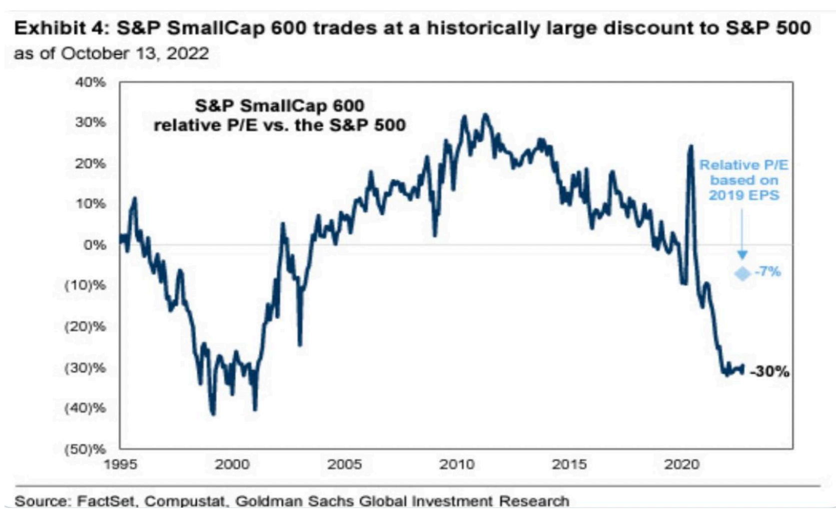
November 2022

Dear Fellow Investors,

The Partners Fund returned approximately -6.5% net in the third quarter, bringing year-to-date results to approximately -39.0% net.[1] Please refer to your statements as individual returns will vary based by share class. As a group, our underlying managers have concentrated holdings in smaller companies where deep research can provide an informational advantage. On average, I believe they know significantly more about the companies in their portfolios than most market participants, and they often form what hedge fund investor Michael Steinhardt referred to as a variant perception, a strong viewpoint that is substantially different from the prevailing market assessment. Over time, contrarian *and right* can generate very attractive returns.

Unfortunately, this year has been a period of widespread multiple compression and high correlations. Macro views on interest rates and oil have generally overwhelmed company-specific insights or variant perceptions. Small and misunderstood has been a difficult corner of the market. In addition, broad investor flight away from risk has led to a historically large divergence between small cap and large cap companies, as highlighted in the chart below. While we don't know for certain how long these headwinds will persist, fundamentals and being right about companies will matter again over time.



This quarter, we made a new investment in Skycatcher, managed by Sia Kamalie. I have known Sia for several years and worked with him to look closely at a South Korean gaming company that was trading below cash. Sia worked at The University of Texas endowment and ran a frontier market focused fund before launching Skycatcher 6 years ago "with a mission to invest in the next stage of the internet: virtual worlds." At first blush, what essentially boils down to a gaming strategy seemed *too* niche to merit dedicated exposure. However, there are more gamers

[1] Performance: (i) is representative of a "Day 1" investor in the Partnership, (ii) represents returns earned by Class B investors assuming a 0.75% annual management fee and no incentive allocation, and (iii) is stated net of expenses, including commissions, legal, audit, administration, and other. Year-to-date performance for an individual investor may vary from the performance stated herein as a result of, among other things, the timing of their investment and the timing of any additional subscription and withdrawals.

than Facebook users globally, and consumers spend more money on gaming than they do on movies, music, and video streaming combined. The industry also proved far more resilient than most sectors of the economy in the last recession as consumers turned to gaming, which has the benefit of being more immersive and less expensive than most other entertainment alternatives.

Sia is an example of a manager who does deep work and forms a variant perception. There are over 300 publicly listed gaming companies across markets including Japan, Korea, the Nordics, and the U.S. Skycatcher gains an informational advantage by investing heavily in capturing proprietary data on over 100 of these companies and also gains an inside view of industry trends through the portion of their fund engaged in venture investing.

As you can see in their presentation (link), Skycatcher believes that the market is underappreciating the quality of certain gaming companies. Video game companies historically have commanded low valuations because they are viewed as being "hit driven" and lacking in sustainable revenue streams, but Sia's variant perception comes from looking deeper. Over 50 franchises are actually better described as immersive virtual worlds, complete with marketplaces for buying goods, that exhibit extraordinary longevity as a result of becoming deeply integrated into the lives of their members. Sia believes that, over time, certain gaming companies will receive higher valuation multiples as the resilience of the revenue streams becomes better understood. In the meantime, Skycatcher is buying companies with SaaS revenues at non-SaaS multiples.

Skycatcher's largest position is a Japanese listed company, Square Enix, whose crown jewel is the extremely popular, long-lived immersive game Final Fantasy. Skycatcher estimates that 40% of Final Fantasy's 1.5M subscribers (paying $15 per month) spend 20+ hours per week playing the game, which is over 30 years old. Historically, Square Enix has not broken out the economics for Final Fantasy and still does not present their financial information or operating metrics in a manner that allows its parts to be valued efficiently. Sia has been working with the company to improve the disclosures and also actively publishing Skycatcher's views on investor forums (e.g., SumZero) to encourage other market participants to consider the variant perception, which he hopes should lead to closing of the valuation gap.

I don't know if Skycatcher will ultimately be successful with their Square Enix investment, but I do believe that the combination of (a) deep domain expertise and (b) proprietary data being applied in a (c) concentrated manner to a (d) growing sector of the market that is likely (e) systemically undervalued has the potential for very attractive long-term returns. These returns are likely to appear when the world shifts from a macro-dominated landscape to one where fundamentals matter.

As I have said at the end of every letter, our fund of funds is going to be different. It will be smaller, the underlying holdings will be more esoteric, and I hope the managers will continue to collaborate more over time. I believe that it will be "good different," but only time will tell. Thank you for joining me on this journey. I will work hard to grow your family capital alongside mine.

Sincerely,

Scott Miller

Disclaimer: