Moor Funds LLC
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Moor Funds Quarterly Investor Letter

1st June 2024

Dear Investor, thank you for your investment with Moor Funds; **for the 3-month period ending 31st May 2024 the Moor US Select Equity strategy returned +5.72%, outperforming the S&P 500 by +2.16%** during the period. **Over the trailing 12-month period ending 31st May 2024, the Moor US Select Equity strategy has returned +31.98% vs S&P 500 return of +23.87%; a cumulative outperformance of +8.11%.**

The **Moor US Equity Market Neutral strategy returned +7.99% over the trailing 12-months** from 31st May 2024.

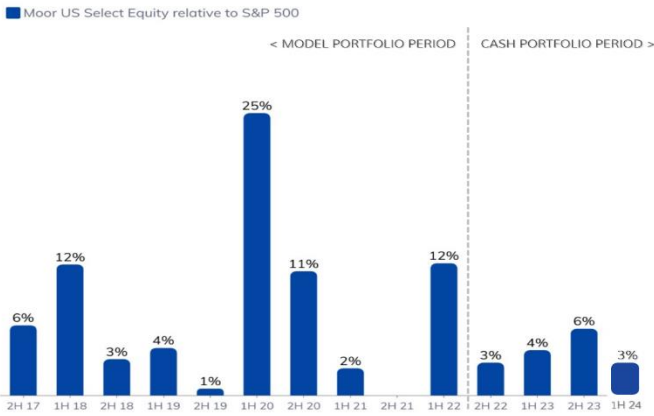## We EARN our fees beating the S&P: Moor Funds vs US Equity Active Fund Peers

Fig. 1: Moor Funds Half-Yearly % return relative to S&P 500
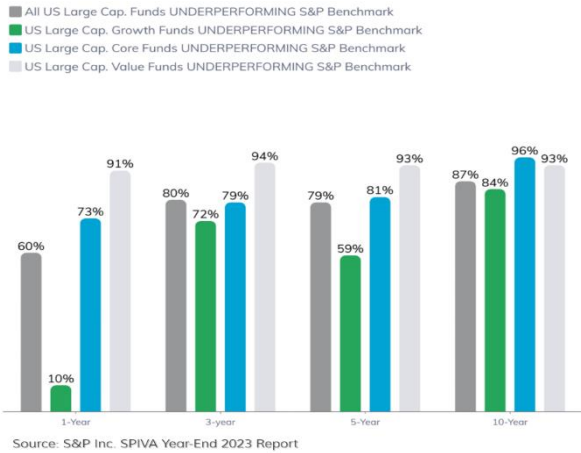

Fig. 2: % of US Large Cap. Funds UNDERPERFORMING S&P 500

Moor Funds has a singular philosophy encapsulated in the sub-title above; we utilize an Artificially Intelligent process to actively manage our client portfolios for consistent outperformance relative to our chosen benchmarks - thus justifying our management fee.

As per Figure 1, since 2H 2017 we have outperformed the S&P 500 in 93% of all (calendar) 6-month periods. Furthermore, since going live (cash portfolio period) we have outperformed the S&P over SEVEN sequential and heading into our eighth.

To put our machine-assisted live portfolio into context, the average US Large Cap. fund, based on US Large Cap. funds 20-year performance data available at S&P Inc., has 33% probability of beating the S&P in a single quarter and a 15% probability beating the S&P over 3-years. Moor's sequential quarterly S&P outperformance (we build a new portfolio each quarter) has a probability of 0.014%. We aren't simply "lucky", our performance isn't "too good to be true" and we are not "riding Beta"; feedback we often hear from peers who seem to see underperformance as an insurmountable operational obstacle. Only in an industry as dysfunctional as ours can consistent and public failure of the customer's primary objective be rewarded with greater capital. Conversely new industry entrants like Moor have no choice but to innovate. Since 2018, we have invested in machine-based R&D, identified and systemized various precedents determining equity portfolio alpha and built a range of machine tools that combine to typically outperform both our benchmark and our 'human' peers highlighted in Figure 2.

The simple reality is how many institutional fund managers innovate to improve active performance? The chart in Figure 2. suggests not many which raises the question why?. We believe that our industry focused solely asset gathering where scale begets greater scale, asset-growth without relative outperformance creates an environment where brand, distribution platform and marketing are sources of growth and end-customer (retirees) outcomes become irrelevant. The consequence is customer voting with their feet with the accelerating shift from active funds to index and passive funds. Marketing smoke and mirrors can only hide the reality of the data in Figure 2 for so long. Hoping customers continue to pay a 0.70% per year active management fee (over 5-years) for 85% of active fund managers to underperform a benchmark that the customer can own exposure to for 0.07% (per year) is an unsustainable business model.

We believe Moor's approach leveraging machine-technology to drive performance will become the active management template due to fee pressure, bloated headcount costs and performance pressure. LLM applications will lower costs at the margin in 'language and text' heavy processes but at some-point, the spotlight will shine on the industry 'talent' i.e., portfolio managers teams and the effectiveness of the eco-system advising them i.e., the sell-side apparatus. To date the biggest winners have been institutional managers collecting fees and sell-side institutions pocketing transaction revenue; the retiree customer loses; this is undesirable, unsustainable, and unjust. The tipping point is on the horizon; "trust me I'm an expert" starts to lose its shine when fund performance suggests otherwise. Institutional Investors either embrace AI/machine reality themselves or sell-side institutions become eco-systems for accessing performance driven IP; but either way a new operational reality is needed. In the end, the demise of our industries 'Heads I win, Tails you lose' operational approach to its customers cannot come quickly enough; for those curious about how this all plays out can read 'Disruptive Technologies: Catching the Wave', Harvard Business Review Jan/Feb 1995.

Sincerely,

Edwin Hagan, Managing Partner

IMPORTANT DISCLOSURE

In considering investments investors should carefully consider the fund's investment objectives, risks, charges, and expenses. For further details on the funds presented in this document please request a summary fund brochure by contacting Moor Funds LLC by email at invest@moorfunds.com or by telephone at +1 800 819-5185.

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