



4 May 2019

Dear Partners,

For the month of April, Aristides Fund LP gained 2.63% and Aristides Fund QP, LP gained 2.85%. Year-to-date, Aristides Fund LP is up 5.14% and Aristides Fund QP, LP is up 5.17%. The Aristides Composite has gained 419.23% cumulatively or 16.56% annualized since August 15, 2008.<sup>1</sup> As of 1 April, assets under management were \$128.8 million.

On a dollar-weighted basis across the two funds, we added approximately 220 basis points of alpha last month, bringing our year to date alpha to approximately 181 basis points.

Most of our alpha this month was driven by our short book, which continued to perform exceptionally well. Ridiculously overpriced, low float marijuana stock Tilray (TLRY) continued its slow-motion collapse, while automaker Tesla (TSLA) dropped considerably on the back of extremely weak 1<sup>st</sup> quarter delivery figures and a massive first-quarter loss.

Tesla is always fun for me to chat about, because the gulf between what Elon Musk has told the fanboys to believe and what a rational, informed person would think possible is so incredibly huge. Just this week, in an invitation-only conference call to certain prospective investors, Musk told the audience that Tesla would soon be a \$500 billion company after its “fleet of robotaxis” was deployed. Tesla “Autopilot” still tries to run drivers into the back of parked semi trucks, yet Teslas are about to become driverless? GMAFB. Tesla has logged zero miles of autonomous driving. There is no chance that Tesla is going to have a fleet of autonomous cars in two years, three years, or even five years. The company had about 3 or 4 months of cash left before it would have needed to declare bankruptcy, car sales are trending something like 35% below Musk’s guidance for the second quarter, and history has taught Musk that he can lie with complete impunity. With basically his entire net worth tied up in Tesla shares, Musk is literally fighting to defend his entire fortune here, and he doesn’t give up easily.

My friend Randeep Hothi, better known as @Skabooshka on Twitter—a graduate student at University of Michigan (from the San Francisco Bay area) who has taken an interest in researching Elon Musk’s lies—was hit by the company in April with a temporary restraining order, claiming that he had run over a Tesla security guard with his car, and that he tried to disrupt the filming of a Tesla self-driving demo by swerving into the path of a Tesla. I don’t believe that any of that is true. Tesla has a history of making up absurd stories and false police reports against whistleblowers and journalists, and Randeep is a gentle, good guy who has been exceptionally careful to follow the letter of the law in his Tesla research, and told me point blank “none of that happened.” Randeep has been followed by Elon’s security goons for some time, and as the Wall Street Journal reported some months ago, Musk personally called the CEO of Volkswagen to complain that a VW executive (Randeep’s brother) was, along with Randeep,

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<sup>1</sup> These data are preliminary and unofficial, and are net of fees and expenses, including accrued pro forma incentive allocation. Official figures will be reflected in statements from Perennial. Performance of partners’ accounts will vary depending the timing of investments. Alpha calculations are net and are constructed from position-level data, less management fee, and then less pro-forma performance allocation.

somehow “spying” on Tesla. The whole story is batshit crazy, but so was the story of the weekend with Grimes and Azealia Banks that led to Musk’s fake \$420-a-share take-private tweet, so was calling British diver Vernon Unsworth a pedophile, as was raising \$2.35 billion in stock and convertible notes by telling people that your cars (that aren’t selling well) will soon be autonomous robotaxis. The only good news from this crazy saga is that a GoFundMe for Randeep has raised more than \$115,000 for his legal defense, he has (with the help of Lawrence Fossi a.k.a. Montana Skeptic) hired attorney D. Gill Sperlein, and the hearing regarding a permanent restraining order has been moved back to May 21 in order to give Sperlein a chance to take discovery from Tesla. This is going to be fun to watch. Here is a sample from Sperlein’s initial 145-page filing:

16 |  
17 | Tesla's accusations here fall into a long and disturbing pattern of using lies  
18 | and intimidation in an effort to silence its critics. This matter plainly has ramifications  
19 | far beyond the individual Respondent and therefore deserves a long-form  
20 | evidentiary hearing. Because Tesla controls potentially exculpatory evidence, the  
21 | parties should have the opportunity to take discovery in advance of the hearing.  
22 |

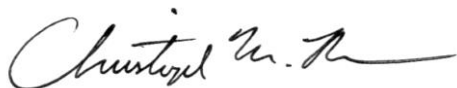
Tesla shares rallied 9% in the last two days (after month-end) in response to the company’s \$2.35 billion capital raise. I believe the company now has roughly four quarters of cash left, instead of the one quarter it had prior to the raise. That gives the company a slim chance to turn things around, if it can somehow dramatically improve sales and/or margins. But given that Tesla is still massively overvalued for a car company, and that analysts still expect \$6.2 billion of second quarter revenue while the company is on pace, per my estimate, for something more like \$4.5 to \$4.8 billion, we are going to stay aggressively short while the fundamentals remain terrible yet so many people are still in denial. Given the decline in the value of our puts today, our effective short position is (on a delta-adjusted basis) roughly 6% of the value of our portfolio.

Our broad index positions were a bright spot last month. It’s kind of a puzzlement that from time-to-time one can buy longer dated S&P 500 index calls for something like a 10 percent implied volatility when the realized volatility of the S&P 500 over time has been more like 16 percent, but we are not opposed to making money, and so we keep buying a few hundred of these options when they are cheap and we need some positive beta in the portfolio, and then more often than not, we have been glad that we did.

I’m glad that we are finally creating some value for ourselves and our partners year-to-date in 2019. Nobody can win every month (well, except for maybe casinos and co-located high frequency trading strategies that take advantage of the regulatory framework to parasitize other investors), but it’s fun to try, and I really hate losing. We’re always trying to get better at what we do. One of the nicest serendipities this month was an (electronic) conversation I had last week with a noted shortseller, who was kind enough to answer a few questions, like how he navigated

the tech bubble so well. We are always going to make mistakes every month, week, and day, but our goal is to get more things right than we get wrong, and it's nice to learn from the people who have come before us and who have seen more than we have.

Thank you, as always, for your partnership.



Christopher M. Brown  
 Managing Member, Aristides Capital LLC

Aristides Funds April Performance Attribution

Strategy/Category	Gain or Loss (gross basis points)	# of Positions
Event Driven	+6	22
Fundamental Community Bank	-7	15
Fundamental Other	+54	67
Hedges & Broad Index	+61	4
Arbitrage	-8	13
Single Name Shorts	+256	41
Fixed Income	+0	2

Top April Aristides Funds Winners & Losers (% represents gross % gain/loss as entirety of Funds)

Winners	Losers
+1.07% short Tilray, Inc. common stock & bearish options	-0.23% long Bank of Utica voting and non-voting common stock
+1.04% short Tesla Inc. common stock & bearish options	-0.17% cryptocurrency arbitrage
+0.29% long SPDR S&P500 ETF & bullish options	-0.14% short Carvana Co. Class A common stock
+0.21% long Hingham Institution for Savings common stock	-0.11% long Atlas Financial Holdings Inc. common stock
+0.20% long Vanguard FTSE Europe ETF	-0.10% long AutoWeb, Inc. common stock

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