



July 14, 2023

Q2 2023 INVESTOR UPDATE

FIXED INCOME

If you're looking for cheap entertainment this summer, look no further than the fixed income markets as they spasmodically react to each and every emanation from the Federal Reserve and the Bureau of Labor Statistics. To us it's a level of mindlessness that can only be achieved by those entirely focused on the short term, and who see their mission in terms of their position vis a vis their peers rather than a meaningful deliverable to investors. In contrast, any prognostication of interest rates and economics can be relegated to mere cocktail chatter when a fixed income portfolio is positioned to meet several basic standards: delivering the desired stream of regular income, maintaining a *defensive* position in regard to interest rates, and playing offense judiciously and conservatively. To wit, our favorite data points follow:

Income+ as of 6/30/23:

Cash Yield:	6.6%
Avg. maturity/float:	<3 years
% Discount to par:	>17%

US Treasury 10 Year Yield: 3.84%

Muni+ as of 6/30/23:

Cash Yield:	4.65%
Duration:	5 years
Discount to par:	>10%

Bloomberg AAA 5yr Muni Yield: 2.61%

EQUITIES

We should probably rename our Equity strategy. The strategic mission of Seabird's "equity" strategy is to preserve and grow assets as fast as possible, so in our minds it is clearly a "growth" strategy. Alas, the industry assigns a certain definition to the terms "growth" and "value" which we find to be pure hogwash, but would give some a false impression of what we do.

Seabird's fundamental competitive advantage lies in being unconstrained by a typical style box and therefore able to employ any means at our disposal to accomplish the mission of growing assets rapidly.

In Q2, we found the best opportunities not in equities, but in several *bonds* priced for returns in the mid-teens. Interestingly, we would describe neither of these as "distressed", but rather "mis-priced"; offering the rare combination of the security of a fixed income instrument and the potential returns of an equity security.

-Arch Peregoff
-Joseph Di Scala