PRAETORIAN CAPITAL

Q1 2022 Investor Letter — April 24, 2022

During the first quarter of 2022, the fund appreciated by 15.55% 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 moderately. Meanwhile, our Event-Driven Book produced a positive return but did not meet my expectations given the increase in volatility during the first quarter. This subpar return from the Event-Driven book is mostly a reflection of a decision on my part to keep overall portfolio exposure at a reduced level, leading us to take smaller positions than normal in the Event-Driven book. I am hopeful that the remainder of 2022 will lead to a recovery in our Event-Driven performance but intend to keep exposure rather tame given that we are now firmly in a global Central Bank hiking cycle.

Praetorian Capital Fund LLC		
	Gross Return	**Net Return***
Q1 2022	19.79%	15.55%
YTD 2022	19.79%	15.55%
2021	181.80%	142.87%
2020	159.39%	127.51%
2019	18.27%	14.97%
Since Inception (1/1/19)	764.53%	535.26%

*Unaudited net return data is estimated, net of all fees and expenses (using the expense sructure 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).

I would like to caution you that our portfolio has become somewhat lopsided in terms of exposure to inflation assets, particularly with a focus on energy assets. Partly this is due to disproportionate appreciation of those assets as a percentage of the portfolio and partly this is a result of what I see as the most attractive opportunity set in the current market. As commodities tend to be more volatile than the overall market, it bears mentioning that this increased exposure is likely to increase the overall volatility of our fund.

Market Views

I know that I may sound like a broken record, but I believe that we are in the early stages of an inflationary spiral that will send hard asset prices higher, while high-multiple growth companies see their values compress. We are naturally long the sort of businesses that do well in such a cycle, with a focus on companies and assets in the energy sector. Additionally, we have an oversized and rather contrarian long position in the housing sector, including two companies that provide building products to the housing sector and a landowner in Florida that is rapidly developing its land.

While conventional wisdom says that higher interest rates will be a negative for the housing sector, I believe that investors are fixated on the 2008 housing crash and ignoring the housing boom of the 1970s. In the end, homes appreciate with inflation and if the government continues to subsidize interest rates and mortgages, housing demand should do surprisingly well.

Looking at the bigger picture, we are now in a global Central Bank tightening cycle. This is usually a time for caution. Interest rates tend to act on the economy with a lag. Central Bankers have historically tightened until they broke something. Then they have panicked. It's likely a few quarters and potentially a few years until they break something. That said, higher rates will be a headwind to the market. As a result, we intend to be a bit more cautious and position the portfolio with less exposure. At the same time, I recognize that the Federal Reserve may talk a tough game when it comes to inflation, but they seem rather unwilling to take concrete steps to stop inflation. At best, I think they'll simply raise rates methodically and fall further behind inflation. Therefore, it would be a mistake to run our portfolio with too little exposure on the other side of the spectrum, as cash will be rapidly devalued by the inflation.

Russian Securities

I see myself as a contrarian. While my preference is to purchase undervalued securities that are undergoing some sort of inflection from hated to appreciated—if not loved—sometimes, I charge headfirst into market dislocations. While buying rapidly collapsing securities is often asking to be early and take some pain, frequently it turns out that investors have overreacted to adverse news and sold those securities substantially below fair value. In the case of our investment in various Russian investments the jury is still out on whether we purchased securities with a large enough discount to fair value or not.

Let me start by saying that I never expected Putin to invade Ukraine. Rather, I thought he'd do some saber-rattling, earn himself a few additional territories and then go home, likely with some sanctions for his trouble. Clearly, I got this thesis horribly wrong. The important thing in value investing is that you can get the thesis wrong and still come out of it with a gain if you were disciplined enough in what you paid for the assets. In total, we have 5 Russian positions. The most substantial is the VanEck Russia ETF (RSX – USA), which is a diversified basket of the largest listed Russian companies. We purchased most of this position through put options that we wrote before the invasion but were assigned to us after the invasion. We also own four different GDRs that were traded in London (Lukoil, Sberbank, Phosagro, and TCS Group), and we purchased most of these in the last few days before trading was halted but after the share prices had collapsed substantially.

To be clear, we have marked all of these securities to zero as of quarter end and that loss is reflected in the March statement that you received. Currently, Russian shares continue to trade in Moscow, however foreigners cannot trade them. Based on current trading prices in Russia, all four of our GDRs show substantial gains while RSX would show a moderate loss for us. Unfortunately, we cannot sell currently, and we may never be able to exit and realize this value. However, I believe there is a decent chance that we will ultimately see some value from this position.

In summary, when you're a contrarian, you sometimes get it wrong, and our Russian investment does not appear to be my finest moment. Fortunately, we kept the overall position small as a percentage of the portfolio as I recognized that the situation could move in unexpected ways. After two years of impressive returns, I was overdue to get one spectacularly wrong. I promise you this will not be the last.

Tentative Fund Closing

As I write to you, our fund's AUM is now approximately $180 million. This represents rather dramatic growth from our initial launch. I have never desired to grow this fund into a behemoth; instead, my passion is to produce impressive performance numbers on a rolling three-year basis. As you are well aware, asset aggregation tends to make it more difficult to produce strong returns. Therefore, the time has come for us to slow the growth of the fund. We have a handful of "slots" left on the US side (regulations limit us to 99) and once those are utilized, the US fund will cease to take in new LPs. On the Offshore side, we intend to continue taking in LPs until we get to approximately $250 million. At that point, we'll close that vehicle to new LPs as well. Of course, existing LPs will be allowed to add to their accounts once we stop taking in new investors.

I want to point out the fund closing, because there is a tendency for portfolio managers in our industry to focus on growing their management fees at the expense of returns in their funds. I plan to take the opposite approach once we reach a suitable scale to afford the research that will allow us to thrive. As I noted, producing strong performance results is my primary focus here—especially as my own investment in the fund is so significant to me.

Position Review (top 5 position weightings at quarter end from largest to smallest)

Uranium Basket (Entities holding physical uranium along with production and exploration companies)

It may take some time still, but I believe that society will eventually settle on nuclear power as a compromise solution for baseload power generation. This will come at a time when there is a deficit of uranium production, compared with growing demand. As aboveground stocks are consumed, uranium prices should appreciate towards the marginal cost of production. Additionally, there is currently an entity named Sprott Physical Uranium Trust (U-U – Canada) that is aggressively issuing shares through an At-The-Market offering, or ATM, in order to purchase uranium (we are long this entity). I believe that these uranium purchases will accelerate the price realization function by sequestering much of the available above-ground stockpile at a time when utilities have run down their inventories and need substantial purchases to re-stock. The combination of these factors ought to lead to a dramatic increase in the price of uranium as it will take roughly two years for any incremental supply to come online—even if the re-start decision were made today.

While most of our exposure is to physical uranium within the Sprott trust, because it allows us to express this view with reduced risk, we also own shares of Kazatomprom (KAP – UK) along with a few select junior miners. I am well aware that mining is one of the riskiest businesses out there, but Kazatomprom is the lowest-cost producer globally, with incredible scale in what is a highly-consolidated industry. At the same time, I recognize that we take on certain risks when owning a company engaged in mineral extraction, especially in a country like Kazakhstan that can be politically unstable at times. That said, I believe that the recent change in government will do little to impact the operating environment in Kazakhstan, though the tax rate may expand moderately.

Energy Services Basket (Positions Not Currently Disclosed)

In 2020 when oil traded below zero, drilling activity ground to a halt and many energy service providers declared bankruptcy. Many of these businesses had teetered on the verge of bankruptcy for years due to reduced demand and over-leveraged balance sheets. The bankruptcies led to consolidation and reduced future industry capacity, removing future competition in the recovery.

With oil prices now at multi-year highs, I believe that demand for drilling and other services will recover. While I believe this recovery will be somewhat anemic, we purchased many of these positions at fractions of the equipment's replacement cost, despite restored balance sheets and positive operating cash flow. As the sector recovers, I believe that this cash flow will become more apparent, and this equipment will trade up to valuations closer to replacement cost.

Oil Futures, Futures Options and Futures Call Spreads

I believe that years of reduced capital expenditures, along with ESG restricting future capital access, combined with western governments that are openly hostile to fossil fuels, have created an environment for dramatically-higher oil prices. While we could purchase oil producers, I feel it is far more conservative to simply own the physical commodity itself. We own December 2025 oil futures, along with various futures call options and call spreads on December 2023 and 2025 oil. I believe that this leveraged play on oil gives us upside to oil and ultimately inflation, while exposing us to reduced risk when compared to producers.

St. Joe (JOE – USA)

JOE owns approximately 175,000 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.

The oddity of the current disdain for so-called "value investments" is that many of them are 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, I believe the shares trade at a single-digit multiple on Adjusted Funds from Operations (AFFO) looking out to 2024, while substantial asset value is tossed in for free.

Besides the valuation, growth, and high Return on Invested Capital (ROIC) of the business, why else do I like JOE? For starters, land tends to appreciate 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.

I suspect that every convulsion of urban chaos and/or tax-the-rich scheming 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.

Building Materials (Positions Not Currently Disclosed)

We own shares of two companies that produce and distribute building materials, primarily for the home building industry. Both companies trade at mid-single digit cash flow multiples and are using the cash flow to rapidly repurchase shares. One could say that the low multiples are due to peak cyclical earnings. I take a different view and believe that we're in the early stages of a long-term housing boom caused by migration to low tax states along with a catch-up phase as home construction rates were below trendline over the past decade. I believe that the US needs in excess of 1 million new single-family homes each year, just to provide for population growth, ignoring the other factors. As a result, these businesses do not appear to be at peak earnings; instead, I believe we are seeing a new baseline for earnings.

In summary, during the first quarter of 2022, the fund experienced a positive net return on our capital, despite a rather subdued return from our Event-Driven book. Our exposure is a bit more concentrated in inflation, particularly in energy, than I'd normally expect it to be, but those are also my favorite themes. We've expressed this view through instruments like physical uranium, long-dated oil futures and futures options, energy equipment services companies, and land plays, which I believe should have a reduced risk of permanent impairment.

I also believe we are in the early stages of this inflationary boom and while there will be sizable volatility going forward, we are positioned well.

Sincerely,

Harris Kupperman

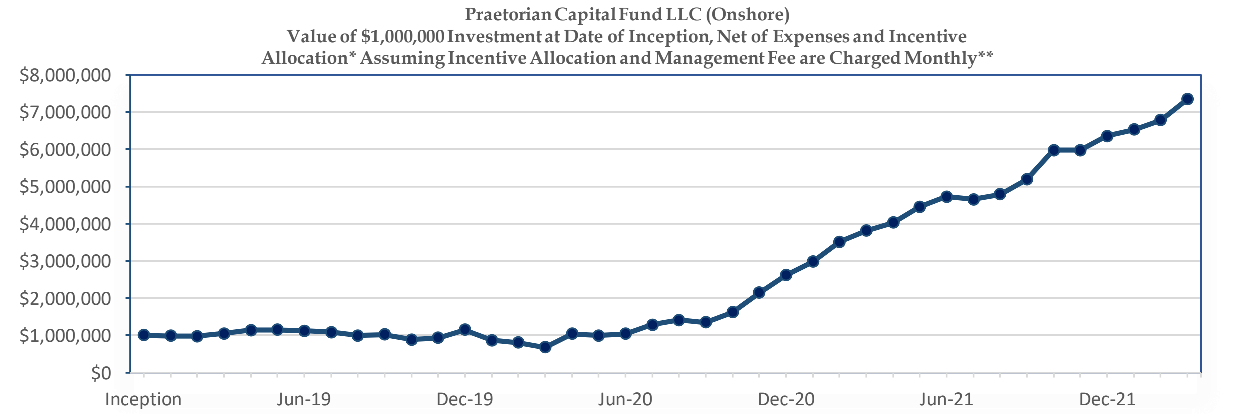
APPENDIX

Praetorian Capital Fund LLC Quarterly Returns		
	Gross Return	**Net Return***
Q1 2022	19.79%	15.55%
YTD 2022	19.79%	15.55%
Q1 2021	57.50%	45.66%
Q2 2021	28.14%	23.96%
Q3 2021	11.42%	9.85%
Q4 2021	25.32%	22.44%
YTD 2021	181.80%	142.87%
Q1 2020	-41.22%	-41.22%
Q2 2020	54.32%	54.32%
Q3 2020	34.09%	29.32%
Q4 2020	113.25%	93.94%
2020	159.39%	127.51%
Q1 2019	6.10%	4.88%
Q2 2019	7.99%	6.44%
Q3 2019	-10.51%	-8.40%
Q4 2019	15.34%	12.42%
2019	**18.27%**	**14.97%**

*Unaudited net return data is estimated, net of all fees and expenses (using the expense sructure 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
2022	2.76%	3.92%	8.21%										**15.55%**
2021	13.76%	18.12%	8.40%	5.82%	10.54%	5.98%	-1.58%	3.00%	8.36%	15.19%	-0.01%	6.30%	**142.87%**
2020	-24.62%	-7.18%	-15.98%	53.65%	-4.55%	5.23%	22.71%	10.22%	-4.38%	20.03%	32.50%	21.95%	**127.51%**
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 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 of PCF LLC on January 1, 2019 through December 2020, and a 1.25% Management fee since January 2021). For PCO Ltd., the fee has been a 1.25% Management fee since its inception date of October 1, 2021.

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

Praetorian Capital Offshore Ltd. is a "feeder fund" into the Master Fund (Praetorian Capital Fund LLC) and will have slight return discrepancies due to differences in inception dates and expenses.

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