Hoofddorp, the Netherlands, 7th of August 2026

Dear Investor,

While we continue having a good year, our sizable position in SK Hynix took a hit that the rest of our portfolio couldn't make up for. This meant the fund depreciated 7.2% since our last Investor's Letter, taking our performance below our benchmarks for the year. As discussed in previous letters we are currently significantly exposed to the volatile memory sector and gold mining sector as our positions have grown through appreciation, and both have lost momentum and need to digest investors taking profits. For the moment we remain committed to these positions as they continue to present an asymmetric payoff that should profit us even without positive surprises.

We're saving up a bit for our very first Anniversary Lunch for our investors. Very excited to meet everyone who has been part of our exciting journey. We can't wait to share some big takeaways on the 4th of September with the investors.

2025	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full Year
ARAR Fund*	3.3%	-1.9%	-2.3%	-7.2%	10.7%	3.6%	2.6%	4.5%	2.4%	-0.8%	-0.7%	2.1%	16.3%
MSCI World ACWI ETF**	4.2%	-2.3%	-7.4%	-4.0%	6.1%	1.2%	4.3%	0.2%	2.8%	4.4%	-0.5%	0.4%	9.0%
MSCI Equal Weight EUR	3.9%	0.3%	-5.7%	-2.2%	4.4%	-0.4%	3.3%	0.6%	0.2%	2.1%	0.6%	1.1%	8.2%
AEX Total Return	4.9%	0.3%	-2.5%	-1.8%	5.8%	-1.0%	-1.1%	0.0%	5.1%	3.1%	-2.6%	0.8%	11.2%

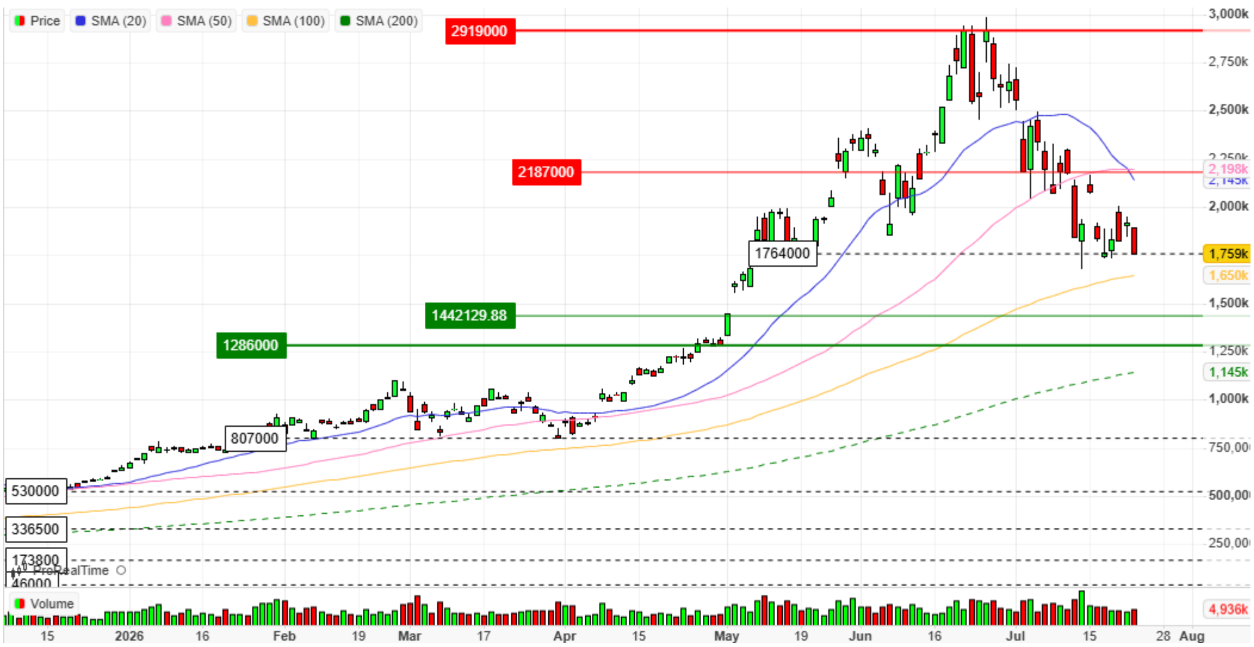
2026	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full Year
ARAR Fund*	9.3%	2.7%	-11.4%	6.6%	8.8%	-0.9%	-6.3%						7.2%
MSCI World ACWI ETF**	1.2%	1.7%	-5.3%	8.7%	5.9%	1.1%	-1.1%						12.1%
MSCI Equal Weight EUR	1.5%	4.3%	-5.2%	4.5%	4.2%	1.6%	0.9%						11.9%
AEX Total Return	5.3%	2.7%	-6.4%	6.2%	2.8%	4.4%	1.8%						17.4%

PERFORMANCE IN DETAIL

SK hynix

When you let your profits run there's always a bit of 'live by the sword, die by the sword' going on, as minor positions swell to 10x the size in some cases. There'll always be this inner monologue of 'if only I sold at the top' once a stock inevitably runs into a significant drawdown. However, we must be fair to ourselves: Rarely can one take profits right at the top. Realistically, taking profits happens far earlier or far later: either you trade out and it goes up another 100%, 200%, maybe 500%, or you decide you want to sell after the stock has already given up 20/30/50%. And perhaps you'll even be 'lucky' enough to see both at the same time!

Such would have been the case for SK Hynix. If we were to have taken profit based on these technicals, a very logical exit point would have been near the end of March. It might have felt good taking 400% profit, but we would have missed out on an extra 400% (or something to that degree):



In my experience, especially regarding tech, taking profit early is short-term satisfying but rarely the most profitable strategy. We will have to see whether we are underestimating upcoming bad news, but we believe SK Hynix continues to be one of the most compelling opportunities right now and therefore have kept our economic exposure intact.

We did shuffle around the way we remained exposed, and we will elaborate on this at our lunch.

Jackson continues to do well

Jackson has a habit of moving up and down for strange reasons. It went down over 10% on Q1 earnings earlier and made us tactically expand our position, and after it recently went up 15% on an upgrade we decided to better-size our position. We believe it is still a very solid investment, but do not see an opportunity that warrant a position larger than 10%.

Gold stocks: less drama, investment case strengthened

Last Investor's Letter we explained why political developments in Senegal made us vigilant. Fortunately, recent permitting developments in Senegal for competitors has shown the local government remains constructive and forthcoming in providing permits, which is a big relief for our Thor Explorations investment: Not having to fear delays means Thor will have an easier time doubling production in the next three years, before the open-pit part of their mine in Nigeria depletes. That said, we continue to rely on gold going up in the short run.

Chinese lenders: more legislation gossip, but earnings stabilizing as anticipated

While earnings seemed to stabilize, Jiayin Group had a late earnings 'surprise' and concluded they underestimated the risk on their books a quarter earlier. We still own the stock but did pivot away somewhat before the announcement.

Freight Shipping

While much of our portfolio would like Iran and the USA to sort things out, we continue to hold a pocket that is on the opposite side of the spectrum: As previously explained, high oil prices lead to 'slow steaming', tightening capacity of shipping and thereby elevating freight rates.

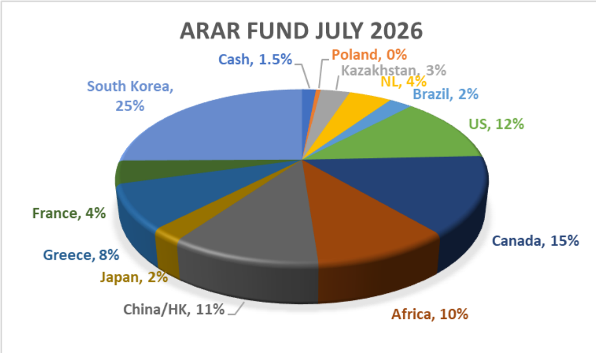
For our shippers the situation has gotten even better as Iran is now also threatening the Suez Canal route through their proxies in Yemen. As long as freight needs to go all the way down to the Cape of Good Hope to get to Europe, capacity will be tight and rates will remain extraordinarily high. We keep benefitting with over 8% exposure tied to freight.

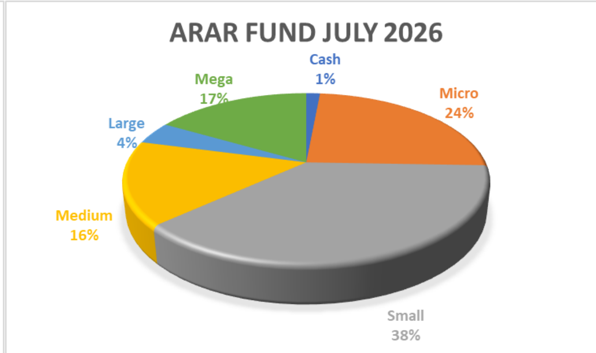
Gravity Co. Ltd.

Gravity announced they were deliberating on paying a dividend. This was major news as Gravity has a cash balance that exceeds their market cap (and no debt). The reason the stock was so cheap is that investors feared they would keep the cash on the balance sheet forever or waste it at some point. Today we can update this and say that that fear can be put to rest: They declared a 5% dividend.

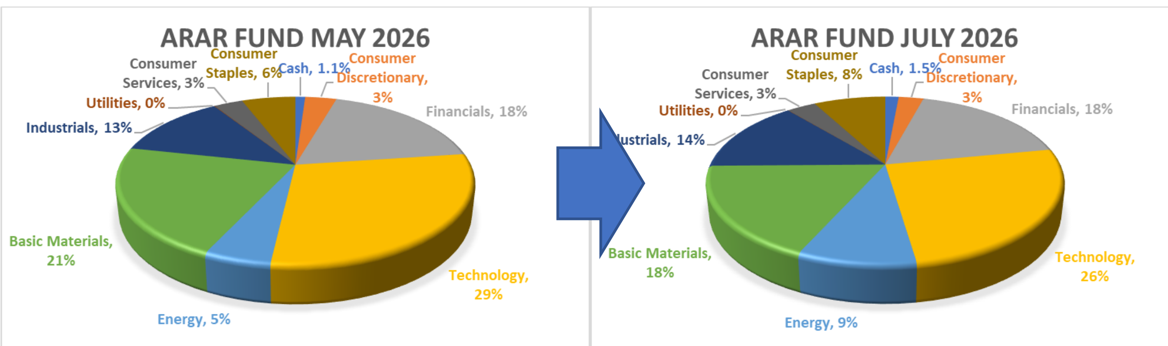
We are very excited about where this is going, though we should add one caveat: Gavity accompanied the dividend with extensive investment plans: the circa 25 mn usd dividend is accompanied by plans to invest an extra 100 mn in growth and do 100 mn in 'strategic investments' to build their Ragnarok IP ecosystem. The latter will obviously have a huge impact on their balance sheet and change the whole 'if-they-pay-out-their-cash-you-get-the-rest-for-free' thesis, as they will 'only' have a cash position of 50% of market cap left. However, we are comforted by the fact that it is obvious they are able to allocate wisely and have shareholders interest in mind and expect the stock to creep up further in the coming weeks/months.

PORTFOLIO COMPOSITION





The current portfolio consists of 29 stocks (of which two negligible) and a 1.5% cash position. We adjusted ten of our positions, entering one new name (see our ‘Company in Focus’). We have shuffled around our position in SK Hynix but have retained our exposure. We exited Ferrotec, a Japanese company engaged in the semiconductor sector. It has tripled since our entry and now traded at over 15x forward earnings. We don’t believe they have a defendable moat longterm and do believe margins will normalize. We’d rather own a leading-edge microchip company trading at 4x forward earnings that Nvidia is dependent on to produce technological superior processors (i.e.: SK Hynix).



TOP 5 HOLDINGS:

Holding:	%	Adj P/25E	P/26E**	EV/adj EBITDA	Exp Rev Growth**
SK Hynix* (South Korea)	16.6%	22.3	5.0	18.0	>>200%
Jackson Financial (US)	10.2%	5.8	5.8	7.2	6%
Gravity (South Korea)	8.6%	10.0	9.0	-1.0	10%
Thor Explorations (Africa)	8.2%	4.3	2.9	3.5	100%
Auxly Cannabis (Canada)	7.8%	10.0	7.5	10.7	7%

*Including adjacent entity stakes

**Based on Refinitiv consensus analyst or proprietary estimates

COMPANY IN FOCUS: DEUTSCHE ROHSTOFF

In our last Investor Letter, we promised to reveal a mystery stock that we believe presented a great opportunity *and* good exposure to the oil crisis. While we don't have special insights into how the crisis will evolve, we do believe that the scenarios seem to be somewhat balanced: A yearlong closure seems as likely as a reopening. How this would affect oil prices, and with that the profits of oil companies, remains asymmetric in our view: Reopening can take oil prices down 30 dollars to 50 usd/bll, but the Strait remaining closed could still push oil prices up a hundred dollars or more.

That said, we value our investments based on the commodity prices we see in the market, not on our own ideas. For oil in particular it is important to use *strip* prices: when calculating our Fair Value of an oil company, we assume they will sell their oil and gas for the prevailing price of the oil future of the month in which the oil is produced (oil produced in November is sold for the price we see in the November futures contract, December is sold for the price we see in the December futures contract, and so forth). This means in our model we already implicitly assume oil and gas prices will come down:

MONTH	OPTIONS	CHART	LAST
SEP 2026 CLU6	OPT		79.43
OCT 2026 CLV6	OPT		77.36
NOV 2026 CLX6	OPT		75.45
DEC 2026 CLZ6	OPT		73.90
JAN 2027 CLF7	OPT		72.71
FEB 2027 CLG7	OPT		71.90
MAR 2027 CLH7	OPT		71.21
APR 2027 CLJ7	OPT		70.68
MAY 2027 CLK7	OPT		70.25
JUN 2027 CLM7	OPT		69.83

WTI futures prices 3rd of August, Source: CME Group

Right now the market is pricing in oil prices will come down 10 usd (12.5%) within nine months, so we use that. Admittedly, you have to do some extra work for longer-term prices as the price reflects multiple scenarios and the oil company has options to adjust along the way: If oil prices crash the company might stop investing and save themselves from producing at a loss, while high oil prices might offer the opportunity of fast-tracking production to capture short term opportunities.

Fast-tracking production is exactly what our company in focus has done at the start of 2026, making it our latest investment and this month's Company In Focus: Deutsche Rohstoff.

Loyal readers might notice we already discussed Deutsche Rohstoff, and they are right! We actually held Deutsche Rohstoff, and sold out early in January 2026 (regrettably!). The stock was trading at a forward P/E of 10 with quite a bit of debt, and that's usually not what we're looking for. However, as the Strait was closed economics evolved. In their 1st quarter earnings call they revealed they had seized the opportunity and secured more rigs than usual, and would be able to fully exploit the elevated oil & gas prices through extra production. Guiding for a forward P/E of 2.2 was enough to put them back on our radar, especially considering their balance sheet.

One might also remember that Deutsche Rohstoff, despite mostly being a shale gas company, called itself a 'tactical commodity production investment company'. Turns out they were not wrong, as they held a ~8% stake in Almonty Industries. While this holding wasn't particularly valuable in 2022-2024, Tungsten prices have skyrocketed and so did Almonty's stock. By the end of 2025, Almonty had gone up 1300% and Rohstoff's stake represented a valuation about equal to their market cap. With oil prices below Rohstoff's breakeven that didn't look appealing enough, but with oil 40% higher that all changes.

With spot WTI oil prices at 80 usd/bll and prices further along the strip at 70 usd/bll, we see Rohstoff earning around 185 million in 2026 and 100 million in 2027. The rest of their reserves we value at around 550 million NPV. Add to that their 61 million Almonty stake (after collecting 190 million on the sale of ~75% of their stake), a 230 million cash position, and debt that's close to the rest of their assets, and we see a current fair value that's *triple* their market cap. Not bad for a company that also has a history of sharing their spoils with its shareholders through high dividends!

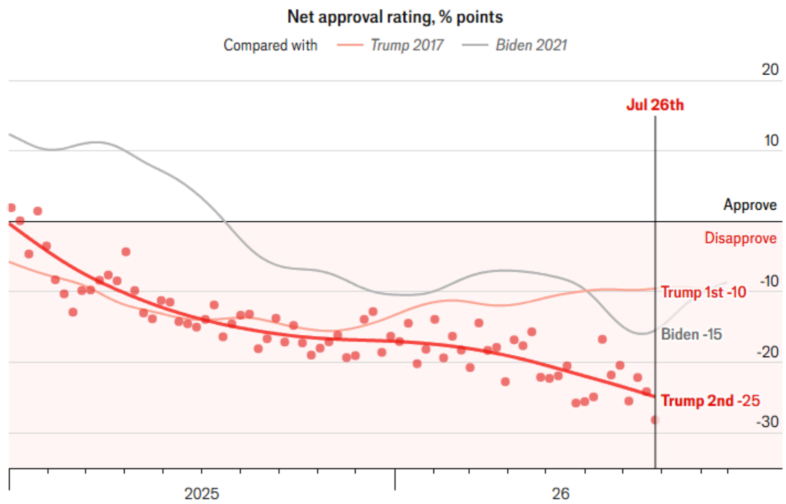
GENERAL MARKET COMMENTARY

Strait of Hormuz

We were wrong before we were right again, as Trump was actually able to open the Strait… for a week or so. The clock remains ticking as problems will compound if the strait doesn't open again. We must admit we didn't think Trump was willing to give up everything under the sun to get the strait open again, so we were caught off-guard. But given the fact Iran is not even willing to take such an unfathomable offer shows all roads now lead to more intense conflict. I am unsure what hand Trump is trying to play, but to me the most realistic solution seems to be allowing Iran to raise tolls and pass the newly created awfulness onto his successor (and Iran's neighbors). The only alternative would be escalation through a physical dislodging of the regime around the Strait's chokepoint. Interestingly, one would drive down the price of oil while the other would escalate the issues for another 6-24 months.

The Trump-Threat-Thermometer

Our Trump-Threat-Thermometer is unchanged from last time. The only thing worth repeating is our thesis that the more mistakes he makes the less likely a coup of sorts around the midterms will be tried and/or be successful. Not resolving the issue with the Strait of Hormuz, even after offering what is widely considered a humiliating peace deal, is not helping. And as one would expect, his failings are reflected in the direction of his approval ratings.



Source: The Economist

<u>A new wave of Artificial Intelligence</u>

It is impossible to manage a valuation-based fund well without staying on top of developments in the AI space. Every single stock continues to be affected, so if you don't have a view on this, you will have a hard time making decisions.

It is hard to overstate how fast developments are going. While people would like to lump it all together and call last five years 'the AI wave', that would not do it justice. It would be like saying the comeuppance of the dotcom's, google and social media is all the same 'internet wave'. But while nobody would make the mistake of lumping two decades of internet developments together, seeing AI developments as a single wave is much more tempting as it is all taking place within such a short timeframe. However, to get a better understanding of developments I would suggest taking a step back and realize we have already seen five giant leaps where every new leap significantly altered the course of the future.

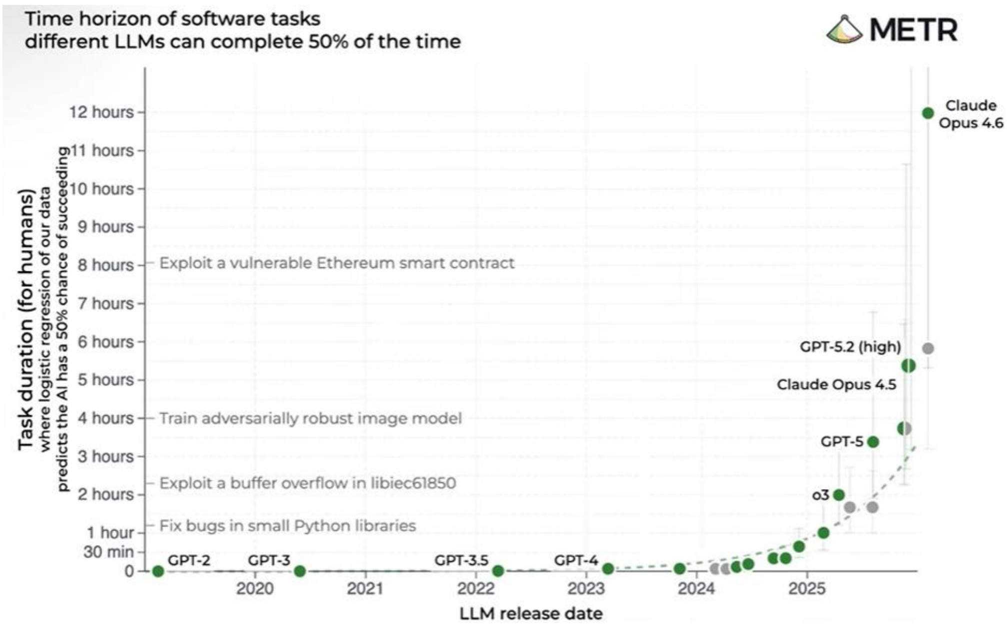
In the first wave we were introduced to the original ChatGPT (2023). It was basically a word-guesser that created a coherent string. It could sometimes help finding answers, or improve a text. While very impressive, it still served as a search-engine of sorts: you type, you get back an unverified answer.

In the second wave, we saw introduction of visuals as inputs and/or outputs (circa 2024). This was nice and technologically impressive, but not earthshaking: designer/illustrator work is niche, after all.

In the third wave, we were introduced to LLM's helping out with coding/developer work (circa 2025). But it required so much supervision one could still hold the belief AI would never grow beyond being a tool for human operators.

That all changed in early 2026 (the fourth wave). By that time, improvements in Claude Code had become so significant that developers noted they suddenly started receiving answers from Claude Code that *worked and needed little to no fixing.* Developers reported spending almost all their time talking to AI rather than coding. Famously, Anthropic is now saying in many teams 90% of code is AI generated. Because of these capabilities, productivity has started to skyrocket, contrasting developments in earlier waves. What made it particularly impressive is that coding is intellectually demanding: It is proof that AI can truly transform the need and requirements for almost any job, low skilled or high.

And now, just 6 months later, we are in the midst of the fifth wave: the emergence of agentic AI and giving the agent control of your desktop. In this era users have started to hand out *tasks* rather than questions. What makes this wave so important is that it makes AI self-instructing rather than reactive. No longer does the LLM wait for you to ask a question or give a task, now the AI is able to do your work while you are literally sleeping. While extremely useful, token-usage explodes.



The last two waves are really the proof-of-concept of what was only imagined two years ago: that AI is capable of not only augmenting white-collar jobs but actually replacing them: You can task an AI to watch your mail and just do half your job, or ask it to build something that used to require meetings and teamwork, or at least an endless conversation with Claude just a year ago.

One could almost imagine we are experiencing the arrival of an alien life form that, much like Star Trek's 'the Borg', is able to combine all experiences and knowledge into one conscience. In contrast to humans, it doesn't forget and never retires, drawing on the knowledge of the brightest and the wisest.

Though like a guide dog assisting the blind, it surpasses our capabilities in some areas while being useless in others: a guide dog can help you through traffic, but it will never be able to order your lunch. Similarly, we should not judge AI on where it fails, but on the size of the area it can theoretically surpass humans. At this moment this area is growing exponentially and I am struggling to complete the picture. For the moment, I think the biggest areas where AI continues to struggle are entertainment/creativity, self-motivation, scope interpretation, trust, and most importantly: agency. And of course, AI is really struggling in the physical world, with robots lagging human capabilities in even the most mundane tasks. But if that's the concept of the new world then wow, are we in for some adjustments!

To conclude, the fourth & fifth wave should really be seen as a completely new Big Bang moment for AI. As an investor two things stand out: 1) Agentic AI *guzzles* 'tokens' (the currency of workload), meaning the required number of datacenters and energy resources is set to grow even further, and 2) it now becomes extremely difficult to see how this will affect white-collar heavy industries and their workforce: It will certainly drill down costs, but could it also lower barriers to entry and therefore push margins lower, fast? So many questions, so few answers.

As earnings are rolling in from the hyperscalers, it seems that while they remain at a far distance from earning back their investment, cloud/AI revenue is going in the right direction while demand is outstripping supply everywhere. But extrapolation can be dangerous, so nobody *knows* whether the unprecedented capex boom will prove to be an over- or underestimation of future demand. As in the nineties, we are looking at enormous uncertainty through technological advances. While I risk talking my own book, I suggest only one thing seems certain: we need more compute.

Best Regards,

Joost van der Mandele
Director Pendelhaven Asset Management B.V.
www.ararfund.com