

## 2<sup>nd</sup> Quarter 2025 Letter

August 5, 2025

The Springview Partnership's Onshore Fund gross performance and returns for Founders class limited partners through June 30, 2025 are shown below as well as comparable returns for the S&P 500 Index (which we believe is *one of several* appropriate benchmarks):

	<u>Springview Gross</u>	<u>Springview Founders Class<sup>1</sup></u>	<u>S&amp;P 500 Index</u>	<u>Difference</u>
		(a)	(b)	(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	+19.3%	+15.7%	+6.2%	+9.5%
Annualized Since Inception <sup>2</sup>	+16.7%	+12.8%	+9.5%	+3.3%
\$1 Invested at Inception		\$1.52	\$1.37	\$0.15

To Our Partners,

Limited partners gained +17.8% in the second quarter, bringing the year-to-date return to +15.7%. This compares favorably to the S&P 500, which returned +10.9% in the quarter and +6.2% in the first half, including dividends.

Year-to-date, long investments contributed approximately +21.0%, while shorts and hedges detracted -1.4%, resulting in gross and net returns of +19.3% and +15.7%, respectively.

Since inception on January 3, 2022, the Springview Partnership has delivered a cumulative return of +52.3% net of fees, outperforming the S&P 500's +37.2% total return by 1,510 basis points. On a compounded annual basis, Founders' Class limited partner capital has grown at +12.8%, exceeding the S&P 500 by 330 basis points per year. As of this letter, partnership assets stand at approximately \$43 million.

Importantly, over its three-and-a-half-year history, the Partnership has generated minimal taxable capital gains. We estimate that, through 2024, less than 10% of the fund's cumulative returns have been realized as taxable gains—and of those, 100% have qualified for long-term capital gains treatment. We recently completed a tax efficiency analysis and are happy to share it upon request.

<sup>1</sup> 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 0.5% of assets.

That said, please consult your own tax advisor, as your specific tax treatment may vary depending on timing and other individual circumstances.

This favorable tax posture is not a deliberate goal, but rather a natural outcome of our long-term investment approach. We don't seek to minimize or defer taxes per se—we simply aim to invest in businesses where our capital can compound over years. These companies reinvest retained earnings internally, growing intrinsic value per share. In our view, this strategy is far superior to actively trading in and out of stocks, which has many pitfalls—chief among them the effective partnership it forms with Uncle Sam, who claims a meaningful share of your investment returns.

Most investors will eventually owe taxes on capital gains—either now or in the future. And deferring that liability for as long as possible is one of the few clear financial advantages available to taxable investors. The U.S. tax code acknowledges this principle through vehicles like 401(k) plans, which defer tax until withdrawals begin after a certain age. Advisors, too, have embraced tax efficiency, popularizing “tax-loss harvesting” strategies that algorithmically buy, sell, and repurchase index constituents to capture realized losses and defer gains. These programs are cleverly marketed, but they don't avoid taxes; they merely delay them—while charging advisory fees and aiming for index-like results.

While our tax profile may resemble a customized tax-loss-harvesting strategy, the similarity is entirely incidental. Our low realization of taxable gains is the byproduct of having our capital held and reinvested—on a pretax basis—by the businesses we own, often for years at a time. This is a business-centric view of looking at things. Our fundamental research and owner-oriented mindset lead us to companies with strong reinvestment opportunities and durable competitive advantages. In effect, our investee companies recycle capital on our behalf at attractive rates of return.

Long-term investing isn't just a virtue—it's sound financial strategy.

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## **OKRs – OBJECTIVES AND KEY RESULTS**

The late Andy Grove of Intel Corporation introduced the “Objectives and Key Results” (OKR) framework at Intel in the 1970s. Considering that Intel became one of the best-performing stocks of all time under his subsequent leadership—rising roughly +2,000%, or +32% annually—it's fair to say his management approach had real merit.

When we think about our own OKRs at Springview, our three core Objectives are clear:

1. To compound capital over the long term
2. To outperform the market over time (though not necessarily every year)
3. To prioritize capital preservation

Put simply:

*Our goal is to deliver above-market returns while taking below-market risks.*

Our Key Results, or the progress markers toward those objectives, include our quarterly and annual returns, which ultimately roll up into our long-term track record. But investment returns alone don't tell the full story. Many key results can't be observed in a single quarter—and some may not show up in our numbers for years.

Some of the Key Results we've been focused on this year include:

- Upgrading portfolio quality, where valuation allows, to increase prospective returns while lowering risk.
- Concentrating capital more heavily in our best ideas—circling the wagons around the most compelling opportunities we can find.
- Leaning into secular growth stories, challenging ourselves to better understand dynamic companies in expanding markets.

Managing the Partnership over the past three and a half years has been an ongoing process of reflection and refinement. We’ve observed that the best corporate leaders are rarely satisfied with the status quo—no matter how good things may look. They understand that pausing to admire past results is often when competitors gain ground.

A similar truth applies in investing: the moment a theme or idea feels most obvious is often when it’s most risky.

To protect against the brutal realities of capitalism, we invest in durable, conservatively capitalized businesses, and we seek alignment with management teams that have both skin in the game and an uncommon level of competitive intensity and constructive paranoia.

Our top 10 holdings, shown below, possess many—or all—of these qualities. Notably, seven of the ten are either founder-led or have meaningful family and insider ownership.

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## ***PORTFOLIO DISCUSSION***

The Partnership’s average daily gross and net exposures year-to-date through quarter-end were: 118.3% gross long, 22.7% gross short, and 95.7% net long.

### **Top Ten Portfolio Holdings (as of July 31, 2025):**

Fairfax Financial	13.5% of fund assets
Amazon	8.4%
W.R. Berkley	8.0%
Spotify Technology	7.5%
Nintendo	6.9%
Crane	6.9%
Worthington Steel	6.5%
Robinhood Markets	6.3%
Uber Technologies	6.0%
Capital One Financial	5.0%
Top ten	74.8%

Through quarter-end, the top five positive contributors were: Robinhood Markets, Fairfax Financial, Spotify, Nintendo, and W.R. Berkley.

The top five detractors were: Seaport Entertainment, a market hedge ETF, Worthington Steel, Mercury General, and Ambac.

### **Spotlight: Robinhood Markets (HOOD)**

Robinhood has been the Partnership’s most profitable investment to date.

We began accumulating shares in May 2024, driven by our belief that the company was innovating rapidly, gaining market share, and winning customer loyalty in a large and growing market. At the

time, the stock traded at a steep price-to-book discount compared to larger, slower-growing peers like Charles Schwab, Interactive Brokers, and Coinbase—an anomaly that astonished us.

We attributed this discount to lingering stigma from Robinhood’s controversial role in the GameStop “meme stock” saga, during which the company faced a collateral shortfall that nearly upended the business. But that was then. We believed investors had failed to recognize the significant operational and financial progress the company had made.

Where others saw a meme stock, we saw a founder-led business with a powerful brand, a sticky and expanding user base, ample excess capital, and strong execution. We began buying shares for just over \$18, and our cost basis is under \$20 per share. As of this writing, Robinhood trades around \$106 per share.

Business results have dramatically exceeded expectations this year. Since Q1 2024, assets under custody have grown +115%, and earnings in the first half of 2025 are up +109% year-over-year. These results reflect a combination of product innovation, international expansion, strategic acquisitions, and favorable tailwinds from strong equity and crypto markets.

We remain mindful that Robinhood’s near-term performance is sensitive to investor sentiment and trading activity, especially in cryptocurrencies—so we’ve sized the position accordingly. As the share price rose sharply, we trimmed to keep the position in the 6–8% range. This is a rare example of us reducing a position we continue to like—purely because of valuation.

While our preference is to let great businesses compound uninterrupted, in this case, the share price more than quadrupled in about a year. At a market cap of over \$90 billion (up from \$19 billion when we invested), we felt that a meaningful portion of the company’s future growth prospects appeared to be reflected in the stock price. Notably, most of our gains realized to date have qualified as long-term for tax purposes.

That said, we continue to hold a substantial position in Robinhood. We believe the company has years of growth ahead, supported by brand strength, product momentum, and a widening moat.

### **Reflections on Flexibility and Style**

Robinhood is a powerful example of the importance of maintaining an open and flexible mindset as investors. The line between dismissing an idea as “not in our wheelhouse” and taking it seriously is often thin—and blurry. It’s one of the hardest judgment calls we face as capital allocators: when to respect our circle of competence and when to push its boundaries.

We’re sometimes asked whether we consider ourselves “growth” or “value” investors. The truth is, we don’t think in those terms. Was Robinhood a growth stock or a value stock? It was growing rapidly and didn’t look cheap based on near-term earnings. But at \$19 per share, the business was clearly undervalued based on normalized economics and long-term potential.

Which label applies? Both. And neither.

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In our last letter, we discussed three portfolio holdings that weighed on performance during the first quarter. Below is an update on each:

### **Seaport Entertainment (SEG)**

We exited our investment in Seaport Entertainment during the second quarter. We initiated the position in Q3 2024 at an average cost of approximately \$27 per share, including participation in a

rights offering. At the time, we saw compelling value in acquiring what amounted to a swath of lower Manhattan real estate for just over \$150 million in enterprise value.

Our primary concern, however, was the company's persistent cash burn, driven largely by underperformance at the Tin Building by Jean-Georges, its flagship food hall in the Seaport District. Over the course of the year, our concerns deepened regarding management's ability to stabilize cash flow. These worries came to a head in May, when the company reported \$37 million in cash outflow for the first quarter alone. Extrapolating that trend, we feared Seaport would soon be forced to raise equity or fire-sell assets—an outcome we were unwilling to risk. We exited the position at just under \$19 per share.

### **Mercury General (MCY)**

Mercury General, which fell -15% in Q1, rebounded +21% in Q2 and has continued to rise into the third quarter. The stock's sharp recovery from January's Los Angeles wildfires—a period that cast real doubt on Mercury's ability to continue as a going concern—validated the core of our thesis.

As discussed in our prior letter, we believed the wildfire losses would prove to be a short-term earnings event, not a capital impairment. Our research into the California insurance market and Mercury's reinsurance coverage supported this view, and we felt confident enough in our work to take the unusual step of [publicly sharing our conclusions on X](#), directly countering a vocal short seller.

That view is now playing out. With increasing clarity that Southern California Edison's transmission lines were likely responsible for the fires, and with substantial reinsurance recoveries, it appears Mercury's net exposure will be approximately \$320 million after tax—equivalent to about 17% of pre-fire book value.

To put that in context, Mercury reported \$148 million in after-tax operating earnings in Q2 alone, and management estimates a forward earnings run-rate of \$380 million to \$440 million annually. Remarkably, GAAP book value per share at the end of Q2 2025 now exceeds the pre-wildfire level, highlighting the resilience of the business and the strength of its reinsurance program.

At a market cap of \$3.9 billion, Mercury trades at 9–10x earnings, generates ample free cash flow, and may soon resume returning capital to shareholders. We have modestly trimmed the position as the stock rallied but continue to maintain a significant holding.

### **Worthington Steel (WS)**

Worthington Steel also bounced back in Q2, following strong results for its fiscal fourth quarter (ended May). We've held our position for over a year, and while the investment has not met our expectations thus far, we continue to view it as a deeply cyclical opportunity with latent upside.

The company is exposed to domestic automotive and construction markets, both of which have weakened since our initial purchase. Tariff-related uncertainty hasn't helped either—customers have grown cautious, curbing demand for Worthington's custom steel products used in vehicles, transformers, garage doors, grain bins, and more.

Still, we believe Worthington's challenges are mostly cyclical, not structural. The company has minimal net debt, attractive exposure to electrical steel (a growth area), and a meaningful opportunity to consolidate a fragmented industry. With a current market cap of \$1.5 billion, we believe free cash flow could exceed \$200 million annually within the next 1–2 years as end markets recover and recent investments in electrical steel capacity come on line.

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## ***CLOSING THOUGHTS***

The Partnership is off to an excellent start in 2025. Our portfolio reflects an eclectic mix of businesses—each selected based on bottom-up conviction—and we’re excited about their prospects over the coming years.

In July, we filed Form ADV with the Securities and Exchange Commission (SEC), formally registering as an Exempt Reporting Adviser—a regulatory designation for firms that manage private funds below certain asset thresholds. This marks a small but meaningful milestone in the Partnership’s continued growth and institutionalization.

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

We remain grateful for your continued trust and partnership.

Respectfully Yours,

A handwritten signature in dark ink, appearing to read "Guy Baron", followed by a period.

Guy Baron

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