# 2024 Q2 Investor Report

## OUR TEAM

| | | | |
|---|---|---|---|
| | **Marshal Guo**<br>Fund Manager | **Bill Cai**<br>Fund Manager | |
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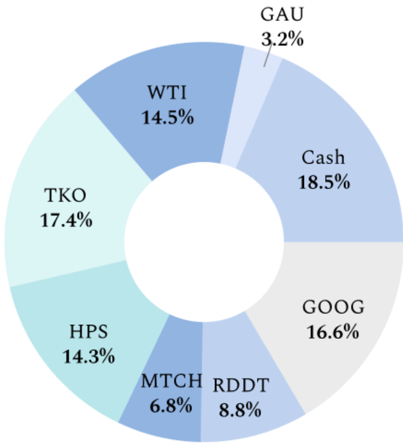
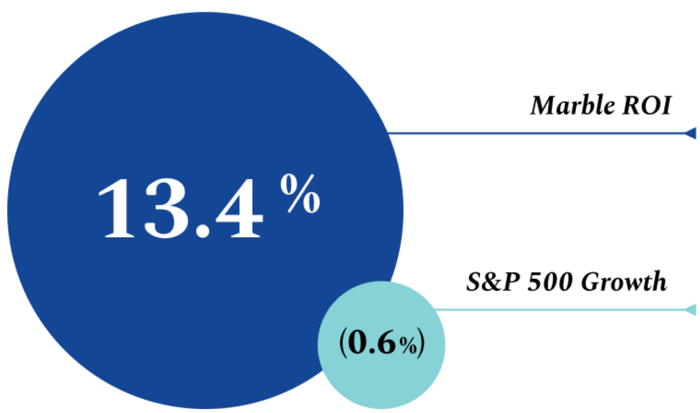
## PORTFOLIO OVERVIEW

### Percent Makeup of Total Fund




### Total Returns this Quarter




### Total Returns this Quarter

| Company | Ticker | Returns |
|---|---|---|
| Alphabet Inc Class C | GOOG | 11.43% |
| Match Group Inc | MTCH | -14.99% |
| Galiano Gold Inc | GAU | 20.27% |
| Western Texas Intermediate Crude Oil Benchmark | WTI | 6.60% |
| Hammond Power Solutions Inc | HPS.A | 29.37% |
| Reddit Inc | RDDT | 102.94% |
| TKO Group Holdings Inc | TKO | 15.06% |

# INTRODUCTION

## Market Conditions

Since the start of the Q2, the S&P 500 has experienced a turbulent market environment, reflecting a mix of caution and optimism. This period has been characterized by concerns over persistent inflation, increasing unemployment, and geopolitical tensions that have shaken the confidence of the bull market. One factor that has brought a particularly negative impact on investor sentiment has been the Federal Reserve's monetary policies. Despite earlier promises of interest rate adjustments in Q4 of 2023, the anticipated rate cuts have become increasingly unlikely due to rising inflation. This shift has hurt many CRG companies, as evidenced by a (5.93%) decline in the S&P Retail Select Industry Index over the same period.

## Investment Strategy Overview

Despite a challenging environment where the S&P 500 experienced a slight decline of (0.6%), our fund achieved a remarkable return of 13.4%.

Over the last quarter, Marble has demonstrated robust adaptability amidst fluctuating market conditions. In 2023, our sole focus was concentrated on companies in the TMT vertical. However, in our last round, we shifted our focus as the momentum behind the AI hype began to stabilize. Even several early-stage AI companies, such as ACM Research, which were relatively obscure last year, have now gained significant recognition and prominence. This adjustment led us to diversify our recent portfolio, incorporating more defensive investments in technology, oil and natural gas, and gold. This move was facilitated by a thorough and intense screening process, thanks to the support of our newly expanded analyst team. While many of our investments were supported by extensive research, financial analysis and modeling, we remained committed to the prioritization of maximizing shareholder value. This commitment occasionally led us to pursue riskier, speculative plays in the pursuit of profit. This past round, we chose to maintain 18% of our fund in cash. This conservative stance stems from our commitment to minimize risk and concentrate our investments on a select group of companies that are able to pass our screening criteria and show promise.

## Timing the Edge

In an unprecedented move, we concluded this investment round a month early. This decision came as each portfolio company fulfilled its investment thesis, allowing us to sell all our positions and secure profits for our investors. Additionally, by completing our reports ahead of schedule, we saw this early conclusion as a strategic move to enhance transparency with our investors. Having been less communicative for a while, we felt it was crucial to seize this moment to openly share our achievements and strategies, reinforcing our commitment to transparency and investor communication. As we look ahead, Marble remains committed to identifying and seizing opportunities that align with our strategic vision.

# INVESTMENT HOLDINGS

## Alphabet Inc Class C (NASDAQ: GOOG)

Our thesis materialized around Gemini, Google's generative artificial intelligence chatbot. During a test in February, Gemini produced a series of racially biased images. Along with disappointing guidance in the 10-K, investors expressed concerns regarding Google's position in the AI landscape and criticized upper management, initiating a subsequent (14.39%) drop in Google's stock price. Given that Gemini is a non-revenue generating, experimental program, we believed that the negative sentiment and stock price decline were a market overreaction rather than a reflection of Google's value.

Even outside of this short-term thesis, Google holds unprecedented dominance in the digital landscape. It controls and owns swathes of the entire web via YouTube and Gmail, rendering it as an invaluable long-term value investment. Financially, Google stands atop robust ground with over $110 billion in cash and short-term investments, and $11.87 Billion in Long Term Debt. Over the past decade, Google tied Microsoft in FCF while trading at half of its TTM free cash flow (P/FCF) multiple. Last year, Google retired 528 million shares with $62.2 billion in buybacks and continues to exhibit a pattern of increasing EPS, beating projections over the last 5 quarters while boasting a forward PE ratio of 18—the lowest among the MAG7 stocks relative to the market average. It's ultimately a powerful self-funding machine that is held by investors such as Larry Fink, Peter Lynch, Bill Ackman, and more.

On March 18, 2024, we profited off of an unforeseen announcement involving Google and Apple. The two tech giants reportedly signed a $500 million contract to research, develop, and integrate Google's Gemini AI into Apple's iPhone devices. The news of this potential integration reaffirmed investors that the collaboration between Google's AI technology and Apple's hardware expertise would prime them into a strong position. We felt that this news had blessed us and sought stability and security amid uncertain market conditions, including stagnant interest rates, rising unemployment, and persistent inflation. We sold our shares just before the Q1 earnings report to avoid risk of poor results, as seen with other tech companies like Netflix and Meta. Although it has continued to rise, Marble does not stress over missed opportunities.

## Match Group, Inc. (NASDAQ: MTCH)

Match Group is an online dating services company, holding a portfolio of over 50 apps including Tinder and Hinge, along with Match, Meetic, OkCupid, Pairs, Plenty of Fish, Azar, and BLK. It dominates the online dating industry with a 78% market share.

Match group has been a battleground stock with its volatility and punished due to a contracting payer count. Our initial thesis was an opposition to Wall Street's monolithic perspective. Unlike most freemium models, user retention in online dating is fluid with users cycling in and out. We believed that their strength lay in their cash generative ability which supported share buybacks and fueled innovation in an industry marked by short product life cycles. Their pricing efficiency can be seen through Tinder Select; although it comprises only 1% of total users, this $500 plan generates 30 times the average revenue per paying user.

Leading up until the May 7th earnings call, Match Group's stock continued to fall to negative market sentiment and a declining economic environment. Despite total revenue growing 9% in Q1, it was almost entirely offsetted by another 6% decrease in payer count. Their largest portfolio companies such as Hinge, saw increases of revenue of over 50% but reflected 4-6% losses across many others. Investors were not happy with the results and Match Group has subsequently seen a (15%) decline in share price since our initial position.

Marble's main principle has always been to maximize shareholder value. We recognize the long-term potential in this company. However, due to ongoing financial losses, we must prioritize our responsibility to our shareholders. To prevent further losses, we have decided to divest our holdings.

## Galiano Gold Inc (TSE: GAU)

Our investment thesis for Galiano Gold was centered around its 90% acquisition stake in the Asanko gold mine in Ghana, which is projected to produce 240,000 ounces of gold annually. Galiano's deal with Gold Fields acquired 45% interest for $170 million and led to a substantial 100% surge in Galiano's stock price. We evaluated whether it still represented an attractive investment and our analysis indicated that Galiano shares were undervalued.

As a single-mine company on a rapid trajectory towards becoming a mid-tier producer, Galiano is poised for outperformance by reducing all-in-sustaining costs (AISC) at the Asanko mine. The company boasts over $100 million in net cash with zero debt, providing significant flexibility for operational investments and potential M&A plays. In 2023, the mine produced 134,077 ounces of gold at an AISC of $1,522/oz. With average gold prices of $1908, Asanko generated $100 million in operating cash flow and $48.4 million in free cash flow. The 2023 technical report forecasts annual production of approximately 240,000 ounces at an average AISC of $1063, valuing the mine at $343 million post-tax, assuming a conservative long-term gold price of $1700/oz. Current spot prices elevate the mine's valuation to over $600 million. With gold prices trading between $1800 - $1900, the Asanko mine's fair value at $2100 per ounce stands at $600 million for full ownership, translating to $540 million for Galiano's 90% stake. This equates to a net asset value (NAV) per share of $2.13. At the time of our entry, the trading price was set at $1.30, indicating a significant 61% discount to its NAV.

Furthermore, gold is seen as a hedge against inflation and a safe haven during the current times of economic instability and geopolitical tension. Reflecting this sentiment, concerns about sticky price inflation led to a Citi analysis finding that 83 percent of big fund managers were long on precious metals. This increased interest drove net long positions on gold futures and options to their highest level since 2020. Given these favorable conditions, we believe that Galiano was and will continue to capitalize on this trend.

## Western Texas Intermediate Crude Oil Benchmark (WTI)

The oil market in 2023 experienced significant fluctuations driven by a combination of supply dynamics, geopolitical tensions, and economic factors. Despite record-breaking production from the US, Brazil, and Guyana, oil prices fell significantly to nearly $70. Additionally, geopolitical tensions, particularly the Russia-Ukraine war, disrupted trade flows and further pressured the market.

Our investment thesis was straightforward: we anticipated a rise in gas prices in 2024 after news in Q1 was released that major oil companies were dropping their rigs in response to the supply-demand imbalance. This is a thesis we held months before our investment round and had already begun to materialize, making WTI an early buy for us. Rig counts saw an 18% decrease by the time we exited our position.

## Hammond Power Solutions Inc. (TSX: HPS.A)

Our investment thesis for Hammond Power Solutions (HPS) was based on the company's role as a global leader in the development of dry-type transformers, an essential part of data centers, which powers AI technologies. Throughout our funds history, we have become well-versed and knowledgeable on the high growth potential of the AI sector.

Throughout our fund's history, we have conducted extensive research into the high growth potential of the AI sector. Reflecting on our experiences with ACM Research, our main focus at the start of the round was to identify companies that had not yet been priced-in by the AI market and was a supporter rather than a leading player. Similarly to ACMR, Hammond Power Solutions fit this criterion perfectly. Something else that really stood out to us was Hammond Power Solutions' diversification. Hammond's revenue segments range across renewable energy, industrial manufacturing, transportation and more. This diversification not only strengthens its financial stability but also mitigates risks associated with the fast-paced growth of AI.

We chose to exit our position before earnings, as the stock had already appreciated significantly. At this point, we believed our initial thesis of Hammond Power Solutions being an undervalued and lesser-known entity had been fully realized.

## Reddit Inc. (NYSE: RDDT)

The Reddit IPO has been one of the most talked-about events of the fiscal quarter. It represents our riskiest investment. As an IPO, Reddit was challenging to analyze quantitatively, and we anticipated substantial volatility, which is why it constituted the smallest and shortest holding in our portfolio. The main upside we identified for Reddit stemmed from the 2021 GameStop phenomenon and the retail investor community. Despite the speculative nature, Reddit is still a solid company. It is one of the largest social media platforms globally and has positioned itself well to synergize with large language models. When trading Reddit, we aimed to balance the potential for substantial returns with a cautious approach, mindful of the volatility in new market entrants.

## TKO Group Holdings Inc (NYSE: TKO)

TKO Group Holdings is the American sports entertainment conglomerate that owns the WWE, UFC, and various other sports properties. Our decision to invest in TKO was driven by the belief that the UFC has significantly benefited from the cultural shift towards modern martial arts and a weak competitive landscape with ONE and PFL, who struggle to market their fighters and events effectively. Both WWE and UFC experienced record-breaking years in 2023, leading to a remarkable 105% increase in revenue year-over-year. The surge in fan engagement, the expansion of media rights deals, and the sports industry's full recovery post-COVID contributed to the growing financial success of both companies. Recognizing these trends, we anticipated that TKO's earnings would continue to be strong. In the 2024 Q1 earnings report, TKO reported the highest EBITDA in the company's history, which validated our investment thesis.  Investing in TKO also allowed us to further diversify our portfolio beyond the technology sector.

## CONTACT US

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