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WAHDY
CAPITAL

April 16, 2024

Dear Investor:

In March, Wahdy Capital generated -0.1% in the Long/Short Equity strategy and ended Q1 2024 up 16.9%. Longs, shorts, and macro all contributed positively to the quarter. We are pleased with our strong performance as we continue to capitalize on our investment themes and process into Q2. We ended the quarter with a Total Net Exposure of 28.6% on a beta adjusted basis and 5.0% on a cash delta basis.

This month's letter reviews Q1 earnings season, last quarter's performance drivers, and how we are positioned into earnings season. We also discuss our investment process in greater detail and why our style is getting attention.

***Returns** (3/31/2024)*	***Wahdy Capital***	***S&P 500 Index***	***BH Equity L/S Index*****
1-month	**-0.1%**	**3.2%**	**1.9%**
Q1 2024	**16.9%**	**9.9%**	**7.8%**
Year-to-date	**16.9%**	**9.9%**	**7.8%**
*Since Inception**	**83.7%**	**16.1%**	**4.9%**

* Inception Date: September 1, 2023
**BarclayHedge Equity Long/Short Index

Markets moved broadly higher in March with the S&P 500 up 310bp, Nasdaq up 117bp, Crude up 627bp, and the US 10-year down 5bp. For the quarter, the S&P 500 rallied nearly 10% as bond yields rose, driven by an improving economic growth outlook. The "soft landing" is here-- in our March FOMC Recap we noted that better growth would drive further upside to estimates on the S&P 500 and upgraded our Index price target to 5300. In the rates space, we think the steeper yield curve makes sense as we expect economic data to slow but remain in an expansionary trend.

As economic estimates have caught up to a more bullish outlook for growth this year, we anticipate a more challenging environment for equity indices in the 2H. We believe this type of market favors a specialist, long/short, approach and offers a superior risk/reward, as opposed to long-only managers and index funds.

Our style combines a systematic coverage process with fundamental equity research and a strong risk management framework. We start with a defined coverage universe of names to develop domain expertise within the Software, Hardware, and the Internet sectors. We use fundamental equity research to generate a high level of idea velocity on a recurring schedule. Our risk management framework keeps us focused on idiosyncratic performance by limiting macro and factor exposures, position size, and other risks. The process is labor intensive, research intensive, and hard to replicate. We think the right comparison is to a fine dining kitchen as opposed to a think tank or crystal ball.

Through Q1, our AUM grew over 20% as our style is resonating with investors seeking a long/short approach to technology investing. We are open to new capital and are happy to have a conversation with allocators and investors who cover emerging managers. Please email us directly at ir@wahdycapital.com or send me an email directly at wahdy@wahdycapital.com.

Q1 Earnings Preview -- It is an exciting time to be a technology investor.

The cloud wars are heating up. Prior to the Covid-19 pandemic, a noticeable shift in cloud consumption was taking place from public cloud to hybrid/edge infrastructure. Companies were moving away from exclusively using services like Amazon AWS, Microsoft Azure, or Google Cloud. Instead, they opted for a combination of on-premise servers, private-cloud, and multi-cloud setups based on specific use cases. During the initial stages of economic reopening, hyperscalers such as Amazon, Microsoft, and Google experienced a surge in demand again, which we see as being "transitory", as the cost of public cloud scales incrementally with size. Hybrid, private, and multi-cloud solutions offered by providers like Oracle and IBM are seeing demand pickup as customers seek to reduce costs and manage IT budgets. And, with the integration of AI—Microsoft and Google, for instance, are dedicating substantial data center resources to developing AI capabilities in both their internal technologies and external products—public cloud capacity is decreasing. This reduction in availability is exacerbating public cloud costs and accelerating the shift towards alternative cloud types and vendors, forcing hyperscalers to expand capacity themselves in order to limit the rise in costs.

Hardware is experiencing a renaissance. Increased demand for data center capacity and GPU-centric servers is driving a new era in hardware. Within the semiconductor sector, Nvidia's Hopper and Blackwell chips are reinforcing its leadership in the AI accelerator market, which AMD's Dr. Lisa Su anticipates will grow to $400 billion by 2027. While AMD's MI300 and other custom ASICs are starting to capture market share, Nvidia maintains a significant lead (check out Jensen Huang's 2022 GTC keynote). In the server industry, data center demand is primarily coming from new GPU-centric workloads. Since there's quite a difference in the power consumption between CPU and GPU-based servers, vendors are having to reconfigure their data centers and are running into some logistical constraints around energy. With a 3x capacity increase expected over the next three years, we're still early in the data center "refresh" stage. Speaking of "refresh", another big theme is the upcoming *AI-PC* hardware refresh cycle. With the emergence of AI chips capable of running inference workloads locally or at the edge, new hardware requirements will emerge, like how PCs in the 1990s adopted network chips for internet connectivity.

Software is still baking. Generative Ais impact on application software revolves around license reductions, productivity improvements, and chatbots. As companies continue to explore and test generative AI and LLM-based technologies, new use cases may surface, but only a small cohort of companies have an actual enterprise-grade AI offering (like Salesforce and Microsoft). The challenge for software companies is that Annual Contract Values (ACVs) are poised to decline due to smaller agent headcounts while margins decrease as companies absorb the costs of developing new generative AI applications. Consumption-based models we think are the right way to align the value of AI with specific use cases, but this is still being figured out.

Performance Review – What Worked and What Didn't

Top 3 Contributors / Top 2 Detractors

Our long NVDA position was a major contributor to performance in Q1**.** We believe NDA continues its leadership position in AI-accelerators and PC hardware refresh cycle in 2H of 2024. We expect the data center segment to grow strongly as cloud service providers continue to sweep supply for GPU-centric data centers. A looming PC hardware refresh cycle, driven by local inferencing, should boost the PC and Gaming segment. While the Auto outlook continues to be weak, especially for more advanced ADAS use cases, Industrial demand may pick up in the 2H of the year. NVDA returned 87.6% in Q1 and ended the quarter trading at 30x NTM EBITDA, which we think is justified given their market posture and chip demand.

Our long META position was a major contributor to performance in Q1**.** We see META as an accelerating growth story, with upside from AI use cases across messaging, Advantage+, and consumer applications. Management has also realigned to investor demands, such as operating efficiency and a focus on visible opportunities for growth. We are excited about improving monetization of Reels, the success of Advantage+, and partnerships with Amazon. However, the upside from investments in LLM and Generative AI technology remains palpable. META returned 40.2% in Q1 and ended the quarter trading at 13x NTM EBITDA, which we think is a bargain given their growth outlook.

Our long NFLX position was a major contributor to performance in Q1. Netflix is a major beneficiary of two major tailwinds in the content space: disruption of linear TV and the consolidation of streaming services. NFLX's leadership position is enabling it to expand customer counts, and its freemium offering is allowing it to expand its subscriber base that's incrementally accretive to EBITDA. The company rose 29.6% in Q1 and ended the quarter trading at 25.7x NTM EBITDA, which we think represents value.

Our short OKTA position was a major detractor to performance in Q1. OKTA is a leader in identity management and is generally well respected by CISOs and channel partners. However, increasing competitive pressure from Microsoft's Azure AD, execution challenges over Auth0 integration, and a security incident drove our short thesis. The stock had risen over 20% from its Q3 earnings in November, which set the company up, in our view, as an attractive short with a compelling catalyst (security breach). Instead, the company rallied 20.2% through Q1 as management navigated around the incident and was able to deliver a beat. We exited the position for a loss.

Our long S position was a leading detractor to performance in Q1. SentinelOne is a cyber security with a strong position in the endpoint management space. We saw the company as a best-of-breed offering with an international footprint that would allow it to sidestep direct competition with CrowdStrike. While the company reported solid earnings for Q424, management guided FY2025 revenue and margins well below the street. In addition, their strategy to constrain growth to bring profitability closer by a quarter or so seems like a wasted chance to gain share while endpoint demand is still strong. We closed our position for a loss after they reported earnings.

Positioning Review – What We Expect

Top 5 Longs / Top 3 Shorts

Long ORCL – We believe ORCL is undervalued given the accelerating trend towards hybrid, private, and multi-cloud setups, which Oracle is uniquely positioned for. Its sovereign-grade cloud service and partnership with Microsoft are opening new growth channels as countries seek to develop their own LLMs. The market is misunderstanding the scale and scope of Oracle's progress in OCI, which we think will come in significantly higher than the 7.6% average 2-year growth rate the street expects. The company ended Q1 trading at 14.9x NTM EBITDA, which we think is attractive given our growth outlook for the company.

Long DELL – A hardware beneficiary of rising enterprise demand for private and hybrid cloud solutions, we think Dell is well positioned for an improving landscape for hardware vendors as AI server demand continues. With traditional CPU server demand expected to pick up later this year, Dell will benefit from sustained earnings momentum through the data center upgrade cycle. With consensus sales growth of 6% over the next two years, we think the market is far from pricing in the pickup in both AI-PC demand and the GPU-centric server refresh by enterprise. Dell ended Q1 trading 9x NTM EBITDA, which we think is justified by the growth outlook.

Long MSFT – Microsoft is in top form, and we are "super" bullish on the company given its position as the market leader in Copilots. We think the market is severely underestimating the penetration rate of Office Copilot and has yet to reflect the Security Copilot rollout. While CPU compute workflows at hyperscalers will slow, Azure is well positioned to benefit from hybrid, edge, and private cloud deployments. The partnership with Oracle is also a step in the right direction, as we think Microsoft is gearing up to leave public cloud behind and become the world's first hyperscale AI Factory. Microsoft ended Q1 trading at 21.9x NTM EBITDA, which we think is warranted given we see the company averaging 18%+ y/y over the next two years vs. the 14.8% y/y growth the street expects.

Long CRWD – Cyber security is going through significant disruption with budgets being fatigued, a bit of a price war, and Microsoft's encroachment through their new Security Copilot. In this environment, we think CrowdStrike is strongly positioned as the company's deep moat and leadership position will allow it to grow despite industry headwinds that the market is concerned about. While the street expects topline growth to decelerate from 36% to 26% over the next two years, we see CrowdStrike retaining over 30%+ in that time. The stock ended the quarter trading at 18.1x EV/Sales which we think is justified given their ARR acceleration.

Long TSM – We see Taiwan Semiconductor as a major beneficiary of the hardware refresh that will boost PC and Smartphone shipments over the next 2-3 years. In addition to GPU demand, custom ASICs, and other chips, TSMC is the leader in foundry, and we think will retain leadership over the visible future. The market still expects soft consumer end markets, but we expect big ramps by fabless like Qualcomm, OEMs like Apple, and sustained demand by Nvidia and AMD. By the 2H of 2024, the consumer story (AI-Hardware refresh across devices) should gain greater visibility. TSMC ended Q1 trading on 21.4x NTM EPS, which is much lower than our estimates of the hardware refresh. While the street expects TSM to sales growth to average

22% over the next two years, we see an accelerating dynamic pushing growth above 25% y/y through the same period and see even greater upside as years past 2026+ are revised higher.

Short Cisco – There's a lot to like about Cisco. They're a leader in network hardware, communication hardware, and parts of cyber security--and we think the Splunk acquisition will be accretive to CSCO in the long run. However, we see competitive pressure increasing for both Splunk (from Palo Alto Networks) and Cisco's traditional hardware business (from GPU-centric server rack systems). With the worst still ahead of us, Cisco needs an "IBM moment" (shed assets) if it's serious about transitioning to a SaaS model. Cisco ended the quarter trading at 9.6x NTM EBITDA, which we think is too optimistic given that Splunk is unlikely to move software growth from the low 30%s to the 35-40% range some on the street are expecting.

Short INTC – While we think Pat Gelsinger is a good fit to turn Intel around, we worry that the company is getting further behind the technology curve for lower node production vs. TSMC. The Gaudy line of AI Accelerators looks interesting but won't be enough to maintain a leadership position in the foundry business. We oppose a breakup of design and foundry and think there's a case for Intel to succeed; however, we think its recovery will take longer than expected and will need additional government support to overcome both the capex and intellectual property that TSMC has amassed by being the worlds foundry. The street is expecting revenue growth to average nearly 10% over the next three years, while our forecast suggests further contraction. Ending the quarter at 28.9x NTM EPS, the market is too optimistic for a company facing an existential crisis.

Short AKAM – As the CDN market matures, Akamai is struggling to retain its dominance, despite having a strong product and maintaining elements of leadership in the space. With the delivery business facing increasing competition from competitors and internal solutions, Akamai is searching for new ways to add value – but we think it is too little too late. Our short in Akamai is paired with a long in Cloudflare (NET), who we think is positioned to gain incremental market share and has a head start in expanding into security and networking areas. Akamai ended the quarter trading at 9.9x NTM EBITDA, reflecting the streets view of an acceleration in topline growth from 5.4% y/y to an average of 7.3% y/y over the next two years, which we think is too optimistic.

Exposures

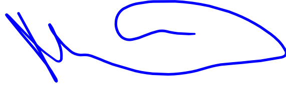
Our exposure levels are driven by bottom-up security selection, as opposed to top-down views or market timing. However, we monitor and seek to actively mitigate macro and factor risks if they exceed certain thresholds.

Exposure Report

March-24	Beta Adjusted	Cash Basis
Gross Exposure	**254.0%**	**171.7%**
Long Exposure	141.3%	88.3%
Short Exposure	-112.7%	-83.3%
Net Exposure	**28.6%**	**5.0%**

I want to conclude by expressing my gratitude to our investors and community for your backing and input as we grow. It is an exciting time to be a technology investor and we are glad to have you with us on our journey.

Sincerely,



Muhammad Wahdy
Portfolio Manager
Wahdy Capital

Wahdy Capital is long/short equity manager based in San Francisco, USA. Our coverage universe spans over 400 companies in software, semiconductors, and internet verticals within the technology sector primarily in the US. Our official strategy inception date is September 1, 2023. Our incubation period was between December 31, 2022, and September 1, 2023.

The information contained in this letter is provided to investors in the Wahdy Capital Long/Short Equity strategy, a SMA strategy offered on Interactive Brokers. Wahdy Capital is a California registered investment adviser. Being registered does not imply a level of skill or endorsement.

Performance is reported net of all fees.

Monthly Performance Net of Fees

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023									**12.94%**	**-7.55%**	**44.96%**	**6.92%**	**57.39%**
2024	**8.37%**	**7.81%**	**-0.10%**										**16.66%**

Exposure Report

Total Beta Adjusted	March	Average	
	2024	YTD	Inception
Gross Exposure	254.0%	260.7%	188.5%
Long Exposure	141.3%	150.6%	117.4%
Short Exposure	-112.7%	-110.1%	-71.1%
Net Exposure - Beta Adjusted	**28.6%**	**40.5%**	**46.3%**

Our process is deeply fundamental and focused on bottom-up security selection. We let ideas drive our net positioning, which averages around 40-50% since inception. We are macro and factor aware, which means we will seek to hedge excess exposures that are not driven by the idiosyncratic performance of the companies we invest in.

Derivatives are used in the portfolio, primarily in the macro book, or to express an incremental view on a company into or through a catalyst. Total derivative cash exposure is limited to 10% of NAV. We monitor and manage risk across multiple dimensions as a macro and factor aware strategy. We historically reported net exposure in cash delta terms but, starting in February 2024, will report net exposure in total beta and options adjusted terms. Our portfolio is typically concentrated between 30-50 names, where we use beta adjusted position limits to manage risk.

Our buy and sell discipline revolves around internally generated price targets. New positions require a 40% annualized expected return. We exit positions when price targets are hit. Stock positions with greater than a 10% drawdown are monitored and reevaluated but does not necessarily imply a cut. We monitor short interest, liquidity, and other factors in our aim to reduce risk.

Specific companies or securities discussed in the letter are meant to demonstrate Wahdy Capital's investment style and the types of industries and securities we invest in and are not selected based upon past performance. The analysis and conclusions of Wahdy Capital contained in this letter include estimates, assumptions, statements, and projections that reflect assumptions by Wahdy Capital related to results that are anticipated and are inherently subject to significant economic, competitive, and other uncertainties and have been included for illustrative purposes. No representations express or implied are made as to the accuracy or completeness of such statements, assumptions, estimates, or projections. Wahdy Capital may buy, sell, cover, or otherwise change the nature, form, or amount of its investments without further notice and in Wahdy Capital's sole discretion and for any reason. Wahdy Capital disclaims any duty to update any information in this letter.