OPTIMIST FUND

Q1 2023 Quarterly Letter

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To my fellow Optimists,

Today Optimist Fund consists of 19 market leading companies that we believe to be deeply undervalued.

In our view, this is the most attractive market for small/mid cap growth companies since 2008-2009. We have positioned the portfolio in a way that we believe will drive significant outperformance when the market recovers.

We suspect Q1 was a small preview of what the eventual recovery will look like on an absolute and relative basis.

Even after a strong Q1, we see 5-10x return potential for Optimist Fund over the next 5 years.

This is an attractive time to invest.

% Returns	Optimist Fund*	Benchmark**
2022* **	-51.4%	-17.5%
January	25.8%	9.2%
February	-0.8%	-1.5%
March	0.7%	4.0%
2023 Q1	25.5%	11.9%
2023 YTD	25.5%	11.9%

Today the market is focused on when a recession will begin and how deep it will be.

Though recessions are by no means enjoyable, they are a normal part of the economic cycle. Historically, they are followed by economic expansions and new all-time highs in major stock markets. If you believe the world will stay on the same path it's been on for centuries, which is the path of long-term growth, then recessions are investment opportunities that should not be wasted.

Although everyone wants to discuss the state of the economy, it is important to remember that Apple isn't the most valuable company in the world because of what the broader economy is doing. It is because they invented the iPhone, a category defining product.

In 2008, Apple's share price declined 57%. At this time, investors could've focused on the great financial crisis and how it would impact Apple's near-term demand. Or, they could've spent their time focused on the opportunity for the iPhone over the next 5-10 years and what it could mean for Apple's long-term earnings power. With the benefit of hindsight, the smart choice would've been to focus on the business specific long-term threats/opportunities and ignore the near-term macroeconomic ups and downs.

At Optimist Fund, we focus on what will drive long-term returns. For this reason, we spend our time focused on identifying underappreciated market leaders in growing markets, where the market and/or their market share can be meaningfully larger in 5 to 10 years.

Q1 Portfolio Updates

There were no material changes to what we owned at the end of Q1 versus Q4. Below are some notable business updates on several of our holdings.

Uber continues to deliver strong top line growth and significant improvement in profitability. Also, their competitive position has recently improved against Lyft which is upside to our already bullish outlook for the company. Our 5-year price target for Uber is $250. Today Uber's share price is ~$32.

Smartsheet reported a great Q4, beating on the top and bottom line while issuing a surprisingly strong guidance. They guided revenue growth to 23-24% y/y and a free cash flow margin of 12% after being around breakeven each year for the past 5 years. The implied incremental free cash flow margin for the year is 60% pointing to significant margin upside over time.

It has long been our thesis that many of our holdings have depressed profitability due to an active decision to reinvest what would be profits back into the business to maximize long-term profits. Based on their 2023 free cash flow guide it is clear they have significant embedded earnings power that is starting to shine through. Our 5-year price target for Smartsheet is $215. Today Smartsheet's share price is ~$45.

Focus Financial Partners had the most disappointing quarter. Not because of the results they posted but because they are being acquired by the private equity firm CD&R for $53. We believe this is a low price for a high-quality asset and thus hope existing investors vote against the deal. We will have to wait and see but as of now it seems like the deal will go through.

Doordash continues to deliver strong results growing revenue 40% y/y and adjusted EBITDA (Earnings before interest, taxes, depreciation, and amortization) nearly 150% y/y. Guidance was also strong with 2023 gross order value and adjusted EBITDA expected to grow 12-18% and 38-122%. Our 5-year target for Doordash is $520. Today Doordash's share price is ~$60.

Peloton had a better-than-expected quarter and excluding a one-time settlement cost, was free cash flow positive. The cost structure has largely been fixed at Peloton which now shifts the company's focus to growth. Today they are the market leader in the connected fitness industry which we believe is still in the early innings of maturation. Our 5-year target for Peloton is $110. Today Peloton is a ~$10 stock.

Wayfair had a better-than-expected Q4 but guided to weaker revenue in Q1 than the market had hoped for as the category growth has been sluggish. After announcing another restructuring in January, Wayfair now expects to be adjusted EBITDA profitable in Q2 or Q3 of this year. Wayfair is moving in the right direction to show the underlying profitability of their current customer base which we believe will result in a re-rating in the share price. Our 5-year price target for Wayfair is $520. Today Wayfair is a ~$36 stock.

Carvana is finally making significant progress to getting to profitability as they preannounced their Q1 adjusted EBITDA loss range of ($50) -($100) million which is down from a loss of over ($300) million a year ago. In the next 2 quarters we believe they are on track to reach adjusted EBITDA profitability and a few quarters after that, positive free cash flow. They have $1.8 billion of immediately available liquidity and ~$2B in financeable real estate that we believe is more than enough to get them through to free cash flow breakeven.

Reaching free cash flow breakeven will be an exciting time for the Carvana thesis. It will very much be like when Amazon became profitable in Q4 of 2001 after declining 95% from their dot com bubble highs. The asymmetry of the Carvana investment opportunity remains attractive as we can see a scenario where they earn more than $1 billion in net income annually in 5 years while the current market cap of the company is under $2 billion today. Our 5-year price target for Carvana is $600. Today Carvana's share price is $10.

ACV Auctions is doing a fantastic job navigating a depressed wholesale automotive auction market by gaining significant market share while controlling their costs. In the quarter they provided solid guidance, reiterated adjusted EBITDA profitability exiting 2023 as well as their 2026 targets of $1.3 billion in revenue and $325 million in adjusted EBITDA. Our 5-year price target for ACV Auctions is $80. Today ACV Auctions is a $12 stock.

HelloFresh reported a softer Q4, provided an in-line guidance for 2023 and reiterated their 2025 guidance of €10 billion in revenue and €1 billion in adjusted EBITDA. Overall, 2022 ended up slightly more challenging than HelloFresh predicted at the beginning of the year, but they continued to gain market share, growing 18% y/y in constant currency. Over the last 3 years HelloFresh has made significant investments in growing capacity in their meal kit and ready to eat business that will largely be built out by the end of this year. From 2024 onwards we believe HelloFresh's free cash flow generation will increase materially to ~$700 million in 2025. Relative to HelloFresh's current enterprise value of ~$4 billion, we think the shares represent attractive value. Our 5-year price target for HelloFresh is $210. Today HelloFresh is a $23 stock.

As you can see, we have a collection of market leading businesses that are currently deeply out of favor that have highly asymmetric investment characteristics. If we are right, we see 5-10x investment returns for many of our holdings over the next 5 years. If we are 50% right, returns will still be strong.

Aggregate Portfolio Composition

Below is a list of our top 10 holdings that make up ~75% of the fund as of March 31st, 2023.

Focus Financial Partners	Cricut
Smartsheet	Colliers
Uber	Peloton
ACV Auctions	Wayfair
Doordash	HelloFresh

If you have any questions about any of our holdings, please reach out.

Today, we want to highlight another holding we have in the fund, **Goosehead Insurance.**

Mark Jones, Founder, CEO, started Goosehead with his wife in 2002 based on the idea that he could recruit ambitious people out of college to be insurance agents.

In 2002 Mark was handling recruiting at Bain, a global consulting firm, and saw many candidates who weren't necessarily qualified to be hired as consultants. Mark thought they would instead be a perfect fit at an insurance brokerage.

Goosehead refined recruiting, client prospecting, client servicing and built a model which resulted in a reported 3x more productive corporate agents than the industry average, while producing record net promoter scores[1]. The average Goosehead corporate agent is in their mid 20's compared to the industry average of over 45.

In 2012, after 10 years in business, they added a franchise distribution channel to accelerate growth further. This channel would focus on recruiting seasoned 35–50-year-old captive insurance agents from the legacy players like State Farm, and empower them to start their own independent agency powered by the Goosehead operating platform.

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1 Net Promoter Score is calculated using a 0-10 scale: How likely is it that you would recommend a company to a friend or colleague? Respondents are grouped as follows: **Promoters** (score 9-10) are loyal enthusiasts who will keep buying and refer others, fueling growth. **Passives** (score 7-8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings. **Detractors** (score 0-6) are unhappy customers who can damage your brand and impede growth through negative word-of-mouth. Subtracting the percentage of Detractors from the percentage of Promoters yields the Net Promoter Score, which can range from a low of -100 (if every customer is a Detractor) to a high of 100 (if every customer is a Promoter).

Source: Goosehead Insurance March 2023 Presentation

By joining Goosehead they could sell a broader variety of insurance products, utilize the best technology, and leverage Goosehead's training that allowed corporate agents to be over 3x more productive than the industry average. Most importantly, franchisees could focus exclusively on acquiring new customers as Goosehead corporate agents handle all the franchisee's customer renewals and servicing requirements.

In exchange, Goosehead earns 20% of commissions on new business and 50% of commissions on renewals.

The value proposition resonated with prospective agents making the franchise channel a resounding success. Today 75% of Goosehead's total written premiums are from their franchise channel.

Mark Jones, the CEO and Founder of Goosehead, is exceptional.

What makes Goosehead a one-of-a-kind company is the ambition and track record of Mark Jones, their founder and CEO.

The goal Mark has set for the company is to become the largest personal insurance distributor in the United States in the next 25 years. Today, that position is held by State Farm, who is 30x larger than Goosehead.

Over the last 10 years Goosehead has compounded premiums at a 43% annual growth rate while generating double digit adjusted EBITDA (earnings before interest, taxes, depreciation, and amortization) margins.

Source: Goosehead Insurance March 2023 Presentation

Not only do they profitably grow at an attractive rate, but they are also quite clever with their capital.

For example, in the last four years Goosehead has paid a total of $123 million in dividends yet earned ~$40 million in net income and ~$100 million in adjusted EBITDA. Given the durability and recurring nature of the business, they are comfortable levering the business to 3x net debt to adjusted EBITDA to distribute more capital into the hands of their shareholders.

This type of capital structure optimization strategy is attractive to equity holders and something very few high growth companies do.

As an owner of 40% of the company, Mark attempts to optimize every part of Goosehead to maximize long-term shareholder value.

The market opportunity is enormous.

The US personal insurance market is almost $400 billion growing in the mid-single digits.

The industry is fragmented with over 450 carriers and not one has more than 20% market share.

The market fragmentation creates a clear opportunity for a leading broker to command double digit market share of the industry, similar to how Expedia and Booking Holdings became leading brokerages for the travel industry.

The independent agency channel (brokers that sell multiple carrier's products) represents 38% of the market and is highly fragmented across roughly 40,000 firms. The industry is consolidating and Goosehead is leading the charge through organic share gains.

Goosehead has consistently been gaining market share for decades.

Today Goosehead has ~0.7% share of the overall US personal insurance market but more importantly is taking ~5% incremental market share.

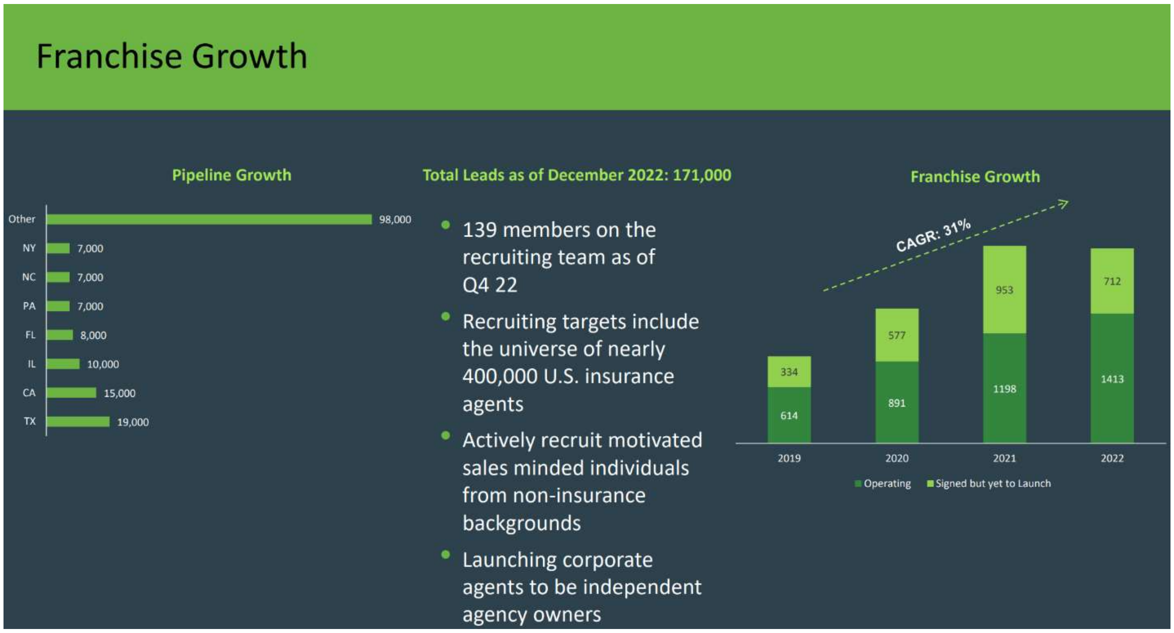
Over time, we believe Goosehead can capture atleast 5% market share in the US personal insurance market.

They have been stealing share consistently for 20 years and we do not see that slowing down.

Goosehead has a clear playbook to be multiple times the size they are today.

Over the last 10 years Goosehead has been able to demonstrate success in recruiting new franchise partners. Not only can they recruit franchise partners, but the franchise partners are having success as the average Goosehead franchisee is 2x more productive than the industry average agent.

Today Goosehead has ~1400 operating franchisees, up from ~600 3 years ago. The company currently has a pipeline of ~170 thousand leads that can turn into 10's of thousands of franchisees over time.

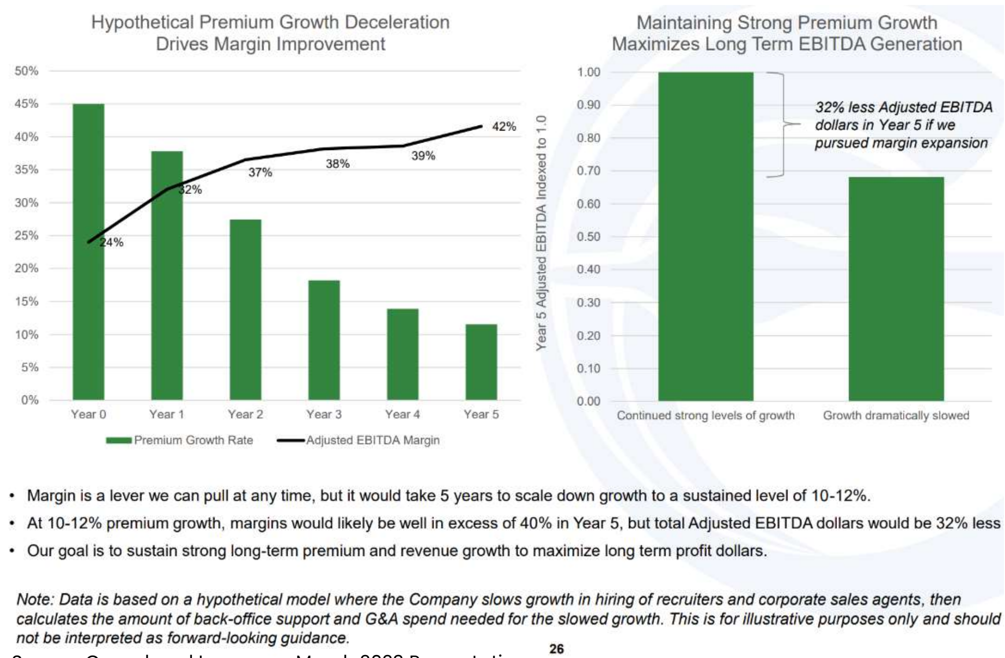


Source: Goosehead Insurance March 2023 Presentation

Goosehead does not need to reinvent the wheel over the next 10 years to be a business that's 5x larger than it is today. They merely need to continue to execute their current playbook of scaling their presence across the country through recruiting more franchise partners and helping them successfully build their insurance agency. Or in less words, keep doing what they are doing.

On top of significant growth opportunity, Goosehead has significant margin expansion potential.

In 2022, Goosehead's adjusted EBITDA margins were 18%. Over the long-term, Goosehead expects their adjusted EBITDA margins to settle in above 40% as a greater percentage of their policies become renewals versus new business. The business has locked in earnings growth merely from the maturation of their business.



Source: Goosehead Insurance March 2023 Presentation

Long-term value creation opportunity is attractive.

Over the next 5 years we believe Goosehead can grow written premiums at a 30% compounded annual growth rate while increasing adjusted EBITDA margins to over 30% and free cash flow margins to ~25%. Applying a 30x free cash flow multiple, for a business we believe will still be growing free cash flow per share 30% annually, implies a $150 stock price or a 5-year internal rate of return of 22%.

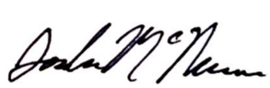
We believe Goosehead is a long-term winner.

Closing Remarks

We want to thank our investors for investing along side us, in what we believe to be an incredible time to be a growth focused small/mid cap investor. Our views have not changed. We believe we are in the early innings of a robust, multi year recovery that will be highly rewarding for our investors. If you would like to speak further on any holdings in the fund, please reach out. We'd love to hear from you.

Speak soon,

Jordan McNamee



Founder & Chief Investment Officer

*Rates of return are for Class E series net of all fees and expenses for Optimist Fund to illustrate the historical performance of our investment strategy.

**The Benchmark has a 50% weighting in the MSCI World Growth Index and a 50% weighting in the Russell Midcap Growth Index. The Benchmark is provided for information only and comparisons to benchmarks and indexes have limitations. Investing in global equities is the primary strategy for Optimist Fund but Optimist Fund does not invest in all or necessarily any of the securities that compose the Benchmark or the market indexes. Reference to the Benchmark and the market indexes does not imply that Optimist Fund will achieve similar returns.

***Fund start date was March 1, 2022.