



	Year to Date Returns (Excluding January)	Cumulative Return Since 2/1/21
S&P 500	15.70%	15.70%
Arch Capital Investors Fund	5.84%	5.84%

*\*The fund opened on Feb. 1st, 2021, so our 2021 fiscal year excludes the month of January. All future years will start on Jan. 1st. Year-to-date returns and cumulative returns will be the same in 2021. Fund returns are always net of realized and estimated fees. Returns may differ based on the timing of entry into the limited partnership. Contact [archcapitalmanagement@gmail.com](mailto:archcapitalmanagement@gmail.com) with any questions.*

Dear Arch Capital Investors Fund Limited Partners,

July 1st, 2021 marked the end of our 2nd quarter of operations. To date, the fund has returned **5.84%** since its launch on February 1st.

General Commentary:

While we currently lag the performance of our benchmark, we spend little time fretting over it. Our objective is, and always will be, to do the most intelligent things we can with the capital at our disposal, and that's where we focus our time.

As for our views of the present investment landscape, we don't have one. At least not one of any particular relevance. Broad market valuations have little bearing on how we choose to allocate money. Instead, we invest the fund's capital where we see the largest discrepancy between a company's current stock price and its future cash flows, which is independent of any broad market views.

We will, however, take a moment to provide color on our benchmark's performance year to date. In the last six months, the S&P 500 index delivered its second best start to a year since 1998 -- only outpaced by the first two quarters of 2019. Furthermore, in the five months since we began investing, the index has marched ahead at what would equate to an annualized return north of 35%.

It's worth warning investors that if these results persist, index outperformance will be a much harder hurdle than initially anticipated. While we recognize this as a possibility, we think regression to the

market's historical average return (6%-8% annually) is a far more likely outcome. In that scenario, if we achieve our desired annual hurdle rate of 15%, the fund would yield market-beating returns.

*Arch Capital Portfolio:*

In Q2 2021, we were fairly inactive. We disposed of one entire position after recognizing a moderate gain but did not add a single new company to the portfolio. There are three criteria we look at when deciding to sell a holding: valuation, deteriorating business quality (i.e. we were wrong on our underwriting assumptions), and better opportunities elsewhere. In this case, it was a little bit of all three.

We used the proceeds to increase our exposure to existing portfolio companies that were trading at attractive prices relative to what we think the underlying businesses will be worth over the long-term.

If you are interested in learning more about our investment process, we recently published two write-ups on current portfolio holdings (Sprouts Farmers Market and Nelnet) to our website at <https://www.archcapitalfund.com/letters>, and we've attached both papers below.

One of our goals at Arch Capital is to be as transparent as possible so current and potential limited partners can better understand our investment process. We look forward to publishing more research in the future.

Thank you for your continued support,

Brett, Brady, and Ryan

*Sprouts Farmers Market:*

[https://1eaa5a99-a7d9-4e10-b5fe-b3cfd4d3b64b.filesusr.com/ugd/abb1a0\\_d5750b40a6154392bf0834b92aa398e0.pdf](https://1eaa5a99-a7d9-4e10-b5fe-b3cfd4d3b64b.filesusr.com/ugd/abb1a0_d5750b40a6154392bf0834b92aa398e0.pdf)

*Nelnet:*

[https://1eaa5a99-a7d9-4e10-b5fe-b3cfd4d3b64b.filesusr.com/ugd/d7eae5\\_c393e985d8024418936177c341805fce.pdf](https://1eaa5a99-a7d9-4e10-b5fe-b3cfd4d3b64b.filesusr.com/ugd/d7eae5_c393e985d8024418936177c341805fce.pdf)