Q1 2021 Investor Letter May 10, 2021

During the first quarter of 2021, the Praetorian Capital Fund LLC (the "Fund") appreciated by 45.66% net of fees*. Given the Fund's concentrated portfolio structure and focus on asymmetric opportunities, I anticipate that the Fund will be rather volatile from quarter to quarter. During the first quarter, our core portfolio appreciated considerably with almost every position showing substantial gains. This performance was further augmented by substantial gains in our Event-Driven Book, which has continued to surpass my expectations in terms of consistency and magnitude of performance results.

Praetorian Capital Fund LLC		
	Gross Return	**Net Return***
Q1 2021	57.50%	45.66%
YTD 2021	57.50%	45.66%
2020	161.87%	129.49%
2019	18.71%	14.97%
Since Inception (1/1/19)	389.61%	284.32%

* Unaudited net return data is estimated, net of all fees and expenses (using the expense structure in place at the time, which was: a maximum of 2% expenses from Inception through December 2020, and a 1.25% Management fee since January 2021).

After four unusually strong quarters, I would like to caution you that returns like we have just experienced are unlikely to be repeated in the near future—particularly as we exited a number of positions with substantial realized gains and our increasing cash balance will act as ballast on our portfolio until it is re-deployed. Unfortunately, with most securities having appreciated dramatically in the past year, I am currently finding less that attracts me from a valuation standpoint.

As a value investor, I intend to remain disciplined, and I will not invest the Fund's capital unless I believe the opportunity is unusually attractive. At the same time, with excessive money printing, I worry about sitting in cash, potentially waiting indefinitely for opportunities that may never appear. This is an internal debate I frequently have with myself. However, in my experience, patience usually wins out and eventually something interesting happens, creating opportunities. In the interim, our Event-Driven strategies are valuation agnostic, and we continue to re-deploy capital there. Not to foreshadow too much, but we have seen continued net gains in April in this category, though I do worry that with the CBOE Volatility Index (VIX) dropping into the teens, the future profitability of our Event-Driven strategies may trail off.

Our Competitive Advantages

In the investing world, there are very few true competitive advantages. Pretty much anyone globally

*Past performance is no guarantee of future results. Returns shown are calculated net of management and/or performance fees, and net of all other Fund expenses. All returns reflect the reinvestment of dividends. Present year returns are unaudited and subject to change. Please see important disclosures at the end of this letter.

can open a brokerage account and have access to any exchange that they want to trade on. A surprising number of people are not only very intelligent, but they also have special insights into esoteric corners of the economy—insights that we can never replicate. Every day, I wake up cognizant of the fact that I am at a disadvantage against millions of other people, many of them specialists in their own fields, all of whom are also trying to make money in the markets. If this doesn't scare you, then you haven't been humbled by the markets at some point in your career. There is ALWAYS someone who knows more about a topic than you do. Despite this insurmountable headwind to our future performance, I believe that this Fund has two very strategic advantages—when compared with other funds.

In my last letter to you, I wrote about how I believe the Fund's broad mandate is an unusual competitive advantage that would pejoratively be called "style drift" by certain investors and allocators. When I first launched this vehicle, in January of 2019, I expected that we would mostly be invested in small-cap growth companies—which is what I have focused on for most of my career. Instead, most of our capital has been deployed into "inflection investing" for lack of a better term (these tend to be securities undergoing some sort of cyclical or secular inflection in their businesses). We have also deployed an increasingly large percentage of our capital into Event-Driven strategies over the past year as an elevated VIX made these opportunities more lucrative. As the VIX recedes to under 20, Event-Driven returns may decline and we could once again be forced to pivot to a new set of opportunities. I believe that this flexibility of mandate is a competitive advantage when compared with other funds with surprisingly narrow focuses.

Moving on to what I think is our other competitive advantage—I have always wondered why many institutional clients, some of whom have multi-decade or even multi-generational future liabilities, desire a smoothed out linear monthly return progression, but that is a different question for a different day. What matters is that when trillions in institutional capital demand a certain product, marketers and capital aggregators will endeavor to produce it. I believe that a Madoff-like return profile is both highly unnatural under the laws of finance and highly unstable. Producing these sorts of returns involves certain implicit trade-offs that are beyond the full scope of this letter. However, when trillions in capital are allocated in one manner, there are bound to be opportunities created—particularly as business ebbs and flows in a sine curve, not in a low-volatility linear progression. If anything, the process of artificially trying to reduce volatility, while utilizing leverage, tends to accentuate volatility at times of stress.

The Fund's strategy contrasts with other strategies that desire to produce these linear returns. To start with, I believe that the majority of the time, there really isn't anything all that actionable on the investing side—followed by brief periods where investors are either selling in a panic or ignoring some dynamic change at an individual company or an entire sector. Those are the times that we want to deploy capital. Otherwise, in my opinion we should be patient and await a fat pitch. Unlike many other funds who feel a need to be fully invested in order to justify their fees or avoid lagging their benchmarks, I am perfectly content to be under-exposed as cash creates optionality. This doesn't mean that I am not very active on the investment side. I read prodigiously and analyze all sorts of distinct circumstances that companies or even whole sectors find themselves in. However, I feel that there are very few truly great opportunities and it makes no sense to chase the mediocre ones.

Conversely, this means that the Fund tends to have periods with negligible returns when under-exposed, followed by periods with dramatic performance like we have just witnessed as undervalued companies rapidly re-value. Sometimes, it takes time for our bargains to be recognized and sometimes it is immediate. However, when there isn't much opportunity, I strive to recognize it and scale back.

Furthermore, in my view investing shouldn't be about winning difficulty awards for trying to squeeze returns out of middling circumstances. Nor do we want to smooth volatility as superior long-term returns tend to be volatile. By avoiding trying to fit into a style-box or return profile, I can go where I see the opportunities are and reduce exposure when there are fewer opportunities. At the panic COVID lows in March of 2020, we hit peak exposure. Now, with the market at euphoric highs, we have the least exposure since I started this Fund. My process can deviate dramatically from how other funds do things, but so can the returns.

This is all a long-winded way of saying that until I find the right opportunities to re-gross the Fund's portfolio, it is highly unlikely that the next few months will be as strong as the past few. When we do re-gross, it may be volatile. I don't think this is a flaw; it's by design.

Position Review (top 5 positions at quarter end)

St. Joe (JOE – USA)

I believe JOE is one of the most undervalued large companies on the US stock exchanges. JOE owns approximately 171,000[1] acres in the Florida Panhandle. It has been widely known that JOE traded for a tiny fraction of its liquidation value for years, but without a catalyst, it was always perceived to be "dead money."

Over the past few years, the population of the Panhandle has hit a critical mass where the Panhandle now has a center of gravity that is attracting people who want to live in one of the prettiest places in the country, with zero state income taxes and few of the problems of large cities. This is more than evidenced by the 122% year-over-year growth in Q1, 2021 revenue just reported by the company.

The oddity of the current disdain for so-called "value investments" is that many of them are actually growing quite fast. I believe that JOE will grow revenue at 30% to 50% each year for the foreseeable future, with earnings growing at a much faster clip. Meanwhile, the shares trade at a high single-digit multiple on AFFO looking out to 2024, while you get substantial asset value tossed in for free.

Besides the valuation, growth, and high ROIC of the business, why else do I like it? For starters, land appreciates rapidly during periods of high inflation—particularly an inflationary period where interest rates are suppressed by the Federal Reserve. More importantly, I believe we are about to witness a massive population migration as people with means choose to flee big cities for somewhere peaceful. The Panhandle does not have big city problems, nor is it close to a large city. It doesn't hurt that Florida has zero state income tax as well.

I suspect that every convulsion of urban chaos and/or tax stupidity will launch JOE shares higher, and it will ultimately be seen as the way to "play" the stream of very wealthy refugees fleeing for somewhere better. I have continued to use our Event-Driven gains to add to this position on pullbacks.

Grayscale Bitcoin Trust (GBTC – USA)

During March and April of 2021, Bitcoin began to exhibit early signs that sentiment was getting lopsided. As I believe Bitcoin to be worthless, trading purely on sentiment, I always told myself that if I felt uneasy about sentiment positioning, I would exit the position. I have done that and as of this writing, the Fund does not own any Bitcoin. While Bitcoin may continue to appreciate in value, I am happy to have caught what appears to be a healthy piece of the move higher.

[1] This figure was changed for accuracy and was originally stated as 175,000 acres.

Bitcoin is something of an oddity for this Fund as I am highly fixated on valuation, and I believe there is no discernable value to Bitcoin. That said, when I see a bubble inflating, I try to get involved—particularly if it is highly liquid and there is an obvious place on the charts to place a stop-loss. While the circumstances may not repeat for some time, I believe that this Fund will invest in other similar situations in the future.

Newspaper Securities Basket (Positions Not Currently Disclosed)

Most global print newspapers have seen their readership decline for decades as subscribers seek out alternative digital sources of information. In response to this, newspapers have tried to build up their digital presence. Historically, this digital revenue stream was always rather negligible as it was coming from a small base, especially when compared to steep declines from the print side.

Over the past few years, digital revenue growth has accelerated to the point where I expect many of the newspaper companies in our basket are within a few years of their digital revenue overtaking their print revenue—assuming that recent trends hold. Digital revenue represents a higher margin and higher return on capital business when compared to the capital and manpower intensity of printing and distributing physical newspapers. My belief is that, as these digital businesses come to dominate the revenue stream, newspaper company valuations will re-rate—particularly as many of them trade as if they are dying businesses, when in reality the digital businesses are growing quite rapidly.

While many well-known global newspapers have successfully made this digital transition and seen earnings growth for a number of years, many smaller papers have continued to see earnings decline. I believe that these smaller papers are now on the cusp of an inflection to earnings growth as digital growth overtakes print declines. Should this happen, I anticipate it will dramatically change the narratives for these companies, along with their valuations, much like what occurred at more well-known papers. The Fund owns a global basket of these smaller newspaper companies.

Cornerstone Building Brands (CNR – USA)

Cornerstone is a producer of components for the construction of residential and commercial properties. They make critical components for entry level homes along with multi-family properties. As people continue to leave chaotic cities and high-tax states, they need to go somewhere, and a lot of that new supply must be built from scratch. Cornerstone is a primary beneficiary of this as they supply everything from vinyl windows to aluminum siding, from stone façade to gutters. While none of these components are particularly sexy, the company has had strong returns on capital over the past few years—which was also a period when housing demand was somewhat slack. Now that demand is elevated, I suspect that returns on capital will improve from here. We purchased our shares for a low single-digit multiple on free cash flow. While the company is a bit more leveraged than I'd normally prefer, that leverage could dramatically increase our returns should this housing cycle continue for an extended period of time. As cash flow increases and debt gets paid down, I suspect that Cornerstone will look dramatically less leveraged in a few more quarters—which likely leads to a dramatic re-rating of the cash flow multiple.

Sandridge Energy (SD – USA)

Sandridge has been a long-suffering position for us. Now that the energy markets appear to have bottomed, investors are once again looking at Sandridge. I believe that the combination of a clean balance sheet and existing cash flow should give Sandridge flexibility as it seeks out accretive opportunities to grow.

In summary, during the first quarter of 2021, the Fund experienced strong net returns on our capital, despite a rather reduced level of exposure. With the market making new highs, I am struggling to find many value stocks to invest in. As a result, we continue to pivot more of our capital into Event-Driven strategies.

From over twenty years of experience in the markets, I know that periods without much opportunity tend not to last. At some point in the future, I expect currently overvalued stocks to once again become cheap and I can focus more of the portfolio on value investing. My goal isn't to sit within a style box—it is to go where the opportunity is. I believe there will always be opportunity in the markets. I intend to pivot as appropriate.

Sincerely,

Harris Kupperman

PRAETORIAN CAPITAL

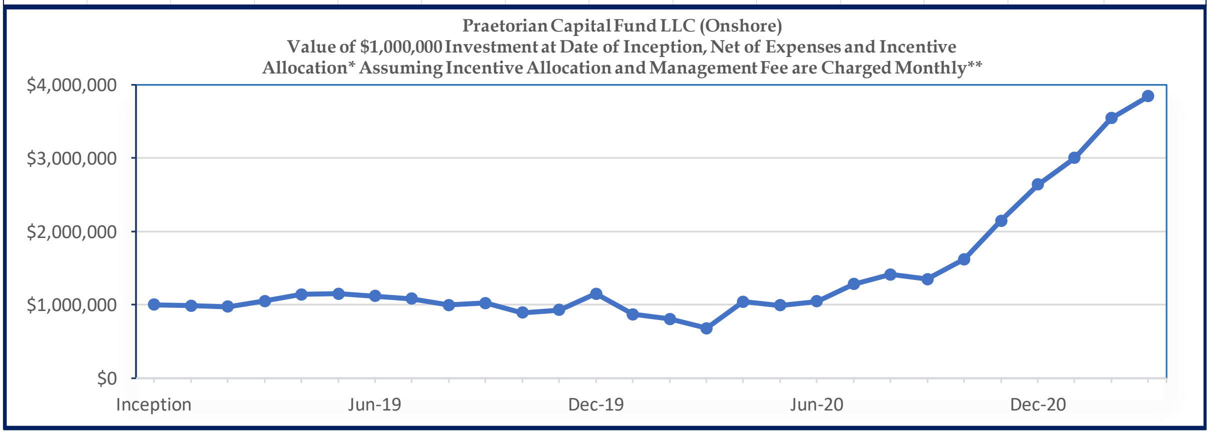
APPENDIX

Praetorian Capital Fund LLC Quarterly Returns		
	Gross Return	**Net Return***
Q1 2021	57.50%	45.66%
2021	57.50%	45.66%
Q1 2020	-41.22%	-41.22%
Q2 2020	54.32%	54.32%
Q3 2020	34.09%	29.32%
Q4 2020	115.28%	95.63%
2020	161.87%	129.49%
Q1 2019	6.10%	4.88%
Q2 2019	7.96%	6.44%
Q3 2019	-10.23%	-8.40%
Q4 2019	15.44%	12.42%
2019	18.71%	14.97%

* Unaudited net return data is estimated, net of all fees and expenses (using the expense structure in place at the time, which was: a maximum of 2% expenses from Inception through December 2020, and a 1.25% Management fee since January 2021).

Praetorian Capital Fund LLC (Onshore)--Net Return Since Inception*

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Full Year
2021	13.76%	18.12%	8.40%										**45.66%**
2020	-24.62%	-7.18%	-15.98%	53.65%	-4.55%	5.23%	22.71%	10.22%	-4.38%	20.03%	32.50%	23.01%	**129.49%**
2019	-1.31%	-1.33%	7.71%	8.82%	0.63%	-2.81%	-3.18%	-8.08%	2.93%	-13.10%	4.26%	24.09%	**14.97%**



* Unaudited net return data for Praetorian Capital Fund LLC ("PCF LLC") is estimated, net of all fees and expenses and 20% incentive allocation (using the expense structure in place at the time, which was: a maximum of 2% expenses from inception on January 1, 2019 through December 2020, and 1.25% management fee since January 2021). Praetorian Capital Offshore Ltd. ("PCO Ltd."), an affiliated feeder fund to the PCF LLC, has been subject to the 1.25% management fee and 20% incentive fee since its inception date of October 1, 2021. PCO Ltd.'s monthly performance results may have slight discrepancies, as compared to the results of PCF LLC, due to differences in fund-level expenses, and inception-to-date results will differ due to different inception dates.

** No investor has achieved these precise results. Chart is for illustrative purposes and is intended to provide a basis for further discussion.

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