Insights September 2025: Labubu, Luck, and the Limits of Transparency

Performance MTD: +1.35%

Performance YTD: +13.94%

"What You Get Isn't Always What You Wanted"

Thanks to my 7-year-old daughter and her friends, I have recently had the pleasure of being introduced to the latest craze in the world of collectibles; Labubu blind boxes. Shrink-wrapped, enticingly designed packages that promise one of several rare (or less rare) toy figures. The twist? You never know which one you'll receive. It might be the ultra-rare Labubu you've been hunting, or it might be your third duplicate in a row. The rollercoaster of emotions of 'highs' in getting the Labubu you wanted and 'lows' (with tears) of not getting what you wanted, in many ways, reminded me of public markets investing.

Investors buy assets based on visible signals; earnings releases, macro data, price momentum, etc. But the underlying risk, the actual distribution of outcomes, is often obscured, deliberately or otherwise. Like Labubu collectors, investors often think they understand what they're getting, when in fact the underlying structure may hold surprises.

The Illusion of Transparency

Transparency is often claimed in financial markets. Regulations require disclosure. Investors demand risk metrics. Data providers flood dashboards with real-time updates. But how much of that visibility translates into genuine clarity?

Consider:

- The capital structure of a company may be publicly available, but who holds the key instruments, and at what leverage, is often unclear.
- Fund risk reports describe historical beta, drawdown, VaR. But these metrics describe what has happened, not what could happen.
- Correlations between assets appear stable until they suddenly aren't. In crisis, "diversified portfolios" often find themselves holding different flavours of the same risk.

Markets are full of blind boxes. Many participants believe they are buying something predictable; a yield, a spread, a hedge, only to discover the reality is far from expectation.

Our Position: Transparency in What Matters

At Sandbar, we don't pretend to offer total transparency. In fact, we think too much visibility into the mechanics of a strategy can undermine its edge. But we are precise about where transparency does matter — especially in the risk exposures we intentionally take, and just as importantly, those we don't.

We do not:

- Take unhedged directional macro risk.
- Rely on factor exposure to generate returns.
- Assume mean reversion as a default.
- Pretend we can predict the future.

We do:

- Express our views through company-specific, idiosyncratic positions, long and short, designed to exploit inefficiencies.
- Use systematic, repeatable processes to calibrate exposure across sectors, geographies, and catalysts.
- Use information available in a systematic way to exploit inefficiencies.
- Maintain liquidity and scalability constraints that allow for exits without dislocation.

Unlike the Labubu box, our strategy isn't built around surprise. It's built around intentional positioning, and we're comfortable being transparent about the limits of our transparency. While we won't provide the formula, we'll always show you the frame.

Our job is to identify where these boxes hide real mispricing, not to gamble on the outcome; but to arbitrage between what's priced in and what's probable. In a world where everyone is chasing the rarest Labubu, our focus remains disciplined; not to buy blind, but to isolate where expectation and reality diverge, and position accordingly.

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PAST PERFORMANCE IS NOT INDICATIVE OF FUTURE RESULTS.

ADDITIONAL RIDERS

Indices:

The MSCI World Index, which is part of The Modern Index Strategy, is a broad global equity index that represents large and mid-cap equity performance across 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country and MSCI World Index does not offer exposure to emerging markets. For further information on the index, please see www.msci.com/world.

Equity Market Neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. These can include both Factor-based and Statistical Arbitrage/Trading strategies. Factor-based investment strategies include strategies in which the investment thesis is predicated on the systematic analysis of common relationships between securities. In many but not all cases, portfolios are constructed to be neutral to one or multiple variables, such as broader equity markets in dollar or beta terms, and leverage is frequently employed to enhance the return profile of the positions identified. Statistical Arbitrage/Trading strategies consist of strategies in which the investment thesis is predicated on exploiting pricing anomalies which may occur as a function of expected mean reversion inherent in security prices; high frequency techniques may be employed and trading strategies may also be employed on the basis on technical analysis or opportunistically to exploit new information the investment manager believes has not been fully, completely or accurately discounted into current security prices. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

The Indices are presented as Sandbar feel that they serve as a useful point of comparison with aspects of the Fund's portfolio management and composition. The Fund's portfolio will not replicate any Index and no guarantee is given that performance will match the Indices; it is not possible to invest in any index.

There are significant differences between the Strategies investments and the Indices. For instance, the Fund may use short sales and leverage and may invest in securities that have a greater degree of risk and volatility, as well as less liquidity, than those securities contained in the Indices. Moreover, the Indices are not subject to any of the management fees or expenses that the Strategy must pay. It should not be assumed that the Strategy will invest in any specific securities that comprise the Index, nor should it be understood to mean that there is a correlation between the Fund's returns and the Indices' performance. Each Index is included for informational purposes only.