



May 29, 2024

Dear Partners and Friends,

Our partnership recorded a loss of -1.3% net of all fees, expenses, and allocations for the quarter ending March 31, 2024. Over the same period, the S&P 500 recorded a gain of +10.6% including dividends.

Period	Partnership Returns ^{1,2}	S&P 500 Returns ^{1,3}
Q3 2021	9.5%	(0.9%)
Q4 2021	13.7%	11.0%
2021	24.5%	10.0%
Q1 2022	(1.3%)	(4.6%)
Q2 2022	(18.9%)	(16.1%)
Q3 2022	(12.8%)	(4.9%)
Q4 2022	18.8%	7.6%
2022	(17.0%)	(18.1%)
Q1 2023	7.8%	7.5%
Q2 2023	17.1%	8.7%
Q3 2023	27.0%	(3.3%)
Q4 2023	13.5%	11.7%
2023	82.0%	26.3%
Q1 2024	(1.3%)	10.6%
Annualized Return Since Inception	25.8%	8.9%
Cumulative Return Since Inception	85.8%	25.8%

The below table highlights the partnership's key portfolio composition metrics as of March 31, 2024:

Key Portfolio Composition Metrics ⁴			
Number of Holdings:	11	Average Market Cap ⁵ :	\$328MM
Top 5 Holdings Concentration:	69.8%	Investments Non-U.S. ⁶ :	90.9%

Please see important footnotes to the above tables under the "Disclaimer" section at the end of this letter.



Our partnership experienced a loss of -1.3% net of all fees and expenses for the first quarter of this year. Among our portfolio positions, the primary detractor from our performance was Duratec, one of our top holdings. Shares of Duratec fell by -25% during this period. We will provide a detailed discussion of our thoughts on Duratec in our “Portfolio Updates” section below. In brief, we believe the sell-off of Duratec’s shares to date has been excessive and appears disconnected from the company’s fundamentals.

We have also established a new position in a U.K.-based company Kitwave Group, which we are excited to introduce. We believe our investment in Kitwave Group carries a high likelihood of delivering strong returns to our partnership over the coming years along with a low likelihood of losing money, which is a paramount consideration to us when seeking core portfolio holdings.

As you know, we view our partnership’s portfolio as a collection of investments made with a long-term perspective, with the intention to hold our investments for many years. We generally only consider selling when a stock’s price approaches its intrinsic value, better investment opportunities become available to us, or we recognize we were wrong in our initial analysis. In our letters, we like to frequently remind our partners, and more importantly ourselves, that our pursuit of achieving superb long-term returns will be near-certain to include volatility, challenging years of performance, and underperformance versus relevant benchmarks during certain months, quarters, and years.

While the idea of continuous strong absolute and relative performance for every measurable period is an ideal scenario, we thankfully have enough sense to be realistic in understanding that this scenario is also an unattainable one. Therefore, we instead remain focused on maintaining our long-term vision. We have always feared that succumbing to the pressures of short-term performance is the exact wrong action to take, as it serves as a recipe for mistakes and unforced errors. As a result, and as a reminder here chiefly to ourselves, we will continue to attempt to seek out the most promising long-term investment prospects that we can identify and in our control, and we will accept that their outcomes will unfold in their own time.

As always, I would like to extend a thank you to all of our outstanding limited partners, including those of you who have recently joined our partnership, for your steadfast commitment and trust.

For prospective partners wishing to learn more, we are currently open to new introductions. Our partnership has seen a significant increase in investor interest in recent months. While we will continue to be selective in accepting the right partners, fortunately most prospective partners we have met have been terrific in many respects and aligned with our long-term objective.

Portfolio Updates

Our partners are encouraged to read our commentary on our partnership’s top 5 holdings in Appendix A attached to the end of this letter.

Duratec

As mentioned, shares of Duratec this year have declined by -25% through March 31, and by -30% year-to-date as of this writing. The large majority of this year’s share price decline took place following the company’s 1H FY24 results that were reported in late February.

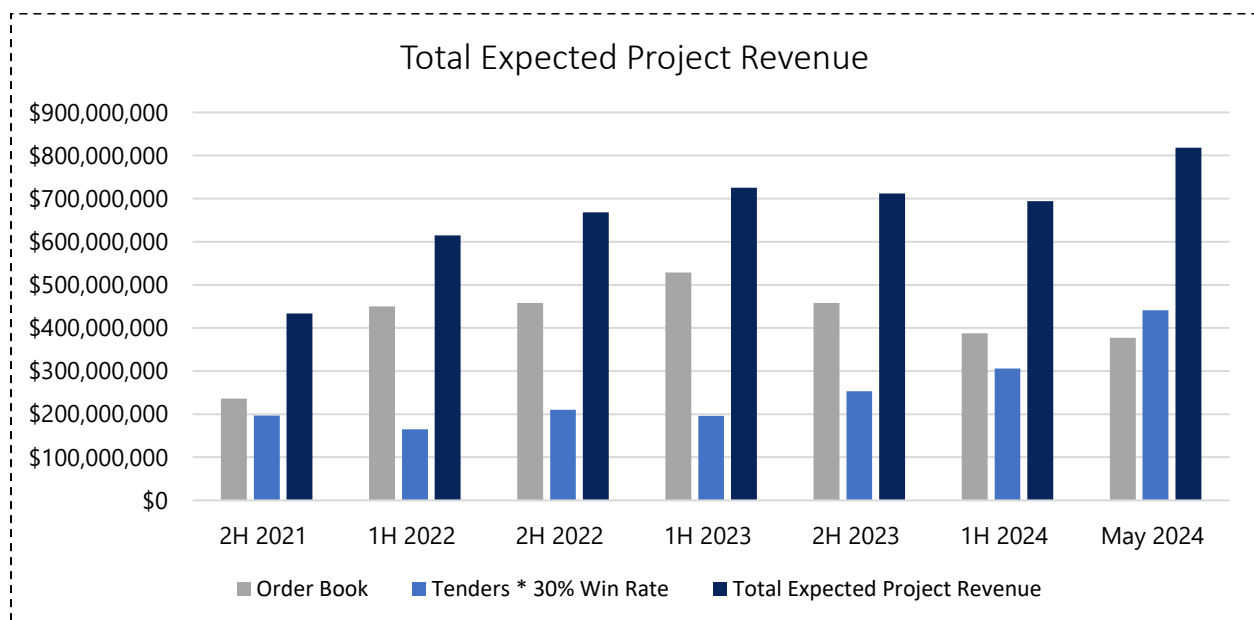
When our holdings incur significant share price declines, we like to try and understand as best as possible exactly why other investors are fearful at the moment. In that spirit, we spoke with local brokers, local investors, and management to understand the reasons behind the market’s poor reaction to Duratec’s results. It appeared to be because of Duratec’s lower-than-expected order book figure, which was also reported alongside strong tender activity and strong MSA revenue, and because of a decrease in net working capital, which was due largely to one Department of Defense project that required Duratec to provide capital upfront before receiving the cash at project’s end from a virtually risk-free counterparty.

Then, as February turned into April, negative sentiment seemed to extend further with every week that went by without an update from the company announcing an upgrade to guidance, which many market participants have evidently become accustomed to over the past couple of years.

Finally, last week, Duratec released an update re-affirming that its FY24 EBITDA is expected to fall within the company’s previously guided range and implying EBITDA growth of +19-24% YoY. The company also announced an all-time high tender book value of \$1.47 billion, or a +44% increase from its tender book figure just 3 months ago, which suggests further revenue and profit growth for FY25. Despite this most recent update, shares have responded largely flat, perhaps because a number of Duratec’s large tender wins are likely to occur in 1H FY25 and will not fully reflect in the company’s results until 2H FY25.

If this all sounds like short-sighted thinking from the market, that is because it appears to be so, at least in our view anyway. We understand the market’s view that the lighter-than-expected order book number will in turn result in lighter-than-expected 2H FY24 and 1H FY25 project revenue. However, where we believe the market’s view is incomplete is that the order book is only one of four key variables when assessing Duratec’s forward-looking revenues and profits. In order to form a complete view, one should also consider tender activity, MSA revenue and profit, and EBITDA contributions from subsidiaries DDR and RCC.

Tender activity is important because of its conversion into the order book, which directly converts into revenue. Below is a history of Duratec’s order book and tender activity values:



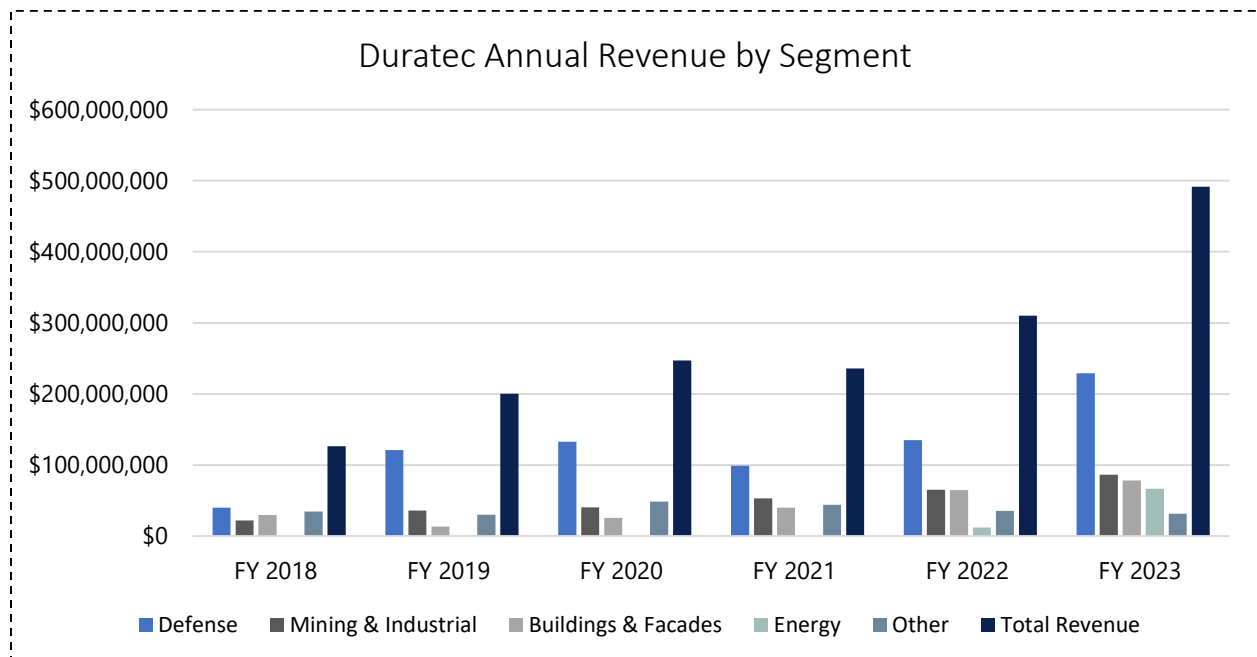
Historically, Duratec has communicated that it wins roughly 1-in-3 to 1-in-4 of its tenders.⁷ Duratec also performs ECI work through MEnD Consulting for a greater percentage of its tenders today than it ever has, which results in higher win rates and conversions to order book.⁷ We therefore assign a 30% tender win rate. As evident in the above graph, considering tender activity is important when evaluating order book. Duratec's order book plus an assumed 30% win rate of its tenders book is currently at an all-time high.

MSA revenue is also important to consider because it is not included in the order book and is a significant and growing component of the overall business. MSA revenues most recently comprised 24% of Duratec's 1H FY24 revenues. MSA gross profits comprise an even greater portion of Duratec's business given the majority of MSA business is derived from the mining and energy segments which carry gross margins of 22% and 35%, respectively, or greater than the company-wide gross margin of 16.2%.

Lastly, profit contributions from DDR and RCC are significant, and we believe their impacts to total company profits in FY25 will be materially greater than in FY24. Following a drop-off in DDR results in FY23 and 1H FY24, Duratec has communicated that DDR's activity has picked up meaningfully and should deliver a strong FY25.⁷ RCC, DDR's recent acquisition, is also estimated by Duratec to contribute at least \$5MM of EBITDA in FY25.⁷ RCC has benefitted greatly from its integration with DDR's Supply Nation accreditation to win projects exclusively designated for Australia's Indigenous-owned businesses.⁷

Altogether, our view for Duratec's results in FY25, and far beyond, remain positive. From a valuation perspective, at \$1.06/share today, Duratec's shares trade at 11.7x our estimate of FY24 earnings ending June 30, 2024. Despite project award delays which have likely pushed out some revenues and profits by a number of months, we believe Duratec is in a position to grow FY25 earnings by +15% or more based on order book, tender activity, MSA activity, and DDR/RCC profit contributions.

At today's valuation levels, it seems to us the key question looking ahead is whether Duratec is an ex-growth company or whether its future growth trajectory will look remotely like the past.



Our conviction falls in the latter camp, for myriad reasons as we've discussed in previous communications. Though we don't expect Duratec to grow revenues at its historical 34% CAGR since its 2010 inception, and though we also don't expect Duratec's profits to grow in a straight line given the nature of its business, we believe there are many rights to win in large addressable markets from here that should result in Duratec delivering a double-digit average growth rate in profits for the foreseeable future.

We view the recent share price decline as a classic case of the market taking a short-sighted view of the company's fundamentals, and remain confident in Duratec's future.

Kitwave Group

We initiated a new position this past quarter in a small-cap U.K. listed company Kitwave Group. For those who are not yet familiar, Kitwave is a U.K.-based food distributor that delivers a full spectrum of food and beverage goods to over 42,000 food retail locations across the country, primarily to convenience stores and restaurants. Kitwave is one of the U.K.'s largest food distributors that specializes in the niche of food distribution specifically to "independent" shops, or mom and pop stores and small chains, within the convenience store and restaurant segments. Kitwave was founded in 1987 and over that time has grown into a £600+ million revenue business and the U.K.'s 15th-largest food distributor.

There are a lot of elements that we like about Kitwave. To mention a few, the company possesses what we perceive as a structural competitive advantage over its peers in the form of scale economies shared thanks to its scale-based bargaining power advantage with suppliers.⁷ We also find that Kitwave is in the highly capable hands of its top management. Its CEO and CFO both have a strong 13-year track record at Kitwave of growing company profits, appear ambitious for the company's future, seem to live and breathe their business, and have significant skin in the game. In addition, we appreciate the largely recession-proof nature of the industry, which should allow Kitwave to deliver consistent profits throughout the economic cycle.

Over the past seven years, Kitwave grew its EPS at a +22% CAGR. With a £10 billion fragmented TAM available, we see a clear path to Kitwave continuing to execute upon its roll-up strategy and growing its profits per share at a +10-20% CAGR over the medium-term. Shares are currently priced at a trailing P/E multiple of 13.5x, which we believe provides a sufficient margin of safety considering the company's durability of free cash flows and its expected future growth. This valuation also represents a material discount to industry peers, especially considering Kitwave's industry-leading growth and returns on capital.

From today's prices, we underwrite a +15-20% CAGR on our investment, driven almost entirely by our expected growth in per-share profits, as well as the potential for upside in market valuation. We view our investment in Kitwave as carrying a low probability of permanent capital loss given our confidence in the durability of Kitwave's future free cash flows. Earlier this month, we released an investment memorandum on Kitwave Group, which can be found [here](#) for those interested in viewing our complete investment thesis.

Administrative

During this past quarter, we transitioned our prime brokerage partner from Interactive Brokers to M.S. Howells and Co. As we highlighted in our previous letter, the increasing size of our partnership's assets under management had made trading a more time-intensive activity for me, to the point where engaging a



professional outsourced trading desk was a necessity. M.S. Howells provides this service, and our experience with them so far has been terrific. We look forward to our continued relationship with M.S. Howells.

Closing Thoughts

Thank you for taking an interest in our latest letter. I am excited about our partnership's future.

I remain confident that our partnership's north star will always be to compound our capital at the highest rate of return responsibly possible. In some respects, this approach may render our partnership uninvestible by many institutional investors. That is perfectly fine by me. We will continue to accept as partners only those who understand, and who are aligned with, our objective.

If you wish to learn more about the partnership, please feel free to reach out to me directly. Our partnership currently welcomes introductions to new investors who are aligned with our philosophy and our long-term approach. Accredited Investors interested in receiving future letters can also register on our website at www.sohrapeakcapital.com.

I value the trust you have placed in me to invest your hard-earned capital, as the substantial majority of my own wealth is presently invested alongside yours. I look forward to writing to you again next quarter.

Most Sincerely,

Jonathan A. Cukierwar, CFA

Manager of Sohra Peak Partnership LLC, the General Partner of Sohra Peak Capital Partners LP



Disclaimer

This report is based on the views and opinions of Jonathan A. Cukierwar, which are subject to change at any time without notice. The information contained in this report is intended for informational purposes only and is qualified in its entirety by the more detailed information contained in the Sohra Peak Capital Partners LP offering memorandum (the "Offering Memorandum"). This report is not an offer to sell or a solicitation of an offer to purchase any investment product, which can only be made by the Offering Memorandum. An investment in the Partnership involves significant investment considerations and risks which are described in the Offering Memorandum. The material presented herein, which is provided for the exclusive use of the person who has been authorized to receive it, is for your private information and shall not be used by the recipient except in connection with its investment in the Partnership. Sohra Peak Partnership LLC is soliciting no action based upon it. It is based upon information which we consider reliable, but neither Sohra Peak Partnership LLC nor any of its managers or employees represents that it is accurate or complete, and it should not be relied upon as such. Performance information presented herein is historic and should not be taken as any indication of future performance. Among other things, growth of assets under management of Sohra Peak Capital Partners LP may adversely affect its investment performance. Also, future investments will be made under different economic conditions and may be made in different securities using different investment strategies. The comparison of the Partnership's performance to a single market index is imperfect because the Partnership's portfolio may include the use of margin trading and other leverage and is not as diversified as the Standard and Poor's 500 Index or other indices. Due to the differences between the Partnership's investment strategy and the methodology used to compute most indices, we caution potential investors that no indices are directly comparable to the results of the Partnership. Statements made herein that are not attributed to a third-party source reflect the views, beliefs and opinions of Sohra Peak Partnership LLC and should not be taken as factual statements.

- (1) Sohra Peak Capital Partners LP launched July 22, 2021; results for the Partnership and S&P 500 Index for Q3 2021 are presented from that date forth.
- (2) Returns are presented on an unaudited basis for a theoretical Limited Partner net of expenses, 1% management fee, and 15% performance allocation.
- (3) S&P 500 Index returns include dividends reinvested. Please refer to the disclaimer at the end of this letter regarding comparison to indices.
- (4) Metrics reported in this table exclude: short and derivative positions held by the fund intended as market or position-specific hedges; holdings intended as cash-equivalent positions (e.g., money market or exchange-traded fund seeking to track the investment results of an index composed of U.S. treasury bills with 0-3 month maturity).
- (5) Calculated as the median market capitalization in USD among our portfolio holdings. Excludes cash.
- (6) Measured as the percentage of portfolio assets, excluding cash, invested in companies with primary operations conducted outside of the U.S.
- (7) Estimates, thoughts, opinions, and research of Sohra Peak Partnership LLC.