

Prizm Master Fund

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

31 December 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 and peers 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 fully 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 – 31/12/2024) - 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	-0.80	-1.68	-3.69	-12.30	3.48	-4.56	6.77	2.57
EUREKA HEDGE NA **	0.66	2.49	2.16	-1.74	1.78	0.03	1.78	0.26	0.89	-0.05	3.77	-1.27	11.14	20.13	7.34
BARCLAY HEDGE	0.44	1.94	1.91	-1.10	1.69	0.45	1.46	0.71	1.62	-0.59	2.05	-1.24	9.66	17.08	6.29
BLOOMBERG PEERS (n=69)	1.18	2.41	2.32	-2.25	2.45	0.94	0.92	1.75	1.12	-0.32	2.92	-2.37	11.45	23.10	8.38
S&P500 EQUAL WEIGHTED (TR)	-0.82	4.16	4.46	-4.87	2.82	0.45	4.49	2.50	2.34	-1.63	6.42	-6.26	13.01	23.92	8.64
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 **	3.50	-0.77	-0.07	0.20	-0.32	2.58	1.83	-0.66	-1.44	-1.40	3.64	3.35	10.70	8.09	5.03
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=69)	2.68	-1.09	1.17	1.09	-0.10	3.01	1.47	-0.22	-2.19	-0.81	3.99	2.45	11.44	10.56	6.67
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
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 **						-4.04	3.06	-0.63	-3.60	2.72	1.98	-1.62	-2.36	-2.36	-4.00
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=69)						-4.16	3.14	-1.79	-3.62	4.41	2.94	-1.80	-0.88	-0.88	-1.52
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) - 31/12/2023-31/12/2024

Inception - 31/5/2022-31/12/2024

Portfolio Risk Stats	S&P500 EW TR	BLOOMBERG PEERS *	EUREKA NA **	PRIZM MASTER FUND	S&P500 EW TR	BLOOMBERG PEERS *	EUREKA NA **	PRIZM MASTER FUND
Annualised Returns (Net) of Fees	13.01	9.66	11.14	-4.56	8.64	8.38	7.34	2.57
Cumulative (Net) Returns					23.92	23.10	20.13	6.77
Sharpe Ratio (Net): **	0.65	1.30	1.27	-0.59	0.14	0.19	0.25	-0.11
Standard Deviation:	0.30	0.06	0.11	0.18	0.30	0.12	0.11	0.18
Correlation to SPXEW		0.92	0.93	-0.43		0.91	0.96	-0.12
Beta to SPXEW		2.09	2.30	-0.36		2.09	2.30	-0.27
Tracking Error:		0.16	0.16	0.27		0.18	0.18	0.26
Mean Return:	1.10	0.92	0.90	-0.28	0.85	0.70	0.61	0.26
Max Drawdown: ^	6.26	2.37	1.74	17.62	13.74	6.44	5.26	17.62
Peak-To-Valley: ^	2024/11/29-2024/12/19	22/3/24-2/5/2024	2023/12/21-2024/1/3	2024/8/7-2024/12/06	16/8/2022-2022/9/30	22/3/24-2/5/2024	2022/9/7-2022/9/23	2024/8/7-2024/12/06
Recovery: ^	33 Days	60 Days	1 Day	Ongoing	87 Days	60 Days	203 Days	Ongoing
Positive Periods: ^	166 (59%)	9 (75%)	254 (90%)	146 (51.5%)	369 (55%)	19 (61.29%)	532 (79%)	361 (53.5%)
Negative Periods: ^	117 (41%)	3 (25%)	29 (10%)	137 (48.5%)	306 (45%)	12 (38.71%)	143 (21%)	314 (46.5%)

Eureka Hedge North America (NA) & Barclay Hedge – December 2024 returns are based on 95.13% & 89.79% of funds reported by 27/1/2025.

^ 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. 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 4.47% (month end). ** Eureka Hedge performance data are frequently updated, sometimes years back. * Bloomberg Peers risk stats are monthly only data. Equal Weighted (EW) Total Return (TR).

Of the 69 hedge funds listed by Bloomberg with an equity market neutral & geographic focus on the United States (since inception in May 2022 to December 2024) the Fund ranked 65th (in USD) or 87th percentile in the (inclusive) peer group with a gain of 6.77%.

Within the December 2024 Soc Gen Equity Long/Short peer group, the Fund ranked 4/68 within the comparative funds, or 6th percentile and over the TTM period the Fund ranked 90/95 within the comparative peers, or 95th percentile.

FUND MANAGER MONTHLY COMMENTARY | 31 DECEMBER 2024

Market and performance review

The Prizm Master Fund, designed to preserve capital by delivering positive returns in most market environments, and often negatively correlated, had a positive December. At the end of December 2024, the Prizm Large Cap US Equities Long/Short Fund (the Fund) delivered a year-to-date (YTD) loss of 4.56%, against the S&P 500 equal-weighted total return (TR) index's 13.01% gain. Continuing the analysis from last month and examining the largest 1000-stocks in our universe, specifically looking at the top 50 stocks with the highest short interest at the beginning of the month, revealed an average decline of 7.70% (ranging from -24.83% to +21.34%). This performance needs to be considered within the context of the S&P 500 equal-weighted index decline of 6.26%. This decline falls significantly short of the **threefold** short squeeze increase witnessed against the index in November. Given the index weakness, we would have anticipated more substantial declines in the names with the highest short interest.

During December, the Prizm Fund saw a 3.48% gain which shows it is sometimes, negatively correlated to markets, especially when they are coming off all-time highs. Since inception, the Fund has seen a cumulative gain of 6.77%, inclusive of management and performance fees, behind the 23.92% gain of the S&P 500 equal-weighted index, and cash gains of 12.59%.

The equal-weighted S&P 500 TR index is a more appropriate comparator to the Prizm Fund, because at the start of every month the Fund's 50 longs/shorts are 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 index.

Consensus 2024 S&P 500 fiscal year earnings estimates (as at 01/01/2025) anticipate a 1.58% upswing, reaching \$242.42 per share and a price-to-earnings (P/E) ratio of 24.26x (Source: Bloomberg). In comparison, year-end estimates for the S&P 500 equal-weighted index suggest a more modest increase of 0.94%, with projected earnings of \$387.61 per share and a P/E ratio of 18.32x. Looking ahead to the 2025 fiscal year, consensus earnings estimates point to a more significant 12.20% upswing for the S&P 500, reaching \$271.98 per share and a P/E ratio of 21.62x. For the S&P 500 equal-weighted index, the projected increase is 10.94%, with earnings estimated at \$430.00 per share and a P/E ratio of 16.51x. The 2025 S&P 500 equal-weighted index estimates assume 3.74% revenue growth. These estimates should be considered in the context of an estimated 4.6% **nominal** GDP growth for FY25, based on 2.1% GDP growth and 2.5% inflation, up from the 4.3% estimate in October. It's worth noting that EBITDA margins for the S&P 500 equal-weighted index were 14.99% in FY23 and are forecast to be 15.91% at the end of FY24, 17.30% for FY 2025, and 17.89% for FY26. These forecasts represent a downward revision from previous estimates. Noteworthy is that between 2000 to 2019 ~50% of margin expansion has come because of interest rate declines (Source: Empirical Research). It's also noteworthy that the S&P 500 currently trades at a 2025 Price/Cashflow multiple of 15.60x, a significant increase from the 10.3x multiple observed when FY25 estimates were first published. This contrasts with the MSCI World Ex USA, which trades at a 2025 Price/Cashflow multiple of 7.14x.

We remain vigilant about potential disruptions to the current favourable economic and market conditions. One significant concern is the escalating impact of global warming on agricultural production, as evidenced by rising coffee prices due to droughts in Brazil. Beyond valuation, which offers limited predictive power, there are few apparent factors currently restraining market growth, which is concerning. Additionally, continuous monitoring of developments in Taiwan remains crucial.

MONTHLY PERFORMANCE CONTRIBUTION

Top Contributors	%
Lemonade, Inc. (LMND - Short)	- 29.2
MongoDB, Inc. (MDB - Short)	- 27.8
Upstart, Inc. (UPST - Short)	- 21.9
SAIA, Inc. (SAIS - Short)	- 19.9
Bloom Energy, Corp. (BE - Short)	- 19.1

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 business offering. Rather, it signals/questions if the current market valuation accurately reflects the prevailing company "story", and whether it is undervalued or excessively overvalued. And of course, stocks can always get more expensive or indeed cheaper. It's worth highlighting that, at its core, this product is about capital preservation, when you need it most, namely in market drawdowns.

Sector exposure of the Long Book was focused on Healthcare, Technology and Consumer Discretionary while the Short Book was focused on Industrials, Technology and Financials (Financials and Industrials were net shorts sectors and Healthcare and Communication Services were net Longs). December was a better month with the Long book seeing an average decrease of 3.60% whilst the Short book saw an average decrease of 7.05%. After last month's poor performance, it was logical, given market weakness, to see the Fund was the best performing fund as against the 76 peer group funds, as listed in Bloomberg.

A striking example of recent market volatility is evident in COIN (Coinbase Global Inc.), a cryptocurrency exchange. Despite reporting disappointing earnings in late October, COIN's stock surged 65.24% in November, likely fuelled by the so-called "crypto craze" following the Trump victory. This exuberance was short-lived, however, as COIN's forward price-to-earnings (P/E) multiple soared to 67.7x by November's end. This arguably unsustainable valuation proved fragile, with December witnessing a 16.2% stock decline, bringing the forward P/E down to 49.8x by year's end.

Unsurprisingly given the 6.26% MTD index decline, the Short Interest factor was the most significant contribution to performance this month. We initiate longs in those names with valuation support AND where short interest is low, and short those with little valuation support/inflated expectations and where short interest is high believing the stock will revert, in time. Eight of the thirteen factors recorded positive returns on the month.

Standout positives among the stocks in the Long "book" this month were, firstly, GOOGL (Alphabet, Inc.), the internet search engine company that, in our view just became too cheap and was up +12.2%. Secondly, APTV (Aptiv PLC.), an auto parts business that, again, in our view just became too cheap and was up +8.9%. In the Short "book," the winners this month were LMND (Lemonade, Inc.), an AI based Property & Casualty (P&C) insurer that gave back some of their substantial November gains (+118%) and was down 29.2%. Secondly, MDB (MongoDB, Inc.), a database software business that reported good numbers but continues to see its lead over Oracle being slowly eroded, was down 27.8%. Negatives on the Long side were OSCR (Oscar Health Inc.), a health insurance business that appears to have been caught up in the backlash against United Health/HMO's considering their CEOs murder and fell 22.4%. Meanwhile, MCY (Mercury General Inc.), an underwriter of automobile insurance was a casualty of broader insurance sector weakness and fell 15.4%. On the Short side, negatives were CRDO (Credo Technologies), an interconnect for AI back-end networks (think Data Centres) business reported very good earnings and was up 37.3%. Meanwhile, IONQ (IonQ, Inc.), an ion quantum computer business was likely a beneficiary of the Google quantum computing announcement (code name Willow) and high short interest and was up 14.4%, having already been up 142.8% in November. It is envisaged that Google won't have a fully functioning quantum computing offering until sometime around 2032.

Top Detractors	%
Credo Tech. Group (CRDO - Short)	+ 37.3
Oscar Health, Inc. (OSCR - Long)	- 22.4
Mercury General Corp. (MCY - Long)	- 15.4
IonQ, Inc. (IONQ - Short)	+ 14.4
Boeing co/The (BA - Short)	+ 13.9

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. 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