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The Holdsworth Group, LLC

Alternative Investments for
High Net Worth Investors

Consulting Services and Capital
Solutions for Companies and
Family Offices

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"We have two kinds of forecasters, the ones who don't know and the ones who don't know they don't know." -John Kenneth Galbraith

"It ain't what you don't know that gets you into trouble. It's what you know for sure that just ain't so." -Mark Twain

FIRM UPDATE

Last month, November 2024, was the best month in our firm's history of investing in public value securities. We are optimistic that the tide is turning for us at last. One of our largest positions, **Adams Resources and Energy (AE)**, where we own over 5%, struck a deal to be acquired at a substantial premium to the recent stock price. We identified the opportunity through our proprietary network, conducted the fundamental research and concluded it was a likely takeover candidate. AE enjoys a robust asset base that was not recognized by the market until now.

Another of our companies, **ARC Document Solutions (ARC)**, was also taken private by management at a nice premium. In this case, we engaged the board to pursue an improvement in the purchase price, which was initially too low.

As markets broaden beyond mega-cap growth stocks, now is the time to build thoughtful exposure to smaller companies. We believe these transactions may be an early indicator of things to come: increased M&A and IPO activity and a market environment more apt to recognize and reward value. As always our approach aims to minimize downside risk (as we demonstrate in 2022). A long-overdue return to more-normal smaller company market activity would be profoundly positive for our strategy.

We are pleased to announce that Christian Bolton and Ken Ude have joined us as we continue to ramp up our consulting services through THG Consulting Services, LLC (THGCS). Christian brings us valuable investment, investment banking and accounting skills from Ares, Citigroup and Deloitte. Ken, acting as a Senior Advisor to THGCS, is the former Director of the USC Marshall Family Business Program and the former CEO or President of many family and private equity owned businesses. THGCS provides business and investment services to solve the wide array of challenges companies, investors and families face. Our experience is balanced on both sides: the quantitative, which addresses many of the operational, structural, financial, legal and governance issues, and the qualitative, which addresses the interpersonal, communications and family dynamic issues that can arise. THGCS also has extensive access to a wide array of alternative investments and can invest its own capital.

THE BIG PICTURE

Investors Look at Alternatives and Ask Us the Same Question – How? Alternative investments, ranging from private equity and credit, to hedge funds, venture capital, real estate, commodities and digital assets, are increasingly gaining attention from Family Offices and other sophisticated investors for their potential to enhance portfolio performance while mitigating risks tied to traditional markets. However, investing in these can be tricky as the strategies are often complex and hard to understand: For example, are prior returns realized or unrealized, and what are the capital calls expected to be? There is an old expression, "you can't eat IRR", which means IRR can be vastly different from cash flow, so we always ask: what is the true cash flow of an investment, or what is the MOIC? (Multiple of Invested Capital.)

Many alternatives require long lock-ups of capital, sometimes as long as 15-20 years! Are you prepared to say goodbye to your money for that long? In summary, education about the features of these investments is key, especially before pulling the trigger; we at THG are committed to providing the resources and insights necessary to make informed decisions for our clients.

“Own a soaring stock you can chat about online with thousands of other people who love it, and you’ll feel you belong to a pride of lions. Own a falling stock that nobody wants to touch, and you’ll feel like a skunk at a garden party.” This according to Jason Zweig of the Wall Street Journal, long one of our favorite reporters. Zweig continues by reminding us of the wisdom of Benjamin Graham, the father of value investing and a key mentor to Warren Buffett: “Investing isn’t about mastering the markets, it’s about mastering yourself.” Independent thinking while investing is one’s most valuable asset, one’s “basic advantage” as Graham calls it. He warned “the investor who permits himself/herself to be stampeded by [other people’s behavior]...is perversely transforming his/her basic advantage into a basic disadvantage.” At THG, we pride ourselves on our independent thinking as we vigorously protect our basic advantage. Fundamentals matter, and always will. We refuse to blindly follow the madness of the crowds.



Value Investors?

Our home, Pasadena, CA has become an important national hub of healthcare expertise. If you have to get sick, Pasadena is probably the place to do it. We enjoy many of the world’s leading healthcare experts right in our own backyard: Huntington Health, an affiliate of Cedars Sinai, City of Hope, Keck Medicine of USC, Shriners, Doheny Eye Institute, Kaiser Medical School, Caltech and Carnegie Science are just the ones we know about. Pasadena has also become a hub for early-stage investing in healthcare opportunities, something we don’t know much about yet, but we’re learning!



Momentum Investors?

INVESTMENT & CONSULTING UPDATE

Real Estate

- Committed to 140-unit multifamily project in Tennessee that will be converted from affordable housing to market rents, expected to yield about 15%.
- Evaluating apartment opportunities in Indiana, Missouri and Tennessee.
- Under contract to sell an urban infill development project in San Diego, CA at a MOIC of about 2.3x
- Exited a multifamily project in Raleigh, NC, generating close to a 20% IRR.

Public Securities

- Purchased the discounted convertible bonds of a company that makes metal credit cards. Bonds have appreciated considerably over par as the company has performed well above expectations.
- Added to our position in an aircraft maintenance, repair, overhaul and parts business.

Funds, Private Equity and Venture Capital

- Evaluating the restart of a California-based deep value retailer.
- Evaluating the participation in the purchase of a non-core bank owned by a non-bank.
- Evaluating a venture capital fund with an outstanding **realized** track record.

Consulting

- To see how our consulting services can help you, please contact us at (626) 765-9950 to set up an appointment.

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