October 27, 2022

Dear Partners,

Performance and Positioning Review – YTD 2022

Through Q3 2022, McIntyre Partnerships declined approximately -16% gross and -17% net. This compares to the Russell 2000 Value's decline including dividends of -21%. In the YTD winners column, CC, our China Tech basket, VAL, OSW, our interest rate hedge, and risk arbitrage situations (SAVE, TWTR, TRQ, ATCO) contributed 100-500bps each. In the losers column, GTX, GTXAP, SHC, TPHS and record labels lost 100-500bps each, while MSGE lost over 500bps.

Q3 was not one of the best for the fund, as we gave back a portion of our relative outperformance. MSGE and GTXAP are our two largest positions and their -15% and -14% falls versus -5% for the Russell 2000 Value explains most of our drag. Having said that, as always, we are a concentrated fund and the month end marks were a bit harsher than our average performance this quarter. Despite the declines in MSGE and GTXAP shares, both companies had strong positive news in the quarter. MSGE announced a split of the business, separating their growth assets from the stabilized ones, while GTXAP made further progress on deleveraging and began paying dividends in cash. I remain bullish on both and plan to maintain sizeable positions.

Beyond our two largest positions, there was modest turnover in our portfolio. I significantly increased our OSW investment during July and shares rallied 30% on positive earnings in August. While I am bullish on the company, OSW significantly outperformed during the quarter, and I have sold some shares to reinvest elsewhere in the portfolio. This type of quarterly trading is uncommon for our fund, but given the market's volatility, opportunities for such capital redeployment may occur more often than typical. We also exited our China Tech basket and initiated a position in SHC. On China Tech, the basket was a modest winner this year but given what I feel are significant opportunities in US companies versus my caution towards the challenging political situation in China, I decided to exit and redeploy capital elsewhere. On SHC, existing LPs will be receiving a separate note explaining our investment.

The fund was involved in several risk arbitrage situations in the quarter. Since inception, when we have invested in a merger situation, the fund has focused on risk arbitrage, which I define as merger situations where there is substantial doubt as to the deal closing or we are receiving some security in addition to the deal, such as a CVR or spin off. The reason we have not touched more vanilla merger arbitrate opportunities is that, with short-term rates below 2%, I did not believe the yields available in merger arbitrage were attractive versus other opportunities. However, with short-term rates higher, many merger arbitrage spreads are now trading at greater than 10% annualized yields. Currently, I am focused on finding higher potential return ideas, but over time, if I can continue to find merger spreads at 10% or better, I expect to allocate more capital to this strategy.

Finally, I want to comment on my approach to managing market risk. In general, while the fund is mainly idiosyncratic ideas, I keep an eye on how I believe our book will perform if the market falls, and I try to invest in attractive yet lower market risk stocks when possible. Our GTXAP position is an example of this, as its above market yield and seniority in the capital structure has resulted in significant outperformance versus the market and auto supply peers YTD. My goal in lowering market risk is to preserve capital for

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the opportunities market declines often create, and I believe I have identified a few new ideas with substantial upside. However, it is difficult to know when to "cash in" our outperformance and rotate capital from the lower market risk names to the new ideas, which typically have higher market risk. I do not mention this to sugar coat or make excuses for anything, but I want to explain why I am buying certain new ideas now versus waiting for clearer skies. Simply put, I believe the upside in some of our new ideas is worth the risk that shares fall more if the bear market continues. I have no idea when or where this bear market will end, but I think I have put the fund in a position to be selectively aggressive at a time when many have reduced risk. I intend to remain aggressive if further opportunities present themselves.

Portfolio Review – Exposures and Concentration

At quarter end, delta adjusting for our interest rate hedge, our exposures are 104% long, 5% short, and 99% net. Our five largest positions are GTXAP, MSGE, SHC, record labels (UMG NA, WMG), and OSW, and account for roughly 75% of assets.

Portfolio Review – Existing Positions

Madison Square Garden Entertainment (MSGE)

During the quarter, MSGE announced plans to split the company into two segments: a "value" company, consisting primarily of the Madison Square Garden arena and the MSG Networks, and a "growth" company, consisting of the Sphere and Tao. In general, I am a fan of value vs. growth company splits, as it attracts potential new shareholders who may have mandates or investment styles that currently preclude them from owning shares. In the case of MSGE, I think it solves several issues.

Currently, I believe many investors view MSGE as cheap on a sum-of-the-parts basis but with no near-term cash flows and an unclear investment in Sphere. By separating the highly cash flow generative Value Co. from the capital-intensive Sphere investment, the Value Co. can attract investors who would be interested in buying MSGE's iconic, stabilized assets but with a plan to return capital, rather than reinvest in Sphere. Further, I believe many investors are underestimating the earnings power of the MSG arena, and the spin should clarify how cash generative this iconic asset is. Regarding the Growth Co., many investors fear the Sphere will be an endless money pit. By spinning off the cash flow generative businesses, the Dolans are signaling that, while the Sphere is a bold and expensive new growth opportunity, they are not willing to burn cash endlessly and any future expansions will be built using partnerships and licensing agreements. In addition, the Sphere is scheduled to open in Fall 2023. As the Sphere's news flow turns positive, for instance the recent announcement that U2 will headline its opening next fall, and the asset switches from cash burning to cash generative, I believe Growth Co. may find investors who are willing to pay a premium for the Sphere's development pipeline.

Turning to valuation, I believe Value Co. will generate over $4 in FCF/sh., with close to $3 generated by the iconic and unlevered MSG arena. A 15x multiple yields $60. For Growth Co., assuming a 7x EBITDA multiple on Tao and valuing the Sphere at construction costs of $2B yields $70/sh. With a conservative NAV of $130 and multiple catalysts, I believe MSGE is a strong risk/reward. We have added to the position since the spin news and the fund maintains a significant position.

Portfolio Review – New Positions

OneSpaWorld Holdings Limited (OSW)

OSW provides spa services on cruise ships and has been an investment since 2020, originally as part of our Covid Recovery basket. In addition to benefitting from the continuing recovery of global cruise travel, OSW is an exceptionally dominant niche business with a strong growth outlook that should compound in value over time. OSW is a quasi-monopoly with over 90% share of the cruise spa market. The primary barrier to entry is the difficulty onshore spa competitors face to replicate OSW's scale. Would-be competitors simply cannot match OSW's ability to provide consistent spa services on a global basis across numerous ships and ports. Operating at sea is vastly more difficult than single locations on land. OSW must handle logistics on a global basis, including inventory management in over 100 ports and managing 4,700 employees, several hundred of whom must be on call at any given moment in case staffing issues arise anywhere in the world. Competitors simply cannot match the breadth of OSW's services. Further, OSW is also small enough that their customers, the cruise lines (CCL, RCL, NCLH, etc.), would benefit minimally from in-housing spa services, if they could even figure out how to do so. For instance, in my bull case, OSW will generate roughly $100MM in 2024 EBITDA. Compared to the cruise lines, for instance CCL, which has 40% cruise market share and is forecast to generate $6B in 2024 EBITDA, OSW profits represent under 1% of customers COGS. Niche businesses models like OSW that are too small for customers to pushback while too large for competitors to gain share are some of my favorite long-term investments.

The growth algorithm for OSW is relatively simply. Pre-Covid, cruise line passengers grew at a consistent 6-7% rate for several decades. Cruising has historically gained share versus on-land vacations, as cruises are typically 20-30% less expensive. Further, OSW typically outperforms overall passenger growth as OSW has added higher ASP services, such as Botox, and newer cruise ships have larger spa facilities. The Covid downturn resulted in some newbuild cruise delays, and there may be an overhang of some former cruisers still hesitant to vacation, but I believe OSW is likely to achieve its historical 7-10% topline growth rate within a few years.

Importantly, outside of Covid, OSW has shown minimal cyclicality during recessions. Cruise lines are highly incentivized to fill their ships given the low incremental marginal cost per passenger. As a result, cruise ships are almost always operated at max capacity, even if the cruise lines must resort to discounting. While this brings on board a slightly different type of customer, OSW has historically operated well and kept ASP and attachment rates steady in downturns. During the 2009 recession, OSW saw only a 10% decline in sales and EBITDA declined less than that.

Assuming cruising returns to full capacity by YE2023 and applying OSW's historical 10-11% EBITDA margin, I believe OSW should earn $70-$100MM in 2024 EBITDA, which yields $0.75-$1.10 in 2024 FCF/sh. Of note, OSW pays almost no taxes, as its business is conducted on international waters, and has almost no capex, as the cruise lines pay for the spas. Applying a 15-20x multiple, which I believe may prove conservative, yields $11-$22 per share.

As always, please feel free to contact me with any questions.

Sincerely,

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(1) The Returns from January through August 2017 represent the performance results of a personal proprietary trading account managed by the Founder with a strategy similar to the strategy of the Fund. This information is presented for illustrative purposes only, the above results do not reflect the actual results of the Fund or the composition of its portfolio. From September 2017 onwards, returns are from the Fund. All net returns are calculated using a 1.5% management fee, 20% incentive fee, and 5% hard hurdle.

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