April 2025

Dear Partners,

In the first quarter, 1 Main Capital Partners, L.P. (the "Fund") returned (3.6)% net, compared to (4.3)% and (9.5)% for the S&P 500 (SPX) and Russell 2000 (RTY), respectively.[1] Since its February 2018 inception, the Fund has delivered annualized net returns of 19.5%, compared to 11.9% and 4.8% for the SPX and RTY, respectively. A $1 million investment in the Fund at inception would be worth $3.6 million net today, versus $2.2 million and $1.4 million for the SPX and RTY (with dividends reinvested), respectively.

The SPX and RTY ended the first quarter 9% and 17% below recent highs, respectively. In early April, the sell-off intensified, as the market continued shaking off initial post-election optimism and digesting policies that, if sustained, represent a tectonic shift in global trade, with widespread implications.

While I share the market's concern about the near-term, I remain optimistic about the medium-term. My optimism is reinforced by the Fund's defensive tilt coming into the year, with minimal direct exposure to businesses most impacted by a trade war or weakening economy.

In fact, the Fund should perform well in a world characterized in the Q3'23 letter as having "a tight labor market, elevated focus on supply chain resiliency over cost efficiency (deglobalization), unsustainably high fiscal deficits (and growing), and escalating geopolitical tensions." Specifically, the portfolio is weighted towards service-oriented businesses with limited macro sensitivity.

Even in normal times I am constantly underwriting the Fund's portfolio, but there is usually more to do in periods of heightened volatility. In 2022, that meant selling rate-exposed home builders and boat manufacturers. This year, that has meant reducing most of our (already minimal) exposure to holdings that would be most at risk if the trade war causes the economy to slow, of which the largest was Caesars Entertainment.

Despite the market turbulence, I am confident that the Fund holds a collection of businesses that should thrive in any environment, and I continue to believe we are well-positioned for strong future performance.

Asset Repricing

Some say, "for every buyer there is a seller," implying that if one party wants to reduce its exposure to an asset, another must agree to increase theirs. When enough investors adjust their allocations, they transact — and those flows, it is commonly believed, move prices.

However, I would posit that flows are a byproduct — not *the* driver — of investors' desire to change exposure. Every trade has two sides, meaning aggregate exposures remain unchanged. The only way that aggregate exposures shift is through price movement. Therefore, asset prices move based on weighted-average *intentions* of asset owners, not *flows*.

This becomes obvious when asset prices gap dramatically — for instance, after a short report. When a compelling report emerges overnight, a company's shares might open 25% or 50% below the prior close.

[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 2025 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.

Investors collectively reduced their exposure — not through mass selling, but through repricing. A similar dynamic happened after Liberation Day.

However, sometimes prices overshoot and other times they don't gap enough. Good fundamental investors apply first principles in evaluating how the *current* price compares to updated *expected* value when determining any adjustments.

As assets reprice quickly, it is critical to *know what you own, what it's worth, and why you own it*. It is in these uncertain times where I expect our holdings to shine.

Current Positioning

At quarter-end, the Fund's top five positions were Basic-Fit (BFIT NA), a biotech basket, dentalcorp (DNTL CN), International Workplace Group (IWG LN) and Water Intelligence (WATR LN), which together accounted for 70% of capital. Our nest (capital) has few eggs and I'm watching them closely.

Biotech Basket

The best time to buy is when there is blood in the streets. Sometimes the blood is your own, making it hard to double down. Other times you are fortunate to be a distant observer. One of the benefits of being a generalist is being able to pivot into sectors left for dead. Biotech currently appears to be in such a state.

Accordingly, the Fund made several new biotech investments in the first quarter, representing a low double-digit percentage of assets at quarter-end. These positions require no deep understanding of science. Instead, I am relying on my ability to analyze (i) simple assets (largely cash), and (ii) shareholder incentives (protecting capital). Below are two such examples:

Arvinas (ARVN), a clinical-stage biotech company developing targeted protein degraders, is down more than 90% from its 2021 highs due to investor disappointment with its trials.

Pipeline struggles aside, ARVN has over $1 billion in cash and two significant license/collaboration agreements. With Pfizer, ARVN is eligible to receive up to $1.4 billion of payments upon the approval of ARV-471 and then share equally (50/50) in all profits and losses of the drug. With Novartis, ARVN is eligible to receive up to $1 billion upon the approval of ARV-766, with ongoing tiered royalites thereafter.

Despite these assets, ARVN's market capitalization fell to $500 million in March 2025 upon a disappointing readout for ARV-471 (vepdegestrant). This valuation implies that the company will burn its cash, or that its pipeline will turn out to have minimal value. However, I believe it is unlikely that both will occur. The company's largest holder with a 15% stake, EcoR1, is an engaged and concentrated biotech specialist that has sufficient incentive to prevent further value destruction.

Third Harmonic Bio (THRD) came public in 2022, and its shares quickly came under pressure after the company reported that THB001, its primary drug, caused liver toxicity issues in trials. In February 2025, phase 1 data for another pipeline asset, THB335 ("335"), also disappointed investors.

Concurrent to releasing the 335 results, THRD halted all non-335 research, fired 50% of its workforce, and initiated a strategic review, saying "we have to consider our responsibility to our shareholders and our ability to build value over a reasonable time horizon…given the recent market dynamics around our stock, we believe that solely relying on the progress of 335 to build value is an inefficient approach."

On the same day, THRD guided to a 6/30/25 estimated net cash balance of >$5 per share with nearly no liabilities, at which point the Fund bought shares at $3.45. In mid-April the company announced it would dissolve itself and return all its cash to shareholders. We then exited at $5.

The Fund also continues to hold a position in **Enzo Biochem (ENZ)**. At quarter end, it was trading for 40% of book value and a 50% discount to cash. The company announced the initiation of a strategic review in mid-April, after receiving multiple inquiries of interest. While the odds of us making a profit on this investment are low, I believe a swift transaction will allow us to recoup most of our losses. Fingers crossed.

Outlook

While *a* trade war is justifiable, *this* one is tough to rationalize. Companies can't reshore capacity overnight and it would be reckless to make meaningful investments while rules are in flux. As such, businesses are pausing discretionary activity until uncertainty subsides. This confusion will harm the economy without leading to reshoring of manufacturing or enhancement of national security.

If the goal is to help Main Street, then politicians should pursue deregulation and the removal of trade barriers. If the goal is to reduce our reliance on adversaries, then select tariffs in key areas (semis, pharmaceuticals, autos) make sense. However, there must be an adjustment period and policy certainty for businesses to adapt.

While some damage has already occurred, all is not lost. Correcting the course is well within the administration's control. Business leaders and politicians are applying pressure on key decision makers for more sustainable and coherent policies to achieve the objectives. The world isn't static. As I've said in the past – when things break, people work hard to fix them.

Regardless of which approach is pursued, the US is clearly attempting to change the way it trades with the world. Businesses that are exposed to global supply chains are at risk for a rocky period. The Fund's portfolio is positioned accordingly.

Business Update

I am excited to announce that I have partnered with Cannell Capital ("CC"), a long-short hedge fund manager founded in 1992 by Carlo Cannell. Since meeting Carlo and his team in 2023, we have talked a lot about investment philosophy, markets, individual stocks, hobbies and family. We have done so over Zoom, at investment conferences and in the cold dry Wyoming snow. Carlo is a great investor. He has a long-term track record that most managers would envy, while successfully navigating the dot-com bubble, the GFC and COVID. More importantly, he is also a great guy – and thus synergistic with 1 Main, which maintains a strict "no a-holes" culture.

As part of this partnership, CC will invest $20 million over the next 18 months and provide a range of front- and back-office services to the Fund, alongside Willow Oak. This partnership will allow me to spend more of my time on what I love and do best – research – while upgrading our infrastructure.

There is clear upside to LPs from the CC partnership – a more stable capital base with enhanced resources and no change in strategy or alignment – and I can't think of any negative implications. In exchange, I will share some of my economic upside with CC. This is a win-win-win for 1MC, CC and you.

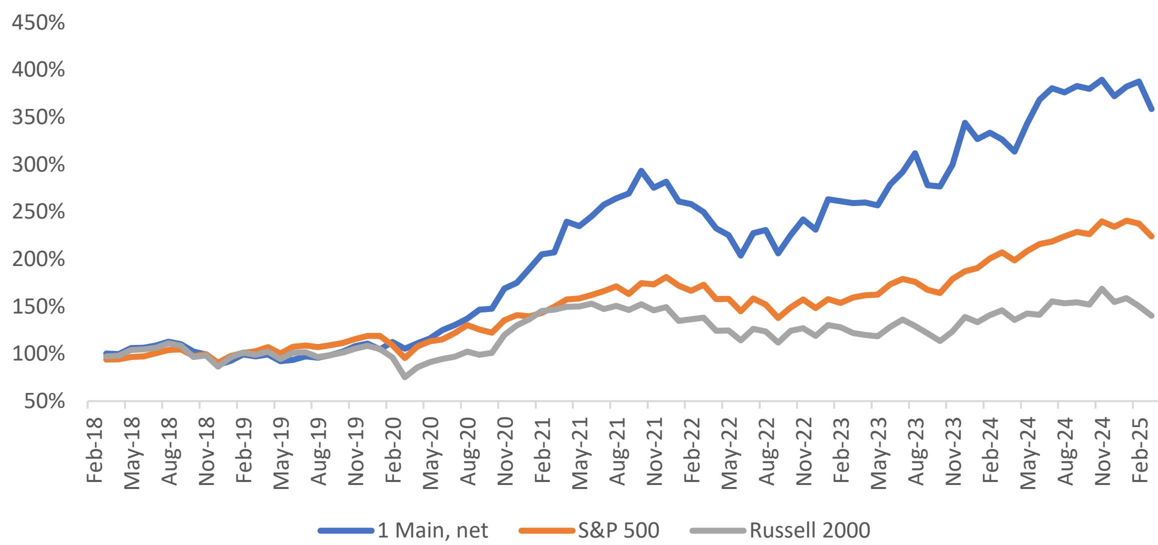
Following the CC investment, there is approximately $30 million of Founders Class capacity remaining. Please reach out with any thoughts or questions. Thank you for your support and confidence.

Sincerely,
Yaron Naymark

Performance Summary[2]

2025	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
1 Main Capital Partners - Gross	3.5%	1.7%	-8.1%										-3.3%
1 Main Capital Partners - Net	2.8%	1.4%	-7.5%										-3.6%
S&P 500 index - incl dividends	2.8%	-1.3%	-5.6%										-4.3%
Russell 2000 - incl dividends	2.6%	-5.4%	-6.8%										-9.5%

	One Year	Three Year	Five Year	Since Inception	Inception Annualized
1 Main Capital Partners - Gross	12.3%	16.1%	35.0%	396.6%	25.1%
1 Main Capital Partners - Net	9.9%	12.8%	27.8%	258.7%	19.5%
S&P 500 index - incl dividends	8.2%	9.0%	18.6%	124.1%	11.9%
Russell 2000 - incl dividends	-4.0%	0.5%	13.2%	40.1%	4.8%



[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 2025 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.

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