



Wildfire Relief Fund Raising Event
Kohorst Clubhouse in Pasadena
March 20th 5:00 pm – 8:00 pm



\$100 minimum donation to attend event
Includes catered food and drinks

100% of donations go to First Tee - Greater Pasadena

Activities include virtual golf, pinball games, bar shuffleboard, skeeball, darts, video games, ping pong, pool table, music, and four big screen TV's

RSVP to Leslie Deluco: leslied.tftpasadena@gmail.com

Payments processed online through the chapter's website

<https://firstteegreaterpasadena.org/donate>

"A decent batting average in personnel decisions is all that can be hoped for. The cardinal sin is delaying the correction of mistakes or what Charlie Munger called "thumb-sucking." Problems, he would tell me, cannot be wished away. They require action, however uncomfortable that may be."

-Warren Buffett

FIRM UPDATE

Our hearts go out to the victims of the wildfires in Southern California. It is hard to express the sadness we feel for all those who lost everything and/or have been displaced. THG has been doing its part to help, by leading a relief fund at a local school that was severely impacted and by taking in some friends in need of housing as they grapple with finding a new place to live in markets with very short supply. We are also helping our local chapter of First Tee raise funds as this fine organization was severely impacted by the fires.

We are very disappointed by what looks like to us poor leadership from our local government, and we're eager to see Rebuild LA take shape.

Our strong relative performance in public securities continues into the first quarter of 2025. We are particularly proud of the recovery of one of our portfolio companies where we hold the Chairman seat and are the second largest shareholder. The company manufactures and distributes cabling and connectors to the telecom space. It also designs and produces cooling and cabinetry products, as well as wireless digital data transmission products used for industrial monitoring and locating systems. In the summer of '23, when interest rates spiked, our sales declined precipitously as many of our customers were impacted by higher debt costs leading to reduced capital spending. THG stepped in to assist our management team in a complicated asset-backed refinance. The business has recovered, the stock price has rebounded somewhat, and we are pleased with our improved financial flexibility.

We are pleased to announce our new joint venture with Capital Funding Partners, LLC. ("CFP") CFP, led by Wayne Brandt, has a long and successful track record in value-add apartment investing in key markets across the US. CFP does extensive due diligence to source outstanding investments with low risk and high current yield to investors. THG has joined CFP as co-General Partner on its transactions, and we are looking forward to offering very attractive opportunities to our friends soon. Our first opportunity is a value-add multi-family project in Bakersfield, CA, that generates an 8% average annual dividend and 16.6% all-in IRR over five years. Wayne and his team are exactly the type of partners we seek: smart and nice!

At THG, we pride ourselves on the young people we have trained. Since the founding of Holdsworth & Co. LLC in 2014, the predecessor to THG, we have trained countless interns and young hires as part of giving back to the community. Every summer we have at least one intern and he or she can come to THG and learn a great deal about investing. We offer broad exposure to our activities in real estate, public securities and private asset investing. Our alumni have gone on to do big things at places such as Bank of America Securities, KKR, Alvarez and Marsal, Green Street Advisors, Point 72 and Citibank to name a few.

THE BIG PICTURE

Cost savings have been in the news lately, but they should never be out of fashion! According to the Boston Consulting Group, on average, companies only reach 48% of their cost savings goals, and an even greater percentage struggle to lock in much savings at all as they become victims of "cost creep". We have realized through 30+ years of investing that cost creep control should be embedded in the culture of a company and it should be a major focus of management every year. It is so easy to spend freely as sales increase, and take one's eye off the cost control ball. But, if implemented well, in good times and in bad, greater efficiency can provide a strong buffer to economic uncertainty, and the mechanism to free up resources to pursue growth. While it is true that a company cannot cut its way to prosperity, it's also true that effective cost management can actually fuel growth.

THG invests in real estate, private equity and credit, hedge funds, and other complex financial assets. We know which tough questions to ask before we invest. Alternatives can diversify portfolios and improve returns, but they have risk. Key questions are: 1. Do I understand the investment? 2. What are the capital requirements? 3. Is my investment liquid? 4. How long is my money tied up? 5. What are the fees? 6. What is the track record of the manager? 7. Is the investment right for my long-term goals? We have spent our careers in the alternatives investment world and have helped build a couple of firms with substantial enterprise value. If you have questions about alternative strategies, please give us a call at 626-765-9950.

Another sad by-product of the wildfires is the acceleration of film production leaving the LA area. While big name stars made headlines for losing homes in Pacific Palisades and Malibu, countless other less famous members of TV and film crews suffered losses in Altadena. The Hollywood Reporter states that entertainment workers were already leaving LA before the fires with shoot days plummeting from 37K in 2022 to 25K in 2023 and lower again to 23K in 2024. Why live in LA where the median rent is 70% higher than the national average? Georgia by contrast has a lot of production already and a much cheaper cost of living. This question is getting harder to answer every year!



"Some moss, but nothing to worry about. Just try getting out and rolling a little bit more."

"A rolling loan gathers no loss"
-Micheal E. Tennenbaum

Real Estate

We are finally beginning to see excellent opportunities in real estate, as lenders can no longer "amend, pretend and extend," or roll their loans indefinitely while credit quality deteriorates.

- Committed to a 44-unit value-add apartment building in Bakersfield, CA
- Looking at a preferred equity investment in Boise, ID
- Evaluating a real estate senior secured lending vehicle

Public Securities

- Purchased shares of a non-core bank spun out from a troubled parent company
- Invested in the convertible preferred stock of a company in the drug contract manufacturing industry
- Purchased a position in a specialty retailer with very high free cash flow and low debt

Funds, Private Equity and Venture Capital

- Evaluating a secondaries fund
- Evaluating a low-income housing tax credit fund
- Invested in a logistics technology company
- Evaluating a risk management software company used by alternative investment managers
- Evaluating a fund focused on women's professional sports teams

Consulting

- Working with an independent cookie company

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