# Poor Richard Capital Management


**Contact Information:**

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(2/15/2024)

Dear Poor Richard Partners,

Over this previous quarter, the fund outperformed the market, returning 13.18% compared to the 11.24% that the Standard and Poors 500 Index returned.

As of 12/29/2023 at market close, the fund's holdings were:

| **Security Held** | **Portfolio Weight** |
|---|---|
| Nexstar Media Common (NXST) | 56.23% |
| Gray Television Common (GTN) | 29.30% |
| Cavco Industries Common (CVCO) | 13.17% |
| Cash and Cash Equivalents | 1.30% |

**This Past Quarter:**

During the year's final quarter, the fund's existing broadcast positions largely recovered from their sell-off in the third quarter. Going into 2024, investors can expect both Gray and Nexstar to benefit from their concentrated advertising exposure related to the upcoming election cycle and the continued strong overall local advertising market.

Outside of our existing broadcast positions, the fund took a position in Cavco Industries, one of the largest manufactured home builders in the United States. Cavco is a well run, growing business with a bullet proof balance sheet. The company has grown almost completely off equity, currently has $160 million in backlog, and has no outstanding long term debt obligations. Cavco is capitalizing on favorable macroeconomic trends in the homebuilding sector, where demand and household creation have been outpacing available inventory and homebuilding capacity. With manufactured home models being largely marketed as a cheaper alternative to orthodox homes, manufactured home companies are able to raise their prices in line with regular home appreciation at a discounted deviated price, giving the industry strong pricing power in an under-supplied environment. Alongside this pricing power, Cavco assembles and manufactures all products in house, allowing the business to better control commodity and labor costs, ultimately resulting in consistent margin expansion. The fund acquired the company at a ~12x after tax earnings multiple. In my view, this is a heavily discounted bargain against the level of free cash flow and after-tax earnings growth that the company is consistently producing.

Looking forward to the rest of 2024, investors should take note that we are in uncharted territory. As discussed in previous quarterly reports, the market needs to prepare for the possibility that this current elevated interest rate environment may be the new normal. While the broader market consensus points to multiple rate cuts this year, there is not a clear cut thesis on how the Federal Reserve can justify it. With unemployment at multi decade lows and inflation contracting from the highs witnessed in 2022, it's fairly obvious how rate cuts could be a double edged sword in this environment.

With all of the above said, I am looking forward to the year ahead and beyond.

Sincerely,

Sage Hood

## A chart showing the growth of an assumed $100,000 investment in Poor Richard Capital Fund 1 from inception.

| **Period** | **Poor Richard Net Asset Value** | **Poor Richard Return Net of Fees** | **SP 500 Net Asset Value** | **SP 500 Index Return** |
|---|---|---|---|---|
| 3/09/2023 | $100,000 | 0% | $100,000 | 0% |
| 3/31/2023 | $103,254.12 | 3.25% | $104,874.28 | 4.87% |
| 6/30/2023 | $100,557.08 | -2.61% | $113,578.78 | 8.3% |
| 9/29/2023 | $ 89,910.15 | -10.58% | $109,433.16 | -3.65% |
| 12/29/2023 | $104,976.81 | 13.18% | $121,733.45 | 11.24% |
| **Cumulative Return** | **$104,976.81** | **4.98%** | **$121,733.45** | **21.73%** |

**Note to Investors:**

On all future reports, this chart will be placed at the bottom of the report comparing what the fund produced in the past quarters compared to the Standard & Poors 500 Index. While I feel it's important to post this for transparency purposes, I would caution investors on concentrating on quarter to quarter results. One or two years is too short of a time to make any opinions regarding investment performance. This is because there is simply not enough data to judge performance through both strong and weak markets, which do have a significant impact on the long-term compounded rate of return.