July, 2024

Dear Partners,

For Q2 2024 Class A interests in Laughing Water Capital ("LWC") returned approximately 2.5%, bringing our year to date returns to 11.1%. In the 2nd quarter the SP500TR and R2000 returned 4.3% and -3.3%, bringing year to date returns to 15.3% and 1.7% respectively.[i] As always, please check your individual statements for the most accurate reading on returns as performance can vary based on class, fund, and timing.

If you pay attention to the financial press (which I suggest you don't), you are aware that the headline performance of the SP500 does not tell the whole story, as the market's strength has become concentrated in a select few mega cap stocks. In fact, during the 2nd quarter, stocks related to "artificial intelligence" in the SP500 rose 14.7%, while the rest of the SP500 lost 1.2%.[ii] Unfortunately, we do not own these AI stocks. Instead, I focus on the hidden corners of the market, confident in the belief that over longer periods of time combining a contrarian streak with businesses that are dealing with some sort of optical, operational, or structural problem that is likely to be temporary can lead to significant outperformance. I consider this belief to be logical, rational, and supported by 100+ years of evidence…

…none of which make it easier to cope when our strategy is horribly out of favor as it has been for the last ~2+ years.

Nevertheless, I remain confident that if I am correct in my assessment of the future earnings power of our businesses, we will ultimately be rewarded by the dual forces of earnings power improvement and multiple expansion. While the market appears to be consumed by all things AI and technology, my main course remains the idea that good businesses led by incentivized people will not trade at single digit multiples of free cash flow forever. However, to be clear only a few of our businesses trade at these levels today. The bulk of our portfolio needs a year or three to get there, and in my view the market remains incredibly short-sighted, seemingly unwilling to look around corners that are supported by competitive advantages and operational improvements that are happening today.

This is of course frustrating.

However, virtually all of history's greatest fundamental investors attribute their success to ignoring the short-term noise, and looking ahead toward a more normalized future. I continue to believe that this is the best path forward, and that we will be well rewarded for our patience. For this reason, almost the entirety of my and my family's wealth remains invested right alongside your own capital. Our interests are aligned.

Keynes, Quants, & Beauty

"Beauty lies in the eye of the beholder"

~ Margaret Wolfe Hungerford
"Molly Bawn," 1878

In nearly every letter I remind you that comparisons to the indexes are only useful over longer periods of time, despite the fact that I include information on index performance in every letter. This remains true, but our year-to-date performance is somewhat gratifying at a time when investing in small cap stocks is wildly out of favor, and index performance is being powered by only a select few of the very largest companies. I say "somewhat" because I remain frustrated by the widening gap I see between the performance of many of our businesses and the performance of their respective stocks. Based on the amount of insider buying by our management partners in recent months, I imagine that many of them are frustrated as well.

Despite the frustration, I continue to believe that if we are able to own shares of businesses that significantly improve their per share earnings power over the next few years, we will ultimately be well rewarded as long as we don't overpay at the outset. In this regard, we remain well positioned. Of particular note are our investments in companies that don't "screen well," which effectively makes them invisible to the huge percentage of the market that relies entirely on quantitative inputs to guide their investment decision making. I recently spoke on this topic at the Value X Vail conference, and you can find my presentation here. You will also find a few slides excerpted to the appendix of this letter.

In brief, the problem – or at least part of the problem – as I see it is that several of the stocks we own don't "look" cheap. At least not to the 80+% of the market that relies entirely on quantitative metrics to inform their investment decision making.[iii] These quant-driven investors have only two approaches to valuation, both of which are tied to GAAP accounting. One relies on trailing numbers, and the other relies on forward estimates. This is of course a reasonable approach if the goal is to sift through the largest amount of stocks as quickly as possible and take a "law of large numbers" approach to investing.

However, if one were to take an intelligent business person's view – as most of history's greatest fundamental investors would do – the picture is very different. This view would likely also include consideration for private market value and hidden asset value. This view would certainly include the possibility that trailing financials were *completely misleading*, as is often the case for businesses that are going through some sort of fundamental change. This view would also allow for the idea that many small cap companies have at best very limited sell side research coverage, which does not work for a "law of large numbers" approach.

Much of our past success can be attributed to relying on an intelligent business person's approach to valuation, rather than simply relying on the numbers that are plainly visible to anyone with a smart phone or computer. This approach has meant that in recent quarters we have been losing the Keynesian beauty contest. In other words, over shorter periods of time the market rewards those who pick the stocks that the most people like. This is at odds with my more contrarian approach, and at present it feels like nobody likes smaller cap stocks that require deep research to understand. To illustrate this, consider:

- According to Bank of America, 2024 is on pace to see the largest spread between inflows to passive strategies and outflows from active strategies on record
- Stocks that performed worst in Q1 also performed worst in Q2, and according to Bloomberg, Momentum relative to the SP500 is having its best performance in fifty years

By definition passive strategies are not able to look past the numbers and are thus blind to the possibility that fundamental improvements may not yet be reflected in the GAAP financials. Yet, I would argue much of the value that a fundamental analyst can add to the investing process has little to do with the numbers. Further, investing in out of favor stocks is a lonely business when momentum rules the day. From my perspective however, the problem with momentum is that you never know when it will *stop* working. When it does – and it always does eventually – the result can be devastating. Conversely, the problem with value investing is that you never know when it will *start* working. When it does – and it always does eventually – the result can be beautiful.

All of recorded history suggests that if the intelligent business person's assessment is correct, eventually the value will wind up in the numbers, and at that point the quant models that dominate today's markets will be forced to behold this value. This should be a beautiful thing for us as the combination of improving earnings power and discovery of that earnings power by the large portion of the market that cannot see it today should go a long way toward closing the gap that I see between price and value.

New Positions

We have two new positions in the portfolio.

Cantaloupe Inc. (CTLP) – Cantaloupe is new to our portfolio for the second time, as we previously owned this company in 2020 and 2021. The original thesis was part special situation as the Company regained compliance with the SEC related to timely filing of financial statements and would thus be a beneficiary of forced buying by index funds, and part fundamental improvement under a new and much improved management team. In my view, both legs of that thesis have been playing out, but the market has thus far failed to reward Cantaloupe for the fundamental improvements they have made.

Cantaloupe, perhaps best known in the vending machine world, provides hardware, payments and software solutions to self-serve retail including micro-markets, laundry, arcade, auto air/vacuum, and others. Self-serve retail is reasonably recession resistant, and Cantaloupe's products help customers increase revenue and cut costs. Payments and software revenue are recurring in nature, and historic churn has been close to zero.

In December of 2022 management laid out a three year plan detailing their ambitions around growing revenue at a 15% CAGR by continuing to penetrate their markets, expanding internationally, and increasing ARPU. Importantly, there is significant operating leverage in the model, which management believes will lead to a 70% CAGR in EBITDA. This operating leverage is already beginning to kick in, and Cantaloupe is out-growing a history marred by a lack of profitability. Thus far the Company is on track to reach their goal of approximately $75M in EBITDA for fiscal 2026 (June, 2026 YE), although with a different revenue mix than expected. In brief, they have been overperforming on Transaction growth, and underperforming on Subscription fees. That being said, management has indicated that the problem with Subscription revenues is not a demand problem. Rather, they have a significant backlog of sold hardware that has not yet been installed due to a lack of labor. As these devices are installed and activated, presumably Subscription revenue will continue to grow.

To be clear, Subscription revenue is more attractive than Transaction revenue, but in my view focusing on this "disappointment" without referencing valuation is short sighted. If the Company hits their goal of $75M in EBITDA, given a net cash position, substantial NOLs, and limited CapEx, I estimate this EBITDA will translate into approximately $60M in FCF regardless if the revenue is from Subscriptions or Payments. This suggests the company trades for a mid-high single digit multiple of FCF looking out a year or two. Considering that other payments linked companies trade at north of a 20x multiple, there should be plenty of upside to come for CTLP. Insiders at CTLP are seemingly confident as they recently purchased shares near current prices.

Xponential Fitness (XPOF) - Xponential fitness is a franchisor of boutique fitness concepts including Club Pilates, Pure Barre, Stretch Lab and others. The stock was previously a stock market darling, having nearly tripled from the 2021 IPO through 2023 highs, but then became the subject of a well-regarded short seller at this time last year, causing shares to plummet. The short report focused on 1) questioning the integrity of XPOF's CEO, and 2) cherry picking commentary from unhappy franchisees in select verticals to imply that the entire business was at risk. In May, XPOF's CEO was removed, causing shares to plummet, and I purchased our position on this weakness.

Generally speaking, being a franchisor is a very good business, which explains why franchisors often trade at 20x EBITDA or more. At the time of the decline, if one assumed that every single franchisee had financed 75% of their franchise with debt, and then sued XPOF to recover this liability and won, I estimated that XPOF would have been trading at 12.5x their guidance for 2024 adjusted EBITDA. The idea that every single franchise would sue was extremely farfetched because first, many franchisees own more than one franchise, and it is unlikely this would be true if they were unhappy with their first franchise. Second, information on franchisee/franchisor litigation is widely available, and through 2023 XPOF averaged less than 2 conflicts per 1,000 units. Importantly, Club Pilates – XPOF's crown jewel – had zero lawsuits.[iv] Further, I believed that Club Pilates by itself could be worth more in a private sale than the price that public markets ascribed to the entire portfolio of concepts.

Since the time of our purchase the company has named an impressive new CEO, made it clear that they are open to divesting underperforming concepts, and indicated that share repurchases are likely in the not-too-distant future. Additionally, future growth is all but guaranteed as the number of global licenses sold far exceeds the number of global studios that are currently open. Importantly, this dynamic should cushion the business during any economic downturns as license holders who have not yet opened studios would be incentivized to take advantage of favorable lease terms during economic downturns. I would note that XPOF grew and gained market share through COVID, while the industry suffered.

Shares have rallied considerably since our purchase, but there is still a fair amount of uncertainty surrounding the business related to an SEC investigation instigated by the short report. I expect this investigation will be resolved with time, and shares will re-rate higher. If XPOF continues to execute and gets a franchise peer multiple, the stock could rally more than 200% from here. This leaves plenty of room for success if the market is suspicious about the durability of fitness concepts and XPOF trades at a discounted multiple.

Top 5

APi Group (APG) – I have historically referred to APi Group as our fire safety business, as the majority of the Company's revenue and earnings are generated by their Safety Services segment, which is increasingly a recurring services business providing non-discretionary, statutorily mandated work on fire prevention systems within buildings. The Company continues to execute on their plan to widen margins while having 60% of revenue coming from recurring inspection and service work. Part of widening margins has been addition by subtraction, whereby the Company has been walking away from some less attractive business opportunities. This has led to some noise in the revenue line, which should now mostly be behind us. The Company has a long path to deploying capital in bolt on M&A, and recently widened this path by making a more sizeable acquisition in the Elevator Services arena. Similar to fire safety, elevator inspection and service work is non-discretionary and mandated by law. There should be an opportunity to cross-sell fire safety and elevator work, and both businesses can support additional growth through acquisition, which will allow APG to compound value for years.

Avid Bioservices Inc. (CDMO) – Avid is one of our two Contract Drug Manufacturing Organizations that are tied to biologic drugs. I detailed the reasoning behind our investment in Avid in the Q1'24 letter, and would suggest you revisit that letter for a more detailed review of the long-term opportunity and the recent disappointments. In brief, this is a company that is not currently profitable as they are incurring expenses from newly added capacity that is not yet generating much revenue, and they are also victim to a slowdown in biotech spending. However, industry dynamics are very favorable, and Avid enjoys a real competitive advantage in the form of a long tenured favorable FDA track record. I believe favorable industry dynamics and a favorable competitive position combine to make the idea of Avid filling capacity very much a "when" not an "if." When this capacity is filled, Avid should be able to generate somewhere around $125M in EBITDA which will translate to free cash flow at very high rates as the Company should have net interest income (assuming conversion of convertible debt), very low cash taxes due to large NOLs, and minimal CapEx tied to novel facilities.

As such, I believe CDMO is just a few years away from trading at a mid-single digit multiple of free cash flow. In my view, a 20x multiple would be more appropriate, and looking at larger public peers suggests that something considerably higher is possible.

Also of note, Avid's largest customer, Halozyme Therapeutics Inc. (HALO), raised near term guidance and their five-year outlook during the quarter. It is hard to see how Avid does not benefit from HALO's success, but for now shares of CDMO remain deeply out of favor.

Limbach Holdings Inc. (LMB) – Limbach is our HVAC business that is transitioning from a model focused on working as a sub under general contractors to a model that sees them partnering directly with facility owners in a recurring service model to help building owners drive efficiency and reduce cost. Working directly with owners requires less capital, is less economically sensitive, and comes with higher margins, which should ultimately contribute to a higher normalized multiple for LMB stock. The company continues to execute on this transition, although I am a bit disappointed by a lack of announced bolt-on M&A. However, management has indicated that their pipeline remains active, and with time I expect the company will accretively grow their operations in this manner. Management is also putting their money where their mouth is, with the CEO and CFO having bought shares in the open market during the quarter.

Nextnav Inc. (NN) – Nextnav is our owner of wireless spectrum that is building a next-gen GPS system which is presently not economically viable. In April, Nextnav filed a petition with the FCC asking to swap their existing owned spectrum for similar but contiguous spectrum, and then to repurpose this spectrum for use with 5G. This 5G spectrum could then be monetized by some sort of partnership or lease agreement. It is impossible to handicap how this process will play out, but examining the pieces on the chess board suggests that it is highly likely that Nextnav's petition will be granted in one way or another in the not-too-distant future.

In brief, the present GPS system has serious shortcomings. This has been known for years, but has become a higher priority issue as the conflicts in Ukraine and Israel/Gaza have demonstrated that the existing, satellite-based GPS system can be easily hacked, spoofed, or otherwise tricked. Additionally, it is no secret that Russia and China have been developing "satellite killing" missiles that could destroy the global GPS system – or that part of it covering the U.S. - in a conflict. The GPS system is not only responsible for powering Waze and other apps that make daily driving easier. It also powers the clocks that tie together the power grid and the financial system, allows for precision agriculture and weather forecasting, and is the backbone of emergency response systems. Essentially, every agency that relies on GPS is anxious to see the development of a backup system, but – unsurprisingly – none of these agencies want to pay for this system.

As such, it is my belief that all of these government agencies are leaning on the FCC to engage in a horse-trade with Nextnav whereby the FCC will grant Nextnav 5G spectrum which can be monetized in exchange for Nextnav continuing to develop their next-gen GPS system. This appears to be a win-win-win as the assorted Government agencies get an alternative to GPS, the FCC would be able to take a step toward its goal of freeing up 5G spectrum, and Nextnav would have the cash flow and/or balance sheet to continue developing its next-gen GPS.

Between the unknowable time line of the FCC process and the unknowable form of a future Nextnav monetization / partnership plan, there is a lot of uncertainty here. However, two things do appear certain:

1) the laws of physics say that nobody is inventing more spectrum

2) as long as the world consumes more data, the value of spectrum will go up over time. According to Ericsson's (ERIC) Mobility Report, in 2023 the average North American smartphone used 26 GB of data per month versus 17.4 GB in 2022, and mobile data traffic will triple between 2023 and 2029.[v]

Spectrum is typically valued on a MHz-pop basis, where the value of the spectrum is determined by multiplying the size of the spectrum by the covered population. Assuming Nextnav's FCC petition is granted and the company is able to monetize 95% of the spectrum, at present the Company trades at approximately $0.25 MHz-pop. Past transactions have taken place at many multiples of this number, and at $1.00 Mhz-pop NN stock would be worth ~$30, suggesting that being patient here will be worth it. Of note, insider and veteran of many spectrum battles Joe Samberg bought shares during the quarter.

Vistry Group PLC (VTY.L) – Vistry, is our U.K. based homebuilder that is in the process of exiting its capital intensive traditional homebuilding business in order to focus all of its attention on its asset light Partnerships business. Shares have rallied ~30% YTD, but in my view remain drastically undervalued as the Company is executing on their plan by announcing notable new business wins, as well as repurchasing its own stock nearly every day. Management appears to remain confident as CEO and Chairman Greg Fitzgerald recently purchased shares on the open market. Additionally, Vistry shares have been added to the FTSE 100, which should raise the profile of the business, and lead to more investors taking the time to understand what is happening underneath the hood here. Additionally, a newly elected Labour government should benefit Vistry. If the Company is able to execute on their intermediate term goal of £800M in EBIT, shares will be trading at ~4x EBIT versus past transactions that have taken place at 12-13x EBIT, suggesting that upside of 300-400% is possible in the not-too-distant future.

Also of Note

Hilton Grand Vacations (HGV) – I estimate that HGV, our time share business, is trading at a ~25% free cash flow yield and buying back ~10% of its market cap annually. This is a formula that will eventually work very well, unless people decide to stop going on vacation.

LIfecore Biomedical (LFCR) – Lifecore, our CDMO that focuses on filling vials and syringes with injectable drugs, was also discussed in our Q1 letter. The stock continues to wallow after the Company announced a strategic review did not end in a sale earlier this year. This disappointing outcome has led those investors who were only focused on a sale to exit the stock. Additionally, LFCR remains delinquent in the filing of its 10Qs, although I suspect that will be remedied in the coming weeks.

From my perspective, the industry backdrop remains extremely positive as LFCR has brought new capacity online at a time when the industry is starved due to the unanticipated explosion in demand for GLP-1 weight loss drugs. Additionally, the proposed Biosecure Act should lead to re-shoring of pharmaceuticals, which should also benefit LFCR. Lastly, a new CEO, Paul Josephs, took the helm at LFCR in May, and the board is in the process of being refreshed. I came away from my initial conversation with Josephs impressed, and am looking forward to an investor update sometime in the fall where I believe he will lay out his strategic vision for the business. The stock is deep in an information vacuum, and any commentary about the future of the business should go a long way toward re-rating shares, especially if this includes forward guidance, which I believe could approach $40M in EBITDA looking out a year. The balance sheet here is admittedly not as strong as I would like, and an indication that the business is generating free cash flow would be especially well received. Personally, I am open to strengthening the balance sheet through a rights offering, and think shares would rally if this were done.

Thryv Inc (THRY) – Thryv, our growing SMB software business that is milking its declining Marketing Services business for cash flow, grew SAAS customers 30% YoY, increased full year guidance, announced that seasoned net dollar retention improved by 300 bps, refinanced their debt on better terms, and initiated a share repurchase program during the quarter. These are all undeniably positive developments, but on the negative side of the ledger, the decline of their Marketing Services business has accelerated a touch, and shares have sold off sharply.

Last quarter under separate cover I included a longer writeup on THRY where I explained what I think is happening under the surface at THRY with the Marketing Services business and the new Marketing Center SAAS product, and how I believe the economics of Marketing Center will prove to be wildly superior to the economics of the Marketing Services business. Thus far the market not only does not care, but in fact seems to be punishing THRY for what I believe will be a positive evolution of their business.

Management has indicated that revenue from the SAAS business will eclipse revenue from the Marketing Services business around this time next year, at which point THRY should start to trade more like the software business it *is* than the marketing business it *was*. Unsurprisingly, insiders at THRY once again bought shares in the quarter.

Partners Meeting

I plan to host a partner's meeting at some point in Q3 via Zoom. Please stay tuned for details.

Looking Forward

As always, I do not know what to expect in the near term for the economy, the markets, or the political environment. It is clear that inflation has been normalizing, and presumably this will lead to the Fed reducing interest rates, perhaps this fall. What is less clear is if this action will coincide with a "soft landing" and lead to a rapid re-rating higher for small cap stocks, or if this move will be interpreted as a sign that recession is near. The landscape is complicated further still by the upcoming U.S. presidential election, which in my view has all the markings of a traveling circus, regardless of which side you are on.

Macro and politics aside, there are some reasons to be confident that our small cap strategy will pick up a tail wind at some point.

- According to Bloomberg, the R2000 had it worst first half to a year in its history relative to the SP500
- According to Bank of America, the correlation between small cap stocks and bonds (interest rates) is at the highest level in at least 20 years
- According to Wolfe Research, small caps have not been this undervalued relative to large caps since the dot-com bubble
- According to Yardeni Research, the SP500 forward P/E is 21.4x and small cap SP600 forward P/E is 15.1x
- According to Richard Bernstein Advisors, analysts expect stronger earnings growth from small caps than large caps going forward

I certainly hope that we can pick up this tail wind, but as always our ultimate success will be tied to my ability to make investments in businesses that are able to substantially increase their earnings power in the not too distant future. When Avid and Lifecore fill their spare capacity, earnings will explode higher, regardless of the economy. As more and more small businesses take their operations to the cloud, earnings at Thryv will explode higher, regardless of who is in the Oval Office. As Vistry and Hilton Grand Vacations massively shrink their float while expanding their businesses, earnings will explode higher, even if Nvidia takes over the world. Similar statements can be made for each of our investments. What cannot be stated with any accuracy however is *when* these things will happen. Nevertheless, I remain confident that even with some unexpected bumps in the road, the eventual payoff is such that it will be worth the ride. By remaining rational and patient in a world that often fails miserably on both fronts, we will be well rewarded with time.

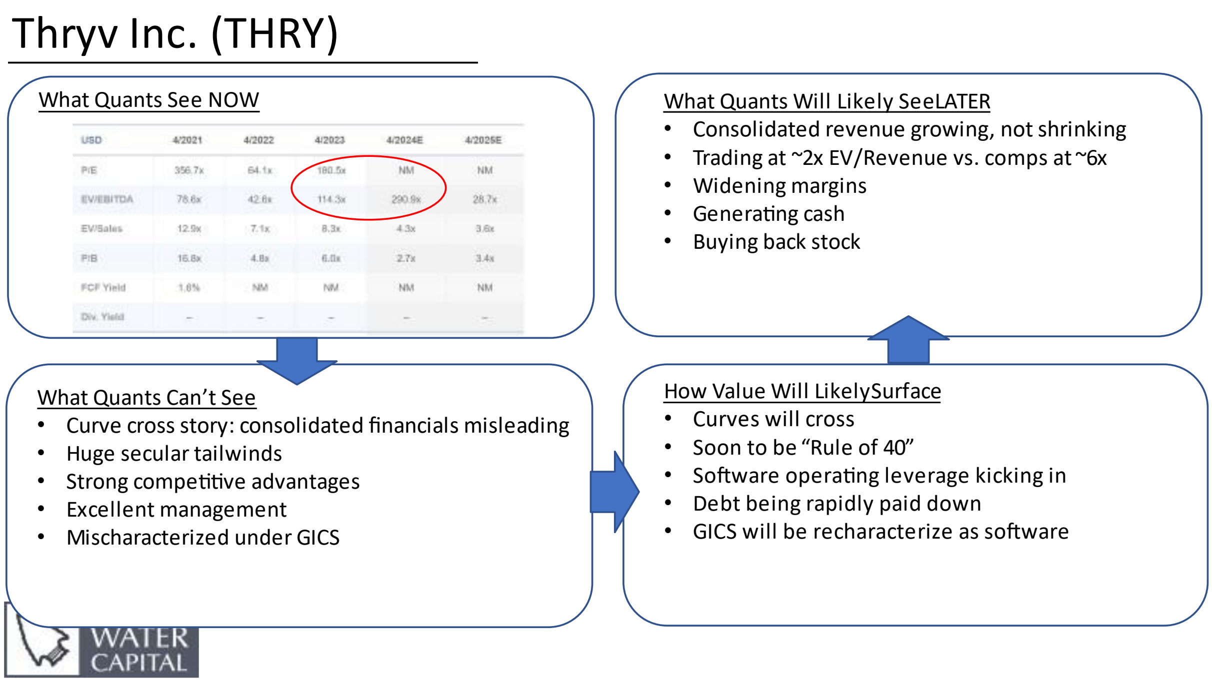
Please let me know if you have any questions,

Matt S

MSweeney@LaughingWaterCapital.com
917-306-0461

Appendix

The following are select slides excerpted from my recent presentation at the Value X Vail conference. The full presentation and edited transcript can be found here.



Avid Bioservices Inc. (CDMO)

What Quants See NOW

USD	12/2021	12/2022	12/2023	12/2024E	12/2026E
P/E	14.8x	5.1x	84.8x	30.8x	15.6x
EV/EBITDA	5.6x	3.3x	5.6x	6.4x	7.4x
EV/Sales	1.8x	0.9x	1.1x	1.2x	1.3x
P/B	4.5x	1.7x	4.7x	–	–
FCF Yield	10.2%	18.2%	16.0%	–	–
Div. Yield	–	–	–	–	–

What Quants Can't See

- Huge discount to private market value
- Favorable FDA pipeline
- Global under-penetration of biologics
- BIOSECURE Act/Industry disruption tied to CTLT M&A
- History of rational supply response
- Strong competitive advantages

How Value Will Likely Surface

- Filling capacity is a "when" not an "if"
- Shift away from early phase and toward commercial
- Tremendous operating leverage
- Low / no near to mid term cap-ex
- Low / no cash taxes
- Large free cash flow

What Quants Will Likely See LATER

- ~$400M run rate revenue
- ~1.7x EV / Revenue
- ~$110M un-levered FCF
- ~6.2x FCF

WATER CAPITAL

Nextnav Inc. (NN)

What Quants See NOW

USD	12/2021	12/2022	12/2023	12/2024E	12/2025E
P/E	NM	NM	NM	NM	NM
EV/EBITDA	NM	NM	NM	NM	NM
EV/Sales	977.3x	66.3x	118.7x	120.0x	50.7x
P/B	8.5x	3.1x	6.3x	NM	NM
FCF Yield	NM	NM	NM	–	–
Div. Yield	–	–	–	–	–

What Quants Can't See

- Hidden asset value: wireless spectrum
- Strategic importance of next-gen GPS system

How Value Will Likely Surface

- FCC likely to repurpose 900 MHz spectrum for NN
- NN likely to partner with spectrum-hungry bigger player

What Quants Will Likely See LATER

- Cash on balance sheet and/or FCF

WATER CAPITAL

Disclaimer: This document, which is being provided on a confidential basis, shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified offeree receives a confidential private offering memorandum ("CPOM") / confidential explanatory memorandum ("CEM"), which contains important information (including investment objective, policies, risk factors, fees, tax implications and relevant qualifications), and only in those jurisdictions where permitted by law. In the case of any inconsistency between the descriptions or terms in this document and the CPOM/CEM, the CPOM/CEM shall control. These securities shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied. This document is not intended for public use or distribution. While all the information prepared in this document is believed to be accurate, Laughing Water Capital, LP , Laughing Water Capital II LP and LW Capital Management, LLC make no express warranty as to the completeness or accuracy, nor can they accept responsibility for errors appearing in the document. An investment in the fund/partnership is speculative and involves a high degree of risk. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests and none is expected to develop. The portfolio is under the sole trading authority of the general partner/investment manager. A portion of the trades executed may take place on non-U.S. exchanges. Leverage may be employed in the portfolio, which can make investment performance volatile. The portfolio is concentrated, which leads to increased volatility. An investor should not make an investment, unless it is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits. There is no guarantee that the investment objective will be achieved. Moreover, the past performance of the investment team should not be construed as an indicator of future performance. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the fund/partnership. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur. The enclosed material is confidential and not to be reproduced or redistributed in whole or in part without the prior written consent of LW Capital Management, LLC. The information in this material is only current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Any statements of opinion constitute only current opinions of Laughing Water Capital LP and Laughing Water Capital II LP, which are subject to change and which Laughing Water Capital LP and Laughing Water Capital II LP do not undertake to update. Due to, among other things, the volatile nature of the markets, an investment in the fund/partnership may only be suitable for certain investors. Parties should independently investigate any investment strategy or manager, and should consult with qualified investment, legal and tax professionals before making any investment. The fund/partnership is not registered under the investment company act of 1940, as amended, in reliance on an exemption there under. Interests in the fund/partnership have not been registered under the securities act of 1933, as amended, or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said act and laws. The S&P 500 and Russell 2000 are indices of US equities. They are included for informational purposes only and may not be representative of the type of investments made by the fund.

[i] "Laughing Water Capital" refers to investments in Laughing Water Capital, LP, Laughing Water Capital II, LP, and related entities.
[ii] "Beyond Artificial Intelligence, the S&P 500 has been unloved," *The Wall Street Journal*, June 30, 2024.
[iii] JPM US Equity Strategy, June 28, 2019.

[iv] https://www.franchisetimes.com/franchise_legal/new-research-examines-wide-divide-in-franchise-lawsuits/article_d8a7b27e-af05-11ed-875b-9795dbfb2c53.html

[v] https://www.ericsson.com/en/reports-and-papers/mobility-report/reports