

March 2024



The Holdsworth Group, LLC

Alternative Investments for
High Net Worth Investors

Advisory Services and Capital
for Companies and Family
Offices

Mark K. Holdsworth
Zachary D. Levenick
M. Christian Mitchell
Robert T. Blair

140 S. Lake Avenue, Suite 304
Pasadena, CA 91101
(626) 765-9950

www.holdsworthgroup.com

"For whatever reasons, markets now exhibit far more casino-like behavior than they did when I was young. The casino now resides in many homes and daily tempts the occupants."

-Warren Buffett

FIRM UPDATE

THG continues to operate in three businesses: (i) the family office that invests primarily in real estate, mostly multifamily, but will consider and occasionally invest in other asset classes such as private equity, venture capital and niche funds, (ii) we manage a vehicle open to outside investors that invests in public securities of all types, such as equities (all cap), high yield bonds, options, preferred shares, converts, etc., and (iii) consulting and capital for companies and other family offices. During the first two months of the quarter, the family office committed to one investment in a 328-unit apartment complex in Jacksonville, Florida.

We continue to really like the Florida markets as people move there to escape high taxes and cold weather. In public securities, we continue to focus on high conviction ideas and yield in these frothy times. Markets continue to move higher from all-time highs, making us nervous about paying up for the same, ever-more expensive stocks. Sadly, we're not finding much in discounted public credit, an area that we know well, as we believe this market is over-valued. In advisory, we continue with our assignment to help a large private company possibly prepare for an exit and set up a family office.

THE BIG PICTURE

The Nifty-Fifty. Consider the chart below. These are the companies that made up the so called Nifty-Fifty in 1972. Notice a couple of things: (i) all but one trades at a substantial premium to the S&P 500, with many at **multiples** of where the S&P was then trading; and (ii), notice how many of the companies no longer exist. We estimate that it's roughly half! As a word of caution: During the bear market of '73 and '74, the S&P 500 fell by more than 40%, and the "market leader" fell by more. And who can forget that just recently, in 2022, the darling of the Mag 7 fell by 50%. Investors today have such short memories.

| Nifty-Fifty | | | |
|---------------------------|------|------------------------------|------|
| | PE | | PE |
| Polaroid | 90.7 | Chesebrough Ponds | 41.0 |
| McDonald's | 85.7 | Minnesota Mining (3M) | 40.8 |
| MGIC Investment | 83.3 | American Express | 39.0 |
| Walt Disney | 81.6 | American Home Products | 38.9 |
| Baxter Travenol | 78.5 | Schlitz Brewing | 38.7 |
| Intl Flavors & Fragrances | 75.8 | Halliburton | 38.3 |
| Avon Products | 65.4 | IBM | 37.4 |
| Emery Air Freight | 62.1 | Lubrizol | 36.9 |
| Johnson & Johnson | 61.9 | J.C. Penny | 34.1 |
| Digital Equipment | 60.0 | Squibb | 33.9 |
| Kresge (now Kmart) | 54.3 | Procter & Gamble | 32.0 |
| Simplicity Pattern | 53.1 | Anheuser-Busch | 31.9 |
| AMP | 51.8 | Sears Roebuck | 30.8 |
| Black & Decker | 50.5 | Heublein | 30.1 |
| Schering | 50.4 | PepsiCo | 29.3 |
| American Hospital Supply | 50.0 | Pfizer | 29.0 |
| Schlumberger | 49.5 | Bristol-Myers | 27.6 |
| Burroughs | 48.8 | General Electric | 26.1 |
| Xerox | 48.8 | Revlon | 26.1 |
| Eastman Kodak | 48.2 | Phillip Morris | 25.9 |
| Coca-Cola | 47.6 | Gillette | 25.9 |
| Texas Instruments | 46.3 | Louisiana Land & Exploration | 25.6 |
| Eli Lilly | 46.0 | Dow Chemical | 25.5 |
| Merck | 45.9 | First National City | 22.4 |
| Upjohn | 41.1 | ITT | 16.3 |
| | | S&P 500 | 19.2 |

Can one be too rich? There is an old saying that one can never be too rich or too thin, but now I'm not so sure. Remember the term "affluenza" that was a popular buzz word a few years ago? It is defined as "painful, contagious, socially transmitted condition of overload, debt, anxiety and waste, resulting in the dogged pursuit of more. "What I have realized is that most people have either time or money but few have both; and most people (with good reason) tend to focus on making money, rather than having more time. But what if (take note multi-billionaires) we focused more on having more time rather than money? We might in fact be more happy, have better social and familial relationships, and maybe even greater job satisfaction too. Whether we can be too thin is beyond the scope of this publication!



Is college really worth it? Bloomberg recently reported that 52% of students with a recent bachelor's degree are "underemployed," meaning they are working jobs that don't even require a college degree. It gets worse: according to recent studies, 45% of college grads are stuck in jobs that didn't require a degree **a decade after graduation**. This is especially true for those with less practical majors. Too add to the quandary, with the cost of college continuing to increase, and millions struggling with student debt, and with more colleges failing than ever before, one has to ask "is college really worth it"? For years, billionaire and philanthropist Peter Thiel has been giving students \$100,000 to **not** attend college and instead start a business. And consider that people are now voting with their feet as costs skyrocket and enrollment declines. College enrollment for high school graduates rose for decades, peaking at 70% in 2009, then fluctuated for a decade, and then fell about 8% from 2019-2022. This is the most dramatic decline on record, especially for men. Unless schools start to reign in costs, we expect these trends to continue and maybe accelerate, especially in a nasty recession.

Disclaimer: This document is not an offer to sell or a solicitation of an offer to buy securities. No person shall rely on any information in this document, and any of the investments discussed herein are subject to risks, including the possible loss of principal.



INVESTMENT & CONSULTING UPDATE

Real Estate

- Closed on a unit apartment complex in Jacksonville, FL, targeting a mid-20s IRR.
- Evaluating apartments in Kentucky and Colorado.

Public Securities

- Continued to search for yield and conserve dry powder in frothy markets.
- One of our names is yielding over 25%!
- Exited a large publicly traded BDC.

Funds, Private Equity and Venture Capital

- Evaluating a GP Fund that invests in apartments near transit hubs, two real estate mezzanine debt funds, and a real estate bridge loan fund.
- Evaluating two PIPES for public companies.
- Evaluating an early stage company that produces mobile amplifiers for cell phones and a mobile app that tells users where their friends are at venues in real time.

Consulting

- Continuing to work with a large family business contemplating a sale and establishing a family office.