



March 31, 2024

2024 Q1 INVESTOR UPDATE

While Q1 performance was exceptional across Seabird's strategies (please see our attached composite performance tear sheet), there were no remarkable events in the quarter nor news to report. To the contrary, news painted in the press as critical to an investor's decision-making process is mostly irrelevant when a portfolio is constructed to perform over a wide variety of economic scenarios instead of a singular, predicted one. Rather than focusing on the machinations of other market participants whose focus is all too often short-sighted, Seabird's focus is solely on the investments we own (or intend to own) and producing *our own* desired outcome. In short – to borrow a sports euphemism – we “run our own race.”

Despite Q1 returns far exceeding our expectations and the performance of relevant benchmarks, we're not surprised that we were able to post positive returns in our fixed income strategies during a period when the broader market saw negative returns. And while it may be typical across

the investment spectrum to assume that unusual performance must come at the expense of higher risk and volatility, Seabird's *low volatility* continues to belie that particular industry orthodoxy. There's one simple reason for this accomplishment (*despite our never focusing on volatility per se*): our laser-like focus on predictable income and distributable cash flow. One might call it the proverbial “bird in hand”.

FIXED INCOME

The primary purpose of these *quarterly* notes is to give you a sense of how we see future returns for those who have additional capital to allocate. While that exercise is difficult in equities, it is somewhat illuminating in fixed income. As a reminder, we believe investors can gain a *general* sense of how to view future returns by simply dividing the average discount to par by the duration and adding that number to the current yield. Those tables are provided below:

Income+

Current Yield: 5.82%

Avg. Duration: 2.11 years

Discount to Par: 9.2%

Muni+

Current Yield: 4.54%

Avg. Duration: 3.8 years

Discount to Par: 7.3%

EQUITIES

We would note here that we enjoyed strong equity performance in Q1 even while entering the quarter with about 18% of equity assets in cash. While holding cash has become far more palatable with money market rates exceeding 5%, and we see cash as critical asset in achieving outstanding returns, our preference will always be to have our assets invested in opportunities with likely double-digit returns. To that end, we initiated a position in Rentokil, a company whose primary focus is in the pest control industry. Of course, our initial attraction is quantitative; based on our assessment of distributable cash flow. We would also note that the qualitative characteristics are attractive as well: the appeal of an industry which has endured for ages, and the opportunity for CEO Andy Ransom to source attractive “tack-on” opportunities to reinvest capital at unusually high returns.

-Arch Peregoff

-Joe Di Scala