Aristides Capital LLC

General Partner to Aristides Fund LP and Aristides Fund QP, LP

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Dear Partners,

For the month of June, Aristides Fund LP gained 1.03% and Aristides Fund QP, LP gained 1.01%. Year-to-date, Aristides Fund LP is up 5.11% and Aristides Fund QP, LP is up 5.22%. The Aristides Composite has gained 419.23% cumulatively or 16.29% annualized since August 15, 2008.[1] As of 1 July, assets under management were $132.3 million.

On a dollar-weighted basis across the two funds, we subtracted approximately 72 basis points of alpha last month, bringing our year-to-date alpha to approximately 96 basis points.

The cryptocurrency arbitrage trade that hurt us in May behaved more reasonably last month, adding just over 1 percent gross. Meanwhile, our shorts in Tesla (TSLA) and Tilray (TLRY), which have been good performers year-to-date, were significant drags on our June performance.

I still have a very high level of conviction in the Tilray short, in the long run. We did, however, buy some shorter-term Tilray call options in June, in order to hedge some of our losses if the stock had a counter-trend rally, which it has, so far, done. The stock is up about 5 points since we made that decision. I continue to believe the entire marijuana complex works its way lower over time, but the charts point towards a fairly high risk of another 10-20% of upside this month before the fall resumes.

Tesla has been a tough trade of late. We had reduced our position to less than 2.5% of the fund, simply because it seemed like sentiment to the downside was overdone, and orders were starting to pick up. After market close yesterday the company came out with a record Q2 deliveries report (95k cars), which is stronger than we or the market expected, though aided by another tax credit cliff in the United States, reinstatement of large Canadian subsidies, initial deliveries to the UK, and continuation of the surge of initial deliveries to Europe. Given the new data point, we reduced the position further. How we manage the position from here likely somewhat depends largely upon whether U.S. orders fall off a cliff again (as they did in January and February) or whether the sales momentum can be maintained. I believe Tesla is still structurally unprofitable, but whether revenue is growing or shrinking makes a big difference for whether I want to be short something that is trading at "only" two times revenue, even if that is high for an automotive company.

June was a good month for new idea generation, especially on the short side. We started a new short position (now 1.8%) of the fund in an overpriced financial company that is taking huge risks with its balance sheet that investors seem largely oblivious to. We might publish a report on that name in the coming months, so are staying rather close-lipped about it for now. (A shoutout

[1] 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 constructed from position-level data.

to our summer intern, Sam Millham, who has done great work on this name and is not just an exceptionally bright and well-rounded person, but also a due diligence machine.)

We continue to trade around Beyond Meat (BYND) on the short side. With the stock at $155, we recently established the largest short position we've had in that particular stock so far (at about 0.8% of our fund). The chart looks like a head-and-shoulders top may be forming, and the stock could fall very abruptly back to the 80-100 area imminently. If things don't play out the way we expect, we may cover some or all of our position and hope to take an even larger position at higher prices later. $9 billion is simply an unsustainable market cap for a food brand with maybe $500 mil in 2021 revenue and several strong competitors already out or soon coming to market. This is a 3x or 4x revenue multiple sort of company when mature, currently trading 41x revenue on 2019 numbers.

We've also started a 75 basis point (0.75%) short position in another recent IPO which is an okay company trading at an absurd price. "That could be any recent IPO," you say correctly.

Charles & Colvard (CTHR), somewhat surprisingly, decided to do a large equity offering which priced in June. We participated, bringing our long position in the company to more than 5% of their outstanding shares (about 1.8% of our fund). I can't think of another e-commerce-centric company growing as quickly with a valuation anywhere near as cheap, and we look forward to seeing management continue to execute as 2019 continues.

Other than CTHR, it continues to be challenging for us to find new single fundamental long positions that we like. We have made a lot of progress in developing both simple, fundamental, highly scalable quantitative long-term long baskets of stocks, as well as using other data sources to come up with other strategies similar to our event driven strategy (smaller positions in smaller companies with relatively short holding periods). With respect to the former, it has already been three months since we first put on our basket of fifty S&P 500 stocks, and we plan to rebalance those this month, while working on further improvements for the next rebalance three months from now.

The macro picture is particularly interesting. Economic data continues to signal a potential recession, but market participants are so convinced that central banks will prevent a downcycle that pretty much every dip in inflation expectations since 2010 has been a good time to buy stocks; the S&P 500 is now at all-time highs, 27% above the December lows. It's a golden era for U.S. equities—central banks are accommodative, cheap credit is widely available, there is more regulatory capture and less regulation of oligopolies, shareholders are capturing a bigger slice of the pie relative to workers, and corporate taxation is low. The recent peak in Consumer Confidence (October 2018) was a number not seen since 2000. There are a many good things priced into stocks here, and the IPO market has gotten kind of stupid lately, but, as we saw in 1996-2000, that doesn't tell you how stocks will perform in the next 12 months. The only conclusion one can draw from historical comparisons is that usually such great times are typically met with not-so-great times in the next 5-10 years, but even that is not guaranteed.

My hunch is the funds will likely stay about 15-25% net long for the time being (we were 15% net long at month-end), while continuing to look for cheap options in either direction (no guarantee that those happen; you kind of have to get lucky and take what the market gives you).

I'm slightly disappointed that we are roughly 3 percent behind our internal goals for alpha generation so far for 2019, but our investment processes are the best they have ever been, and math is such that sometimes you do better than your average, and sometimes you do worse.

Thank you, as always, for your partnership.

Christopher M. Brown
Managing Member, Aristides Capital LLC

Aristides Funds June Performance Attribution

Strategy/Category	Gain or Loss (gross basis points)	# of Positions
Event Driven	+7	16
Fundamental Community Bank	+21	15
Fundamental Other	+69	77
Hedges & Broad Index	+81	6
Arbitrage	+113	11
Single Name Shorts	-142	59
Fixed Income	+4	2

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

Winners	Losers
+1.04% cryptocurrency arbitrage	-0.70% short Tesla Inc. Common Stock and Options
+0.30% long S&P 500 component quant bucket	-0.59% long Charles & Colvard LTD common stock
+0.29% long Vanguard FTSE Europe ETF	-0.48% short Tilray Inc class 2 common stock
+0.25% long Hingham Institution common stock	-0.12% short Fanhua Inc ADR
+0.20% long Pointer Telocation Ltd	-0.09% short Beyond Meat Inc common stock