October 2021

Dear Partners,

In the third quarter, 1 Main Capital Partners, L.P. (the “Fund”) returned 9.7% net of fees and expenses, bringing the year-to-date return to 53.9%. Through the first nine months of the year, the S&P 500 (SPX) and Russell 2000 (RTY) Indexes returned 15.9% and 12.4%, respectively.

Since the March 2020 lows, the Fund has had quite the run, up 156% over the period with only a single down month. It is important to emphasize that while this cadence and level of performance is fun, it is not sustainable. Our go-forward returns are likely to be lower and more volatile from here.

However, my ultimate goal remains unchanged: to compound our capital at an attractive rate of return over a long period of time without going too far out on the risk curve. On this basis, I continue to feel good about our portfolio given my confidence that we own a collection of high quality, cash-generative, growing, well-run and well-capitalized businesses at what I believe to be very attractive prices. Given these characteristics, I remain optimistic that we will be satisfied with our performance from today but also continue to emphasize that this view relates specifically to a multi-year investment horizon.

**Top 5 Positions**

As of September 30th, the Fund’s top 5 positions were unchanged from Q2, comprising of Alphabet Inc (GOOG), KKR & Co (KKR), Mastech Digital (MHH), Naked Wines (WINE.LN) and RCI Hospitality (RICK). Together, these holdings accounted for more than 50% of assets. The top 2, KKR and GOOG, together accounted for approximately 1/3 of the fund.

**Exited Positions**

In each quarterly letter since inception, I have highlighted an idea or two that made its way into the portfolio during the period. While we initiated several new positions this past quarter, none are material to the partnership yet, and I am still in the process of building and diligencing them. We also have several other high-potential prospects on the bench that I am actively researching and that I am excited about but not yet ready to discuss. As such, instead of writing about new longs, I thought it would be helpful to highlight several of our exits.

**Limbach Holdings Inc (LMB)**

During the third quarter the Fund exited the last of our investment in LMB almost immediately after the company reported its Q2 results, as management once again delivered guidance which was confusing and nonsensical, while continuing to refuse constructive engagement with various shareholders.

To make matters worse, the company also amended the Change in Control language in management’s incentive plan to include certain changes in board composition, further entrenching its leadership team that was already protected by a staggered board construct. The company subsequently filed a $100 million 1

---

1 Performance data is presented for the Fund’s Class A Interests, and is net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund’s Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2021 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.
shelf with the SEC, giving management flexibility to make additional large capital allocation decisions, which should terrify any outsider who has been following the company over the years.

Although the Fund initiated its LMB position as an opportunistic one, I made the mistake of thinking that it could turn into a successful core position as it was appreciating. Occasionally, I am reminded why we should always demand that our core positions be high-quality businesses run by smart and aligned management. In investments that have those attributes, a higher stock price doesn’t necessarily mean more risk. In fact, I view many of our long-held core positions as less risky today than they were when we put them on at much lower prices, since their per share values have grown significantly and I know the businesses better today than I did back then.

For opportunistic investments however, it is important to remember that they tend to lack many of the qualities we demand from our cores. As such as they appreciate from small positions (at cost) into larger ones (at market), they usually become riskier and become less attractive.

So, as we achieve the high-convexity, short duration returns that we typically expect from opportunistic investments, I should be thinking about trimming them rather than letting them become as large as LMB became for us. While it has been one of our biggest winners since inception, it unfortunately cost us money this year, though not as much as it would have cost us if we hadn’t acted decisively in exiting at significantly higher prices than where the stock sells for today.

**ATI Physical Therapy warrants (ATIP/WS)**

During the period, we also sold our opportunistic ATIP position soon after our Q2 letter went out, when the company’s results and outlook were significantly lower than expected, without a clear explanation for how the issues would be resolved.

Specifically, it sounds like the company cut into muscle when it took costs out during COVID, alienating its therapist base. In turn, many therapists are departing for other opportunities, leaving ATIP understaffed and unable to keep up with demand. When trying to replace these staff members, ATIP in many cases has had to offer above-market wages due to its poor reputation, meaning that its future revenues will come at lower margins than in the past.

A deteriorating margin would be a problem even for an unleveraged company. Unfortunately, ATIP also has a debt problem it must deal with since EBITDA is so much lower than it was prior to COVID. The most frustrating part of these developments is that the company appears to have purposely delayed disclosing them to investors until immediately after its de-SPAC was completed.

While I am frustrated by the way this investment played out, I can’t change what happens, only what I do about it. So, we exited our entire position at $1.16 per warrant. Today, they trade for less than $0.50 each.

**Greenidge Generation Holdings (GREE)**

During the third quarter, the Fund was able to exit the opportunistic investment that was discussed in the Q1’21 and Q2’21 letters. As a reminder, the investment was made in January in the form of convertible preferred instrument in a bitcoin miner named Greenidge Generation, which was meant to be a bridge to the company coming public later in the year. As is typical with our opportunistic investments, we made this one with the expectation that we could make multiples of our capital within a relatively short period. After making the investment, the price of bitcoin increased significantly, while at the same time miners
were forced out of China causing the difficulty of mining to decline. Thus, when Greenidge announced a go-public transaction it temporarily became a meme stock. Upon the closing of the transaction, we exited the investment with a gain of approximately 10x in less than a year. While this outcome was better than we were expecting when I made the initial investment, it is a good representation of the asymmetry we look for in our typical opportunistic investments.

**Learnings from our exits**

As I have explained to many of you before, capital preservation is the Fund’s number one priority, followed closely by compounding. For this reason, the bar for core investments is extremely high when it comes to business quality and valuation. It is also for similar reasons that I demand such high upside convexity from our opportunistic positions, and why they will always be small at cost (usually 1-3% of capital).

Further, when I am unsure of an investment, whether core or opportunistic, I will protect the Fund’s capital first and deal with the rest later. My ego will never get in the way of doing what’s right for the partnership. Many fund managers are hesitant to change their mind after publicly discussing a position because of the optics; I am not one of them. Anyone considering following me into something should take the above examples as evidence that I am often wrong, and of course should do their own diligence ahead of making any investment decisions.

The last point worth making is that each time we make an investment, I am learning and improving my process even when we lose money. Like athletes, investors become better with repetitions. However, unlike athletes, investors can get better well into their 40’s and 50’s, and I am confident that I have a long way to go before I reach peak performance. I think I am pretty good, but I also continue getting more and more repetitions each year. I expect these experiences will help increase our odds of winning for years to come.

**Outlook**

The S&P 500 sells for 20x 2022E earnings. The Russell 2000 sells for 24x 2022E earnings and less than 16x when excluding companies that are loss making. These earnings yields are growing with corporate profits and are well north of yields available in fixed income, even if we were to assume rates increase in the years ahead.

Of course, there are many risks on the horizon including runaway inflation, government behavior and geopolitics to name a few. However, my view from the Q2’21 letter still holds: I believe we currently have just the right amount of fear in the market driven by recency bias following the 2018 trade war and 2020 COVID selloffs. The economy should keep chugging along and an occasional pullback in equities will allow markets to keep climbing an endless wall of worry.

Most importantly, I continue to believe that high-quality, well-capitalized, well-run businesses bought at reasonable valuations are the best place to both protect and grow purchasing power over time. As such, these are the types of investments we are looking for and continue to own in the partnership.

**Other Updates**

During the third quarter, we established a relationship with BTIG. While still early days, we are pleased with the pace in which the relationship is developing.
Over the past few months, some of you who have expressed interest in joining the partnership have been asking about the status of our offshore vehicle. On October 1st, 1 Main Capital Partners Ltd was launched with backing from two family offices. We are happy to provide additional information about the vehicle to any of you upon request.

On October 27th I presented at the Jefferies Emerging Manager Forum. Please reach out to us if you have any interest in viewing a replay, which is available for the next two weeks.

As always, thank you for your continued support and confidence. Please reach out with any questions at yaron@1maincapital.com or 305-710-8509.

Sincerely,
Yaron Naymark

**Monthly Performance Summary**

<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>10.5%</td>
<td>10.0%</td>
<td>1.1%</td>
<td>19.0%</td>
<td>-2.3%</td>
<td>5.3%</td>
<td>5.8%</td>
<td>3.1%</td>
<td>2.3%</td>
<td>68.0%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 Main Capital Partners - Gross</td>
<td>8.4%</td>
<td>8.1%</td>
<td>0.9%</td>
<td>15.7%</td>
<td>-2.0%</td>
<td>4.5%</td>
<td>4.9%</td>
<td>2.6%</td>
<td>1.9%</td>
<td>53.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>S&amp;P 500 index - incl dividends</td>
<td>-1.0%</td>
<td>2.8%</td>
<td>4.4%</td>
<td>5.3%</td>
<td>0.7%</td>
<td>2.3%</td>
<td>2.4%</td>
<td>3.0%</td>
<td>-4.7%</td>
<td>15.9%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russell 2000 - incl dividends</td>
<td>5.0%</td>
<td>6.2%</td>
<td>1.0%</td>
<td>2.1%</td>
<td>0.2%</td>
<td>1.9%</td>
<td>-3.6%</td>
<td>2.2%</td>
<td>-2.9%</td>
<td>12.4%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Performance Data**

Performance Data is presented for the Fund’s Class A Interests, and are net of any accrued incentive allocation, management fees and other applicable expenses (as disclosed in the Fund’s Confidential Private Offering Memorandum), include the reinvestment of dividends, interest and capital gains, and assume an investment from inception. Returns for month-end and year to date 2021 are estimated, and un-audited. For investor specific returns, please refer to your capital statements. Due to the format of data available for the time periods indicated, net returns are difficult to calculate precisely. Please see the last page for important disclosure information.
IMPORTANT DISCLOSURES

In general. This disclaimer applies to this document and the verbal or written comments of any person presenting it (collectively, the “Report”). The information contained in this Report is provided for informational purposes only and does not contain certain material information about 1 Main Capital Partners, L.P. (the “Fund”), including important disclosures and risk factors associated with an investment in the Fund, and no representation or warranty is made concerning the completeness or accuracy of this information. To the extent that you rely on the Report in connection with an investment decision, you do so at your own risk. Certain information contained herein was obtained from or provided by third-party sources; although such information is believed to be accurate, it has not been independently verified. The information in the Report is provided to you as of the dates indicated and 1 Main Capital Management, LLC and its affiliates (collectively, the “Manager”) do not intend to update the information after its distribution, even in the event the information becomes materially inaccurate.

No offer to purchase or sell securities. This Report does not constitute an offer to sell, or the solicitation of an offer to buy, and may not be relied upon in connection with the purchase of any security, including an interest in the Fund or any other fund managed by the Manager. Any such offer would only be made by means of such fund’s formal private placement documents, the terms of which shall govern in all respects.

Performance Information. Unless otherwise noted, any performance numbers used in the Report are for the Fund’s Class A Interests, and are net of any accrued incentive allocation, management fees and other applicable expenses, include the reinvestment of dividends, interest and capital gains, and assume an investment from inception of such Class. As such, the performance numbers do not reflect the performance of any particular investor’s interest and you should not rely on it as a statement of your actual return.

Past performance. In all cases where historical performance is presented, please note that past performance is not a reliable indicator of future results and should not be relied upon as the basis for making an investment decision.

Risk of loss. An investment in the Fund will be highly speculative, and there can be no assurance that the Fund’s investment objective will be achieved. Investors must be prepared to bear the risk of a total loss of their invested capital.

Portfolio Guidelines/Construction. Information contained in this Report, especially as it pertains to portfolio characteristics, construction, profiles or investment strategies or objectives, reflects the Manager’s current thinking based on normal market conditions, and may be modified in response to the Manager’s perception of changing market conditions, opportunities or otherwise, in the Manager’s sole discretion, without further notice to you. Any target strategies, objectives or parameters are not projections or predictions and are presented solely for your information. No assurance is given that the Fund will achieve its investment strategies, objectives or parameters.

Index Performance. The index comparisons are provided for informational purposes only. The S&P 500 Total Return Index (SPXT) is a capitalization weighted index that is designed to measure the performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries. There are significant differences between the Fund and the index referenced, including,
but not limited to, risk profile, liquidity, volatility and asset composition. The index reflects the reinvestment of dividends and other income, are unmanaged, and do not reflect a deduction for advisory fees. An investor may not invest directly into an index. For the foregoing and other reasons, the performance of the index may not be comparable to the Fund’s and should not be relied upon in making an investment decision with respect to the Fund.

No tax, legal, accounting or investment advice. The Report is not intended to provide, and should not be relied upon for, tax, legal, accounting or investment advice.

Logos, trade names, trademarks and copyrights. Certain logos, trade names, trademarks and/or copyrights (collectively, “Marks”) contained herein are included for identification and informational purposes only. Such Marks may be owned by companies or persons that are not affiliated with the Manager or any the Manager managed fund and no claim is made that any such company or person has sponsored or endorsed the use of such Marks in the Report.

Confidentiality/Distribution of the Report. The information in this Report is confidential. By accepting any portion of the Report, you agree that you will treat the Report confidentially. It is intended only for the use of the person to whom it is given and the Manager expressly prohibits its redistribution without the Manager’s prior written consent. The Report is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use is contrary to law, regulation or rule.