Shareholder Letter to Partners

Partners,

As the Oracle of Omaha once said, "The stock market is a device for transferring money from the impatient to the patient." 2023 was our best year on record, generating just over a 58.98% annual return in the fund. Our partnership's objective is to compound returns at a rate of 15% or more per year, on average, throughout its lifetime. This goal serves not only to hold me accountable but also to clarify our overall objectives. Over time, the temperament of the manager is by far the most important quality, and we firmly believe this to be the case.

While conducting analyses of investment opportunities, overall market analysis does not spring forth to the very top of my mind. In fact, analyzing the general market to determine causes for market movements is akin to looking at the ocean's wave patterns to determine whether a storm is coming. One can stare infinitely into the water, however, any single identifying cause remains elusive.

I will separate the remainder of the letter into 3 major themes encountered through the course of 2023:

1) "Success is where preparation and opportunity meet."

2023 was a year where careful preparation met opportunity, leading to a significant bounce-back with a 58.98% return. This wasn't by chance; it was the result of positioning ourselves well ahead of time to capture tremendous value when the moment was right. As Warren Buffett once noted, *"Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble."* In 2023, we put out the bucket. Furthermore, we were able to take effect of both the market decline late 2022 by capturing value on the short side, and then deploying near market-bottom prices on the long side. In essence, our shorts amplified our longs and contributed to the high returns we saw for the year.

2) "In investing, what is extremely comfortable is rarely profitable"

Our success in 2023 was driven by a willingness to embrace opportunities that others might have overlooked or avoided, particularly those offering convex payoffs. By positioning ourselves in assets where small changes in the market could lead to disproportionately large returns, we were able to turn what many saw as risks into opportunities. This approach, grounded in the principles of convexity, enabled us to generate a 58.98% return in a challenging market. Rather than seeking comfort, we sought out and capitalized on the opportunities that convexity presents, knowing that the potential rewards were well worth the calculated "risks" that others disliked.

3) "In the short run, the market is a voting machine, but in the long run, it is a weighing machine."

Over the years, both Benjamin Graham and Jeff Bezos have echoed this statement. Bezos highlighted that he preferred that Amazon would much prefer to be weighed in the long run than simply voted upon in the short run. In other words, optimizing for short-term profitability had its drawbacks, especially when considering how to best deliver long-term value to shareholders. Similarly, Graham emphasized the importance of intrinsic value over market sentiment, reminding investors that the true worth of a company reveals itself over time, not in day-to-day fluctuations. Both Graham and Bezos understood that focusing on long-term fundamentals rather than short-term gains is key to enduring success. Their approaches underscore the principle that true value creation often requires patience, discipline, and a willingness to look beyond immediate market reactions.

I have tried to highlight important points as well as impart knowledge of our philosophy. If there are any questions, I would welcome hearing from you.