



**Dear Partners,**

The Apis Global Discovery Fund was down 2.6% net in Q4 2024 and was up 8.6% for the year. Over the same periods, the MSCI ACWI SMID-Cap benchmark index was down 3.4% and up 8.7%, respectively.

## PERFORMANCE OVERVIEW (GROSS RETURNS)

The Global Discovery Fund had a relatively solid fourth quarter, bringing its annual returns in line with the global benchmarks. North American returns contributed almost 5.5% in the quarter, but this was more than offset in other regions, especially Asia ex-Japan (mostly Korea), which detracted almost 4.5%. For the year, North America also stood out, adding 14.2%, while Europe and Japan detracted, and Asia ex-Japan added about 2%. Technology was the big winner, adding 3.5% in the quarter, while Industrials led the year, adding 9.5%. Other sectors were mostly flat, with Healthcare being the worst performer, down 3%.

The top contributor in the quarter was Red Cat Holdings (mentioned below), adding 4.5%, followed by Hallador (also below) with a 0.8% gain. Red Cat was a more speculative position, but moved sharply after winning an Army contract, prompting us to increase our position. Hallador gained on confirmation that a data center power deal is in the works. On the downside, TransMedics detracted almost 1% due to weak earnings while several Korean names fell, which we mainly attribute to political instability as the President called for martial law and now faces impeachment. We (and I think everyone) were surprised by these developments, and the situation remains unclear. Our best read is that the Supreme Court must rule on impeachment, but this could take 3-6 months to resolve completely.

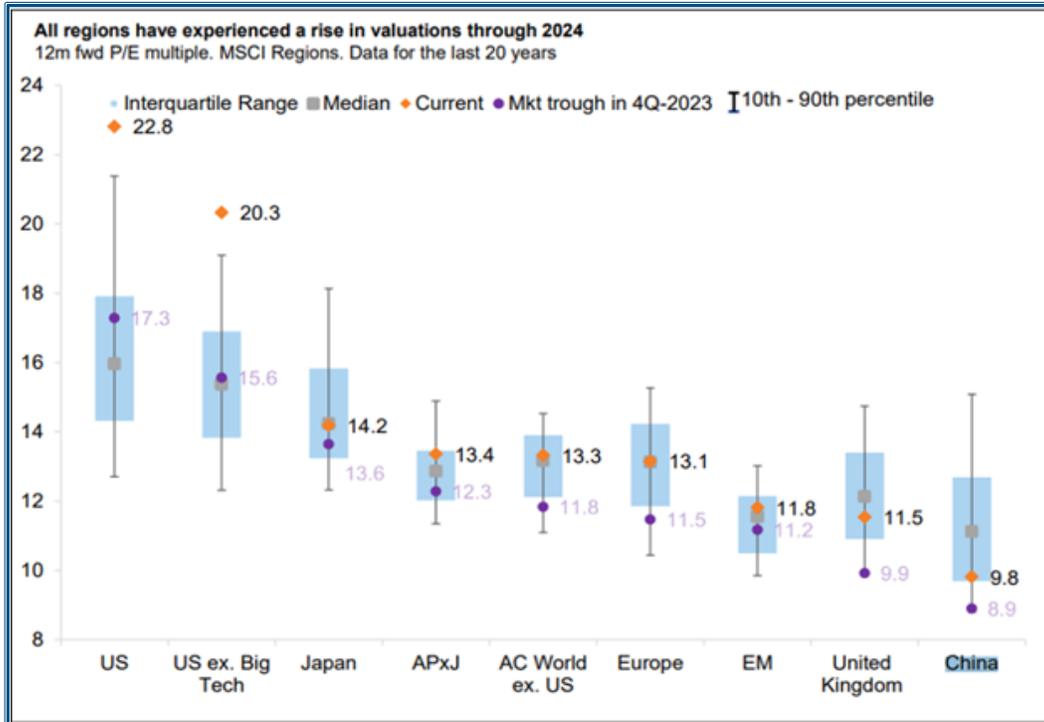
Reflecting on the year, we have mixed feelings. While we pay little attention to the index itself, it generates (if we earn it) performance fees so our goal is to far exceed it, not match it. For several years now, the U.S. market has been the only place to be. The MSCI U.S. SMID index gained 12.1%,<sup>1</sup> while the MSCI SMID ex-U.S. was up 1.1%.<sup>1</sup> Our underweighting of the U.S., which started the year at 12%, has been a significant drag on performance, requiring excellent stock picking to overcome. For example, in Korea, we generated positive returns (about 1% contribution) despite allocating 15%+ of the portfolio to a market that was down about 21.0% (in USD terms)<sup>1</sup> in the year. Looking ahead to 2025, our U.S. allocation has increased to 33%, still well below the high-50% index weight.

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<sup>1</sup> MSCI index data.

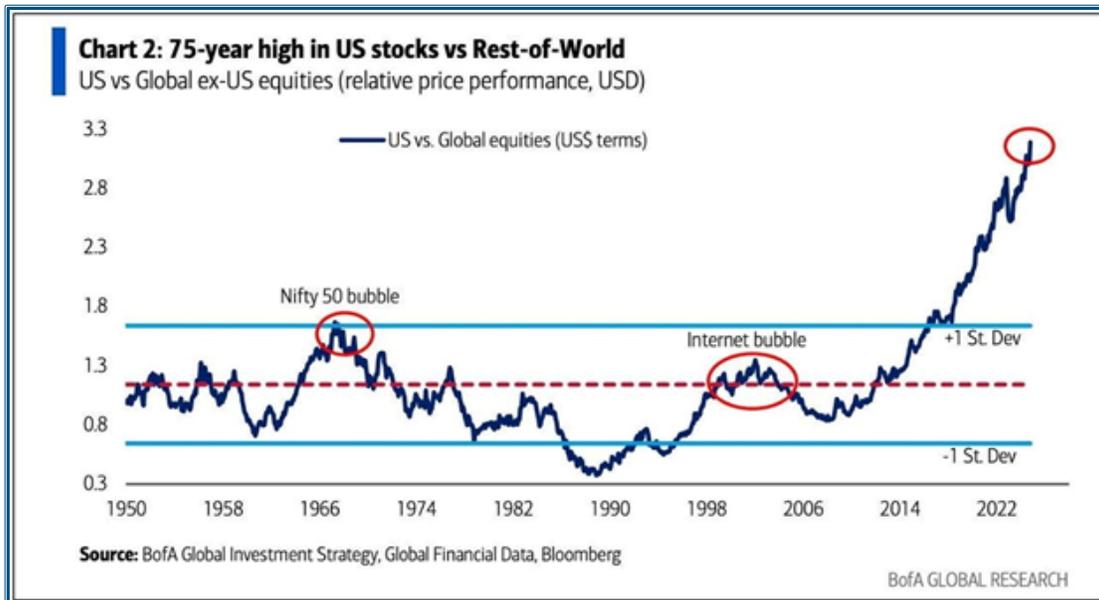
## PORTFOLIO OUTLOOK AND POSITIONING

Instead of re-visiting the topic of how expensive the U.S. is relative to other markets...



Source: Goldman Sachs

...or how years of outperformance have left the U.S. overrepresented in the global indices (a 63% weighting is getting ridiculous!)





...or the persistent undervaluation of small companies, we thought it would be more valuable to focus this letter on highlighting some top ideas that we think will work in 2025, despite the damning characteristics of being small and/or outside the borders of the United States. It's worth remembering that Japan, once accounting for 37% of the world's market capital, now represents just 6%...

## INVESTMENT HIGHLIGHTS

### Long Ideas

#### **Hallador Energy (U.S. – \$500 million market cap)**

Hallador is just over a 4% position in our Global Discovery Fund. The company owns a coal mine and an electric power plant in Indiana, where it is poised to benefit from a dramatic increase in average power prices in 2026 when current contracts expire. We believe Hallador could potentially earn twice as much as the Street is estimating for 2026. Trading at just over 4x P/E for 2026, the stock is valued at less than half of its peers. We think the timing is favorable as Indiana is a key hub of data center activity, which could further drive power demand and prices upwards. We anticipate that growing sentiment driven by this theme along with announcements of lucrative power contracts should result in both upward revisions to earnings estimates and increased investor attention.

#### **Iljin Electric (Korea – \$900 million market cap)**

This 4.5% position is an under-the-radar Korean electrical equipment company. High-margin export sales of transformers are expected to drive a more than 50% increase in earnings for 2025. Trading at just 12x earnings, with orders booked through the end of the decade, we anticipate robust growth and a potential re-rating, which should propel the stock much higher.

#### **Osaka Soda (Japan – \$1.6 billion market cap)**

Osaka Soda is a 3% position in the Global Discovery Fund. Superficially, the company appears to be an unexciting chemicals company. A closer look, however, finds its healthcare (HC) segment, while only representing 12.5% of sales, accounted for 54% of operating profit in 2024. This success is driven by the company's market-dominant position in supplying silica gel beads, a key ingredient in the production of peptide drugs, including the blockbuster weight loss drugs, Ozempic and Wegovy. While struggling to add capacity to keep up with demand, we believe sales in the HC division will grow 20-30% for the next several years. With a P/E of 14x forward earnings, we see more than 100% upside.

#### **Red Cat Holdings (U.S. – \$900 million market cap)**

One of the "spicier" names in the portfolio (about a 5% position), Red Cat (RCAT) is a leading supplier of drones, primarily for military applications. The stock surged in 2024 following a major \$500mm contract with the U.S. Army to provide field reconnaissance drones. Based on current orders, RCAT trades on a price-to-earnings multiple of 100x next year's earnings. However, the company's recent transformative Army contract opens the door to additional opportunities with other military branches and NATO countries. We expect the momentum of the drone theme/narrative to drive the stock's growth as the incoming Trump administration is highly supportive and weary of alternative (primarily Chinese) suppliers.



**Talen Energy (U.S. – \$9.5 billion market cap)**

Talen is about a 4% position in the Global Discovery Fund. As an independent power producer (IPP), it owns the 6th largest nuclear power plant in the U.S., located in a region poised for significant power price increases driven by rising demand from data centers. Talen already secured a contract with Amazon to supply power to a data center campus at prices 50% above the forward curve and has the capacity to sign similar agreements in the future. While the stock may seem expensive on current earnings, it is only 12x our 2026 free cash flow estimates, a significant discount to its peers. Management continues to capitalize on this gap through an aggressive repurchase program.



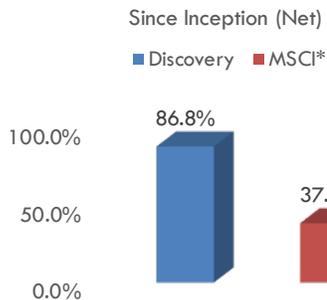
**APIS GLOBAL DISCOVERY FUND, LP**

Monthly Performance – 2024

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
<b>Discovery Fund</b>	-2.5%	5.1%	3.2%	-1.7%	4.6%	-1.0%	1.3%	1.7%	0.7%	-3.5%	2.1%	-1.2%	8.6%
<b>MSCI*</b>	-2.1%	3.6%	3.5%	-4.0%	3.2%	-1.1%	4.9%	1.7%	2.5%	-2.9%	5.0%	-5.2%	8.7%

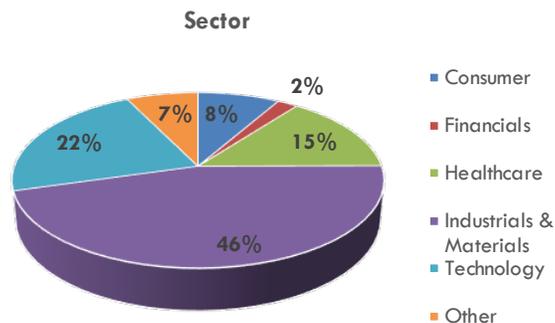
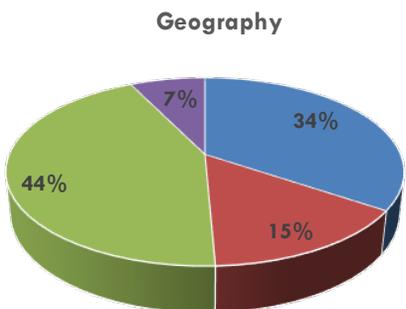
**PERFORMANCE VS. MSCI ACWI SMID CAP INDEX**

Since Inception



**FUND EXPOSURES (AS % OF NET ASSETS)**

As of 12/31/24



**PORTFOLIO CHARACTERISTICS**

As of 12/31/24

**Top 10 Positions**

Company	Country	Sector	Position
Red Cat Holdings Inc	USA	Technology	5.3%
Hallador Energy Co	USA	Industrials	4.4%
Ilijin Electric Co Ltd	Korea	Industrials	4.4%
Talen Energy Corp	USA	Industrials	3.9%
Sharkninja Inc	USA	Consumer	3.4%
Osaka Soda Co Ltd	Japan	Healthcare	3.2%
DPC Dash Ltd	China	Consumer	3.2%
Maire SpA	Italy	Industrials	3.0%
KINX Inc	Korea	Technology	2.8%
Poongsan Corp	Korea	Materials	2.6%
<b>Total</b>			<b>36.3%</b>

**Portfolio Characteristics**

Average Market Cap	\$1.5B
Median Market Cap	\$775M

**Market Cap Breakdown**

<\$1B	55%
\$1B-\$5B	37%
>\$5B	8%



**Historical performance**

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD NET	MSCI*
2024	-2.5%	5.1%	3.2%	-1.7%	4.6%	-1.0%	1.3%	1.7%	0.7%	-3.5%	2.1%	-1.2%	8.62%	8.68%
2023	5.9%	-5.4%	1.3%	-2.9%	-2.9%	5.0%	5.2%	-6.8%	-6.5%	-5.5%	7.4%	7.0%	-0.01%	16.02%
2022	-7.9%	-3.4%	3.4%	-5.3%	-2.9%	-12.4%	7.4%	-2.8%	-13.1%	5.1%	13.7%	0.2%	-19.63%	-18.72%
2021	8.4%	7.6%	1.3%	7.9%	1.2%	-1.0%	-1.4%	0.5%	-4.0%	4.4%	-5.3%	4.7%	25.74%	16.24%
2020	-2.4%	-5.9%	-11.2%	18.6%	8.9%	7.5%	6.0%	8.7%	0.5%	3.3%	11.9%	12.2%	70.19%	15.67%
Inception													86.78%	37.79%

As always, we encourage your questions and comments, so please do not hesitate to call our team here at Apis or Will Dombrowski at +1.203.409.6301.

Sincerely,

**Daniel Barker**  
Portfolio Manager & Managing Member

**Eric Almeraz**  
Director of Research & Managing Member

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*Performance shown is historical and is not indicative of, nor does it guarantee, future results. Performance among investors may vary, depending upon the date(s) of capital contribution and withdrawals, new issue eligibility, and fee arrangements.*



*Apis Global Discovery Fund, LP (“Global Discovery” or “Discovery Fund”) launched on 1/1/20 (the legal entity was repurposed from our former research portfolio, Hapa Fund, LP). Investment returns are for an unrestricted (new issue eligible) investor net of all fees and expenses including a “1 or 30” fee structure, which is calculated as the greater of a management fee equaling 1% or an annual performance allocation equal to 30% (calculated as 30% of the difference between the Global Discovery Fund’s performance – only when positive – and the MSCI benchmark index as detailed below). Also included is an approximate 0.50% expense cap on certain professional fees.*

*A complete discussion of the fees and expenses associated with a Fund is contained in its Offering Materials.*

*Any returns shown for a particular subset of a portfolio’s investments are gross, meaning they do not include the fund’s fees and expenses. These subset returns are shown for informational purposes only. Please refer to the net return presented as investors do not experience the return of any particular subset of investments but rather the entire portfolio after fees and expenses.*

*Any investment examples discussed are for illustrative purposes only. The investment examples were selected based on objective, non-performance based criteria, namely that such investments, in the Adviser’s opinion, are illustrative of the Adviser’s investment process. The investment examples were not chosen to demonstrate their profitability or the expected performance of any Fund’s portfolio. The reader should not assume that an investment in the positions identified was or will be profitable.*

*Certain information contained in this Letter constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “project,” “estimate,” “intend,” “continue” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. Prospective investors in the Fund should not rely on these forward-looking statements in deciding whether to invest in the Fund.*

*Reference to an index does not imply that any Fund will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns. The Fund’s investment strategy is not restricted to the securities and instruments comprising of any one benchmark or index. As such, the performance of the Fund is not directly comparable to any one benchmark and as a result the Fund’s performance may be significantly different than that of any benchmark you compare the Fund’s performance to. Benchmarks and indices you may compare the Fund’s performance to may, among other reasons, not be available for direct investment, may be unmanaged, may not account for trading commissions and costs or management and performance fees, and may have a different trading strategy.*

**MSCI\* Refers to MSCI ACWI SMID Cap Index:** *The MSCI ACWI SMID Cap Index captures mid- and small-cap representation across 23 Developed Markets (DM) and 24 Emerging Markets (EM) countries. With 7,861 constituents, the index covers approximately 28% of the free float-adjusted market capitalization in each country.*