

Prizm Master Fund

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

31 July 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 & PEERS

From Inception (31/5/2022 – 31/7/2024) - 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
PRIZM MASTER FUND - 2024	5.66	-2.19	2.06	0.78	1.08	0.47	3.72						11.96	25.24	10.95
EUREKA HEDGE NA **	0.70	2.49	2.17	-1.71	1.79	0.07	1.73						7.41	16.04	7.11
BARCLAY HEDGE	0.44	1.94	1.91	-1.10	1.69	0.47	1.61						7.13	14.37	6.39
BLOOMBERG PEERS (n=76)	1.18	2.21	2.31	-2.16	2.20	0.63	1.47						8.03	18.06	7.96
S&P500 EW TR	-0.82	4.16	4.46	-4.87	2.82	0.45	4.49						9.79	20.39	8.93
PRIZM MASTER FUND - 2023	-1.34	0.83	-2.29	2.98	-0.11	2.24	1.19	3.69	1.56	1.23	-1.53	-2.25	6.13	11.86	7.34
EUREKA HEDGE NA **	3.44	-0.75	-0.01	0.22	-0.30	2.53	1.81	-0.64	-1.41	-1.41	3.59	3.32	10.67	8.03	4.99
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=76)	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 EW 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
PRIZM MASTER FUND - 2022						-0.90	1.46	-2.87	0.85	4.13	1.88	0.88	5.40	5.40	9.44
EUREKA HEDGE NA **						-4.05	3.07	-0.62	-3.61	2.71	1.94	-1.59	-2.39	-2.39	-4.04
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=76)						-4.02	2.95	-1.97	-4.12	4.35	2.99	-1.71	-1.53	-1.53	-2.63
S&P500 EW 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) - 31/7/2023-31/7/2024				Inception - 31/5/2022-31/7/2024			
Portfolio Risk Stats	S&P500 Equal Weight	BARCLAYHEDGE	EUREKA NA **	PRIZM MASTER FUND	S&P500 Equal Weight	BARCLAYHEDGE	EUREKA NA **	PRIZM MASTER FUND
Annualised Returns (Net) of Fees	12.90	10.40	11.03	14.87	8.93	6.39	7.11	10.95
Cumulative (Net) Returns					20.39	14.37	16.04	25.24
Sharpe Ratio (Net): **	0.46	0.86	0.89	1.17	0.12	0.09	0.15	0.51
Standard Deviation: ^		0.44	0.25	0.72	1.03	0.46	0.51	0.72
Downside Deviation: ^		0.24	0.14	0.46	0.71	0.30	0.33	0.48
Correlation to SPXEWTR **		0.93	0.91	-0.47		0.93	0.94	0.03
Beta to SPXEWTR ^		0.22		-0.33		0.10		-0.18
Alpha: ^		0.13	0.13	0.16		0.10	0.10	0.11
Tracking Error: ^		0.79	0.79	1.19		0.83	0.90	1.40
Turnover: ^				877				1582
Mean Return: ^	0.05	0.04	0.01	0.07	0.04	0.02	0.01	0.06
Max Drawdown: ^	13.26	3.56		5.75	16.19	6.52		7.24
Peak-To-Valley: ^	2023/7/26-2023/10/27	2023/10/30-2023/12/28	2024/2/13-2024/4/30	2023/10/27-2023/12/28	2022/8/16-2022/9/30	Start - 2022/11/24	2024/2/13-2024/4/30	2022/6/14-2022/9/15
Recovery: ^	33 Days	1 Day		13 Days	87 Days	67 Days		17 Days
Positive Periods: ^	149 (57.31)	257 (98.84)	215 (82.69)	145 (55.77)	296 (54.51)	534 (98.34)	418 (76.98)	300 (55.25)
Negative Periods: ^	111 (42.69)	3 (1.15)	45 (17.31)	115 (44.23)	247 (45.49)	9 (1.65)	125 (23.02)	243 (44.75)

Eureka Hedge North America (NA) & Barclay Hedge – July 2024 returns are based on 40.26% & 45.33% of funds reported by 13/8/2024.

^ 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 May 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 5.44% (month end). ** Eureka Hedge risk data is to April 2024 due to reporting issues at IB and performance data are frequently updated, sometimes years back.

Of the 76 hedge funds listed by Bloomberg with an equity market neutral & geographic focus on the United States (since inception in May 2022 to July 2024) the Fund ranked 17th (in USD) or 22nd percentile in the (inclusive) peer group with a gain of 25.24%.

Within the July 2024 Soc Gen Equity Long/Short peer group, the Fund ranked XX/XXX of comparative funds, or XXth percentile & over the TTM period the Fund ranked XX/127 peers, or XXth percentile .

Prizm Master Fund - Large Cap US Equities Long / Short Market Neutral Strategy

FUND MANAGER MONTHLY COMMENTARY | 31 JULY 2024

Market review

The Prizm Master Fund, designed to deliver consistently positive returns in all market environments, continued to perform well in recent months. At the end of July 2024, the Prizm Large Cap US Equities Long/Short Fund (the Fund) delivered a year-to-date gain of 11.96%, surpassing the S&P 500 equal-weighted index 9.79% gain. During July, the Fund Prizm's (net) gain of 3.72% demonstrates that despite the strategy often being negatively correlated to the S&P 500 indexes, stock selection often remains strong allowing the fund to track the general market. Broader market strength provided an ideal environment for the Fund's 13-factor investment process to prove its prowess (see below). Since inception, the Fund has achieved a commendable cumulative gain of 25.24%, inclusive of all management and performance fees, ahead of a 20.39% gain of the S&P 500 equal-weighted index, and ahead of cash gains of 11.90%. The Fund's 14.87% trailing twelve-month return is now ahead of the S&P 500 equal-weighted index that delivered an 12.90% return.

Examining the broader US equity market over the review period of July, the equal-weighted S&P 500 TR index saw a 4.49% increase. However, the S&P 500 equal-weighted index serves as the appropriate comparator because the Fund is consistently re-weighted to 2% position sizes at the beginning of each month, without intra-month adjustments, which avoids any undue influence from larger-cap stocks as seen in the traditional S&P 500.

The consensus 2024 fiscal year earnings estimates (as at 1/8/2024) anticipate a 7.41% upswing for S&P 500 (\$245.01 and a PE of 22.29x, Source: Bloomberg). Meanwhile, 2024 year-end estimates for the S&P 500 equal-weighted index suggest a 3.53% increase (\$389.44 and a PE of 17.86x), with earnings lower than last month. All this is predicated on 4.84% revenue growth, which should be considered within the framework of approximately 5.3% **nominal** GDP growth for FY24 (and 4.1% for FY25). There is still uncertainty over whether the market can sustain upward momentum. But this can be achieved either through higher earnings growth/margins or in its absence, higher PE multiples, possibly driven by interest rate cuts. It is worth noting EBITDA margins were 16.20% in FY23 and are forecast to be 17.23% in FY24 having dropped 12bps from the prior month. For FY 2025 margins were forecast at 18.44% compared to 18.46% in the prior month.

As previously warned/anticipated, market focus has shifted from inflation to labour reports, which will likely influence interest rate decisions. A weakening labour market, as evidenced by the July unemployment rate of 4.3% (and California's 5.2% June unemployment rate (the world's fourth largest economy)), have provided the Federal Reserve with justification to cut interest rates and address the deficit. Typically, according to Strategas, the market historically bottoms 213 days AFTER the initial rate cut, typically experiencing a 23.3% decline...however, could this time really be different...

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.

Last month, one such which exemplifies the power of our process was Jackson Financial Inc. JXN, a retirement planning and annuity products business. We've held a long position in JXN since, October 2023 when (in accordance with the Fund strategy) it had a two-year reporting and trading history. Since then, we have captured gains on the stock's outperformance, seven out of ten months, while maintaining our 2% portfolio allocation through rebalancing. This successful strategy has yielded a cumulative profit of 140%. Our initial long position was initiated at a price of ~\$41.83 and at the end of July was \$103.86. Notably, even if we considered forward estimates (which our strategy doesn't rely on), December 2024 projections have increased from a positive \$13.71 per share to \$17.53 per share.

In July sector exposure of the Long Book was focused on Technology, Financials and

Consumer Staples, while the Short Book was focused on Industrials, Technology and Financials (Industrials and Technology were net shorts sectors and Consumer Staples was a net Long). Only 8 longs but 21 shorts were down on the month. Overall, the Long book saw positive performance with a median increase of 6.09% whilst the Short book saw a median increase of 1.82%.

The Factor that contributed most to performance this month was our Price Momentum factor. This Factor focuses on stocks that have rallied, seen a sell-off, and where the other twelve factors suggest there is value at month end. We go long those names, and short those with little valuation support and "inflated expectations", as reflected in the price. Five of the thirteen factors recorded negative returns over the month.

Standout positives among the stocks in the Long Book were firstly, BLDR (Builders FirstSource Inc.) a manufacturer and distributor to professional homebuilders that benefitted from the possibility of lower rates +20.9% and secondly SMG (Scott Miracle-Gro Co.) a lawn care & garden products business which surprised the market with very good numbers +20.8%.

In the Short Book the winners were IRTC (iRhythm Technologies, Inc.) a cardiac rhythm monitoring company which gave back some of its strong performance in June and might be impacted by a lower rate environment -19.9%, and secondly, MU (Micron Inc.) a DRAM semiconductor company which might be impacted by a lower rate environment and potential tariff -16.4%.

Negatives on the Long side were BRBR (Belling Brands, Inc.) a nutrition business that appears to have been impacted by sector weakness and a broker downgrade -10.3%. Meanwhile SIG (Signet Jewellers Ltd.) a jewellery retailing company which appears to have been hurt by insiders selling, weak retailing sentiment, fell by 5.8%.

On the Short side negatives were TRU (TransUnion Ltd.) a credit reporting agency which benefitted from a good earnings report and likely, a lower rate environment +21.7% and MC (Moelis & Co.) an institutional brokerage company that benefitted from a good beat to earnings estimates +19.6%.

MONTHLY PERFORMANCE CONTRIBUTION

Top Contributors	%
Builders First Inc. (BLDR - Long)	+ 20.9
Scotts Miracle-Gro Co. (SMG - Long)	+ 20.8
Irhythm Technology Inc. (IRTC - Short)	- 19.9
GMS Inc. (GMS - Long)	+ 19.4
Mattel Inc. (MAT - Long)	+ 18.6

Top Detractors	%
TransUnion (TRU - Short)	+ 21.7
Moelis & Co. – Cl. A (MC - Short)	+ 19.6
Dayforce Inc. (DAY - Short)	+ 19.5
Joby Aviation Inc. (JOBY - Short)	+ 17.3
Blackstone Inc. (BX - Short)	+ 15.5

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

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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.

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