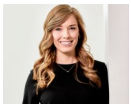
Patient Capital Management

1Q 2024

QUARTERLY INVESTMENT REVIEW



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Fund Highlights

During the first quarter of 2024, the Patient Partners, LP generated a total return of 14.4% net of fees. In comparison, the Fund's unmanaged benchmark, the S&P 500 Index, returned 10.6%. The fund underperformed in January but began to rebound with strong performance in both February and March.

Using a three-factor performance attribution model, selection and allocation effects contributed to the portfolio's outperformance which was partially offset by interaction effect. Bitcoin (XBT), Meta Platforms Inc. (META), Nvidia Corp. (NVDA), Crocs Inc. (CROX), and Citigroup Inc. (C) were the largest contributors to performance, while Expedia Group Inc. (EXPE), Peloton Interactive Inc. (PTON), Sofi Technologies Inc. (SOFI), Biogen Inc. (BIIB), and Kosmos Energy Ltd (KOS) were the largest detractors.

Relative to the index, the fund was overweight the Consumer Discretionary, Communication Services, Financials, Energy, Health Care, and Industrials sectors on average during the quarter. With zero allocation to Real Estate, Utilities, and Consumer Staples, the fund was underweight these sectors along with the Information Technology, and Materials sectors.

The portfolio added two positions, Biogen Inc. (BIIB) and Nvidia Corp. (NVDA), and eliminated four positions, Cleveland-Cliffs Inc. (CLF), Karuna Therapeutics (KRTX), Silvergate Capital Corporation 5.375% Preferred, and 2U Inc. 2.25% Convertible Notes due 2025, during the quarter. The fund ended the quarter with 45 holdings, where the top 10 stocks represented 49.8% of total assets compared to 32.2% for the index, highlighting the fund's meaningful active share of around 107.4%.

Portfolio Review

The headlines continued to focus on the dominance of the Magnificent 7 in the quarter. The largest names continued to perform well, and we benefited from having exposure in names that we continue to find attractive, including Google Inc. (GOOGL), Meta Platforms Inc. (META), Amazon.com Inc. (AMZN) and Nvidia Corp. (NVDA).

While much has been made about the "bubble" in these names, we tend to disagree. Looking at the underlying fundamentals, these are some of the best companies in the world. As a group, they had an average revenue, EPS and FCF compound annual growth rate of 24%, 33%, and 41% respectively over the last decade. Additionally, their return on invested capital more than doubled.

From where we sit today for the names we own, expectations do not appear demanding. Google looks to be pricing in a revenue CAGR of 4% over a 20yr period at current margins, barely above inflation. Amazon.com's valuation implies topline growth of 7% assuming they reach long-term margins of 12% over that time period. This seems low considering we are still in the early transition

of e-commerce and cloud workload migrations. Meta Platforms assumes growth of 7% over a 20-year period at current margins around where current estimates sit of digital advertising growth. Finally, Nvidia is pricing in growth of 15% over a 20-year period (which drops to 12% if you look at the growth off of FY25 instead of FY24). Currently, we think Nvidia has more similarities to Microsoft than Cisco.

All together, these are hardly bubble type expectations.

This quarter we benefited from our exposure in Bitcoin which we have owned since 2020. The approval of 11 new spot Bitcoin ETFs dramatically opened the cryptocurrency to new investors for the first time. Investors' interest was material, with assets under management growing to $55B over a single quarter. While we have seen the historical boom/bust cycles in the cryptocurrency space before, we believe over the long-term the path for Bitcoin will continue to be higher due to growing demand vs. the fixed supply cap of 21M coins.

We also have exposure to the cryptocurrency space through our investment in Coinbase Global Inc. (COIN) which we believe is building the foundation of the crypto-ecosystem. We continue to believe COIN has the potential to be the platform for crypto as it has continued to widen its moat by investing throughout the most recent crypto winter.

New and Eliminated

This quarter we entered two new positions, while exiting four positions. Our first new position was Nvidia Corp. (NVDA), which we bought early in the quarter. Nvidia is the market leader in designing and selling Graphics Processing Units (GPU), which has recently benefited from the insatiable demand of artificial intelligence (AI) models. The company currently captures 92% market share of data center GPUs and grew revenue, earnings and FCF an astounding 126%, 392%, and 610%, respectively, over the last year. While much of the focus is on Nvidia's market cap reaching $2.3T, up 230% over the last year, the company's valuation has actually come down over that period. As of 3/31/23, consensus was valuing the company at 61x forward EPS. This compares to today, where the company is being valued at 37x. While yes, we have never seen a company expand their market cap by so much so quickly, we have also never seen a company grow their fundamental earnings and cash generation so quickly (and which is actually expanding faster than valuation). While competitors are working to enter the GPU space, Nvidia has created a moat around their GPUs with their CUDA software offering. While we do expect the large cloud players to continue to move into the market, we think NVDA can continue to demand top market share. With leading edge technology, an increasing innovation cycle and strong cash generation, the company is well positioned for the increased adoption of accelerated computing and artificial intelligence (AI).

We started a position in Biogen Inc. (BIIB) during the quarter, a global biopharmaceutical company focused on multiple sclerosis, spinal muscular atrophy, and most recently Alzheimer's disease. The company has been on a roller coast since the approval of Aduhelm, for the treatment of Alzheimer's disease, in June 2021. At the time, the approval was highly criticized given the limited efficacy of the treatment. Following the fall out, the company stands today with a new highly regarded CEO, Christopher Viehbacher, a more efficacious approved Alzheimer's treatment in Leqembi, a rationalized cost structure and a more disciplined investment approach. While the uptake in Leqembi has been slow, we still see strong long-term potential for a patient population that is dramatically underserved. We believe you are getting the opportunity to buy a high performing health care asset, with a strong track record of delivering superior products all while only paying for the current value of their assets on the market today. At the current valuation, we think you are getting a call option on the pipeline and the Leqembi roll-out. It is not often that you see this sort of risk/reward skew in the market, and we opportunistically took advantage.

We exited Karuna Therapeutics Inc. (KRTX) following its announced acquisition as the stock traded up close to its agreed purchase price. We used Cleveland-Cliffs Inc. (CLF) as a funding source. We exited 2U Inc. 2.25% Convertible Notes due 2025 and Silvergate Capital Corporation 5.375% Preferreds during the quarter.

Top Contributors (QTD)	Contribution (bps)
Bitcoin	212
Meta Platforms Inc.	152
Nvidia Corp.	134
Crocs Inc.	126
Citigroup Inc.	123

Top Detractors (QTD)	Contribution (bps)
Expedia Group Inc.	-92
Peloton Interactive Inc.	-73
Sofi Technologies Inc.	-56
Biogen Inc.	-32
Kosmos Energy Ltd	-26

Returns illustrated above are provided net of fees and include cash.

Top Contributors

Bitcoin (XBT) continued its climb higher in the quarter reaching a new all-time-high of $73,157 in early March. The cryptocurrency benefited from the approval of 11 Bitcoin ETFs which gathered an impressive $55B of assets in the first quarter. As Bitcoin becomes more easily accessible, demand should increase while the supply of Bitcoin will continue to be limited, at 21M. We continue to think of Bitcoin as digital gold with a materially lower market cap of $1,291B vs $15.6T for Gold.

Meta Platforms Inc. (META) was a top contributor in the first quarter gaining another 37.5%. Performance has been supported by strong top and bottom-line growth as the company maintains its leadership in the advertising space despite Reels still being under monetized versus Newsfeed and Stories. The company continues to return cash to shareholders, increasing their buyback program by another $50B in February (6.4% of shares outstanding), and announcing their first dividend of $0.50 per share (0.39% yield). The company trades at 25x this year's earnings, which we do not view as too demanding for a company with some of the best AI assets, an improving topline that should lead to free cash flow outperformance and continued capital return.

Nvidia Corp. (NVDA) was a top performer in the quarter gaining 82.5% in the period. While the company has had an impressive run, gaining 242% over the last year, the valuation has been supported by the impressive growth in Revenue (126%), EPS (392%) and free cash flow (610%) over the last year. The company has solidified its position in the GPU space supported by its proprietary software CUDA. While we expect competition to increase, we think NVDA can continue to maintain top market share. With leading edge technology, an increasing innovation cycle and strong cash generation, the company is well positioned for the increase adoption of artificial intelligence (AI).

Top Detractors

Expedia Group Inc. (EXPE) experienced a digestion period in the first quarter, declining 9.3% and giving back some of its gains from its very strong fourth quarter. The company enters 2024 with a clean slate having successfully completed their tech transition, rolled out their unified loyalty program, and began to reinvest advertising dollars. With the initiation of a $5B buyback program in November (26% of shares outstanding), the company continues to focus on returning cash to shareholders, buying back 11% of shares over the last year. As the company continues to execute, we believe the market will eventually give them credit for their improved fundamentals.

Peloton Interactive Inc. (PTON) declined in the first quarter, hitting its lowest per share valuation in late March since becoming a public company. The company has taken drastic action to right-size the extremely bloated cost structure, expand sales channels (Amazon, Dick's Sporting Goods), and test other ways to reinvigorate growth. The company is hyper focused on reaching positive free cash flow generation, but the path was pushed out. We continue to believe the value of the business lives in the high-margin, sticky subscription piece of the business. We think at current valuation, the company will either successfully turn things around or be a take-out target.

Sofi Technologies Inc. (SOFI) fell in the first quarter despite delivering strong 4Q results and 2024 guidance supported by their non-lending businesses. The company continues to gain share in the digital lending and neo-banking space, consistently growing deposits at $2B a quarter. What differentiates the company is their focus on prime and super-prime customers (average FICO 749). Sofi is early in its life cycle, currently being a small player in a very large total addressable market (TAM). With their strong management team, we believe the company will continue to deliver on their guidance of strong growth and expanding margins.

Quarterly Performance Attribution Analysis

Performance Attribution Analysis	Patient Partners LP		S&P 500		Management Effect			
	Weight	Return	Weight	Return	Allocation	Selection	Interaction	Total
Equity- Long Positions	**125.68**	**11.84**	**100.00**	**10.56**	**(1.37)**	**9.50**	**(6.69)**	**1.44**
Communication Services	14.64	13.21	8.90	15.82	0.32	(0.19)	(0.17)	(0.04)
Consumer Discretionary	38.44	6.26	10.47	4.98	(1.68)	0.15	0.24	(1.29)
Consumer Staples	0.00	0.00	6.05	7.52	0.19	(0.49)	0.49	0.19
Cryptocurrency	3.71	68.62	0.00	0.00	(0.41)	0.00	2.22	1.81
Energy	11.35	10.02	3.80	13.69	0.19	(0.14)	(0.30)	(0.25)
Financials	27.88	11.14	12.98	12.46	0.31	(0.16)	(0.49)	(0.34)
Health Care	16.92	7.87	12.67	8.85	(0.13)	(0.12)	(0.17)	(0.42)
Industrials	9.05	20.89	8.68	10.97	0.01	0.90	(0.05)	0.86
Information Technology	3.43	51.25	29.58	12.69	(0.59)	10.22	(8.94)	0.69
Materials	0.27	(13.40)	2.31	8.95	(0.02)	(0.60)	0.44	(0.18)
Real Estate	0.00	0.00	2.36	(0.55)	0.29	0.03	(0.03)	0.29
Utilities	0.00	0.00	2.20	4.57	0.14	(0.10)	0.10	0.14
Cash*	(25.68)	(0.03)	0.00	0.00	2.86	0.00	0.03	2.89
Total	**100.00**	**14.88**	**100.00**	**10.56**	**1.49**	**9.50**	**(6.66)**	**4.33**

The data provided is from APX and Patient Capital Management, LLC and is believed to be reliable, but is not guaranteed as to its timeliness or accuracy. Percentages and returns may not sum to 100% due to rounding effects. A three-factor attribution consists of the allocation effect, selection effect, and the interaction effect, which sum to the portfolio's performance relative to the benchmark.

*Returns illustrated above are provided net of fees and include cash.

- Allocation: The allocation effect represents the portion of the portfolio's excess return attributable to differences in sector weights between the portfolio and the benchmark index.
- Selection: The selection effect represents the portion of the portfolio's excess return attributable to differences in the weights of individual securities within each sector between the portfolio and the benchmark index.
- Interaction: Most complex and sometimes counterintuitive, the interaction effect represents the portion of the portfolio's excess return attributable to combining sector allocation decisions with security selection decisions, and is often thought of as measuring the accuracy of manager's convictions.

Please note that the methodology used by our independent third-party attribution software vendor will at times present sector allocation effects that are counterintuitive. For example, the software may calculate a negative sector effect even when the portfolio, on a weighted average basis for the period, was overweight an outperforming sector. Under the vendor's methodology, allocation effects in recent months may overwhelm the allocation effects from earlier in the period, particularly over longer time frames.

ABOUT THE FIRM

Patient Capital Management is focused on serving the best interests of its Partners and Institutional clients. Founded in 2020, Samantha McLemore serves as the managing member and portfolio manager for the Patient Strategy. The Firm manages assets in its value-oriented investment strategy and seeks to generate high, long-term returns for its institutional clients.

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Free cash flow (FCF) is the cash a company generates after taking into consideration cash outflows that support its operations and maintain its capital assets.

Free cash flow yield is a financial solvency ratio that compares the free cash flow per share a company is expected to earn against its market value per share.

Compound annual growth rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year.

Official performance data is provided by the Fund Administrator and may vary from performance data sourced from vendors.

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