

Dear Partners,

In the fourth quarter, 1 Main Capital Partners, L.P. (the “Fund”) returned (2.8)% net, bringing its year-to-date return to 8.2%. This compares to full year returns of 25.0% and 11.5% for the S&P 500 (SPX) and Russell 2000 (RTY)¹, respectively. Since its inception nearly six years ago, the Fund has delivered an annualized net return of 20.9%, compared to 13.1% and 6.5% for the SPX and RTY, respectively. Accordingly, a \$1 million investment at inception would be worth \$3.7 million today, after all fees and expenses. The same amount invested in the SPX or RTY (with dividends reinvested) would be worth \$2.3 million and \$1.5 million, respectively.

The Fund’s primary objective is to generate strong long-term performance, without taking on excess risk. To accomplish this, our capital has historically been concentrated in my best ideas, causing us to look and act differently than the indexes. Of course, being different means that there will inevitably be periods where we underperform a strong market, especially when the strength is narrow.

2024 was such a year of underperformance. While the businesses we own largely made good progress growing their collective values, their share prices lagged. The biggest detractor for the year was IWG, which cost us approximately (4)%. At one point, its shares were up double digits before ending down 17% (in USD terms). In the 2.5 years we have held this investment, the business has grown substantially and generated cash, but the stock has barely appreciated. As our largest holding for much of this period, the opportunity cost has been real. However, the risk / reward has gotten significantly better coming into 2025 (more on this later) and I believe we will be well compensated for our patience with this investment.

The next largest detractors were ENZ and SUP, which together cost us an additional (4)%. Unfortunately, our ENZ losses are unlikely to be fully recovered. When making this investment, I overestimated the speed and ease with which the company would wind down and sell itself, while underestimating the cash it would burn in the interim. I believe its shares are undervalued at current prices but, with diminished upside and our reduced exposure, even a good outcome won’t be sufficient to have made this a worthwhile investment. This special situation turned out to not be so special after all.

Fortunately, I remain optimistic regarding our opportunistic investment in SUP. As one of the largest manufacturers of passenger vehicle wheels in NA and Europe, the company suffered from a substantial decline in light vehicle production – initially at the onset of the pandemic, then due to auto supply chain disruptions and associated inflation. Despite the lack of a full volume recovery, SUP has successfully generated cash, refinanced maturing debt, and relocated manufacturing to cost competitive locations. Furthermore, SUP’s 2025 financial results are likely to improve even without industry volume growth, given that its 2024 revenue and margins were depressed by the relocation of its European production from Germany to Poland. While SUP remains a high-risk holding, the potential upside here is significant.

As I look at the Fund’s portfolio, I believe we are as well positioned for strong prospective absolute performance as at any point since its 2018 inception. Prices of our holdings will follow approximate value

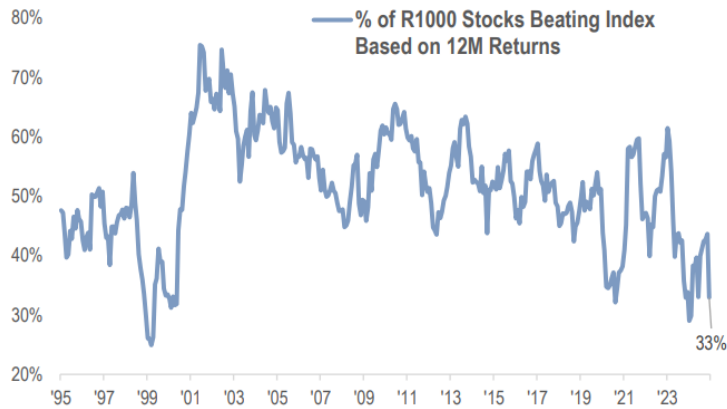
¹ Performance data is presented for the Fund’s Class A Interests, and is net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund’s Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year-to-date 2024 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.

over time, and we largely own a collection of companies that are cheap, cash-generative and growing. As the largest partner in the Fund, and with nearly all my net worth invested alongside you, I am optimistic about the future.

Market breadth

Market breadth was narrow in 2024, with gains largely driven by the largest US mega-caps. As such, while the SPX generated a total return of 25% for the year, the equal-weight S&P 500 (SPW) returned just 13%.

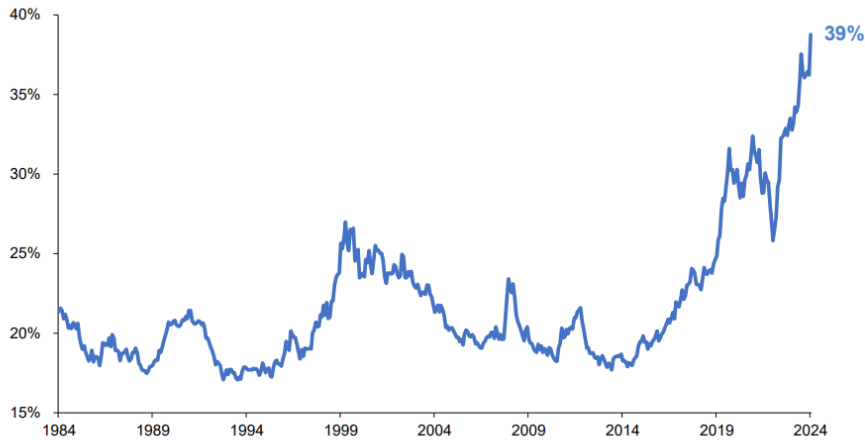
Accordingly, the number of US equities outperforming the market has fallen to a near historic low of ~30%, the lowest since the 90s.



Source: J.P. Morgan US Equity Strategy and Quantitative Research

Furthermore, the ten largest companies in the SPX now represent almost 40% of the index, a historic level.

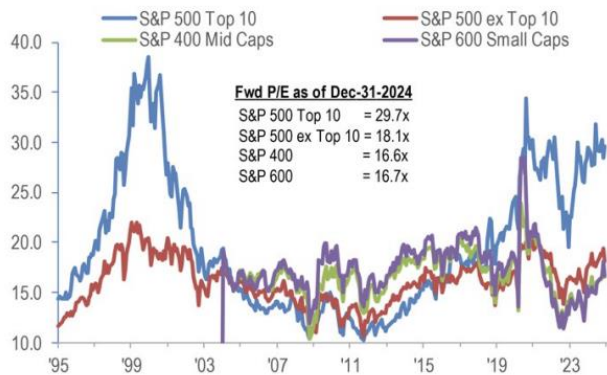
Market Capitalization of the 10 Largest S&P 500 Companies As % of Index Total (1984 to 2024):



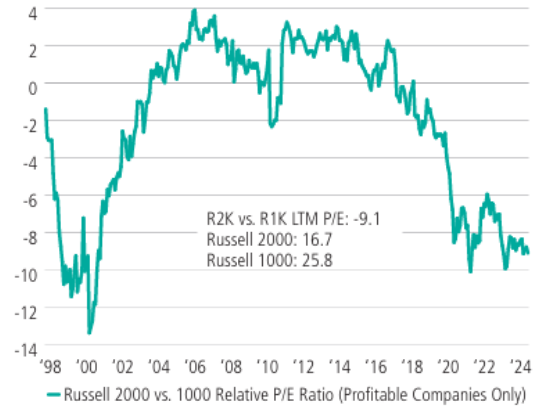
Source: Bloomberg, Compustat, Goldman Sachs Research as of 12/31/24. Note: Total returns include dividend reinvestment.

Of course, this level of concentration happens when the valuations of the largest companies are significantly higher than smaller companies. Accordingly, the forward P/E multiple of the top ten is approaching 30x, a level significantly higher than multiples of the S&P 490, and small and mid-cap indexes.

Figure 15: Mega-Cap, Large Cap, vs. SMid Caps



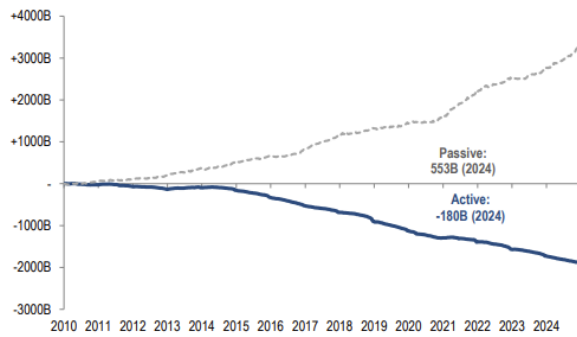
Source: J.P. Morgan US Equity Strategy and Quantitative Research



Source: Neuberqer Berman Research and FactSet. Data as of September 30, 2024.

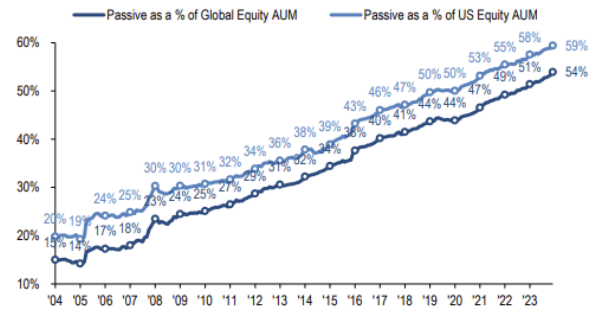
Interestingly, as the SPX has become more concentrated, investors have also been allocating an increasing portion of their capital into SPX-linked passive strategies. While momentum is a powerful factor, it has inevitably led to significant concentration in portfolios.

Figure 28: Passive Equity Flows vs. Active



Source: J.P. Morgan US Equity Strategy and Quantitative Research, EPFR

Figure 29: US Passive AUM at 59% (+9 points in 5yrs), Global at 54% (+10% points)



Source: J.P. Morgan US Equity Strategy and Quantitative Research, EPFR

The continued shift of assets from active to passive strategies is noteworthy. As I noted in the Fund's [Q3'23 letter](#), nonfundamental flows (NFFs) could have a significant impact on stock prices, and this shift to passive is very much an example of a NFF.

In a world where passive strategies make up a large but stagnant share of investments, asset prices should be very efficient. After all, a small pool of highly-talented active managers should be much better at setting marginal prices than a large pool that has many less-talented stock pickers. However, price distortions can occur as money is being pulled from active strategies and allocated to passive indexes, since this leads to cheap stocks (however defined) being sold and expensive stocks bought. Thankfully distortions also create an opportunity for us to capitalize on mispricings. Importantly, I continue to invest our capital in companies that grow earnings at attractive rates, such that we can absorb fluctuations in multiples while still generating ample returns.

Current positioning

At quarter-end, the Fund's top five positions remained Basic-Fit (BFIT), Caesars Entertainment (CZR), dentalcorp (DNTL), International Workplace Group (IWG) and Water Intelligence (WATR). Together, these holdings accounted for approximately 60% of capital.

An update on IWG

IWG is the Fund's largest position. While its stock price is just marginally above our cost, the company's business has improved significantly since our initial investment 2+ years ago and I remain optimistic that it will deliver a strong IRR. Recently, I joined my friend Andrew Walker on Yet Another Value Podcast to provide my latest thoughts on the investment. You can watch the update [here](#).

As a reminder, IWG is the global leader in flexible office space (coworking), with \$4 billion of system sales across 4k+ locations in 120+ countries. The company was founded in 1989 by CEO Mark Dixon, who still owns 25% of the company.

Historically, IWG owned or leased nearly all its locations, while reinvesting its cash flow into new units. However, the company has recently seen a significant acceleration in demand for its managed workspace concept. In this model, landlords fund the buildout of new locations while IWG collects a recurring management fee for operating the space, typically ~15% of revenues.

Currently, managed and franchised locations (M&F) account for just 15% of IWG's system sales and the segment is approximately breakeven. However, by the end of the decade I expect M&F to grow substantially, to nearly half of system-sales, and generate EBITDA of \$500 million. Assuming this is directionally correct, the M&F segment alone will be worth many multiples of IWG's current market value.

Even if my optimism around the M&F business turns out to be misplaced (which I believe is unlikely), IWG will probably still be a good investment. In 2025, the company should generate almost \$300 million of free cash flow just from its non-M&F businesses: owned and leased locations and Worka. These segments alone likely justify a valuation 2x the current share price.

While EBITDA and FCF have grown substantially since we first invested in IWG, the shares have barely moved. This has created a great setup for the stock. Specifically, 2025 will be the first year where IWG reports GAAP financials instead of lease-distorting IFRS. The company will also reach its target leverage ratio, allowing it to buy back shares for the first time since the pandemic. This is happening just as M&F revenues are accelerating and profitability is inflecting. With the company trading at a near all-time low valuation, right as financials improve and as the company turns on its buyback, I believe the setup for our investment is quite attractive.

Outlook

Despite cooling significantly from the 2022 highs, inflation has remained sticky, particularly in services. At the same time, consumer spending, the backbone of the US economy, has become increasingly constrained by higher rates and tighter credit conditions. Accordingly, the Fed is now in the unenviable position of having to choose between fighting inflation or supporting economic growth. I have long held the view that it will prioritize fighting inflation. Additionally, the Fed's predicament is compounded by federal deficits, which means that government spending must eventually be reduced – another headwind to growth. Given this backdrop, I believe economic growth is unlikely to meaningfully accelerate in the near term.

At the same time, investors must deal with the added uncertainties of a potential trade war(s) and reduction in undocumented labor force, both of which are being pursued by the incoming US administration. Together with higher interest rates, one would expect business confidence and investment to be challenged.

However, the headwinds that come with higher interest rates, tariffs and reduction in labor force may be offset by several mitigating factors. Specifically, Scott Bessent, who was recently appointed as Treasury

Secretary for the incoming Trump administration, has outlined his 3-3-3 plan, which aims to generate 3% real GDP growth, reduce the fiscal deficit by half to 3% of GDP, and boost U.S. oil production by 3 million barrels per day. Bessent has also suggested that he is highly focused on achieving favorable 10-year interest rates rather than pursuing low short-term rates.

To accomplish this, Bessent and the new administration are pursuing a policy of aggressive deregulation, which could lead to improved productivity and increased private investment – especially aided by the ongoing development of AI technologies. Additionally, the newly created department of government efficiency (DOGE) is attempting to reduce the size of government which, if successful, could free up labor to work in the private sector. Lastly, lower energy prices feed through almost every part of the economy.

As I have stated in the past, macro is tough to predict because conditions aren't static. Policymakers, employees, consumers and investors constantly adjust their behavior to any new environment and are all generally working to grow the economy over time.

However, despite my not taking strong macro views, I constantly attempt to position the Fund's portfolio by taking into consideration any obvious challenges. For example, I have purposefully been avoiding exposure to businesses that are overly dependent on low-cost labor, low interest rates, or imports from abroad. Lastly, our holdings are largely well capitalized, such that they can play offense when a slowing economy inevitably forces competitors to play defense.

As usual, I love what we own and am looking forward to seeing what the future has in store. As a reminder, the Founder's Class remains available to partners who have at least \$5 million of capital in the Fund, until AUM reaches \$100 million. Please reach out with any thoughts or questions.

Thank you for your support and confidence.

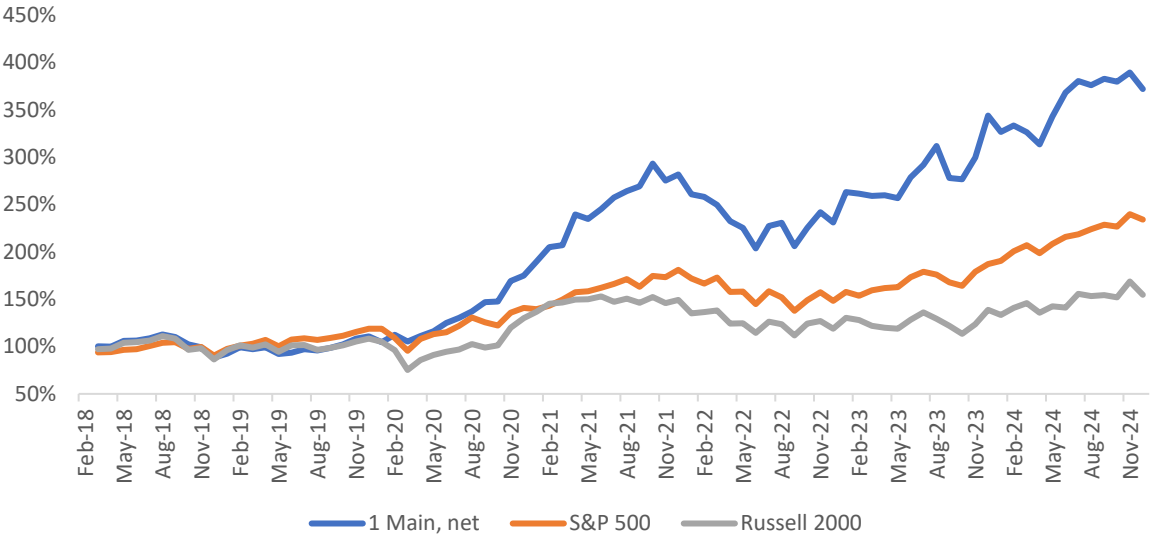
Sincerely,
Yaron Naymark

Performance Summary²

2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1 Main Capital Partners - Gross	-4.9%	2.2%	-2.1%	-3.8%	9.5%	8.6%	4.1%	-1.3%	2.2%	-1.0%	3.2%	-5.4%	10.6%
1 Main Capital Partners - Net	-5.0%	2.1%	-2.2%	-3.9%	9.4%	7.4%	3.3%	-1.1%	1.8%	-0.8%	2.6%	-4.5%	8.2%
S&P 500 index - incl dividends	1.7%	5.3%	3.2%	-4.1%	5.0%	3.6%	1.2%	2.4%	2.1%	-0.9%	5.9%	-2.4%	25.0%
Russell 2000 - incl dividends	-3.9%	5.7%	3.6%	-7.0%	5.0%	-0.9%	10.2%	-1.5%	0.7%	-1.4%	11.0%	-8.3%	11.5%

	One Year	Three Year	Five Year	Since Inception	Inception Annualized
1 Main Capital Partners - Gross	10.6%	12.9%	34.7%	413.4%	26.7%
1 Main Capital Partners - Net	8.2%	9.7%	27.4%	272.2%	20.9%
S&P 500 index - incl dividends	25.0%	8.9%	14.5%	134.1%	13.1%
Russell 2000 - incl dividends	11.5%	1.2%	7.4%	54.8%	6.5%

² Performance Data is presented for the Fund's Class A Interests, and are net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund's Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2024 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.



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Past performance. In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision.

Risk of loss. An investment in the Fund will be highly speculative, and there can be no assurance that the Fund’s investment objective will be achieved. Investors must be prepared to bear the risk of a total loss of their invested capital.

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Index Performance. The index comparisons are provided for informational purposes only. The S&P 500 Total Return Index (SPXT) is a capitalization weighted index that is designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries. There are significant differences between the Fund and the index referenced, including,

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