

OF

OPTIMIST FUND

Q3 2022 Quarterly Letter



OPTIMIST FUND

To my fellow Optimists,

In Q3 we were down 8.5%. As frustrating as our performance has been in the first 7 months, we remain enthusiastic about the 5-year return potential for Optimist Fund. We own 20 exceptional businesses run by exceptional leaders that we believe have 10x return potential over the next 5 years.

When we launched the fund in March, we were already 13 months into a small/mid cap growth equities' bear market that saw companies' valuation multiples de-rate by over 50%. As the bear market in small/mid cap growth equities spread into broader recession fears, the valuation of our holdings dropped further to levels that we believe represent extreme value. Though experiencing a 50% drawdown isn't fun, in broad market panics they happen to many of the *best* long-term performing companies.

In fact, if we cherry pick some of the best performing stocks over the last 15 years, such as Salesforce, Amazon, Lululemon, and Colliers, a fund owning solely these 4 companies in the GFC would've declined over 60%. If we zoom out and look at the end of 2007 to today, this same portfolio would've appreciated 15x (~20% CAGR).

The greatest investments over time often have periods of brutal share price performance and require patience to let the long-term thesis play out.

We believe Optimist Fund is a collection of companies that have the potential to deliver Salesforce or Colliers like long-term returns and thus have not made any material changes to the fund since June 30th.

% Returns	Optimist Fund*	Benchmark**
Q2	-43.8%	-21.3%
Q3	-8.5%	-3.0%
YTD	-49.7%	-21.9%

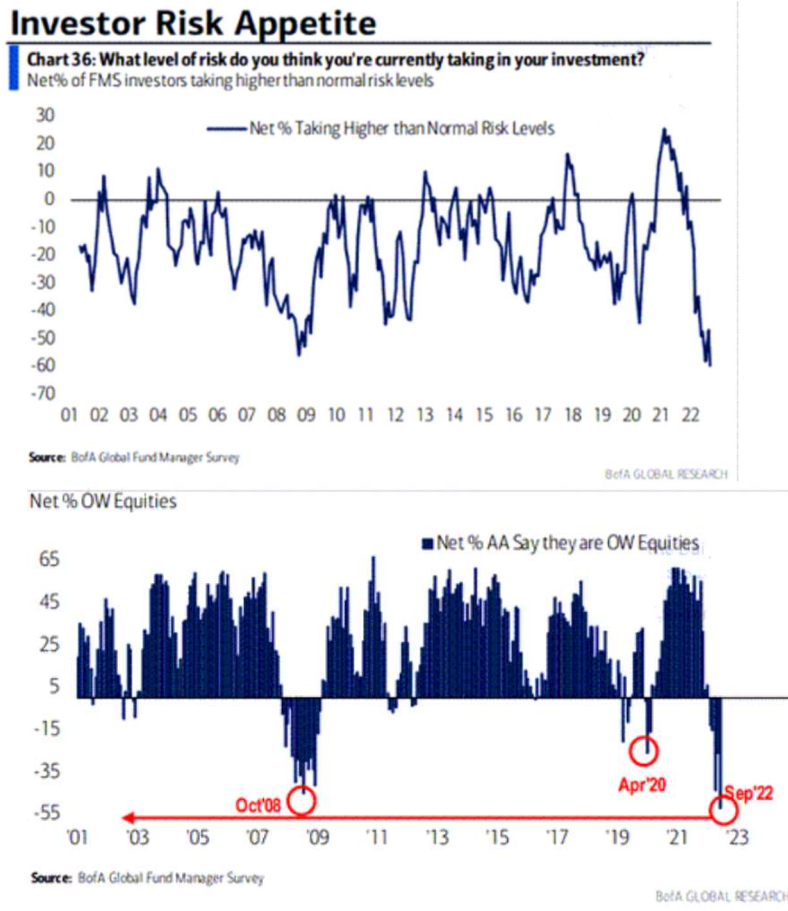
*Rates of return are for Class E series net of all fees and expenses for Optimist Fund to illustrate the historical performance of our investment strategy. **The Benchmark has a 50% weighting in the MSCI World Growth Index and a 50% weighting in the Russell Midcap Growth Index.

The delta in our performance versus our benchmark is driven by our increased focus towards higher growth, smaller companies. Year-to-year we expect our underperformance or outperformance to be volatile because of the concentration of our fund. We don't spend time focusing on short term relative performance but instead focus on maximizing absolute returns over a 5-year investment time horizon. As a result of delivering strong absolute 5-year returns, we expect to outperform our benchmark on a 5-year basis.

Market sentiment is horrible which is positive for future returns.

We believe forward returns for small/mid cap growth-oriented equities are currently unusually attractive.

In fact, according to the most recent Bank of America Fund Manager survey, current investor sentiment is as bad as it was in the 2008 great financial crisis.



When we analyze forward returns from October 2008, mid-cap growth significantly outperformed.

Starting Point	Oct-08		
Annualized Returns	1 Year	2 Year	3 Year
S&P 500 Index	9.8%	13.1%	11.4%
MSCI World Index	15.6%	13.0%	8.3%
MSCI World Growth Index	17.1%	15.6%	10.7%
Russell Midcap Growth Index	20.9%	23.7%	18.6%

Source: Bloomberg

Based on historical data, today appears to be an attractive time to deploy capital into the small/mid cap growth universe.

Optimist Fund Q3 Developments

When we assess the developments of each of our holding's fundamental performance, we are pleased in what we are seeing.

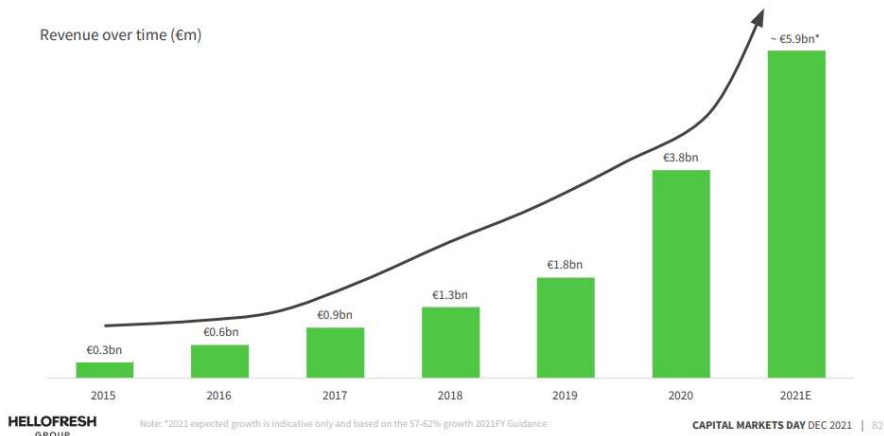
19 of our 20 holdings Q2 financial performance was either in line or better than our expectations, resulting in no major position changes since June 30th.

As of September 30th, 2022, our top 10 positions make up roughly 80% of the fund. In the last 4 months we discussed our thesis on Smartsheet, Focus Financial, Carvana, Wayfair, and Uber which can be found in our Q2 letter and our blog post "It's Uber's Time to Shine". All five companies continue to be top 10 holdings that we are excited about.

Today we wanted to highlight HelloFresh, a dominant business in the niche category of meal kits that we believe is highly undervalued.

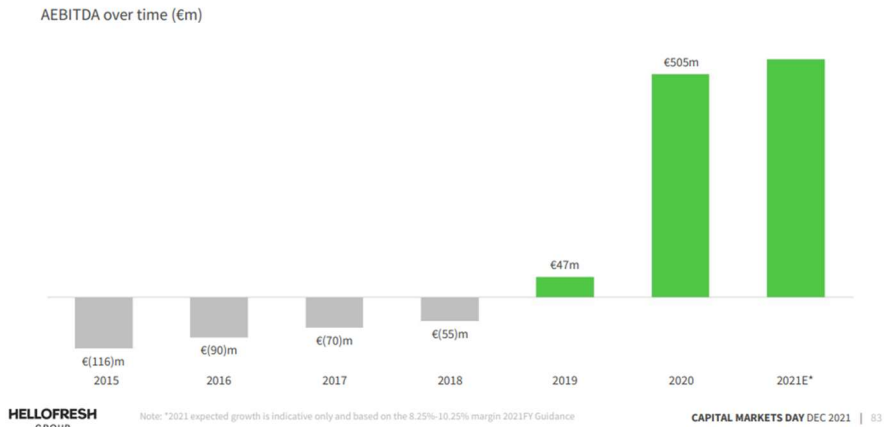
HelloFresh: The Meal Kit Goliath

HelloFresh is the largest meal kit company in the world. They started in Germany in 2011 and have delivered explosive growth expanding across Europe and North America.



Source: HelloFresh Q2 2022 Results Presentation

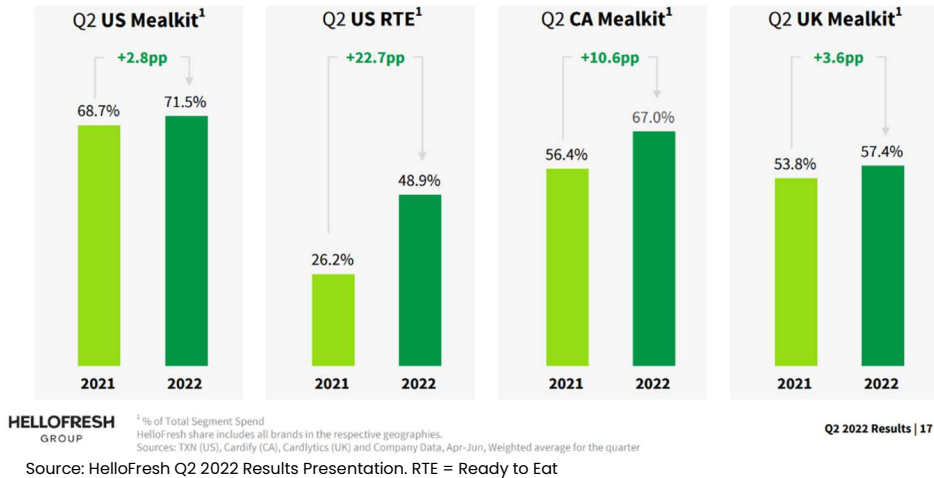
With 50–90% market share in all their major markets, HelloFresh is the industry’s 800–pound gorilla. Not only have they grown significantly, but they have also demonstrated attractive unit economics which have driven meaningful cash flow generation.



Source: HelloFresh 2021 Capital Markets Day Presentation. AEBITDA = Adjusted Earnings Before Interest Taxes Depreciation Amortization

Due to their superior scale and economics, they continue to out invest their competition, driving further share gains in their biggest markets.

HelloFresh Market Share

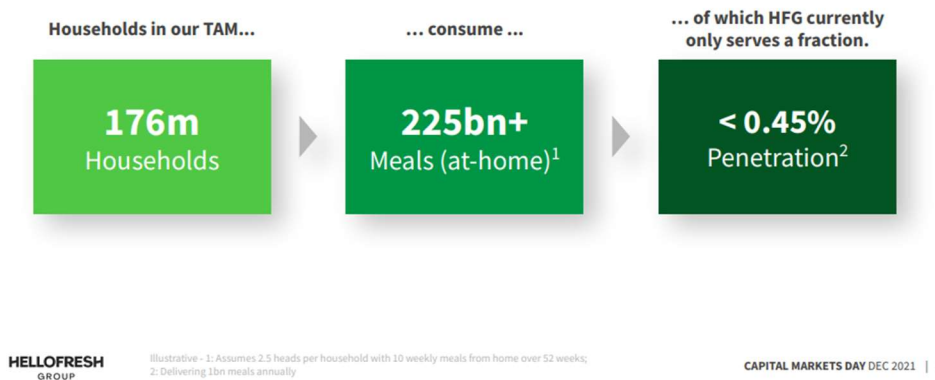


Though the core meal kits business continues to have attractive growth prospects, HelloFresh has continued to plant seeds that will make the company much more than just a meal kit company. In the last 2 years they have tapped adjacent opportunities such as the ready to eat space, as well as online grocery. Both initiatives are showing promising early traction.

Importantly, HelloFresh is led by an exceptional CEO, Dominik Richter. Dominik has a proven track record of outperforming the goals they set out and owns ~4% of the company.

The market opportunity is large.

Today HelloFresh has 4% penetration of their addressable customer base and 14% share of their customers food-at-home spend.



Source: HelloFresh 2021 Capital Markets Day Presentation

Scale and execution are competitive differentiators.

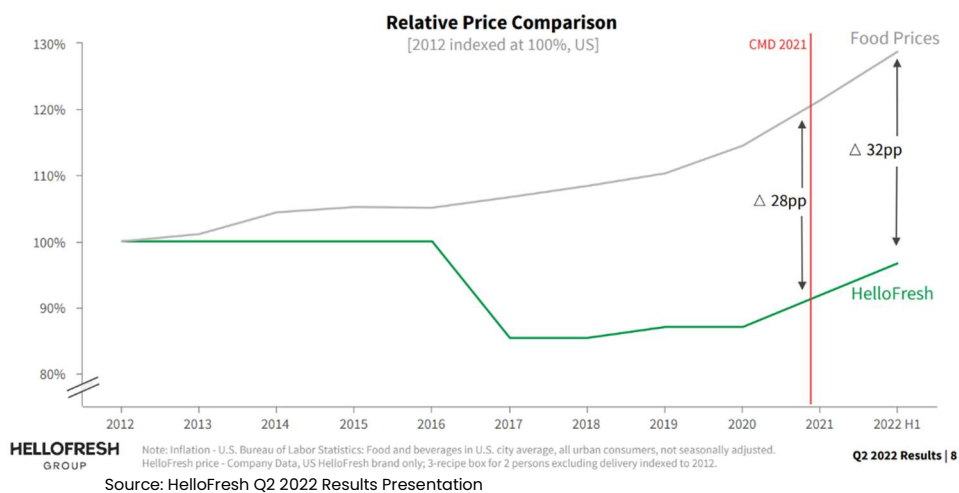
HelloFresh is over 10x larger than their closest competitor. This enables the company to spend significantly more on technology than their peers, while generating positive EBITDA margins.

By being the number 1 meal kit provider in all their major markets, they have a procurement advantage, and a marketing efficiency advantage. The bigger they get, the more efficient they become across every cost item in a country.



Source: HelloFresh 2019 Capital Markets Day Presentation

Improving efficiency from scale allows HelloFresh to lower relative pricing while sustaining margins, putting further pressure on competitors, and improving the relative value proposition of meal kits versus buying groceries at a grocery store.



On top of their scale advantage, their execution has been consistently superior to their peers. Many companies in the space have had operational challenges at

different points in their history that HelloFresh hasn't experienced. Their ability to consistently execute every single year against the goals they've laid out has further distanced themselves as the leader of the industry.

The investment opportunity is attractive.

We believe HelloFresh is on pace to grow revenue at 15% over the next 5 years.

5.0% Existing market meal kit growth through customer growth and expanding customer order rates.
5.0% New geographic expansion and launching a multi-brand strategy across all existing geographies.
2.5% Increase average order values through add on products and premium features.
2.5% New category expansion through organic investment and M&A.

15.0% HelloFresh annual revenue from from 2022-2027

Source: Optimist Fund Estimates

We also expect significant free cash flow margin expansion as their less mature, margin dilutive businesses scale, and they slow capacity expansion capital expenditures.

Our estimates above imply ~€15 billion of revenue and >€1.25 billion of free cash flow in 2027 compared to their 2021 figures of ~€6 billion in revenue and ~€200 million in free cash flow.

Today HelloFresh has a market capitalization of ~€3.9B. By applying a 20x multiple to HelloFresh's €1.25B in 2027 free cash flow, we can see a scenario where the company is 7x more valuable in 4-5 years.

Closing Remarks

On a go forward basis, we plan to continue to provide more information on our holdings in the investment letters section of our website. This will give investors the ability to go deeper into the holdings in the portfolio without turning our quarterly investor letters into novels.

Lastly, we want to thank our investors for their patience during these turbulent market conditions. 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.

This report is neither an offer to sell nor a solicitation of an offer to buy any securities in any fund managed by us. Any offering is made only pursuant to the relevant offering memorandum together with the relevant subscription agreement, both of which should be read in their entirety. No offer to sell securities will be made prior to receipt of these documents by the offeree, and no offer to purchase securities will be accepted prior to completion of all appropriate documentation. The discussions in this report are not intended to be investment advice to any specific investor. Some of the discussions are based on the best information available to us, publicly or otherwise, but due consideration should be given to the fact that much of it is forward-looking or anticipatory in nature, which is inherently uncertain. Past performance of a fund is no guarantee as to its performance in the future. This report is not an advertisement, and it is not intended for public use or distribution.