**PLURAL INVESTING LLC**

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| | Partnership (Gross) | Partnership (Net) | MSCI World | Russell 2000 | MSCI EAFE Small Cap | FTSE AIM All-Share |
|---|---|---|---|---|---|---|
| 2020[1] | 122.9% | 97.1% | 46.8% | 72.9% | 55.0% | 87.8% |
| 2021 | 38.7% | 29.9% | 21.8% | 14.8% | 10.1% | 5.0% |
| 2022 | -32.0% | -32.7% | -18.1% | -20.4% | -21.4% | -38.0% |
| 2023 | -5.5% | -6.4% | 23.8% | 16.1% | 13.2% | -1.5% |
| 2024 | -4.1% | -4.4% | 8.9% | 5.2% | 2.4% | -3.1% |
| Annualized | 17.5% | 11.4% | 18.5% | 17.8% | 11.7% | 3.9% |

Note: All indices measured in US dollars

[1]Results for 2020 represent the total return of the Fund and Comparative Indexes from the inception date of the Fund on April 1, 2020 to December 31, 2020.

April 23, 2024

To our Partners:

Plural Partners Fund L.P. delivered a gross return of -4.1% and net return of -4.3% in Q1. Our goal is to deliver returns over a five-year period significantly above that of global markets.

We are value investors. We invest in businesses that we believe are worth substantially more than the price they are trading at. We think of risk primarily as the chance of a loss over a five-year horizon and not the temporary drawdowns in stock prices that occur from time to time. We manage this risk by only investing in businesses trading at a substantial discount to a conservatively calculated intrinsic value and that we would be happy to own if the market shut for five years. We welcome stock price volatility as it often presents opportunities to invest further at even better prices. When such opportunities cannot be found we hold cash instead.

The majority of our capital is typically allocated to our six to eight best investments. We look for qualities such as attractive business economics and management teams who possess and foster a culture of high integrity, customer focus, and prudent capital allocation. Our businesses may be 'hidden gems' because they are small, receive little coverage, listed on under-researched exchanges, operating in unpopular industries, or offer terrific opportunities beyond short term concerns. We develop a research edge over other investors by doing extensive primary research and utilizing quantitative tools. This edge can be significant when we are competing mostly against retail investors or the small positions of larger institutions, which is why we deliberately fish in those waters.

A one-page appendix entitled "Principles of Our Partnership" is attached to this letter. This should give you an idea of what you can and cannot expect from our partnership.

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We estimate that our businesses trade for 7.2x their FCF in three years' time and will still be growing at double digit rates then. These businesses generally have strong balance sheets with little or no debt, earn an average post-tax return on tangible capital of 22%, and are run by well-aligned management teams with an average insider ownership of 17%.

While small cap, value, and international markets continue to underperform large cap US growth indices, we are increasingly finding ignored but reasonable businesses trading at a single digit multiple of FCF.

Below, we profile TerraVest and Currency Exchange International. Both businesses traded at a single digit multiple of FCF at the time of our initial investment despite having double-digit growth prospects, strong balance sheets, and honest and competent management teams who were highly aligned with shareholders. Both stocks have performed well since our investment, and we own other stocks with similar characteristics that have yet to do so.

We continue to find attractive opportunities and are confident that the intrinsic value of these businesses will be recognized over time.

| Portfolio Allocation | |
|---|---|
| **% of Net Assets by Business Type:** | |
| Consumer | 28% |
| Industrials | 22% |
| Payments | 17% |
| Travel | 17% |
| IT | 10% |
| Special Situations | -3% |
| Others | 0% |
| Cash | 9% |
| | **100%** |
| **Portfolio Statistics:** | |
| Net Exposure | 91% |
| Long Exposure | 107% |
| Short Exposure | -16% |

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**TerraVest (TVK.TO)**

We published a 35 page writeup on TerraVest in January and I was selected to present at the Fairfax Financial shareholder dinner in April. You can view the writeup here and presentation with updated thoughts here.

TerraVest is an acquirer and operator of steel-based storage tank and equipment businesses that has delivered shareholder returns of ~30% p.a. for the last decade. The company generates a 25% post-tax incremental return on tangible capital and has an excellent and aligned management team who own 35% of the business. We first bought shares in TerraVest late last year around C$40, the stock trades at C$70 today, and we think management will continue to compound capital at strong returns for many years to come.

The company follows a strategy of acquiring, restructuring, and operating businesses that are generally mom & pops across storage tanks and pressure vessels (~65% of revenues), oil & gas equipment (~20%), and boilers and furnaces (~15%). We believe that TerraVest creates value by acquiring businesses for an average of 10x FCF then restructuring to cut that to 6x, with restructuring the more important and where management spends most of its time.

TerraVest is able to increase profits primarily in three ways: (i) By shifting the mindset of mom & pops to focus on FCF over revenues, (ii) by using its scale to procure steel and other materials at a lower cost, and (iii) by sharing resources across businesses such as by consolidating facilities or cross-selling products.

The company's five key members of management all earn relatively low base salaries and have the vast majority of their net worth in the stock. All are highly experienced and most are fairly young – CEO Dustin Haw is the key and is 40 – giving them a strong incentive and long runway to continue compounding. The CEO has never sold a share to supplement his relatively modest income, which suggests to us he thinks TerraVest will continue to be successful. We think there remain many businesses and adjacent industries for TerraVest to deploy capital into.

The stock has appreciated significantly over the last twelve months but remains reasonably valued at 15x FCF for a business likely to compound earnings at double digit rates. TerraVest does not speak to sell-side analysts, hold earnings calls, or give investor presentations and so the stock is largely undiscovered among institutional investors. We believe the company's intrinsic value will increasingly be reflected as management executes, more investors take notice, and stock liquidity increases.

## Currency Exchange International (CXI.TO / CURN)

CXI is one of only three major suppliers of foreign banknotes to the United States and of US dollar banknotes internationally. Banknotes are typically used for travel and the Covid induced downturn masked major market share gains made by the company after its key competitor Travelex exited the US. CXI is run by Founder Randolph Pinna, who owns 21% of the company and has high integrity, delights customers, and a 35-year track record of building two banknotes businesses that have delivered strong shareholder returns. The company trades on 11x EV/FCF today and we expect earnings to compound at 15+% p.a. over the next three years. That puts the stock on just 5-6x our estimate of FCF in three years' time, net of cash generated in the interim. We started buying shares at US$14 in mid-2022, it trades at US$18.5 today, and we believe intrinsic value will be around US$50 in three years.

We attended the company's AGM in Toronto, Canada, and visited its headquarters in Orlando, Florida, this quarter. These gave us an opportunity to speak with many of CXI's management and board members. We continue to see progress on two key opportunities for the company.

We think CXI's first large opportunity is to use its cash.

The company holds $106mm in cash and $4mm in debt, a huge amount of net cash compared to its $120mm market cap. We estimate that $80mm of this cash needs to be held as physical banknotes so should be thought of as inventories while $20mm is needed as working capital, meaning excess cash that could be deployed is closer to $20mm.

One of the reasons the stock is cheap is that investors are concerned management are not allocating capital well. However, CXI began buying back shares this quarter and have an authorization to buy back 5% of the share count which we believe will be fully utilized this year. That means around half of this years' FCF will be deployed into buybacks. Over the next three years that should reduce the share count by 15%.

We continue to believe that a potentially excellent use of cash would be for the company to acquire one of its banknote competitors. This would result in large synergies as costs such as vaults, tech, and staff often do not need to be duplicated. Since there are only a few other players in the industry, any acquisition would be large and significantly increase FCF.

And at the company's AGM, the CEO publicly stated that additions to senior management have freed up his time to focus on transformational acquisitions.

Given the strength of the company's balance sheet, we estimate much of this acquisition could be financed through credit facilities. An acquisition would also demonstrate that the company's cash is not 'trapped' and so likely lead to a significantly higher valuation multiple as investors start pricing in future cash deployment. We are also confident management will not overpay given their conservative nature.

We think CXI's second opportunity is to grow outside the United States.

The company is one of only three licensed to supply dollar banknotes from the Federal Reserve to banks across the world. We think this market is worth around $380mm in revenues, versus CXI's total revenues over the last twelve months of $83mm.

CXI had yet to make any serious progress because the US banking crisis last year made customers reluctant to source banknotes from a small company. That has changed in the last month, with CXI finally opening trust accounts at one of the world's largest providers. The trust will effectively act as a middleman and guarantee large transactions between CXI and its customers for a small fee. Given this solution was found in collaboration with customers, we are hopeful that the company will now be able to capitalize on this opportunity.

We expect that investors will greatly reappraise CXI's intrinsic value over time as the business grows outside the US and management deploys cash. We also believe that the potential downside over a 3-5 year horizon is low if we are wrong given the company's fortress balance sheet, 11x EV/FCF valuation, and double-digit growth rate.

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The dial-in details for our quarterly call are attached on the next page.

Please do not hesitate to contact us at chris.waller@pluralinvesting.com.

Best Regards,

Chris Waller
Portfolio Manager

## **Dial-In Details for Quarterly Call**

Time: Wednesday May 1, 2024 at 10am Eastern Time / 3pm UK Time

Join Zoom Meeting

https://us06web.zoom.us/j/81724678117?pwd=2U6PYlI2FpdtHk85Bawizabij4blN5.1

Meeting ID: 817 2467 8117

Passcode: 508758

Find your local number: https://us06web.zoom.us/u/kehcgGoqpJ

## **Principles of Our Partnership**

I take the trust you place in me very seriously and view this as a partnership. These principles are inspired by a similar letter Warren Buffett wrote in 1962 to his partners at the beginning of their partnership. They are my attempt to be up-front about what I can and cannot promise you, and what I ask from you in return:

1. Success for the fund in five years' time is delivering a substantially higher return than global stock market indices, rather than how many clients or assets are under management. The investment approach and my time are allocated accordingly.
2. I cannot guarantee that the fund will achieve this success. However, I can promise that the vast majority of my liquid net worth will be invested alongside you.
3. The fund will only invest in businesses that I estimate are worth substantially more than the price they are trading at.
4. The fund will only invest in businesses that I would be comfortable owning if the stock market were to shut for the next five years and we had to hold on.
5. I will view the risk of each investment as the chance we lose money over that five year period and not the volatility or beta of the stock price in the meantime. Indeed, I can promise you that the price of our investments will decline 20% from time to time.
6. I will judge the returns of the fund over five year periods.
7. Nobody gets every investment decision right. I will be up-front about mistakes made.

What I ask from you:

1. You should only invest an amount where your sleep will be completely unaffected when the fund has a 20% drawdown. This may mean the right decision is not to invest at all.
2. While I would like you to also judge the performance of the fund over a five year period, three years is the absolute minimum required. I would strongly counsel against reading much into quarterly results as prices are often driven by emotions in the short run. Our patience is essential if we are to let the volatility of prices serve us rather than guide us.

Yours sincerely,

Christopher Waller

Chris Waller
Portfolio Manager

## Important Disclosures

This material does not constitute an offer or solicitation to purchase an interest in Plural Partners Fund LP (the Fund"), or any related vehicle. Any such offer will only be made via a confidential private placement memorandum. An investment in the Fund is speculative and is subject to a risk of loss, including a risk of loss of principal. There is no secondary market for interests in the Fund and none is expected to develop. No assurance can be given that the Fund will achieve its objective or that an investor will receive a return of all or part of its investment. This material is confidential and may not be distributed or reproduced in whole or in part without the express written consent of Plural Investing LLC (the "Adviser").

The performance results shown and discussed herein represents the performance of the Fund, a vehicle managed by the principal of the Adviser (the "Principal"). The Fund began trading on April 1, 2020. "Gross" results shown reflect the deduction of transaction costs actually incurred but are before management fees or performance allocation were incurred. "Net" results shown reflect the deduction of a 1.0% per annum management fee and 20.0% performance allocation.

Results are compared to the performance of the MSCI World Net Return Index, the Russell 2000 Net Return Index, MSCI EAFE Small Cap Net Return Index, FTSE AIM All-Share Index, or similar indexes (collectively, the "Comparative Indexes") for informational purposes only. All Comparative Indexes are denominated in US dollars. Past performance is not necessarily indicative of future trading results. The Fund's investment program does not mirror the Comparative Indexes, and the volatility of the Fund's investment program may be materially different from the volatility of the Comparative Indexes. The securities or other instruments included in the Comparative Indexes are not necessarily included in the Fund's investment program and criteria for inclusion in the Comparative Indexes are different from those for investment by the Fund.

The positions presented and discussed herein represent investments in the Fund as of the date listed. These positions are presented for informational purposes only to demonstrate a portfolio allocation of the Principal as of a recent date. Results of large "contributors" to the Fund's returns are also included for informational purposes only. No representation is being made that the Fund will or is likely to hold the same or equivalent positions or allocations in the future.

Certain information contained in this presentation is derived from sources believed to be reliable. However, the Adviser does not guarantee the accuracy, completeness, or timeliness of such information and assumes no liability for any resulting damages. Due to the ever-changing nature of markets, the deductions, interrelationships, and conclusions drawn from historical data may not hold true in the future.

This material contains certain forward-looking statements and projections regarding market trends, Fund allocation, and investment strategy. These projections are included for illustrative purposes only, are inherently speculative as they relate to future events, and may not be realized as described.

These forward-looking statements will not necessarily be updated in the future.

PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.