1 MAIN CAPITAL

January 2021

Dear Partners,

For the fourth quarter, 1 Main Capital Partners, L.P. (the "Fund") returned 19.2% net of fees and expenses[1], bringing its year-to-date return to 58.1%. Since inception, the Fund has delivered an annualized net return of 21.2%, compared to 12.5% for the S&P 500 and 9.4% for the Russell 2000.

Over this past year, equity markets performed better than anyone could have predicted after COVID concerns first arose; for that, we are fortunate. At the same time, many families and businesses had a rough go of it, so I continue to wish a return to normalcy for everyone.

Despite the recent gains in the value of our holdings, it is important that we do not lose sight of the fact that the quoted price of a stock is just that. There will undoubtedly be years when the businesses we own make great progress at growing their value, but quoted prices will be slow to follow.

However, over the long-term, price and value should converge, and I expect that we will be rewarded for our continued focus on finding well-managed, predictable, attractively-valued businesses with solid growth prospects. On that basis, I am happy to report that our current portfolio remains in great shape, as is the quality and depth of our focus list.

Time flies when you're having fun.

It's hard to believe that it has been this long, but the end of this month marks the Fund's 3-year anniversary. In the case of building our partnership, an old idiom proved to be fully accurate: time flies when you're having fun.

I am thankful for the trust you have placed in me by coming along for the ride, and I continue to strive to become a better investor each day on your behalf. I do have a confession to make though. When it's this much fun, it isn't really work.

Over the last 3 years, I have continued to refine the Fund's investment process, including the way we underwrite each position, size it and most importantly, how we construct the broader portfolio to manage risk and avoid taking on any risk of ruin.

We have lived to fight another day through Volmageddon (February 2018), trade wars coinciding with fed tightening cycles (Q4'18) and unexpected global pandemics (2020).

I have learned from my many mistakes and have constantly re-evaluated and re-underwritten our winners as well as our losers to ensure that our process is sound and that when we are making money it is for the right reasons.

We have avoided using excessive leverage or taking on unnecessary risks. On the contrary, we have largely remained underinvested and concentrated in high-quality, well-capitalized and reasonably-valued businesses.

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[1] Performance data is presented for the Fund's Class A Interests, and is net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund's Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2020 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.

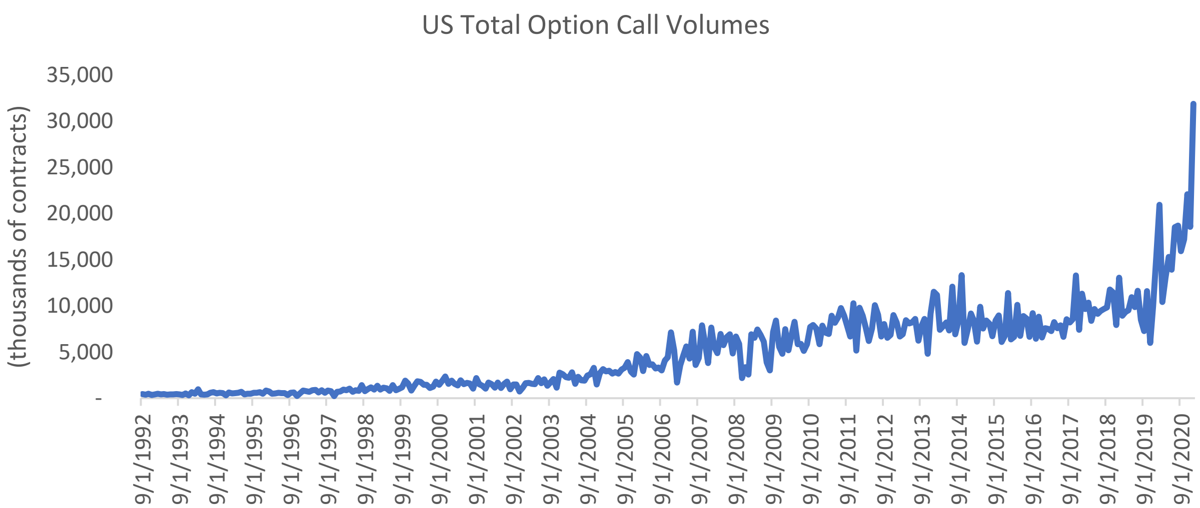
Our flexible mandate has allowed us to make money by owning many different types of investments, small businesses and large, US-based and international, those in secularly-growing end-markets and low-growth ones, fundamental investments and opportunistic special situations.

I can assure you that I will continue to refine this process over time, and that I will consistently apply any learnings to new investments going forward. For these reasons, I am both confident and optimistic that our outlook is even brighter today than it was 3 short years ago, and I look forward to continuing to manage your capital alongside mine for years to come.

Gamma-fication of Markets

In the last few quarterly letters, I have discussed several emerging trends of growing significance to markets. My comments touched on increasing retail participation as well as intensifying speculation in various asset classes.

Most recently, retail investors have found a new cheat code that they have been using with force: gamma.



Source: Bloomberg

As can be seen in the chart above, daily call options volumes in the US have exploded over the last two years and are taking on an increasingly influential role in equity markets. These instruments are a form of leverage that can be customized by their buyers. The further out-of-the-money one goes, and the shorter the duration they accept, the more leverage they get out of the option.

Not surprisingly, with an increasing appetite for speculation, option buyers have gravitated towards contracts that are further and further out-of-the-money.

Market makers that sell these leveraged instruments to buyers have no intention of making a directional bet on the underlying asset, so they go out and hedge their sale by buying the underlying. However, when an option is far out-of-the-money, market makers buy very little of the underlying. After all, at that point, the odds of the contract being exercised are low, so the option seller does not need to be entirely hedged.

As the price of the underlying security approaches an option's strike price though, option sellers in turn buy an increasing amount of the underlying to hedge their position.

The change in how much of the underlying that an option seller must buy to remain hedged is known as "gamma." In stocks where there are large quantities of out-of-the-money options being bought (or sold), gamma can cause very magnified moves, especially if option sellers are caught owning too much or too little of a given security.

Some retail investors have caught onto this phenomenon and learned to weaponize gamma by organizing to make aggressive, concentrated, levered, one-way bets on specific stocks. In doing so, they have in some cases created persistent positive feedback loops that have led to massive moves in stock prices that sometimes cannot be explained by fundamentals alone.

They have even taken it a step further by weaponizing the gamma in highly shorted securities where they know that shorts will have to eventually join the options sellers in buying a stock as it begins to rise.

In my view, this gamma-fication of markets has led to more unhealthy speculation, and the associated leverage is a systemic risk that will hopefully be addressed by market participants or regulators before it gets out of control and starts to affect broader financial markets.

In the meantime, I continue to strive to better understand gamma's growing impact on assets. You can be sure that I will always respect the market's force and will not put the Fund at risk of ruin by being overly exposed to a single security whether on the long side or the short.

Fourth Quarter Contributors[2]

The Joint (JYNT), KKR & Co (KKR), Limbach Holdings (LMB), RCI Hospitality (RICK) and Superior Industries (SUP) were the largest drivers of performance in the quarter, accounting for approximately 16% of performance.

Top 5 Positions

As of December 31st, the Fund's top 5 positions were the boating basket (BC, MBUU and MCFT), The Joint (JYNT), KKR & Co (KKR), Limbach Holdings (LMB) and RCI Hospitality (RICK). Together, these holdings accounted for approximately 51% of assets.

The Joint (JYNT) is a rapidly growing franchisor (~90% of locations) and owner (~10% of locations) of nearly 600 chiropractic clinics across the U.S. that operate on a private-pay, cash-based model. The company was founded over 20 years ago, with the vision of improving the quality of life for its customers through routine chiropractic care that is convenient, affordable, and patient-centric.

Driven by a focus on customer satisfaction, JYNT has made it more convenient for patients to see doctors at its clinics than at traditional practices. The company's locations are clean and modern-looking, wait times are typically short and ancillary products and services are not aggressively pushed to patients.

The company's simplistic model is also a win for its staff; doctors can concentrate on patient care while administrative staff can focus on customer service and scheduling rather than them both having to deal with complex insurance contracting, documenting, billing, and collecting.

This efficient operating model allows JYNT doctors to see nearly 3x the number of patients compared to traditional competitors. In turn, the company can price its services well below typical levels. In fact, most

[2] Attribution is presented gross of management fees, expenses, and incentive allocations.

patients would pay more in insurance co-payment at a traditional chiropractor than they would in total if they just went to a JYNT clinic and paid fully in cash, where the average spend per visit is $29.

Now, if it is better for patients, better for employees and cheaper than the competition, the unit economics must suck, right? Well, not quite.

A typical corporate location generates greater than 50% ROIC and has a payback of less than 3 years. Each unit requires an investment of approximately $235k, including $180k of build-out costs and $55k of first-year losses. However, by year 3 the location generates roughly $500k of revenue and $130k of operating profit. Not too shabby.

For franchisees, units generate greater than 35% ROICs and paybacks of approximately 3.5 years, after considering the added $40k per-location franchise fee and 7% royalty on gross sales. Also quite strong.

Despite its largely franchised model, the company has been largely unprofitable until very recently, as it has invested in corporate infrastructure to support its growth ambitions. However, in 2019 the company finally stepped over these corporate investments and started to generate earnings that are now being used to aggressively expand the corporate-owned store base.

Given the compelling economics outlined above, the rapid acceleration of corporate-owned stores should lead to significant growth in future earnings and free cash flow that is not yet fully appreciated by investors.

In the coming 3-5 years, I anticipate that JYNT will grow its owned units by 2-3x, while the franchised location count should continue to grow at a double digit CAGR. In this scenario, I expect that JYNT will grow its EBITDA and EPS by over 5x current levels to more than $50 million and $2, respectively.

Importantly, the growth outlook for the company will likely remain quite bright well beyond this projection period, as the company will still be underpenetrated relative to the 1,800+ clinics management believes it can build in North America and compared to the broader North American market which is comprised of ~50k chiropractic clinics.

Despite JYNT's appreciation from the Fund's average cost of approximately $17 per share, I believe there continues to meaningful upside to the shares as the company continues to execute against the growth opportunities in front of it.

Opportunistic Positions

In most quarterly letters, I spend time discussing the Fund's core positions, since that is where a vast majority of the partnership's capital is allocated and that is what I spend a most of my time researching. For core positions, I am looking for predictable, high-quality, growing businesses with strong management teams that are selling for a reasonable multiple of earnings or FCF several years out.

However, many of you know that I occasionally initiate opportunistic positions when I believe that we are presented with an opportunity with a reasonably good chance of making many multiples of our risked capital within a short period of time.

For example, in the Q3'19 letter, I discussed the Fund's position in GCVRZ, a publicly traded contingent value right that had the potential to be worth more than $15 per right pending litigation, or a more likely $3-7 upon a favorable settlement, relative to the Fund's purchase price in the mid-50c range.

While these types of positions have generally accounted for a small portion of the Fund's capital, they have also accounted for a meaningful amount of our gains over time and I am hopeful that we will continue to find and make similar asymmetric bets going forward.

Superior Industries (SUP) is one such example of an opportunistic position and was a meaningful contributor to the Fund's Q4 performance, having tripled from our cost basis. Hopefully, things play out as I expect them to, and if they do I think it can triple again.

SUP is a leading designer and manufacturer of automotive wheels in North America and Europe. I have been following the company from afar ever since its former CEO leveraged up the company to pursue a transformational acquisition several years ago, after which its stock price proceeded to decline by 95% over the next 3 years due to operational issues which led to leverage concerns followed by COVID.

The company was founded in 1957 and was family controlled and operated until 2014, when the first outside CEO was brought in. After inheriting SUP with a clean balance sheet and leading market position in its primary North American market, this outsider decided to make his mark on the company with some geographic expansion and a transformational acquisition.

In 2017, the company announced the acquisition of UNIWHEELS, a leading supplier of automotive wheels in Europe, for $715 million in cash. At the time, SUP's market capitalization was $600 million, and it had less than $100 million of net cash on its balance sheet, so the company took on considerable leverage to complete the acquisition.

Soon after completing the acquisition, Superior's North American division began to significantly underperform internal expectations due to weak volumes and its mispricing of some of its programs. In turn, equity holders were spooked by the high leverage and looming risk of insolvency. By the end of 2018, SUP's stock had declined by over 80% from its pre-UNIWHELLS levels. A new CEO was hired in 2019, but COVID hit as he was trying to right the ship, causing the stock fell even further.

During COVID, auto production practically came to a halt for a few weeks. In Q2, the company's sales declined by nearly 60% YoY. Despite this rapid and unexpected hit to revenues, adjusted EBITDA was nearly breakeven due to the company's flexible cost structure. By Q3, production began picking back up; in this period, revenue was down just 10% YoY, while EBITDA grew 20% driven largely by permanent cost reductions.

Better yet, free cash flow was up even more than EBITDA due to aggressive working capital management. In fact, through the third quarter, SUP generated $60 million of free cash flow, reduced its net debt to $519 million and had record liquidity of $336 million.

The Fund initiated its position in SUP after the impressive third quarter results and updated full-year guidance made it clear that imminent bankruptcy risk was low. At the time, the company's market cap was a mere $35 million, compared to $50 million+ of annual free cash flow potential in a normalized auto environment. Our purchase price of less than 1x free cash flow made this a very asymmetric bet.

While not the highest quality business, it is also not a horrible one. A vast majority of the company's sales are to auto OEMs in North America and Europe, where it has the #1 or #2 position. Once spec'd onto a model, SUP's wheels are rarely switched out until the program has a major update or reaches end of life. This provides decent visibility into revenues. Lastly, scale allows the company to have a lower cost structure than competitors, while also investing in making higher value wheels (larger, lighter, stronger) to drive market share while also pushing per unit revenues and margins higher.

New management also seems to have a better handle on the business than the prior team. In fact, in a show of confidence, the new CEO purchased $200k worth of shares not long after the Fund initiated its position. Lastly, the outlook for auto production is very robust over the next year, as auto dealer inventories were greatly reduced during COVID as production slowed while new car sales soared.

In short, there are times when it makes sense to be flexible and relax some of the core position criteria by investing a small amount of capital into opportunities where we can make 5x or more on our investment over a relatively short duration. SUP is a good example of such an opportunity, and I am confident we will find more over time.

Outlook

My expectations for the coming year are for a (hopefully) boring economy. I am optimistic that COVID vaccines will be successfully administered to broad swathes of the global population and that global GDP will gradually enter a period of recovery. That, in addition to massive stimulus spending should provide a favorable backdrop for consumers to spend and for businesses to grow their earnings.

At the same time, market valuations are on the high end of historical levels, though they are not extreme by any means, and especially not when compared to historically low interest rates.

As pointed out in prior letters, there are certainly pockets of euphoria and speculation out there. As these pockets grow, it is natural to be concerned that their unraveling could eventually hurt consumer confidence and spending. However, I am hopeful that the global reopening will, at least for the mid-term, be the overwhelming factor helping to drive economic growth.

You can rest assured that our portfolio is designed to avoid those pockets rather than to participate in them. Our companies are well-capitalized and will be in a position of strength should things turn.

Regardless of whether the market grinds higher with earnings or sees a normal pullback on valuations, I remain optimistic that our holdings will grow their value meaningfully over the coming years.

Of course, the most dangerous risks are the ones we are not thinking or talking about today and hopefully none emerge. If they do, I will keep an open mind and make sure we are positioned as though my net worth was substantially invested alongside you (it is).

Organizational Update

I am pleased that we continue to welcome new investors into our growing partnership and am thankful for those of you that have been invested since day one.

In addition to constantly refining our investment process, we are also building out the tools and infrastructure that will help ensure our success as the Fund continues to scale.

Most recently, we have initiated a relationship with Tourmaline Partners, an outsourced trading firm. We are being covered and serviced by Seth Hoenig, who was the head trader of Glenhill Capital, the fund that I worked for prior to launching 1 Main. Seth has decades of experience as a high touch trader and can help us source liquidity and get the best execution, which is especially important in some of the smaller and less liquid names that we sometimes traffic in.

We are also currently evaluating an upgrade to the Fund's prime broker. More to come on that later. Stay tuned.

As always, thank you for your continued support and confidence. Please reach out with any questions at yaron@1maincapital.com or 305-710-8509.

Sincerely,
Yaron Naymark

Monthly Performance Summary[3]

2020	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1 Main Capital Partners - Gross	-5.3%	7.8%	-6.4%	5.6%	5.4%	9.5%	5.2%	6.4%	8.5%	0.6%	17.4%	4.1%	73.8%
1 Main Capital Partners - Net	-5.4%	7.3%	-6.3%	5.4%	4.6%	7.6%	4.2%	5.2%	7.0%	0.5%	14.6%	3.5%	58.1%
S&P 500 index - incl dividends	0.0%	-8.2%	-12.4%	12.8%	4.8%	2.0%	5.6%	7.2%	-3.8%	-2.7%	10.9%	3.8%	18.4%
Russell 2000 - incl dividends	-3.2%	-8.4%	-21.7%	13.7%	6.5%	3.5%	2.8%	5.6%	-3.3%	2.1%	18.4%	8.6%	19.9%

[3] Performance Data is presented for the Fund's Class A Interests, and are net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund's Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2020 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.

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