

Hoofddorp, the Netherlands, 7th of April 2026



Dear Investor,

The last two months were slightly disappointing, as the ARAR Fund depreciated 9.0% since our last Investor's Letter. It was a significant underperformance, but keeps us mostly in line with our benchmarks on a year-to-date basis, outperforming the S&P 500 and MSCI World and ACWI, while underperforming the MSCI Equal Weight Index.

Much of this had to do with gold going *down* after the attack on Iran, despite being known as a classic safe haven. We still believe gold retains this characteristic and wouldn't be surprised if gold makes a comeback in the coming months (more on this later). That said, we are pleased to report we have used new inflows to our advantage as the stocks we bought in March are mostly well above our buying price.

In this newsletter we will talk about the stories that moved our stocks since our last letter. With no new entries we skip our 'Company in Focus' this time, and spend a bit extra on the Iran war and what it will mean for stocks going forward.

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%

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2026	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Full Year
ARAR Fund*	9.3%	2.7%	-11.4%										-0.6%
MSCI World ACWI ETF**	1.2%	1.7%	-5.3%										-2.6%
MSCI Equal Weight EUR	1.5%	4.3%	-5.2%										0.4%
AEX Total Return	5.3%	2.7%	-6.4%										1.2%

PERFORMANCE IN DETAIL

Three themes stood out for our portfolio: Memory developments for SK hynix, volatility in the price of gold and the legislation tsunami hitting the beaches for Chinese lenders as they all reported their first earnings since the October rate cap took effect.

SK hynix: TurboQuant and helium shortage threats, but technology progressing

SK hynix is showing tremendous technological progress, expanding their lead to include the entire AI memory stack. It is now clearly becoming a lead supplier to Nvidia with their new HBM4 chips that will be a crucial part of Nvidia's new Vera Rubin platform.

Technology	Highlight	Strategic Impact
HBM4	2,048 I/Os; 40% Power Efficiency gain	Secured lead for Nvidia's 2026/27 "Rubin" GPUs.
1c LPDDR6	33% Speed Increase	Dominance in the emerging On-Device AI market.
321-Layer NAND	2Tb QLC Density	Industry-leading cost and capacity for AI storage.
Liquid-Cooled eSSD	Thermal management innovation	Deepens integration with Nvidia's hardware ecosystem.

Concurrently, unfortunately, production is under threat from a possible helium shortage caused by the closure of the Strait of Hormuz, responsible for 30% of global helium production. Super concentrated helium is a vital requirement for production and cannot be substituted (not even with the lower quality party helium!). Even transportation from US plants is not an option because you cannot transport helium over these distances: it slowly boils off during long travels. But even disregarding that: the specialized containers needed for helium transportation are in short supply, which would become another limiting factor once you replace helium from the Middle-East with longer distance alternatives.

Fortunately, SK hynix did build up a stockpile for at least three months. Moreover, in a prolonged blockade it seems likely sanctions on Russian helium will be lifted to solve the issue. I cannot imagine Trump will put Nvidia's supremacy at risk just to sustain sanctions on Russia.

The **TurboQuant** breakthrough, unveiled by Google Research in late March 2026, has sent shockwaves through the semiconductor industry, as it compresses data 6x with no loss in accuracy, making the usage of LLMs much more efficient. However, it would be a mistake to think this will reduce memory demand

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by a factor of six: In the last thirty years memory has become a million times faster but software continues to demand more. In this regard we should mention Jevons' paradox, stating that efficiency gains can increase use-cases by such degree that an efficiency gain can lead to higher instead of lower amount of demand. In this case, the TurboQuant breakthrough could be so significant it could even make *on-device* AI affordable (another place where SK hynix is a dominant supplier). It could also be that it will just make 'larger & better' LLMs more feasible again. As SK hynix is already fully booked for 2026 and has communicated 2027 will be even tighter, we reckon TurboQuant does not meaningfully impact the investment case.

Gold down as macro stress is growing

Gold has been volatile throughout 2026. While we hoped gold would be a safe haven cushion in the face of more Trump drama, gold has shown the opposite thus far: within a day after the start of Operation Epic Fury, gold started tumbling along with stocks. This is rare, though not unique: In the opening salvos of the October 2008 and March 2020 crashes, Gold went down *alongside* stocks. However, in both cases gold still turned out to be an excellent investment: In 2008 gold quickly retraced while stocks kept struggling, while in 2020 Gold rallied 30% alongside stocks. Even at Trump's 'Liberation Day' in 2024, gold depreciated 7% when stocks crashed before starting a relentless ascent towards \$5500/oz. These downticks are awkward, or even painful, but were short-lived. We remain comfortable being exposed to the gold price, *especially* in an environment where Trump's exuberant spending plans on defense and homeland security will run up the deficit and threaten the future of the dollar.



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Chinese lenders: pressure on earnings

As our Chinese lenders reported we could finally witness the real impact of the PBOC's reforms on the lending sector. While the legislation consisted of many parts, the most significant change was the reduction of the allowed annualized lending rate to 24%, including the closure of all pre-existing loopholes. We already knew it would send shockwaves, but now we could really see the effect on earnings. The impact could be categorized into three buckets:

1. Lenders tightening lending standards as subprime borrowers go off the lending cliff: suddenly they cannot pay back old debt anymore by assuming new debt.
2. Increased defaults as these people can't find sources to borrow from anymore.
3. Dramatic reduction in total lending at the companies that focused almost exclusively on these borrowers.

While we had anticipated significant impact, not everything was fully expected. Namely, Jiayin Group itself had guided for a 54%-66% reduction in net earnings near the end of November. But despite already having visibility on 2/3 of the quarter, net earnings came in 75% lower. On top of this, guidance for 2026Q1 is a further step down in origination. Stocks have kept pace with these downgrades and are now trading, based on 2025Q4 (and guidance) at an estimate forward earnings of 3.6-5.6 and a P/B of between 0.2 and 0.6. All attractive characteristics now seem to be evenly divided between the most interesting ones:

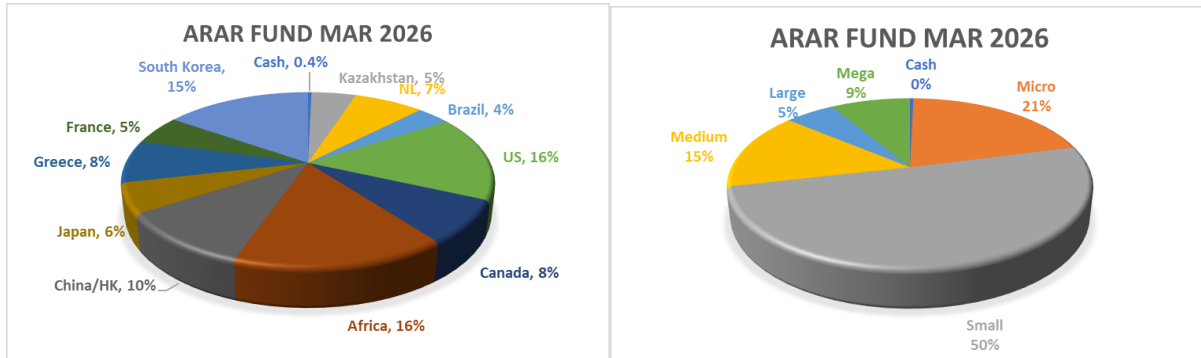
Company	Fwd P/E (est)	P/B	Notes
Jiayin Group	4.9	0.37	Subprime specialist, adapting, expanding in Indonesia & Mexico. P/E could be too high, maintaining dividend
X Financial	5.6	0.21	Subprime specialist, stopped paying dividend
QFin Holdings	3.8	0.61	Better prime, large loan book with possibly more provisions upcoming
Finvolution	5.5	0.64	1/3 of earnings now overseas

What keeps me invested is their history of innovation and shareholder friendly behavior, combined with attractive P/Bs and a possible normalization of provisions. Unfortunately, this has to be balanced against the rumors of further reduction of the allowed interest rate down to 20%. Such a move would be another devastating blow to the sector.

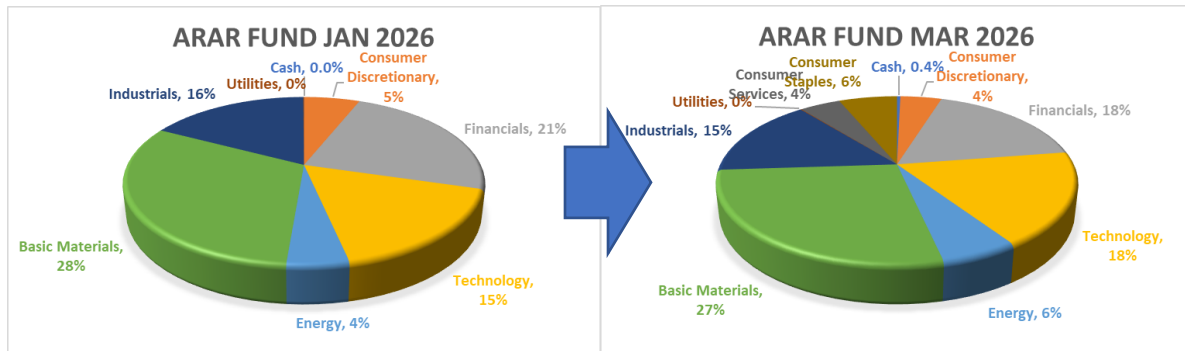
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PORTFOLIO COMPOSITION



The current portfolio consists of 27 stocks (of which two negligible) and a 0.4% cash position. We have touched ten of our positions. Our most notable expansions have been in SK hynix, Auxly and gold miners.



TOP 5 HOLDINGS:

Holding:	%	Adj P/E12M	P/E26**	EV/adj EBITDA	Exp Rev Growth**
Jackson Financial (US)	13.1%	4.8	4.8	6.0	6%
Thor Exploration (Africa)	12.5%	4.3	2.9	3.5	130%
SK hynix (South Korea)	8.6%	10.8	4.3	4.0	160%
Gravity (South Korea)	6.8%	9.0	9.0	-1.0	0%
Auxly Cannabis (Canada)	6.3%	8.0	6.0	8.2	7%

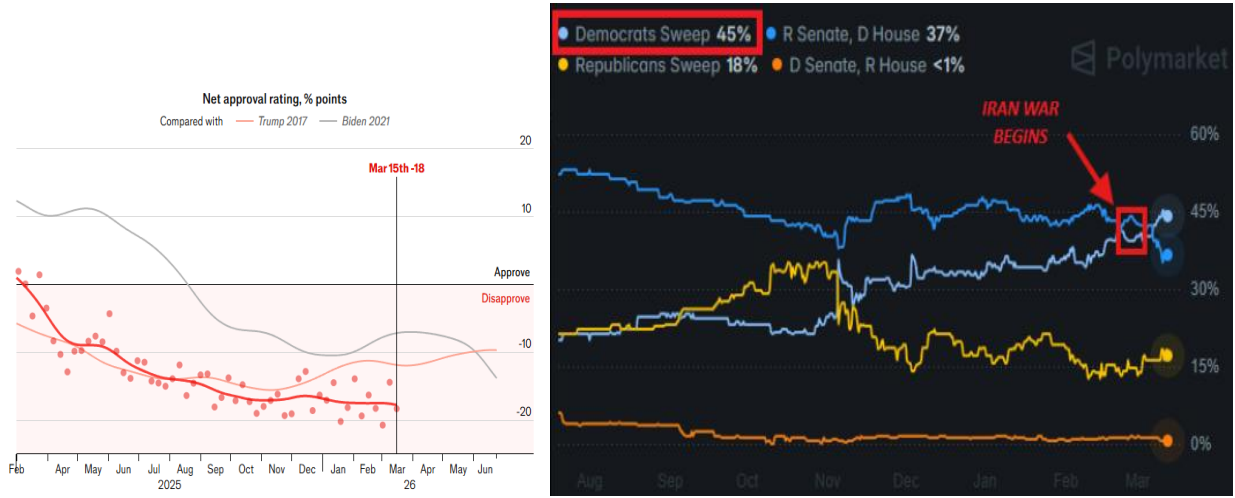
**Based on Refinitiv consensus analyst or proprietary estimates

GENERAL MARKET COMMENTARY

Very few developments worth mentioning aside from Iran: The ICE chapter was closed (for now) after the firing of Kristi Noem. Attention is successfully being diverted away from the Epstein Files, but this can only be temporary. While Trump’s DoJ has blatantly declared they have now published everything eligible for release, even as almost half of the 6 million documents remain under wraps. Understandably, congressmen are not letting this go and I am confident this will linger on well into the election cycle. Trump has retained a 39% approval rating. Which is both a record low for a sitting

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President, but amazingly high given the stacking of scandals and misjudgments from the Trump administration. This should reduce the odds of the USA descending into totalitarianism.



Source: The Economist, Polymarket

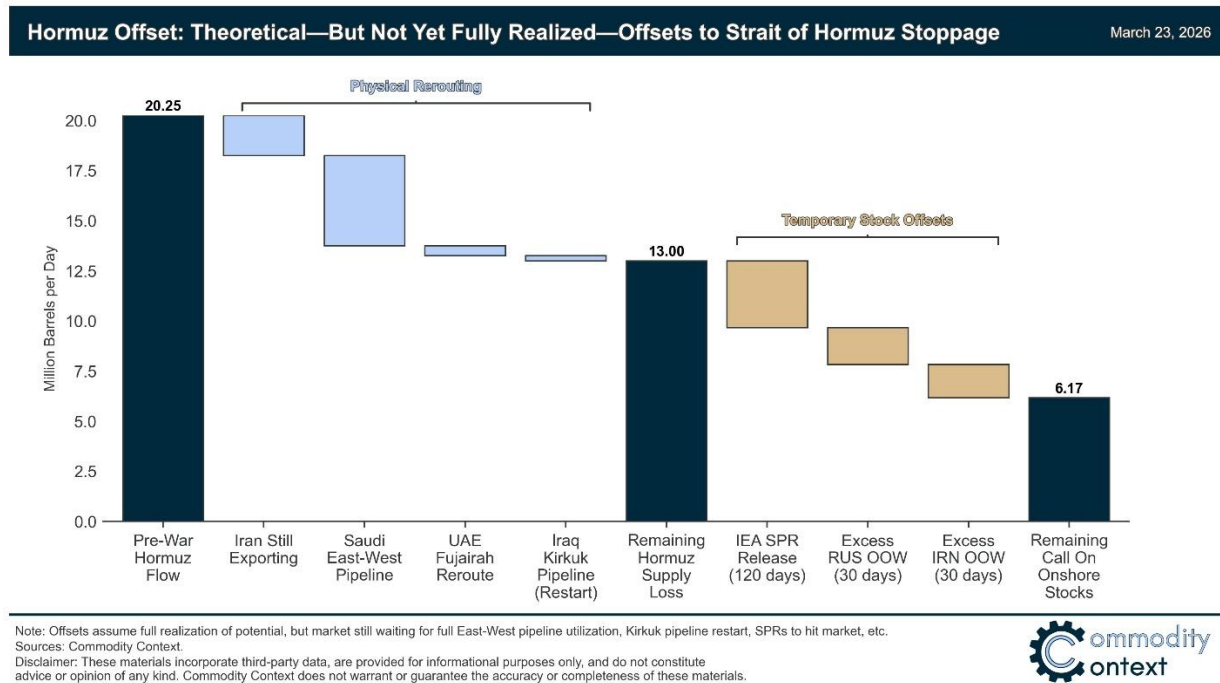
	Tariffs	Economic Experimentation	Attack on Balance of Power	Restructure of World Order
Previous	▶	▶	▶	▶
Developments	⇒	⇒	↑	↓
Notes	Trump is occupied by Iran	Rumors around a 1.5 trillion USD defense budget	Trump continues making unpopular policy choices, undermining his chances	The Iran crisis makes Europe more dependent on the USA
Currently	▶	▶	▶	▶
Focus now:	Tariffs against NATO, export controls on oil	What is the response to the Iran-caused inflation?	Can Trump undermine democracy?	Watch China

Strait of Hormuz

It is difficult to overstate the impact of the closure of the Strait of Hormuz to oil markets. To truly appreciate the size of this shock, we can make comparisons with the 1973 OPEC oil embargo and the 1979 ‘Second oil shock’. In 1973, OPEC reduced production by an eventual 4-5 million barrels per day. This caused oil prices to rise fourfold, and helped cause severe stagflation – a spike in inflation combined with a severe recession. 6 years later in 1979, a similarly severe shock occurred as the Iran-Iraq war caused disruptions reducing global production by a similar 4-5 million barrels per day. In this case oil prices tripled. It caused inflation to shoot up 6% while causing a recession.

Crucially, however, these shocks reduced net production by only 8% and 4%, respectively. The current blockade of the Strait of Hormuz effectively takes out *over 10%* of global production.

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On the short term, this can merely be compensated to bring it on par with the crises of the seventies. That option dissipates after 1-4 months, and it assumed Iran will not be able to disable Saudi and UAE pipelines, and will continue to be able to export its own oil. Those are still big ifs.

So while the 1973 and 1979 cuts were shallower, we are not even pricing the same impact. Oil prices are up 'only' 60% (not +200-300%), Stocks are *not* down 45% (just 5%), inflation expectations have *not* risen 6% (only 0.5%). All in all, markets are almost fully pricing in this crisis will be contained. But do the available solutions make this assessment likely? It seems there are three possible paths: 1) a peace deal and lifting of the blockade, 2) the US forcibly ending the blockade, 3) oil demand destruction.

1): The closure of the Strait of Hormuz is an issue Trump cannot walk away from: His attack on Iran is the direct cause and he owns the impact that his voters will feel at the pump and the wider economy. In short: it needs a solution, and it needs one fast. What gets too little attention is that the Iranian regime should be really interested in a peace deal, too. This war is a direct threat to their rule and raises the risk of an uprising. And without production facilities Iran will run low on missiles. Experts argue they will never have more bargaining power than currently. Lastly, gulf states are getting frustrated and impatient. With dwindling Iranian missile supplies, the oil states might feel compelled to actively support the US effort and remove all financial obstacles to expanding the war. That said, one could also argue Iran might feel compelled to *delay* a deal: the higher oil prices get, the more desperate Trump will become. And other actors have a lot of incentives to sabotage a deal: Israel cares little about the world economy, it seems, and will want to maximize chances of upending Islamist rule. Similarly, Russia will try everything to keep Iran from lifting the blockade. With oil prices nearing record highs and the US tempted to lift sanctions on Russia to get more barrels on the world market, the closure of the Strait is a lifeline for the faltering Russian economy. Lastly, Iran finds itself in the same predicament as Ukraine: What is a treaty worth if it cannot provide a good guarantee of peace in the future?

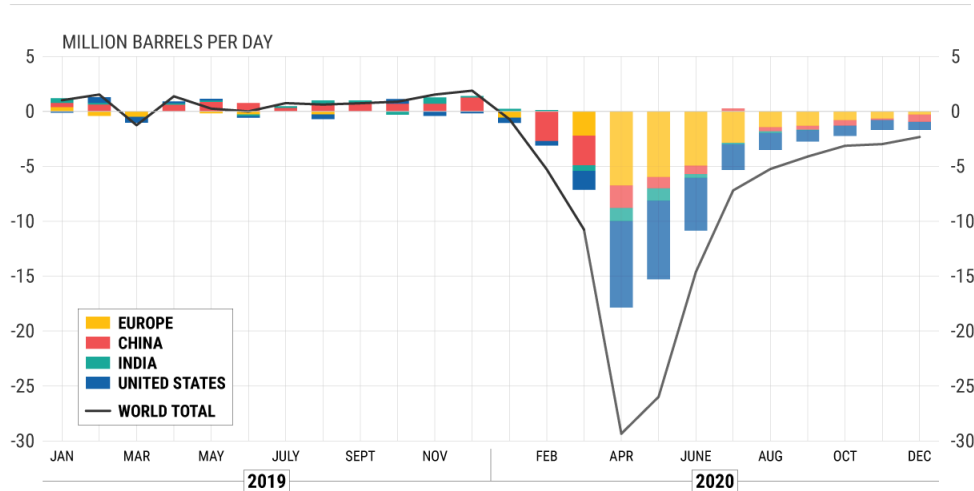
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2): Trump boasted he will forcibly open the Strait of Hormuz, but to me this is nothing more than a negotiating trick. Ships and marines can't guarantee safety as not all of Iran's weapons enforcing the blockade can be stopped. Even if marines occupy the whole coast of Iran (quite a tall ask), Iran possesses ballistic anti-ship missiles that can be fired from hundreds of miles inland. Even if hundreds have been destroyed, Iran would only need a handful remaining to enforce the blockade. Moreover, sea mines, surface/submarine drones can be launched covertly. While Iran could not deploy these *en-masse*, using them as a terrorist threat should be enough to keep the strait closed and would be almost impossible to prevent.

3) With the strait closed, only reduced oil demand would balance the supply shortage. Economists estimate oil would need to climb to 230-250 dollars per barrel before demand shrinks 13 million barrels. In this case we shouldn't be surprised if we run into the exact same scenario as in 1973 and 1979. This would put the whole economy into a tailspin. Companies from numerous sectors would be forced to choose between reducing production and/or raising prices, creating a contagion effect on inflation and higher unemployment. A way to mitigate this would be through forcefully reducing *direct private* consumption: by limiting personal use of cars and airliners, one can reduce demand before prices become unbearable. Some countries, mostly emerging markets, are already trying to throttle consumption. In the EU a common proposal is the reintroduction of carless Sundays. In our view such measures would be insufficient. A better proposal would be going back to COVID-era 'work-from-home' decrees. Another interesting policy would be to reduce the maximum speed on highways to 80 km/h, which reduces fuel consumption per mile by up to 25%. It would also make people think twice about driving long distances as it drastically increases travel time. The last measure worth mentioning would be the introduction of high flight taxes to radically reduce passenger traffic.

Global Oil Demand Growth, Year-Over-Year



In 2020, COVID reduced oil demand by 29 million barrels per day. A mild version of the COVID lockdown should be able to achieve the required 13 million barrels demand destruction, preventing a debilitating recession and exorbitant prices at the pump. And it would be much preferred to hiking rates. Decisive action could mean the difference between a slowdown that can be fought with rate cuts, and a rerun of the stagflation from the seventies.

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I believe there are good odds Europe and Asia will move towards these measures if the crisis persists. Unfortunately, I expect Trump to tackle the issue in an entirely different way. Looking at it from an America-First angle, I expect he will prefer to introduce windfall taxes on domestic supply and use the proceeds for subsidies on domestic consumption of oil & gas. Perversely, this would insulate Trump from his own blunders while others bear the cost.

To me it all adds up to a very complicated macro environment that could move into a number of directions. I see very few obvious plays that can not turn sour on a whim. Overall, it seems market reactions have been tame and I expect the 'old' economy to see higher deterioration of profits than is being priced in at the moment, especially in Europe.

Luckily, I feel quite comfortable with the sectors we are in. The current collection of positions seems more undervalued than usual, making me quite optimistic about the coming months. We will see.

Best Regards,

Joost van der Mandele

Director Pendelhaven Asset Management B.V.

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