Tidefall Capital LP
Q2 2025
July 17, 2025

	Q2 2025	YTD 2025	Since Inception *(Jan 21, 2020)*	Since Inception *CAGR*
TIDEFALL LP *(Net)*	-1.1%	-6.6%	226.2%	24.3%
S&P *(TR)*	10.9%	6.2%	102.7%	13.9%
TSX *(TR)*	8.5%	10.2%	80.8%	11.5%

We typically do not highlight our quarterly results but the large relative underperformance in the second quarter warrants a deeper discussion. Tidefall has historically tried to reduce downside volatility by betting against securities. However, unlike owning a stock where we can wait for a rational valuation to return, when betting against a stock we can be forced to act to prevent further losses since the downside is unlimited. On May 12 2025, we shifted to holding cash instead of betting on rationality quickly returning to securities we deem as grossly overvalued. We believe that although this shift may increase short term volatility, it will ultimately lead to significantly higher long term returns which is what we are focused on.

We recently took a position in Strathcona Resources which is Canada's fifth largest oil company. We are thrilled to partner with Adam Waterous who is employing a value based framework to capital allocation and much like Prem Watsa, we believe is an outsider CEO that will trounce his peers over the long term. Strathcona is currently bidding to take over Meg Energy (it already owns nearly 10%) which has attractive reserves, but has been a poorly run and misaligned company. Regardless of the outcome, we are excited by the collection of long life, low cost SAGD oil sands assets that Strathcona has assembled (50 year reserve life vs 10 years for US shale). The Canadian energy sector has had a difficult run since 2008 with inflation adjusted oil prices falling in half, producing no return for investors (including dividends!). However, a national reassessment of US economic dependency, declining US shale production and new political leadership domestically have turned the corner on what we believe will become a major growth industry and wealth provider for the country.

If we take just the scenario where Strathcona's bid for Meg fails and the company follows through on their plans to issue a $10 special dividend, then Strathcona is trading for an approximately 20% sustaining capex FCF yield. This low valuation is partly due to the low public float which is causing the shares to currently be outside of both of Canada's major indices (the TSX 60 AND the TSX composite). Ultimately Strathcona will end up being included and we are happy to wait while the company executes on its plan to grow production from 120,000 barrels per day to 195,000 by 2031.

We also had a few additions to our biotech basket. Septerna is a great case study on the value we are finding: Septerna is a small cap biotech which had a late 2024 IPO. Unfortunately the company had a failed drug trial and saw its shares crash from $25 to $6 in just a few months which is when we purchased it. At the time Septerna had just over $9 per share in cash and a separate chemically distinct pipeline of additional drug trials that third party biotech analysts had put at $20 per share. The stock also had multiple insiders buying shares in the open market. In May, Septerna announced a new collaboration with Novo Nordisk involving GLP-1 molecule therapies, including $4 per share in upfront payments and $45 per share in potential milestone payments. Although shares have now doubled since our purchase, the stock at $12 still trades below the net cash on the balance sheet. We have more than a half dozen similar broken biotech stocks that we believe on average will provide very attractive results.

The Tidefall portfolio today primarily represents a collection of value stocks that either have strong free cash flow yields (at a time when the S&P trades near a record free cash flow low yield) or in the case of our biotech basket trading at large discounts to their net cash.

Trevor Scott