

	Buckley Capital Net ⁽¹⁾	iShares Russell 2000 Value	iShares Russell 2000
Q1 2024	4.08%	2.61%	5.04%
2024 YTD	4.08%	2.61%	5.04%
Total Return Since Inception	703.82%	211.54%	247.41%
Annualized Return	13.68%	7.24%	7.96%

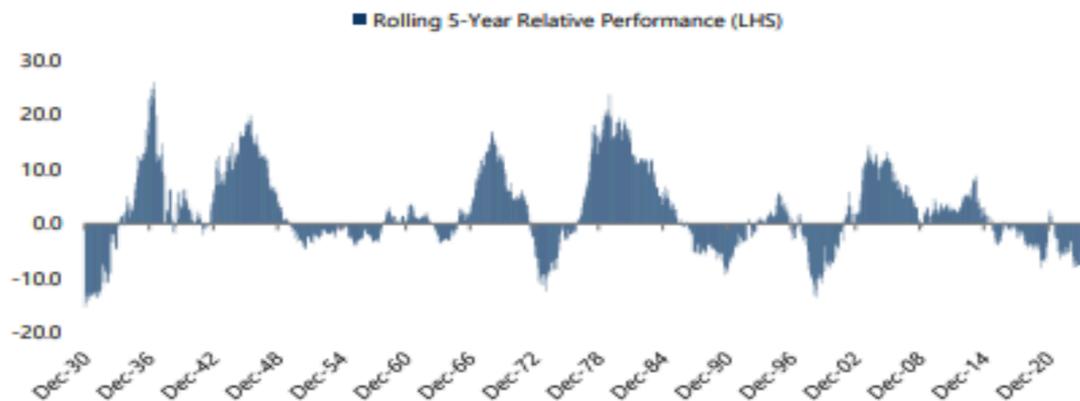
(1): The performance results presented herein represent returns net of a 1% management fee and 20% performance fee of a proprietary trading account of the principal of Buckley Capital from January 1, 2008, through December 31, 2010, with the results thereafter being reflective of Buckley Capital Partners L.P.

Q1 2024

Market Commentary

We are very bullish on small caps given that the economy is very strong, combined with the fact that interest rates should be coming down. The first fact means the second fact is not even necessary to justify our bullishness. However, we still believe the Fed is likely to lower rates over time. A strong economy and the potential for lower rates sets up small-cap stocks to perform very well. We should benefit significantly in this kind of environment. Additionally, the valuation differential between small-cap and large-cap stocks is now extremely attractive. As the chart below shows, through April 16, the rolling 5-year return of small caps relative to large caps was negative 7.8%, a gap that ranks in the 7th percentile going back to 1930.

Chart 30 - The rolling 5-year performance of Small vs. Large is in the 7th percentile



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business

New Positions

Ingevity (NGVT)

We initiated a new position in NGVT in Q1 with an average cost in the low \$40s. Ingevity is a well-run and diversified specialty chemicals company that hit a temporary snag given high raw materials costs in one of its key products. They are fixing this issue and should return to their high historical growth rate in the next 12-18 months. By then investors should realize the earnings power of the business.

I first met with Ingevity last July at their headquarters in Charleston, South Carolina. A spinoff from Westrock in May 2016, the company develops, manufactures, and brings to market a variety of solutions that are largely renewably sourced. Their products are used in many applications, including adhesives, agrochemicals, asphalt paving, bioplastics, coatings, elastomers, lubricants, pavement markings, publication inks, oil exploration and production and automotive components. To create a majority of their chemistries, they use crude tall oil ("CTO") from pine trees and hardwood sawdust (both byproducts of the lumber, paper, and furniture-making industries) and other plant-based oils as raw materials for their finished products.

Ingevity's products help customers reduce their ecological impact. Their asphalt emulsifiers, for example, enable pavement recycling that reuses up to 100 percent of existing materials to create longer-lasting roads. Their automotive activated carbon products improve the air we breathe by recovering 8 million gallons of gasoline daily. Their agriculture adjuvants provide enhanced performance in crop protection. And their alternative-fuel vehicle technology enables the use of renewable natural gas as fuel for pickup trucks and buses.

NGVT divides its business into four segments. The first, Performance Materials, is a monopolistic business with 45-50% EBITDA margins that sells activated carbon—which increases a car's fuel efficiency by soaking up gasoline vapor and returning it to the car—to auto manufacturers. This business is a mid-single-digit grower, as increasing global emissions standards are leading to increasing amounts spent per car on the activated carbon technology.

The second segment, Road Technologies, is a high-quality pavement business that essentially builds asphalt and makes the markings that go on top of pavement surfaces. This business will grow organically in the low-mid teens this year, with mid-20% EBITDA margins.

Their third segment, Advanced Polymer Technology (APT), sells caprolactones, whose end uses include stopping car paint from chipping and protecting the outsides of windmills. Caprolactones also go into footwear and help to make bioplastics less brittle.

Finally, the problem child segment, which has given us the opportunity to buy this amazing company at a very reasonable price: Industrial Specialties, which has historically used crude tall oil to produce tall oil

fatty acids (TOFA) and tall oil rosins (TOR), which have numerous specialty chemical end uses. In the past 18 months, CTO prices have gone through the roof, up as much as 300%, as new European regulations have incentivized biofuels producers to include a component of CTO. Since CTO is the main input cost of the Industrial Specialties segment, the significant price increase has hurt Ingevity's overall gross and operating margins.

Several things have changed recently, all positive for Ingevity. Yet we believe the market has not yet fully realized their potential to improve the company's normalized earnings. Firstly, crude tall oil prices have come down dramatically in the past few months, which should be very helpful to Ingevity's margins. Secondly, Ingevity shut down their factory in Deridder, LA that was manufacturing tall oil rosins. TOR is the lowest-margin product that uses CTO as an input cost, and the factory was running at a negative contribution margin. Thirdly, while specialty chemical end markets had a weak back half of 2023, they are now significantly rebounding in 2024.

The positive effects of these changes should be evident by the back half of 2024. We think Ingevity will earn \$5.00-\$6.00 in 2025, which means we paid 7-8x earnings for a business that has historically traded at 14-17x earnings. From its 2016 spinoff through 2023, Ingevity grew revenue by 11%, EBITDA by 14%, and earnings per share in the high teens. At Ingevity's investor day in May 2023, management stated their long-term target to generate \$1 billion in EBITDA by 2028. This is optimistic, but given its recent historical growth, we believe Ingevity can likely generate \$700-\$800 million of EBITDA by 2028. If it trades at its historical multiple of 10x EBITDA by that date, it would be a \$7-\$8 billion company, or roughly a \$200-\$250 stock, which would be 4-5x our average cost.

To summarize, NGVT could have over 80-100% upside by 2025 from our average cost just based on earnings multiple reversion to historical levels, and could be a multi-bagger over the next 3-5 years with very reasonable assumptions. To the extent the recovery and improvement in the Industrial Specialties segment take longer than we anticipate, we still think there is dramatic upside even in a more conservative scenario, given the severe price dislocation that exists today.

Chemours (CC)

Our other specialty chemical exposure, Chemours, was an existing position going into Q1. It was a mid-sized and profitable position for us until February 29, when the company announced they were delaying the filing of their financial statements. Intraday, Chemours was down as much as 45% on this news. Believing investor concerns were significantly overblown, we used this opportunity to roughly double our position in the company—essentially initiating a new CC position alongside the existing one.

The shares are already up significantly from our purchase, as roughly a week later Chemours gave greater clarity to investors on the specific issues that were causing the delayed 10-K. The stock rebounded almost to where it was trading prior to the announcement, making it a very successful investment for us in a short period of time. We are optimistic that Chemours has a very strong two years ahead of it, as all

of Chemours' peers have guided to a very strong year. Chemours' most recent guidance was underwhelming relative to our expectations. But we believe that, under the leadership of a new CEO, they are likely being conservative and the latter half of 2024 and 2025 should see a significant rebound in the business and potential increases in consensus forecasts.

Exited Positions

Griffon (GFF)

We sold our last shares of Griffon in the quarter at just under \$70. We believe fair value is around \$85, but we tend to sell at a slight discount to fair value, especially when we can buy something else trading at what we believe is closer to half of fair value such as NGVT. Another way to look at it is that we think about buying a position when it has a prospective IRR of 30% or greater, and selling when it has a prospective IRR of 20% or less. At \$70, we felt the base case for GFF was an IRR less than 20%, thus we exited. Finally, while we think GFF will most likely continue to do very well, we are still slightly concerned about where margins in the HBP segment will ultimately end up. Given this risk, the lack of significant upside from here, and other attractive opportunities, we felt it was prudent to exit the position entirely.

Goeasy (GSY CN)

We begrudgingly sold our position in Goeasy. We purchased the stock around \$105 last October, and then became concerned about the possibility of another new law lowering the maximum rate Canadian lenders are allowed to charge borrowers, which would have had a significant impact on Goeasy's earnings power. This, combined with a 50%+ rise in the share price in a few months, made us feel it was prudent to sell. Similar to GFF, given the combination of limited upside and fairly significant potential risk to the downside, we decided to exit the position.

Existing Positions

IWG (IWG)

Our second largest position is IWG, the largest owner of co-working office space in the world. IWG's two main brands, Regus and Spaces, comprise over 80% of the company's business. IWG's main competitor is WeWork, whose bankruptcy has been a cloud over IWG shares, with some believing that WeWork's problems are relevant to IWG. This is not true. WeWork went bankrupt because firstly, it was venture-capital-backed with a very unique culture and financial goals. Basically, it was focused almost exclusively on growth with no real focus on profits. In fact, it's worth noting that WeWork never made a profit in its entire history since 2010.

Secondly, all the properties that WeWork owned on a global basis were consolidated at the parent level into one legal entity. This corporate structure was a significant mistake, because while WeWork had some profitable locations, overall it wasn't profitable, which put the parent at risk. Conversely, IWG has a very safe corporate structure: its property ownership and financing are fragmented into many entities, so any issues at certain properties—for example, if the Miami Beach location is unprofitable and must be put into bankruptcy—do not automatically affect the parent company.

So if anything, IWG has actually benefited from WeWork's weakness, as both customers and investors can now see the superiority of IWG's model. We believe the market will eventually realize this. But leaving WeWork aside, IWG's stock is itself a growth story, with multiple elements.

The first is that IWG is transitioning its business to a capital-light model. Historically, the company would often buy office space, spend a lot of additional capex to transition it from traditional single-tenant commercial real estate to a co-working center, and then operate that center. Now, what IWG is doing instead is offering itself as an operating partner to landlords.

IWG's pitch to landlords is simple: "When your traditional single-tenant 10-year office lease is up, you are going to have a really hard time renewing or re-leasing this space at the same economics you got before. You can take the risk, or you can transition the space to co-working, which offers much better economics. And if you do transition to co-working, then you can either go it alone and try to master a new business process you've never executed before—with high occupant turnover, constant marketing, collecting from multiple clients, and so on—or you can have the largest co-working provider in the world manage the complete operation for you. The property stays on your balance sheet, and you have to put up the capex to transition it to co-working, but we'll manage everything on a fee-based basis and your share of the operating cash flows will come as a check in the mail."

Many landlords are finding this pitch attractive, and IWG is signing up roughly 1,000 new properties per year under this managed approach (Right now, IWG has about 3,500 properties in total). This strategy offers meaningful growth opportunities. We believe IWG's EBITDA will grow roughly 15% per year, but its free cash flow will grow at closer to 30% because the combination of declining capex, decreasing interest expense, and increasing fee-based income will significantly improve EBITDA-to-free-cash-flow conversion.

On top of this growth, the capital-light, fee-based income model is highly valued by investors. It is comparable to the business model of hospitality companies such as Hilton or Marriott, which trade at about 17-20x EBITDA and much higher on a P/E basis.

Another element is IWG's new investor communications tone. IWG has a visionary owner-operator CEO in Mark Dixon, who has built an amazing enterprise. But candidly, he has never mastered the Wall Street art of under-promising and over-delivering. So despite IWG's underlying business not performing poorly at all over the past five years, its history of missing and lowering optimistic forecasts has

antagonized the investor base, and is part of the reason the stock's EBITDA multiple has come down from 7.5x to below 6x.

But IWG now has a new CFO and head of investor relations who are changing this tone. The new mentality is to guide conservatively, then at least meet, if not exceed, this conservative guidance every quarter. IWG operates in an economically sensitive industry, so I can not say with absolute certainty that they are going to beat their numbers every time. But the new tone should lead over time to some re-rating of the stock.

Speaking of economic sensitivity, IWG is still a significant owner of commercial real estate, which is not doing well in general. But there are nuances here that play into the stock's growth story. The first is that while many struggling commercial real estate landlords are just beginning the secular transition to flex office space, IWG is already there and flex office is a secular grower. The second is that, as described above, IWG is in the process of shifting its balance sheet and EBITDA mix away from commercial real estate ownership and towards its new capital-light managed model. The third is that the difficult current conditions in commercial real estate are actually helping IWG to persuade landlords to adopt its new managed model.

Finally, the crisis in commercial real estate is centered in the downtowns of major metro areas—but IWG has 50% of its exposure *outside* these major metro areas. Since COVID, there's been a fairly large shift by employees towards working in the suburbs, and IWG has already benefited: the company had a phenomenal 2023, a brutal year for most of the commercial real estate industry.

Taking all of the above elements into account, and looking out five years, we believe that IWG could double its system wide revenue. In addition, up to 40% of IWG's business could be fee-income-based with very high free-cash-flow conversion. The remaining 60% should be valued at the 7.5x EBITDA multiple that IWG has historically traded at over the past 20 years. But if investors start to see IWG as a hybrid of a traditional co-working landlord and a capital-light hospitality management company—whose comps trade at 15-20x—then on a blended basis, the shares could trade at roughly 10x EBITDA as compared to their current multiple of below 6x.

We apply some discount for IWG's leverage, but even so, a doubling in system wide revenue and a near doubling in the EBITDA multiple gets you to a roughly 35-40% IRR over the next five years.

Conclusion

As always, we are honored to be given the opportunity to manage capital on behalf of our investors. The long-term outlook and focus of our limited partners allow us to think with a very long duration. This is a virtuous cycle that allows us to ignore market noise in the short term and outperform over the long term.



Q1 2024 Letter

As of May 7, 2024

We are excited by where the portfolio stands today and would be happy to hear from anyone interested in speaking further. We are excited about the fund's prospects in 2024.

A handwritten signature in blue ink that reads "Zack Buckley".

Zack Buckley
Founder and Portfolio Manager

Appendix – Returns By Year

Year	Buckley Net
2008	(35.5%)
2009	119.3%
2010	6.4%
2011	49.5%
2012	10.6%
2013	22.0%
2014	25.7%
2015	(2.6%)
2016	(5.2%)
2017	17.1%
2018	(18.4%)
2019	2.3%
2020	60.6%
2021	32.9%
2022	(19.9%)
2023	31.4%
2024 YTD	4.08%
Annualized Return	13.7%
Total Return Since Inception	703.8%

(1): The performance results presented herein represent returns net of a 1% management fee and 20% performance fee of a proprietary trading account of the principal of Buckley Capital from January 1, 2008, through December 31, 2010, with the results thereafter being reflective of Buckley Capital Partners LP.

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Investing in stock securities involves volatility risk, market risk, business risk, and industry risk. The prices of most stocks fluctuate. Volatility risk is the chance that the value of a stock will fall. Market risk is the chance that the prices of all stocks will fall due to conditions in the economic environment. Business risk is the chance that a specific company's stock will fall because of issues affecting it. Industry risk is the chance that a set of factors particular to an industry group will adversely affect stock prices within the industry.

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The results presented herein represent performance returns of a proprietary trading account managed by the principal of Buckley Capital Advisors LLC from Jan 2008 through Dec 2010 with the results from January 1, 2011, onwards being reflective of BCP. The results shown were prepared by the account's administrator and the fund's administrator respectively. Results for the fund reflect the deduction of: (i) an annual asset management fee of 1.0%; (ii) a performance allocation equal to 20% of each investor's ratable share of Fund profits, subject to a "high water mark;" and (iii) transaction costs actually incurred. The results shown for the managed account do not reflect the deduction of certain organizational and operating expenses common to investment funds, which would serve to decrease profits or otherwise increase losses. The information provided herein is for illustration purposes only, confidential, and proprietary, and is intended only for use by the recipient. Performance figures are not audited and were obtained through an independent third-party provider.

The BCP benchmark is the iShares Russell 2000 Value ETF is a managed ETF that measures the performance of the small-cap segment of the U.S. equity universe. The holdings of the fund may differ significantly from the securities in the benchmark. Smaller capitalization securities involve greater issuer risk than larger capitalization securities, and the markets for such securities may be more volatile and less liquid. Specifically, small capitalization companies may be subject to more volatile market movements than securities of larger, more established companies, both because the securities typically are traded in lower volume and because the issuers typically are more subject to changes in earnings

and prospects.

The monthly returns presented are calculated to show net returns that an investor would have received had the investor been invested for each period, since the start of the fund. BCP may use leverage as part of its investment strategy. Derivatives are not generally used. BCP may use market and other hedges as part of its investment strategy.

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The Russell 2000 Value Index measures the performance of those Russell 2000 companies with lower price-to-book ratios. and lower forecasted growth values.

The Russell 1000 Index is a capitalization-weighted index that tracks the highest-ranking 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index. As of 31 December 2022, the stocks of the Russell 1000 Index had a weighted average market capitalization of \$381.3 billion and a median market capitalization of \$12.2 billion.

The Standard & Poor's 500 (S&P 500) Index is a free-float weighted index that tracks the 500 most widely held stocks on the NYSE or NASDAQ and is representative of the stock market in general. It is a market value weighted index with each stock's weight in the index proportionate to its market value.