



## The Golden Bear

Jack Nicklaus, nicknamed The Golden Bear, is widely considered to be one of the greatest golfers of all time. Over a quarter-century, he won a record 18 major championships, three more than second-place Tiger Woods. In 1986, at the age of 46, Nicklaus won his 6th green jacket after shooting a 30 in perhaps the most memorable back-nine in golf history. With the Masters starting today, I thought it apt to compare our first quarter performance with the first round of this penultimate four round championship.

With heavy winds blowing directly into our face from both inflation and war during January, February and the first half of March, markets plunged, sending the S&P 500 index down 13% and NASDAQ into bear market territory (down 20%). Despite the decline, as we wrote in February, it was our belief that the quality of our companies would eventually prevail. Fortunately, we were right. During the back half of March, all our stocks rallied, led by Berkshire Hathaway, Amazon, Apple, and Meta, all up +5%+ for the month. For the quarter, Berkshire has been a standout, up +18% YTD, while Meta (the former Facebook) has been our lone triple bogey, down -34% YTD. As we have written in the past, we continue to like Meta and note that we added to our position when the stock fell below \$200 in March. **March ended up +2.6%, putting us down -6.5% YTD. Given the quarterly declines of 4.9% in the S&P 500, a 8.4% decline in Nasdaq, a 5.6% fall in Treasuries and a 7.8% slide in investment grade credit, we view our performance as upper-middle of the pack, and note that over the past 40 years, only 4 Masters winners have led after the opening round.**

Despite the Market's recent ascent, it is our belief that the surge in U.S. stocks in the past two weeks has the hallmarks of a bear market rally that might give way to deeper losses (a golden bear!). We remain highly constructive on the long-term fundamentals of our core positions, yet, in the short-term are concerned that a restrictive Federal Reserve, an inverted yield curve, and a worsening macro backdrop, make sustained U.S. equity gains increasingly unlikely. Given the warning signs above, we took advantage of the end of month rally by protecting our downside utilizing two strategies namely, the selling down some of our non-core holdings and the writing of out-of-the-money calls on our core positions.

We continue to believe that our portfolio (75% in core holdings & 25% in non-core) is superior in its construct. The core holdings provide us with the benefits of concentration and a buy and hold strategy, allowing for significant long-term capital appreciation, while the non-core portion provides us with the trading flexibility necessary to take advantage of short-term market opportunities and threats. Further, with Meta being our only blemish on our scorecard (1/2 of our YTD loss), our swing and course management have been solid throughout this tumultuous first round. Jack Nicklaus once said "I've had a lot of majors where I didn't play well until the last round. Keep yourself in contention; that's the name of the game". We believe the same is true in money management.

Sincerely,

Steven Tuchner  
Founder and CIO