1 MAIN CAPITAL

April 2024

Dear Partners,

For the first quarter, 1 Main Capital Partners, L.P. (the "Fund") returned (5.1)% net, compared to 10.6% for the S&P 500 (SPX) and 5.2% for the Russell 2000 (RTY)[1]. Since its February 2018 inception, the Fund has delivered an annualized net return of 21.2%, compared to 12.5% and 6.3% for the SPX and RTY, respectively. Accordingly, a $1 million investment at inception would be worth $3.3 million today, after all fees and expenses. The same amount invested in the SPX or RTY (with dividends reinvested) would be worth $2.1 million and $1.5 million, respectively.

Since day one, the Fund's primary strategy has been to invest in good businesses, with attractive growth prospects, run by competent and aligned management teams, at low valuations. At any point, there are a limited number of companies that exhibit these characteristics. Accordingly, the Fund has historically been concentrated in the best then-available opportunities. This concentration in underappreciated or out-of-favor names has often led to divergence from index performance. While the divergence has been largely positive over time, there have been negative periods as well. Q1 was one such period.

Short-term underperformance can come from poor security selection (mistake) or temporary non-fundamental dislocations (noise). It is impossible to know *with certainty* in advance whether weak stock performance is due to a mistake or noise, but investors are well-served if they can accurately identify *with confidence* which is which. After all, mistakes could require correction (selling, if change in price < magnitude of mistake), while noise primarily requires patience (or maybe adding to a position).

Fortunately, mistakes have not historically been a material drag on the Fund. In constantly re-underwriting each position in the portfolio and watch list, I have been quick to identify them and course correct when necessary (see Q4'23 letter: Open mind, existing positions). As I look at the largest detractors in Q1, DNTL, LMB and WATR, each accounting for approximately (1.3)% of the Fund's performance, I do not believe any of them are mistakes. In fact, I believe each represents very compelling value at current prices.

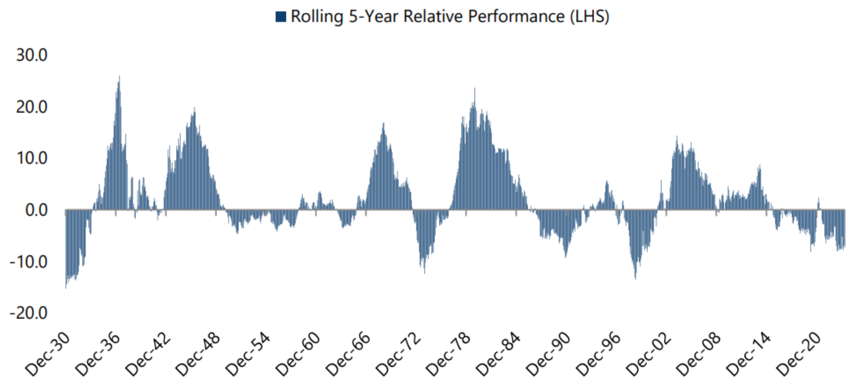
Digging in a bit further, the Fund's top 5 holdings were down 7.1% in Q1 on a weighted average basis. They are 19.9% below their 52-week highs, and 53.4% below their post-COVID highs, also on a weighted average basis. These are good businesses, with high insider ownership, trading below 10x maintenance FCF, and with strong growth prospects. I believe that over the coming years, each will generate meaningful cash relative to its market value, while earnings will grow. As this happens, my expectation is that the market value of our holdings will appreciate substantially. Accordingly, I continue to feel confident that the Fund's future remains bright.

Small vs large

Over the last 5 years, large caps (SPX) have outperformed small caps (RTY) by approximately 7% per year. According to Jefferies, this underperformance cycle is one of the most extreme and the second longest in the history of small caps, dating back to 1926.

[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 2024 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.

Chart 30 - The rolling 5-year performance of Small vs. Large is in the 7th percentile



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

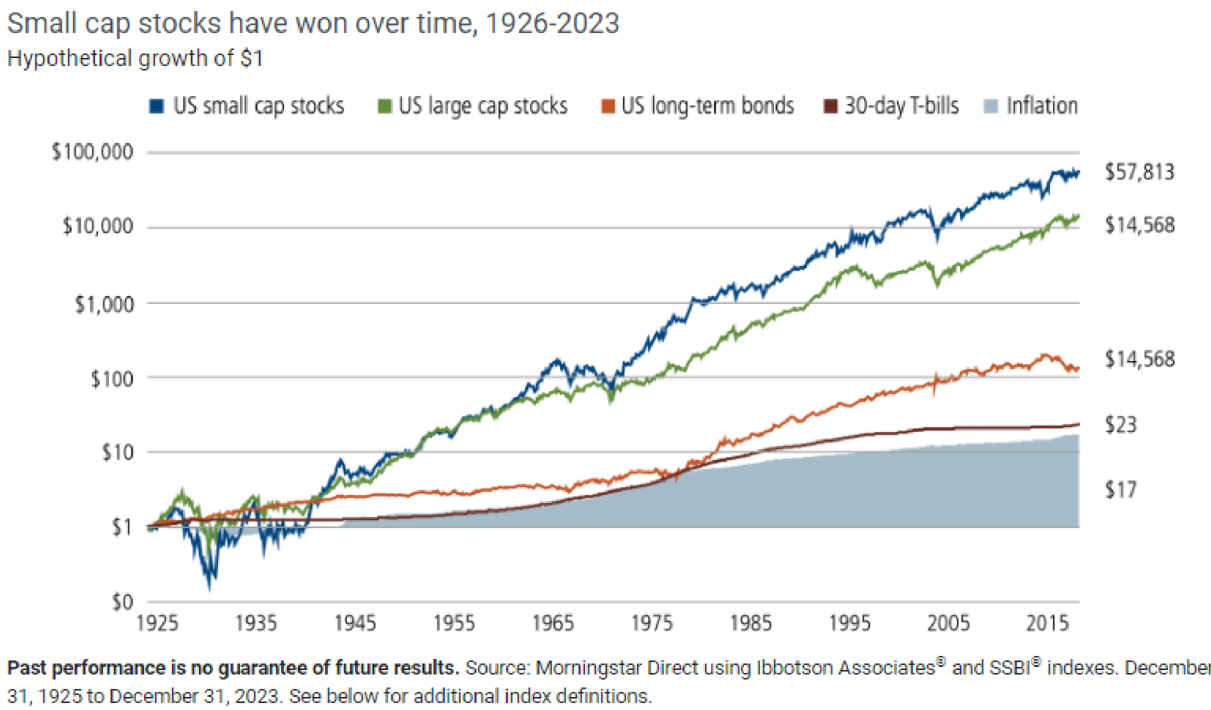
A large part of small cap underperformance over the last five years can be explained by differences in earnings growth. From 2018 to 2023, SPX earnings significantly outgrew RTY earnings at a 6.7% vs 2.4% CAGR, respectively. However, RTY positive earnings, a metric that strips out loss-making companies, outgrew the SPX by ~1% annually over the same period. Said another way, the drag on RTY earnings has come from unprofitable small caps, who saw their losses swell over the period. Today, unprofitable RTY companies are wiping out ~44% of the earnings generated by profitable companies in the index (see below). This is not a sustainable trend. Companies that lose money will either become profitable or shut down. As this occurs, earnings growth for the overall index will accelerate.

RTY	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	'10-'19 Avg	2024E	2025E
Earnings before XO, Positive	40	47	49	51	54	58	58	68	89	82	80	129	146	127		117	138
Negative earnings (implied)	(10)	(8)	(11)	(11)	(12)	(11)	(9)	(22)	(26)	(22)	(47)	(53)	(63)	(55)		(34)	(30)
Total earnings	30	38	37	39	43	48	49	46	63	60	33	76	84	71		84	109
Negative earnings as % of positive	25%	17%	23%	23%	21%	18%	16%	32%	29%	27%	59%	41%	43%	44%	23%	29%	22%
Index price / total earnings	26.1x	19.3x	22.8x	29.6x	28.2x	23.9x	27.9x	33.1x	21.3x	27.9x	60.1x	29.4x	21.1x	28.5x	26.0x	23.9x	18.4x
Index price / positive earnings	19.5x	15.9x	17.5x	23.0x	22.2x	19.5x	23.5x	22.6x	15.2x	20.3x	24.7x	17.4x	12.0x	16.0x	19.9x	17.0x	14.5x

Source: Bloomberg

Another significant driver of small cap underperformance has come from changes in multiples. From 2018 to 2023, the SPX earnings multiple expanded from 16x to 22x. Over the same period, the RTY positive earnings multiple, which looks at the market value of all companies in the index compared to the profits from only the profitable ones, barely expanded from 15x to 16x. Since more than 90% of companies in the SPX are profitable, and even more on a weighted basis, these metrics make for a reasonable comparison.

Of course, investors often favor buying momentum and extrapolating the recent past. The dominance of big-tech, which now also seem like obvious AI-winners, makes extrapolation even more enticing. Accordingly, many pundits suggest that the SPX will continue to outperform small caps indefinitely. These arguments are made even though small cap earnings have outgrown large caps over the last 15, 20-, 25-, 50- and 100-year periods.



Source: Calamos Investments

Furthermore, the recent SPY outperformance has led many to view passive strategies as superior to active ones. As a result, episodic NFF's (see Q3'23 letter) continue to move away from small cap and active strategies, towards passive and large cap strategies.

In my view, this has created increasingly attractive investment opportunities in the small and mid-cap space. While the Fund has owned large caps and mega caps in the past, and would do so again for the right opportunities, it has largely owned small and mid-cap businesses. Of course, individual security selection and underlying business performance remain by far the most important drivers of returns, but there is no doubt that the size factor has been a headwind to our results over the last five years. I am optimistic that this headwind will turn into a tailwind at some point in the future.

Current positioning

At quarter-end, the Fund's top five positions were Basic-Fit (BFIT), Caesars Entertainment (CZR), dentalcorp (DNTL), IWG (IWG) and Limbach Holdings (LMB). Together, these holdings accounted for slightly more than 70% of capital. CZR is a new position, which I will discuss in more detail below.

BFIT is a position that I previously wrote about in the Q4'21 letter that was re-initiated during Q1. The company and its competitors have been negatively affected by inflation and a weak European economy. Management has done a commendable job navigating what has been a very challenging environment, and I believe that the worst is behind. The share price has come down significantly, allowing us to re-enter the position at what I view to be an attractive valuation.

Enzo Biochem (ENZ) is a special situation highlighted in the Q3'23 letter that hasn't materialized the way I expected it to and is no longer a top position. The company's cash balance is below projected levels following the sale of its clinical lab business – mainly due to higher wind-down costs for the division. While I believe there is still an attractive level of upside and limited downside at current prices, the risk/reward changed such that it no longer warranted being a top 5 position. I reduced the Fund's holdings in ENZ and redeployed the proceeds into other investments.

Caesars Entertainment (CZR)

CZR is one of the largest and most iconic gaming and hospitality companies in the US, with 52 properties across 18 states. The company's hotels, restaurants, bars, entertainment, racing, retail shops and other services attract gaming customers. The physical properties and associated loyalty program also help the company acquire customers for its online sports betting (OSB) and online gaming (iGaming) platform.

The company is led by gaming veteran Tom Reeg, who oversaw significant value creation at Eldorado Resorts which went on to acquire the much larger Caesars portfolio in 2020. Since making the acquisition, the combined company has grown EBITDAR by nearly $1 billion, approximately half of which came from cost synergies, with the rest coming from improved revenue optimization and the elimination of inefficient customer promotions. For example, the company removed buffets across its properties, where it was losing over $100 million per year. As such, the company's EBITDAR grew from nearly $3 billion in 2019 (pro forma) to nearly $4 billion in 2023.

CZR's 2023 EBITDAR translates into over $2.6 billion of EBITDA and $1 billion of maintenance free cash flow. Importantly, >75% of total EBITDA comes from owned properties and >40% of total EBITDA comes properties owned in the capacity-constrained Las Vegas market. The value of this owned real estate is likely greater than the company's current enterprise value.

Better yet, the $1 billion of maintenance FCF discussed above significantly understates the company's future earnings potential. Despite its strong EBITDAR growth relative to pre-COVID levels, the company has made several substantial investments in its business that have yet to pay off.

On the physical side, CZR has deployed well over $1 billion into new and existing growth projects. This includes $650 million spent to build a new property in Danville, VA. It also includes $400 million for upgrades to its properties in Atlantic City and an additional $400 million for upgrades to its New Orleans locations. Typically, the company expects at a 15%+ return on such growth projects, though they caveat that Atlantic City will probably come in below that figure.

On the digital side, CZR has invested heavily in marketing and promotions to acquire customers over the last three years. Cumulative burn in this segment has been more than $1 billion in 2021 and 2022 combined. However, the digital business finally turned marginally profitable in 2023 and management expects that it should grow to $500 million of annual EBITDA within the next couple of years.

As the new projects come online, they will not only start to contribute to EBITDA, but growth capex should drop meaningfully as well. This will happen while the digital side of the business, which has a very long growth runway, continues to inflect. In a few years, CZR should be able to generate $2 billion annual free cash flow, or $9 per share. At that point, digital will still be growing nicely. As this happens, I believe that the stock should be substantially higher than its current levels.

Outlook

Markets have had a strong run since financial conditions began to ease in late October 2023. Back then, the Treasury decided to focus new debt sales on short-term bills rather than long-term notes which had an easing effect on long-term rates. Concurrently, inflation expectations continued to fall, which also pushed short-term and long-term rates lower. Meanwhile, despite a year of elevated rates, corporate revenues continue to grow while margins have been buoyed by cost-cutting measures that were implemented last year. If corporate profits were this resilient with high rates, they would surely accelerate with rate cuts. Lastly, animal spirits began to resurface, fueled by the promise of AI-related investment and productivity.

However, starting in January, expectations for rate cuts began to get pushed out. Despite lower inflation expectations, government deficits continue to run at 6-7% of GDP. Additionally, the labor market has stayed tighter than many expected, driving above-trend wage growth and consumption. Without rate cuts, worries about economic growth have resurfaced. Many cyclical stocks continue to be valued as though their current earnings are at peak levels.

While I don't have a strong view as to whether the next 50bp move in CPI will be higher or lower, I do continue to believe that the Fed will act as necessary to prevent inflation from getting back to the highly problematic levels we saw during the period of elevated demand and tight supply chains coming out of COVID. This means that as the economy accelerates, rates will rise to temper spending and as the economy slows rates will fall and be stimulative.

As stated in the prior letter, I'm typically uneasy when the market feels sanguine about macro risks. Fortunately, it seems like some of the euphoria from a few months ago has subsided, which makes me more comfortable.

I opened this letter by acknowledging that many of our positions are down significantly from their recent highs. However, I believe they will recover and exceed prior highs in the coming years, regardless of what the economy does. They are positioned to do so as they generate cash and grow. Better yet, they are capitalized appropriately by management teams that will deploy capital wisely into an inevitable downturn, whenever one should come. Lastly, the Fund's portfolio will not remain static. As always, I will continue to monitor our holdings in real-time and adjust as necessary to ensure our capital is deployed in the best opportunities I can identify at any time.

I continue to love what we own and am looking forward to seeing what the future has in store for us. Thank you for your support and confidence. Please reach out with any questions.

Sincerely,
Yaron Naymark

1 MAIN CAPITAL

Monthly Performance Summary[2]

2024	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1 Main Capital Partners - Gross	-4.9%	2.2%	-2.1%										-4.8%
1 Main Capital Partners - Net	-5.0%	2.1%	-2.2%										-5.1%
S&P 500 index - incl dividends	1.7%	5.3%	3.2%										10.6%
Russell 2000 - incl dividends	-3.9%	5.7%	3.6%										5.2%

	One Year	Three Year	Five Year	Since Inception	Inception Annualized
1 Main Capital Partners - Gross	32.2%	21.4%	34.9%	342.2%	27.3%
1 Main Capital Partners - Net	25.9%	16.4%	27.4%	226.5%	21.2%
S&P 500 index - incl dividends	29.9%	11.5%	15.0%	107.1%	12.5%
Russell 2000 - incl dividends	19.7%	-0.1%	8.1%	46.0%	6.3%

[2] 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 2024 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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