TOP MARK CAPITAL MANAGEMENT LLC

Report For the Quarter Ended

September 30, 2023

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FOR OUR PARTNERS AND PROSPECTIVE PARTNERS

In recent weeks, the world has turned its eyes to Israel, shaken by acts of terror. In these times, we, as investors, must set aside our hearts and think clearly. The trajectory of this conflict remains uncertain. Many roads lie ahead. Our hope is in leaders who act with prudence and strive for de-escalation.

While the world faces turmoil, your managers have been hard at work, turning over rocks in search of opportunity. Our process[1], which involves seeking out themes and events that will have a lasting impact on the global economy, continues to serve us well in spite of macroeconomic uncertainty. In the following pages we will update you on the performance of our Partnerships: Top Mark Capital Partners (TMCP) and Top Mark Health Partners (TMHP). You will find performance data and commentary for each partnership. We trust this will offer valuable insights into our strategic thinking and investment approach in the current environment.

For those seeking long-term outperformance, our approach has demonstrated quite satisfactory returns. Feel free to reach out to us directly to discuss either partnership in more detail, and as always we welcome referrals to like-minded individuals.

As a partner, you can expect from us quarterly letters like this one in which we discuss our investment thoughts. In our opinion these documents, once digested, provide the information needed to form a judgment about what and how we are doing. From Top Mark's administrator (Formidium Fund Management Services), you can

[1] You will find a detailed review of our investment process in our 2022 Annual letter, which you can download here. Alternatively, reach out directly to request a copy

expect a quarterly statement of your account as well as annual audited financial statements. Let us know if you are not receiving all you should.

Top Mark's focus is genuinely long-term, and more regular reports, daily, weekly, monthly or otherwise, are likely to be of little value to you, and may even be counterproductive. With that said, Jason and I can be found every week on the Telltales podcast if you'd like to hear from us more frequently. You can sign up for the Telltales weekly newsletter at telltales.us to get a notification when new episodes are released.

If we are to have a sustainable comparative advantage, it will come from two sources… 1) your manager's capital allocation skills, and 2) from the patience of our partners.

When it comes to patience, we are fortunate to be surrounded by like-minded, long-term investors. Only by looking further out than the short-term crowd can we expect to beat them. We are an investment partnership, not a hedge fund, and the relationship we seek with our partners is different.

In the event that you share our temperament and perspective, we invite you to consider subscribing to one of our Partnerships.

As always, we thank you for your confidence and value your support.

Sincerely,

Mike Nicoletti

Jason Wallace

TOP MARK CAPITAL PARTNERS LP

Partnership Letter

For the Quarter ended September 30, 2023

PARTNERSHIP LETTER & PERFORMANCE UPDATE[2]

To: September 30, 2023	TMCP % Net Return[3]	S&P 500 Total Return[4]
One year	**29%**	22%
Two Years	**-3%**	3%
Three Years	**21%**	34%
Four Years	**115%**	54%
Five Years	**50%**	60%
Six Years	**275%**	89%
Seven Years	**894%**	124%
Eight Years	**916%**	159%
Nine Years	**872%**	157%
Since Inception[5]	**843%**	277%
Annualized Since Inception	***22%***	*13%*

Partnership interests in Top Mark Capital Partners increased in price by 25% year-to-date and 29% over the last 12 months which compares favorably to the S&P 500 Total Return Index (13% year-to-date and 22% over the last 12 months). With that said, we encourage you to assess performance on a cumulative basis, rather than focusing on

[2] Please review the Important Disclaimers on Page 22

[3] Performance is net of all fees (i.e., management fees, costs, *and* performance fees) and rounded to the nearest whole percentage.

[4] S&P 500 total return, i.e. dividends reinvested.

[5] September 1, 2012

discrete, short-term, increments. This approach offers a more accurate reflection of the investment's long-term value creation. The table above shows cumulative returns from various start dates, reinforcing the fact that results are best compared over long time horizons. You will notice that our returns are presented net of all fees and expenses.

The S&P 500 Total Return index is included, not as an explicit benchmark, but as a simple gauge against another investment you could have made, with returns presented the right way (cumulatively). We expect that our process will yield returns over the long-run that surpass those of a broad based index like the S&P 500. We know you have many options when it comes to placing long-term investments and we take seriously the responsibility that comes with stewarding your capital. As a reminder, your managers collective holdings represent the majority of our liquid net worths. We are truly in the same boat, for the long-haul.

For those who insist on examining annual returns data, we have included a table on the following page for your review. This information serves to provide additional context for our performance, but we reiterate the importance of evaluating returns cumulatively for a more accurate understanding. While evaluating returns in discrete periods, such as monthly, quarterly, or yearly, may seem like a natural and convenient way to measure performance, it can also lead to misleading and inaccurate conclusions. We wrote about evaluating returns in our 2022 Annual Letter[6]. By emphasizing the cumulative nature of returns, we aim to cultivate a more holistic and accurate understanding of our partnership's performance over time.

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[6] Download our 2022 Annual letter here, or reach out directly to request a copy.

Year	TMCP % Net Return[7]	S&P 500 Total Return[8]
2023 YTD	**25%**	13%
2022	**-31%**	-18%
2021	**34%**	29%
2020	**53%**	18%
2019	**64%**	31%
2018	**14%**	-4%
2017	**48%**	22%
2016	**108%**	12%
2015	**-6%**	1%
2014	**8%**	14%
2013	**-7%**	32%

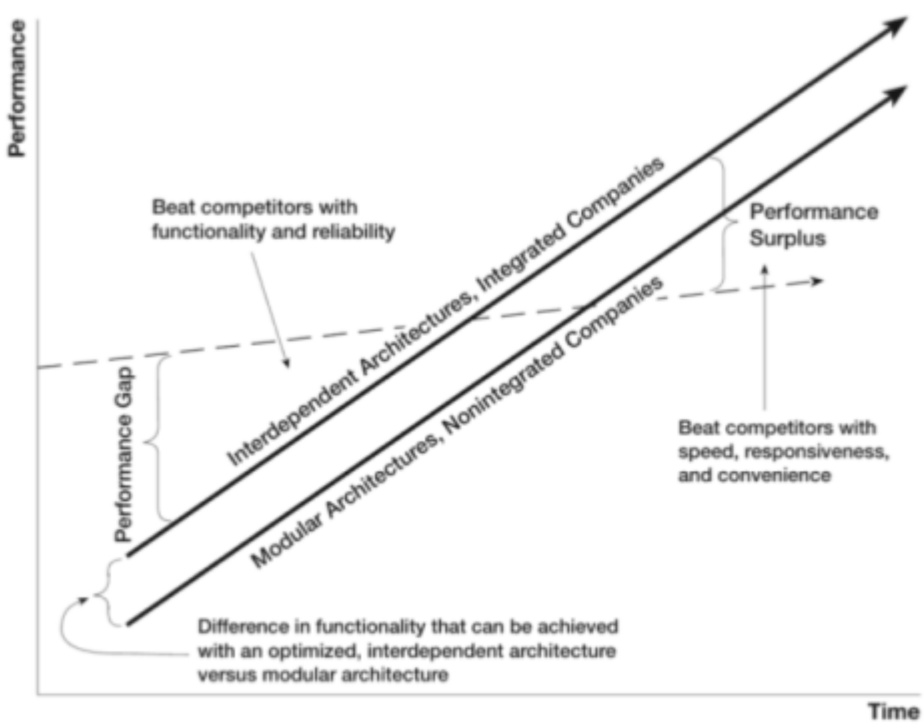
[7] Performance is net of all fees (i.e., management fees, costs, *and* performance fees) and rounded to the nearest whole percentage.

[8] S&P 500 total return, i.e. dividends reinvested.

Customers will not buy your product unless it solves an important problem for them. But what constitutes a "solution" differs across the two circumstances in Figure 5-1: whether products are not good enough or are more than good enough. The advantage, we have found, goes to integration when products are not good enough, and to outsourcing — or specialization and dis-integration when products are more than good enough.

FIGURE 5-1

Product Architectures and Integration



- Clayton Christensen
The Innovator's Solution

The table below provides an overview of our Partnership's allocation by theme[9] (as of September 30, 2023). The table and the descriptions that follow provide a useful snapshot of our investment activities[10].

Percent	*Theme*	*Dividend / YTM*
27%	Software is Eating the World	0.4%
22%	TIAA	8.8%
18%	Health	0.0%
6%	Semiconductors are the Teeth	1.1%
5%	Open RAN, 5G, & the Future of Wireless Networks	16.2%
3%	Metals Powered Economy	1.3%
3%	YC Inversion	0.0%
85%	Stocks, Convertible Bonds, & Private Credit	3.9%
14%	Cash	
99%	Total Partnership	

Software is Eating the World (27%)

Today's limelight is focused on Large Language Models (LLMs) - the most voracious software programs to date - bringing new meaning to the phrase "Software is Eating the World". It is no surprise, then, that our investments in this theme yielded solid returns.

Before we delve into our investments, let's review a framework for understanding this dynamic market: Clayton Christensen's theory of integration and modularization. Christensen suggests that integrated products win in the beginning when competitive solutions aren't very good. However, in the long run, modularized solutions that are more cost effective and customizable win out (see excerpt from Christensen's

[9] It is important to note that these themes are not mutually exclusive (i.e. some names in "Software is Eating the World" could also be in "Semiconductors are the Teeth"), nor are they always homogeneous ("Open RAN, 5G, & the Future of Wireless Networks" includes both convertible bonds and stocks), so they should not be considered 'asset classes' in the traditional sense of the term.

[10] If you are unfamiliar with our process and philosophy, please request from us our 2022 Annual letter, or reach out to us directly to request a copy.

Innovator's Solution at the beginning of this section). Nvidia, Microsoft, and Hubspot are pursuing a more integrated approach, while Amazon and Snowflake are pursuing a more modularized approach.

Nvidia, the ultimate 'pick and shovel' in this race for AI superiority, has nearly tripled in value since the year began. Our article on CUDA is required reading and is available in our 2023 Q2 Letter[11]. Hubspot follows, up 70%, finding its stride in customer relationship management — one of the clearest applications for LLMs.

Microsoft, up 33% this year, went all in on OpenAI[12] whose models now undergird substantially all of the AI efforts at Microsoft. This will enable a massive cost advantage by maximizing utilization across the company's mix of AI products which span consumer, enterprise, and developers. Microsoft most embodies integration - as is typical of early leaders according to Christensen. Microsoft is positioned to win on scale, and could sustain an enduring advantage if they achieve cost leadership.

Amazon, up 51% this year, is playing a longer, more nuanced game, aligning with Christensen's vision of eventual dominance of modularized solutions[13]. AWS, their cloud division, is positioning itself for the long haul, crafting adaptable, cost-effective solutions for product development teams.

Snowflake, up just 6% this year, hasn't basked in the AI limelight like the others. Their revenue model, aligned with customer consumption, feels the pinch when belts tighten and usage drops. Yet, Snowflake holds a crucial role in the LLM ecosystem, serving as a beacon of truth in an otherwise probabilistic landscape. As AI continues to modularize, Snowflake's role in training and customized applications is set to grow.

[11] Download our 2023 Q2 letter here, or reach out directly to request a copy.

[12] "Microsoft and OpenAI Extend Partnership."

[13] Thompson, "Google Earnings, Microsoft Earnings, AI Leverage."

TIAA (22%)

Our investment theme, TIAA, eoncompasses three sub themes: Working Out With the FTC, Private Credit, and Deep Value.

Working Out With the FTC. Under Lina Khan, the FTC has toughened up on M&A reviews. Yet, no new laws signal a change in deal outcomes. Our moves? Activision in Q1 and Seagen in Q3. Activision's deal closed in October, handing us a 38% IRR. Seagen? We're eyeing a year-end close.

Private Credit. Our initial loan in private credit was to Gento, repaid in Q3, yielding an IRR of 17% over about 2 years. We hold warrants in Gento, valued at zero currently, but hold potential for future windfall. With three loans outstanding, we are mindful of liquidity and have capped our exposure to the smaller of 30% of the partnership and that of your manager's combined stakes in the partnership. Looking ahead, we are considering a separate fund for additional private credit ventures.

Deep Value. Here, we've bet on Altria, a consumer product firm with a business model fortified by regulation, ensuring strong returns regardless of management. We don't endorse its products, but it's a clear example of how regulation shapes profitability. Since our Q3 2020 investment, Altria has delivered a 21% IRR.

Health (18%)

Our health theme contains positions that otherwise are in our newly launched partnership: Top Mark Health Partners (TMHP). Our capital commitment here pre-dates TMHP, a testament to our knack for spotting opportunities when they arise. Our positions include Lantheus Holdings and Celsius. More information on both of these can be found in this quarter's Top Mark Health Partners letter.

Semiconductors are the Teeth (8%)

In the semiconductor industry, cycles are the norm, and we're riding one now. Our investments include ASML Holdings and Taiwan Semiconductor. Taiwan Semiconductor shows signs of a rebound in orders, suggesting we might be climbing out of the cycle's trough. ASML, on the other hand, is facing a bumpier road in the short term, with net bookings at their lowest since Q2 of 2020. Yet, we see glimmers of promise. First, China's fabs are growing rapidly, and they need ASML's DUV

TSMC	MTr/mm	Year Introduced	Price/ Wafer	Price/ BTr
90 nm	3.4	2004	$1,650	$6.87
65 nm	5.6	2006	$1,937	$4.89
40 nm	9.8	2008	$2,274	$3.28
28 nm	16.6	2011	$2,891	$2.46
20 nm	20.9	2014	$3,677	$2.49
16 nm	28.9	2015	$3,984	$1.95
10 nm	52.5	2017	$5,992	$1.61
7 nm	91.2	2019	$9,346	$1.45
5 nm	138.2	2020	$16,988	$1.74
3 nm (N3B)	197.0	2023	$20,000	$1.44
3 nm (N3E)	215.6	2023	$20,000	$1.31

Source: Stratechery

machines—largely free from U.S. sanctions—to scale up. Second, the shift to 3nm technology is back on track, promising cost efficiencies (see table above, Price/Billion Transistors). This shift is crucial; it's tied to ASML's EUV machines, each with a hefty

$150 million price tag. 2024 might start slow for ASML, but their unmatched expertise in lithography gives us confidence for the long haul.

Metals Powered Economy (5%)

The United Auto Workers (UAW) are shaking things up at Ford, GM, and Stellantis. A decade after the financial crisis, the UAW is standing strong, determined to reclaim past concessions. The Big Three are in a tight spot, balancing labor shortages and record profits, all while trailing behind Tesla in the EV race. Tesla, the market leader and notably non-unionized, sets a challenging pace. Our 'Metals Powered Economy' theme[14] recognizes this shift and has spurred investments in Tesla and Allison Transmission. Below, we detail **our decision to exit Allison at a 59% IRR**.

Allison Transmission stands out in the transmission sector, born from General Motors post-crisis. With a robust product range, from trucks to buses and beyond, they have a strong hold on their market. Their commitment to quality has granted them pricing power and exceptional margins. We saw Allison as an undervalued gem, misjudged by the market on electrification's pace. Our investment has seen a 38% PE expansion, a 23% net income rise, and a 7% share reduction due to buybacks.

On September 1, 2023, we partly exited Allison, hedging the rest. The UAW strikes at the Big Three, and potential strike at Allison, along with industry headwinds, guided this decision. Allison faces challenges, yet trades at an all-time high.

[14] Read more about the "Metals Powered Economy" theme in the 2022 Q2 Letter, available here, or reach out directly to request a copy

Open RAN, 5G, & the Future of Wireless Networks (4%)

Our "Open RAN, 5G & the Future of Wireless Networks" theme aims to capitalize on the transformative potential of 5G technology and the rapidly evolving wireless network landscape. Patience is a companion in our investments here. Our stakes are in Dish Network, a company not quite the darling of equity analysts, as its stock performance reflects. We wisely hedged our bets, leaning into debt instruments before overcommitting to equity. Despite these numbers, our trust in Charlie Ergen's leadership remains steadfast. He's not one for popularity contests, but his interests are firmly in line with ours. For more insights on this theme, revisit our 2022 Q2 Letter[15].

[15] The 2022 Q2 Letter is available here, or reach out directly to request a copy

TOP MARK HEALTH PARTNERS LP

Partnership Letter

For the Quarter ended September 30, 2023

PARTNERSHIP LETTER &
PERFORMANCE UPDATE[16]

Your managers are building a concentrated portfolio of companies for the Health Partnership. This requires a significant effort to develop competency in the companies and technologies we ultimately invest in. As such, we did not open any new core positions in the partnership this quarter. However, we continued to build on our existing investments and opened positions in two workouts (merger arbitrage). Following the thought process used in our flagship, Top Mark Capital Partners, we believe the FTC's actions presented a great opportunity to participate in merger arbitrage this quarter. Their scrutiny was not limited to tech, and with their challenge to the Amgen / Horizon Therapeutics deal, it also led to juicy spreads on biopharma mergers.

The life science industry typically escapes this level of regulatory scrutiny. However, in 2021 the White House issued an Executive Order instructing the DoJ and FTC to investigate the consolidation occurring across a handful of industries, healthcare being one of them[17]. Specifically the directive highlighted prescription drugs, hearing aids, hospitals, and health insurance. The subsequent action taken against Amgen earlier this year cast doubt over the other M&A deals in the works, in an industry that historically uses M&A to refill their product pipeline as drugs fall off patent. We found it unlikely that the FTC would succeed in upsetting the business model used by the entirety of big pharma, especially given that no new legislation has been enacted that would necessitate a different outcome from historical precedence. As a result, we felt that capturing the

[16]Please review the Important Disclaimers on Page 22

[17] House, "FACT SHEET."

spreads was the prudent thing to do with a portion of our un-deployed cash position while we continue to turn over rocks.

And which rocks are we looking under? The health partnership looks for companies offering new therapies in markets that have not seen innovation in quite some time - ideally large markets. Similar to TMCP, these businesses should be well run, where the cash generated and reinvested into the business today has the potential to provide substantial value creation in their respective markets over the long term.

A few areas that we are specifically focused on are pain treatment, eye disease, depression, and novel anticancer drugs. The latter, cancer therapies, encompass a large breadth of ongoing research and development. Falling under that umbrella is radioligand therapy, antibody drug conjugates, CAR-T therapy, and mRNA cancer vaccines.

All four of these markets are very large and have mostly not seen innovation in decades. Take for example depression therapy, selective serotonin reuptake inhibitors (SSRIs) were introduced in the late 1980's. They still constitute the main course of treatment today with the top 5 drugs by market share all having been approved in the late '80s or early '90s. Treatment often entails cycling through several of these drugs to find the one that works best, or has the side effect profile that a patient can best live with.

Another great example is cancer treatment as surgery and chemotherapy is the most common course of treatment in patients. Chemotherapy was first tested in 1943 before becoming mainstream in the 1970's. This is not to suggest that scientists are satisfied with the status quo, rather it is a very difficult problem to solve. But those many years and many billions that humanity has dedicated to cancer research are finally starting to bear fruit, likely to usher in a dramatic change with how we diagnose, treat, and ultimately cure cancers.

The pace of innovation in healthcare is accelerating, and innovation brings opportunity.

In the two quarters since inception, the partnership has returned 2.8%, which compares to a gain of 0.2% by the S&P 500 Healthcare Sector index[18] over the same period. Due to the brief period since inception, and lack of fully deployed capital, our results to date will be meaningless in the long term. We expect that our process will yield returns over the long-run that surpass those of this broad based index.

[18] The S&P 500 Healthcare Sector Total Return index is included, not as an explicit benchmark, but as the simple gauge against another investment you could have made.

PORTFOLIO UPDATE & COMMENTARY

Last quarter we wrote about the patience required to see new drugs through the clinical research and regulatory pathways. In this coming quarter, we should start to see clarity on some of the phase 3 research conducted by two of our holdings, Lantheus Holdings and Vertex Pharmaceuticals. While the data from previous studies appears to hold promise, we can't know for sure what the final data will produce.

Vertex Pharmaceuticals

Vertex Pharmaceuticals has two big milestones this quarter. The first being the PDUFA action date for exa-cel of Dec 8, 2023. This means the FDA will make an approval decision for their CRISPR-based cure for sickle cell disease by this date. This has the potential to be the first CRISPR-based gene therapy approved for use.

Vertex's second milestone, and the one we are eagerly anticipating, is the expected completion of the phase 3 study for VX-548. The initial data readout from this study could be released by year end or early 2024. The significance of VX-548 is that of potentially being the first non-opioid acute pain treatment. The expected demand, and benefits to society, from a severe pain treatment without addictive properties are enormous.

Lantheus Holdings

Lantheus Holdings is due to complete their phase 3 study of PNT2002 in the fourth quarter with a data readout potentially published by the end of the year. PNT2002 is a radioligand therapy to treat prostate cancer. Similar to their diagnostic on the market, Pylarify, this is a prostate-specific membrane antigen (PSMA) that is conjugated to a radioactive isotope. The diagnostic utilizes a lightly radioactive tracer element, the treatment, a more potent isotope that emits beta particles. The PSMA seeks out and binds to tumor cells allowing the isotope to irradiate the cell. We view this market as likely to be a duopoly with Novartis' Pluvicto.

A recent vote of confidence in this treatment was provided by Eli Lilly. Just after the quarter concluded, Lilly announced that they have agreed to acquire POINT Biopharma[19], the owner of the technology behind PNT2002. What Lilly is purchasing is a radioligand pipeline where the two leading candidates are licensed to Lantheus. It's of little doubt that due diligence would have included a team of biostatisticians pouring over the interim results from the PNT2002 study making this vote of confidence meaningful.

With the risks of unexpected phase 3 outcomes in mind, these are two companies where we have left ourselves a margin of safety. Both businesses generate fantastic cash flows from existing product lines that should insulate our losses in the event the research or FDA decision does not go our way. As value investor Mohnish Pabrai would say, "heads, I win; tails, I don't lose much".

[19] "Lilly to Acquire POINT Biopharma to Expand Oncology Capabilities into Next-Generation Radioligand Therapies | Eli Lilly and Company."

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