

PRAETORIAN CAPITAL

Q3 2025 Investor Letter

October 23, 2025

During the third quarter of 2025, the Praetorian Capital Fund LLC (the “Fund”) appreciated by 5.70% 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 third quarter, our core portfolio positions appreciated somewhat, while the Event-Driven book produced a negligible gain.

Praetorian Capital Fund LLC		
	Gross Return	Net Return*
Q1 2025	2.76%	2.44%
Q2 2025	3.91%	3.59%
Q3 2025	6.11%	5.70%
YTD 2025	13.30%	12.16%
2024	-9.41%	-10.55%
2023	34.70%	26.45%
2022	16.38%	11.95%
2021	181.80%	142.87%
2020	161.87%	129.49%
2019	18.71%	14.97%
Since Inception (1/1/19)	1309.37%	810.10%

*Net return varies from gross return as it accounts for management fees and incentive allocations. Please see the additional disclaimers on the final page of this document.

When it comes to investing, there’s an “easy way” of doing things, and there’s a much “harder way.” In retrospect, the “easy way” to make money in the third quarter, and for many of the past dozen quarters, was to be long Ponzi schemes, companies without earnings, concepts without viable paths to profits, and various AI plays, while shorting businesses that traded at low cash flow multiples. Conceptually, I understand why this has worked. Investors crave growth and the desire to invest in the future. If we’re careening toward a global depression, companies with earnings are not the future, as those earnings are likely to decline. Instead, one can make bullish arguments for why many businesses lacking profits can earn arbitrary and inflated profit estimates a decade or more into the future. Some people are gullible, some are reckless, some just like to gamble. I try to be a risk-obsessed pragmatist and we’ve made our money the “hard way” over the course of the year.

We’re long undervalued securities with strong cash flow, while occasionally betting against those crazy ideas that seem to keep levitating. It’s been a frustrating and difficult way to earn returns, but given how wrong the positioning has been for the current environment, I feel like we’ve achieved an acceptable return thus far in 2025, even if we earned it the “hard way.” My view remains that eventually, my way of

investing will return to favor, and if we can make a bit when it isn't working, we can hopefully make a lot when it starts working again.

While investors are currently mesmerized by rapid revenue growth without profits (apparently it's called a "Factor"), most of our companies are also growing, but with profits. As detailed many times in these letters, I have made it a point to avoid the sorts of slowly dying businesses, synonymous with value investing. Instead, most of our companies are growing their revenues, with some growing quite rapidly (post-inflection), while others are hopefully at the cusp of inflections to much more rapid growth. Our top 5 equity positions by weighting at the end of the quarter all showed year-over-year revenue growth (quarterly year-over-year numbers except Allfunds which reports half-year growth year-over-year);

Sprott (SII – USA)- 35.8%

St. Joe (JOE – USA)- 15.7%

B3 (B3SA3 – Brazil)- 3.5%

XP (XP – USA)- 5.6%

Allfunds (ALLFG NA – Netherlands)- 6.2% for the half-year

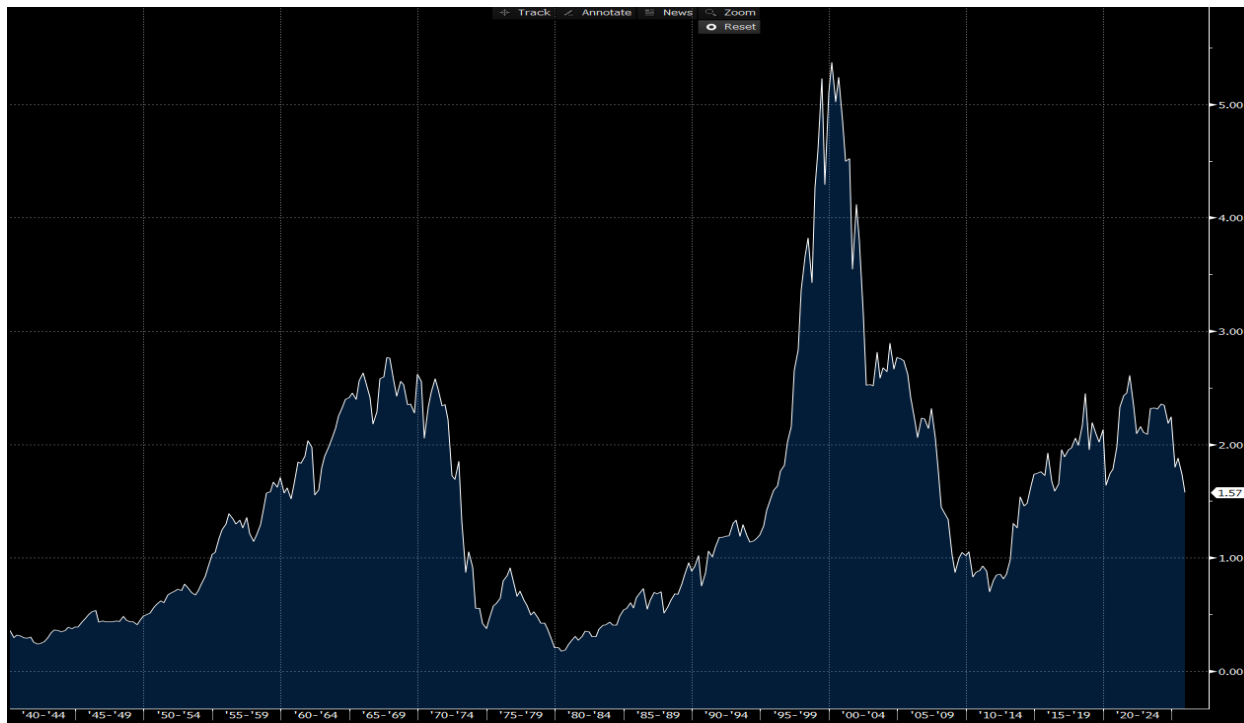
Furthermore, all of these positions are returning capital to shareholders through buybacks and dividends, while sporting very high returns on invested capital, along with deep moats and a high degree of recurring revenue. Of course, they're mostly out of favor, with the exception of Sprott, which was only recently "discovered," but we'll often own out of favor businesses, on the cusp of becoming noticed as they inflect. Fortunately, until their discovery, they're still growing their economic values in an economically defensive manner, largely immune to changes in global GDP. I like to joke that they should build data centers instead of paying us dividends, but these companies are focused on creating value—not destroying it.

As you can surmise, we rarely own the popular headline stocks at this Fund. Instead, we own very high-quality businesses, with strong tailwinds, at depressed valuations. I believe that one day the market will discover our names, though the waiting can be exhausting, especially when everyone is having fun chasing after FartCoins and Quantum Ponzis. However, I prefer to sleep well at night, and buying companies at low earnings multiples on growing earnings, has historically worked quite well for me—especially when I expect an inflection that will accelerate the growth. I assume it will continue to work in the future.

Over the past few quarterly letters, I have explained why I am quite bearish on most equities. Unfortunately, nothing has changed my view. The vast majority of metrics that I track globally continue to show decelerating economic activity. This has been ongoing for many quarters now. Unfortunately, economic growth is a governmental policy decision that is out of our hands. For whatever reasons, two of the four major global economic blocks are against economic growth (Europe and Japan) with the US barely paying lip service to growth, and China fixated on exporting goods to saturated and increasingly impoverished consumers, rather than embracing domestic consumption. Of course, any government can arbitrarily change its mind, and embrace growth, but such a move would likely take a change of the very people at the top of the governments. Until then, I anticipate negative real economic activity, which means that most businesses will suffer in real terms, though nominal results may deceive most people. Fortunately, now that I have come to understand that this is a political decision, I know what to look for

when awaiting an inflection to growth, instead of the alternating phases of printing money that we have been experiencing, which mainly benefits financial assets.

This is a VERY difficult environment to invest in, especially as I expect it to be inflationary as well. People often ask me where the capital will go, and I keep explaining that sometimes capital is simply consumed—it goes “poof” and vaporizes. I believe that’s what has been happening for many years now, since the peak of prosperity around the turn of the century. Just look at a chart of the S&P 500 when priced in gold, or any other long-term store of value, and you can see that things aren’t as rosy as the headline number for new all-time highs would imply.



S&P 500 (SPX) to Gold

Put simply, a shiny rock should not be outperforming real businesses that are retaining capital and reinvesting it at a rate of return that is higher than the cost of capital. Instead, gold is outperforming, as real businesses are not creating wealth—they’re simply levitating on credit and debasement. What you see in the chart above is the destruction of capital.

I unfortunately assume that capital will continue to be destroyed, as that is the overriding economic policy mandate of most global governments; and remember, this is a conscious decision on their parts. They could choose growth, but they don’t, just like they can choose any number of potential outcomes. While everything has trade-offs, true economic growth seems like the third rail that they all fear, as they are scared to upset those that have become entrenched by stagnation. When you see gold scream higher, it’s as if the world’s investors are saying that they can see no productive use for their capital, and a stasis (gold neither appreciates nor depreciates in my mind, it’s a constant, as an ounce is an ounce throughout time) is preferable to taking economic risks and investing their capital. This is a scary thought, as it seems to be gaining serious weight, especially recently, hence the appreciation of gold in almost every currency

globally. Even countries that are undertaking pro-growth policies will struggle against the headwinds of the four main blocks who have fixated on destroying capital—though that won't stop us from trying to invest in those countries anyway.

As an investor, declining global economic activity really does reduce the number of potential businesses that are viable to us as investments. On the other hand, governments increasingly want stocks to go up, which means that to achieve their policy goal, they either need to have multiple expansion on shrinking economic returns, or a depreciation of the value of currency in real terms, or some combination of both. As a value investor, I refuse to overpay, nor will I invest in businesses where the fundamentals are deteriorating. I demand an economic return, with genuine tailwinds. This really winnows our potential choices for securities.

As noted above, many investors have avoided this quandary by becoming thematic investors and simply ignoring valuation. For better or worse, I also refuse to do that with our capital, even if I see many friends doing quite well while investing in securities of highly dubious value. I've also mostly eschewed businesses with exposure to economic activity, as I worry that they'll fail to escape the economic undertow. Instead, I've tried to isolate the global desire among governments for asset inflation, and bought the croupiers, if you will. We own the ecosystems of the bubbles (brokers, exchanges, intermediaries, and back-office settlements). Outside of this circle of businesses, St. Joe is a play on the Wealth Effect trickling down to the increasingly mobile 1% refugees of large cities, while Sprott is a play on asset aggregation and appreciation in precious metals, uranium and other commodities. These are all themes I'm bullish on, though I recognize that in a sharp selloff, these levered plays on bubbles may do worse than the general market.

I can complain about the course of actions that governments are taking, but I'm a realist and recognize that I cannot influence the outcome of events—all I can do is be an observer and participant in the capital markets. If governments want asset bubbles in nominal terms, while economic activity slowly fades away in real terms, then I'll do my best to ride that wave and profit from it.

That said, my view remains that global markets are long overdue for a gut-punch as the economy slows, credit freezes, and equity markets reflect that with a rather severe decline in value—though that decline may turn out to be less severe in nominal terms. The likely catalyst will be a realization that the economics of AI are not going to live up to the insanely lofty expectations that are in place, and instead, trillions of capital have been misallocated. If you haven't read them, I've published two pieces detailing my discoveries in the AI bubble ([Piece 1](#), [Piece 2](#)). I also expect that similar realizations will surface in relation to the carrying values of Private Equity, Venture Capital and Private Credit—much of this value has already been destroyed, but through creative accounting marks, the realization has not yet appeared before investors who believe they're far wealthier than they are. I'm convinced that all of these sectors will blow up, with cataclysmic consequences over the next few quarters, but like many things in finance, while the outcome is rather obvious, the timing remains hard to predict. The only certainty is that capital continues to be misallocated, creating bigger fireworks for the future.

Unfortunately, guessing the peak moment of what is the craziest bubble of my professional career, and by many metrics, the craziest in human history, is hard. The bubble has gone on for so long and made heroes out of so many who have been enriched by it, without consequences for those who buy into scams

and schemes, that I worry we've created a new financial reality for many, as they've spent whole careers divorced from basic economic principles like earnings and valuation. We've normalized valuations and actions among investors that simply make no economic sense. When this bubble does crash out, it will have severe repercussions throughout the economy and society as a whole.

Given this view, I genuinely am struggling to find businesses with tailwinds at valuations that are attractive, and this isn't for lack of trying. There are times in investing when there is a whole lot to do, and there are times when there's nothing to do. I believe that we are in one of those latter periods. I'm running the book with reduced exposure, though given my worldview, owning almost anything is potentially taking on too much exposure. I've somewhat mitigated this (at least in my own mind) by owning a much higher percentage of international equities with strong tailwinds that should be somewhat less exposed to the coming chaos of the developed world. Though I frequently remind myself that during a car crash, pretty girls also go splat.

I want to mention that we do have a large position in US Treasury futures, which is something of an anomaly for us, as I think that Treasuries will ultimately prove to be rather worthless. However, just like in a money printing world where Ponzis offer upside as an asset class, I believe that in an economic crash, Treasuries will see a wave of panic buying, as has happened during most market crashes during my lifetime. I am managing this position with tight stops and an understanding that we're holding a ticking bomb. I've also continued to flesh out our exposure to Emerging Markets, as they have their own idiosyncratic rhythms, and I'll be in Dubai and Hong Kong at the end of October to explore and visit with some companies ([let me know if you're around](#)).

Otherwise, I am focused on finding low-risk Event-Driven setups, and mostly trying to stay out of trouble. In investing, the big money is made when you buy the highly discounted pieces *after* a crash, but you need to have cash at that time. Given my worldview, I continue to focus on having plenty of excess liquidity, which unfortunately reduces returns until the crash.

I know it sounds crazy, as the market keeps making new highs, but most of my productive time is being spent imagining the world after the crash, along with policymakers' reaction function. I assume that they simply dust themselves off and try to create an even bigger bubble to bail out the prior bubbles, hence our croupier book should do well—though I'm certainly open to other outcomes. In any case, my goal remains the same; find low-risk opportunities, while trying not to get singed too badly if the market does crash.

Position Review (Top core position weightings at quarter end from largest to smallest)

Emerging Markets Basket

For the past decade and change, Emerging Markets have been in a relative bear market, as investor capital has migrated to US markets. In the process, many emerging markets have gotten quite cheap when looking at them from a valuation perspective. This Fund has a sweet spot for cheap assets, but Emerging Markets have been cheap for quite some time now. You could have said the same thing years ago and

likely be sitting on paper losses today, while having tied up capital. What you need is a catalyst that unlocks this value. I believe that catalyst is a potential decline in the US Dollar, tied to policy changes emanating from the Trump Administration. For MAGA policies to work, the US needs to follow a weak Dollar policy. At the same time, Emerging Markets, which frequently borrow in US Dollars, are hamstrung by a strong dollar, but a weakening dollar is a boon to their economies. As a result, I've built up positions in various Emerging Markets that are highly impacted by the US Dollar, with the view that a weakening Dollar should be a catalyst for asset values.

Precious Metals Basket

In an inflationary world with loss of faith in Central Banks, precious metals tend to do well. We own two companies that should be beneficiaries of precious metals either appreciating or at least staying at elevated prices. None of these companies are directly in the mining business, which is risky and capital intensive—though one is a service provider to miners.

St. Joe (JOE – USA)

JOE owns approximately 167,000 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 may grow revenue at a rapid rate for the foreseeable future, with earnings growing at a much faster clip. Meanwhile, I believe the shares trade at an attractive multiple on Adjusted Funds from Operations (AFFO), 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. More importantly, I believe we are witnessing 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.

In summary, I've grossed up our book a bit since my last letter to you, often with securities that are trading below the low prices of the Liberation Day Massacre. However, I intend to be patient and keep our exposure low and highly liquid. I have focused much more on Event-Driven setups, like our large Treasury

position, and am looking for other idiosyncratic opportunities. I remain convinced that the global economy continues to weaken and will eventually lead to a market rout. I hope to have the liquidity to buy that collapse, as I remain convinced that the government response will be to initiate “Project Zimbabwe.”

Sincerely,



Harris Kupperman

Appendix

Praetorian Capital Fund LLC		
Quarterly Returns		
	Gross Return	Net Return*
Q1 2025	2.76%	2.44%
Q2 2025	3.91%	3.59%
Q3 2025	6.11%	5.70%
YTD 2025	13.30%	12.16%
Q1 2024	11.90%	9.25%
Q2 2024	-1.76%	-1.69%
Q3 2024	-2.51%	-2.29%
Q4 2024	-15.48%	-14.76%
2024	-9.41%	-10.55%
Q1 2023	-1.78%	-2.09%
Q2 2023	9.79%	8.00%
Q3 2023	15.04%	11.92%
Q4 2023	8.57%	6.85%
2023	34.70%	26.45%
Q1 2022	19.79%	15.55%
Q2 2022	-18.16%	-15.69%
Q3 2022	0.01%	-0.30%
Q4 2022	18.69%	15.26%
2022	16.38%	11.95%
Q1 2021	57.50%	45.66%
Q2 2021	28.14%	23.96%
Q3 2021	11.42%	9.85%
Q4 2021	25.32%	22.44%
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	115.28%	95.63%
2020	161.87%	129.49%
Q1 2019	6.10%	4.88%
Q2 2019	7.96%	6.44%
Q3 2019	-10.23%	-8.40%
Q4 2019	15.44%	12.42%
2019	18.71%	14.97%

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