



DIAMOND CREST
CAPITAL

Diamond Crest Growth Fund

Presented by:
Alex Barrón



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How to Invest in the US Housing Market

*Without investing in
Physical Properties*

Presented by:

Alex Barrón

Diamond Crest Capital

As of March 31, 2024



About Alex Barrón



EDUCATION:

University of Texas at El Paso

- B.S. Civil Engineering, 1995

Stanford University

- M.S. Structural Engr., 1996
- Engineer Doctoral Thesis, 2001

WALL STREET CAREER:

24 Years Experience Analyzing Builders

- Franklin Templeton 2001-2003
- JMP Securities 2004-2007
- Agency Trading 2007-2009
- Housing Research Center 2010-Present

BUSINESS EXPERIENCE:

CEO & Founder

- **Housing Research Center 2010-Present:** Housing Research Center (HRC) is the premier independent equity research firm in the nation providing research and analysis on the US housing market and public homebuilders to institutional investors.
- **Diamond Crest Capital 2017-Present:** Diamond Crest Capital was created to leverage the HRC's research to make money for ourselves and our investment partners by becoming the first hedge fund dedicated to invest exclusively in the US homebuilding market.

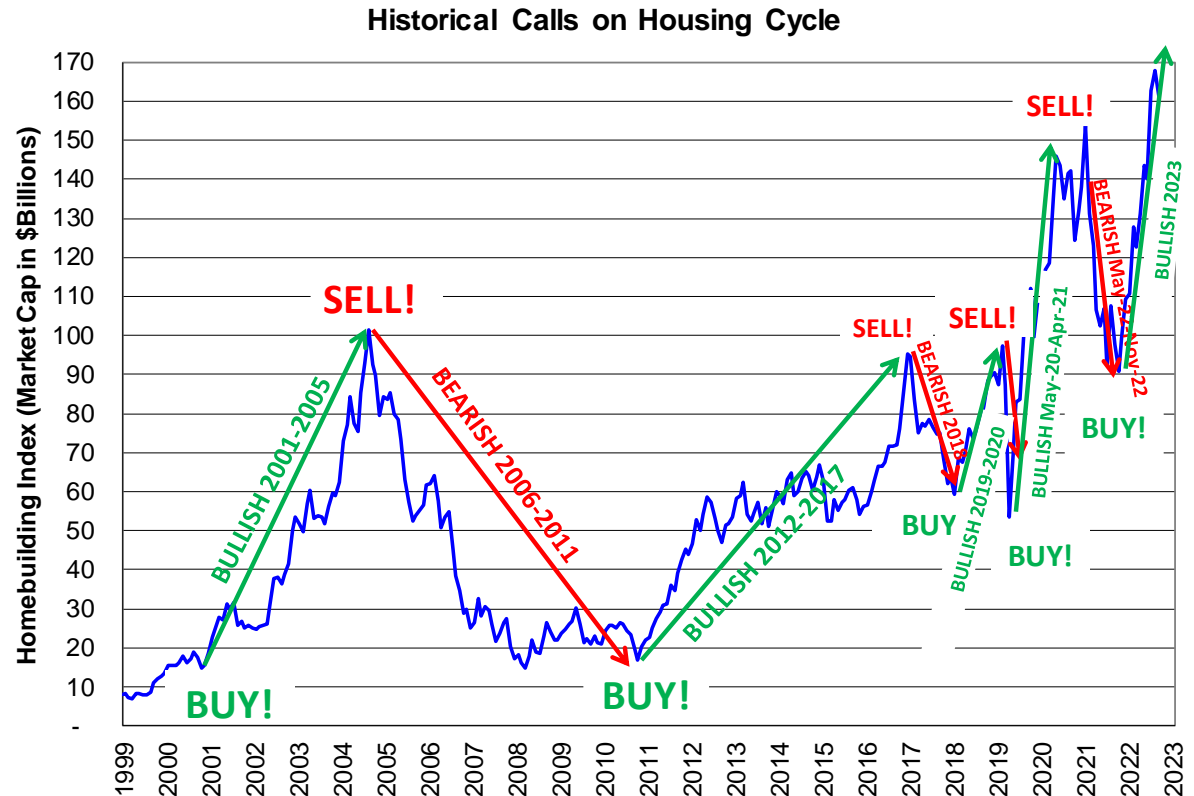


Successful Track Record

- Alex Barrón has been successful in accurately calling the direction of the housing market every single year over the last two decades.
- He has helped institutional investors make \$Billions over his career.

NOTABLE CALLS:

- Predicted the housing crash in early 2006.
- Called the bottom to the day in 2011.
- First to recognize the slowdown in 2018.
- Accurately called the new cycle in 2019.
- Warned in early March 2020 about COVID-19.
- Upgraded in May 2020 as the market recovered.
- Downgraded in May 2022
- Upgraded in Jan 2023





Diamond Crest Track Record

WE OFFER CLIENTS A UNIQUE WAY TO INVEST:

[Diamond Crest Housing Growth Fund: \(High Risk / High Return\)](#)

- **Strategy:** Invest long/short in high growth stocks.
- **Historical return:** +447.7% since Inception 7.3 years ago vs. 129.0% in S&P500.
- **Annualized Compound Return:** 26.4% per year vs. 13.1% in S&P500.
- **This Year:** 4.3% thru Mar-24 vs. 17.7% in S&P500.



NOTE: Past performance is no guarantee of future results!



Research + Investment = Unbeatable Combination



Housing Research Center

- **Experience:** 24 years studying and researching the US housing market.
- **Research & Analysis:** HRC focuses on the top 20 national public homebuilders.
- **Our Clients:** We work with the top institutional money managers on Wall Street – hedge funds and mutual funds.



Diamond Crest Capital

- **Objective:** Our objective is to leverage HRC's research to invest in opportunities using stocks, bonds, and options.
- **Goal:** Our goal is to outperform the overall market by taking advantage of market inefficiencies we see on the ground vs. what stocks are reflecting.
- **Advantage:** We can go long or short and can generate better absolute returns making concentrated bets than a long only or more diversified portfolio approach or than investing in physical real estate.



Why the Housing Market?

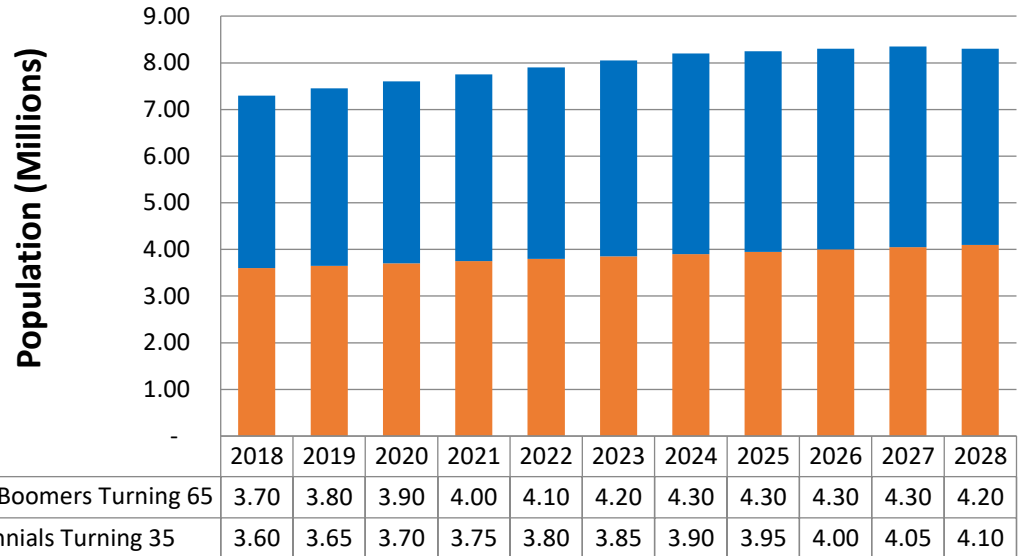
Strong Demand

Homebuilding is a basic need that will never go out of style.

Over the next 5 years:

- 40 Million Millennials are turning 35 who want to Buy their First home.
- 40 Million Baby boomers are turning 65 who want to Downsize to a New home.
- People can work from home – people want more space.

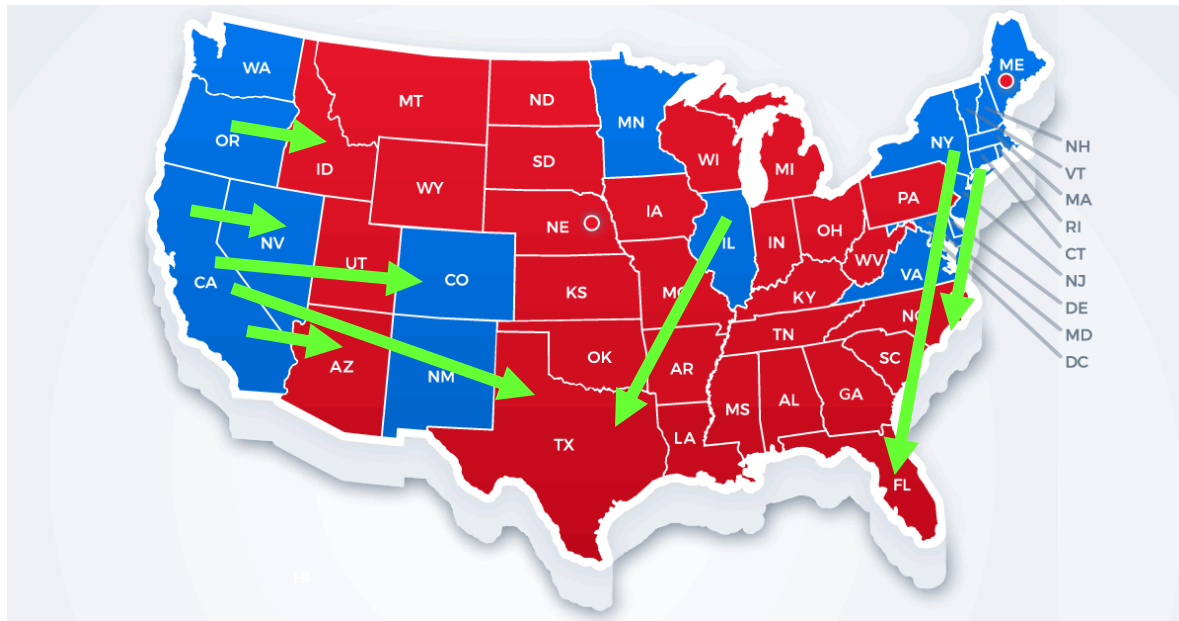
Potential Homebuyers 2018-2028





Buyer Migration from Blue States to Red States

- COVID restrictions became very political – blue vs. red states
- Many people are now leaving Blue states – CA, WA, OR, IL, NY, NJ and are
- Moving to Red states – AZ, NV, CO, ID, TX, NC, NC, GA, FL
- The ability to work from home, rising inflation and corporate relocations has helped people make the decision to move across state lines over the last 3 years!
- Politics, relative cost of living, property taxes and SALT deductions are driving people to move.





Why the Housing Market?

Limited Supply

- There is a shortage of affordable housing in new & resale market.
- Builders started focusing on more affordable new homes since 2019.
- The resale market has 1-2 months of supply of inventory – especially at affordable price points.
- There is a shortage of land, labor and materials. Public builders are able to attract these better than private builders.
- We see double digit growth for several years.

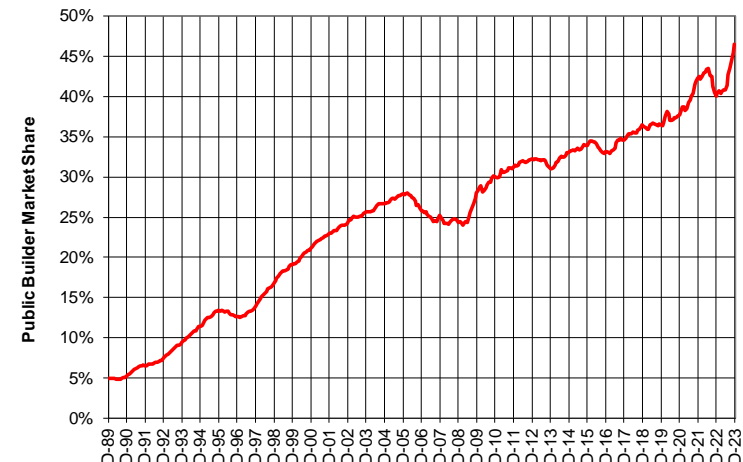


Why the Homebuilders?

- As the population grows there is a need for more housing every year.
- Homebuilding cannot be outsourced overseas to China.
- The industry is consolidating which provides further upside potential for some companies.
- Public builder market share has gone from 5% in 1990 to 45% in 2023. We expect 50% by 2024. The potential is 80%+.
- There are always inefficiencies between the perceptions Wall Street has vs. what is happening on the ground.



Public Builder Market Share





5 Major Reasons Why Now is a Great Time to Invest in Homebuilders

1. Builder Balance Sheets are better.
2. Land Strategy is better.
3. Getting Bigger is better.
4. Margins and Returns are better.
5. Industry Consolidation and Growth are better.



Our Objectives, Purpose, Strategy & Advantages

Challenges Real Estate Funds & Companies Face

- **Diversification:** Many funds are a highly diversified portfolio of small bets on many names across many different sectors. The goal is to diversify to minimize risk to not lose.
- **Limitations of Physical Real Estate:** Investing in physical real estate has an inherent dependence on:
 - Specific Geography, Buyer Type, Price Point
 - Spec Strategy, Land Strategy, Weather
 - Direction of Interest rates, Financing limitations
 - Business Model – i.e. Build or Rent homes or apartments, Fix and Flip, wholesale, REO's & short sales, etc.

All of these work best in “good markets” only.

Our Solution

- **Concentration:** We make concentrated investments in a few housing companies that we know inside out. We invest to Win!
- **Advantages of “Virtual” Real Estate:** Our funds invest in ideas, trends, and themes using public companies and public securities. We are not constrained by physical real estate. We invest independent of:
 - Geography, price point, buyer type,
 - Company strategy, land strategy, weather,
 - interest rates, bank financing, government approvals
 - investment committees.



4-Step Framework for Investment Success

- 1.) **Data Collection** – proprietary software to track prices, sales, communities, and determine market trends.
- 2.) **Field Intelligence** – 17-yrs of experience touring markets + network of industry contacts
- 3.) **Experience** – 23 Years of Experience analyzing companies & understanding business models.
- 4.) **Secret Formula:** Estimate Orders -> Estimate EPS -> Price Target -> Make Investment Decision



Why Diamond Crest Capital?

1.) Data Collection & Analysis Team



Luis, Davis, Alex, Mando, Dan
Research & Analysis, Sales Team



Ana & Isaac
Admin & Data Capture



Ivan & Marianna
Programmers – Data Capture



Juarez, Mexico Team
Data Collection & Analysis

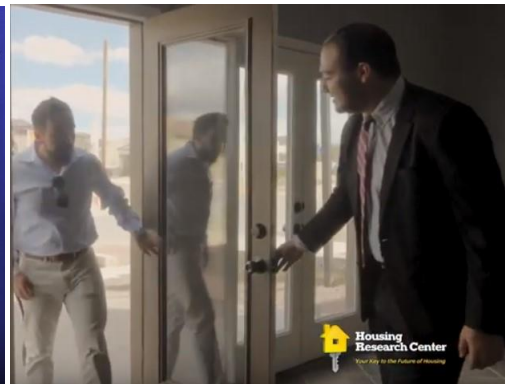


Why Diamond Crest Capital?

2.) On the Ground Due Diligence

- We have developed a proprietary boots on-the-ground primary research methodology, which gives us a unique competitive advantage.
- Since 2006, our teams have traveled continuously to tour homebuilding communities to perform our due diligence and meet with key industry contacts.
- We cover all public builders from the largest to the smallest.
- This enables us to see and hear what is going on in the ground before it becomes common knowledge and gives us an edge over all others.

https://www.youtube.com/watch?v=hHND7_6DhS8





Example: How We Invest

Housing Comp Table

Name	Ticker	Market Cap	Last Price	Blended Target Price			Low	Mid	High
				Low Target	Mid Target	High Target	% Downside	% Upside	% Upside
<u>Large Cap Builders</u>									
D.R. Horton, Inc.	DHI	\$ 32,437	\$ 89.76	\$ 93.00	\$ 110.00	\$ 128.00	4%	23%	43%
Lennar Corporation	LEN	\$ 31,420	\$ 102.68	\$ 106.00	\$ 131.00	\$ 155.00	3%	28%	51%
NVR, Inc.	NVR	\$ 19,498	\$ 5,075.00	\$ 4,700.00	\$ 5,600.00	\$ 6,400.00	-7%	10%	26%
Pulte Homes, Inc.	PHM	\$ 13,051	\$ 50.44	\$ 55.00	\$ 67.00	\$ 79.00	9%	33%	57%
Toll Brothers, Inc.	TOL	\$ 7,631	\$ 60.75	\$ 50.00	\$ 66.00	\$ 83.00	-18%	9%	37%
<u>Mid Cap Builders</u>									
KB Home	KBH	\$ 3,716	\$ 40.98	\$ 46.00	\$ 61.00	\$ 75.00	12%	49%	83%
LGI Homes	LGIH	\$ 3,698	\$ 147.54	\$ 119.00	\$ 141.00	\$ 164.00	-19%	-4%	11%
MDC Holdings, Inc.	MDC	\$ 3,675	\$ 50.54	\$ 50.00	\$ 65.00	\$ 80.00	-1%	29%	58%
Meritage Corporation	MTH	\$ 4,026	\$ 104.91	\$ 109.00	\$ 142.00	\$ 175.00	4%	35%	67%
Taylor Morrison Home Corp	TMHC	\$ 3,675	\$ 28.21	\$ 29.00	\$ 38.00	\$ 46.00	3%	35%	63%
TRI Pointe Homes	TPH	\$ 2,737	\$ 24.06	\$ 25.00	\$ 34.00	\$ 44.00	4%	41%	83%
<u>Small Cap Builders</u>									
Beazer Homes USA, Inc.	BZH	\$ 569	\$ 18.61	\$ 22.00	\$ 28.00	\$ 33.00	18%	50%	77%
Century Communities	CCS	\$ 2,212	\$ 65.27	\$ 68.00	\$ 90.00	\$ 112.00	4%	38%	72%
Hovnanian Enterprises, Inc.	HOV	\$ 587	\$ 91.22	\$ 157.30	\$ 191.00	\$ 224.00	72%	109%	146%
MI Homes, Inc.	MHO	\$ 1,870	\$ 62.14	\$ 72.80	\$ 101.00	\$ 130.00	17%	63%	109%
Green Brick Partners	GBRK	\$ 1,205	\$ 23.61	\$ 21.00	\$ 28.00	\$ 34.00	-11%	19%	44%
Landsea Homes	LSEA	\$ 398	\$ 9.00	\$ 6.80	\$ 9.00	\$ 12.00	-24%	0%	33%
Dream Finders Homes	DFH	\$ 1,550	\$ 16.73	\$ 8.00	\$ 14.00	\$ 18.00	-52%	-16%	8%
TOTAL GROUP		\$ 133,955					1%	30%	59%



Not all Fund Managers are the Same



Invest In Top 20 Homebuilders



Hands-On Due Diligence



Invest Alongside the Nation's Top Expert In Housing



Liquidity and Stability

- 1.) We invest in the top 20 homebuilders.
- 2.) We research, analyze, and visit the companies we invest in continuously.
- 3.) Invest alongside our clients with our own capital.
- 4.) The builders offer growth, stable cash flows, liquidity, and daily valuations.



A Unique Way to Invest with Us

Housing Growth Fund – We invest in the Stocks of the Homebuilders and other Housing Companies. This fund offers a high risk / high return potential. Our objective is high growth and high long-term appreciation.



Housing Growth Fund

Objective: Invest in high growth stocks at an attractive valuation.

- **Historical return:** +447.7% since Inception 7.3 years ago or 26.4% per year.
- **This Year:** +4.3% thru Mar-24.
- The capital fluctuates each month, but our goal is to outperform the Housing Index and the S&P500 every year.

Diamond Crest Housing Growth Fund

Historical Results and Summary Statistics

Latest Month	Annualized Rate											Worst		YTD	ITD	CAGR
	14.0%	Year-to-Date			4.3%	of Return			26.4%	Best Month		62.3%	Drawdown			
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC				
2024	-2.1%	-6.6%	14.0%											4.3%	447.7%	26.4%
2023	42.7%	-9.4%	8.8%	12.2%	-3.1%	62.3%	26.2%	-9.1%	-21.8%	-15.4%	33.1%	41.7%	255.1%	425.2%	26.7%	
2022	-34.9%	-14.4%	-26.0%	-4.0%	-20.4%	8.2%	-19.8%	-0.8%	2.2%	-24.3%	8.9%	1.7%	-76.8%	47.9%	6.7%	
2021	32.7%	14.4%	54.7%	21.2%	-4.4%	-18.4%	-12.7%	4.9%	-8.6%	16.4%	11.5%	24.2%	200.0%	536.3%	44.8%	
2020	16.8%	-4.4%	-27.7%	18.4%	-0.6%	15.0%	2.9%	21.2%	4.3%	-3.4%	23.9%	-13.3%	47.4%	112.1%	20.7%	
2019	-3.3%	-2.6%	-3.8%	7.3%	-4.3%	3.7%	15.5%	15.4%	46.2%	24.0%	-10.3%	-6.8%	95.0%	43.9%	12.9%	
2018	-1.7%	-10.6%	3.8%	-3.2%	-10.6%	-3.2%	-13.9%	-2.2%	-10.3%	4.9%	3.1%	-2.0%	-38.8%	-26.2%	-14.1%	
2017	-0.2%	0.2%	3.8%	12.3%	-0.6%	-4.1%	3.4%	-17.7%	17.0%	18.4%	-0.4%	-7.6%	20.6%	20.6%	20.6%	

Performance by Index	Jan-24	Feb-24	Mar-24	YTD	ITD	CAGR
Housing Growth Fund	-2.1%	-6.6%	14.0%	4.3%	447.7%	26.4%
Homebuilding Index	-1.5%	3.7%	14.3%	16.7%	254.9%	19.7%
S&P500	1.6%	6.8%	8.4%	17.7%	129.0%	13.1%
Hoya HOMZ ETF	-3.7%	-1.9%	10.4%	4.3%	91.6%	13.2%



Sample Investor Statement

Growth Fund



Investor Statement

NAV Date : 2024-03-31

Partner

Address

United States

Diamond Crest Housing Growth Fund, LP

Statement of Changes	Mar	Year To Date	Inception To Date (from 04/01/2017)
Beginning Net Asset Value	\$214,828.28	\$234,894.66	-
Subscriptions	-	-	\$64,923.68
Transfers	-	-	-
Income (Loss)	\$30,108.04	\$10,041.66	\$230,012.64
Redemptions	-	-	\$(50,000.00)
Distributions	-	-	-
Ending Net Asset Value	\$244,936.32	\$244,936.32	\$244,936.32
Time Weighted Return			
General / DCGG	14.01%	4.27%	521.10% (Cumulative)

Advantages Over Investing in Physical Real Estate

- Diamond Crest Capital invests in public securities for which there is an active market, daily valuations, and market liquidity.
- This enables investors in our funds to have monthly statements, regular updates on performance, and the ability to exit more easily than compared to investing in private builders or in land deals.
- By nature most land deals are 2-5 years – highly illiquid, long-term, and long.
- Investors in private deals are investing on land, management, or a particular location or strategy – hoping it works better than the competition.
- If something changes (e.g. interest rates go up, or publics decide to discount aggressively), the investor in the private deal is along for the ride without the ability exit easily.
- If investment is a JV, the returns may not be known until the end based on waterfall formulas.
- In private deals there is no daily measure of Net Asset Value (NAV).
- Private deals requires board input and participation.
- We are not committed to a particular strategy, or geography.





Suitability

- **Accredited Investors:** Our investments may be suitable for an accredited investor who is looking for alternative investments that make better returns than mutual funds, the stock market, or directly in the real estate market where our interests are aligned.
- **Real Estate Investors:** A real estate investor who no longer wants to manage physical properties, but wants exposure to the housing market, and dependable high yield income plus price appreciation.
- **Retirees:** An investor who needs current income, does not want exposure to the risk and volatility of the stock market, and does not want to withdraw principal. Someone looking for a steady yield that is:
 - Better than bank CD's.
 - Higher than most bond mutual funds.
 - Easier to manage than rental properties.
- **Beneficiaries:** A recipient of a large sum of money who needs current income over a long period of time, such as to replace an income.
- **Institutional Investors:** An investor who wants exposure to the housing market, and dependable high yield income that is superior to that paid by single family rental REITs and without having to deal with owning and managing property portfolios, nor betting on home price appreciation.



Investment Rules

- Minimum Investment to open an account (Accredited Investors only).
 - \$100,000 for Growth Fund
- Capital is invested for a minimum of 1 year in Growth and Income.
- 5% penalty if taken out if first 12 months for Growth and Income, exceptions made for medical emergency or death.
- Minimum 30-day notice to request funds for Growth and Income.
- Growth Fund Investors receive monthly statements – Tower Fund Services.
- Growth Fund is audited by our CPA firm Richey May each year. Audited financials available upon request.



Fee Structure

- **Management Fee:** 1.5% of Assets (Growth Fund)
- **Incentive Fee:** 15% of Profits above minimum hurdle rate and high water mark.



Investment Terms

- **Minimum Investment:** \$100,000 (Accredited & Qualified Investors only).
- **Management Fee:** 1.5% - Growth Fund
- **Performance Fee:** 15%
- **Target Return:** 20-30% - Growth Fund

- **Penalty Fee:** 5% if money is withdrawn in first 12 months.
- **Liquidity:** 30-day minimum notice to redeem investment.



Summary of Service Providers

- Fund Administrator – Tower Fund Services.
- Fund Auditor - Richey May.
- Prime Broker – Interactive Brokers.
- Legal – Riveles Law.



Contact Information

Alex Barrón – Managing Partner

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Disclaimer

- **Builders are volatile and can experience sharp swings in value. It is not unusual for builders to go up or down more than 20% in a short period of time.**
- It is not realistic to expect steady positive returns every single month.
- Small cap builders by their nature are highly illiquid. It may not be easy to start or exit a position. There may be limitations to how large a position we can build depending on the liquidity.
- Past performance is no guarantee of future results.
- If we invest in names officially covered by HRC, we will need to wait 24 hours after a rating is changed before we can invest. We must invest in-line with HRC ratings to avoid conflicts of interest with FINRA and HRC's clients.

