

CABLE CAR CAPITAL, LP 2025 LETTER

Dear Friends,

The fierce urgency of the moment compels my first public investor letter in more than four years. I will share a few updates and portfolio-related comments at the end, but since the fund is closed to new partners, I pray you will indulge discussion of a different form of investment. The sudden and indiscriminate cancellation of previously committed foreign aid by the U.S. government has created an immediate need for bridge funding to continue delivery of basic healthcare services in the developing world. I believe we are facing the greatest potential impact investment opportunity, with the highest potential cost-effectiveness, that private philanthropic donors will hopefully ever have.

Annie and I are pleased to share our more than \$1 million personal commitment to fund programs directly impacted by the cancellation of USAID and related grants. We are publicizing our giving in hopes of motivating others to do the same, and not unlike an investment pitch, I will describe the situation as I understand it, identify a potential target for capital, and encourage you to consider doing your own research. Charitable giving is a deeply personal activity, and I do not want to argue that it always needs to be geared toward the most cost-effective, utilitarian aims. However, to the extent you have ever contemplated impact-oriented humanitarian aid for a portion of your philanthropy, perhaps I can persuade you that the time to act or scale your investment is now.

Conclusions first: I recommend supporting projects identified by [Project Resource Optimization](#). If you are interested but pressed for time, I am happy to discuss at your convenience. I hope you will read on if you have the time and inclination.

I have long since abandoned the notion that my public market investment decisions represent a moral calculus, but I have been left contemplating what someone in my position could do to counteract bad policy decisions. Previously available avenues to invest capital while also promoting positive government activity—reporting wrongdoing, supporting qui tam litigation, and funding FCPA and other whistleblowers—are decidedly unproductive at the moment. While we identified one crypto-related private litigation funding opportunity to fill a gap left by the SEC, I am primarily looking outside the fund for opportunities to accomplish something more productive in the world.

Limited partners have occasionally expressed concern that the fund's strategies might get sidetracked by goodwill activities. Rest assured that this letter represents my personal views, and Cable Car remains intensely focused on accumulating wealth for the fund's investors. That said, it can be energizing to hear how partners are allocating those resources, and I would love to hear about your own initiatives.

EPIPHANY

I believe all people share a fundamental belief that we should care for children, treat the sick, and comfort the afflicted. Much of politics can be reduced to arguments over who should bear these basic shared responsibilities, and the degree to which the government should be involved. Coming from a political perspective that the government plays an important role in providing public goods to people in need, I have experienced a great deal of distress this year observing the haphazard and arbitrary way in which the opposite view has been implemented under the new U.S. administration. Like many people of my political persuasion, I have felt an acute sense of powerlessness and frustration at the impoundment of funds, chaotic



implementation of trade policy, disgraceful treatment of immigrants, and other unlawful actions taken by the administration. Waiting for the court system or the electoral process to respond while people experience needless suffering is trying.

Certainly many capital providers have adopted the cynical view that the best way to change policy is to buy influence, and they appear to have been proven right in the U.S. political system. However, after contemplating where else capital has agency to most directly influence outcomes, I have arrived at a clarity of purpose. Capital should flow to where it is needed, and capital providers should respond to emergency conditions with triage. Difficult as it may be to sort signal from noise among many disagreeable policy changes, it can be clarifying to simply focus on reducing permanent harm. There is a great deal of misery that we are in no position to address, but there are concrete services provided by the government that the private sector can—and must—step in to provide in its absence.

Ironically, this is exactly the ideological position of those who believe the government should provide fewer social services and should cut foreign aid in particular. However, if that is your sincerely held view, I would argue that you bear especial moral responsibility to advocate for the gradual, orderly transition of government support to the private sector. Among the many unlawful impoundment actions taken by the administration, it is the sudden, wholesale termination of foreign aid that stands out to me because of the loss of life that *will* result from it. Terminating previously promised services, with no replacement, is an abandonment of the most vulnerable people in the world. If your concern is dependency, then change future policy, but to suddenly withdraw a lifeline is tantamount to murder.¹

Among other services, USAID and related government agencies paid for the regular administration of antiretrovirals to populations with HIV, preventing their early deaths from AIDS. Foreign aid paid for the manufacture of ready-to-use therapeutic food, at factories within the United States, which is used to treat children suffering from malnutrition and prevent their early deaths from starvation. USAID provided for the cost of childhood vaccinations, preventing early deaths from preventable diseases. Foreign aid pays for routine and lifesaving medical care in deeply impoverished and conflict-prone parts of the world. These are unambiguously essential services. Local governments and other donors can and do play a role, but the U.S. government has been the provider of first and last resort in many places where resources are insufficient.

Simply put, withdrawing these services all at once will cause many, many people to die. This is needless, wrong, and thankfully can be at least partially averted.

PROJECT RESOURCE OPTIMIZATION

Faced with the enormity² of the roughly \$50 billion in lost annual USAID funding, it is difficult for an outsider to even know where to begin. What programs could plausibly be replaced by the private sector? Among thousands of grants, which should be prioritized in order to achieve the greatest harm reduction? Fortunately, USAID already employed dedicated public servants whose job it was to make these assessments. A team of former economists from the agency, who until quite recently were engaged in exactly this cost-

¹ I was no fan of Elon Musk before, but without exaggeration I now compare him to Pol Pot. He may be responsible for the deaths of millions of people in Sub-Saharan Africa this year. We have a collective responsibility to honor our commitments and do what we can to reduce the death toll from the unconscionable actions of a few individuals.

² Though it is of course only a drop in the bucket in the federal budget and far less than voters routinely estimate when surveyed.



effectiveness research, formed an initiative called Project Resource Optimization (PRO). You can read about PRO on its website at proimpact.tools.

Over the past few months, there has been a scramble in the NGO community to identify alternate funding sources and flexibility within their grant budgets. The State Department was grudgingly persuaded to reverse a few of the most egregious DOGE cuts. The Gates Foundation has announced an acceleration of its commitments. Hopefully world leaders will respond to the need, and some other country will step into the role of the wealthiest country in the world going forward. However, numerous gaps remain unaddressed right now. Due to donor restrictions, the projects that lack funding are not lower priority from a cost-effectiveness standpoint than those that are continuing.

The team at PRO have done the yeoman's work of triage within the USAID budget to identify grants and subsets of grants where outside funding could have the greatest impact. That necessarily and painfully excludes some multinational efforts which are simply too large for individual donors to continue. However, it emphasizes grants where aid delivery infrastructure is already in place, prior investments would be wasted if services were not continued, and no backup funding source has been identified. Many projects are in imminent danger of cancellation because the implementing organizations have no unrestricted funds available to continue paying local staff. PRO performed standard calculations of life-years gained from the planned services, but also triaged the time sensitivity and ability of the implementing organization to deliver on a focused, reduced commitment.

This presents an unusual opportunity for private donors to make directed grants toward pared-down, essential services that were already fully vetted by a rigorous government process. After identifying potential grants that could be replaced by private donations, PRO works directly with the implementing organization to identify only those aspects of the budget that represent essential emergency services. USAID grants also covered pilot programs, direct financial assistance, education, and other public health initiatives that are highly effective in the long term, but which will not avert deaths over the next few months. One hopes that important work will also be funded again someday, but the immediate need is to identify sources of funding that can continue efforts to prevent people from dying needlessly.

While programs meeting the cost-effectiveness criteria are worth funding on their own, there is also an effort to identify programs that might be in a position to continue if an alternate source of funding can be identified. Grantmaking cycles and institutional timelines being what they are, I believe there is particular value in supporting essential services over the next 6-12 months, as in some cases it may be possible to bridge the infrastructure of an effective program to a future funding source. Personally, Annie and I assumed we would make donations later in life after accumulating wealth, but it is this immediate need that has compelled us to act sooner.

We are making our largest commitment (coincidentally, together with the family foundation of another hedge fund manager whom I deeply respect) to the International Rescue Committee on a program delivering childhood medical care in a conflict region of Burkina Faso. It is unfathomable to me what we as private citizens, rather than the government, will be paying for over the next year: staffing and supplies for medical clinics in the Sahel serving more than 100,000 children, including immunizations, anti-malarial treatments, emergency and routine medical care, and perinatal maternal support. We negotiated indirect costs and reporting requirements, reviewed a line-item budget, and discussed program parameters directly with the implementing organization, a 501(c)(3) non-profit with a long history of working with the government. The program represents less than 20% of the original grant to the region, but it will be enough to keep minimum



services going for the original grant timeline, in hopes that a permanent funding source can be identified in the meantime.

There are several comparable opportunities live right now and PRO has identified a funding gap in the tens of millions of dollars. For my part, I helped PRO prioritize programs and develop a Kickstarter-style matching donation concept, where you can [make a commitment](#) to current priority projects. If you are not in a position to fund a project in its entirety, PRO partnered with Founders Pledge to pool commitments together to make joint grants like the Burkina Faso project I described. Founders Pledge is currently matching donations to a [program operated by Catholic Relief Services in Darfur](#) we plan to support and I think you should consider as well. After that match ends today, additional projects will be posted to the site, and donors can also give to a broader fund or fund a specific project in its entirety.

Lastly, a note on other emergent crises in the world: there are structural limitations to humanitarian aid, which unfortunately means that any effort to relieve poverty or meet basic needs in conflict zones is necessarily incomplete. Not every government allows relief work to take place, and not every urgent need or instance of mass suffering can be easily addressed with capital alone. The opportunity I have described is deliberately limited to the unusual ability of private donors to replace government funding for previously-approved projects delivered by already-vetted implementing organizations, with existing infrastructure in place. That is not in any way to suggest that other situations or organizations are unworthy of support. Indeed, broader withdrawal of US government funding is already having severe budgetary impact on the entire NGO sector, and now is a good time to consider additional unrestricted grants for any organization whose mission you support. However, to the extent you have the resources to make a scaled, targeted donation to preserve an entire program, there is a unique opportunity at present to do so.

FUNICULAR FUNDS, LP

Since the last letter, we have been busy. We reorganized the fund into a master-feeder structure in 2022, closed fundraising, and registered with the SEC in 2023. We received a no further action letter after completing our first periodic regulatory exam earlier this year.

In 2023, Evan Eurich joined Cable Car from a family office in West Texas, and he quickly became indispensable. His role as COO and CCO has included trading responsibilities, managing our India IPO strategy, implementation of a brand-new compliance program, and onboarding more new brokerage accounts than I might have let on at first.

The fund has come into its own as a global operation, with eight custodians now facilitating niche strategies in different regions, which vary in emphasis within the portfolio depending on market conditions. I would welcome an environment again someday where we could be more focused on long-term fundamental strategies, but our activity in recent years has been somewhat more trading oriented. Equity markets have continued to be characterized by broader retail participation, which has at times led to extreme levels of volatility and price-value dislocations that have made arbitrage strategies a focal point.

There have been a few overarching projects worthy of mention. We have been an active litigant: considering only fully resolved matters, the fund has been a named plaintiff or settled threatened litigation in ten different situations involving contract enforcement or shareholder rights, each of which has resulted in a beneficial financial outcome for the fund. We were involved in multiple litigations against SPAC sponsors who attempted to keep termination fees from broken deals for themselves, including two where we served as lead plaintiff, and all of which resulted in recovery for a class of public equity investors.



Continuing my love-hate relationship with the SPAC structure, we participated in several highly structured financings of small companies, including a few de-SPAC transactions. Investing at scale in smaller-capitalization issuers can present liquidity challenges, and the equity of an early-stage company, which needs to raise additional capital, often presents an unacceptable risk/reward. Opportunities to structure a more compelling position higher up the capital structure have expanded the range of companies we can consider, and it has been gratifying in a few cases to be able to directly fund a compelling business plan or facilitate a corporate reorganization. In general, if a stock does not present the combination of downside protection and asymmetric return potential I am looking for in a potential long, there may still be an opportunity to construct a similar return profile by investing in convertible debt. This approach is not without its unanticipated outcomes: we ended up the outright owners of a barley mill in East Grand Forks, Minnesota following a foreclosure process last year, and we continue to own and operate that business with the aim of improving its profitability. I am finding the learning experience of actually operating a business to be invaluable to the rest of the investment process, and I am genuinely excited about some of its potential expansion opportunities.

We have also been part of an ongoing effort to help direct the return of capital to biotech investors during the current downcycle. Biotech has one of the most easily observed business cycles of any industry: drug discovery efforts are long duration assets (and liabilities!) that attract capital flows that are closely correlated to overall capital cycles but also have their own secular rhythm as marginal science projects get funded or starved of capital past the point of rationality. There seems to be a consistent pattern of overshoot and dieback, presenting opportunities to acquire stakes in companies trading at negative enterprise value, even after planned clinical development expenditures. We have emulated both activist and mean reversion strategies that were popularized during the downturns that began in ca. 2008, ca. 2015, and ca. 2022. As this one drags on, I hope we won't be doing it again already in 2029!

From 2022-2024 the fund was the largest shareholder, and I served on the board of Arca Biopharma, culminating in its merger with Oruka Therapeutics (ORKA). My short seller's jaundiced view of corporate managers and boards was softened somewhat by the experience of serving on one. Enough ink has been spilled about principal-agent problems and strategic alternatives review processes by sector specialists. In brief, I share their skepticism of reverse mergers, though I recognize that an exchange listing has value to an acquirer. I believe the ORKA transaction is a good model for similarly situated issuers: the transaction valuation should ideally be validated by concomitant financing, and the company should commit to returning most or all of its capital in connection with the transaction, ensuring an outcome superior to liquidation for shareholders irrespective of the subsequent performance of the target. In a competitive market for targets to take public, we remain involved in several ongoing processes.

I'll close by mentioning a current area of focus brought about by the regrettable triumph of the digital asset industry in its cynical effort³ not to be bound by the securities laws: crypto "Treasury" strategies. While the SEC seeks voluntary dismissal of its litigation against exchanges for slam-dunk registration violations (e.g. Binance, where executives admitted in writing to "operating as a fking [sic] unlicensed securities exchange in the USA bro"), no one has qualms any longer about running an unregistered investment company by engaging in a digital asset investment strategy through a public company. Hoping to emulate the success of Strategy (MSTR), public companies are rushing to become holding companies for digital assets and hoping to trade at multiples of their net asset value. Why should this persist, or happen at

³ Not to shame anyone in particular, but I think the lobbying dollars that bought the current regulatory rollback are also at least partially responsible for the humanitarian situation described in this letter. I hope some beneficiaries will consider putting their gains to work in the developing world in lieu of buying another Lambo.



all, when an investor could easily purchase an ETF and gain exposure to the same asset without paying a premium? It is ridiculous and everyone knows it.

MSTR advances a range of fanciful explanations in its investor communications, though they no doubt understand perfectly well the root cause, which is simple. By mandate, many institutional investors who are restricted from buying digital assets or ETFs are permitted, and may even be required in some cases, to hold an “operating” company that happens to be a holding vehicle for bitcoin or another digital asset. Some subset of managers who want to invest in digital assets, but are not permitted to do so, are doing so anyway with their investors’ capital through this mechanism. The availability of exit liquidity at a premium that this has created is prompting a flood of supply from digital asset sponsors, but it will take time for the new paper to fully meet demand. Children can point out that the emperor is streaking all they like, but MSTR will continue inventing new kinds of preferred stock with silly names⁴ until enough shares have been printed to overwhelm demand.

We are aggressively positioned on both sides of the book to capitalize on this dynamic. While capital is flowing into these issuers, we have PIPE commitments to acquire interests at significant discounts to current trading levels. On the short side, we have structured a sizeable synthetic put position in MSTR through its convertible bonds, which will benefit from an eventual compression of the premium to NAV. The main mechanism for eliminating a premium is new supply and registration of newly issued securities, and eventually I think these issuers will all trade below NAV just like the closed-end funds they resemble. I cannot predict the timing, but the likely order of events has me optimistic we can capitalize in both directions.

HIRING

Last but not least, Cable Car is hiring! We are looking for two hungry, creative, and thoughtful analysts to join our office in downtown San Francisco. I have been dragging my feet on commencing a proper recruiting process, consumed as you can probably tell by ever-present shiny new objects in the portfolio. I want to work with people who are excited by what they read here, and it is a very deliberate expression of values to announce our hiring effort in this letter. More information and an application form are available at cablecarcapital.com.

If you want to apply but have questions, please do not hesitate to contact me. And if you’re contemplating giving to one of the projects identified by Project Resource Optimization but want to discuss in more detail, I am available and also happy to make an introduction to the organizers.

Finally, if you know someone who might be a good fit for the role, please send them this letter. And if you know someone who might be moved to donate, I hope you will do the same. I left the Nazi bar formerly known as Twitter for my sanity, but if this letter resonates, you are more than welcome to reshare it there, or on Bluesky, or in whichever silo you get your information these days.

Until 2029, if not before, I thank you for reading.

Jacob Ma-Weaver

⁴ You read it here first: I predict they’ll come up with a new preferred called “Strive” next – they’ve already issued “Strike”, “Stride”, and “Strife” preferred shares, leaving only “Strip”, “Stripe” (which I think could cause confusion with the payments company by the same name), “String”, and “Strive” before they have to start making up new one syllable words that start with Stri-. This is not the behavior of a serious enterprise.



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