

Performance

TMR Long Short Opportunities, LP

	Gross	Net	S&P 500	Eureka Long Short HF Index
Sep 2020 - Dec 2020	16.2%	12.4%	12.1%	11.8%
2021	19.2%	14.1%	28.7%	10.3%
2022	11.0%	7.1%	-18.1%	-8.0%
2023 YTD	16.2%	12.6%	7.5%	2.2%
Cumulative	78.8%	54.6%	22.0%	13.7%
Annualized	25.2%	18.4%	8.0%	5.1%

Variable Net, LP

	Gross	Net	S&P 500	Eureka Long Short HF Index
Oct 2019 - Dec 2019	0.5%	0.0%	9.1%	4.9%
2020	63.3%	44.5%	18.4%	18.7%
2021	13.3%	8.9%	28.7%	10.3%
2022	7.4%	4.3%	-18.1%	-8.0%
2023 YTD	18.3%	14.3%	7.5%	2.2%
Cumulative	136.4%	87.4%	43.4%	27.6%
Annualized	27.9%	19.7%	10.9%	7.2%

Quarter Review

Our strong performance in the first quarter was driven by our more bullish positioning and our focus (on the long side) on fast growing but for the most part unprofitable consumer and technology companies that we predicted would inflect towards profitability faster and become more profitable than consensus believed. Our top contributors for the quarter were SE, ROKU and WIX (all long positions). Our top detractors were long positions in RNG and various energy securities (which we view as just one position).

We did not have any material exposure to financials during the quarter and thus were not materially affected by the bank collapses. We did use the selloff in financials to re-establish a core position in BHF which we continue to believe that the market is not appreciating its business transformation towards a more predictable, less capital intensive, and greater free cash flow generating business. The market indiscriminately sold off BHF as well as other life insurers and financials despite BHF having long duration liabilities instead of the short-term deposits that can be subject to a bank run.

The current environment is becoming increasingly attractive for our strategy. On the long side, we are finding quality compounders at reasonable valuations, and we continue to find companies going through major inflections (either corporate such as spinoffs or at the business level such as new products, emphasis on profitability over growth, etc...) that are being underappreciated by the market. On the short side, there are still junk / bubble stocks to short. Furthermore, many value traps and over-earnings continue to trade at elevated multiples compared to our estimates of their earnings over the next 18-36 months. Thus, we have increased gross exposure in our Long Short Equity strategy.

New long: Hilton Grand Vacations (HGV)

HGV is a top three position and a good example of the types of longs we seek. HGV is a misunderstood quality compounder that spun-off from Hilton and is undergoing an inflection in its business with its transformative acquisition of Diamond.

Company Overview

Hilton Grand Vacations (HGV) is the result of a spinoff from Hilton Worldwide Holdings (Hilton) in 2017. HGV is a global timeshare company engaged in developing, marketing, selling, managing and operating timeshare resorts, timeshare plans and ancillary reservation services, primarily under the Hilton Grand Vacations brand. HGV also owns and operates Legacy-Diamond resorts and sales centers that have been acquired through the Diamond Acquisition, which are undergoing rebranding.

Operations primarily consist of selling vacation ownership intervals and vacation ownership interests (VOI) for HGV and third parties; financing and servicing loans provided to consumers for their timeshare purchases; operating resorts and timeshare plans; and managing both HGV's points-based Hilton Grand Vacations Club and Hilton Club exchange program and the Diamond points-based multi-resort timeshare

plans and exchange programs. HGV operates their business across two segments: (1) real estate sales and financing and (2) resort operations and club management.

- **Real estate sales and financing (67.2% of Revenue, 65.1% of EBITDA):**
 - **VOI sales (80% of Revenue, 85.9% of EBITDA):** HGV sells their owned inventory and interests directly and, through their fee-for-service agreements, they sell VOIs on behalf of third-party developers using the Hilton Grand Vacations brand in exchange for sales, marketing and brand fees. Under these fee-for-service agreements, HGV earns commission fees based on a percentage of total interval sales.
 - **Financing (20% of Revenue, 14.1% of EBITDA):** HGV provides consumer financing, which includes interest income generated from the origination of consumer loans to members to finance their purchase of VOIs owned by HGV. HGV also generates fee revenue from servicing the loans provided by third-party developers to purchasers of their VOIs.
- **Resort operations and club management (32.8% of Revenue, 34.9% of EBITDA):**
 - **Resort management (26.5% of Revenue, estimated 40.6% of EBITDA):** resort management services primarily consist of operating properties under management agreements for the benefit of homeowners' associations (HOAs) of VOI owners at both HGV resorts and those developed by third parties. HGV's management agreements with HOAs provide for a cost-plus management fee, which means HGV generally earn a fee equal to 10% to 15% of the costs to operate the applicable resort.
 - **Club management (19.6% of Revenue, estimated 40% of EBITDA):** HGV operates and manages the Clubs and receive annual membership fees as well as incremental fees depending on exchanges and transactions members choose for other vacation products and services within the Club system.
 - **Rental of available inventory (54.0% of Revenue, estimated 10.2% of EBITDA) :** HGV generates rental revenue from unit rentals of unsold inventory and inventory made available due to ownership exchanges through their Clubs programs. This allows HGV to utilize otherwise unoccupied inventory to generate additional revenues. HGV also earns fee revenue from the rental of inventory owned by third parties as well as revenue from retail, spa and other outlets at their timeshare properties.

Investment Overview

HGV is an undervalued quality compounder on its own and should provide a strong IRR at current valuations of 10.6x NTM P/E (consensus forecasts) and 6.1x 2023 TEV/EBITDA (consensus forecasts). However, the real juice of this investment thesis is the game changing acquisition of Diamond in August 2021 which has and will continue to result in significant cost synergies. In addition, the HGV / Diamond acquisition may prove to be one of the rare acquisitions that also provides significant revenue synergies although the stock is still cheap even if the revenue synergies don't materialize.

High Quality Compounder

HGV currently trades like a mid to low quality cyclical consumer-discretionary stock. However, pro-forma for the Diamond acquisition, nearly 70% of HGV's EBITDA comes from recurring revenue streams (contractually recurring revenue from financing and resort & management operations) or highly predictable owner upgrades and the associated transaction fees with those upgrades. HGV is also partly insulated from inflationary pressures as maintenance capex and resort operating costs are funded by owners each year.

It's worth noting that for HGV's financing revenue, the consumer finance portfolio has a weighted average length of loan of 10 years, 13.4% interest rate, and 1.2% interest cost to fund financing receivables resulting in a 12.2% net interest margin.

Hilton GRAND VACATIONS

Financing: facilitates purchases and generates consistent, high margin fees

- Underwrite mortgage financing for contract sales generated by the Real Estate group
- Disciplined underwriting process with strong average FICO scores
- Growth of fee stream determined by growth of contract sales and propensity to borrow

Attractive net interest margin¹

Hilton GRAND VACATIONS	
Weighted average interest rate earned	14.3%
- Weighted average interest rate paid	4.1%
= Net interest margin	10.2%

Core functions

A Consumer finance

- Underwriting**
 - Credit underwriting
 - Contract origination
 - Price compliance
 - Escrow processing
- Loan & HOA servicing**
 - Collateral servicing
 - Billing and processing
 - In-House collections
- Controls**
 - Sales / inventory
 - Quality assurance
- Reporting**
 - Data analysis
 - Investor reporting

B Warehouses and securitization

- Loans that meet the eligibility criteria are able to be monetized through HGV's warehouse facilities
- Once sufficient loans are generated, loans are packaged and sold to investors in the form of a Securitization
- Securitized debt is non-recourse
- Transaction structures utilized to securitize timeshare loan collateral have evolved, and branded developers like HGV continued to maintain ABS market access during the financial crisis and the COVID pandemic

1) HGV originated portfolio. Calculated as weighted average interest rate earned less weighted average interest rate paid

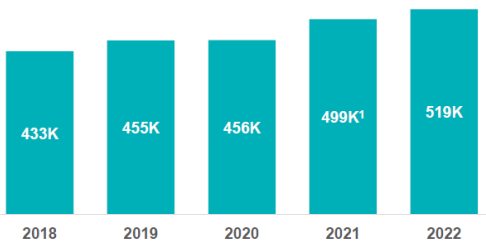


Resort & Club Management provides another source of predictable & recurring EBITDA

Strong recurring and predictable cash flows

- Annual member dues to provide services to club members
- Manage resort operations shared services functions for HOAs via stable, long-term management contracts
- Management contracts generally cost plus, providing insulation from inflation

Club Members



¹) Member increase due to DRI adopting HGV methodology that counts all annual recurring payment members with significant Club benefits and travel options




Key sources of resort operations & club management income

- A** **Resort management**
 - Management of resorts in the HGV and Diamond networks, Diamond collections and properties developed by third parties
 - Services provided span operations, hospitality, and finance
 - Platform scale, systems and inventory management benefit HOAs
- B** **Club management**
 - An exchange service that forms the hub of the points-based member experience
 - Points system provides greater flexibility and benefits to members
 - Annual Club dues provide visible and recurring revenue stream

HGV has visibility into long-term supply. The estimated contract sales value related to HGV’s inventory that is currently available for sale at open or soon-to-be open projects and inventory at new or existing projects that will become available for sale in the future upon registration, delivery or construction is approximately \$11 billion at current pricing. Capital-efficient arrangements, comprised of HGV’s fee-for-service and just-in-time inventory, represented approximately 39% of that supply. This enables HGV to efficiently manage inventory to meet predicted sales, reduce capital investments, minimize their exposure to the cyclicity of the real estate market and mitigate the risks of entering new markets.

HGV is differentiated in the timeshare industry because of the Hilton brand.

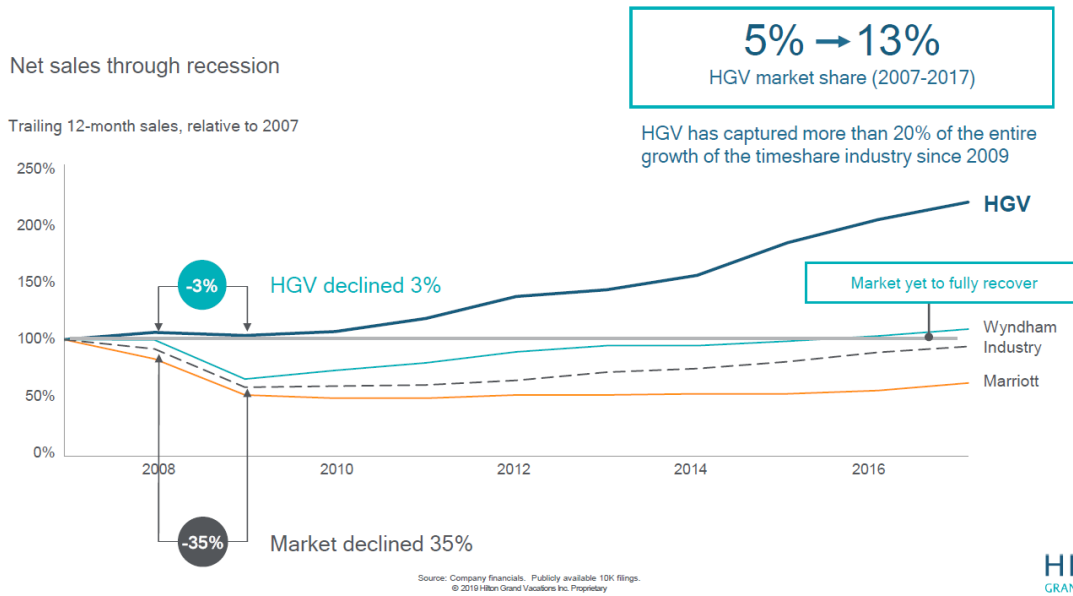
HILTON IS THE WORLD'S MOST VALUABLE HOTEL BRAND¹ AND WE LEVERAGE KEY MARKETING BENEFITS FROM OUR RELATIONSHIP

<p>TRUST</p>	<p>The Hilton brand is a significant influencer when considering and purchasing HGV vacation ownership</p>	<p><i>"Why did you consider purchasing a timeshare with HGV?"</i></p> <ol style="list-style-type: none"> "I was offered a tour package" "The properties were in places I wanted to visit" "I trusted the brand" 	<p><i>"Why did you purchase a timeshare with HGV?"</i></p> <ol style="list-style-type: none"> "I liked the amenities" "I trusted the brand" "It had great destinations" 	
<p>ACCESS</p>	<p>We source tours from the fastest organic growth loyalty program in the world</p>	 <p>20% Annual growth</p>	 <p>7% Annual growth</p>	 <p>14% Annual growth</p>
<p>DATA</p>	<p>Hilton has a wide digital reach, expansive footprint, and large and growing honors database</p>	<p>~250M Unique website visits/yr. One of highest-rated hospitality apps, with one download every 8 seconds</p>	<p>~5.7K Locations around the world across 113 countries²</p>	<p>~85M Hilton Honors members growing to 100M by summer of 2019²</p>

HGV's unique relationship with Hilton gives it a unique sourcing opportunity from Hilton's large and growing loyalty members.

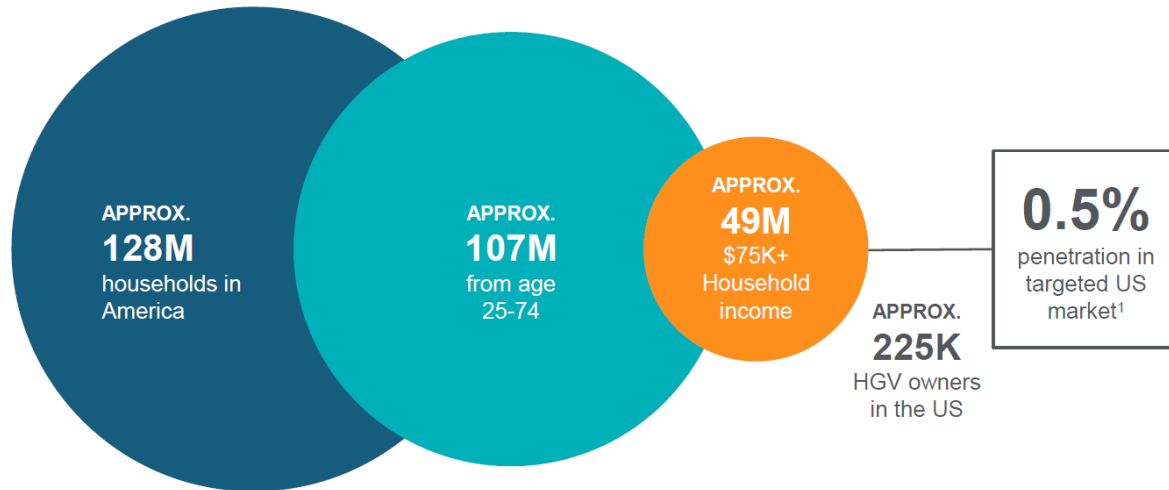
HGV has been a consistent market share gainer and while the timeshare industry as a whole saw sales fall -35% in 2009, HGV's sales fell just 3%.

WE'VE MORE THAN DOUBLED OUR SALES AND MARKET SHARE SINCE 2007



HGV is also a best-in-class operator with thirty straight years of Net Owner growth and continues to have a long runway for growth.

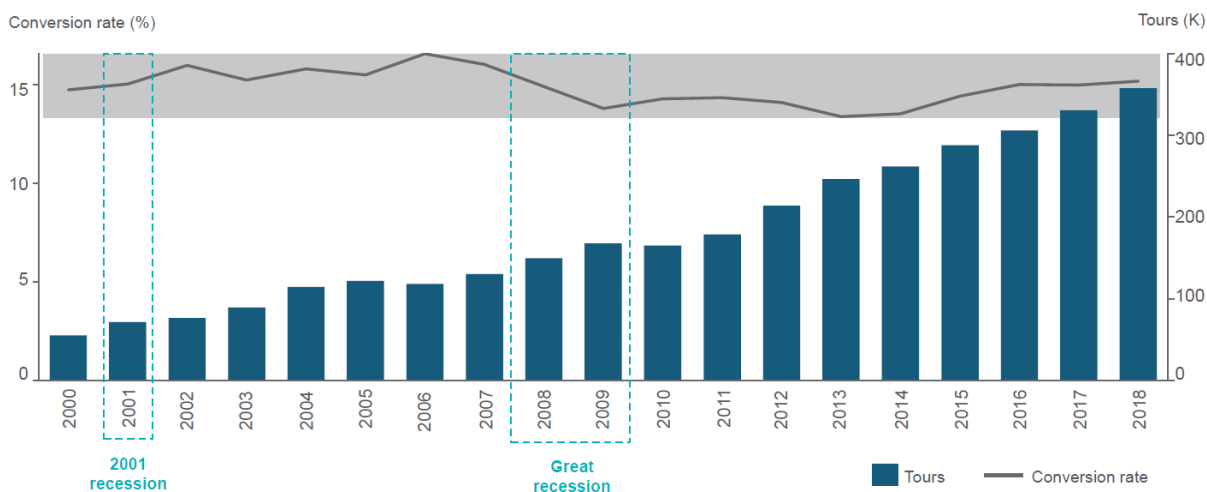
AND WE'VE ONLY SCRATCHED THE SURFACE



New owners consistently spend more incrementally compared to their initial spend giving HGV more predictability into higher margin repeat business.

Leisure travel and the increased emphasis on experiences are dominant themes that are likely to stay and remain recession resilient.

TOURS HAVE GROWN CONSISTENTLY AND CONVERSION RATES HAVE REMAINED IN A TIGHT RANGE EVEN IN RECESSIONARY TIMES



HGV’s recurring business model, unique brand, consistent market share gains and strong growth, and exposure to the more recession resilient leisure travel market gives us confidence to model continued HSD revenue growth even without any benefits from the Diamond acquisition.

Diamond Acquisition is a Game Changer

HGV has the best brand (Hilton) in the timeshare industry while Diamond is unbranded and at the time of acquisition was the largest independent timeshare operator. Diamond will now have access to Hilton’s membership base which should increase Diamond’s membership retention, boost growth and lower customer acquisition costs. The acquisition brings HGV significant scale, doubling their owner base, properties, and sales centers. Diamond also enables HGV to target the upscale customer segment potentially reaching millions of Hilton loyalty customers that were previously not a good fit for HGV’s mostly luxurious properties. Acquiring Diamond provides HGV with a level of product diversity and scale immediately which would have taken over a decade to achieve organically.



Resort Collections

Three resort collections catering to a wide range of travel preferences and price points



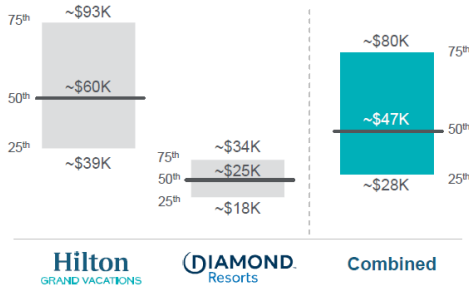
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Hilton GRAND VACATIONS

A wider range of products and price points broadens our addressable market

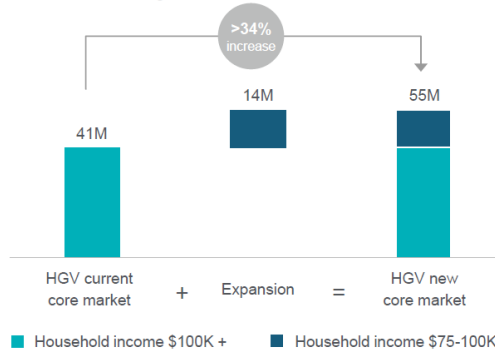
List price per week for HGVS vs. Diamond inventory...

Diamond's 75th percentile price point sits just below HGVS's lowest 25th percentile¹



...enhances value proposition for more demographics, expanding our core market

US householders age 25-74²



Note: illustrative figures as of acquisition close
 1) Figures unweighted by room count
 2) Selected Characteristics of Households by Total Money Income in 2019. US Census Bureau, Current Population Survey, 2020 ASEC Supplement

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While there has not been that much M&A in the timeshare industry, it is common to underestimate the revenue synergies and for the combined company to over-deliver on the estimated cost synergies. For example, when Marriott Vacations Worldwide (VAC) acquired Welk Resorts (one of the largest

independent timeshare companies in North America), VAC projected they could more than double EBITDA by simply integrating Welk's unbranded properties into the branded Hyatt loyalty program network. In another VAC deal (acquiring ILG), VAC increased their synergy estimates from 20% of ILG's EBITDA right before the acquisition to almost 60% after a couple of years of execution. As of the end of 2022, HGV has rebranded one-third of total keys acquired and remains on schedule to have nearly all Diamond targeted properties rebranded by 2025.

While we believe that there is a high likelihood of significant revenue synergies from this transformative acquisition, we do not model them and instead have EBITDA margins expanding only slightly from 27.8% to 29.7% driven by increased scale.

Valuation

12x 2027 EBITDA results in 312% upside for a 32.8% IRR and our 2027 EBITDA does not give credit for any revenue synergies HGV might be able to achieve. Our multiples expansion is justified as the market comes to better appreciate the resiliency of HGV's highly recurring business model which should shine through in the next recession, the increased scale from the Diamond acquisition, and the potential for revenue synergies.

Catalysts

Successful rebranding of Diamond acquisition. Nearly all Diamond targeted properties should be rebranded by 2025.

Earnings resiliency. HGV earnings should prove to be more stable even in a tough macro environment.

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