Poor Richard Capital Management

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Dear Poor Richard Partners,

Over this previous quarter, the fund underperformed the market, returning -10.58% compared to the -3.65% that the Standard and Poors 500 Index returned.

As of 9/29/2023 at market close, the fund's holdings were:

Security Held	**Portfolio Weight**
Nexstar Media Common (NXST)	60.28%
Gray Television Common (GTN)	26.54%
Cash and Cash Equivalents	13.18%

This Past Quarter:

During the third quarter, the Standard & Poors 500 Index contracted modestly, marking the first quarter this year to do so. As discussed in previous quarterly updates, the rise in treasury yields has begun to force the market to reevaluate risk premiums placed on equities, as well as all other asset classes. Over the past quarter, the yield on the 10 year treasury rose at a staggering rate of **18.6%** from 3.85% to 4.57%. This sharp increase is important to take note of due to the 10 year treasury's pivotal role in setting borrowing rates on debt with longer maturities. Institutional grade, high yield (junk grade), and mortgage bond borrowing costs are largely priced based off of the 10 year yield, so as it continues to elevate, so will costs on secondary debt offerings. As treasury yields look to be staying higher for longer, investors should continue to expect an increasing weight on asset values, as investors continue to reevaluate the changing interest rate landscape.

The broadcast sector, along with much of legacy media, underperformed last quarter, largely due to a unique carriage agreement dispute between Pay TV provider Charter Communications and the Walt Disney Company. Carriage agreements are negotiated fees that Pay TV providers pay to TV network owners such as Nexstar and Gray Television for carriage of their channels. When these agreements expire and need to be renegotiated, TV network owners will black out their channels as leverage to negotiate for higher carriage fees. The longer these black outs persist, the more discontent it makes consumers, increasing the likelihood that they drop their subscription from the Pay TV provider. Fearing consumer attrition, the Pay TV provider will agree to the increased fees, then pass the cost onto subscribers, which creates more but more mild subscriber churn. With the scenario described being the orthodox conclusion to these negotiations, investors were surprised when Charter pushed back against Disney's carriage fee demands, in turn demanding concessions that integrate DTC (streaming) services with MVPD (linear) services in return for higher carriage fees. Charter framed the current state of the linear ecosystem as cannibalistic for both the Pay TV providers as well as the network owners, who rely heavily on the Pay TV landscape's cash flows and profitability. Outside of Netflix, linear video produces **ALL** video profit. The reality is that direct to consumer streaming, while increasingly popular, isn't profitable nor does it host favorable economics. It's heavily fragmented with unfavorable customer acquisition costs. For streaming services to grow their subscriber bases, they must spend heavily on diverse categories of content in hopes to attract a narrow and concentrated audience. This is opposite of the Pay TV bundle, which allows TV network owners to have effortless access to a consolidated and whole consumer base, allowing them to concentrate in a niche of programming that they excel at, have a competitive advantage in, and where they can attract a durable and loyal consumer base. A bundle is also favorable for consumers, who have ready access to all available content in one subscription package. Going forward, investors should expect direct to consumer and linear video services to better integrate, creating a better experience for consumers, and more sustainable economics for media as a whole.

An Update On The Fund's Positions:

Over the course of the third quarter, the fund's positions in Nexstar Media and Gray Television grew. The additional acquisition of shares in both companies was not due to a change in thesis regarding the company's outlook, but rather because of opportunities during the quarter to purchase additional shares at more attractive prices.

Going into next year, it can be expected that political advertising spending will have a large impact on earnings. Nexstar projects that a total of $11 billion will be spent on political advertising alone in 2024, up from the $9 billion spent in the 2022 midterm election cycle. Advertising data analytics firm AdImpact, expects political advertising expenditures to reach $10.2 billion across the linear TV, connected TV, and radio landscape. AdImpact expects about $5.1 billion (50%) of that projection to be spent across broadcasting, and another $1.9 billion (18%) to be spent across cable television. The high allocation to both of these platforms relative to the rest of the media landscape is due to the candidate's crucial need to get in front of concentrated and engaged local audiences to be competitive in local, state, and national elections.

The political cycle is especially lucrative for broadcasters due to their fixed operating cost structure. During the political cycle, the value of local advertising space rises significantly while capital expenditures remain stable. In other words, there are no marginal costs associated with running political advertisements sold at a premium and other advertising space sold at normal market prices, making any additional revenue generated pure cash flow.

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%
Cumulative Return	**$89,910.15**	**-10.09%**	**$109,433.16**	**9.43%**

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.