Moor Funds Quarterly Investor Letter

1st November 2024

Dear Investor, thank you for your investment with Moor Funds; **for the 3-month period ending 31st August 2024 the Moor US Select Equity strategy returned +7.63%, outperforming the S&P 500 by +0.58%** during the period. **Over the trailing 12-month period ending 31st May 2024, the Moor US Select Equity strategy has returned +31.05% vs S&P 500 return of +24.44%; a cumulative outperformance of +6.61%.**

The **Moor US Equity Market Neutral strategy delivered an absolute return of +7.60% over the trailing 12-months** from 31st August 2024.

Man vs Machine

As partners at Moor Funds, developments in artificial intelligence continue to fascinate us. For every quarter over the last two years, we have successfully utilized machine learning to pick a portfolio that has outperformed its benchmark, notably the S&P 500 for our flagship strategies. That said, it's not entirely the machine at work; as humans we sense check the model's stock picks as well as overlay our human-designed risk and portfolio construction framework. We also have to execute the trades and make the coffee.

What are our credentials as humans to evaluate an AI's proposed stocks? The Moor funds partners have invested/traded in public equities, fixed income (distressed debt, trade finance, structured credit, and corporate bonds) and currencies, both in cash and synthetically. We have done so spanning emerging and developed markets and throughout seismic events (dotcom bust, GFC, Covid etc.). Our professional and personal investing has generally done rather nicely, beating benchmarks, and suffice to say we are comfortable that we can form a sensible view on the quarterly stock portfolio that our model selects.

Indeed, reviewing the quarterly picks is an interesting day of discussion at the office. We thought to share some of those instances when our human bias was humbled by the statistical rationale of artificial intelligence.

The 'Magnificent Seven'

For the 90-days from June through August 2024, our machine learning method picked just Apple from the 'Magnificent Seven'. Previously, in 2024 we held Nvidia which delivered 27.9% in the quarter we owned it. In fact, at the time of selecting Apple, the stock had risen just

2.8% since the start of the year vs Nvidia's stratospheric 138%. Microsoft, Meta, Google, and Amazon had clocked in between 16% to 37% for 2024.

With a strategy designed to beat the S&P 500, how could we outperform without holding the big swingers that had driven the index higher? We braced ourselves for a lackluster ride.

It turns out the model was right. Market rotation towards smaller stocks buoyed the Russell 2000 and restrained investor enthusiasm for the 'Magnificent Seven'. Nvidia returned just 1% during our trading quarter, and the two best performing superheroes by some distance were Apple and Tesla. Apple clocked in a respectable 20% as one of our best picks that quarter and our Select (long-only) portfolio once again outperformed the S&P 500.

Twitter

Elon Musk's preference to renege on the Twitter acquisition was well documented in his regulatory filing in July 2022, and Twitter sued to complete the deal, with a trial set in Delaware for October that year. Twitter had been trading with heightened volatility and a deal break was speculated. In August 2022, our model picked Twitter for the portfolio. Given our position sizing within risk limits, we understood that we could withstand a deal break and went ahead, backing the system and put on the position. Despite much drama and the filings of termination notices on 3 occasions, Elon Musk finally agreed to move ahead with the transaction on 3rd October, though there was still some uncertainty around securing the acquisition debt. Ultimately, the deal completed, and Moor Fund's Twitter position returned 35%.

United Airlines

There are many risks that, without warning, can materially impact an airline's operations and stock price, a terrorist attack, a war, a spike in oil prices, severe weather conditions, a fatal accident, a cyber-attack and so forth. As fund managers, we have generally shied away from the airline industry. We were not super enthusiastic to see United Airlines and Jet Blue selected this quarter by our model, albeit occupying just a small exposure. They have turned out to be the best performers, returning 75% and 28% respectfully in ~8 weeks as at the time of writing.

The overarching point of these short examples is that human bias, even when it's rational, can often exclude alpha generative opportunities. Artificial intelligence does not eliminate the investment risks that humans perceive. However, machine learning identifies those times when there is upside to be realized over a specific duration, for which the magnitude of that upside is expected to be sufficient to more than compensate an investor for those perceived risks.

Sincerely,

Oliver Gabbay, 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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