

Hoofddorp, the Netherlands, 2nd of June 2026



Dear Investor,

We are pleased to report the ARAR Fund has had a formidable two months, appreciating 16.0% since our last Investor's Letter. This was an outperformance of the benchmarks we track and keeps us over 3% ahead of the best performing benchmark. This keeps us well ahead of our benchmarks on a year-to-date basis.

A significant portion was due to the early 2026 expansion of our position in SK Hynix, though our stocks recovered across the board, with only Chinese Education stocks lagging.

In this Investor's Letter we will focus on the latest developments in our stocks and the macro-outlook for the rest of the year. We are saving our deep dive segment for our Three-Year Anniversary Lunch for which we have moved the definite date to the 4th of September. We are really looking forward to celebrating this special occasion with those that have been with us on this amazing journey and have been pivotal to its success!

| 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% | | | | | | | | 15.3% |
| MSCI World ACWI ETF** | 1.2% | 1.7% | -5.3% | 8.7% | 5.9% | | | | | | | | 12.1% |
| MSCI Equal Weight EUR | 1.5% | 4.3% | -5.2% | 4.5% | 4.2% | | | | | | | | 9.3% |
| AEX Total Return | 5.3% | 2.7% | -6.4% | 6.2% | 2.8% | | | | | | | | 10.5% |

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PERFORMANCE IN DETAIL

By far the biggest story of the market last two months has been the surge in Technology hardware stocks. At the heart of this stands SK Hynix, which was the number three of our portfolio two months ago. Not only did the stock benefit from the upsurge, it even outperformed almost all others within the sector, going up a whopping 164% in just the time between our latest Investor's Letter and this one alone.

When a cyclical wave becomes a tsunami

As you may recall, we already faced a difficult decision two months ago, as SK Hynix was already up over 400% since picking up the position. However, we argued for keeping SK Hynix as they indicated they were fully booked for 2026 and 2027 while expanding their lead on the competition. To us, this meant SK Hynix kind of resembled the setup of Danaos two years ago: Enough booked to earn an enormous portion of its market cap just from locked in revenue, while still having a very solid company left, with the possibility of a longer tail in the cycle. To us this was enticing enough to keep and even expand our position. This has paid off swimmingly.

So why is the Technology Hardware sector going berserk? Interestingly, it is very different from most other sector stock booms (like the Dotcom bubble, the Cannabis stock bubble, the 3D printing bubble, etc.). In these bubbles the sector stock prices went berserk in anticipation of an explosion in demand: Stocks that had no visible path to profit were bought as if it would be all but certain they would make billions in the near future.

In contrast, the current boom in stock prices for memory stocks is caused by an *underestimation* of demand: the memory market has suddenly become exceptionally tight as the sector had not expected demand for memory to explode the way it did. SK Hynix and competitors alike have not been able to keep up with demand for HBM (High Bandwidth Memory, the highest margin and most advanced memory components for AI datacenters). Because of this, they have deprioritized lower yielding DRAM/NAND production. This, in turn, has reduced supply for these commoditized components, at a time when demand from datacenters is skyrocketing. Hence, we now see an exceptional shortage in something that has been an infinitely producible commodity for more than a decade. Companies that specialize in these commoditized parts, like Sandisk and Kioxia, have seen their shares skyrocket as a result. But, as ChatGPT would say, 'here comes the twist': their P/E's are still very modest as they went from near-zero margins to 30-40% margin. So while these stock prices exploded, that still *lagged* the profit boom.

Modestly priced as they may be, I am not convinced these DRAM/NAND stocks are cheap. I will try to explain using an analogue: Let's say you are looking at restaurants in Venice (or any other tourist harbor that occasionally gets flooded by the arrival of a cruise ship). Usually, everyone eats at the A-location restaurants, because nobody likes to walk a mile for a meal. During those times, the A-location restaurants make a bit of money, and the restaurants at the C-locations suffer. But once a cruise ship arrives, the restaurants are packed! The A-locations go from busy to stuffed, so tourists need to walk the extra mile to the C-location restaurants, which go from almost empty to stuffed. Now as you'll notice, profits of the C-locations rise more sharply than for the A-locations. Now if these cruise ships come

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more often, all these restaurants will think about expanding. After this happens, you can imagine that capacity at the A- and C-locations grow (You can imagine capacity expansion is easier at the C-locations, but that's not even important). Now once the cruise ship leaves again, things go a bit quiet again: The A-locations are again busy but not crowded. But with all the extra capacity build out, no customers will have a reason left to venture all the way to the C-locations. And if they do, there'll be more restaurants to choose from than before. Hence, even though the C-locations' profits rose most sharply during the rise in demand, they are more likely to suffer disproportionately in the downturn. I view the low tech DRAM/NAND corner as the C-location of the story: Their 2026-2027 earnings will be far less representative of their future earnings power than those of SK Hynix and other HBM-producers. As such, I don't like the current setup for Sandisk in spite of >100% revenue growth and trading at a 2027 (forward) P/E of under 10.

I'm even less optimistic about the many other 'C-location'-like companies that are now seeing exceptional margin- and revenue growth in the face of the AI-datacenter buildout. Many lower-tier producers are benefiting from their better competitors being sold out, but their margins and revenue will inevitably deteriorate. For investors extrapolating their growth and buying these companies at very high multiples the hangover will be significant.

Gold stocks: more drama, investment case unchanged

Gold is slowly bleeding down, now 3% lower than our last Investor Letter. Multiple developments have emphasized these are emerging markets and trouble is always around the corner. Serabi Gold experienced the tragic deaths of two workers. This led to an immediate but short freezing of operations for investigation and the initiative of setting up an external audit for health and safety.

More worryingly, Senegal is reeling from recent political turmoil after the uncovering of \$13 billion hidden debt. In Shakespearian fashion the President Faye dismissed anti-austerity Prime Minister Sonko, who was then elected Speaker of the Parliament by the House, creating some sort of a two-headed power structure. The debt market of course didn't like any of it and are now pricing in a 15% haircut on government bonds. Such a dire situation will put more pressure on negotiating favorable terms for granting a final mining license to Thor Explorations' Douta Project. Thor's Segilola mine is slowly depleting and the Douta Project is a very significant part of the investment case, so we are monitoring developments closely. Independent of how the political drama ends, it puts an immediate brake on getting licensing negotiations done quickly.

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

Last Investor Letter we spent a bit of time explaining why we are still invested in the Chinese Lenders sector: We expected a possible normalization of provisions that would make the already low forward P/E estimates as a worthwhile upside risk. We weren't far off, with X Financial, QFin and FinVolution all popping on their respective earnings releases. QFin even managed to go up over 40%(!) on earnings before giving some of it back.

Unfortunately, the Chinese government didn't sit still as the NFRA and PBOC jointly released a transparency mandate to be better able to enforce the 24% APR cap. More threatening are the rumors the government has requested banks stress-test for a further reduction of the APR cap to 15-18%. Such an adjustment would severely impact even our most prime-oriented lender.

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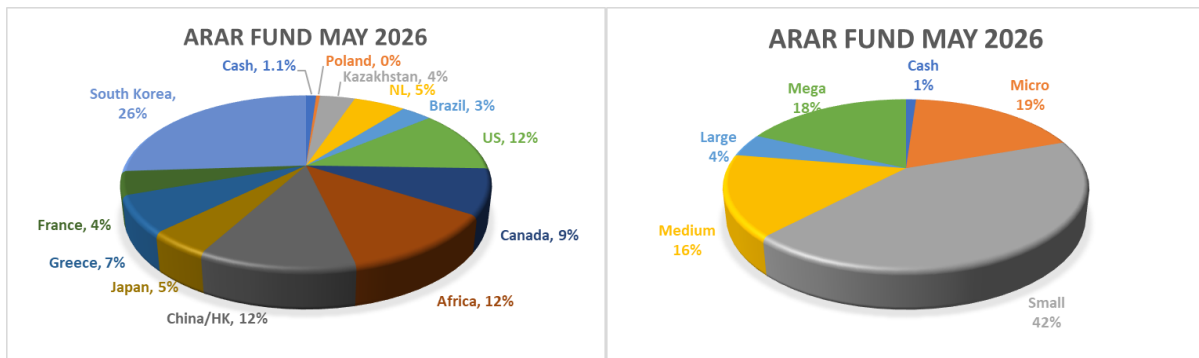


In the last two months this added up to stock increases of between 3 and 25%, but we are closely monitoring for regulatory clarity.

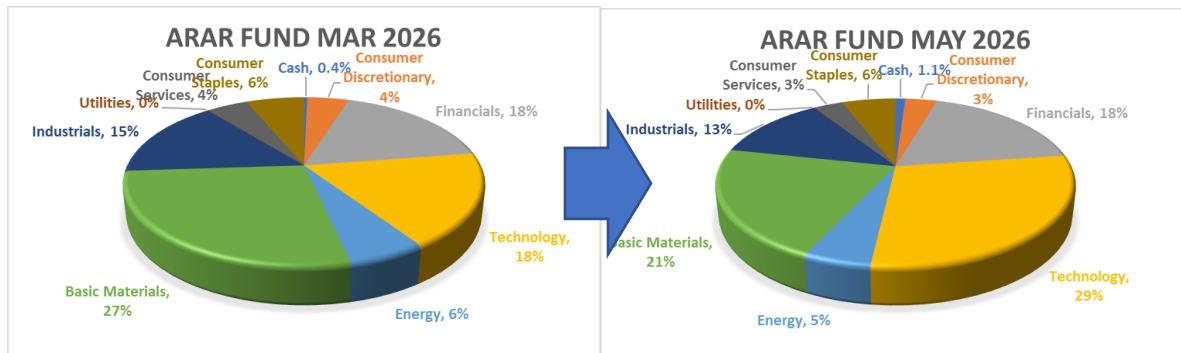
Freight Shipping

As the Strait of Hormuz remains closed, we continue to see elevated freight rates. This is because 1) heightened tensions have also affected the Suez Canal, and 2) the higher oil prices induce shippers to employ 'slow steaming' to reduce fuel consumption. This in turn reduces the number of journeys a ship can complete, severely reducing fleet capacity. Lower capacity means a tighter market, pushing up prices. For companies that operate mostly using spot rates, like Imperial Petroleum, this has led to extraordinary profits; Imperial reported y-o-y operating income growth of over 240% (though some of this was also due to fleet expansion).

PORTFOLIO COMPOSITION



The current portfolio consists of 30 stocks (of which two negligible) and a 1.1% cash position. We have touched twelve of our positions, entering two new ones. Our most notable expansions have been in Chinese education and lending.



TOP 5 HOLDINGS:

| Holding: | % | Adj P/25E | P/E26** | EV/adj EBITDA | Exp Rev Growth** |
|---------------------------|-------|-----------|---------|---------------|------------------|
| SK Hynix (South Korea) | 18.0% | 22.3 | 6.4 | 18.0 | 200% |
| Thor Exploration (Africa) | 10.2% | 4.3 | 2.9 | 3.5 | 130% |
| Jackson Financial (US) | 9.9% | 4.8 | 4.8 | 6.0 | 6% |
| Gravity (South Korea) | 8.0% | 10.0 | 9.0 | -1.0 | 10% |

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| | | | | | |
|-------------------------|------|-----|-----|-----|----|
| Auxly Cannabis (Canada) | 5.9% | 8.0 | 6.0 | 8.2 | 7% |
|-------------------------|------|-----|-----|-----|----|

**Based on Refinitiv consensus analyst or proprietary estimates

GENERAL MARKET COMMENTARY

Strait of Hormuz

We have lost count on the number of times Trump has declared a deal or a deal was imminent on Iran, but the facts on the ground remain that the Strait of Hormuz is closed. With record drawdowns of oil inventory, it seems oil prices are strangely subdued. Analysts indicate we are nearing the operational minimum of required inventory, and very little measures are being taken to reduce private fuel consumption. This means there is only one way left to balance supply and demand: (much) higher oil prices. Though far from certain, we are now anticipating oil prices touching 200 usd/bbl at some point this year. We are heavy on the lookout for opportunities in the energy space, but for the most part energy company valuations have run up too far ahead of the temporary earnings bump. We have a good candidate that we hope to reveal in our next Investor's Letter.

The Trump-Threat-Thermometer

| | Tariffs | Economic Experimentation | Attack on Balance of Power | Restructure of World Order |
|--------------|--|--|---|--|
| Previous | ▶ | ▶ | ▶ | ▶ |
| Developments | ⇒ | ⇒ | ⇒ | ⇒ |
| Notes | Trump still needs to come up with a solution to impeding rising oil price rising | Deficits remain at 'experimental' levels | With popularity at record lows, chances of taking control are dwindling | US weakness on China is emboldening Xi |
| Currently | ▶ | ▶ | ▶ | ▶ |
| Focus now: | Export controls or levies on energy exports | - | Polls improving would put everything back on the table | Watch China |

We seem to be in kind of a lull with regards to risks arising from Trump decisions, as he is struggling to deal with the Iran situation. Instead of focusing on getting his approval ratings up, Trump seems to be literally looking for distraction. In Trump's case this includes naming buildings after himself and ever larger self-dealing schemes. The latest example of this would be the settlement deal with the IRS, which would grant his family de facto tax-immunity for life. I am sure the GOP's political strategists were not thrilled when they heard the specifics.

The settlement also included the enactment of a 1.8 billion dollar 'compensation' fund for January 6 rioters (i.e.: over \$1 million per prosecuted rioter on average). This fuels the theory that as Trump is losing his grip on average voters, he is starting to focus more on a possible plan B: creating a loyal and powerful force that could realistically make a second insurrection attempt. While the 1.8 billion fund settlement has been struck down, the signaling is clear: 'I will reward loyalty, even (especially?) when it is unlawful'.

IPO summer

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It seems we are gearing up for a very interesting summer with possible IPO's from SpaceX, Anthropic and OpenAI. More interestingly, index providers are changing their rules to accommodate immediate inclusion to their indices such as the NASDAQ and S&P500. This has a never-before-seen impact on the market. SpaceX alone is trying to float 75 billion USD worth of SpaceX shares immediately, which means investors need to pull 75 billion from somewhere to fund purchasing SpaceX shares. Usually, stock held by insiders is locked up for half a year or more so market participants can digest the IPO. But for SpaceX lockups will be much shorter and a steady further flow of stocks will be pushed into the market fairly quickly, meaning that aforementioned 75 billion flow could well double or triple within months. ETF's and fund managers tracking the S&P500/NASDAQ will sell some of their holdings to make room for SpaceX, while investors that have more freedom will probably mostly sell stocks that have adjacent characteristics: I can imagine SpaceX appeals mostly to investors already holding Tesla and Palantir shares, for instance. Selling so much stock in a short timeframe can have profound impact on the price of these shares, so I wouldn't be surprised if these stocks will be under pressure in the runup to these IPO's. But these IPO's, especially that of SpaceX, are so large, that even the entire NASDAQ and S&P500 could be negatively impacted by this.

Though a mitigating fact could be that those that are able to liquidate their SpaceX position after the IPO will have a *lot* of free cash to work with, and who is to say the sellers will not substantially invest the received cash into these exact same indices? Unfortunately, the time of me estimating rebalance impact has long since passed, so I will just flag it rather than make exact predictions on how it will unfold.

Luckily, we own stocks that are not near these indices or themes, allowing us to sleep better at night and focus on what's cheap.

Best Regards,

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www.ararfund.com

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