

## Prizm Master Fund

A Large Cap U.S. Equities Long / Short Market Neutral Strategy

30 August 2024

### FUND FACTS

|                    |              |
|--------------------|--------------|
| Launch Date        | 31 May 2022  |
| Domicile           | UK           |
| Fees               | 1.5% & 20%   |
| Denominations      | USD          |
| Liquidity/Dealing  | Monthly      |
| Year End           | 31 December  |
| ISIN               | KYG724AP1013 |
| Minimum Investment | \$100,000    |

### OVERVIEW

#### Investment Objectives

The Funds objective is to provide highly uncorrelated returns against the market while aiming to achieve positive returns, irrespective of market direction. Whilst performance is an important consideration a core tenet of the strategy is capital preservation.

#### Investment Approach

The strategy employs a highly systematic fundamentally driven process centred around the 1000 largest US stocks by market capitalisation. The process, structured in a market-neutral framework, adopts a fundamental, valuation driven approach focused on 50 longs and 50 shorts rebalanced back to 2% each month. The valuation driven methodology ranks the universe utilising a systematic 13-factor approach, aiming to generate alpha from both sides of the book.

### PRIZM MASTER FUND PERFORMANCE vs. S&P500 EQUAL WEIGHTED (TR) & PEERS

From Inception (31/5/2022 – 30/8/2024) - Net Performance %

| PERIODS                         | Jan          | Feb          | Mar          | Apr         | May          | Jun          | Jul         | Aug          | Sep         | Oct         | Nov          | Dec          | Year-to-Date (Net) | Cumulative (Net) Since Inception | Cumulative (Annualised) Net |
|---------------------------------|--------------|--------------|--------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|--------------|--------------|--------------------|----------------------------------|-----------------------------|
| <b>PRIZM MASTER FUND - 2024</b> | <b>5.66</b>  | <b>-2.19</b> | <b>2.06</b>  | <b>0.78</b> | <b>1.08</b>  | <b>0.47</b>  | <b>3.72</b> | <b>-0.80</b> |             |             |              |              | <b>11.06</b>       | <b>24.23</b>                     | <b>10.12</b>                |
| EUREKA HEDGE NA **              | 0.70         | 2.48         | 2.16         | -1.75       | 1.83         | 0.08         | 1.75        | 0.45         |             |             |              |              | 7.89               | 16.71                            | 7.11                        |
| BARCLAY HEDGE                   | 0.44         | 1.94         | 1.91         | -1.10       | 1.69         | 0.45         | 1.45        | 0.76         |             |             |              |              | 7.75               | 15.04                            | 6.42                        |
| BLOOMBERG PEERS (n=75)          | 1.18         | 2.21         | 2.31         | -2.16       | 2.20         | 0.63         | 1.47        | 1.69         |             |             |              |              | 9.86               | 20.05                            | 8.46                        |
| S&P500 Equal Weighted (TR)      | -0.82        | 4.16         | 4.46         | -4.87       | 2.82         | 0.45         | 4.49        | 2.50         |             |             |              |              | 12.53              | 23.39                            | 9.78                        |
| <b>PRIZM MASTER FUND - 2023</b> | <b>-1.34</b> | <b>0.83</b>  | <b>-2.29</b> | <b>2.98</b> | <b>-0.11</b> | <b>2.24</b>  | <b>1.19</b> | <b>3.69</b>  | <b>1.56</b> | <b>1.23</b> | <b>-1.63</b> | <b>-2.25</b> | <b>6.13</b>        | <b>11.86</b>                     | <b>7.34</b>                 |
| EUREKA HEDGE NA **              | 3.52         | -0.75        | -0.05        | 0.20        | -0.30        | 2.60         | 1.85        | -0.67        | -1.44       | -1.40       | 3.65         | 3.33         | 10.85              | 8.18                             | 5.08                        |
| BARCLAY HEDGE                   | 3.36         | -1.08        | 0.05         | 0.40        | -0.63        | 2.18         | 1.69        | -0.61        | -1.27       | -1.61       | 3.82         | 2.81         | 9.27               | 6.76                             | 4.21                        |
| BLOOMBERG PEERS (n=75)          | 3.12         | -1.17        | 0.83         | 0.92        | -0.64        | 3.06         | 1.41        | -0.22        | -1.75       | -1.08       | 4.01         | 2.57         | 11.04              | 9.51                             | 6.01                        |
| S&P500 Equal Weighted (TR)      | 7.39         | -3.30        | -0.88        | 0.34        | -3.79        | 7.72         | 3.46        | -3.16        | -5.08       | -4.08       | 9.14         | 6.86         | 13.87              | 9.65                             | 5.99                        |
| <b>PRIZM MASTER FUND - 2022</b> |              |              |              |             |              | <b>-0.90</b> | <b>1.46</b> | <b>-2.87</b> | <b>0.85</b> | <b>4.13</b> | <b>1.88</b>  | <b>0.88</b>  | <b>5.40</b>        | <b>5.40</b>                      | <b>9.44</b>                 |
| EUREKA HEDGE NA **              |              |              |              |             |              | -4.05        | 3.07        | -0.62        | -3.64       | 2.72        | 1.99         | -1.64        | -2.41              | -2.41                            | -4.07                       |
| BARCLAY HEDGE                   |              |              |              |             |              | -3.85        | 2.58        | -0.38        | -3.94       | 1.86        | 2.89         | -1.24        | -2.30              | -2.30                            | -3.89                       |
| BLOOMBERG PEERS (n=75)          |              |              |              |             |              | -4.02        | 2.95        | -1.97        | -4.12       | 4.35        | 2.99         | -1.71        | -1.53              | -1.53                            | -2.63                       |
| S&P500 Equal Weighted (TR)      |              |              |              |             |              | -9.40        | 8.70        | -3.50        | -9.23       | 9.80        | 6.70         | -4.71        | -3.71              | -3.71                            | -6.24                       |

Trailing Twelve Months (TTM) - 31/8/2023-30/8/2024

Inception - 31/5/2022-30/8/2024

| Portfolio Risk Stats             | S&P500 EW TR        | BARCLAY HEDGE         | EUREKA NA **        | PRIZM MASTER FUND     | S&P500 EW TR        | BARCLAY HEDGE      | EUREKA NA **       | PRIZM MASTER FUND   |
|----------------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|--------------------|--------------------|---------------------|
| Annualised Returns (Net) of Fees | 19.49               | 11.72                 | 12.29               | 9.89                  | 9.78                | 6.42               | 7.11               | 10.12               |
| Cumulative (Net) Returns         |                     |                       |                     |                       | 23.39               | 15.04              | 16.71              | 24.23               |
| Sharpe Ratio (Net): **           | 0.92                | 1.16                  | 1.14                | 0.59                  | 0.16                | 0.11               | 0.17               | 0.44                |
| Standard Deviation: ^            |                     | 0.44                  | 0.31                | 0.71                  | 1.02                | 0.46               | 0.52               | 0.71                |
| Downside Deviation: ^            |                     | 0.24                  | 0.11                | 0.47                  | 0.71                | 0.29               | 0.33               | 0.47                |
| Correlation to SPXEW **          |                     | 0.92                  | 0.90                | -0.42                 |                     | 0.93               | 0.94               | 0.02                |
| Beta to SPXEW ^                  |                     | 0.24                  | -0.46               | -0.29                 |                     | 0.09               | 0.01               | -0.18               |
| Alpha: ^                         |                     | 0.07                  | 0.09                | 0.12                  |                     | 0.09               | 0.09               | 0.11                |
| Tracking Error: ^                |                     | 0.78                  | 0.81                | 1.20                  |                     | 0.82               | 0.90               | 1.39                |
| Turnover: ^                      |                     |                       |                     | 913                   |                     |                    |                    | 1672                |
| Mean Return: ^                   | 0.07                | 0.04                  | 0.03                | 0.05                  | 0.04                | 0.02               | 0.02               | 0.05                |
| Max Drawdown: ^                  | 10.77               | 3.56                  | 1.02                | 5.75                  | 16.19               | 6.52               | 5.87               | 7.24                |
| Peak-To-Valley: ^                | 2023/9/4-2023/10/27 | 2023/10/30-2023/12/28 | 2023/12/21-2024/1/3 | 2023/10/27-2023/12/28 | 2022/8/16-2022/9/30 | Start - 2022/11/24 | 2022/9/7-2022/9/23 | 2022/6/14-2022/9/15 |
| Recovery: ^                      | 25 Days             | 1 Day                 | 1 Day               | 13 Days               | 87 Days             | 67 Days            | 203 Days           | 17 Days             |
| Positive Periods: ^              | 152 (58.24)         | 258 (98.85)           | 227 (86.97)         | 144 (55.17)           | 324 (55.10)         | 579 (98.47)        | 462 (78.57)        | 325 (55.27)         |
| Negative Periods: ^              | 109 (41.76)         | 3 (1.15)              | 34 (13.03)          | 117 (44.83)           | 264 (44.90)         | 9 (1.53)           | 126 (21.43)        | 263 (44.73)         |

Eureka Hedge North America (NA) & Barclay Hedge – August 2024 returns are based on 86.72% & 81.01% of funds reported by 26/9/2024.

^ Source: Prizm/Interactive Brokers (IB) LLC risk statistics are gross returns unless otherwise stated & are against the S&P 500 Equal Weighted total return index. Risk statistics for Barclay Hedge & Eureka MN are for April but sources for returns are for August and are from vendor websites with calculations via SRAM. Performance numbers have been independently verified by EisnerAmper (Auditors) to March 2024. Net returns are after 1.5% management and 20% performance fees. Risk Free Rate/SOFR 5.31% (month end). \*\* Eureka Hedge performance data are frequently updated, sometimes years back. Equal Weighted (EW) Total Return (TR).

Of the 75 hedge funds listed by Bloomberg with an equity market neutral & geographic focus on the United States (since inception in May 2022 to August 2024) the Fund ranked 21st (in USD) or 28th percentile in the (inclusive) peer group with a gain of 24.23%.

Within the August 2024 Soc Gen Equity Long/Short peer group, the Fund ranked 33/75 of comparative funds, or 44th percentile & over the TTM period the Fund ranked 33/107 peers, or 31st percentile .

FUND MANAGER MONTHLY COMMENTARY | 30 AUGUST 2024

Market review

The Prizm Master Fund, designed to deliver consistently positive returns in most market environments, continued to perform reasonably well in recent months. At the end of August 2024, the Prizm Large Cap US Equities Long/Short Fund (the Fund) delivered a year-to-date gain of, 11.06% which is now behind the S&P 500 equal-weighted total return (TR) index 12.53% gain.

During August, the Prizm Fund saw a 0.80% fall compared to the S&P 500 indexes which shows that it can be negatively correlated. However, this small drawdown in performance is the first in an uninterrupted five-month positive run and an extremely strong July (see page one).

Since inception, the Fund has achieved a commendable cumulative gain of 24.23%, inclusive of all management and performance fees, ahead of a 23.39% gain of the S&P 500 equal-weighted index, and ahead of cash gains of 10.75%.

Examining the broader US equity market during August, the equal-weighted S&P 500 TR index saw a 2.50% increase. The S&P 500 equal-weighted index serves as the more appropriate comparator, because at the start of every month the Fund's 50 longs/shorts are always re-weighted to 2% position sizes – without intra-month adjustments – to avoid any undue influence from larger-cap stocks as is often seen with the traditional S&P 500.

The consensus 2024 fiscal year earnings estimates (as at 1/9/2024) anticipate a 4.01% upswing for the S&P 500 (\$242.99 and a PE of 23.25x, Source: Bloomberg). The year end estimates for the S&P 500 equal-weighted index suggest a 1.49% increase (\$381.76 and a PE of 18.64x), whilst earnings are again likely to be again) lower than the previous month.

These consensus estimates assume a 4.42% revenue growth, and 5.4% nominal GDP growth for FY24 (and 4.0% for FY25). Whether the market can sustain its upward momentum remains unclear, but this could be achieved through higher earnings growth/margins, or in its absence, higher PE multiples. It is worth noting EBITDA margins were 15.66% in FY23 and are forecast to be 17.22% in FY24 having dropped 2bps from July. For FY 2025 margins were forecast at 18.43% compared to the 18.44% estimated previously.

As anticipated, market focus has shifted from inflation to labour reports, which will now be the predominant driver of interest rate decisions. A weakening labour market, as evidenced by the August unemployment rate of 4.2% (and California's 5.2% (the world's fourth largest economy)), have provided the Federal Reserve with justification to cut interest rates and address the deficit. We continue to be concerned as to what could sabotage the "goldilocks world" we currently live in and are becoming increasingly concerned as to what global warming could mean for crop yields now, and into the future.

In light of the Federal Reserve 50bps cut to interest rates It's worth noting that the long-term average level for the USD as measured by the DXY Index is 92.5.

Performance review and positioning

Fundamentally, the Fund is committed to authentic valuation-driven stock picking without the need for any leverage to "make it work". Our methodology does not reflect the intrinsic quality of the business, the competence of its

leadership or its offering. Rather, it signals if the current market valuation

accurately reflects the prevailing company story, and whether it is undervalued or excessively overvalued.

A prime example of our recent success is in Super Micro Computing, Inc. (SMCI), a semiconductor business. We initially shorted SMCI in March and April 2024, realizing an ~18% gain, "covering" it in May. We re-entered the short position in the June rebalancing and exited it this month, following a decline of ~42%. SMCI is often viewed as a proxy for AI investments and an alternative to holding NVIDIA (NVDA). However, our valuation analysis revealed significant overpricing. Eight of ten of our fundamental factors indicated that SMCI was "expensive". While it still doesn't rank well, using our methodology, it's not as egregiously overvalued as before.

In August sector exposure of the Long Book was focused on Technology, Financials and Consumer Staples, while the Short Book was focused on Industrials, Financials and Technology (Industrials and Financials were net shorts sectors and Consumer Staples was a net Long). Only 22 longs but 31 shorts were up on the month probably unsurprising given an "up" month for markets. Overall, the Long book saw a negative performance with an average decline of 1.26% whilst the Short book saw an average decline of only 0.53%.

The Short Interest (SI) factor contributed most to performance this month. This Factor focuses on stocks that have high and low SI where, combined with the other twelve factors, it suggests there is value at month end. We go long on those names with low SI, and short those with high SI and little valuation support or "inflated expectations", as reflected in the price/valuation. Seven of the thirteen factors recorded negative returns on the month.

Standout positives among the stocks in the Long Book this month were firstly, FTNT (Fortinet Inc.) a network security solutions provider that reported surprisingly good numbers to the Street and was up +32.2%. Secondly, CAH (Cardinal Health, Inc.) a pharmaceuticals distribution business, which also reported good numbers and returned +11.8%.

In the Short Book the winners this month were SMCI (Super Micro Computer, Inc.) a semiconductor company which announced it was delaying the release of its 10-K and fell 37.6% and secondly, CLSK (CleanSpark, Inc.) a bitcoin mining company that owns and operates data centres which reported disappointing earnings down 33.2%, probably also hurt by Bitcoin weakness.

Negatives on the Long side were AMR (Alpha Metallurgical Resources, Inc.) a coal mining business that has been impacted by lower iron ore (aka coal) pricing, down 19.0%. Meanwhile, QLYS (Qualys, Inc.) a technology security risk and compliance management company reported disappointing earnings and fell 16.1%.

On the Short side negatives were PRCT (Procept BioRobotics Corp.) a surgical robotics company which provides autonomous tissue removal to treat benign prostate hyperplasia. It gained FDA approval for its aquablation therapy and rose +24.8%. AXON (Axon Enterprise Inc.) the maker of Tasers for law enforcement and provider of defence solutions also benefitted from a good earnings report and rose 21.7%.

MONTHLY PERFORMANCE CONTRIBUTION

| Top Contributors                          | %      |
|-------------------------------------------|--------|
| Super Micro Computing Inc. (SMCI - Short) | - 37.6 |
| CleanSpark Inc. (CLSK - Short)            | - 33.2 |
| Fortinet Inc. (FTNT - Long)               | + 32.2 |
| Carlyle Group Inc. (CG - Short)           | - 18.6 |
| Coinbase Global. Inc. (COIN - Short)      | - 18.3 |

| Top Detractors                                   | %      |
|--------------------------------------------------|--------|
| Procept BioRobotics, Inc. (PRCT - Short)         | + 24.8 |
| Axon Enterprises, Inc. (AXON - Short)            | + 21.7 |
| Alpha Metallurgical Resources, Inc. (AMR - Long) | - 19.0 |
| Sunrun Inc. (RUN - Short)                        | + 17.1 |
| Qualys, Inc. (QLYS - Long)                       | - 16.1 |

INVESTMENT TEAM LEAD



Robert Sellar

With a rich background encompassing both hedge funds and long only investing, Robert Sellar embarked on his investment career in 1982.

His impressive career includes Founder and Hedge Fund manager of the South River/Prizm Large Cap North American Equities Long/Short Fund, London.

- Hedge Fund Portfolio Manager and Partner at Cameron Capital Management LLC, PA, (CCM was a long/short market neutral fund which was successfully sold to Valley Forge Advisors, USA)
- Co-managed the BP Pension Fund North American fund (\$5Bn AUM), London
- Head of North American equities and top decile PM for Aberdeen Asset Management (\$3Bn AuM) in London and Philadelphia (where he lived for ~seven years)
- Robert also managed the Aberdeen Asset Management Global Technology Fund (\$100mm AuM), London
- Co-managed the British Steel European equities fund (\$1Bn AuM), London
- Worked for both BZW and UBS on the sell side.
- Robert is a member of a five-man team within South River AM
- Robert was born in New Zealand

CONTACTS

Investment Manager



**South River Asset Management Ltd.**  
1 King William Street  
London EC4N 7BJ  
United Kingdom



**Investor Services & Dealing**  
0800 123 4567



[investorservices@southriveram.com](mailto:investorservices@southriveram.com)

Investment Adviser



**RPMS Investments Ltd.**  
35 Station Approach,  
West Byfleet,  
Surrey KT14 6NF  
United Kingdom



[www.prizmfunds.com](http://www.prizmfunds.com)



[@southriver](https://twitter.com/southriver)



[cl@southriveram.com](mailto:cl@southriveram.com)

PLEASE NOTE: SOUTH RIVER ASSET MANAGEMENT LTD IS THE FCA REGULATED HOSTING PLATFORM TO THE NEWLY NAMED PRIZM MASTER FUND SOON TO BE LAUNCHED CAYMAN FUND. INCEPTION NET FUND RETURNS DO NOT YET INCLUDE FUND EXPENSES AHEAD OF LAUNCH.

IMPORTANT INFORMATION

This factsheet is not an invitation to subscribe and is for information purposes only. The systematic process is based on the long-term track record of PRIZM back tested market neutral process which dates back to December 1999 with all factors and coefficients fixed since inception and going forward. Please note that the value of funds and assets (and the income from them) may go down as well as up and may be affected by, amongst other things, changes in rates of exchange. Please note the information in this factsheet does not form an invitation to buy or sell units or shares and must not be distributed without the express permission of South River Asset Management Ltd.

The above numbers are from a Separate Managed Account invested using the Factors to be used in the upcoming Prizm Master Fund. These returns have been reviewed by the funds' auditor, EisnerAmper