Q2 2023 Alta Fox Opportunities Fund, LP Quarterly Letter

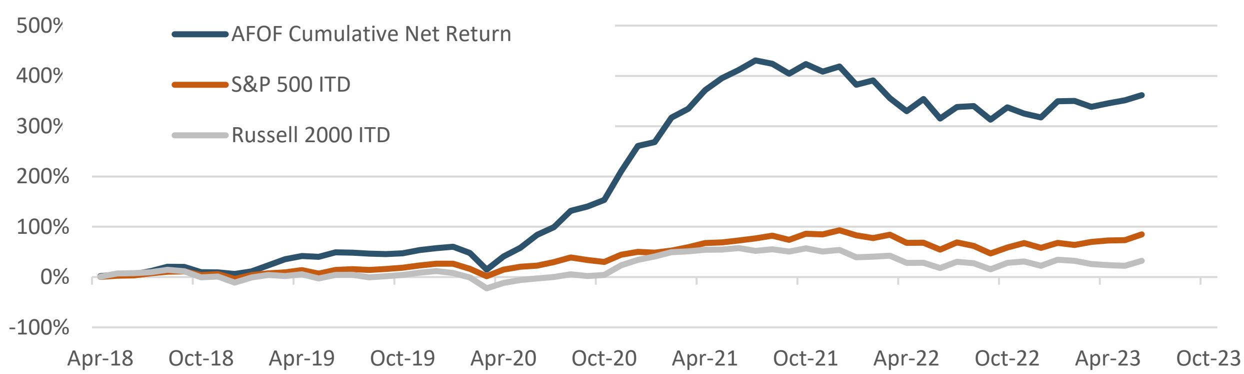
August 2023

Limited Partners,

In Q2 2023, the Alta Fox Opportunities Fund ("the Fund" or "AFOF") produced a gross return of 5.80% and a net return of 5.26%. The Fund's average net exposure during the quarter was 71%. Since inception in April 2018, the Fund has produced a gross return of 583.43% and a net return of 361.57% compared to the S&P 500's return of 84.80% and the Russell 2000's return of 32.42%.

	Alta Fox Opportunities Fund, LP[1]		Relevant Index Returns[2]	
	Gross Return	Net Return	S&P 500 (SPY)	Russell 2000 (IWM)
Q2 2023	5.80%	5.26%	8.74%	5.21%
YTD	11.69%	10.56%	16.89%	8.09%
Since Inception	583.43%	361.57%	84.80%	32.42%
Annualized	44.21%	33.82%	12.41%	5.49%

Alta Fox Opportunities Fund, LP: Cumulative ITD Net Performance[1,2]



1. Past performance is not indicative of future results. The Alta Fox Net Return figures reflect the hypothetical USD performance of an LP in the Alta Fox Opportunities Fund that has participated in all Special and Private investments, and are net of all Fund related expenses, a 2% management fee, and 20% performance fee. Net returns will vary by share class. 2023 returns are unaudited but have been verified by the Fund's administrator. Please see the endnotes on the final page for important information with respect to the calculation of returns and indices referenced.
2. Source: Bloomberg - S&P TR (SPXT Index) and Russell 2000 (RU20INTR Index). Reference to an index does not imply that the funds will achieve returns, volatility, or other results similar to the index. Please see the endnotes on the final page for important information with respect to the calculation of returns and indices referenced.

As always, Alta Fox strives to ignore short-term price fluctuations and instead focus on the intrinsic value growth in our portfolio holdings, which should converge with portfolio performance over time. We encourage limited partners to do the same both in times of outperformance and underperformance. We firmly believe that in the long run, our strategy of buying high-quality and underfollowed businesses at cheap prices will deliver attractive absolute and relative returns. Most importantly, our process remains disciplined with strict risk controls, minimal gross leverage, and, in our view, a sound research process.

Market Commentary

The market has recently "climbed a wall of worry" as consumer spending has remained resilient, inflation pressures have abated, and employment remains strong. With the stock market just shy of all-time highs, "Mr. Market" has concluded that the odds of achieving a "soft landing" are much higher than thought a couple of quarters ago.

Alta Fox tries to avoid strong macro views as the further we get away from bottom-up fundamentals, the lower our conviction level. Our current working view is as follows:

1) The economy has been more resilient than many investors (including us) expected, but current valuations seem to appropriately reflect this optimism.

2) While the market has been hyper focused on monetary policy, unsustainable fiscal policies have been largely dismissed for now. Unsustainable levels of government spending and structural deficits represent a significant risk to global economies and neither political party seems willing to confront this looming reality.

3) Even with the recent rally in small-cap stocks, we believe this segment of the market currently represents a superior hunting ground for asymmetric opportunities.

4) Compared to large-cap stocks, many credit opportunities offer similar expected return profiles but with a much lower risk profile.

Daktronics ("DAKT") Update

In our Q1 letter, we introduced Daktronics as our largest position and highest conviction risk/reward. There have been positive developments since our last update, and even though the stock is up considerably, we believe it is arguably even cheaper today given fundamentals have improved even faster than the rise in the stock price.

After COVID-related supply chain disruptions led to nearly 0% EBITDA margins for four consecutive quarters, we believed it was only a matter of time before the company's price increases flowed through the backlog and returned it to meaningful profitability. Supply chain pressures have eased, the company's working capital is normalizing, and the price increases have taken effect. This made the company's fiscal Q3 report (ending in January) the pivotal report as Daktronics' adjusted EBITDA margins jumped to 9.3%.

If the Q3 report was the "all clear" that signaled the company was through the worst of their struggles, then the recent Q4 result was the "off to the races" report. The company's adjusted EBITDA margin expanded to 12.0% (versus 9.3% in Q3), signaling further efficiency gains and a return to a normalized environment. The company generated $25M of EBITDA and $21 million of free cash flow in the quarter! If we take a slight discount to these levels to account for some seasonality in the business, DAKT is generating roughly $90M of EBITDA and $50M of free cash flow on an annualized run-rate basis coming out of Q4. This would put the stock at ~3.9x EBITDA and a ~14% FCFE yield. These metrics seem unsustainably cheap to us and are arguably conservative given i) the business has a strong growth runway and ii) there is still excess working capital that will convert to cash over the coming quarters.

We believe the market remains asleep to the value creation that is happening now at DAKT. On the last earnings conference call, only one person asked a question. On the previous conference call, there were zero questions. DAKT went through a difficult period during COVID, but they have emerged as a stronger company. Moreover, investors looking at historical levels of underperformance and profitability are ignoring the positive improvements in corporate governance, improved pricing discipline, and focus on shareholder returns. The Board has improved with the addition of a meaningful shareholder representative and a previous CFO from Wells Fargo. Our industry checks suggest that competitors have noticed Daktronics be more price disciplined on potential projects, which should translate to higher margins through the cycle. Moreover, the industry is growing double digits per year driven by powerful trends towards bigger, brighter, and better screens to create a better fan experience across the high school, college, and professional levels of sports and other large venues.

In summary, we believe Daktronics is a very compelling opportunity in the market today. The company is a market leader emerging from a 20-year stock and valuation low[1]. They have emerged from the difficulties of COVID a stronger and more focused organization, as evidenced by the two most recent positive quarterly results. Moreover, the company has transformed and strengthened its balance sheet—now boasting a net cash position due to a recent refinancing with both J.P. Morgan and Alta Fox. Today, even after strong YTD performance, the stock is trading at ~4x run-rate EBITDA and ~7x FCFE with the ability to grow revenue and earnings double digits for the next several years[2]. Moreover, we believe improved investor relations efforts and a potential return of the dividend represent likely catalysts in the next 12 months. DAKT remains our largest and highest conviction position and we expect shares to more than double from current levels in the medium term.

Firm Updates

James Profestas (our Head of Special Situations) and his wife had a spinoff of their own, welcoming their second child, Eleni Olympia Profestas, in late July. With such a magnificent Greek name, I am sure little Eleni will be deep in credit docs and special situations research soon.

Garrett Finn has been promoted to Senior Analyst. I originally met Garrett in 2018 when he was a finalist in the 2018 version of the National Alta Fox Undergraduate Stock Competition, hosted at Harvard. That led to an internship with Alta Fox. After a brief stint at another firm, Garrett joined Alta Fox as our first full-time hire in January of 2020. Garrett's growth as an investor has been a great asset to Alta Fox and serves as a blueprint for training future Alta Fox analysts. Alta Fox is always in the talent business and looking for the next generation of investment talent. On that note, Alta Fox will be hosting our third national undergraduate stock competition in November at Harvard—more details to come via our Twitter account.

Finally, Stephanie Chen has officially joined our team as Head of Data Projects. After graduating from Harvard, Stephanie spent most of her career as a consultant for Oliver Wyman, assisting Fortune 500 companies on data analysis, building internal dashboards and tools, and making better decisions with the use of quantitative insights. Stephanie is intimately familiar with Alta Fox—we got married the

[1] Source: Bloomberg, Alta Fox Analysis
[2] Source: Bloomberg, SEC filings, Alta Fox Analysis

same year I founded the firm. Stephanie has assisted Alta Fox in various one-off projects since the inception of the firm but has taken on an increased role recently in building out our “Alta Fox Analytics” platform and running our quantitative intern program. Welcome (officially) to the team, Stephanie.

After being closed for nearly two years, Alta Fox is doing a limited fund reopening. If you are interested in participating in this reopening, please reach out to our team at: IR@AltaFoxCapital.com.

Conclusion

We are humbled that you have elected to invest a portion of your assets with Alta Fox. We continue to strive to improve all aspects of our research and operational processes in our pursuit of building a world-class investment firm.

Sincerely,

Connor Haley

APPENDIX: HISTORICAL PERFORMANCE FIGURES

	Alta Fox Gross Return[1]	Alta Fox Net Return[2]	Alta Fox Net Exposure (Avg)
Q2-2018	7.82%	5.85%	79.31%
Q3-2018	17.12%	13.46%	85.44%
Q4-2018	-13.57%	-11.72%	77.23%
2018	9.14%	6.02%	80.66%
Q1-2019	35.41%	27.87%	83.00%
Q2-2019	12.39%	10.01%	83.45%
Q3-2019	-2.20%	-2.32%	79.07%
Q4-2019	9.96%	8.07%	77.86%
2019	63.65%	48.50%	80.84%
Q1-2020	-26.77%	-27.19%	75.12%
Q2-2020	66.65%	60.31%	75.17%
Q3-2020	37.37%	30.68%	85.35%
Q4-2020	58.32%	50.14%	85.86%
2020	165.41%	129.03%	80.37%
Q1-2021	26.24%	20.56%	93.70%
Q2-2021	21.75%	17.70%	83.75%
Q3-2021	-0.91%	-1.43%	75.58%
Q4-2021	3.81%	2.82%	76.48%
2021	58.11%	43.82%	82.38%
Q1-2022	-11.71%	-12.13%	79.83%
Q2-2022	-8.46%	-8.89%	73.18%
Q3-2022	0.11%	-0.55%	54.23%
Q4-2022	0.92%	1.10%	58.97%
2022	-18.35%	-19.50%	66.55%
Q1-2023	5.56%	5.04%	56.55%
Q2-2023	5.80%	5.26%	71.36%

1. The Alta Fox Opportunities Fund's Gross Return ("Alta Fox Gross Return") reflects the USD investment performance of a share class subject to all Fund related expenses but are gross of any management fee and performance fee. 2023 returns are unaudited but have been verified by the Fund's administrator. Past performance is not indicative of future results. Actual returns may differ from the returns presented. References to net exposure and attribution data are internally calculated estimates and could be subject to errors.
2. The Alta Fox Opportunities Fund's Net Return figures ("Alta Fox Net Return") reflect the hypothetical USD investment performance of an LP in the Alta Fox Opportunities Fund that has participated in all Special and Private investments, and are net of all Fund related expenses, a 2% management fee, and 20% performance fee. Net returns will vary by share class. 2023 returns are unaudited but have been verified by the Fund's administrator. Each partner will receive individual statements showing returns from the Partnerships' administrator.

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The Alta Fox Opportunities Fund's Net Return figures ("Alta Fox Net Return") reflect the hypothetical USD investment performance of an LP in the Alta Fox Opportunities Fund that has participated in all Special and Private investments, and are net of all Fund related expenses, a 2% management fee, and 20% performance fee. Net returns will vary by share class. 2023 returns are unaudited but have been verified by the Fund's administrator. Each partner will receive individual statements showing returns from the Partnerships' administrator. The Alta Fox Opportunities Fund's Gross Return figures ("Alta Fox Gross Return") reflect the USD investment performance of a share class subject to all Fund related expenses but are gross of any management fee and performance fee. 2023 performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. References to net exposure and attribution data are internally calculated estimates and could be subject to errors.

The S&P 500 and Russell 2000 are U.S. equity indices. The S&P 500 Index is one of the most commonly used benchmarks for the overall U.S. stock market, and it tracks the average performance of 500 widely held stocks including industrial, transportation, financial, and utility stocks. The composition of the S&P 500 is flexible and the number of issues in each sector varies over time. Since the Fund invests across a wide universe of companies and stocks, we provide the S&P 500's returns as a measure for investors to compare the Fund's returns to broader market performance. The Russell 2000 Index measures the performance of the small-cap segment of the U.S. equity universe. The Russell 2000 is a subset of the Russell 3000 Index representing approximately 10% of the total market capitalization of that index. It includes approximately 2000 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2000 is constructed to provide a comprehensive and unbiased small-cap barometer and is completely reconstituted annually to ensure larger stocks do not distort the performance and characteristics of the true small-cap opportunity set. Since Alta Fox's research process typically leads us to opportunities in the small-cap space, we provide the Russell 2000's returns as a measure for investors to compare the Fund's returns to broader small-cap performance. These indices' returns are included for informational and comparative purposes only and may not be representative of the type of investments made by the Fund. Reference to an index does not imply that the Fund will achieve returns, volatility, or other results similar to the index. The Fund's portfolios are less diversified than these indices. These indices' returns are total returns which include dividends and do not reflect the deduction of any fees or expenses which would reduce returns.

An investment in the Fund/partnership is speculative and involves a high degree of risk. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests, and none is expected to develop. The portfolio is under the sole trading authority of the general partner. A portion of the trades executed may take place on non-U.S. exchanges. Leverage may be employed in the portfolio, which can make investment performance volatile. An investor should not make an investment unless the investor is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits.