marble
investments

2024 Q3 Investor Report

OUR TEAM

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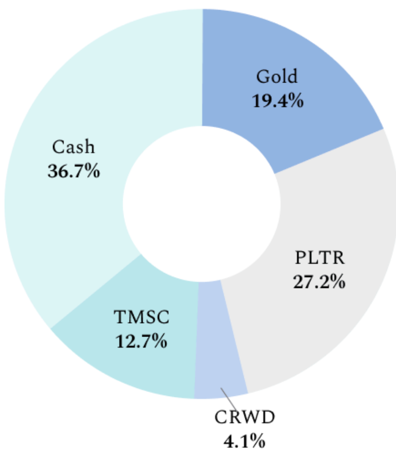
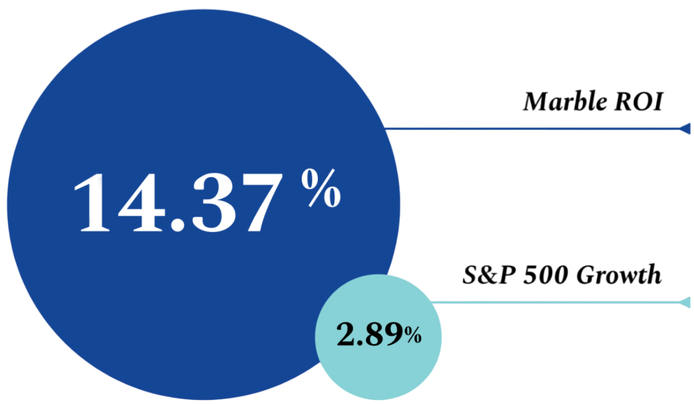
PORTFOLIO OVERVIEW

Percent Makeup of Total Fund



Total Returns this Quarter



Total Returns this Quarter

Company	Ticker	Returns
Taiwan Semiconductor Manufacturing Company Ltd.	TSM	6.06%
Palantir Technologies Inc.	PLTR	50.00%
Crowdstrike Holdings Inc.	CRWD	10.42%
Gold		11.38%
Cash		1.14%

INTRODUCTION

Market Conditions

Q3 2024 was a quarter marked by significant volatility and uncertainty in the financial markets. The quarter saw the second coming of Black Monday in the Japanese market due to overleveraged trades and hawkish monetary policies. AI stocks such as TSMC and NVIDIA experienced a brief but sharp decline due to growing investor caution of the space and critical comments from former President Trump, which further fueled concerns about the sustainability of their valuations. Amidst this backdrop, the US Federal Reserve finally took action by cutting interest rates by 50 basis points, providing some relief to the US economy. We remain cautious about this rate cut as any subsequent aggressive reductions could risk pushing the economy into a recession. We will continue to closely monitor Fed announcements.

Investment Strategy

Despite a volatile environment where the S&P 500 returned 2.89% when we finished our quarter on September 18, Marble achieved a remarkable return of 14.37%.

Unless there are significant developments, Marble will no longer comment on this section in future investor reports. As Warren Buffet's quote goes, Marble chooses to follow a strategy akin to "Putting all your eggs in one basket, but watching that basket closely." Since our fund's inception, we've built a unique investment strategy, centered on event-driven opportunities. We conduct thorough due diligence on fundamentally strong companies with robust moats in high-demand industries and strong financial health, and invest when there is opportunity. Our investments in TSMC and CRWD exemplify this approach. We understand our ongoing responsibility to our investors, hedging riskier investments with put options and diversifying our portfolio with assets like gold.

INVESTMENT HOLDINGS

Gold

As we mentioned, Q3 of 2024 was a time of uncertainty. Our decision to buy gold was ultimately for diversification reasons away from just company equity securities and hedge against the potential of falling into a recession and beta risk.

In July, analysts predicted a 70% chance for an overdue rate cut in November and the bearish unemployment economic data that was released on August 2nd, solidified our thesis through its suggested weakness in the American Economy. Unemployment rate came in at 4.3% vs the forecasted 4.1%. Additionally, the US employment report came in way under expectations at 113,000 jobs added vs the consensus 185,000 estimate. US Hourly wage growth also came in slower at 0.2% vs 0.3% and underemployment rate jumped from 7.4 percent to 7.8 percent. The US is a consumption-oriented economy and if employment data is bearish then it is bearish for US consumption and the economy.

Gold prices typically increase when interest rates fall because the opportunity cost of holding gold decreases, making it more attractive compared to interest-bearing assets like bonds. Additionally, lower interest rates often weaken the currency, especially the US dollar, which makes gold cheaper for foreign investors and boosts demand. Finally, as geopolitical tensions in the middle-east and Asia pressed forward, we believed that gold was a safe-haven.

Case Study Analysis (Events in history that saw incredible surges of gold prices)

Arab Spring (2010-2012)
Crimean Crisis (2014)
US-China Trade War (2018-2020)
COVID-19 Pandemic (2020-Present)
Russia-Ukraine War (2022-Present)

Taiwan Semiconductor Manufacturing Company Ltd. (NYSE: TSM)

https://www.marbleinvestments.ca/resources/Marble_TSMC_Equity_Report.pdf

Crowdstrike Holdings Inc. (NASDAQ: CRWD)

Just as upwards momentum exists in companies, so does downward momentum. Sometimes companies face a string of bad luck that impacts the stock price far more than maybe they should.

On July 19 2024, Crowdstrike, one of the world's leading cybersecurity companies faced a global outage affecting over 8.5 million computers and over a quarter of the fortune 500 companies. Crowdstrike shares subsequently fell 44% in the next week.

There are two major takeaways that were relevant to Marble.

1. A terrible mistake that would certainly impact Crowdstrike as companies re-evaluated their security choices and lawsuits started coming in.
2. Just how dominant Crowdstrike was in the cybersecurity industry and how many companies relied on them for security.

While perhaps many investors were concerned with point 1, we dove deeper in point 2. Cybersecurity is both mandatory for companies while also being something companies don't often like changing after establishing a system. The complicated technology of cybertech is very intricate, detailed, and an overall difficult system to replace. Prior to the incident, Crowdstrike had a 98% retention rate, 2% churn, 120% net dollar retention, 48% ARR, and 4.9 LTV/CAC ratio. We predicted that while the outage would lead to short-term impacts from lawsuits and concerns, in the long-term, this simple outage did not warrant the depletion of their equity value in half and Crowdstrike lost too much market dominance.

Despite their strong software metrics, Crowdstrike is a prime example of a company that we would have never taken a position in without the outage. This long investment highlights our commitment to moving fast in identifying investment opportunities and conducting due diligence on event-driven trades. Sitting at a P/E ratio over 500 pre-outage, Crowdstrike certainly had much of their potential priced in and is by every metric overvalued traditionally.

Since then, Crowdstike has recovered 30%.

Palantir Technologies Inc. (NYSE: PLTR)

Palantir is a company Marble is very familiar with as it was one of our first ever investments. Without an event-driven opportunity, we believe that the biggest names in the AI space like NVIDIA and Microsoft have already had much of their value in the near future realized.

AI Software on the other hand is quite a different industry. While investments into AI hardware can be backed by line items such as capital expenditure and top-line growth, AI software is a more "potential" based industry. Simply, many software companies haven't yet figured out how to make consistent revenue, much less profit, from AI. With this information, we looked for companies with a more clear path towards profit and strong technological moats. We did extensive research on Palantir and Oracle.

Palantir is an AI and data company that creates tools for military, national, and industrial use. They have various long-term contracts with established companies and governments around the world. These partnerships allow for a strong, steady, recurring revenue stream that is reflected in their financials, balancing out the risk aspect of AI software with some marginal safety. As conflicts continue to escalate in the Middle East and Asia, we invested in Palantir ahead of earnings, driven by the same thesis as last year. We believed that the company's performance would have exceeded street expectations and increased guidance, positioning it for significant growth.

The earnings call solidified our thesis as they beat expectations at every turn with US revenue growing 55%, government revenue grew 23%, EPS grew 500%, customer count grew 83%.

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