

A scenic view of a beach at sunset. The foreground is filled with the blue, rippling water of the ocean. In the middle ground, a sandy beach is visible with many people walking along the shore. Behind the beach, a city skyline is visible, featuring several tall buildings, some of which are illuminated with warm lights. In the background, a range of mountains is visible under a clear, blue sky. The overall atmosphere is peaceful and picturesque.

# Almitas Opportunity Fund

Institutional Background, Retail Focused, Profit Driven

# Investment Strategy

## ✓ Value Focused

- Discount to intrinsic value
- Statistical analysis based on proprietary data

## ✓ Retail Specialized

- Less institutional ownership and minimal research coverage
- Lack of sponsorship causes anomalies to persist

## ✓ Contrarian Style

- Identify underperforming sectors
- Study retail investor behavioral flaws

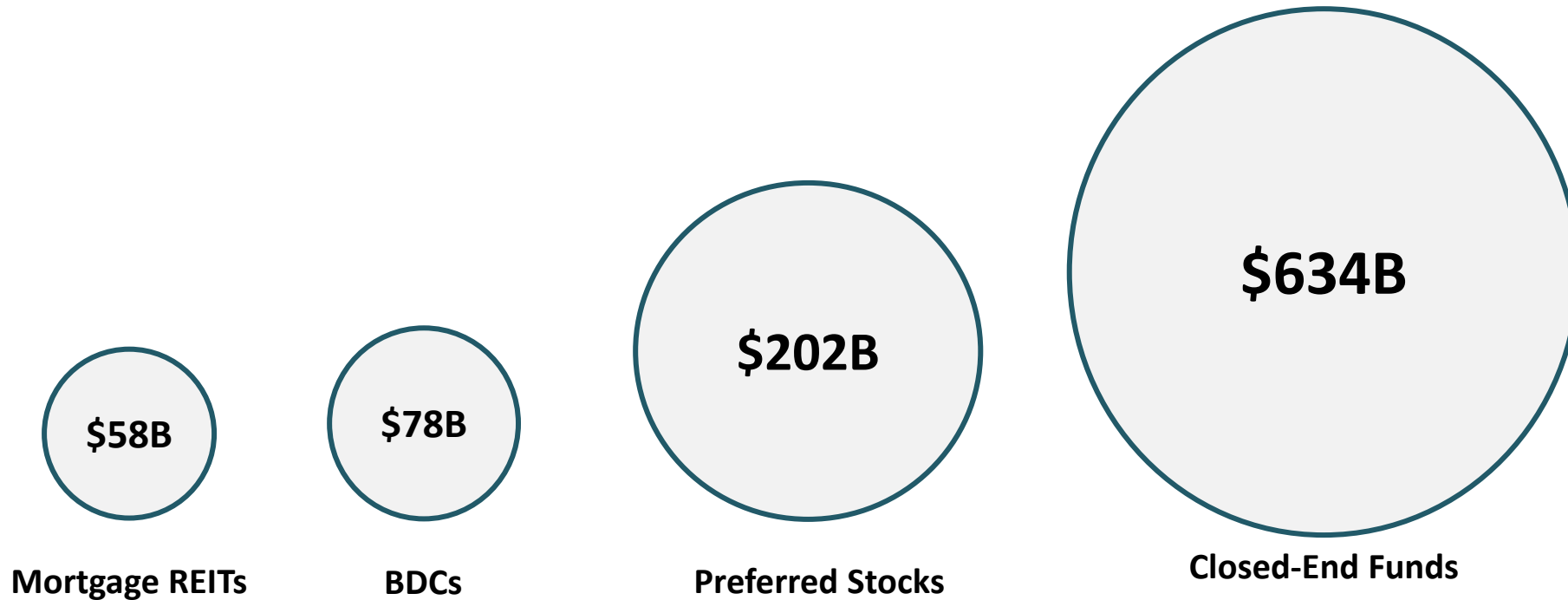
## ✓ Experience Based

- Experience as manager and investor for three decades
- Understanding both sides of the market differentiates Almitas

# Investment Universe

- ✓ **Closed-End Funds**
  - Publicly traded mutual funds that trade above or below Net Asset Value (NAV)
- ✓ **Mortgage REITs**
  - Real Estate Investment Trusts (REITs) that primarily hold mortgage loans or securities
- ✓ **Preferred Stock**
  - Income-oriented securities sold primarily to retail investors – hybrid of debt and equity
- ✓ **Business Development Companies**
  - Investment companies that provide equity or debt to small and medium-size businesses
- ✓ **Holding Companies**
  - Corporate entities that own public or private companies, and are often family-controlled

# Retail-Oriented Product Opportunity Set

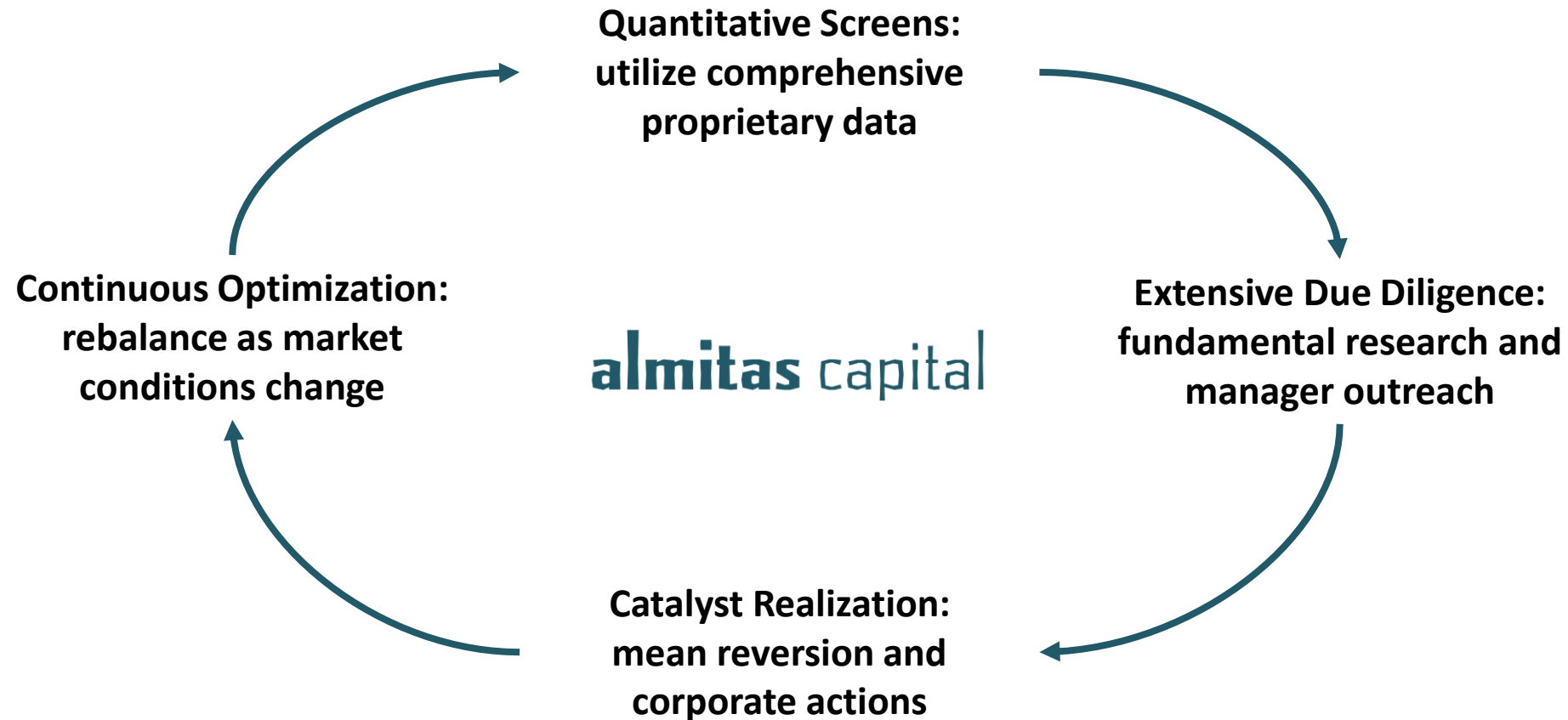


***Opportunity: \$900+ USD Billion Assets***

Source: Almitas Capital, Bloomberg, ICE Index Platform, Nareit, Association of Investment Companies, Investment Company Institute, Morningstar. As of 3/31/25.



# How We Generate Alpha



# CEF Trading Strategies

## ✓ Discount Mean Reversion

- Deviations from historical averages due to analyst rating changes, order imbalances, short-term fund performance, dividends, seasonal patterns, and tax-loss selling
- Discounts mean revert intraday or in weeks / months

## ✓ Catalyst Driven

- Corporate actions (e.g. tender offers, redemptions, continuation votes) create opportunities to realize NAV
- Rights offerings and secondary issuance present opportunities to purchase shares at a discount

*Real time monitoring → capitalize on pricing anomalies → identify potential for activism*

*CEFs generally represent >50% of Opportunity Fund*

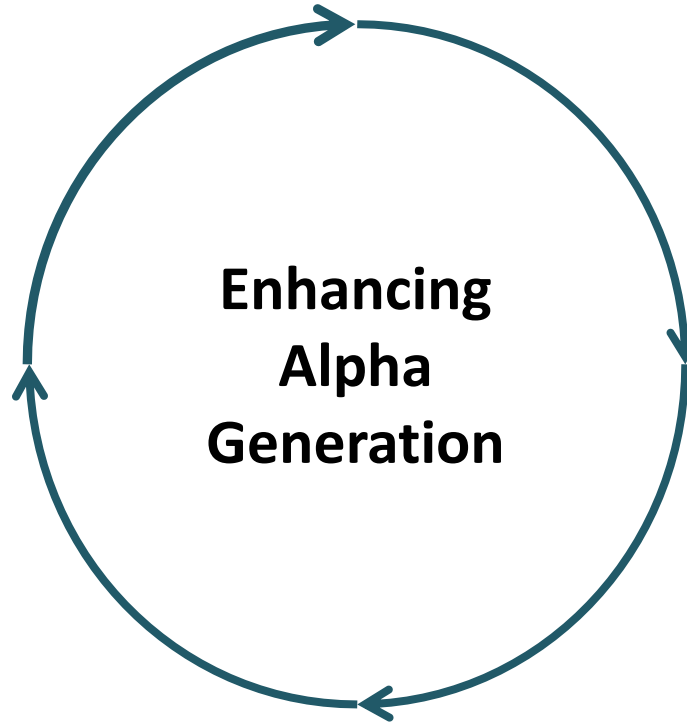
# Almitas CEF Edge

## Data Intensive Analysis

- Continuously estimate NAVs using 10K+ underlying fund holdings
- Regress NAV changes versus ~900 active ETFs

## Leverage Past Experience

- CEF Portfolio Manager 10+ Years
- Fixed Income PM 20+ Years
- CEF Investor 25+ Years



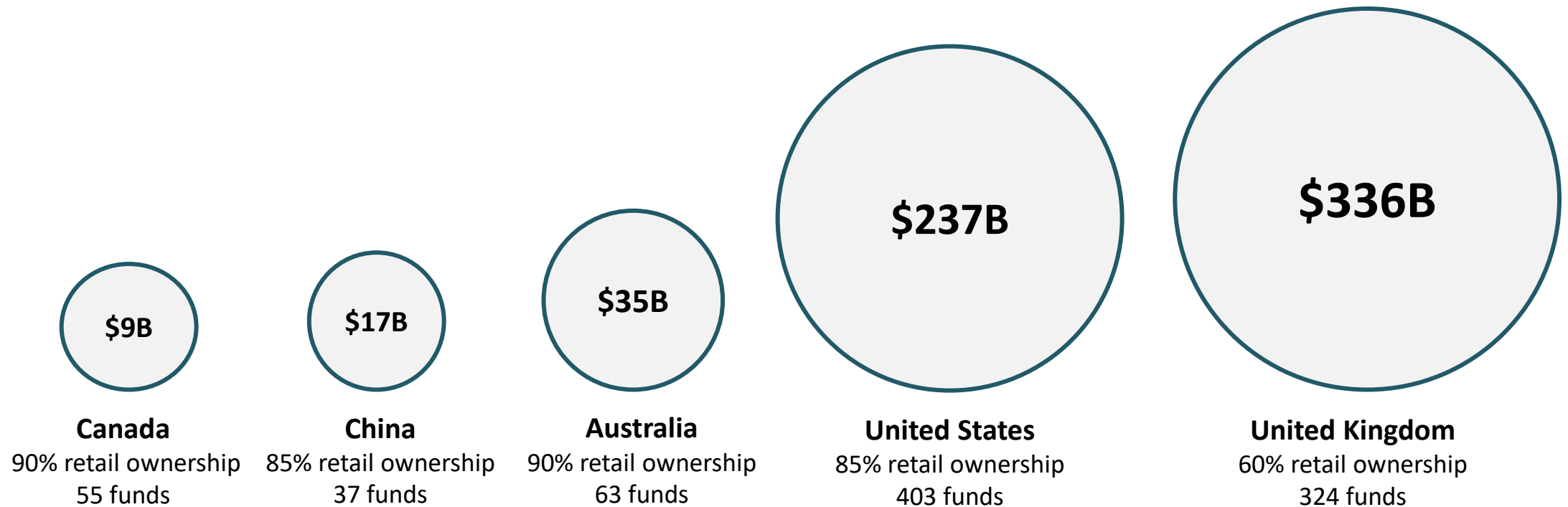
## Estimate Expected Alphas

- Update live discounts, Z-scores, and other metrics
- Incorporate expenses, buyback accretion, leverage, corporate actions, dividends, and other factors

## Unique Research and Data

- Proprietary CEF data covers 30+ years
- Focus on research and model building
- Insights from in house quantitative analysis & Almitas sponsored academic research

# Closed-End Fund (CEF) Opportunity Set



***Opportunity: \$600+ USD Billion Assets and 900+ Funds***

Source: Bloomberg, Association of Investment Companies, Investment Company Institute, Morningstar, Data as of 3/31/2025; percentage and fund # counts are approximate.



# Mortgage REIT Opportunities

- ✓ **Large Liquid Market**
  - \$55+ billion in size<sup>1</sup>
  - Ability to invest long, short, and through options
- ✓ **Similar Framework to CEFs**
  - Detailed modeling of assets and liabilities
  - Live valuation metrics (agency, non-agency, residential and commercial)
  - Live Book Value (BV) estimations
- ✓ **Opportunities to Add Alpha**
  - Prices often deviate from BV in the short- and longer-term
  - Less sophisticated investors often surprised by quarterly earnings
  - Capital structures generally mispriced (debt, preferred and equity)
- ✓ **Specialized Knowledge**
  - 30+ years analyzing mortgage and fixed income assets / liabilities
  - Experience launching, structuring and managing Mortgage REITs

<sup>1</sup> Source: Nareit, Almitas Capital, As of 3/31/2025

Note: Market size in USD

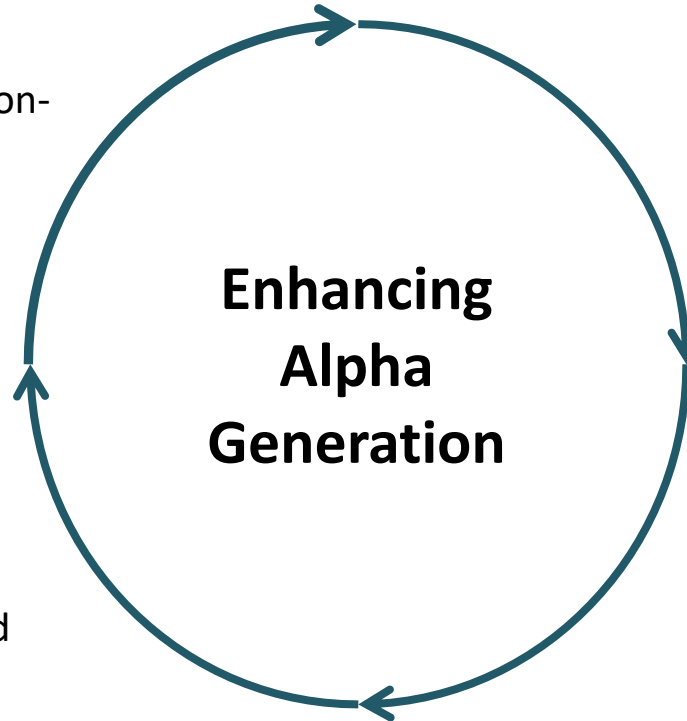
# Almitas Mortgage REIT Edge

## Similar Framework to CEFs

- Live valuation of metrics (agencies, non-agencies, residential, commercial)
- Live estimations of book value

## Leverage Past Experience

- 30+ years analyzing mortgages and fixed income assets
- Experience launching, structuring and managing Mortgage REITs



## Opportunities to Add Alpha

- Prices can deviate from book value both short- and longer-term
- Capital structures can be mispriced (debt, preferred and equity)
- Retail often surprised by quarterly earnings

## Unique Research and Data

- Model in detail assets and liabilities
- Close monitoring of mortgage security pricing and valuation

# Preferred Stock and Debt Opportunities

## ✓ Large Primary Focus Markets

- United States: \$170+ billion<sup>1</sup>
- Canada: \$30+ billion<sup>1</sup>

## ✓ Less Knowledgeable Investor Base

- Largely retail investors in U.S. and Canada
- Retail investors have limited knowledge of forward interest rate curves

## ✓ Opportunities to Add Alpha

- Capture fixed and floating rate mispricing with yield curve modeling
- Arbitrage capital structure inefficiencies (debt, preferred, and equity)
- Capture mispricing across countries and markets

<sup>1</sup> Source: Bloomberg, ICE Index Platform, Almitas Capital, As of 3/31/2025

Note: Market sizes in USD

# Business Development Company Opportunities

## ✓ Large Liquid Market

- \$75+ billion in size<sup>1</sup>
- Ability to invest long, short, and through options

## ✓ Prone to Inefficiency

- Investor base >60% retail
- Retail investor focus on dividend
- Lack of investor focus on earnings, expenses and leverage

## ✓ Opportunities to Add Alpha

- NAVs and Prices often lag trends in public debt markets
- Prices can overreact to earnings and news flow

<sup>1</sup> As of 3/31/2025. Source: Almitas Capital, Bloomberg.

# Holding Company Opportunities

## ✓ **Specific Focus**

- Trading at substantial discounts to net asset value
- Holdings comprised of primarily publicly listed securities
- Well run companies with low expenses

## ✓ **Prone to Inefficiency**

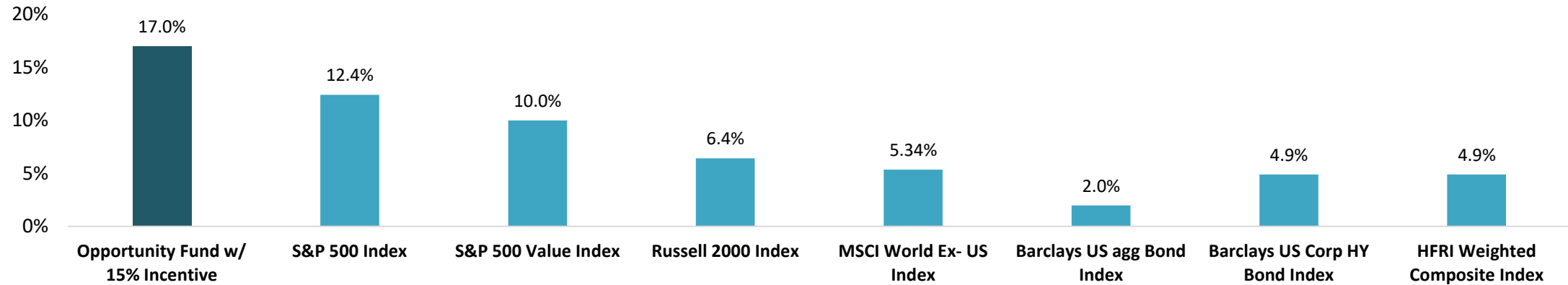
- Often tightly held by founders
- Little institutional following (limited trading and research)
- Increases in trading volume can lead to large price movements

## ✓ **Opportunities to Add Alpha**

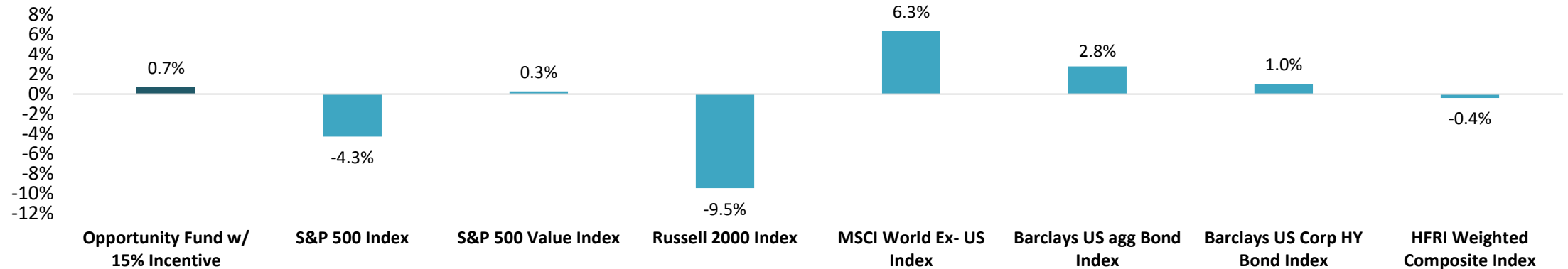
- Live NAV analysis identifies mispricing
- Provide liquidity to sellers at discounts to prevailing prices
- Sporadic catalysts to narrow discounts can lead to large appreciation

# Outperformance vs. Market Indices

## Almitas Opportunity Fund Annualized Returns Since Inception



## Almitas Opportuntiy Fund YTD 2025 Returns

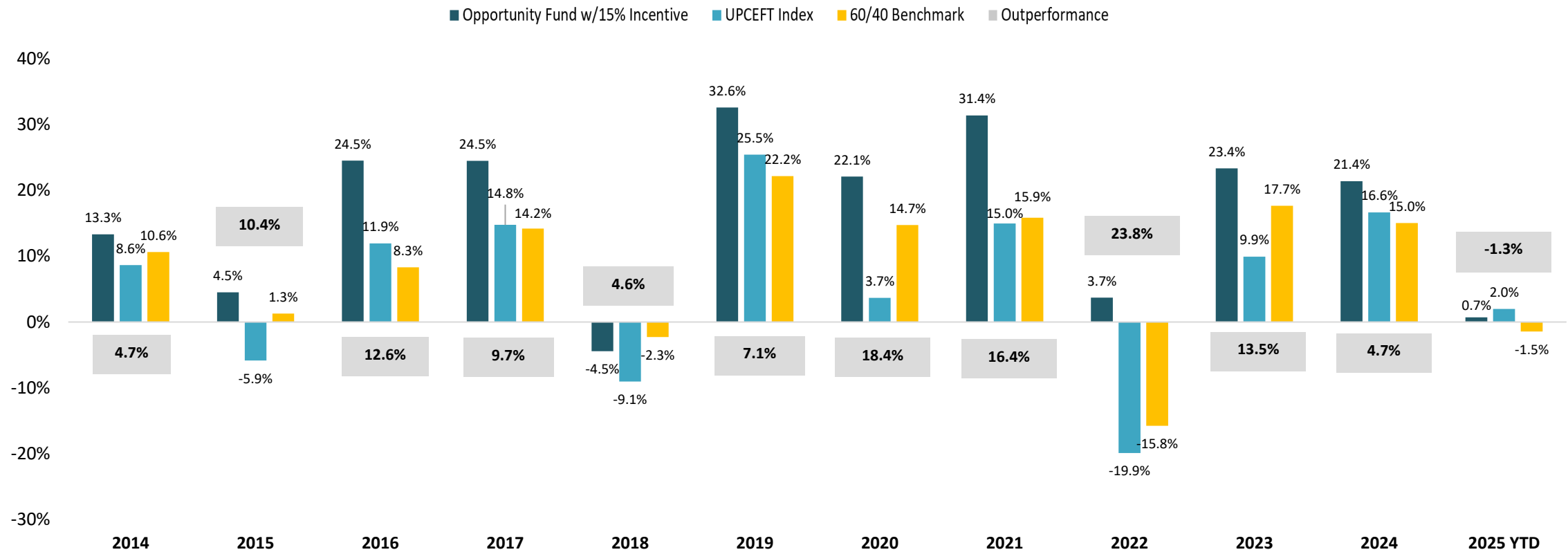


Source: Bloomberg, Almitas Capital; As of 3/31/25, inception 12/31/13.



# Consistent Outperformance vs. CEF Market

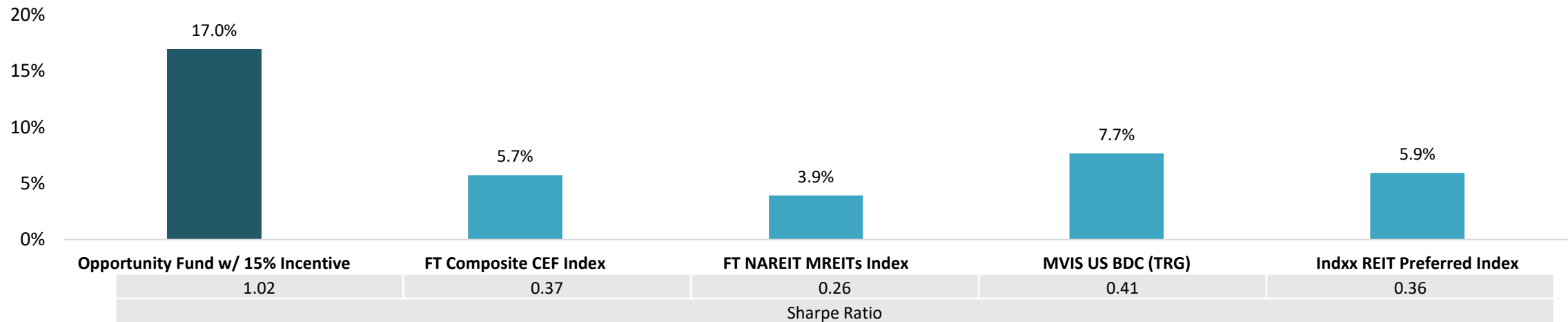
## Opportunity Fund Annual Returns Vs FT Composite CEF Index & 60/40 Blend



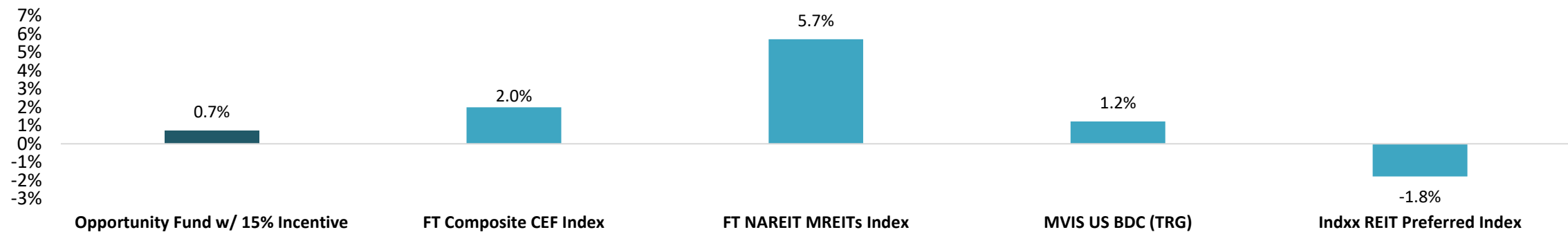
Source: Bloomberg, Almitas Capital; As of 3/31/25.  
CEF exposure historically averages >50% of Fund.

# Outperformance vs. Retail-Oriented Products

## Opportunity Fund Annualized Returns Since Inception



## Almitas Opportunity Fund 2025 Returns



Source: Bloomberg, Almitas Capital; As of 3/31/25, inception 12/31/13.

# Opportunity Fund Investment Allocation

<b><u>Fixed Income Exposure</u></b>	<b>26%</b>	<b><u>Equity Exposure</u></b>	<b>76%</b>
<b>US Fixed Income</b>	<b>21%</b>	<b>US Equity</b>	<b>16%</b>
Closed-End Funds	17%	Closed-End Funds	11%
Preferred Stocks	3%	Holding Companies & Other	11%
Debt and Other	1%	Equity Hedges	-6%
Mortgage Reits	1%	<b>International Equity</b>	<b>59%</b>
Business Development Companies	0%	Closed-End Fund	55%
<b>International Fixed Income</b>	<b>5%</b>	Holding Companies & Other	4%
Closed-End Funds	5%	<b>Crypto (Long)</b>	<b>24%</b>
		<b>Cryptocurrency Hedges</b>	<b>-23%</b>
		<b>Net Exposure</b>	<b>102%</b>

<sup>[1]</sup> Expressed as % of Net Asset Value as of 3/31/2025, exposures look through to underlying security holdings. Preferred stocks are considered fixed income exposure.

# Key Fund Information

Inception	January 2014
Domicile	Delaware Fund LP / Delaware Management Company LLC
Standard Fees	1% Management Fee; 15% Incentive Fee <sup>[1]</sup>
Fund Assets	\$405 Million <sup>[2]</sup>
Prime Brokers	J.P. Morgan, Fidelity, Morgan Stanley, Scotiabank, & Interactive Brokers
Auditors	Spicer Jeffries LLP
Legal Counsel	Cole-Frieman & Mallon LLP
Minimum Initial Investment	\$500,000
Administrator	Perennial Fund Services
Early Redemption Fee	3% early redemption fee within first year
Redemptions	Monthly with 60-day notice
Performance Fee Structure	High Water Mark / No Hurdle Rate

<sup>[1]</sup> Almitas and has the discretion to otherwise waive or lower fees for any particular investor

<sup>[2]</sup> As of 3/31/2025

# Appendix

# Recent CEF Research Studies

- Many Variables Predict Future Closed-End Fund Performance
  - Absolute and relative (z-score) discounts are the strongest
- Historical NAV Performance Drives Discounts
  - Discounts follow performance as retail investors buy winners and sell losers
- Discounts Movements Are Contra-Indicators of Future Performance
  - Discounts movements are inversely correlated with future NAV returns
  - Retail investors act opposite of logic, defying Efficient Market Theory
- US CEFs Exhibit Discount Seasonality, Widening in the Fall Quarter
  - Seasonality exists in funds w/ losses and is magnified as losses increase
- Closed-End Pricing Anomalies Continue Over Time
  - In most sectors, trading anomalies are quickly arbitrated by institutional investors
  - High retail ownership causes CEF anomalies to persist



# UCLA MFE Joint Study on US CEF Trading Strategies

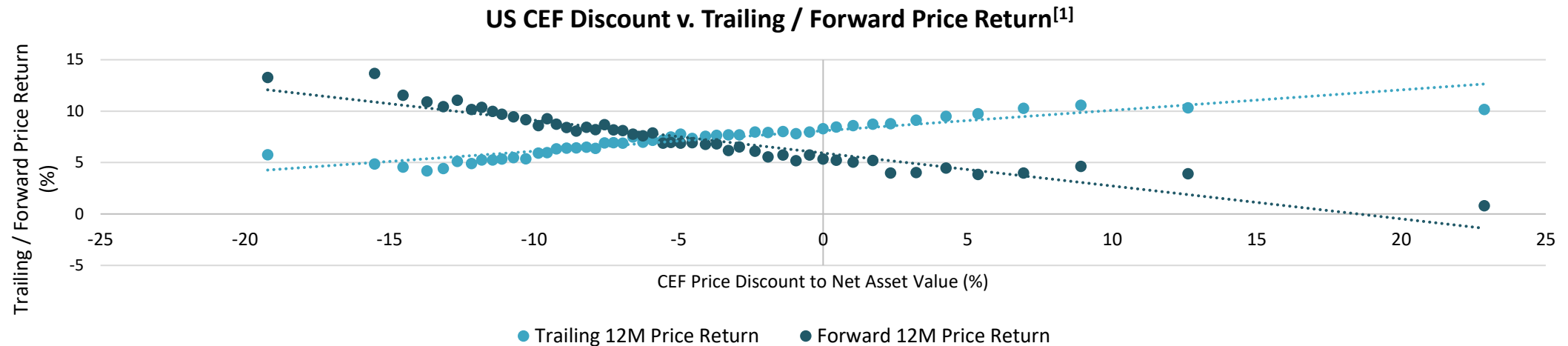
Annualized Returns 1985-2024 <sup>[1]</sup>			Starting Fund Z-Score				
			Negative	←	Neutral	→	Positive
			1	2	3	4	5
Starting Fund Discount	Largest Discount	1	17.73%	14.04%	10.23%	9.96%	6.21%
	↑	2	9.15%	5.88%	3.36%	1.14%	-1.89%
	Neutral	3	7.68%	4.23%	1.80%	-2.19%	-6.87%
	↓	4	5.01%	1.02%	-2.01%	-4.29%	-11.52%
	Largest Premium	5	0.63%	-3.81%	-7.98%	-13.41%	-22.26%

*Discount and Z-score are significant drivers of performance & risk-adjusted return*

<sup>[1]</sup> Based on 2024 Applied Finance Project Study of Closed-End Funds with UCLA Masters of Financial Engineering Program. Annualized returns by starting discount and Z-score quintiles. Assumes monthly rebalancing and no transaction costs.

Source: Almitas Capital, Bloomberg, Morningstar

# U.S. CEFs: Relationship Between Discount and Returns



*Although weak NAV performance leads CEFs to trade at wider discounts, these same CEFs tend to outperform in the future in both NAV and price return*

<sup>[1]</sup> Based on research by Almitas Capital Quantitative Analytics team on relationship of past performance to discount and discount to future price and NAV returns.  
Source: Almitas Capital, Bloomberg, Morningstar

# Chief Investment Officer

**Ronald Mass, CFA** – Managing Principal, Chief Investment Officer

Ronald Mass is the founder of Almitas Capital. Prior to founding Almitas Capital, Ron was a senior portfolio manager for over 20 years at Western Asset Management, an institutional fixed income manager with over \$400 billion in assets under management. Ron led the Asset Backed Securities (ABS) and Mortgage Backed Securities (MBS) portfolio management teams. In addition, he chaired the Leveraged Products Committee, was a senior member of the Broad Market Strategy and Risk Management Committees, and was responsible for management of all ABS and MBS investments. Ron initiated the launch and management of the Western Asset Mortgage Capital (WMC) REIT, numerous closed and open-end mutual funds, CDO and CLO products, and customized client portfolios. Additional responsibilities included management of Convertible Bonds, Preferred Stock, Aircraft Equipment Financing, and Secured Corporate Bonds.

Prior to joining Western Asset, Ron was a Research Associate at Credit Suisse First Boston. He graduated Magna Cum Laude and Phi Beta Kappa from the University of California, Los Angeles with a Bachelors in Economics and Business. He is a CFA Charterholder and a member of the CFA Institute. He served on the board of directors of Woodside Homes, a leading West Coast homebuilder, is a guest lecturer at the UCLA Anderson School of Management and the CFA Society of Los Angeles, and is a frequent speaker at finance industry events.

# Portfolio Management Team

**Tian Nan, CFA** – Investment Analyst

Tian has 10 years of investment experience and primarily focuses on Mortgage REITs, Preferreds, Fixed Income Securities, and Options. Tian joined Almitas in 2014 as an intern prior to graduating from UCLA in 2015 with a BA in Business Economics.

**William Chia, CFA** – Investment Analyst

William has 9 years of investment experience and primarily focuses on U.S. Closed-End Funds and European Closed-End Funds. William joined Almitas in 2015 after graduating from UCLA that same year with a BA in Economics.

**Jack Hussey** – Investment Analyst

Jack has 7 years of investment experience and leads fundamental research efforts across Almitas' strategies. He joined Almitas in 2023 after spending the past 3 years as a Partner at Washington Harbour Partners and was previously an intern at Almitas in 2016. Jack began his career at Matrix Capital, leaving midway through his MSEE program at USC, where he graduated with a BS in Business Administration.

**Anas Zouhar** – Investment Analyst

Anas conducts general market research and data analysis with an emphasis on BDCs and private credit. Anas recently joined the team in June 2024 after graduating with honors from Caltech with a BS in Data Science and Business.

**Timothy Deering** - Head of Operations

Tim has 10+ years of industry experience and assists with the day to day operations of the fund. Prior to joining Almitas in 2021, he worked as an Operations Specialist at black-and-white Capital and served as a Vice President in Morgan Stanley Prime Brokerage team in New York, London, and San Francisco. Tim graduated from the Gabelli School of Business at Fordham University in 2013 while studying Finance and Economics with a concentration in Alternative Investments.

**Mike Gomez, CPA**- Chief Financial Officer

Mike has 15+ years of industry experience and will focus on accounting, finance, compliance and other administrative functions for both the management company and the fund. Prior to joining Almitas in 2023, he was the Chief Financial Officer and Chief Operating Officer at Butler Hall Capital LLC and was a Controller at Beach Point Capital, Griffin Capital, and First Pacific Advisors. Mike graduated from the Claremont McKenna College with a dual degree in Economics and Accounting and is a Certified Public Accountant in the state of California.

# Quantitative Analytics Team

## **Frank Gao** – Quantitative Analyst

Frank has 27 years of experience and leads Almitas' quantitative analytics team in which he is responsible for building trading models and risk management systems. Prior to joining in 2015, he spent 3 years at China Investment Securities as Deputy Head of Risk Management. From 2006 to 2012, he was a desk quant at Western Asset Management where he built the firm's advanced RMBS trading model. From 1995 to 2006, Frank worked at various departments of Bank of America in risk, trading and portfolio management. He won the "Top Manager" award in 2003 for his role as PM of the Bank of America Global Liquidity Fund during which time fund assets quadrupled. Frank graduated from Beijing University with a BS degree in Mathematics, and from People's University of China with a MS in Economics. He was a Ph.D. candidate at the University of Rochester.

## **Praveen Chintakuntha** – Quantitative Analyst

Praveen has 19 years of experience and leads technology and analytics for Almitas. He is responsible for building trading models, maintaining databases and integrating various databases with existing trading models. Prior to joining Almitas in 2018, he worked at Vichara Technologies, where he led a cross-functional team of analysts and developers delivering analytical capabilities for vRMBS, vCLO and vLoan products. Prior to Vichara, from 2006 to 2014, he worked at Western Asset Management as an IT Project Manager developing and managing applications and tools for the Structured Products desk. Praveen graduated from Osmania University, India with a BS in Engineering.

## **Santosh Kanigiri**– Quantitative Analyst

Santosh has around 14 years of IT experience in various Microsoft based applications. As a developer, he designed N-layered web applications, Biztalk artifacts and their dependency systems across various sectors, including healthcare, supply chain management & retail. He worked as the lead developer responsible for integrating vendor systems to a central Biztalk hub for various EDI transactions and supply chain projects. Santosh worked with Accenture & CTS as an Associate and graduated with a BS in engineering from Osmania University.

## **Henry Zhang** – Quantitative Analyst

Henry joined Almitas in 2019. He primarily focuses on quantitative research and developing trading models for CEFs. Henry graduated Summa Cum Laude from UCLA in 2019 with a BA in Business Economics. He also has a Masters of Financial Engineering from UCLA Anderson School of Management.

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An investment in the Fund is speculative and involves a high degree of risk. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests and none is expected to develop. A portion of the trades executed may take place on non-U.S. Exchanges. Leverage may be employed in the portfolio, which can make investment performance volatile. An investor should not make an investment, unless it is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits.

Mr. Mass currently maintains an interest in the Fund which represents greater than 25% of the Fund’s assets. The investment objectives and risk tolerance of Mr. Mass may depart from those of the other investors, which creates a potential for harm to the other investors.



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