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	3.8%	3.1%	18.9%	11.2%	11.1%	2.6%
Annualized	17.5%	11.9%	18.6%	17.1%	12.3%	4.8%

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.

October 9, 2024

To our Partners:

Plural Partners Fund L.P. delivered a gross return of 9.4% and net return of 9.2% in Q3. 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.

We estimate that our businesses trade for 7.0x 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 18%, and are run by well-aligned management teams with an average insider ownership of 13%.

We are finding an increasing number of 'hidden gems' given the relative underperformance of small cap, value, and international markets, and made two new investments in the quarter. We profile one of these, Seaport Entertainment, below and expect to publish and in-depth report on the company in the next few weeks. If you would like to receive a copy, please subscribe to our mailing list here.

Our companies continue to report largely positive results that support our investment analysis. We provide updates on two of these, Watches of Switzerland and TerraVest, below.

Portfolio Allocation	
% of Net Assets by Business Type:	
Consumer	35%
Payments	19%
Travel	19%
Real Estate	13%
Industrials	8%
IT	6%
Others	-3%
Cash	4%
	100%
Portfolio Statistics:	
Net Exposure	96%
Long Exposure	109%
Short Exposure	-13%

Seaport Entertainment (SEG)

"When it comes to the spinoff area, rights offerings can be an extraordinary opportunity for enterprising investors like you. Rights offerings are obscure and often confusing…One telltale sign of a bargain offering price is the inclusion of oversubscription privileges" – Joel Greenblatt, You Can Be a Stock Market Genius

Seaport Entertainment is a spinoff with a rights issue that a key insider is oversubscribing to. We invested around $27/shr, the stock remains around the same price today, and we believe could be worth a multiple in three years' time.

The company was recently spun out of Howard Hughes, a real estate developer that owns master planned communities across the United States. These communities are desirable because Howard Hughes' control enables it to carefully design all properties and the speed at which those properties are supplied to the market, thereby making development less exposed to boom/bust cycles.

While Howard Hughes has been a largely successful developer, its stock has been weighed down by substantial losses at properties it owns in the Seaport district in New York, which is one of the few areas the company owns that is not a master planned community.

By spinning off these and other less desirable assets into a 'BadCo' called Seaport Entertainment, the transaction transforms Howard Hughes into a pure master planned community owner, or 'GoodCo'. While investors may naturally gravitate towards the 'GoodCo', we think that the 'BadCo' is where the bigger opportunity lies.

There has likely been significant indiscriminate selling of Seaport Entertainment stock. The company owns a loss making and unusually complex set of properties, including part-empty retail and office buildings in the Seaport district of New York, a struggling food court, plot of undeveloped land, restaurants, JVs, air rights, and even a baseball team and ballpark in Las Vegas. Limited disclosure about the economics of the key assets has been given and shareholders were issued stock in Seaport Entertainment worth less than 5% of their Howard Hughes shares. We believe many investors likely sold their stock without being price sensitive.

One key insider, however, is buying shares.

Pershing Square is an investment firm that owns ~38% of Howard Hughes and whose Founder Bill Ackman was Chairman of Howard Hughes for 13 years, including when the spinoff was announced. As part of the spinoff Seaport is issuing new shares to fund the redevelopment of some properties and bring the company to profitability. Shareholders in Seaport were issued rights to buy 1.27 new shares at $25/shr for each existing share they held. There is also an oversubscription privilege, which means that if the rights issue is not fully subscribed those shareholders who have subscribed get to buy additional shares at $25. Importantly, Pershing Square is not only keeping its Seaport shares but has guaranteed it will exercise its rights to buy more shares. It is also taking oversubscription a step further by guarantee it will buy all other issued shares at $25 that other shareholders do not, which is what would likely happen if the stock declined below $25 prior to the rights issue. In that scenario, Pershing would own 72.6% of the company.

In our view, this means that Ackman believes $25 is an excellent price to buy into Seaport.

While providing this backstop made the spinoff easier and Pershing's stake in Howard Hughes will be worth around six times as much as its stake in Seaport even if it must purchase all new shares, there are other ways Seaport could have raised capital without Pershing's support. Owning 72.6% of a publicly traded company could also bring additional regulatory and reporting headaches to Pershing.

We agree that Seaport is attractively valued. Post rights offering, the company will have a market cap of $330mm at today's prices and net cash of $50mm. For context, Howard Hughes invested at least $1.3bn into these assets, and likely closer to $1.5bn once various JVs and opaque assets are included. While the company is loss making, we believe it is trading for 25 cents on every dollar invested and that a new and well incentivized management team can recover a significant portion of this value.

We think that Seaport has three key assets. The first is a fully entitled block of land at 250 Water St in New York, next to the historic and cobblestoned Seaport district, 5 minutes' walk from the East River waterfront and 9 minutes' walk from Wall St. The land cost $180mm and another $63mm was spent on legal fees and preparing it for development. As a result, the land is now fully approved for a 27-story building with ~547,000 sqft, including apartments overlooking the water and Brooklyn Bridge. We believe that is very rare to find fully approved land in this area of Manhattan and that the economics work for a developer to purchase it relatively soon for around $180mm. If true, this asset alone offers substantial downside protection at today's $330mm market cap.

The most valuable property owned by Seaport in our view is Pier 17. Howard Hughes invested around $600mm to develop this four-story building that includes ~213,000 sqft of office space, five restaurants next to the water, and a rooftop that overlooks the Brooklyn Bridge and Manhattan skyline and lights up at night to make a stunning concert and entertainment venue. We believe this building is roughly breakeven today but there are several obvious ways operations can be improved.

Most notably, around half of its office space is unleased. This was partly unlucky timing as Covid and work-from-home has structurally reduced demand for office space in Manhattan. New management plan to redevelop the space into an entertainment destination, which should increase foot traffic for all the properties in the district. We believe a well-run Pier 17 can generate up to $30mm in earnings per year at maturity.

The final key asset in our view is the Tin Building, which is a luxury food court next to Pier 17 that generated $42mm in losses in 2023. That makes it by far the most problematic property Seaport owns and we think it is unlikely the building will ever be worth the $200mm Howard Hughes invested in it. However, there are clear areas for improvement and similar food courts in Manhattan are profitable. The building is currently run by Michelin-starred chef Jean-George's company, which has a contract in place that we think incentivizes it to increase costs rather than profits. That contract expires next year unless revenues increase substantially.

To lead Seaport's turnaround the company has recruited Anton Nikodemus to be CEO. Nikodemus was previously President & COO of CityCenter, a 67-acre complex on the Las Vegas Strip that includes iconic properties such as the ARIA Resort & Casino. We believe Nikodemus' hospitality and entertainment experience makes him a better fit to lead Seaport in that direction than executives at Howard Hughes who have more of a real estate focus. His experience working with Live Nation and Jean-George should also help him enhance Pier 17 and the Tin Building.

We find it encouraging that Nikodemus thinks the opportunity is attractive enough to relocate to New York City at the age of 60. Nikodemus once stated that *"I'm an old desert rat from Arizona and my wife is also from Phoenix. We wanted to get back closer to family."*[1] We believe his $1.25mm base salary is, net of higher taxes and expenses, unlikely to have compelled him to make the move. Instead, he has received $12.4mm worth of stock and options and his future compensation is likely to be similarly tied to the stock price. We think that Nikodemus has been compelled to make a big move because he thinks his shares are likely to be worth substantially more in future. We think so too.

Subscribe here to receive a copy of our upcoming report on Seaport Entertainment.

Watches of Switzerland (WOSG.LN)

Watches of Switzerland is a retailer and partner to Rolex and other luxury watch brands. We believe most of the company's value lies in its relationship with Rolex, which only sells through authorized retailers like WoS who act as gatekeepers to the Rolex universe. That relationship gives WoS far superior economics to a typical retailer, a result of lengthy customer waiting lists, no online competition, and no inventory risk. WoS's management are competent, experienced, and well incentivized, with CEO Brian Duffy owning nearly £40mm worth of stock. We first bought shares around £3.5 (see our report here), it trades at £4.8 today and on 12x this year's FCF despite double digit growth. We think intrinsic value in three years will be around double today's price.

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[1] https://www.reviewjournal.com/business/casinos-gaming/nevadan-at-work-executives-first-las-vegas-visit-came-late-in-life/

The company reported in September that trading was in line with expectations. Swiss watch export data is similarly supportive and shows that the US market is growing at mid-single to low-double digits, while the UK market has returned to modest growth. More importantly, our proprietary data suggests that waiting times for Rolexes in the US and UK continue to be largely stable.

Three WoS stores were also granted Authorised Service Center status by Rolex in the quarter, meaning they will include Rolex-trained watchmakers to carry out services and repairs. While this will be immaterial to profits at a group level, it suggests that the relationship between WoS and Rolex continues to strengthen.

TerraVest (TVK.TO)

TerraVest is an acquirer and operator of steel-based storage tank and equipment businesses that has delivered shareholder returns of ~35% 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 last year around C$35, published a report on the company at C$45 (here), and the stock trades around C$100 today.

While we think management will continue to compound capital at strong returns for many years to come, we have substantially reduced our position to allow us to invest in new ideas that we think trade at valuation discounts similar to where TerraVest was when we initially bought shares. Several members of management have sold shares recently too, although this was party in anticipation of Canada raising capital gains tax rates.

Thank you for placing your trust in me. I feel extremely fortunate to have a loyal set of partners and your patience allows us to take advantage of the drawdowns that occur in our markets from time to time.

Many of our partners came to us through recommendations from existing ones. If you know someone who might share our long-term value approach and benefit from our insights and investing in the fund, please feel free to connect us. You can always contact me about referrals or anything else at chris.waller@pluralinvesting.com.

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

Best Regards,

Chris Waller

Portfolio Manager

Dial-In Details for Quarterly Call

Time: Tuesday October 22 at 10am Eastern Time / 3pm UK Time

Join Zoom Meeting

https://us06web.zoom.us/j/88653907127?pwd=6fVpHTCnAVWwadwwbsgbtHOCWrISea.1

Meeting ID: 886 5390 7127

Passcode: 564240

Find your local number: https://us06web.zoom.us/u/kdA3rPyeIm

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,

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.