



2025 First Quarter Letter

May 23, 2025

To My Partners:

Tourlite Fund, LP returned -4.6% for the First Quarter of 2025. The Fund has annualized returns of 7.5% since inception, compared to 9.0% for the S&P 500 and 0.5% for the Russell 2000.^{1,2}

	Q1 2025	Annualized Return ³
Tourlite	(4.6%)	7.5%
S&P 500	(4.2%)	9.0%
Russell 2000	(9.4%)	0.5%

Gross Contribution & Average Portfolio Exposures

	Q1 2025		
	Gross P&L Q1 2025	Avg. Dollar Exposure	Avg. Beta-Adj. Exposure
Longs	(11.5%)	81%	81%
Shorts	6.0%	(42%)	(45%)
Indexes / Hedges ⁴	1.4%	(21%)	(20%)
Gross Contribution	(4.1%)	Gross: 143%	Gross: 146%
		Net: 18%	Net: 16%

¹ Any net returns presented herein reflect the returns of the Fund assuming an investor “since inception”, with no subsequent capital contributions or withdrawals. These returns are not necessarily indicative of your net returns in the Fund, and you should follow-up with Tourlite if you have any questions about the returns presented herein

² Bloomberg Total Return

³ Annualized Return from Fund inception in April 2022

⁴ Includes currency hedges and other trading costs. Borrow cost included in short return

Market Outlook

The market rally between the 2024 election and Trump's inauguration appeared to price in many of the anticipated benefits of his Administration. However, once in office, renewed tariff threats and a noticeably diminished concern for near-term stock market performance, marking a shift from his first term, began to weigh on indexes. Investors struggled to interpret Trump's intentions. On one hand, tariffs signaled geopolitical strength; on the other, they risked fueling inflation, which runs counter to his stated goals of cutting interest rates and reducing the deficit.

In recent quarters, we maintained a cautious view of equities, keeping net exposure close to zero. That said, we also recognize that bear markets rarely move in a straight line. In mid-March, we tactically positioned for a market rally. Entering 2024, we believed conditions were becoming more favorable for stock pickers. As the market declined, price action began to dictate narrative, further disconnecting valuations from fundamentals.

As noted in our fourth quarter letter, Trump's return to office amid the "AI bubble" evokes parallels with past Republican presidents who entered during market exuberance: Hoover during the Roaring '20s, Nixon during the Nifty Fifty era, and George W. Bush in the Dot-Com boom. Each presided over deregulation and tax cuts, faced inverted yield curves, and was followed by S&P 500 declines exceeding 50%. While we haven't predicted a drawdown of that magnitude, history appears to be rhyming.

After Liberation Day in early April, there was widespread concern that Trump's ambiguous tariff agenda would harm the U.S. economy. These fears intensified weeks after the AI bubble peaked following the Deep Seek news out of China. Equities pulled back and then recovered, but bond yields surged, and the U.S. dollar (down more than 10% year-to-date) is trading near its weakest levels since 2022. These are not encouraging signals for the U.S. economy.

As of mid-May, Trump is pushing forward with his "Big Beautiful" tax and spending bill. The recent jump in interest rates reflects how markets are digesting the implications of his policy mix.

Even with Trump's pivot on tariffs, we see two likely outcomes: (1) stagflation as growth stalls and inflation persists, or (2) a demand-driven recession that pulls inflation lower through consumption declines. While neither scenario is attractive, the latter could pave the way for the Fed to ease policy and support a recovery.

Portfolio Update

During the quarter, our average net beta-adjusted exposure was 30%. Gross exposure ranged between 118% and 164%, with an average of 143%. We maintain our view that a net exposure range of 20-30% remains optimal for our portfolio construction.

In March, we increased our net exposure to the 30% range as the market selloff, in our view, had created a less compelling risk reward set up for our short book, particularly for higher-beta shorts. At the time, our expected price target spread (the weighted upside of our long positions relative to our shorts) reached its highest level since September 2023, signaling an attractive opportunity to tactically shift positioning.

This increase in net exposure was driven primarily by covering many of our higher-beta short positions, which in some cases we replaced with index exposure. Our decision was based on the view that the selloff had become overextended and that these higher-beta names would likely outperform their implied beta in any market rebound. This proved incorrect following the sharp market downturn after Liberation Day.

Our portfolio's sector concentration was as follows: consumer (~25%), industrials (~42%), technology (~8%), other (~23%).⁵ The majority of our "other" sector exposure (including sector hedges) represents our special situation healthcare investments. As discussed in our prior letters, we remain short consumer and long industrials. Our average dollar exposure for each sector was: consumer (-18%), industrials (+43%), technology (-1%), and others (+7%). The higher net exposure in industrials represents multiple event-driven longs in the portfolio.

Performance Commentary

During the first quarter, markets came under pressure in the lead-up to Trump's tariff announcement on April 2nd. The heightened uncertainty after Liberation Day led to notable declines across many of our event-driven and value positions. We believe part of this underperformance stemmed from our exposure to companies undergoing transitions, including those with earnings temporarily below normalized levels, elevated leverage, and business-specific uncertainty.

A particularly challenging dynamic in this environment was beta shifting, where certain stocks sold off sharply but recovered only modestly, if at all. According to our internal analysis and that of a third-party provider, our first-quarter performance experienced approximately a 3% drag from being net long residual volatility (higher volatility stocks), and an additional ~1% drag from both market beta and size factors.

First Quarter Gainers & Detractors

Gainers	Detractors
Sable Offshore	FTAI Infrastructure
Grail	FTAI Aviation
Short	New Fortress Energy
Technology Short	Event Driven Long
Consumer Short	Roivant

⁵ Average of industry gross exposure over the period. Other sectors include healthcare and real estate

Sable Offshore (SOC)

Since our last letter, Sable, an exploration and production (E&P) company, has made substantial progress in restarting operations at the Santa Ynez Unit, an offshore asset acquired from Exxon that had been offline since a pipeline spill. Notably, the California Coastal Commission (CCC) has retreated from its previous attempts to exert what we believed were unjust authority over Sable, who is now pursuing \$268 million in damages from the CCC for lost revenue.

As of May 18th, Sable has completed all required repairs outlined in the Consent Decree governing the onshore pipeline restart. Seven of the eight pipeline segments have successfully passed hydrotesting, and production has resumed from six wells at the Santa Ynez Unit. Management expects oil sales to begin in July. Encouraged by strong early results, Sable has also revised its 2025 guidance, doubling projected daily production while simultaneously lowering lease operating expenses.

FTAI Infrastructure (FIP)

Despite the year-to-date share price performance, we are very optimistic as FIP should experience a positive inflection in fundamentals and cash flow over the next 12 months. As these catalysts play out, we believe there could be over 100% upside to FIP current share price of ~\$5.

FIP is approaching a fundamental inflection point. After years of groundwork, the company is poised to more than double earnings, with run-rate EBITDA expected to hit \$300 million by year-end. There are several upcoming events such as new contracts and refinancing opportunities that could unlock meaningful value. In addition, FIP has multiple levers for growth including 1) datacenter development at Long Ridge this year, 2) incremental contracts at Jefferson, 3) a robust M&A pipeline at Transtar, and 4) further progress at Repauno with phase 3 permitting and phase 2 commencing operations in 2026.

FTAI Aviation

We believe FTAI has multiple positive catalysts in the coming months, including PMA approval and continued progress on its Strategic Capital Initiative (SCI). Through its first SCI fund, FTAI raised \$4 billion in debt and equity to acquire mid-life aircrafts, targeting a \$30 billion market opportunity as lessors look to offload older assets in favor of newer models. FTAI has become a go-to buyer for these transactions, and under this structure, it also secures the associated engine maintenance contracts and is expected to contribute approximately \$200 million in incremental annual aerospace EBITDA by 2026 once fully ramped.

In January 2025, FTAI was targeted by a short report alleging that it is merely a leasing company disguising itself as an aftermarket business through questionable accounting practices. We strongly disagree. In our view, FTAI is a value-added aftermarket maintenance business that adheres to industry-standard leasing accounting. Notably, the report failed to mention the SCI, which we believe is a transformative driver of long-term value.

Given the recent pullback in stock price, the overlooked value of SCI, and multiple upcoming catalysts, we believe FTAI is well-positioned for continued outperformance.

Biotech Special Situations

We continue to see meaningful mispricing across select biotech companies. In previous letters, we have highlighted companies such as Roivant (ROIV), Arbutus (ABUS), Immunovant (IMVT), and OmniAb (OABI). Late last year, we initiated a small position in Grail (GRAL), a recent spinoff. While macro headlines and policy developments can create short-term volatility across the sector, we believe these companies trade at substantial discounts to intrinsic value, offering significant upside with a significant margin of safety over the long term.

Consumer Discretionary Shorts

We continue to be short multiple consumer discretionary companies we believe are overearning and trading at peak valuations. Our conviction grew as the Trump administration announced additional tariffs that directly impacted several of these businesses and we have observed early signs of weakening consumer demand, as reflected in consumer spending data released throughout the quarter.

One short position we initiated was in a company facing brand erosion due to a series of poor merchandising decisions, as well as growing competition from emerging players. The company ultimately revised its financial guidance downward.

We were also short a business affected by a strategic shift from its largest supplier; a change we believe will lead to elevated inventory levels across the channel. Both companies were trading at valuation multiples well above their historical norms.

Consumer Staples Shorts

Recently, we initiated several short positions in consumer staples companies that are facing rising input costs amid a weakening consumer backdrop. We observed increasing price elasticity in their products, with volume declines accelerating as incremental price hikes were passed through. At the same time, major customers, such as Walmart and Costco, are expanding their private label offerings, which could further pressure these companies by reducing shelf space and market share.

The market's rotation into perceived "high-quality" consumer staples during the post-Liberation Day volatility created attractive short entry points, as many of these names reached peak valuation multiples.

Resurgence of Low-Quality Businesses

As we have seen multiple times, there has been a resurgence of low-quality businesses trading at astronomical valuations. This dynamic is particularly evident in sectors such as AI, quantum computing, crypto, and eVTOL (electric vertical take-off and landing). We believe these pockets are creating a compelling opportunity set for short positions in the second half of the year.

Closing Thoughts

As of April, Turlite has officially crossed the three-year mark since inception. We're deeply grateful for your continued trust and partnership. In our 2022 fourth quarter letter, we noted that Hall of Famer Ty Cobb batted just .238 in his rookie season before going on to set the all-time career batting average record of .366. As Cobb's career progressed, he found his rhythm, and like him, we believe Turlite is now hitting its stride. With growing momentum and a compelling opportunity set ahead, we are as excited as ever about what the coming years will bring.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey G. Cherkin". The signature is fluid and cursive, with the first name "Jeffrey" being more prominent.

Jeffrey G. Cherkin

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