



## The Big Stack

Poker is a card game whereby players wager over which hand is best according to that specific game's rules. Each hand has a rank, which is compared against the ranks of other hands participating in the showdown to decide who wins the pot. In games such as Texas hold'em, the highest-ranking hands win. While being dealt a strong hand is helpful in the short-term, probability, psychology and game theory ultimately lead players into a having the most chips, known as the "big stack". The big stack provides a player with a towering advantage over their opponents, as its sheer size can intimidate them into giving up their blinds or folding on raises. **While operating a business is not a game, it is our contention that the current market environment has enabled our holdings to grow their stack.**

Thus far, 2022 has felt like we have been dealt a bad hand, with the S&P 500 Index suffering its worst first half since 1970, after declining by 21%. **Our Fund has fallen lockstep, declining by 9% in June and 23% YTD.** With rising prices and recessionary fears dominating the headlines, the task of taming inflation and maintaining low unemployment has fallen primarily upon the Federal Reserve. Using the only blunt tool at its disposal, the Fed continues to raise rates, increasing the cost of capital and elevating the odds of a recession. **While the macro environment appears uncertain, we note that the threat of recession has improved our outlook by knocking down rates on the U.S. 10-year bonds by over 50bps in June and sending all commodity prices down materially.**

Unlike a poker game, we have hand-picked our cards. Our holdings consist of Apple, Microsoft, Google, Amazon, Meta, Nvidia, Goldman Sachs, JP Morgan, and Berkshire Hathaway. This group of "Aces" sell products we need and use, have exceptionally strong leadership, possess net cash of hundreds of billions on their balance sheets, generate enormous free cash flows, and retain the flexibility and freedom to hire staff. **These attributes are an advantage that enable significant buybacks, the capacity to enter new markets, and most importantly, the ability to crush the competition.**

Despite the obvious difference between poker and investing, both require skill, patience, and time to win. While this year has not started as we may have hoped, our hand is exceptionally strong, and our portfolio companies' stacks are larger than ever. **We believe this is not the time to fold, but rather one to raise the ante. As such, we have increased our long exposure to 90%, and are actively searching for ideas to round out our hand.** We look forward to next month's communication and thank you for your continued support

Sincerely,

Steven Tuchner  
Founder and CIO