13D Activist Fund

A Qualitatively Analyzed Portfolio of Activism

January 13, 2025

Class I YTD Net Return: 1.68%   Russell 2000 YTD: 11.54%   AUM: $135 million

In the fourth quarter of 2024, the I shares (DDDIX) returned 0.76%, net of fees and expenses (versus 0.33% for the Russell 2000)[i,ii,iii]. While we are happy to have beaten our benchmark in the quarter, we expect to do better than this for several reasons. First, we believe that the portfolio management changes we have made to a more catalyst focused analysis and concentrated portfolio will generate increased alpha. Second, we expect the rotation from large cap growth to SMID cap value to continue into 2025. Historically, the S&P 500 and the Russell 2000 have traded at similar multiples of book value, in the 2.5x to 3x range, with the Russell 2000 often trading at a higher multiple than the S&P 500. Today, the S&P 500 is trading at its highest ever multiple of book value (5.22x) and the Russell 2000 is trading at 1.7x. While we do not expect this to completely revert to the mean in the short term, it is a signal that the more attractive valuations are at the lower end of the capital markets right now. Finally. we expect there to be a more robust M&A market under the new administration and FTC head, which is generally a huge secular tailwind for shareholder activism.

Fund Performance[(1)(2)]	QTD	YTD	1 Year	3 Year	5 Year	10 Year	ITD
13D Activist Fund (DDDIX)	**0.76%**	**1.68%**	**1.68%**	**-2.40%**	**5.74%**	**6.73%**	**10.51%**
Russell 2000 TR	0.33%	11.54%	11.54%	1.24%	7.40%	7.82%	10.40%
Russell 2500 TR	0.62%	11.99%	11.99%	2.39%	8.77%	8.85%	11.39%

Calendar Year	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
13D Activist Fund (DDDIX)	**21.25%**	**36.57%**	**15.47%**	**-10.92%**	**19.57%**	**23.75%**	**-13.48%**	**27.15%**	**18.92%**	**19.52%**	**-17.51%**	**10.85%**	**1.68%**
Russell 2000 TR	16.35%	38.82%	4.89%	-4.41%	21.31%	14.65%	-11.01%	25.53%	19.96%	14.82%	-20.40%	16.93%	11.54%
Russell 2500 TR	17.88%	36.80%	7.07%	-2.90%	17.59%	16.81%	-10.00%	27.77%	19.99%	18.18%	-18.37%	17.42%	11.99%

Past performance does not guarantee future results. The fund performance data quoted here represents past performance. Current performance may be lower or higher than the performance data shown above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. For the most recent month end performance information, visit www.13DActivistFund.com or call 1-877-413-3228.

2024 was a record year for shareholder activism with 128 new initiations in North America and we expect 2025 to be even busier. Moreover, success rates continue to soar. After the implementation of the Universal Proxy Card in September of 2022, activists had a 96% success rate in 2023 and an 86% success rate in 2024, versus high 60s historically. We are also seeing shareholder activism becoming more mainstream and not only being done by activist hedge funds. There were 40 "non-activists" launching new campaigns in 2024 versus 29 in 2023, 15 in 2022, and 17 in 2021. Our knowledge, experience and relationships in the activist community should put us in the best position to analyze these one-off activist campaigns.

As I said in our last letter, we have been rationalizing our portfolio to a smaller number of stocks with strong conviction by focusing on and continuously analyzing the efficacy of catalysts. Accordingly, we exited six positions (more on that below) last quarter while adding the following five new positions: Air Products & Chemicals Inc. ("APD"), Healthcare Realty Trust, Inc. ("HR"), Lamb Weston Holding Inc. ("LW"), Rapid7 Inc. ("RPD") and Riot Platforms, Inc. ("RIOT").

Air Products & Chemicals, Inc.

Air Products and Chemicals is an investment of Mantle Ridge, an activist vehicle formed by Paul Hilal, a former Senior Partner at Pershing Square. Air Products provides industrial gases and related equipment in end-markets, such as refining, chemicals, metals, electronics, manufacturing, and food. The Company's industrial gas business is extremely stable and low risk, functionally a risk-free, inflation-protected, senior secured bond when the business is kept pure. The nature of the business is that the Company enters into long-term 15 to 20 year "take or pay" contracts with customers that have very high (>95%) renewal rates. The business is basically immune to economic cycles, contracts are inflation-protected, and the oligopolistic industry has huge barriers to entry. These long-term contracts functionally guarantee an unlevered double-digit return before the Company even needs to put a dollar into the ground. When unadulterated, committed purely to its core business, this is a fantastically stable and well-valued business.

However, while the Company was focused on its own operations, it missed out on a wave of consolidation in the industry. In 2016, Air Liquide finalized its purchase of Air Gas and, in 2018, Linde and Praxair completed a merger of equals. Before they knew it, APD was the odd man standing, and they were standing all alone. CEO Seifi Ghasemi's expansion solution, having missed out on combinations with pureplay peers, has been to pursue non-core business expansion. For example, the Company's NEOM Green Hydrogen megaproject in Saudi Arabia was originally established with Air Products committing to off-take the hydrogen at a fixed price for three decades. A starkly different model from its core industrial gas projects in which the customer commits to offtake before any capital is invested in the project. The Company also announced in 2021 a $4.5 billion blue hydrogen project in Louisiana.

It isn't that these projects are bad per se, it's that they have a very different and less attractive risk profile than the core business. This is a perfect example of "di-worsification". Investors appreciate companies like Air Products for their low-risk and highly stable cash-flowing operations. Regardless of the efficacy of these non-core businesses, the typical risk averse investors that have been historically attracted to companies like APD are going to flee when the risk profile changes. Moreover, investors with a larger appetite for risk who might be attracted to businesses like NEOM or the Louisiana project, are less likely to invest in it when it is diluted by a low risk, stable business like APD's core industrial gas businesses. So, in other words, this is a situation where the parts are greater than the sum. As a result, over the past five years, Air Products underperformed its peers on a price and total return basis.

Mantle Ridge knows this Company well. At Pershing Square in 2013, Paul Hilal played a leading role in their campaign at Air Products, his last campaign with the firm. In the course of that engagement, Pershing Square secured two Board seats for Matthew Paull (Pershing Square Advisory Board member) and, none other than Seifi Ghasemi. Mr. Ghasemi would be named Chairman, President, and CEO of the Company less than a year later in 2014. Over the course of their four-and-a-half year investment, the Company became the most profitable company in the industrial gas business, executed spinoff and sale transactions for its non-core materials businesses, and delivered double-digit EPS growth for three consecutive years, yielding Pershing Square a return of 105%, compared to 70% for the S&P 500.

Now, at eighty years old, Ghasemi has been serving in the role of CEO for a decade and not only does APD not have a succession plan, but a likely candidate for the top job, the Company's COO Samir Serhan, resigned at the end of September and in May of 2023, the Company extended Ghasemi's contract to September 30, 2028, with additional one-year automatic extensions each September 30, making it a perpetual five-year contract until one side terminates on four year's notice and Ghasemi has publicly said statements like: "As long as I'm vertical, I'm going to be Chairman of Air Products, and I mean that" (said in 2020) and "[I want] to work until [I'm] 100 years old" (said in 2022).

Mantle Ridge would like the Company to: (i) put an end to or scale back the ventures diluting the Company's core business, (ii) right-size costs and (iii) replace Ghasemi as CEO. Mantle Ridge launched a proxy fight to nominate four directors to the Board and bring in a new CEO. The Annual Meeting is on January 23, 2025.

Healthcare Realty Trust, Inc.

This is an investment of Starboard Value. Healthcare Realty Trust (HR) is a real estate investment trust (REIT) that owns and operates medical outpatient buildings located primarily on or around hospital campuses. On July 20, 2022, the Company merged with Healthcare Trust of America (HTA) in an approximately $18 billion deal. Despite HR shareholder strong approval with 92% of the votes cast, the merger was somewhat dilutive to HR shareholders as the deal implied a sub-5% cap rate, whereas HR traded above that at the time.

But management had the opportunity to show the wisdom in the acquisition by integrating the two businesses, recognizing synergies, cutting costs and bringing down the cap rate to below the 4.85 blended cap rate implied in the merger. That did not happen. Just over two years later, property operating expenses have risen from 31% to 37%, several percentage points above peers; funds from operations ("FFO") yield is 9%, far higher than its peers in the 5-6% range, cap rate is at 7%, and the stock is down over 15%, versus an increase of 33% for the Russell 2000. As may come as no surprise, on November 12, 2024, the Company's long-time CEO, Todd Meredith, who served as President and CEO for eight years and spent a total of 23 years with the Company, stepped down.

HR is now at a critical inflection point, and there are two paths to unlocking value here. The first is to remain a standalone company, which would require the hiring of a new CEO, the most important function of a corporate board. However, after entering into a questionable acquisition and overseeing an underperforming management team, stockholders would be well within their rights to question whether this is the right Board to embark on this crucial search. So, going down this path in a way that creates value for shareholders would mean a refreshment of the Board, and we would expect that Starboard would want at least one of those seats to assist in this decision. From there, the Company is in great need of an operational turnaround to address their bloated cost structure to bring HR more in line with peers, something else that Starboard has shown to have an expertise in from a board level. This would be a long and uncertain path, but definitely doable with the right board and management team.

That brings us to the second, shorter and more certain path: a sale of the Company. If there are two things that put a Company in pseudo-play it is the arrival of an activist and the departure of a CEO. This Company has both of those. There are several potential strategic acquirers for this Company – specifically larger companies whose cost of capital and cap rates are lower, such as Welltower, Healthpeak and Ventas, whose cap rates are approximately 5% to 5.5%. This is not just an academic hypothesis. Interest from strategic buyers has already been demonstrated – about a month after HR and HTA agreed to merge, Welltower offered to acquire HR for $31.75 a share in a nearly $5 billion all-cash bid (the Company is currently trading at $17.58 per share). It is interesting to note that when the HTA merger was approved, activist fund Land and Buildings unsuccessfully opposed the transaction in favor of the Welltower offer.

Starboard is a top operational and corporate governance activist and if Path 1 is the right path for shareholders, there is nobody better to work with the Board in implementing that plan. While they are the furthest thing from a "Sell-the-Company" activist, they are fiduciaries and economic animals that will do whatever is in the best interest of shareholders, and if there is an opportunity to sell the Company, they would weigh that against the Path 1 plan. This is very similar to what they did in one of their prior activist campaigns. In 2018, a similar dual-path situation unfolded at Forest City Realty Trust. Initially, Starboard went down the path of long-term value creation – refreshing the Board and focusing on improving the Company's cost structure. However, during this process, Brookfield Asset Management came into the picture with an offer to acquire the Company at $25.35 per share - a huge premium. This was an offer Starboard simply could not refuse, and they exited this situation up 47.27% compared to a 7.2% loss for the Russell 2000 over the same period.

On December 8, 2024, Starboard and the Company entered into a Cooperation Agreement pursuant to which the Company agreed to appoint David Henry, Glenn Rufrano and Donald Wood to the board and accept the resignations of John V. Abbott, Vicki U. Booth, and John Knox Singleton.

Lamb Weston Holding Inc.

This is an investment of JANA Partners. Lamb Weston ("LW") is one of the largest frozen potato suppliers in the world, ranking number one in North America and number two globally. In North America, it is one of three to four major players in an oligopolistic market and has been the beneficiary of tailwinds such as increased demand, minimal labor required, and high gross margins. LW was initially acquired by ConAgra Brands in 1988. In June 2015, JANA Partners filed a 13D on ConAgra, pursuant to which, among other things, they settled for Board seats for Bradley A. Alford (the former CEO of Nestlé USA) and Timothy R. McLevish (the former CFO of Kraft Foods) and successfully advocated for the separation of Lamb Weston, which they believed was being lost and not properly valued within ConAgra.

In June of 2016, prior to the spinoff of LW, it was reported that talks to conduct a transaction between cereal-maker Post Holdings and LW collapsed on the one-yard line. As a result, management was forced to rush to conduct the spin-off of LW, which was completed on November 9, 2016. LW began trading the next day on the NYSE, opening at $32 per share. The new Company would be led by CEO Tom Werner, formerly the Company's President of Commercial Foods and Interim President of Private Brands. To bolster the Company's oversight, JANA's ConAgra designee and the former Kraft CFO Tim McLevish was named Executive Chairman of the Company. Under the combined tenure of McLevish and Werner, the stock rose 46% to $46.58 per share by the time McLevish stepped down following the Company's Annual Meeting in September 2017.

The Company's performance following the spin was excellent for many years. As of the Company's last investor day in October 2023, things appeared good. From FY17 to FY23, the Company had grown net sales at 9% CAGR, adjusted EBITDA at a 10% CAGR, and improved adjusted gross margins by 340 bps. In addition, less than seven years after the spinoff, the Company's shares were trading at $115 in June of 2023, a total shareholder return of over 259%, versus 98% for the S&P 500, and 63% for the S&P 500 Food & Beverage. However, things have not been going well since then. Year-to-date, prior to the announcement of JANA Partners' stake, the Company's shares were down over 30% while the S&P 500 was up over 20%.

The primary issues facing this company highlighted by JANA are capital misallocation, a series of operational blunders, and corporate governance failings. First, on capital allocation, the Company has been spending massively on increasing capacity in an intense pursuit of growth at any cost. At the Company's Investor Day, they registered Capex as a percent of sales of nearly 14% in 2023, projected it would be 12-13% in 2024 and 2025 and 9% long-term. LW's maintenance Capex is around 3%, and they don't provide very much detail on what exactly they need an additional 600 bps for nor why the capex budget should automatically increase proportionally to revenue without any evaluation as to what is needed. In addition, very unusually, the Company has doubled revenue since its spin, yet they have been increasing SG&A as a percent of net sales for several years and set an increased 10.5-11% long-term target. It is a little suspicious that the current executive compensation plan prioritizes revenue and EBITDA growth in dollar terms, which incentivizes management to spend as much capex as they want to grow revenue and EBITDA, even if it means a decrease in cash flow. While the silver lining to the enormous capex spend would be expected to be more capacity and an increase in market share, through several self-inflicted operational blunders the Company has in fact lost many customers and degraded its performance. First, LW mis-executed on a years-over-schedule rollout of a new ERP system which has led to difficulties tracking and supplying product to its customers. In addition, in an attempt to increase its margins, the Company cut lower-margin customers in favor of higher-margins ones, before actually signing up the higher margin customers. This left them with usable facilities that were being shut in favor of the newer facilities that were not near capacity and product that they could not sell forcing them to waste nearly $100 million worth of potatoes.

Now, JANA, who knows this Company very well is back with an all-star roster of industry executives, two of whom were there with JANA almost ten years ago when they orchestrated the spinoff of Lamb Weston. Along with strategic partner Continental Grain and former LW Executive Chairman Timothy McLevish, JANA is also working with Joseph Scalzo, former CEO of Simply Good Foods; Diane Dietz, former CMO of Safeway; Brad Alford, former CEO of Nestlé USA; and John Gainor, former CEO of International Dairy Queen. This is a team built for a board refreshment: five industry executives, Continental Grain Co. and members of JANA, who know this industry and Company well. We expect that JANA will look to get five of these individuals on to the 11-person board. If empowered to act, through either a settlement or shareholder support at the next Annual Meeting, JANA will work to correct the Company's numerous operational and capital allocation missteps. Next, they will work to get the Company's Capex and SG&A under control, boost free cash flow, and ensure that management incentives are aligned with shareholder value creation. In addition, there will need to be some serious operational improvements in order to remedy their strained relationship with many current and former customers.

Lastly, as always with JANA, there remains a strategic angle considering their successful track record in this form of activism. Post remains a good candidate for a potential transaction. Since LW's spin, Post has delivered a total return of over 120% and is widely considered to have one of the best management teams in consumer packaged goods. Extrapolating from the failed 2016 deal and adjusting for EBITDA growth, it would not be surprising to see a takeout offer north of $100 per share. If that were the case, the Board would have to evaluate that value for shareholders versus the long-term prospects of an operational plan, and it would be very helpful having a partner from JANA on the Board for that analysis.

Since JANA engaged with LW, the Company replaced CEO Werner with COO Michael Smith. This is not likely sufficient for JANA who would want to see a full CEO search process before retaining the next CEO. On December 24, 2024, JANA and Jeffery DeLapp entered into a Nominee Agreement, whereby Mr. DeLapp agreed to become a member of JANA's director slate and stand for election in connection with a proxy solicitation which may be conducted in respect to the Company's 2025 Annual Meeting. Mr. DeLapp serves as Partner of Entrepreneurial Equity Partners, a private equity firm that invests in the food, consumer and packaging industry, after previously served as President of McCain Food, North America, President of Lamb Weston and President/COO of The Bruss Company (a part of the Tyson Foods' Family).

Rapid7 Inc.

This is also an investment of JANA Partners. Rapid7 is a cybersecurity company which extends and expands the expertise of its clients' security operations. The Company operates in a highly attractive industry and is the beneficiary of some meaningful tailwinds. In a time where software budgets are being cut or reallocated towards AI, the threat of cyber attacks looms large and presents a great enough risk that spend is either flat or increasing for services like theirs. In addition, cybersecurity analysts and internal security staff are limited, so there is a tremendous need for outsourcing. With more complex operations and numerous applications both on-site and in the cloud, Rapid7 is well-positioned to continue growing and aims to be a high-quality provider for small and medium sized companies who may not be able to retain the services of their largest and most expensive competitors.

Despite its favorable position, the Company has delivered negative returns on a one-, three-, and five-year basis. The Company is one of three main players in vulnerability management, yet is assigned a much smaller revenue multiple (3x) compared to peers Tenable (5.5x) and Qualys (8x). One factor in this is that Rapid7 offers a combination of low and high-growth cybersecurity offerings which is difficult to value, but more important are the multiple self-inflected wounds by management, exacerbated by a lack of accountability and oversight by the Board. First, the Company has undergone changes to its sales model including a shift from selling on an individual product basis to a packaged one, and from a direct to a channel model. Next, they have encountered challenges in bringing their cloud product to market. In addition, in an effort to shift from pure growth to a profitable software Company, Rapid7 has focused on meeting a $160 million free cash flow and improved margins targets. In August 2023, likely in pursuit of these goals, the Company somewhat abruptly announced plans to reduce its staff by 18%. Rapid7 has had further retention problems in key executive roles, including the departure of its Chief Innovation Officer and its critically important COO and President. Finally, the Company has proven to be unable to properly forecast leading to tremendous investor uncertainty and questions of Board oversight. In February 2024, the Company announced its 2024 guidance which they stated they were highly confident in, only to cut it 12 weeks later when it delivered its Q1 results leading to a 17% stock price decline. This is a Company operating in a highly complex and dynamic space which is doing everything all at once and has seemingly failed to deliver on all of them.

With a company like this, there are generally two paths to shareholder value creation: (i) a long term plan involving board reconstitution, management overhaul and review of strategic and operational plans and (ii) a shorter term plan to sell the Company to an interested buyer who can make those changes. With respect to the long-term plan, JANA generally works with industry executives and consultants in due diligencing and implementing their activist plans, and we do not expect this situation to be different. They will often bring these individuals to the table to serve as director nominees, if deemed necessary. They are experienced in getting these experts on company boards, where they often serve as assets in getting the company to correct their issues, from operational to governance to capital allocation. But JANA also has extensive experience in strategic activism and getting portfolio companies sold. We expect that JANA will advocate for the strategy they believe will maximize shareholder value on a risk and time adjusted basis. Given all of the problems the Company has been experiencing and the lack of CEO focus (aside from being Chairman and CEO of Rapid7, Corey Thomas is on the National Security Telecommunications Advisory Committee; chair of the Federal Reserve Bank of Boston; a member of the Council on Foreign Relations; serves on the boards of the Blue Cross Blue Shield of Massachusetts, LPL Financial and Vanderbilt University; and is an active angel investor to technology companies, advisor to organizations undergoing technology transformation, and speaker and panelist), a sale looks like it could be the easier and more certain path if there is a suitor at the right price.

Considering the industry tailwinds and solid growth prospects, there may be several strategic and financial buyers interested in this Company. Recent transactions in the cybersecurity sector include Cisco's $28 billion takeover of Splunk and Francisco Partners' $1.7 billion acquisition of Sumo Logic. If JANA does advocate for a sale of the Company, they will ask the Board to do it through a full sales process that attains the highest value for shareholders. In addition, JANA has a strategic partnership with Cannae Holdings, Inc, who could potentially be helpful in providing the equity in a strategic transaction with a private equity firm like they did in 2019 when they joined with private-equity firms to buy Dun & Bradstreet. It is important to note that even if JANA believes a sale of the Company is the best way to optimize shareholder value, they will still have to get management on board, and this management team does not look like one who would just go quietly. In such a case, JANA's remedy would be to launch a proxy fight but that could take some time. The 2024 Annual Meeting just passed on June 13 and the director nomination window does not open until February 13, 2025.

In September of 2024, JANA has entered into Special Advisor Agreements with Michael Joseph Burns, Robert Bradshaw Henske, and Chad Kinzelberg, all of whom would presumably be JANA director nominees in case this escalates to a proxy fight. On December 17, 2024, Cannae Holdings dissolved their Group Agreement with JANA, as they continued to engage in confidential discussions with the Company regarding their previously stated interest in a potential acquisition of the Company.

Riot Platforms, Inc.

Riot Platforms is an investment by Starboard Value. The company is a vertically integrated Bitcoin mining company, engaged in both the mining of Bitcoin as well as owning and operating their own mining facilities. The Company is one of the largest publicly traded Bitcoin miners with over 1 gigawatt (GW) of developed power capacity between its facilities in Rockdale, Corsicana, and Kentucky. Riot also owns 16,728 Bitcoin, worth nearly $1.7 billion, based on recent prices.

Despite Bitcoin up approximately 130% this year and an incoming presidential administration favorable to cryptocurrency, Riot's stock price has declined by 16% (24% prior to the announcement of Starboard's position) versus an average year-to-date return of over 100% for its peers. This significant underperformance in a Company with such strong headwinds can only mean an extreme lack of confidence in management, and for good reason. First, spending on SG&A is out of control up to $225 million in the past year up from $67 million in 2022. Part of the reason for this is the stock-based compensation paid to executives. Despite continually delivering losses and with a three-year return of -54.7%, management has paid themselves 11.5%, 9.5%, and 32.12% of total revenue in stock-based compensation over the past three years. Accordingly, the Company has the highest power cost + cash SG&A expense per coin in the space, despite having access to relatively cheap power, as well as the highest stock compensation per coin. Accordingly, the Company has delivered negative net operating income in each of the past three years, with its largest operating loss ever this year of $304 million. Add to this a horrible corporate governance track record with a five-person staggered board and an Executive Chairman who has appointed his wife's first cousin as head of the Compensation Committee. In addition, he has hired his brother as one of two of the Company's Vice Presidents, Corporate Development, with the other one being the brother of the Company's CEO. As a result, Riot trades at one of the cheapest multiples in the industry on the basis of EV to EBITDA and EV to PH/s (petahash per second, a measure of computational power).

Starboard has extensive experience in corporate governance and helping boards "professionalize" companies and optimize operations. Just the addition of a Starboard representative to the Board would give the markets tremendous confidence that management is on the path towards shareholder value creation. Starboard is an exceptional activist with expertise in improving operational performance and margins, skills which any management team should be excited to have in an engaged shareholder. They will no doubt advocate for the Company to reduce their needlessly high SG&A expenses and right-size executive compensation to reflect business performance. But the good news for the Board and management is that Starboard's second part of their plan can make them all rich - pursue the massive demand opportunity from hyperscalers or large-scale cloud computing companies that operate data centers and provide cloud infrastructure and services. These companies, such as Amazon Web Services, Microsoft Azure, and Google Cloud, to name a few of the largest, have been in a battle to contract out and build sites to run their High-Performance Computing (HPC) and Artificial Intelligence (AI) data center operations. Crypto mining facilities share several key inputs with these applications that make them excellent candidates for contracting out their capacity or converting their crypto operations, namely high-performance computing infrastructure, access to energy (preferably renewable), energy management expertise, and operational scalability, among others. While the specific needs of hyperscalers are not identical to those of crypto miners, it is much quicker and cheaper for them to convert existing facilities in a year or two rather than taking several years to build their own facilities from the ground up.

This is a strategy that several of Riot's competitors have pursued much to the delight of their shareholders. On June 4, 2024, Core Scientific, another Bitcoin miner, entered into an agreement with CoreWeave, an Nvidia-backed AI data center startup, to deliver 500 MW of capacity to host CoreWeave's HPC operations. This arrangement is worth $8.7 billion in cumulative revenue over 12 years to Core Scientific, who is set to generate about $1 million in incremental cash flow per 1 MW contracted under the deal at a 75% to 80% profit margin, far in excess of what they would receive from their normal Bitcoin mining operations. In response to their first announcement in June, the Company's stock price rocketed 40% the following day and is up nearly 220% since. Bit Digital, Hive Digital, Hut 8, and IREN have also already made the switch to mixed use with several other miners piloting or exploring the potential to capitalize on this massive opportunity. The stocks of Bitcoin mining firms that have already shifted capacity to HPC have delivered an average YTD return of 105.8% versus an average of -3.4% for peers who had not yet announced plans to do so (Riot, MARA Holdings, and CleanSpark).

The good news for Riot shareholders is that the Company is in an excellent position to capitalize on the massive opportunity presented by leasing capacity to hyperscalers. The Rockdale, TX Facility is the largest Bitcoin mining facility in North America with 700 megawatts (MW) of developed capacity; its Corsicana, TX Facility, currently has 400 MW of capacity and, upon completion, is expected to have approximately 1 GW. These plants have characteristics favorable to hyperscalers (access to energy, near major metro areas, low latency, and controlled natural disaster risk); and extrapolating from the Core Scientific deal, Riot has the opportunity to generate $1 million of cash flow per MW on hyperscaling. The Corsicana facility will soon have 600 MW of unused capacity that can be contracted out right now to hyperscalers without affecting any of the Company's present bitcoin mining operations. Assuming they converted only the 600 MW it is working to bring online at its Corsicana Facility, they could generate an incremental $600 million in ***cash flow*** annually (versus $313 million of ***revenue*** today). If they were able to convert the additional full 1.1 GW of its projected total capacity at Rockdale and Corsicana, that number could almost triple. Additionally, if they sign a deal like Core Scientific did with CoreWeave, the hyperscaler will pay for virtually all of the capex to build or convert these operations. Moreover, in July, the Company acquired Block Mining with its Kentucky Facilities and is aiming to increase their capacity from 60 MW to 300 MW, which might not be ideal for hyperscalers, but could certainly at least be used for bitcoin.

There are certainly traditional Starboard-type of levers in this engagement for shareholder value creation such as operational improvements, divestiture of non-core businesses and investments and improved corporate governance. However, the core element of their campaign and message to management is simple: look around you. Riot is being lapped by its competitors for failing to capitalize on the massive opportunity presented by leasing capacity to hyperscalers. Every announcement of such a contract understandably sends their peers' stock on a soaring trajectory. And Riot is in an excellent position to capitalize on this.

Riot has already come out and said that they have spoken with Starboard on several occasions, welcome their input, and look forward to ongoing constructive dialogue in order to create value for all shareholders. However, it would not be unreasonable at first glance to think Starboard may encounter difficulties based on the Company scoring very low in corporate governance metrics, its staggered five-person Board with just one seat available at its next meeting, and recent actions evidencing that they are focused solely on being the largest vertically integrated Bitcoin miner. But shareholder activism often comes down to making an incontrovertible argument, and Starboard has one here, at least for the 600 MW that is not being used yet. Once management sees money coming in, allowing them to grow into the outsized compensation they have been receiving, it is not a long jump to converting their other capacity. Management has to decide whether they want to be a professionally run company that optimizes value for all involved or whether they just want to be bitcoin miners. If they decide on the latter, they will be choosing to not only forego billions of dollars in value but put themselves on a path of a potential distracting and expensive proxy fight with Starboard over the next two years at the end of which they could walk away with nothing. We do not see this happening as there seems to be a lot of room for compromise here.

During the quarter, we exited Envestnet Inc. (Impactive) and Frontier Communications (JANA) when they were acquired by Bain and Verizon, respectively; Bath & Body Works (Third Point) and MDU Resources Group (Corvex) when the activists sold below 5% and exited their 13D filings; and Azenta Inc. (Politan) and Treehouse Foods Inc. (JANA) as part of our ongoing portfolio rationalization process.

We appreciate your support and please feel free to call with any questions.

Ken Squire

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The views expressed in this update are as of the date of this letter. These views and any portfolio holdings discussed in this update are subject to change at any time based on market or other conditions. The Fund disclaims any duty to update these views, which may not be relied upon as investment advice. The Fund's portfolio holdings are subject to change; there is no assurance that any of the securities discussed herein will remain in the Fund's portfolio at the time of receipt of this letter. In addition, references to specific companies' securities should not be regarded as investment recommendations or indicative of the Fund's portfolio as a whole. **References to certain specific companies' securities, revenue and operations is obtained from unaffiliated third parties and is subject to subsequent adjustments. 13D makes no assurances as to the accuracy or completeness thereof.**

No Assurance of Investment Return and Important Risks: In considering any investment performance information contained in the Materials, prospective investors should bear in mind that past or estimated performance is not necessarily indicative of future results and there can be no assurance that a Fund will achieve comparable results, implement its investment strategy, achieve its objectives or avoid substantial losses or that any expected returns will be met. Mutual Fund investing involves risk including loss of principal. There can be no guarantee that any strategy will be successful. Overall stock market risks will affect the value of individual instruments in which the Fund invests. Factors such as economic growth, market conditions, interest rate levels, and political events affect the U.S. securities markets. When the value of the Fund's investments goes down, your investment in the Fund decreases in value and you could lose money. The Fund is a non-diversified investment company, which makes the value of the Fund's shares more susceptible to certain risks than shares of a diversified investment company. The Fund has a greater potential to realize losses upon the occurrence of adverse events affecting a particular issuer. The value of small or medium capitalization company stocks may be subject to more abrupt or erratic market movements than those of larger, more established companies or the market averages in general. An investor should also consider the Fund's investment objective, charges, expenses, and risk carefully before investing.

Index Comparison: Historical performance results for investment indices have been provided for general comparison purposes only. Indices may include holdings that are substantially different than investments held by the Fund and do not reflect the strategy of the Fund. It should not be assumed that your account holdings correspond directly to any comparative indices. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from the Fund. The indices do not reflect the deduction of fees or expenses. Performance of equity indices reflects the reinvestment of dividends. Indices are unmanaged and investors cannot invest in an index or category. Index data is obtained from unaffiliated third parties and is subject to subsequent adjustments. 13D makes no assurances as to the accuracy or completeness thereof.

Glossary. The **Russell 2500 TR Index** is a broad index, featuring 2,500 stocks that cover the small- and mid-cap market capitalizations. The Russell 2500 is a market cap-weighted index that includes the smallest 2,500 companies covered in the Russell 3000 universe of United States-based listed equities. The **Russell 2000 Index** measures the performance of the small-cap segment of the US equity universe and is a constructed to provide a comprehensive and unbiased small-cap barometer by being completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. **CAGR** stands for compound annual growth rate which measures an investment's annual growth rate over a period of time, which is useful to compare growth rates of various data values, such as revenue growth of companies, or of economic values over time. **CapEx** or **capex** stands for Capital Expenditures. **EBITDA**, or earnings before interest, taxes, depreciation, and amortization, is a measure of a company's overall financial performance and is used as an alternative to net income. **Fed** refers to the US Federal Reserve System. **FTC** stands for Federal Trade Commission. **M&A** stands for Mergers & Acquisitions. **S&P 500** Index is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies. The S&P is a float-weighted index, meaning company market capitalizations are adjusted by the number of shares available for public trading. **SG&A** refers to Selling, General and Administrative Expenses. .

Top 10 Holdings as of 12/31/2024: 1) Twilio Inc. 7.05%; 2) Vestis Corp. 6.88%; 3) Southwest Gas Holdings, Inc. 6.72%; 4) Mercury Systems Inc. 6.67%; 5) Pearson PLC 5.95%; 6) Insight Enterprises Inc. 5.85%; 7) Exelixis Inc. 5.47%; 8) Janus Henderson Group PLC 4.62%; 9) Lamb Weston Holding Inc. 4.34%; 10) Autoliv Inc. 4.22%. Allocations should not be viewed as predictive composition of the Fund's portfolio, which may change at any time.

The foregoing information has not been provided in a fiduciary capacity under ERISA, and it is not intended to be, and should not be considered as, impartial investment advice.

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[i] Data is presented through 12/31/2024, unless otherwise stated. Returns are shown for the Fund's Class I share class (DDDIX) net of the Total Expense Ratio of 1.51%. Inception to date (ITD) returns are calculated on an annualized basis using daily performance. All returns include dividend and capital gain distributions. The Total Expense Ratio represents the expense ratio applicable to investors and is comprised of 13D's management fee, indirect expenses such as the costs of investing in underlying funds and other expenses as noted in the Fund's Prospectus. There is neither a front-end load nor a deferred sales charge for DDDIX. Please see the Fund's Prospectus.

[ii] Indices are provided for general comparison purposes only and may include holdings that are substantially different than investments held by the Fund and do not reflect the strategy of the Fund. Comparisons to indices have limitations because indices have risk profiles, volatility, asset composition and other material characteristics that may differ from the Fund. The indices do not reflect the deduction of fees or expenses. Performance of equity indices reflects the reinvestment of dividends. Indices are unmanaged and investors cannot invest in an index.

[iii] The Fund has switched from the Russell 2500 benchmark to the Russell 2000 because we believe it is more correlated to our portfolio and because it is the benchmark used by most of the activist funds we follow.

Past performance does not guarantee future results. The fund performance data quoted here represents past performance. Current performance may be lower or higher than the performance data quoted above. Investment return and principal value will fluctuate, so that shares, when redeemed, may be worth more or less than their original cost. There is no guarantee that any investment strategy will achieve its objectives, generate profits or avoid losses. For the most recent month end performance information, visit www.13DActivistFund.com or call 1-877-413-3228.