SPRINGVIEW
CAPITAL MANAGEMENT LP

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**1st Quarter 2025 Letter**

**May 3, 2025**

The Springview Partnership's Onshore Fund gross and net returns for the quarter ended March 31, 2025 are shown below as well as comparable returns for the S&P 500 Index (which we believe is *one of several* appropriate benchmarks), and our results versus the index:

| | Springview Gross | Springview Net[1] (a) | S&P 500 Index (b) | Springview Net Relative (a)-(b) |
|---|---|---|---|---|
| 2022 | -3.1% | -4.6% | -18.1% | +13.5% |
| 2023 | +18.9% | +15.3% | +26.3% | -11.0% |
| 2024 | +25.1% | +19.7% | +25.0% | -5.3% |
| 2025 YTD | -1.4% | -1.8% | -4.3% | +2.5% |
| **Cumulative Since Inception[2]** | **+42.0%** | **+29.3%** | **+23.7%** | **+5.6%** |
| **Annualized Since Inception[2]** | **+11.4%** | **+8.2%** | **+6.8%** | **+1.5%** |

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Dear Partner,

Your investment in the Springview Partnership declined –1.8% net of fees, compared to a –4.3% decline in the S&P 500 Index and a –10.2% decline in the Nasdaq Composite. The fund modestly outperformed in what was a challenging period for equities.

Our long investments detracted approximately –2.7%, while our shorts and hedges contributed about +1.3%, resulting in gross and net returns of –1.4% and –1.8%, respectively.

As we've explained in the past, our conservative approach may help the fund outperform during weaker equity markets (and potentially lag in stronger ones). While this is not our goal, our experience since launch has generally followed this pattern—with strong outperformance in 2022,

[1] Performance is shown net of fees for Class F investors (1% management fee and 15% performance allocation) and expenses, subject to the expense cap of 50 basis points.
[2] Since inception on January 3, 2022.

respectable but below-market returns in 2023 and 2024, and a return to outperformance in the first quarter of 2025.

Although we are never pleased to report a negative return, we are encouraged by our ability to protect capital in a difficult environment while remaining largely fully invested. The fund maintained an average net exposure of approximately 96% during the quarter, so the outperformance largely reflects stock selection—"alpha," in Wall Street parlance—rather than market timing or exposure shifts.

Since inception on January 3, 2022, the Springview Partnership has returned a cumulative +29.3% net of fees, outperforming the S&P 500's +23.7% by 560 basis points. On an annualized basis, Founders' Class limited partner capital has compounded at +8.2%, exceeding the S&P 500 by 150 basis points per year.

Importantly, we believe this outperformance has been achieved while taking below-average business risk, due to our preference for more defensive businesses and a disciplined stance on valuation.

***WELL, THAT WAS DOOZY***

Stocks fell sharply in early April and gyrated wildly (and, at times, terrifyingly) for about two weeks. For anyone paying attention, it was hard to escape the nonstop news cycle and ominous headlines that stirred real fear about the direction of the country and the economy.

Between April 3rd and April 8th, the S&P 500 dropped an astonishing 12% in just three trading days. The widely accepted explanation was President Trump's April 2nd announcement of sweeping new tariffs on U.S. trading partners. While that explanation is clearly valid—and the tariffs, in our view, represent poor economic policy—we think it's just as valid to acknowledge that markets are inherently volatile. They always have been and always will be. Often, what gets blamed for a sharp move in hindsight is simply a trigger rather than the root cause.

Volatility is the one constant in markets. Fads change, sectors rotate, administrations come and go—but volatility endures. It tends to spike when the future feels especially uncertain (though the future is never truly certain) and reflects human emotion—those twin forces of fear and greed—reacting to ambiguity.

There is only one guaranteed way to avoid volatility: don't invest. Keep your capital in a bank account, CD, Treasury bills, or under the mattress. This may reduce stress and provide a good night's sleep, but it also ensures minimal returns, lost purchasing power over time, and no path to real wealth creation. There is no free lunch. Volatility is the price of admission to the club of long-term compounding.

Because our goal is to deliver strong long-term returns for ourselves and our partners, we don't seek to avoid volatility—we embrace it. It can present new opportunities and pressure-tests our conviction in current holdings. We don't aim to smooth short-term portfolio volatility. Rather, we aim to respond to it with rationality and equanimity.

Navigating turbulent markets well is half the battle in long-term investing. By that measure, we think we passed the test in April. Our trading activity was minimal. We kept our net exposure within our comfort zone of 90–95%, roughly where it had been for several months. Some of our stocks declined more than the broader market, some less—but we liked what we owned and made no significant portfolio changes. We entered April 94% net long and exited at 92% net long. Our shorts and hedges provided some psychological comfort and helped offset losses at key moments.

April was a good litmus test for both our strategy and philosophy. We view stocks as ownership in real businesses, and, to borrow from Warren Buffett's 1987 shareholder letter, we *"let our marketable equities tell us by their operating results—not their daily, or even yearly, price quotations—whether our investments are successful."* This long-term business-owner mindset is foundational to our approach. It allows us to ignore market quotes when appropriate and focus instead on understanding the fundamentals of the companies we own.

To be clear, we don't blindly ignore market prices or the occasional signal they send. But we believe the noise in markets is usually much louder than the signal. Tuning out that noise helped us in April—and helps us make better decisions more broadly.

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***THE VIRTUES OF PATIENCE***

The Partnership began trading on January 3, 2022. On that first day, we made five initial investments—three of which we still own today: W.R. Berkley, Berkshire Hathaway, and Copart. In a stock market where the average holding period is closer to six months, and where torrents of new information (pumped out by the Wall Street media-industrial complex) constantly tempt investors to trade in and out, holding on to stocks for over three years may seem outdated—or even lazy.

But our experience has been quite the opposite. Long-term ownership of high-quality businesses has proven exceptionally rewarding, and in some cases, eye-opening. The power of compounding takes time to show up—but when it does, the effect is often more powerful than expected. Getting there, however, requires staying power, patience, and a touch of stubbornness.

Compounding is governed by two variables: the rate of return and time. Most investors obsess over the former—modeling growth rates, margins, and returns on capital—while largely ignoring the latter. Time gets short shrift in the investing world. It's expensive (reflected in the cost of capital), and most market participants are in a hurry.

In our view, the bare minimum amount of time required for compounding effects to become meaningful is about three years. It's no coincidence that we're now hitting that milestone and beginning to see the tangible rewards from some of our earliest investments.

Take W.R. Berkley, for example. We bought the stock three years ago at a split-adjusted price of $37. Since then, per-share operating earnings have grown by +82%, or +22% annually, and the shares have delivered an annualized return of +20% through the end of 2024. After the stock surged +34% in 2022, it would have been tempting to take a quick gain. But doing so would have cut short our participation in the compounding that followed—not to mention the drag from taxes and reinvestment risk. Today, Berkley only needs to rise another 14% from its current price for us to earn an additional +30% return on our original cost. That is the power of compounding.

*And so hold on when there is nothing*
*in you*
*Except the Will which says to them:*
*'Hold on!'*

\- ***"If" by Rudyard Kipling***

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***PORTFOLIO DISCUSSION***

At the end of the quarter, the Partnership's exposures were 119.7% gross long, 25.7% gross short, and 94.0% net long.

Top Ten Portfolio Holdings as of April 30, 2025:

| | |
|---|---|
| Fairfax Financial | 14.2% of fund assets |
| W.R. Berkley | 9.3% |
| Amazon | 7.5% |
| Spotify Technology | 7.5% |
| CRH plc | 6.6% |
| Robinhood Markets | 6.2% |
| Crane | 6.2% |
| Worthington Steel | 5.7% |
| Nintendo | 5.7% |
| Hilton | 5.5% |
| Top ten | 74.4% |

The top five positive contributors in Q1 were W.R. Berkley, Robinhood Markets, Nintendo, Berkshire Hathaway, and a market hedge. The top five detractors were Mercury General, Worthington Steel, Seaport Entertainment, Amazon, and Ambac Financial.

It was an active and productive quarter in the portfolio. We initiated a significant new investment in Spotify Technology, the global leader in streaming audio. We believe Spotify is well-positioned to grow earnings over many years, driven by a long runway of subscriber growth and latent pricing power. Consistent with many of our core holdings, Spotify is founder-led, conservatively financed with a net cash balance sheet, and generates strong free cash flow. We also initiated two smaller positions—one in an internet services business and another in a group benefits insurance provider.

Mark-to-market losses on core holdings were expected given the weak market in Q1, though some positions declined more than the indices. Notably, Seaport Entertainment fell –23%, Worthington Steel –20%, and Mercury General –15%. There is no single factor explaining these declines—each company is navigating distinct near-term challenges that have overshadowed their long-term potential. Below are brief overviews of each.

**Mercury General (MCY)** is a midsized writer of personal auto and homeowners insurance, focused on the California market. We began purchasing shares in February 2024, believing the California personal lines market was entering a period of favorable pricing and regulatory support, setting the stage for a profitability inflection. We acquired shares around $50 and estimated normalized EPS in the range of $8.00–$10.00, supporting a fair value between $80–$120. On top of that, the centenarian founder could one day pursue a sale, potentially at a large premium.

Our thesis played out in 2024, with MCY securing significant rate increases and delivering strong earnings—EPS annualized above $10/share in the final two quarters of the year. The stock rose roughly 50% from our cost basis and was a major contributor to 2024 performance.

This year's underperformance stems from the Los Angeles wildfires that erupted on January 7 and devastated two urban neighborhoods. Although primarily an auto insurer, Mercury bundles homeowners' policies with auto coverage, which exposes it to property losses. While the company carries reinsurance, initial uncertainty around the scale of losses led to investor panic.

For us, the critical question was whether this would be a *capital event*—requiring a dilutive capital raise—or an *earnings event* that would hit short-term profits but leave the long-term outlook intact.

After extensive diligence—analyzing DOI and statutory filings, cross-checking Cal Fire data, reviewing reinsurance treaties, and studying precedent cases—we concluded that the losses were most likely an earnings event, not a capital event.

We expect Mercury to report a sizable Q1 loss (earnings are due May 6), but we continue to estimate normalized EPS of ~$9.00 over the next few years. Ironically, the catastrophe may have improved the operating environment for insurers: with an estimated $45 billion in industry losses, capacity has tightened, pricing is rising, and California regulators have become more receptive to rate increases. We believe this should sustain a "hard" market in personal lines and reinforce our long-term earnings thesis.

Investors today appear to be overweighting the recent catastrophe—a classic case of recency bias—while underestimating Mercury's capital strength and normalized profitability. In time, we believe attention will shift back to earnings and book value, both of which suggest substantial upside.

**Seaport Entertainment (SEG)** owns a collection of real estate and entertainment assets in New York City and Las Vegas. We purchased the shares shortly after the company was spun off from Howard Hughes last July. The position contributed meaningfully in 2024.

Little has changed in the underlying story to justify a >20% decline year-to-date—except investor impatience. Seaport's $160 million enterprise value is a small fraction of the >$1 billion invested in its assets by the former parent. New management has been tasked with monetizing non-core holdings and stabilizing core real estate. One asset alone—a full city block zoned for development in Lower Manhattan—might be worth the entire current market cap. A successful sale could serve as a near-term catalyst.

**Worthington Steel (WS)** is a recent spinoff in steel processing. The company serves cyclical end markets like autos and construction, both of which have been under pressure over the last 6–9 months. Earnings have followed suit. While WS is not our typical high-quality compounder, it offers compelling attributes: strong customer relationships, exposure to secular growth areas like electrical steel, a near-debt-free balance sheet, and a culture of operational excellence.

At current prices, we believe the shares offer attractive value, though we acknowledge the cyclical nature of the business and have sized the position accordingly.

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### *REASON FOR OPTIMISM*

It's easy to get bogged down in negativity these days. Fear and pessimism were widespread in the days following "Liberation Day," and no doubt these emotions will resurface in the future—though no one can say exactly when.

For our part, we choose optimism. Businesses adapt. Management teams are constantly working—some more effectively than others—to adjust their strategies to evolving realities. Unlike inert assets such as gold, silver, commodities, or cash, equities represent living, dynamic enterprises that, over time and on average, respond successfully to change.

As the 19th-century industrialist Andrew Carnegie once said:

*"All is well since all grows better"*

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## *HOUSEKEEPING*

With thirteen quarters now behind us, Springview's character remains unchanged: a true partnership focused on long-term compounding, grounded in our founding principles of patience, long-term thinking, owner's mindset, and treating our partners with fairness and transparency.

The fund remains open to new investors, with a $250,000 initial minimum. Existing partners may add to their investment in $100,000 increments. To date, all growth in our capital base has come through word of mouth, and we deeply appreciate any introductions to prospective long-term partners.

As always, the Baron family remains heavily invested, with over 90% of our liquid net worth committed to the fund—right alongside your capital.

Respectfully Yours,

Guy Baron

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