2024 Mead Capital Management Annual Letter

	MCM Performance Vs. Benchmarks			
	MCM	MSCI	SPY	Russell 2000
2018...	(3.0%)	(9.2%)	(4.6%)	(11.1%)
2019...	18.1%	26.6%	31.2%	25.4%
2020...	8.1%	16.3%	18.4%	20.0%
2021...	26.2%	18.7%	28.7%	14.5%
2022...	(13.9%)	(18.4%)	(18.2%)	(20.5%)
2023...	7.8%	22.3%	26.2%	16.8%
2024...	21.1%	17.5%	24.9%	11.4%
Compounded Annual Gain 2018-2024..........	8.4%	9.3%	13.7%	6.8%
Overall Gain 2018-2024................................	75.6%	86.1%	146.1%	58.6%

Note: MCM results are after fees and only include proprietary investment management accounts.

Dear Partners,

On a composite basis and after fees[1] MCM client portfolios increased 21.1% for the year. While we beat the Russell 2000 and the MSCI Index – by 9.7 and 3.6 percentage points, respectively, – we lagged the S&P 500 by 3.8 points. America's largest companies have proven a difficult competitor.

There's nothing wrong with taking a hands-off approach and investing in low-cost index funds. In fact, Mead Capital employs such a strategy for its financial planning clients (short commercial: if you know someone looking for help planning for or navigating through retirement, I would very much appreciate the referral).

I still maintain that being an active value investor – in which stock in public companies is purchased based on business value – should be more profitable in the long-run. Not to mention loads more interesting and fun. As Benjamin Graham reminds us with his analogy of a weighing machine vs. a voting machine, stock prices necessarily reflect underlying business value over time.

The careful selection of a relatively small number of competitively advantaged businesses purchased at a rational price to intrinsic value *should* beat a hand-off indexing approach. As the track record above demonstrates, however, this is simple but not easy!

[1] See important disclaimers at the back.

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Trains, Or How to Make Money in the Stock Market:

Investing is a lot like traveling by train. One selects the locomotive (business), determines if the ticket price (stock price) is favorable and sets off, hopefully guided by a competent and trustworthy engineer (management). Normally, the average speed at which you travel from A to B matches the average speed of the train. But the investing train is different.

In investing, the difference between the ticket price you pay when you embark compared to the ticket price at the station at which you disembark determines where you exit onto the platform. In this way riders of the investing train can travel at a faster or slower average speed than the train itself.

What I'm describing here is the market's appraisal of the earnings power of a business. During times of pessimism, prices relative to earnings (pick your favorite metric: price-to-earnings, price-to-cash flow, etc.) might be low. Conversely, during times of euphoria, valuations may be high. Sometimes there are good reasons for these changes, such as a change in the underlying quality of the business or the level of interest rates. Sometimes Mr. Market is just capricious.

Viewed through this lens, the total return earned from owning a stock comes from two sources: one, from the underlying earnings of the business (including dividends), and two, from a change in the price multiple, however defined.

An example will illustrate. Two investors purchase a stock earning $10 per share. One investor – let's call him Warren – pays $100, or 10x earnings. Another investor – we'll call him Charlie – pays $200, or 20x earnings. How will each investor fare owning this business? Let's keep it simple and say the business earns 10% on capital and retains all earnings, therefore it grows 10% per year.

Fast forward ten years and the business will be earning about $26 per share.[2] If the market price of shares at that time is 10x earnings, the stock will sell for $260 per share. Warren will have earned a 10% return, which is equal to the results of the business itself. Charlie, however, will have earned just 2.7% per year on account of his higher entry point. Charlie's price of 20x earnings, which became 10x earnings, caused a drag of 7.3% per annum.

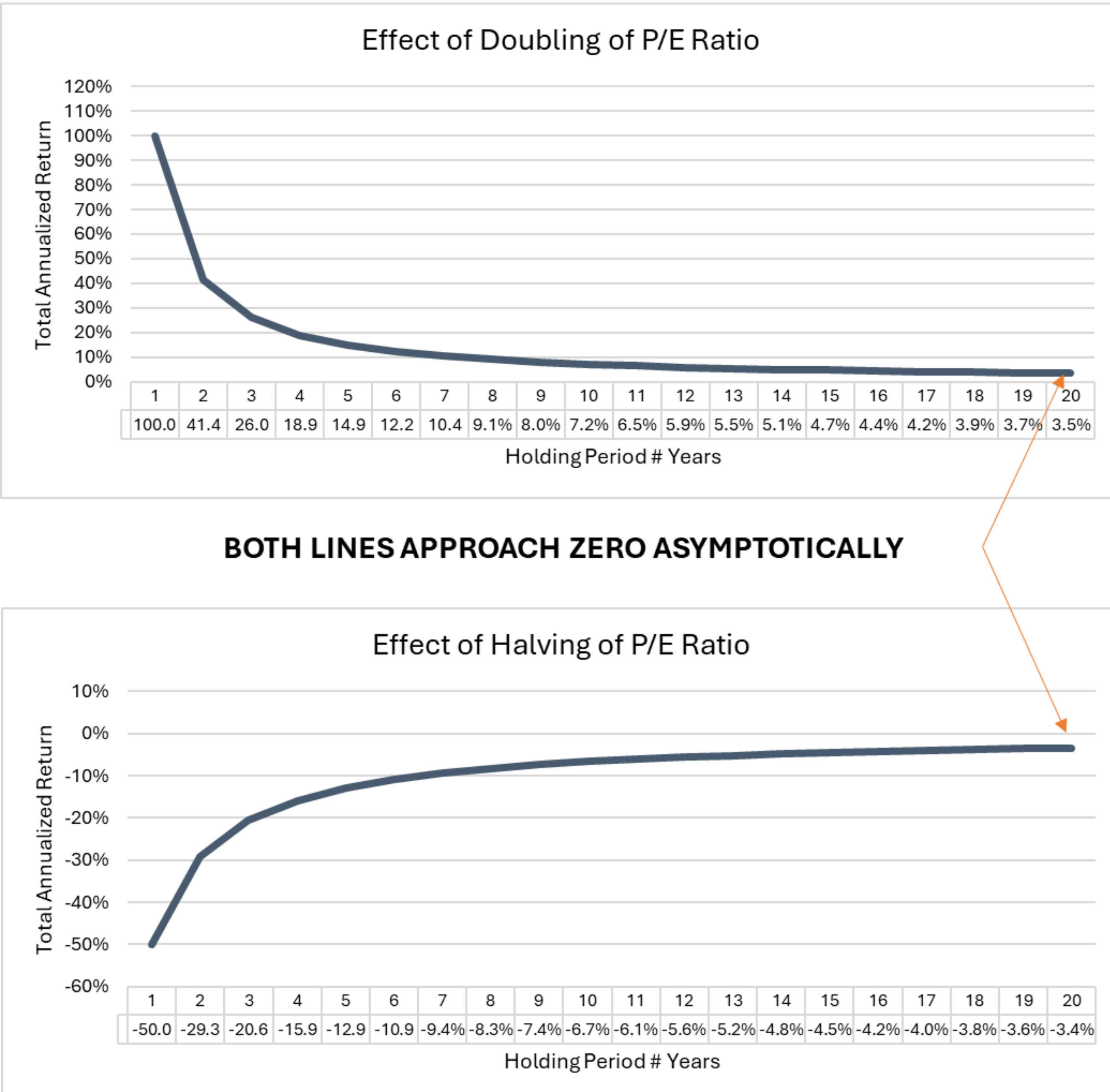
Now let's look at the opposite and assume the multiple is 20x at year 10. The price will be $520 and Charlie will have earned the underlying return of the business, or 10%. Warren, however, will have earned 17.9% per year a tailwind of 7.9% per year.

You can visualize what's happening by imagining our hypothetical traveler getting on the front of the train and exiting near the caboose. Or the reverse, getting on the caboose and getting off

[2] 10% growth over 10 years is 2.59x the original earnings of $10.

at the front. The train (stock) moved forward at 10% per year, but by changing the entry/exit point the experience of the rider (owner) is detached from that of the train.

The two charts below graphically depict the effect of the change of (in this case) the P/E ratio independent of the underlying return of the business. Notice that both graphs approach zero asymptotically, meaning the effect is mitigated by the passage of time.



There are a couple of inferences we can make from this example, ones that reflect different "flavors" of value investing.

1. *Importance of selecting the right company* – Selecting the right business is of paramount importance. While a change in valuation multiple can have a meaningful impact on long-term results and is nice when it happens, the underlying business plays the starring role. It is also the most controllable. Trying to anticipate changes in the valuation multiple is speculation.
2. *Multiple changes atrophy over time* – A corollary is that the effect of a change in valuation multiple weakens over time, plus or minus. For a multiple expansion this may seem like a negative. After all, why wouldn't you want to receive an extra seven points per annum from the valuation multiple alone?[3] But if you own a great business earning a great return on capital, selling it would leave you worse off? On the flipside, a long holding period mitigates the effect of paying a somewhat expensive price and experiencing a multiple contraction.
3. *Selecting the right entry point* – While it is true that the business matters most and the effects of changes in valuation multiples weaken over time, it's still important to care about valuation. After all, there's a limit to how much one should pay for even a truly spectacular business. Being aware of the effects of a downward revision in the market's appraisal of your company on your compounding rate should play a part in how you think about purchase price.

Some value investors ply their trade on selecting companies that will receive an upward revision to their multiple. These investors look for so-called catalysts that work to change market psychology in their favor.

Our style is to look to the business itself to drive results and take relative valuation changes as they come. If it happens that the market places an expensive valuation on shares, we can take advantage of that and sell. If the market has a pessimistic attitude, we can ignore the market and wait for the long-term prospects of our company to deliver our results.

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Copart:

This lengthy prelude is to tee up Copart, a business I reluctantly parted with in December of last year. I've written about Copart in the past, so I won't describe its business in detail. Suffice it to say that the company has a wonderful business with great long-term prospects. The problem is the market appraised it as a Japanese bullet train. Copart's high valuation made me increasingly uncomfortable, and I judged it more advantageous to hold cash than shares.

[3] A doubling of the multiple over 10 years.

We began buying shares in the third quarter of 2018 at an average of about $13.56 per share. Copart earned net income of $418 million in its fiscal year ended July 31, 2018, and had 968 million shares outstanding. This implied a market cap of $13.1 billion and a price/earnings ratio of 31.4.

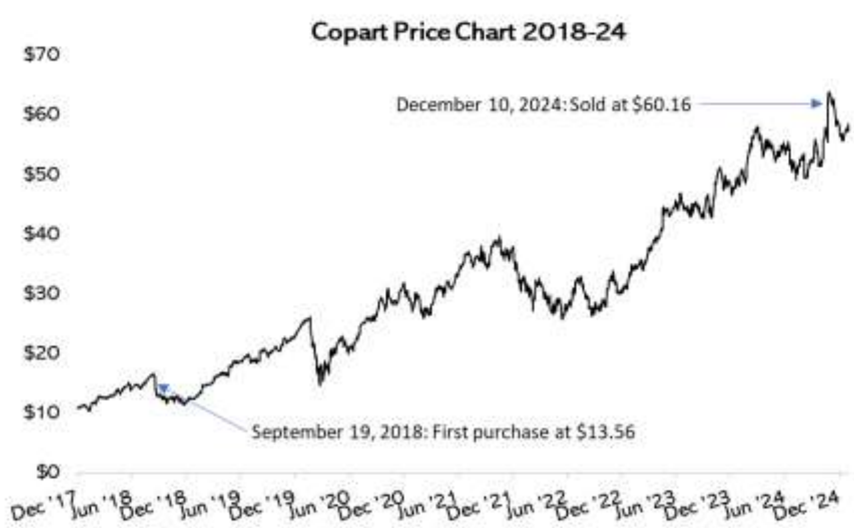
Fast forward to December 2024 and shares traded at around $60 or a market cap of $58.5 billion with 975 million shares outstanding and a P/E ratio of 42.9 on $1,363 million in earnings.[4]

The table below shows the breakdown of our return from the underlying company (21.8% per year) and the change in the P/E ratio (5.3% per year). In other words, we earned a quite meaningful but wholly undeserved boost of over 5% per year.

Change in:	**Jul 31, 2018 → 2024**	**Total Change**	**CAGR (6 Years)**
Net Income	$418MM → $1,363MM	3.26x	21.8%
P/E Ratio	31.4 → 42.9	1.37x	5.3%
Market Cap	$13.1B → $58.5B	4.44x	28.2%
Share Price	$13.56 → $60.16	4.44x	28.2%

Note: To arrive at the change in market cap or share price from net income and the P/E ratio requires multiplying the component parts. E.g., 1.218 x 1.053 = 1.282.

Copart is one of those companies that I'd love to own again in the future. But paying over 40 times earnings means an earnings yield of a paltry 2.5%. In a world where the 10-year Treasury is over 4%, there is a lot of perfection baked into the price.



[4] Copart has $3.3 billion net cash on the books that would cut the P/E ratio to 40.7, but that's splitting hairs at these levels.

In last year's letter I wrote, "Copart falls into the category of hold-on-for-dear-life investments, meaning that *selling at what looks like an expensive price almost always turns out to be a mistake*." [Emphasis added]. Let's hope I was wrong…

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The table below shows the composition of the composite portfolio at the end of each year. Our only major move in 2024 was selling Copart in December. This came after trimming it from about 10% to 7.5% in March. The only other move was in June to initiate a 3% position in Medifast, a company I'll touch on more later.

Mead Capital Management, LLC
Table of Historical Holdings

	Year ended December 31:						
Company	**2024**	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
Berkshire Hathaway	37.7%	38.2%	42.4%	51.0%	50.0%	68.3%	73.8%
Hingham Institution for Savings	30.4%	29.4%	20.2%	14.9%	10.5%	3.1%	
Triumph Financial	7.8%	8.8%	4.1%				
Boston Beer Company	2.7%	4.2%	6.5%	5.2%			
Heineken Holding NV	2.1%	4.0%	4.7%				
Creighton's PLC	4.7%	4.0%	6.1%				
Medifast	2.2%						
Copart, Inc.		9.9%	7.0%	7.7%	10.4%	8.9%	5.5%
Activision Blizzard			4.1%				
Synchrony Financial			2.7%	4.3%	6.8%	3.3%	2.6%
Cimpress PLC			1.3%	2.8%	4.8%	9.3%	6.3%
Nestle					1.2%	0.5%	0.4%
ALJJ Regional Holdings					0.1%	1.1%	1.4%
Trupanion						4.7%	3.8%
Total common equity	87.7%	98.4%	99.2%	85.9%	83.8%	99.2%	93.9%
Cash	12.3%	1.6%	0.8%	14.1%	16.2%	0.8%	6.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Equity securities #	*7*	*7*	*10*	*6*	*7*	*8*	*7*

Notes:

1. Heineken Holding NV includes ADRs

Listed below are statistics on portfolio turnover, and a performance attribution table showing the contribution of each security to our overall return during the year. A few notes on the attribution table:

1. The totals do not add to the overall return since they're an average.
2. Heineken is listed twice: once for the European shares and again for the ADRs.
3. Cash and equivalents includes a 0-3 month US Treasury ETF.

Mead Capital Management, LLC
Turnover Summary

2018	67.8%
2019	0.4%
2020	61.5%
2021	6.1%
2022	28.7%
2023	25.4%
2024	16.5%
3 Year Average	23.5%
3 Year Median	25.4%
5 Year Average	27.6%
5 Year Median	25.4%
Inception Average	29.5%
Inception Median	25.4%

Performance Attribution

Symbol	Description	Avg Weight	Return	Contribution
BRK B	Berkshire Hathaway	38.69%	27.09%	9.98%
HIFS	Hingham Institution for Savings	28.10%	31.68%	9.15%
CPRT	Copart, Inc.	7.11%	26.25%	1.83%
CRL	Creighton's PLC	4.22%	46.88%	1.55%
TFIN	Triumph Financial	7.85%	13.10%	1.17%
Cash	Cash & Equivalents	5.03%	4.30%	0.23%
HEIO	Heineken Holding NV	1.44%	-27.87%	-0.37%
MED	Medifast	2.38%	-15.48%	-0.47%
HKHHY	Heineken Holding NV ADR	2.02%	-28.14%	-0.53%
SAM	Boston Beer Company	3.44%	-13.13%	-0.61%

Now to the fun part … talking about the companies we own!

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Portfolio Updates:

Hingham Institution for Savings

Although it is the second largest position in our portfolio by allocation at 30% at year-end 2024, Hingham is a much more concentrated bet than Berkshire. Berkshire is a collection of a few very large businesses, including two stable, mature operations, and literally a hundred other smaller enterprises. Hingham is a *single* business. Because of that I consider Hingham to be our largest investment even though Berkshire technically takes the spot.

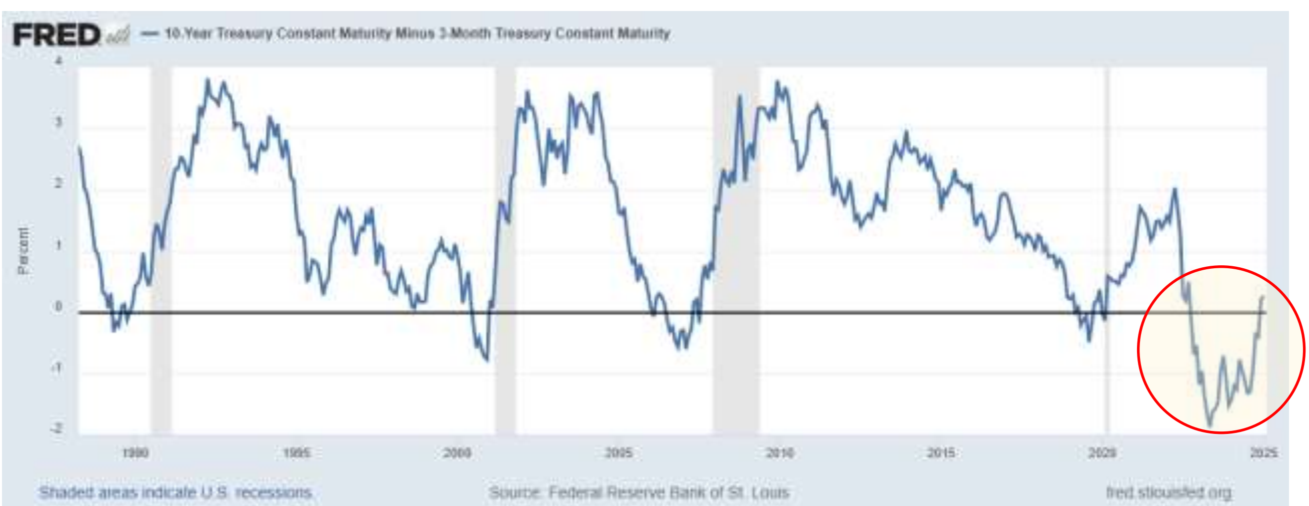
Hingham is the perfect combination of simple business, trustworthy management, long runway, and price. Only a few companies deserve such weight, and only Berkshire has been as large on an absolute basis.

One the one hand not much has changed with Hingham over the past year. On the other hand, much has changed. The big change is external. After a historic 26-month period, the yield curve finally went from inverted to normal in December 2024. The three-ten spread, or the difference between the yield on the 10Y US Treasury minus the 3M US Treasury currently stands at about 25 basis points after hitting a low of -1.90% in mid-2023 and remaining around -1.00% for the better part of 18 months.

This return to a normal yield curve means market forces are favorable (from an interest rate perspective) for putting new loans on the books and having older loans reset at a price above the cost of funding the balance sheet. This dynamic can be seen in Hingham's spread and net interest margin.

What *hasn't* changed at Hingham is its basic process of making good loans to good borrowers in assets and markets it knows well. In some ways the bank is in even better shape for having weathered the last couple of years, including shortening reset periods and being more mindful of the effects of a deeply inverted yield curve.

The October 2022 to December 2024 inversion was the longest and deepest on record.



The following table shows just how quickly Hingham's cost of funds rose between 2021 and 2023 and swamped the increase in asset yields, which take longer to reprice. The result was a spread as of the fourth quarter of 2023 of just 17 basis points and what now appears to be the low point. It will take time for new loans and the re-pricing of existing loans to catch up. In 2024, funding costs began to abate as the Fed reduced interest rates, an effect that's helped widen spreads to a much more breathable 53 basis points.

Yield on / cost of:	Q4 2021	Q4 2022	Q4 2023	Q4 2024	Change 2021-2022	Change 2022-2023	Change 2023-20234
Interest-earning assets	3.68%	3.91%	4.40%	4.60%	+0.23%	+0.49%	+0.20%
Interest bearing liabilities	0.29%	2.24%	4.23%	4.07%	+1.95%	+1.99%	-0.16%
Spread	3.39%	1.67%	0.17%	0.53%	-1.72%	-1.50%	+0.36%

Equally important are how much overhead a bank has and its loss experience. Hingham is class-leading in both respects. Its overhead is a quarter of where most other banks operate (even some quite large ones), and its credit remains pristine.

Annual Figures	2021	2022	2023	2024	Change 2021-2022	Change 2022-2023	Change 2023-2024
Operating expenses % assets	0.74%	0.70%	0.67%	0.67%	-0.04%	-0.03%	0.00%
Charge off ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Core ROA	1.89%	1.43%	0.35%	0.28%	-0.46%	-1.08%	-0.07%
Core ROE	17.29%	14.56%	3.62%	2.92%	-2.73%	-10.94%	-0.70%
Equity to Assets	10.93	9.81	9.56	9.69	-1.12	-0.25	-0.13

My thesis with Hingham remains unchanged. The bank is structured to make highly satisfactory returns through the cycle without requiring any competitive advantage on either side of the balance sheet. It is managed to take deposits at market rates and lend them at market rates, turning an average spread into an above-average return by focusing on keeping overhead and credit losses at rock bottom. Management also has significant skin in the game and communicates openly and honestly with shareholders.

The past two years have proven that Hingham's management has the fortitude to stick with what it knows best and let history, discipline, and rational thought guide it through difficult times. I look forward to a return to more normal profitability in 2025 and beyond.

Berkshire Hathaway

Berkshire ended the year at 38% of client accounts, about where it was at the end of 2023.

Berkshire has always been my rock-solid opportunity cost benchmark. It's a company I know extremely well, and it has satisfactory and steady earning power. And even at this "low" of 38% of the portfolio it's still probably considered a recklessly high allocation by many. That's fine by me. Berkshire is a gem.

Berkshire Hathaway After-Tax Earnings ($ millions)	**Oct. 1, 2023- Sept. 30, 2024**		**Oct. 1, 2022- Sept. 30, 2023**		**Oct. 1, 2021- Sept. 30, 2022**		**Oct. 1, 2020- Sept. 30, 2021**		**Oct. 1, 2019- Sept. 30, 2020**		**Oct. 1, 2018- Sept. 30, 2019**	
Insurance - underwriting	$6,459	*16%*	$4,680	*13%*	$38	*0%*	$57	*0%*	$99	*0%*	$957	*4%*
Insurance - investment income	12,341	*30%*	8,808	*25%*	5,703	*18%*	4,858	*19%*	5,212	*24%*	5,248	*22%*
Railroad	5,108	*12%*	5,201	*15%*	6,162	*20%*	5,798	*23%*	5,092	*24%*	5,429	*23%*
Utilities and energy	3,633	*9%*	2,438	*7%*	3,657	*12%*	3,441	*14%*	3,039	*14%*	2,754	*12%*
Pilot Travel Centers	659	*2%*	380	*1%*								
Manufacturing, service and retailing	12,421	*30%*	12,703	*36%*	12,312	*39%*	10,796	*43%*	8,063	*38%*	10,446	*45%*
Other, including non-controlled	770	*2%*	1,224	*3%*	3,497	*11%*	280	*1%*	(223)	*-1%*	(1,392)	*-6%*
Operating earnings, after tax	**$41,391**	***100%***	**$35,434**	***100%***	**$31,369**	***100%***	**$25,230**	***100%***	**$21,282**	***100%***	**$23,442**	***100%***
						0%						
Investment and derivative gains/losses	$65,484	*158%*	$41,235	*116%*	($32,706)	*-104%*	$60,805	*241%*	($25,504)	*n/a*	$4,617	*20%*
Net earnings (loss)	$106,875	*258%*	$76,669	*216%*	($1,337)	*-4%*	$86,035	*341%*	($4,222)	*-20%*	$28,059	*120%*

Note: Other adds back goodwill/intangible impairments of $10,863 for the TTM 2020 period and $129 for the TTM 2021 period. The TTM 2022 period includes $2.7 billion of foreign currency gains. The TTM 2023 period includes forex losses of approximately $205.

The most important figure to track is operating earnings. Focusing on this line we see a company making steady progress. The business press likes to focus on bottom line net profit, which includes changes in the securities portfolio. In 2024, Berkshire will likely report a GAAP net profit that overstates its true earning power due to the significant realized gains on securities sales. Ignore that figure and look to operating earnings.

For all the talk that Berkshire has too much cash, is old school, etc., etc., look at that operating earnings progression. Operating earnings increased 75% between 2019 and 2024 (TTM). And Berkshire has a war chest of cash ready to deploy into other businesses or to repurchase stock. What we're seeing today isn't an aberration from the plan – it *is* the plan.

Howard Buffett, Warren's oldest son, defined Berkshire's culture like this: "The culture is to keep things simple, to do what you need to do but don't do a lot of things you don't need to do, treat people fairly, respect your managers, respect your shareholders. Tell them the bad news upfront, be honest. It's not rocket science." That's the playbook that created the results you see in the table above, and that's the plan going forward. Specifics will emerge over time as opportunities are weighed against each other. What looks boring in the short run can create dramatic results over time.

For the second year in a row the market appears to be pricing Berkshire at a 5% going-forward return.[5] For such a high-quality collection of businesses that is a satisfactory return considering the rail and energy businesses show lower than normal earning power. But it gets even better. It assumes no insurance underwriting gains, which Berkshire has historically generated. It doesn't include any optionality from the significant cash resources, nor any benefit from organic growth in float, which is a possibility. In sum, Berkshire is a wonderful collection of many exceptionally good businesses and remains attractively valued.

Breaking down Berkshire Hathaway's market value
What do we get for our money?

($ millions)		*% market cap*
Market capitalization on February 4, 2024	$1,000,000	*100%*
Balance sheet totals as of September 30, 2024:		
Insurance cash & Treasuries	$320,318	*32%*
Equity securities (net of deferred tax)	207,634	*21%*
Equity method investments	25,423	*3%*
Fixed maturity investments	16,042	*2%*
Subtotal cash & investments	$569,417	*57%*
Implied residual value of operating businesses	$430,583	*43%*
After-tax earnings (12 mo. 9/30/24):		
BNSF Railroad	$5,108	
Utilities & energy	3,633	
Manufacturing, service, and retailing	12,421	
Pilot Travel Centers	659	
Subtotal - after-tax earnings	$21,821	
Value assuming 10x	$218,210	*22%*
Value assuming 15x	$327,315	*33%*
Assumes:		
1. Equity & debt securities are fairly-valued (ex. Apple adjustment).		
2. Breakeven insurance underwriting ($6.4bn profit not included above).		
3. Rail, Energy, and MSR business results represent normalized earnings power.		

[5] After tax earnings of $21.8 billion divided by the implied residual value of the operating businesses of $430.5 billion.

Triumph Financial

In some ways, Triumph is a much different bank compared to Hingham. Its banking model is more overhead-heavy with operating expenses as a percentage of average assets of 6.7%, a whopping 10x that of Hingham's 0.67%. But it also generates more on the topline: its net interest margin in 2024 was 6.95% compared to Hingham's 1.04%. To use an analogy from biology, comparing Hingham and Triumph is like comparing Humans and Orangutans: they aren't related at the level of species but perhaps that of family or order.

There are some important similarities between Hingham and Triumph. Both banks know who they are and – perhaps more importantly – who they are not. Hingham is an expert multi-family commercial real estate lender; Triumph has its sights set on serving truckers.

Triumph serves the trucking market through its now four banking segments. Its traditional community bank lends to many different industries including a specialty in trucking, providing loans to operators to purchase rolling stock. Its factoring segment, with over $1 billion factored receivables outstanding at year end 2024, is 97% transportation related. Its growing payments segment includes $172 million period end factored receivables and also generates revenue through supply chain finance, quick pay transactions, and its nascent Load Pay debit card. Finally, a new segment, Intelligence, will monetize the vast amount of data Triumph has on carriers, brokers, and factors to provide actionable insights to those in the industry. The business just crossed a milestone with its network touching more than 50% of all brokered freight transactions in the United States.

I like the company's laser focus on the trucking market and its clear vision of helping parties in freight transact more confidently and efficiently. I also admire Triumph's founder, Aaron Graft, who takes pains to explain the business and its evolution in thoughtful shareholder communications and quarterly conference calls.

In banking, trust in management is of paramount importance, even more so than in other businesses. With Hingham and Triumph, we're fortunate to have two banks with excellent long-term prospects and top executives with potentially very long runways ahead of them.

Medifast

In his 2nd edition of *Value Investing: From Graham to Buffett and Beyond*[6], Bruce Greenwald writes that a preference for "non-glamorous, ugly, out-of-favor, and obscure stocks" poses the best fishing for value investors. I happen to disagree with that operating model as a primary mode of conducting an investment operation, though the basic notion is sound.

Last June I came across an investment candidate that fit Greenwald's definition in spades. The valuation was seemingly so cheap I decided the probabilities favored a meaningful but modest investment of 3% of our portfolio.

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Medifast is in the structured weight loss market. You're undoubtedly acquainted with the industry through two of its well-known competitors, Weight Watchers and Jenny Craig. Those in the industry typically combine a manufacturing operation with a system of independent contractors – going by various names such as coaches, consultants, representatives, affiliates, associates, brand ambassadors, etc. – to sell its products.

Along came a class of drugs called GLP-1s, a magic pill (shot, actually) that achieved better weight loss results. Unsurprisingly, sales of weight loss products and programs fell, too, along with the scales. Medifast shares fell 95% to about $20 and caught my interest during an annual review of the Russell 2000 index changes.

Medifast hits most, if not all, of Greenwald's adjectives above. There's huge uncertainty around the future of the industry, competitors (including Jenny Craig) are going bankrupt, and the industry carries stains of multi-level marketing practices not entirely undeserved. (Medifast ships directly to consumers, eliminating the incentive to channel stuff so prevalent in the industry.)

So why do we own it?

I was drawn to Medifast for three principal reasons:

1. The deep uncertainty surrounding the industry. Owning Medifast is a bet that the industry will survive in some form as an alternative or perhaps as a complement to new pharmaceuticals. GLP-1s are expensive, and though effective, the side effects aren't fully understood.
2. A highly variable cost structure. Margins remained incredibly flat over the past ten years, including during a period in which sales contracted by a third over the course of one year. I think it's likely that the company can stay at or near breakeven even as sales slump more.
3. Cash and investments of 50% of the market cap. With no real debt, Medifast should be among the survivors.

In short, I think the odds are tilted toward a satisfactory outcome even if industry conditions deteriorate further, with the potential for significant upside potential if GLP-1s don't turn out to be so great or if the industry settles into a reduced-but-still-important role in weight loss.

Creightons PLC, Boston Beer, Heineken

These three investments represent 9.5% of the year-end portfolio. In the interest of time, I won't spend pages on them in this letter. The beer companies continue to work through a changing environment in which they compete against spirits and wine (as ever) as well as newer ready-to-drink options and the growing non-alcoholic category. I like how both companies are positioned and their long-term prospects.

Creightons appears to have successfully transitioned to the full leadership of Pippa Clark, its former marketing head. The company is streamlining operations and navigating a challenging UK market. Creightons is a tiny company by most standards, but it continues to have modest advantages of scale and intellectual know-how that should allow it to thrive and grow in time.

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Some Thoughts on Cryptocurrency

What both irks and perplexes me is the gambling attitude that I see "investors" embracing. I use quotes around investors because the activities these individuals and entities engage in are better defined by speculation. How else could you classify buying an "asset" such as a cryptocurrency literally created out of thin air? Wall Street has now created crypto ETFs, shamefully lending their good name to something worse than a casino. (At least they give you free drinks at a casino.)

Dutifully following suit were the brokerage houses and their legions of financial advisors who now peddle their crypto "products" as "part of a diversified portfolio". Now a US President – sorry, an ordinary citizen who just happened to be getting ready to become president in under a week – couldn't help himself and cashed in on the trend. Billed as a meme coin, this digital invention is technically just something akin to a collectors item but has all the look and feel of the "real" thing.

How does this relate to our plodding, old school way of investing? It doesn't, at least directly. It's just a data point that tells me there's more than a hint of speculation in the air. Cryptocurrencies now command a market cap of some three trillion dollars in total. As Elliott Management put it recently, the collapse of crypto could have implications we can't anticipate. If or when these deflate there may be real world implications to consumer spending, the price of real-world assets, or the banking system. Perhaps all three.

To end on a positive note, a crypto-induced panic that spreads to the real economy would very likely bring opportunities. Panics tend to cause indiscriminate sales. It is during those times that patient, long-term business owners like us can step in and stabilize markets while acquiring assets at very good prices.

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Conclusion

Investing is a simple but not easy endeavor of finding good businesses to own over the long term. The nuts and bolts of investing – finding companies and calculating their intrinsic value – are comparatively easy compared to the temperamental requirements of following the facts and one's own logic in the face of a crowd, either literally or via the stock price, suggesting you are wrong.

My confidence is bolstered by having wonderful client-partners. Each of you has added, in at least some small way, to my understanding of business and investing. I'm thankful for you trusting me with your hard-earned capital. Your understanding of what we're trying to accomplish together – building wealth by owning parts of good businesses – goes a long way in helping us achieve our goals. It gives me more time to read, think, focus, and analyze businesses, time of which you are the beneficiary.

While I prefer to offer my in-depth thoughts in long-form once a year, I very much enjoy speaking with clients. Don't be shy. I relish these days of small beginnings because the present size of Mead Capital allows me to interact with client-partners and not get overwhelmed by calls or feel that it detracts from research. It also allows me to search for and buy shares in companies others simply cannot because of their size. At some point in the future, I intend to close MCM to new clients to remain in this nimble state. If/when anything changes on that front, you'll be the first to know. In the meantime, I'd appreciate referrals to like-minded individuals.

I look forward to reporting to you in another year.

Rationally yours,

February 14, 2025

Important Disclosures:

Mead Capital Management, LLC is a registered investment adviser based in Derry, New Hampshire. Adam J. Mead is its principal, CEO, Chief Investment Officer, and managing member.

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Past performance is not indicative of future performance.

All MCM performance figures are after a 1.00% annualized fee.

	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Annualized 1 Year	3 Years	5 Years	Inception
MCM	**4.7%**	**-1.2%**	**15.4%**	**1.4%**	**21.1%**	**4.0%**	**8.9%**	**8.4%**
Avg. cash % NAV	*7.6%*	*6.0%*	*4.5%*	*8.4%*	*6.6%*	*4.9%*	*8.8%*	*8.9%*
MSCI	8.2%	2.9%	6.4%	-0.8%	17.5%	5.4%	10.1%	9.3%
SPY	10.4%	4.4%	5.8%	2.5%	24.9%	8.8%	14.5%	13.7%
Russell 2000	5.0%	-3.3%	9.2%	0.3%	11.4%	1.2%	7.3%	6.8%

Calendar Year Performance

	MCM	MSCI	SPY	Russell 2000
2018	-3.0%	-9.2%	-4.6%	-11.1%
2019	18.1%	26.6%	31.2%	25.4%
2020	8.1%	16.3%	18.4%	20.0%
2021	26.2%	18.7%	28.7%	14.5%
2022	-13.9%	-18.4%	-18.2%	-20.5%
2023	7.9%	22.3%	26.2%	16.8%
2024	21.1%	17.5%	24.9%	11.4%
Cumulative	75.6%	86.1%	146.1%	58.6%
Per Annum	8.4%	9.3%	13.7%	6.8%

Important notes and disclaimers about the performance table presented above:

MCM includes all proprietary investment management accounts managed by Mead Capital Management on the Interactive Brokers ("IB") platform beginning on January 1, 2018, with the exception of one account open for less than two quarters. MCM's principal, Adam J. Mead, maintained accounts outside of IB during and prior to this time. These outside accounts were excluded because i) one proportionally-large account employed a strategy inconsistent with MCM's current strategy, and ii) to maintain consistency of reporting from IB.

MCM performance is after a 1.00% annualized fee or 0.25% per quarter (MCM's maximum fee) deducted from the performance data taken from IB. MCM believes this is conservative because some accounts managed by MCM paid fees through the IB account (the majority of accounts paid fees outside of IB or had no fee).

Calculations presented above are unaudited. They are believed to be accurate, however, MCM does not and cannot guarantee accuracy.

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The S&P Index return was determined by Interactive Brokers using the performance of SPDR S&P 500 ETF Trust (SPY). The MSCI Index return was determined using the performance of iShares MSCI ACWI ETF (AWCI). The Russell 2000 Index return was determined using the performance of iShares Russell 2000 ETF (IWM).