus far in 2023, we have already bounced back 16.37%. My disregard for the stock market stems from its short-term unpredictability and its lack of logical evaluation for many companies. The market can be a popularity contest in the short term; however, true value reveals itself in the long term.

Since our inception, we have been averaging an astounding 20.45% gross, and 16.34% net with a correlation of .38 to the S&P, while the HFRX Index has averaged 2.65%, with a correlation of .82. These are the numbers that truly matter, and we expect to maintain our strong performance going forward. Short-term dips and volatility are inherent to the process, and without them we wouldn't have seen the results we've experienced thus far—and expect to see in the future. Volatility is our friend; a sign that we are finding the undervalued investments.

It is our ability to understand the inner workings of businesses over *longer periods* that sets us apart. We consistently outperform the average hedge fund with lower market correlation and better downside protection. The following table illustrates our key metrics for the Prime Traditional Long/Short fund over the past 14 years:

LONG/SHORT	Net Exposure	Corr.	# Months Positive When S&P was Negative	Avg Annual Return (Net)	Avg Annual Return (Gross)	Overall Return (Gross)
Prime Traditional Long/Short (125:60)	65%	0.38	26/53	16.34%	20.45%	1,318.17%
Benchmark: HFRX Equity Hedge Index	60%	0.82	5/53	2.65%	-	45.16%

And the Long Only portion:

LONG ONLY	Net Exposure	Corr.	# Months Positive When S&P was Negative	Avg Annual Return (Net)	Avg Annual Return (Gross)	Overall Return (Gross)
Prime Long Only (150 Long)	150%	0.65	17/53	20.44%	26.31%	2,688.21%
Prime Long Only Unlevered (100 Long)	100%	0.66	19/53	18.62%	22.52%	1,706.08%
Benchmark: S&P 500 TR	100%	1.00	0/53	13.94%	13.94%	542.20%

Notably the Long Only side of our portfolio, on an unlevered and gross basis (reflecting pure stock-picking ability), has been outperforming the S&P by 8.58% annualized since our inception.

Similarities between us and the S&P 500:

Prime Long Only Unlevered (LOU) vs. S&P 500

- Both unlevered
- Both highly liquid
- Prime does not utilize options or derivatives
- Prime is diversified with long positions in 5+ sectors

The odds of our *randomly* outperforming the S&P by 8.58% annualized over 14 plus years are 19 million to 1. This is not a game of chance. Here is the formula used to calculate the odds:

- Prime LOU's 22.52% gross annual return minus S&P's 13.94% = 8.58%
- Chances of outperforming the S&P by 8.58% in a single year = 30.85%
- Chances of outperforming the S&P by 8.58% over 14.25 years (30.85%^14.25) = 0.000005271% or 19 million to 1

Even 10,000 to 1 would be statistically significant!

Why do I show you this? Because it serves as one data point, or indicator, of our long-term vision and ability to conceptualize the future of businesses.

What Happened Last Year

Okay, last year this is what happened...

The companies in our portfolio, from a fundamentals perspective, performed pretty much how we expected them to. In fact, the average long position in our book had a 23% average growth in their revenue base. Even though these stocks got hammered—they are in a prime position to show huge growth, and therefore value, for us. We have seen this so many times in the past. We get the story right, we get the case correct—but it takes time to play out. The market will do what it does. For a little while. But ultimately it finds its true value—and creates dramatic profits for those with the right mindset and commitment toward the underlying businesses.

The ride is *always* choppy when you get it right. After all, if you expect a stock or a company to go up dramatically—in some cases five to ten times over several years—doesn't the ride, by definition, *have* to be choppy? *Why was the company so undervalued in the first place?* Some truth must have been lurking there, which most people weren't seeing,. Eventually, the naysayers shift their thinking—and the stock

goes through the roof. Not in a rational, calm way, but in a panicked frenzy of people jumping on the bandwagon—even though the truth had been sitting there in plain sight for years.

We love it. We have come to expect nothing less. To get this type of growth, there will be volatility. The only real question is, *Are you getting your companies correct?* If so, then the world is your oyster, provided you follow proper risk management protocols so that you can endure the downturns.

That is exactly how we set up our risk management parameters—only publicly traded companies, strict position size limits, no naked options, four-to-six sectors long and short, $500 million minimum market cap, and strictly disciplined leverage ratios that we've rebalanced back to monthly for 14 years. We don't like guesswork. We don't like idiosyncratic risk, or market-timing. We prefer sound, solid, long-term returns that generate wealth. That is how we look at it. And our approach has worked exceedingly well over long periods of time. Patience, as Buffett says, is the key. And we agree with him—not necessarily on his stock picks, but on his long-term mindset.

Please bear in mind the colossal wave we've all faced. Monumental forces have shaped our reality—COVID-19, the massive influx of trillions in capital from the government's money printing, China's unyielding shutdown, the Fed's 500 basis points increase in interest rates in just a year, and the halting of the world's momentum. The interplay of these factors dramatically amplified volatility last year.

Our Perspective on Stock Picking

Looking forward, we believe that stock-picking ability is either innate or absent. What sets us apart is our thought process and our private equity approach. We thoroughly examine every aspect of a company before investing, as if we were considering buying the entire business. Our willingness to buy even one share of a company indicates we would likely buy that whole company if we had the opportunity. That is how we invest. Our ability to differentiate businesses poised for success from businesses whose time has passed gives me great confidence in our future success.

The world is knowable. When we look at the companies we are in—and have been in throughout the past decade-plus—the logic has been there. That logic, combined with disciplined and transparent risk management parameters, gives us confidence in our approach. Or think of it this way: When you look *retrospectively* at companies that have been successful, you can see that they were successful for tangible reasons. And the logic now seems obvious. If you could grasp such logic in the present moment, you would invest your money accordingly.

That is exactly what we endeavor to do, every day. We study the world, from both a macro and a micro perspective; we observe facts and trends that seem undeniable; and we unemotionally invest in great, undervalued companies that are positioned to either lead these trends or take advantage of them. The short-term movements of the market may scare most people out of the mindset of thinking long term, but true value is created over longer periods of time. It's all about picking great companies and allowing their long-term value to emerge.

Besides the fact that we've seen this pattern over and over again (short-term "losses," followed by long-term gains), how are we able to view what happened last year in a way that gives us optimism?

Every study that looks at long-term market trends indicates the exact same thing. I have talked about many of these studies in previous years. They all hold water and are still as accurate, in our view, as they were years ago.

A Revealing Study

The study I want to zero in on is perhaps the best I've seen. It was performed by ASU's W.P. Carey School of Business in 2019.[1] And it applies beautifully to our private equity mindset of investing. If you look at the market from 1926-2019, nearly *$50 trillion* of value was created for investors. Even more astonishing is the fact that a mere 86 companies were found to have created nearly HALF of that wealth. And the top 1,000 companies—about 4% of the total market—were responsible for *all* of the market's wealth creation. All of it. The vast majority of companies never go anywhere. Returns are vastly skewed toward a few great companies. And these are the companies, that, when you look back on them, are obvious choices. They had great business plans, excellent products that consumers desired, and visionary CEOs who executed well. They were also the companies that made the world a better place. Those are the types of companies that we think we have done a good job identifying.

The crux lies in identifying substantially undervalued companies that have always existed; discovering these hidden gems unlocks the vault of wealth. The dynamics of wealth creation are heavily skewed, and we anticipate that the opportunities will become even more pronounced in the coming years. This is due to the increasing technological and physical interconnectedness of the world, the rapid expansion of networks, marketing, cloud computing, and overall reach, as well as the unprecedented speed at which companies can now scale across various countries and regions.

That simply means that good ideas and good management teams, along with their innovative products and their ability to execute, will make market leaders grow faster than ever before—and outdated, undesirable products and businesses will fail faster. That bodes well for us. We can still conceptualize faster than markets and businesses can move, creating better upsides for long positions and better hedges on the short side of our book.

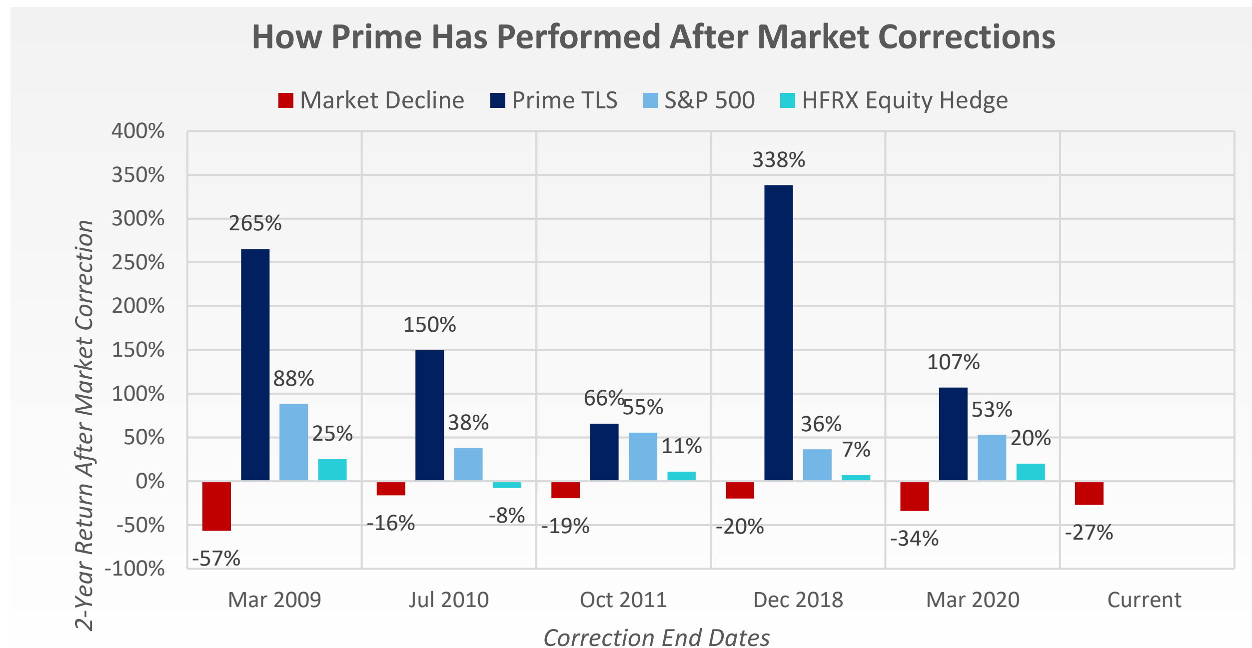
A History of Strong Performance After Market Corrections

The S&P and Nasdaq were down 19.64% and 33.1% respectively in 2022. Down markets have traditionally been an amazing time for us. I like to think the time is always right to invest in Prime, but the time is *especially* right when the market is down like this. Our portfolio has shown beautiful and exceptional qualities in the wake of down markets. P/E ratios and other factors of profitability can only be held down, or dare I say ignored, for so long. Eventually, truth, good stock-picking, and good business analysis prevail. And when they do, the stock price shoots to the moon, proverbially speaking. Let's take a look at that.

[1] https://wpcarey.asu.edu/department-finance/faculty-research/do-stocks-outperform-treasury-bills

Prime portfolios have shown significant positive performance following market corrections. Since our inception, the S&P 500 has fallen more than 15% five times, not counting the present time. In each case, we've outperformed the market in the two years following the correction, with a remarkable average gain of 185% versus 54% for the S&P 500 and 11% for the HFRX Equity Hedge Index.

Here is how our stocks have performed following periods when the market has been down over 15%—and this is our hedged (Long/Short) fund, not even our Long Only fund, that we're comparing to the S&P:



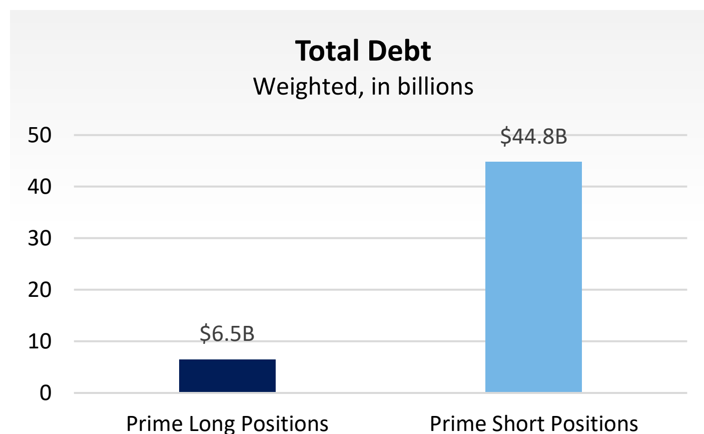
This is not emotion or sci-fi; this is reality. As earnings continue to rise, stocks eventually follow. Price/Earnings can only be compressed to certain levels. And when they do take off, it happens very quickly. If you get the analysis right, it's not a matter of *if*, but *when*. And that is exactly the spot I believe we are sitting in today.

At -27%, this is the sixth time the market has been down 15% or more since our inception. The past five times, we've been up an average of 185% versus 54% for the S&P and 11% for the Hedge Fund index. That is astonishing in our view. And early indications are good for down market number 6, with our being up 16.37% YTD alone. We are chomping at the bit for time to pass and our theories to play out—with ensuing profitability for us and our investors, as has continually happened in a big way since our inception.

The Debt Factor Favors us in this Environment

Another interesting factor regarding our portfolio today: Our long positions are relatively debt free—and our short book is saddled with debt. In a low-interest-rate environment, and in successful businesses, debt can almost be ignored. But, when interest rates rise—and/or there is a decline in business—debt can transform into an anchor dragging you down in turbulent waters. It is worth noting that the central bank has now implemented nine total interest rate hikes since March 2022, bringing the rate to almost 5%. The money pumping of the Fed may have helped our short positions over the past year, but the longer term story is about to unfold.

Our short positions, on average, have $44.5 billion of debt on their balance sheet. We view them as dinosaurs in outdated industries, with products that are becoming obsolete. The long portion of our book, by contrast, has only has $6.5 billion on average. These companies have not only paid down a lot of their debt, but they exhibit vastly increasing revenue and cash flows, as well as forward-looking business models. We believe our long positions are in exceedingly strong positions to keep winning, while our short positions are about to get clobbered.



Looking ahead, we envision a situation similar to the past, where our long positions significantly outperform while our short positions offer a hedge against market downturns. However, due to the market's erratic nature and low correlation, this does not occur predictably. There will be periods, like last year, when the short book fails to provide sufficient downside protection. This is normal and expected, as the market experiences uneven short term movements. Factors such as the coronavirus, money printing, U.S. Treasury checks, and China's shutdown have increased volatility and delayed some companies' decline. Nevertheless, we anticipate that most of our shorts will resume their downward trend once these temporary disruptions subside. Although our performance may not consistently align with market fluctuations, our 14-year track record demonstrates the long-term strength and solid downside protection of our overall strategy. We've been up 26 of the 53 months that the S&P has been

down since our inception, versus only five of those same 53 months for the average hedge fund in the HRFX Equity Hedge Index.

Where Do We Go From Here?

When we evaluate the profit potential of these companies, we do 1-year, 3-year and 5-year+ analyses on their expected market caps. Based on this, and weighted across our entire portfolio of approximately 30 long and short positions, we anticipate that $1 will turn in to $12.68 in our Traditional Long Short product over the next five years. That is an astronomically high number. Even if we are only fractionally correct, we are looking at a very promising future. These are liquid, publicly traded companies with proven products and services and what we believe to be great management teams.

We believe there is truly no better place to invest than the stock market, *if* you have a keen understanding of operating businesses *and* you add in the solid risk management we've been practicing since our inception. Stocks have higher upside potential and lower downside potential than any other investment we know. All you need to do is have the vision to find amazing companies, with great management teams, needed products, and great differentiation—and wait for the paint to dry. It's not easy in practice, but it's exactly what we have done over the past 14 years. Short term volatility = huge upside over the long term.

5-year Annualized Growth Target (Prime 125:60 Portfolio)	**5-year Target Value of $1** (Prime 125:60 Portfolio)
Long ↑59.3% + Short ↑6.9% **66.20%**	**$12.68**

Our Current Portfolio

Our portfolio comprises 30 long and short positions, with a 30% annual turnover, reflecting our flexibility and adaptability in identifying new opportunities. We are agile, transparent, and disciplined in our risk management, ensuring our investment choices are never a result of mere luck or recklessness.

As you read about some of our picks, below, it's essential to remember that popularity doesn't guarantee profitability. In fact, the opposite is usually true. Our most rewarding investments have often been controversial when we first identified them. That's because we look for companies whose true value is not yet being recognized by the investing public. Those are the stocks with the most dramatic return potential. If you invest with popularity in mind, you're only swimming with the crowd.

Our expertise lies in finding the right companies, then knowing when to enter, exit, and hold positions, which we achieve through disciplined risk management and our 14-year track record.

Now, let's have some fun...

As anyone who has read my past annual reports can attest, I do pretty deep research and analysis. We could spin out a hundred pages of facts, concepts, and point-counterpoint arguments for virtually every company in our portfolio. And nothing excites me more, really, than to do just that—because it's at that level of complexity where we differentiate ourselves from other investment managers. I love digging deeply into every point and sub-point. That is what makes the whole picture emerge in clear, beautiful, hi-res color.

But this year we will take a slightly different approach. We'll look at a larger sampling of picks, in shorter form—to try to show you a wider range of ideas. As always, simple, obvious, and undeniable facts and trends are what we look for. This perspective is what has driven our past performance.

Again, virtually all these positions may look controversial on their face. And there are 22 other companies in our portfolio that may also seem controversial. I can tell you that every successful position we've had in the past seemed controversial at first… until they emerged as an obvious choice.

Keep in mind, as you look at the following samples, that we do have a 30% portfolio turnover per year, so we are flexible, always looking for the next great investment and adapting to change on the fly. The 30% turnover means we are finding about nine new positions a year, on the long and short side—which shows we are flexible and fast (while maintaining transparent, consistent, and disciplined risk management guidelines).

Without further ado, then, here is a sampling of our present investments—first, some of our longs, then some of our shorts:

Long Positions Sampling

Dish Network (NASDAQ: DISH) – Long Position

Dish Network offers an exciting opportunity in our long portfolio, with its stock at a 20-year low and a P/E ratio below seven. As the ninth lowest P/E stock in the S&P 500, we foresee considerable upside potential and downside protection for this company.

Our investment thesis revolves around Dish's strategic foray into the telecom sector and growth-focused management. Acquiring Boost Mobile and adding significant bandwidth through the T-Mobile-Sprint merger has positioned Dish as the fourth largest wireless company in the U.S., ready to seize opportunities in the expanding 5G market. Dish's management, led by Charlie Ergen, has amassed an estimated $60 billion in telecom bandwidth, paving the way for a nationwide 5G network rollout that will cover at least 70% of the U.S. by June of this year.

Having successfully grown Dish's traditional satellite business, and becoming one of the world's richest people in the process, Ergen is now poised to make similar noise in the telecom space. He recently noted that the experience feels like déjà vu, recalling how Dish began generating substantial cash once the kinks in the satellite business were ironed out.

As Dish steps in as the fourth nationwide telecom carrier, we see echoes of our previous investment in T-Mobile, which saw its market cap grow from $20 billion to over $180 billion. Currently, Dish's market cap is under $10 billion, but we believe that within five years it could multiply its value several times while still presenting considerable growth potential in the thriving telecom industry. Considering Dish's mere three competitors in the U.S. market and the industry's high entry barriers, we are true believers Dish's ability to deliver long-term value with significant upside.

I could go on for pages about just this company and the strategic vision it's just starting to unfold, but let's move on.

Alaska Airlines (NYSE: ALK) – Long Position

Alaska Airlines soars as an investment opportunity for Prime, with a forward P/E ratio of just 7 and the post-pandemic world primed for travel. Benefiting from a wide moat and a strong presence in the airline industry, Alaska Airlines is well positioned to capitalize on the public's pent-up appetite for vacations, family visits, and in-person events. A new flexibility in Americans' work schedules should make long-weekend trips more popular than ever. In the fourth quarter of 2022, revenue increased 31% to $2.48%.

The airline industry has undergone a major transformation in recent years. The days of countless airlines sparring for every travel dollar are long gone, with the top five carriers now accounting for over 80% of the U.S. market share. Consolidation over the past 20 years has enhanced the pricing power of the remaining players and turned the industry into a cash cow, boosting profitability for companies like Alaska Airlines.

As the fifth largest airline in the U.S., Alaska Airlines boasts a solid market position, a healthy balance sheet, and impressive cash flows. Its attractive valuation and low P/E multiple serves as a low-P/E hedge in our portfolio while also offering some very nice upside potential. Its growth opportunities and the industry's ability to control prices lay the groundwork for Alaska Airlines' long-term success.

Chipotle (NYSE: CMG) – Long Position

Our initial investment in Chipotle back in 2009, when it was valued at $3 billion (now $45 billion), was based on our thesis that Chipotle is much more than just a Mexican restaurant—which was how most people perceived it at the time. We recognized that Chipotle's menu offers food staples that form the backbone of numerous global cuisines, catering to diverse tastes and dietary requirements.

That original premise still holds true, and today Chipotle accommodates over sixty dietary restrictions, including vegan options. We strategically reduced our position in CMG during its e-coli crisis, waited for that issue to be resolved, and then reestablished CMG as one of our top positions.

In summary, we believe Chipotle has an incredible moat and a long runway ahead of it. Its food is cheaper per gram than McDonald's and is served even faster, creating a vast addressable market.

Chipotle's average store size is 40% smaller than McDonald's, yet it generates more revenue per restaurant. Additionally, 90% of new restaurants opened last year featured Chipotlanes, adding drive-through capabilities.

As the world becomes increasingly health-conscious, price-conscious, and culturally diverse, Chipotle's expansion opportunities and profits continue to grow. Its successful expansion into France, Germany, Canada, and the UK underscores its global potential as a food provider. With a growth trajectory that's just beginning in the US and opportunities in Europe and beyond, we anticipate significant return multiples.

The company has excellent unit economics and abundant cash flow. Its non-franchising model enables it to exercise better control over food quality and service, while retaining more net income than almost any other restaurant business. In short, we believe Chipotle is poised to grow its business severalfold over the next few years.

Tesla (NASDAQ: TSLA) – Long Position

We've been gung ho about Tesla since our investment in 2013, at a $5 billion valuation (now over $500 billion), and we're still excited about its future. With Elon Musk, a once-in-a-century visionary, at the helm, the company continues to lead the pack in innovation, manufacturing capabilities, and product offerings.

Tesla's ever-growing network of factories gives it a huge competitive advantage over incumbents (who allowed Musk to gain a substantial head start) and newcomers alike. With higher profit margins, significant scale, and better products, Tesla is setting the pace in an industry that demands and rewards innovation. Scaling is essential for automakers to achieve widespread success and capitalize on economies of scale. Tesla has showcased remarkable scaling capabilities while maintaining industry-leading margins, even if lower than before. The ongoing ramp-up of production in their German and Texan factories positions them to continue scaling with competitive margins. Although Tesla's stock price may face volatility during this transition, the market's tendency to lose focus is not uncommon.

Governments and consumers worldwide are eager to move away from fossil fuels and embrace safer, more environmentally friendly transportation options. Tesla is in pole position to capitalize on this trend and is making strides toward realizing the breathtaking potential of autonomous driving. The company continues to push boundaries, as it did with its recent announcement of a massive plant in Mexico, revamping the manufacturing process to create a $25,000 car.

Elon Musk's unmatched vision and determination ensure that Tesla remains at the forefront of the electric vehicle revolution, creating a wake of significant profits to come. Our short positions on Rivian, Nikola, Toyota, and Honda highlight our ability to discern industry leaders from the pack of followers. Being a large and established producer of gasoline cars, it turns out, doesn't guarantee success in the EV game, and Tesla remains a standout in that sector.

Axon Enterprise, Inc. (NASDAQ: AXON) – Long Position

Axon Enterprise is a leading provider of technology solutions for law enforcement, public safety, hospitals, and ambulance companies. It boasts a dominant share in the TASER market and a robust recurring revenue model through its Software as a Service platform (SaaS). By investing billions in R&D, Axon has built itself a substantial moat in the $50 billion total addressable U.S. market and is well-positioned to capture global demand.

Axon's future growth prospects are enormous, with a 54% surge in Q4 revenues and an impressive $3.3 billion backlog. The company's cloud computing technology is revolutionizing law enforcement and related tasks in the private sector, and it has only just begun tapping into international markets. Axon's scalable and profitable SaaS business model has driven 51% growth in cloud revenue, reaching $403 million in Annual Recurring Revenue (up 40% YoY) with 75% software gross margins. Music to our ears.

We love Axon's mission statement, "We Protect Life." We believe it embodies the company's dedication to making bullets obsolete, reducing social conflict, and fostering a fair and effective justice system through body cam technology. An undervalued asset, Axon Enterprise offers immense growth potential in a world that increasingly demands transparency and accountability in law enforcement.

Once one of the most shorted companies, Axon has proven its business model, growing revenues and becoming a Wall Street success story. The company continued its strong performance in 2022, raising guidance twice and reducing its short interest from 35% to less than 3%. With a 124% revenue growth over the last three years, Axon Enterprise is well positioned for further success.

Block, Inc. (NYSE: SQ) – Long Position

If you haven't heard of Block, it's a technology conglomerate best known for its payments platform, Square. The fintech industry is experiencing sweeping growth as consumers and businesses alike adopt digital payment solutions. Block's Square Point of Sale and Cash App have helped the company gain a strong foothold in this market. The cost of acquiring customers for "alternative banking" products such as Cash App is one tenth of the cost for banks, while the app provides better services, automation, and pricing for all related services than most banks do.

The company's focus on providing a secure and regulated investment platform has also helped it carve out a strong reputation. The first-mover advantage is vitally important in this industry, as there can only be a few of these services, and Cash App and Block have achieved massive user adoption. The company's ability to improve upon traditional banking is rather stunning, as well as highly profitable/scalable.

The company has now expanded its product offerings beyond payment processing to include lending, payroll, and analytics services. This agility and willingness to innovate should help Block stay ahead of the curve and continue to thrive in the fintech industry, with its stock appreciating nicely, much to our delight.

Peloton Interactive, Inc. (NASDAQ: PTON) – Long Position

Here's an example of controversy playing in our favor. Peloton Interactive (PTON) presents a great opportunity, as the company has recently undergone significant changes. The much-ballyhooed exit of its CEO and cofounder, John Foley, paved the way for new leadership, and that leadership has managed to streamline the cost structure and demonstrate cash flow positivity. The new CEO has made bold moves, including slashing jobs, closing warehouses, and shifting delivery work to third-party providers. These changes have allowed Peloton to shed excess pounds and refocus on an orderly and measured expansion strategy.

Peloton's strong brand recognition, growing customer base, and great business model (combining hardware, software, and content) have resonated with consumers. With 83% of users highly satisfied with their purchase and an incredibly high net promoter score of 57—higher than even Apple's—Peloton has enormous growth potential. The company's revenue has increased by $70 million more than expected in the latest quarter, and operational and marketing expenses have been dramatically reduced.

The stock price, having plunged 74% in 2022, offers low downside and tremendous upside, especially as Peloton begins measured expansion, such as its initiatives of selling products on Amazon, partnering with Dick's Sporting Goods, and featuring Peloton bikes in Hilton Hotels' more than 5,400 fitness centers worldwide.

The company's 6.7 million members and 3 million connected fitness subscriptions generate consistent, dependable revenue, which we believe is worth more than the company's current market cap. With high user engagement, low churn rate (less than 1% per month), and new financing options to make products more accessible, we are confident Peloton's refocused strategy will drive continued profitability and growth.

Roku, Inc. (NASDAQ: ROKU) – Long Position

We love the opportunity Roku offers us in the growing streaming TV market. The company's user-friendly and affordable streaming devices have allowed it to capture a strong foothold in the industry.

Roku's advertising business has helped monetize its platform, with rapid growth in recent years. As over-the-top (OTT) streaming services continue to pull market share away from cable, advertising budgets are expected to continue the shift from traditional TV and cable companies to more consumer-friendly streaming platforms like Roku.

The company's first-mover advantage has been crucial in securing its lead position and establishing a wide moat. Having gained control of about 60% of the U.S. streaming market, Roku is now focusing on profitability, having reached 70 million active accounts. The company has also successfully become the market leader in international markets such as Canada, Mexico, and parts of Europe.

Roku's flexible and strategic management team has expanded the company's product offerings to include smart TVs and audio products, and launched its own streaming channel, The Roku Channel, offering free, ad-supported programming. This move further solidifies Roku's position in the market and allows it to capitalize on its large user base. With management's proven ability to adapt and innovate, Roku is in a great position to continue thriving in the massively lucrative streaming industry.

Eutelsat Communications SA (ETL) – Long Position

Eutelsat provides satellite communication services to businesses, governments, and consumers worldwide and brings high-speed broadband even to users in remote locations.

The demand for satellite communication services is growing by leaps and bounds as more industries and individuals depend on high-speed, reliable connectivity. And Eutelsat has a profitable and extensive deep orbit satellite fleet, covering Europe, Africa, the Middle East, Asia-Pacific, and the Americas.

In addition to its traditional satellite business, which generates a lovely cash flow, Eutelsat has recently agreed to a merger with OneWeb, setting itself up to dominate the Low Earth Orbit (LEO) satellite business. OneWeb pioneered this technology and was the first company to launch 600 satellites into space. With backing from the UK and French governments, Bharti Telecom in India, and others, Eutelsat is well-placed to follow the path paved by Elon Musk's Starlink. Many countries want their own satellite systems for national security reasons and don't want to depend on Starlink or the United States. Eutelsat can capitalize on these factors.

While Starlink's recent valuations exceeded $80 billion, Eutelsat has a market cap of less than $3 billion. The company offers many of Starlink's benefits, along with a higher-orbit satellite business that generates strong cash flow. This allows investors to enter with a less than 10x current P/E ratio, while enjoying the significant opportunity to expand into the LEO satellite space. Though OneWeb is still gaining traction as a market leader and the merger is set to close in the third quarter, OneWeb and Eutelsat are well on their way to capturing a large portion of this lucrative and national-security-sensitive industry.

Topgolf Callaway Brands Corp. (NYSE: MODG) – Long Position

Here's a company we're happy to tee off with. Topgolf has seen rapid growth, driven by its ability to attract customers through its unique blend of golf, food, and entertainment. With the support of Callaway, the company is nicely poised to continue this growth and expand its offerings both domestically and internationally. The merger with Callaway provides Topgolf access to a wide range of golf equipment and accessories, as well as the expertise of Callaway's product development and marketing teams. This allows Topgolf to offer a more complete and compelling experience for golfers.

Topgolf and Callaway are both well-established brands, and the combination of their respective strengths should help the merged company continue its promising growth trajectory.

Short Positions Sampling

And now for some samples on the short side of our investment portfolio. For each of these companies, we will outline a few points that reflect our top concerns—indicating what led us to vote against these companies and to use them as hedges to many of the innovative long positions in the same sectors. We see the potential for these stocks to have severe drops in their market caps.

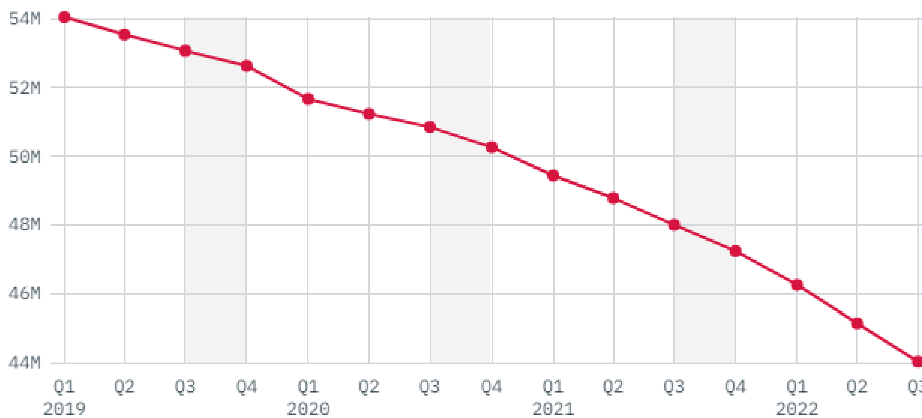
Charter Communications, Inc. (NASDAQ: CHTR) – Short Position

Charter Communications, a traditional cable business branded as Spectrum, is struggling to adapt to the rapid changes in its industry. It is running on old wiring. The company's outdated technology and heavy debt load of approximately $100 billion—twice its current market cap—make it vulnerable to shifts in consumer preferences and rising interest rates, which could significantly affect its financial performance over the next few years.

The decline of cable is driven by the rise of streaming services, as well as emerging technologies such as Starlink's satellite system, which offers faster download speeds and lower costs without the need for installation. To make matters worse, telecom companies like T-Mobile and Verizon are encroaching on Charter's market share, offering competitive home internet alternatives through their 5G rollouts, at significantly reduced costs.

Traditional cable is also under siege on the programming side. The recent $2+ billion per year, seven-season NFL Sunday Ticket streaming deal exemplifies this trend, with Google outbidding traditional cable companies by $1 billion.

Given the confluence of disruptive factors and the rapid decline of cable subscriptions, we expect Charter's challenges to intensify, making it an attractive short position in our portfolio.



Toyota Motor Corp. (NYSE: TM) – Short Position

As the old ads used to say, "Oh, what a feeling, Toyota." And that feeling is now gone. The surge in EV sales has started to undermine Toyota's market share and profitability, a trend we think will be aggravated by the company's decision not to enter into the fully electric vehicle market until recently, and its substantial debt burden. Hindered by Japan's political climate, Toyota faces obstacles in making nimble decisions and difficult cost cuts. Recent government intervention, for example, forced Toyota to grant its entrenched employees their largest raises in over two decades, thereby jeopardizing its competitiveness even further. The surprising and uncharacteristic change of CEO highlights the challenges the company faces in navigating the new automotive environment as well as how far behind the curve they are.

With over $150 billion in debt, rising interest rates, and rapid loss of market share, Toyota's financial stability is at risk. The growing prevalence of EVs, now constituting 8% of the global car market and an even higher share in countries like China and Norway, presents a major threat to Toyota as the largest car producer. The advantages of EVs, such as better performance, lower costs, and increased safety, combined with substantial government subsidies for electric vehicles, will further chip away at Toyota's traditional market share.

Intel Corporation (NAQSDAQ: INTC) – Short Position

Long the giant of the PC microprocessor world, Intel now faces daunting competition from other semiconductor manufacturers, including Advanced Micro Devices (AMD) and Nvidia, as well as increasing adoption of the competition's architecture by OEMs (for example, Apple SOCs, Amazon, Microsoft, Tesla, and Google). This is quickly eroding Intel's market share and profitability. Recently, it had to cut its long-standing dividend by over 50% because of this suddenly reduced profitability. Intel's revenues recently came in at a jaw-dropping 30%-plus below expectations, which is a telling sign that the market is not yet appreciating the competition and the havoc it will continue to wreak on Intel.

The company has historically been heavily dependent on the PC market, and so the recent 47% decline in the PC market, post-pandemic—and the overall competitive nature of the mature PC business—is also bludgeoning Intel's revenue and profitability.

DoorDash, Inc. (NYSE: DASH) – Short Position

DoorDash operates in an intensely competitive, low-margin environment, alongside rivals like Uber Eats and Grubhub. This rivalry has hindered its ability to differentiate itself and achieve profitability, resulting in a race to the bottom with mounting losses. DASH saw enormous growth during COVID but has yet to become profitable and does not appear likely to do so.

Furthermore, DoorDash depends on a vast network of gig-economy workers for food delivery. The evolving landscape of laws and regulations around gig work poses ongoing challenges to the company's business model and financial performance.

Since going public in late 2020, DoorDash's stock price has had its bell rung. We anticipate this trend to persist, as the company grapples with negative cash flow despite being the industry's largest player, limiting growth opportunities. Additionally, the post-COVID era presents a likely decline in food delivery demand, exacerbating the company's challenges.

Rivian Automotive, Inc (NASDAQ: RIVN) – Short Position

EV manufacturer Rivian faces fierce competition in the electric vehicle market, contending with industry giants like Tesla, Ford, General Motors, and over 25 other established automakers. This intense rivalry will likely affect Rivian's market share and profitability, as it lags behind competitors.

A relatively new company, Rivian has faced challenges in scaling production and delivering vehicles to customers, which has led to delays and quality concerns that have tarnished its reputation and financial standing.

Rivian has secured a good deal of capital from investors, yet its extraordinary burn rate leaves it with only around 1.5 years of runway at the current pace. It may soon need additional funding to support its growth plans. Furthermore, recent changes to electric vehicle tax credits in the United States—which exclude Rivian due to price point and domestic manufacturing criteria—place the company at an even greater competitive disadvantage during this critical stage of its development.

Walgreens Boots Alliance, Inc. (NASDAQ: WBA) – Short Position

Walgreens is a household name, but the household is changing its shopping habits, shifting more and more to online retailers and pharmaceutical deliverers. The ubiquitous pharmacy company also competes with a host of other brick-and-mortar players such as CVS, Rite Aid, and Walmart.

The company's retail stores sell a variety of products and have seen a temporary uptick in traffic due to COVID shots bringing customers into their stores. As we turn the corner on COVID, however, there will likely be a reckoning. Even prior to COVID, same-store sales and profit margins were at considerable risk, as brick-and-mortar retailers were losing out to online deliveries. We believe the temporary tailwind that WBA and others received is coming to an end as vaccinations drop dramatically in the US.

Walgreens has made several significant acquisitions in recent years, including Alliance Boots, to diversify away from the exact challenges noted above. We are not highly confident in its ability to pull off the transition in a way that accrues to the company's long-term benefit.

International Business Machines Corporation (NYSE: IBM) – Short Position

Big Blue has been a laggard in the rapidly evolving technology and IT services industry, facing intense competition from players like Microsoft, Amazon, and Oracle. Cloud computing has rained on IBM's monopolistic parade, as the tech giant's traditional business model relied on controlling the entire client experience from exclusive software to implementation and long-term servicing. IBM is paying the price for being late to adapt to the Cloud.

Over the past five-plus years, IBM has been our largest short. However, due to its market cap dropping significantly, we recently reduced our short position on the company (from approximately 6% to 3%), although we still believe it faces longer-term problems ahead.

Astoundingly, IBM's revenue still depends heavily on its legacy businesses, such as mainframe systems and software. The company is likely to experience a continued decline in core businesses due to innovative and efficient competitors, resulting in negative pricing pressure and decreased demand for IBM's products. Moreover, the company's much-touted Watson project has been shuttered, and its personal computer business faced a 28.5% decline in worldwide PC shipments in Q4 2022.

Despite some recent improvements within the organization, we believe IBM has more downside than upside potential as it struggles to adapt to massive changes in its business arena.

PACCAR, Inc. (NASDAQ: PCAR) – Short Position

PACCAR operates in the highly competitive semi-truck industry alongside established players such as Daimler, Volvo, and Navistar. We believe the emerging competition from electric semi-trucks, particularly Tesla, will put a huge dent in PACCAR's market share and profitability. Tesla's semi-trucks offer lower operating costs, easier operation, and environmental benefits. Tesla plans to produce over 25% of the total volume of semis sold in the United States within the next year, a number expected to double annually. This poses a massive threat to PACCAR. Unlike in the passenger car market, the smaller semi-truck market allows new competition to take huge chunks of market share.

PACCAR's revenue is highly dependent on demand for heavy-duty trucks, which is tied to the trucking industry's health. A downturn, such as a recession or decreased freight demand, will impact PACCAR's financial performance. Additionally, a significant portion of its revenue comes from parts and repairs, and with semis having an average lifespan of approximately 15 years, a decline in sales could severely affect sales profitability and service contracts. Government incentives further encourage the shift away from traditional, polluting semis, as we see in the car industry.

Recent earnings reports from companies like J.B. Hunt indicate a "freight recession," indicating a cautious outlook for the trucking and logistics industry. Major delivery companies, including the US Post Office, UPS, and Amazon, are embracing electric trucks for local shipping due to their lighter environmental impact. Semi-trucks account for only 1% of US vehicles but contribute 20% of emissions. This shift further underscores the challenges PACCAR faces in adapting to a changing market landscape.

If our analysis proves correct, PACCAR's stock could face a significant decline.

***

These analyses are all based on today's realities, which could change tomorrow. As we've said in the past, we are not married to any of our picks. What we have done well since inception is to know when to get in, when to get out, and when to stay for the continued upside. Again, we've had a roughly 30%

annual portfolio turnover, which shows our agility and our ability to consistently find amazing new companies, while maintaining our long-term mindset.

We hope that by explaining, in brief, our reasons for choosing some of our longs and shorts, we have helped set your mind at ease about the expected growth of our portfolio. We choose our companies with great care and always with an eye toward performance over the long term. Even if we are only fractionally correct about the high upside of these investments over the next five years, we look forward to a very promising future for us and our investors.

We believe Prime has developed a great investment recipe, and we believe the innovative, predominantly U.S.-based, stock market is a superb place to invest.

Our number one goal—the thing that pulls us out of bed every morning, raring to go—is to deliver long-term, sustainable, and substantial monetary performance. We think we are very well positioned to do that. And we look forward to seeing many prosperous and happy investors in the years to come.

Thanks again for your trust and don't hesitate to call with any questions.

Best,

Pouya David Yadegar

DISCLOSURES

IMPORTANT MESSAGE FOR POTENTIAL INVESTORS: All information is from sources deemed to be reliable, but the accuracy of the information cannot be guaranteed. The foregoing information is intended as a summary and illustration of our services. Interested investors who intend to participate will enter into a more detailed written Offering Memorandum. Consequently, the Offering Memorandum will contain the specific terms and conditions, and such Offering Memorandum, when signed by the Investor, will represent the controlling terms and conditions. Therefore, any inconsistencies between the information and/or representations made herein, will be superseded by the signed Offering Memorandum.

This report may provide information, commentary, and discussion of issues relating to the state of the economy and the capital markets. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and are subject to change without notice. Prime Opportunities Investment Group, LLC ("Prime") is under no obligation to update this report and readers should therefore assume that Prime will not update any fact, circumstance or opinion contained in this report. The content of this report is provided for discussion purposes only. Any forward-looking statements or forecasts included in the content are based on assumptions derived from historical results and trends. Actual results may vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision, and no investment decisions should be made based on the content of this report. This report is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and particular needs of any specific person. Under no circumstances does any information represent a recommendation to buy or sell securities or any other asset, or otherwise constitute investment advice. The strategies described represent Prime's intentions. However, Prime may pursue any objectives, employ any techniques, or purchase any type of financial investment that it considers appropriate. There are no limits on the number, size or liquidity of positions or the concentration or exposure of the portfolio. Prime has absolute discretion to change its targeted guidelines in response to changes in markets and other conditions. Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Prime is not a legal or accounting firm. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional. Prime's registration does not imply a certain level of skill or training.

NO GUARANTEES OFFERED: Past performance is no guarantee of future results. All economic and performance information is historical and not indicative of future results. Different types of investments involve varying degrees of risk, and there can be no assurance that the future performance of any specific investment, investment strategy, or product made reference to directly or indirectly in this brochure, will be profitable, equal any corresponding indicated historical performance level(s), or be suitable for your portfolio. Moreover, you should not assume that any discussion or information provided here serves as the receipt of, or as a substitute for, personalized investment advice from Prime or any other investment professional. Further, the charts and graphs contained herein should not serve as the sole determining factor for making investment decisions. To the extent that you have any questions regarding the applicability of any specific issue discussed to your individual situation, you are encouraged to consult with Prime or your financial professional.

ONE STRATEGY DOES NOT FIT ALL: Our investment strategy is not necessarily suitable for ALL types of investors. Additionally, an investment strategy may be suitable for only a portion of a client's total investable assets. When Prime does not manage all of a client's investable assets, we recommend the client seek assistance from other financial professionals for the purpose of developing a fully diversified investment portfolio. It should be noted that Prime does not recommend specific financial professionals. For reasons including variances in account holdings, variances in the investment management fee incurred, market fluctuation, the date on which a client may engage our investment management services, and any account contributions or withdrawals, the performance of a specific client's account may vary substantially from the performance represented herein. FIRM DEFINITION: Prime Opportunities Investment Group, LLC ("POIG") is defined for GIPS purposes as an independent investment adviser, registered with the California Department of Business Oversight. Prime claims compliance with the Global Investment Performance Standards (GIPS®) and has been independently verified for the periods January 20, 2009 through December 31, 2020. Verification and performance examination reports are available upon request. Contact management@primeopp.com or call us at (800) 550-4188.

COMPOSITE DEFINITION AND RISKS: The Prime Opportunities Long/Short composite includes U.S. and international securities which utilizes a fundamentally based stock selection process. This process is combined with rigorous risk control to create an attractive return/risk product. The portfolio's value added is a function of the return spread between the long and short portfolios with the goal of providing long-term capital growth from a well-hedged strategy. Positions in the underlying portfolios are leveraged at a ratio up to, but not limited to, 2:1 for long positions and 2:1 for short positions.

PERFORMANCE AND EXPOSURE: "Traditional Long/Short" performance as illustrated in this report represents the performance of the Prime Opportunities Long/Short Composite, with exposures adjusted as follows: Actual long exposure of the Prime Opportunities Long/Short Composite fund used with a maximum of 125%; the Prime Opportunities Long/Short Composite first surpassed 125% long exposure in July 2010; beginning in July 2010, 65% net exposure used; prior to this date, Prime Opportunities Long/Short Composite net exposure used. Floor of 0% short exposure. Returns are illustrated net of fees and subject to a high water mark, and do not include cash and cash equivalents. Valuation is computed and performance is reported in U.S. dollars. Gross returns were calculated on a monthly basis using figures from the Prime Opportunities Long/Short Composite as follows: the sum of the product's long exposure divided by Prime Opportunities Long/Short Composite long exposure, multiplied by Prime Opportunities Long/Short Composite long stock contribution, and product's short exposure divided by Prime Opportunities Long/Short Composite short exposure, multiplied by Prime Opportunities Long/Short Composite short stock contribution. Net returns represent actual fees of the Prime Opportunities Long/Short Composite product, and were calculated using the Prime Opportunities Long/Short Composite's gross return to net return ratio. Prime has never used options on our long positions. Options on our short positions were used in the past on two securities, but have not been purchased for over three years, and when bought were limited to Deep-in-the-Money LEAP puts for tax efficiency. Prime does not anticipate any use of derivatives going forward.

LIMITATIONS WITH PERFORMANCE BASED ALLOCATIONS AND WHEN COMPARING AGAINST BENCHMARKS: The nature of performance based allocations creates a potential conflict of interest between Prime and clients. For example, a performance allocation may encourage Prime to make riskier and more speculative investments. Prime does not represent that the amount or the manner of calculating the performance allocation is consistent with the amounts or methods used by other investment advisers under the same or similar circumstances. Prime's strategies may differ materially from the composition and performance of the S&P 500 and HFRX Equity Hedge Index (Long/Short), which have been used as benchmarks. These benchmarks are more widely known indices and are shown simply as references and not because Prime strategies are, or are likely to become, representative of past or expected benchmark performance. There may be other benchmarks that better correlate to our strategy and our performance against such strategies may be lower than performance compared to benchmarks used herein. The historical performance results of benchmarks may or may not include dividends and may or may not reflect the deduction of transaction and custodial charges, or the deduction of an investment management fee, the incurrence of which would have the effect of decreasing indicated historical performance results of the benchmarks.

This report may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of Prime. All information, including that used to compile charts, is obtained from sources believed to be reliable, but Prime does not guarantee its accuracy. This report is prepared for the exclusive use of Prime partner, subscribers to this report and other individuals who Prime has determined should receive this report. You agree you are using this report and the Prime subscription services at your own risk and liability. Neither Prime, nor any director, officer, employee, or agent of Prime, accepts any liability whatsoever for any direct, indirect, consequential, moral, incidental, collateral or special damages or losses of any kind, including, without limitation, those damages arising from any decision made or action taken by you in reliance on the content of this report, or those damages resulting from loss of use, data or profits, whether from the use of or inability to use any content or software obtained from third parties required to obtain access to the content, or any other cause, even if Prime is advised of the possibility of such damages or losses and even if caused by any act, omission or negligence of Prime or its directors, officers, employees, or agents and even if any of them has been apprised of the likelihood of such damages occurring. If you have received this report in error, or no longer wish to receive this report, you may ask to have your contact information removed from our distribution list by emailing clientservices@primeopp.com.