

TOP MARK CAPITAL MANAGEMENT LLC

Report For the Quarter Ended

December 31, 2024

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IMPORTANT DISCLAIMERS & DISCLOSURES

Past performance is no guarantee of future results. Investing in equities and fixed income involves risk, including the possible loss of principal. The investment performance presentation contains historical data and information relating to the performance of certain investments. These figures should not be considered as a guarantee or a reliable indicator of future performance. Investment returns and the value of an investment can go up or down, and there is no assurance that any investment strategy will achieve its objectives, generate profits, or avoid losses. Investing in financial markets inherently involves a certain degree of risk and speculation. The value of investments, and the income generated from them, can fluctuate due to various factors, including but not limited to market conditions, economic changes, interest rates, and political events. As such, there is always the potential for loss, and you should only invest funds that you can afford to lose.

Benchmark comparisons provide context for our performance. In addition to the S&P 500 and NASDAQ 100, we also benchmark against relevant indicators such as Berkshire Hathaway stock and the Cambridge Associates U.S. Venture Capital Index, offering a comprehensive view across asset classes and strategies.

Performance Presentation Disclosure:

The performance figures presented herein reflect our fund-level returns, shown on both a gross and net basis over the specified measurement periods. Gross performance represents the returns before the deduction of all advisory fees and expenses, while net performance is calculated by deducting all applicable management fees, performance fees, and other fund-level expenses using a uniform fee allocation methodology. Because individual investor accounts or share classes may be subject to different fee structures, the net performance presented at the fund level may materially differ from the net returns actually experienced by individual investors. This methodology assumes that all investments were held throughout the measurement period and that fees are allocated on a pro-rata, fund-level basis. Prospective investors should note that the net performance figures shown are intended for general informational purposes and may not reflect the precise fee schedule applicable to any specific investor.

In accordance with the SEC's Marketing Rule, any presentation of gross performance is accompanied by net performance figures calculated over the same period and using the same return methodology. Our approach is designed to facilitate an apples-to-apples comparison, though fee structure variations may cause individual results to vary. We will update our calculation methodologies and disclosures as industry standards develop and as further guidance is provided by the SEC.

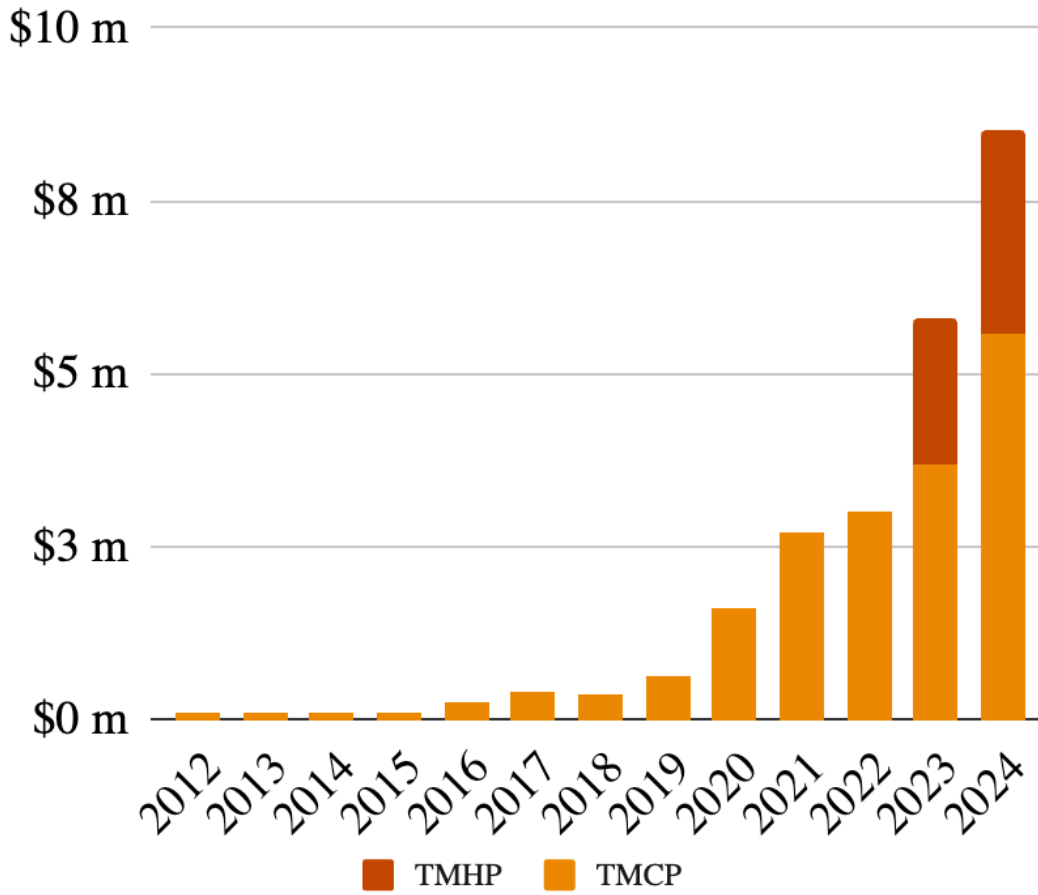
General Disclosures:

The information herein is provided by Top Mark Capital Management LLC ("Top Mark Capital") and (a) is for general, informational purposes only; (b) is not tailored to the specific investment needs of any particular person or entity; and (c) should not be construed as investment advice.

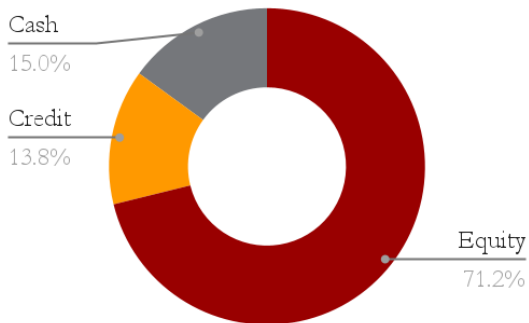
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By reviewing these materials, you acknowledge and agree that the performance figures and disclosures are provided solely for general informational purposes and that any discrepancies arising from differing fee structures or allocation methodologies are inherent in fund-level performance reporting. Investors should consult their own financial advisors to determine how these figures compare with the fees and expenses applicable to their specific circumstances.

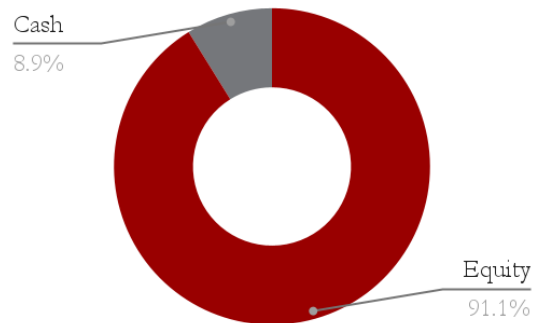
ASSETS & ALLOCATIONS¹



Top Mark Capital Partners



Top Mark Health Partners



¹ Net asset values of all funds managed by Top Mark Capital Management LLC as of the year ended, or in the case of 2024, as of Dec 31, 2024. Allocations by asset class are as of Dec 31, 2024.

Dear Partners & Prospective Partners,

As Warren Buffett observed, “Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future”.² Howard Marks echoed a similar sentiment in his 2001 memo: “You can’t predict. You can prepare”.³ However, in the spirit of ringing in a new year, here are a few predictions we believe are worth keeping an eye on.

Large Language Models & D.O.G.E

Exhibit A⁴—an estimate of the U.S. government’s cash flow statement—will command more of our attention in future episodes of the Telltales podcast.⁵ For those who have yet to subscribe, we recommend signing up to receive the latest episodes and updated memos (which include Exhibit A). Join the distribution list at: www.telltales.us.

On December 18, Congress attempted to pass a continuing resolution to avert a government shutdown. What should have been a straightforward, one-page measure ballooned into 1,500 pages of pork, and lawmakers were given just 24 hours to digest it. Enter the newly minted Department of Government Efficiency (D.O.G.E), headed by Elon Musk and his 200 million Twitter followers, empowered by data scientists and advanced Large Language Models. In mere hours, they dissected the bill line by line, sparking a national outcry that forced legislators to trim the final version to 116 pages. If anyone doubts how AI investments can impact real-world economics, there’s your proof. While we’re not certain how many dollars were ultimately saved, we suspect the figure is multiples of OpenAI’s total revenue to date.

Not only is technology boosting worker productivity, but it is also lowering the drag of government inefficiency. That’s a scenario we believe benefits everyone.

²Buffett, “Chairman’s Letter - 1980.”

³Marks, “You Can’t Predict. You Can Prepare.,” November 20, 2001.

⁴Warren Buffett referenced Exhibit A in his 2024 chairman’s letter to shareholders. Does he listen to the Telltales Podcast?

⁵If you have yet to subscribe to Telltales, please do so here: www.telltales.us

Deepseek-v3

When environmental conditions change, living organisms must evolve to survive. In much the same way, recent U.S. chip export controls—restricting advanced chips with high memory bandwidth—have created a challenging environment for China’s AI innovators. As a result, U.S. and Chinese firms are following divergent evolutionary paths, each developing unique solutions that can ultimately compete with one another.

One striking example is Deepseek’s open source AI model. Prompted in part by these export restrictions, Deepseek has reimagined its approach to AI development. The outcome is Deepseek-v3, which employs a novel technique called “Multi-Head Latent Attention” to reduce the temporary memory required for generating responses by 90%. Imagine compressing a 4K video into a much smaller file without any loss in quality—this breakthrough significantly reduces hardware strain and cuts costs.

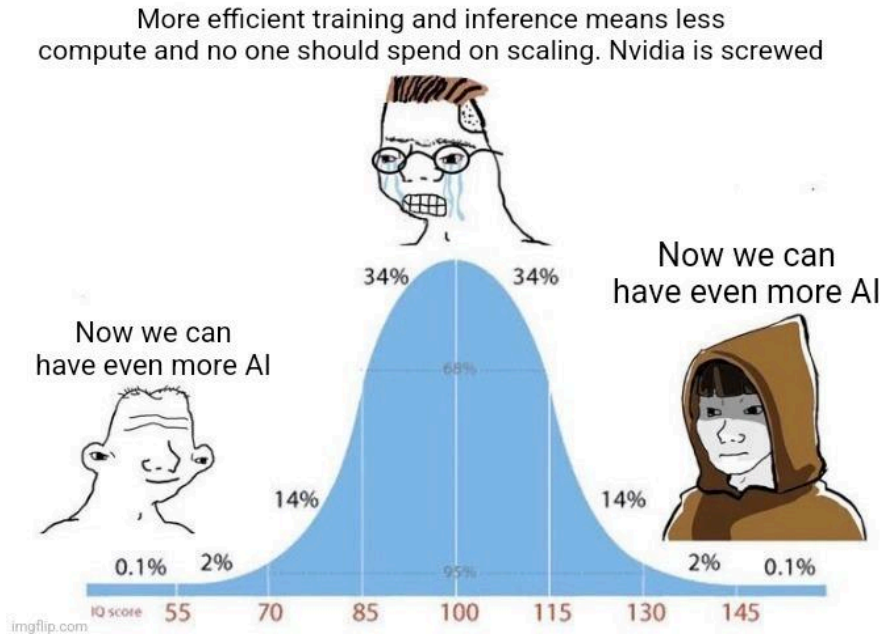
Moreover, although the model is built on 671 billion parameters (neural network “weights”), it selectively activates only 37 billion per task. By using a “Mixture of Experts” design, Deepseek-v3 directs tasks to specialized sub-models, thereby optimizing computational efficiency and avoiding wasted resources.

The net result is an AI system that rivals leading edge models in performance, yet operates at a fraction of the cost. Additionally, the R1 series introduces a layer of self-checking logic, enabling the model to refine its answers much like a human double-checking their work. Perhaps most notably, the model’s open source nature invites collaboration and innovation on a global scale.⁶

Critics might argue that these innovations will lead to GPU oversupply. They are wrong. In reality, this situation is a textbook example of Jevons Paradox: improvements in efficiency can

⁶ @himanshutwts, “Deepseek-v3 101.”

lead to increased overall consumption.⁷ **This leads us to our second prediction: enhanced AI efficiency will spur greater usage of AI systems—and, by extension, a rise in GPU demand.** Furthermore, the open source nature of these innovations will benefit both US and China based firms.⁸ The following meme sums up the situation “eloquently”.⁹



⁷Jevons Paradox, coined by economist William Stanley Jevons in 1865 to describe how coal-efficient steam engines led to more coal consumption, not less, as industries scaled production. Jevons Paradox is a counterintuitive outcome where improvements in efficiency lead to increased overall consumption of a resource due to lower costs and expanded demand.

⁸ We wish we could say the same for European firms, but regulators seem determined to undermine their efforts at every step along the way.

⁹Dylan Patel [@dylan522p], “Deepseek V3 and R1 Discourse Boils down to This. Shifting the Curve Means You Build More and Scale More Dummies <https://t.co/gOfgpyHYR2>.”

Intelligence Revolution

The First Industrial Revolution mechanized manual labor; the Second scaled it through steel, electricity, and railroads. Today, we stand at the brink of an Intelligence Revolution—one where AI systems act as “tools of thought,” reshaping how societies process information. Disruptive competition is rapidly lowering the cost of these models, making advanced AI increasingly more accessible. Rudimentary applications of such systems are already impacting governance (as described above)—shining a light on government spending. This isn’t science fiction; it’s efficiency at industrial scale. **This brings us to a third prediction: just as railroads democratized transport and steel built modern cities, AI is poised to amplify productivity in knowledge work, driving a surge in economic potential akin to the Gilded Age’s prosperity leap.** For those skeptical of AI’s transformative power, consider this: the steam engine didn’t just replace horses—it reimagined humanity’s relationship with labor. We’re nearing a similar inflection point for intellectual work. To grasp the full scope of this transition, read “Tools of Labor and Thought: The Imminent Intelligence Revolution” (see Appendix) — a sobering lens on how today’s AI advancements mirror history’s most pivotal economic leaps.

PERFORMANCE HIGHLIGHTS

Top Mark Capital delivered strong results in 2024 across both partnerships. Top Mark Capital Partners (TMCP) achieved a net return of 30.59%, and Top Mark Health Partners (TMHP) generated 18.0% (net).¹⁰ While we are pleased to present these results, we encourage you to focus on long-term, cumulative results rather than these short term fluctuations. You'll find detailed performance figures for TMCP and TMHP in their respective sections of this document.

To: 12-31-2024, From:	TMCP % Net Return	TMHP % Net Return
One Year	30.6%	18.0%
Five Years	129%	*
Ten Years	1159%	*
<i>Inception</i>	1175%	23%
<i>Annualized Since Inception</i>	<i>23%</i>	<i>12%</i>

¹⁰ Please review the Important Disclaimers on Page 3

INVESTMENT PHILOSOPHY & PARTNER OUTLOOK

At Top Mark Capital, we believe that concentrated equity investing is an excellent strategy for achieving superior long-term returns. Our unique approach, built on extensive operational and investment experience and continuously refined through expanding our circle of competence, positions us well for success. While we cannot promise that future returns will replicate past performance, our objective is to deliver high rates of return over the long run.

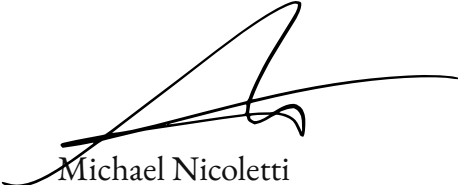
As our Partner, you will receive quarterly letters (like this one) that offer insights into our strategies and performance. In addition, Formidium Fund Management Services, our administrator, will provide you with quarterly account statements, annual audited financial reports, and tax forms. Please let us know if you miss any of these communications.

Because we maintain a long-term focus, less frequent updates may better serve both you and us. However, for those who prefer more regular updates, we invite you to subscribe to our podcast, Telltales, at www.telltales.us.

Our competitive edge comes from our capital allocation expertise and the patience of our investors. We are fortunate to be surrounded by like-minded, long-term investors who understand that outperformance is achieved by looking beyond immediate market trends.

If you share our temperament and long-term perspective, we invite you to consider subscribing to one of our partnerships. The next contribution window for both TMCP and TMHP opens on April 1, 2025. Please contact us to begin the process.

Sincerely,



Michael Nicoletti



Jason Wallace

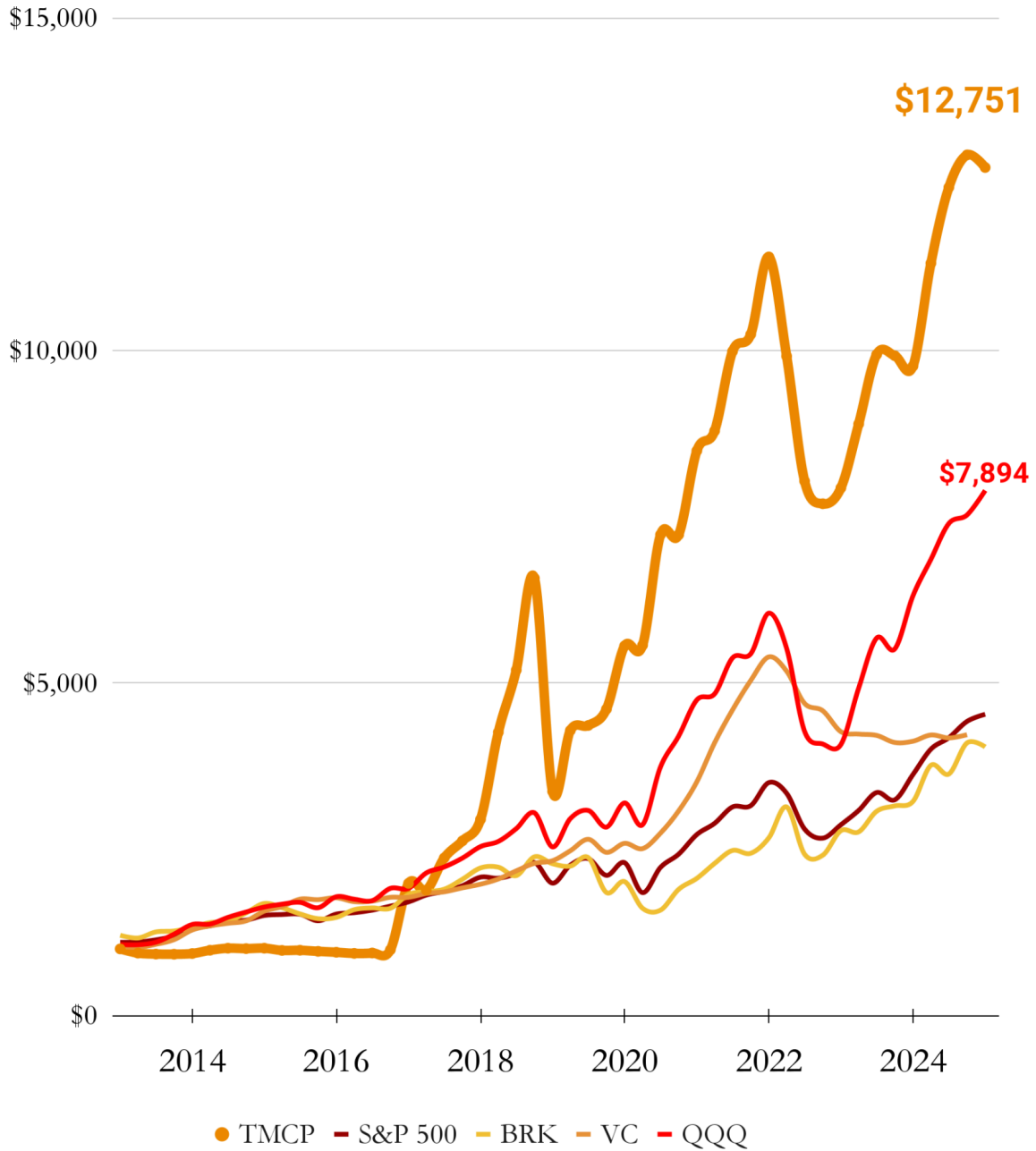
TOP MARK CAPITAL PARTNERS LP

Partnership Letter

For the Quarter ended December 31, 2024

PARTNERSHIP LETTER & PERFORMANCE UPDATE

CUMULATIVE RETURNS ON \$1,000¹¹



¹¹ Please review the Important Disclaimers on Page 3.

TMCP CUMULATIVE RETURNS TO DATE¹²

To: 12-31-2024, From:	TMCP % Gross Return	TMCP % Net Return	S&P 500 Total Return	Berkshire Hathaway	VC Index	QQQ
One Year	37%	31%	25%	25%	2%	25%
Three Years	19%	12%	29%	51%	-22%	30%
Five Years	176%	129%	97%	101%	63%	147%
Ten Years	1876%	1159%	243%	201%	188%	434%
Since Inception	1931%	1175%	414%	426%	357%	773%
<i>Annualized Since Inception (October 1, 2012)</i>	<i>28%</i>	<i>23%</i>	<i>14%</i>	<i>14%</i>	<i>13%</i>	<i>19%</i>

For the year ended December 31, 2024, Top Mark Capital Partners net increase was 30.6%, comparing favorably with the various alternatives provided in the table above. There are two ways to present performance results: in discrete annual increments or on a compounded basis. The former is industry standard and is useful in demonstrating consistency of results (which, I should point out, is not an objective we seek), and for helping to assess outcomes for those that invested part way through. We would prefer that our performance be assessed on a compounded, multi-year basis in order to separate what is in and out of our control. Market timing is distinctly not in our control. As a result, our annual results may be inferior to the market for a period, but this will only convey information about the timing of outcomes rather than the end result (which matters most). Our partners that have been with us since the beginning will naturally understand this. For our newer partners, we encourage you to be indifferent to the annual and quarterly results and focus instead on the compounded numbers.

Our investment approach combines three key activities that we believe have been key to our past success: thematic focus, fundamental cash flow based analysis, and a concentrated

¹² Please review the Important Disclaimers on Page 3.

portfolio. Thematic analysis is focused on expanding our circle of competence and unlocking a subset of companies for fundamental analysis.¹³ Our fundamental analysis aims to identify companies that are fairly priced and have an asymmetric upside to cashflow growth. Finally, our portfolio is a concentrated set of our best ideas.¹⁴ Therefore, adding a new position to the portfolio often necessitates removing another. This ‘high bar’ ensures that our portfolio includes our best ideas.

Buffett and Munger have shown us that concentrated value investing works over the long run. We add thematic analysis, with the simple aim of skewing the distribution of our returns further to the right.

“And the wise ones bet heavily when the world offers them that opportunity. They bet big when they have the odds. And the rest of the time, they don’t. It’s just that simple.”

- Charlie Munger

¹³ Regular readers of our letters will recognize these themes, and an understanding of our views can be pieced together by reading the *Portfolio Update and Commentary* section of our letters.

¹⁴ Approximately 10, though can be more or less.

PORTFOLIO UPDATE & COMMENTARY

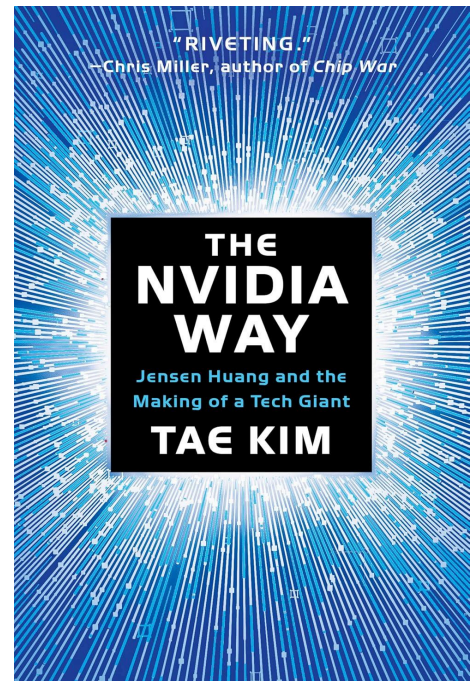
Below you will find brief updates on each of TMCP's thematic holdings and additional context on the larger positions in the portfolio.

<i>Theme</i>	<i>% of Portfolio</i>				
	<i><u>12/31/2023</u></i>	<i><u>3/31/2024</u></i>	<i><u>6/30/2024</u></i>	<i><u>9/30/2024</u></i>	<i><u>12/31/2024</u></i>
Software is Eating the World	31%	35%	37%	33%	35%
Health	28%	27%	28%	31%	34%
TIAA	14%	8%	10%	13%	5%
Open RAN, 5G, & the Future of Wireless Networks	5%	5%	4%	5%	5%
Metals Powered Economy	2%	2%	3%	3%	5%
Semiconductors are the Teeth	8%	2%	2%	2%	2%
Hedge	-3%	0%	0%	0%	0%
Stocks, Convertible Bonds, & Private Credit	85%	78%	83%	87%	86%
<u>Cash</u>	<u>15%</u>	<u>18%</u>	<u>17%</u>	<u>13%</u>	<u>14%</u>
Total Partnership	100%	96%	100%	100%	100%

SOFTWARE IS EATING THE WORLD

Nvidia

Nvidia still outruns the competition—and by quite a margin. Its drive for annual product refreshes sets a lofty benchmark, fulfilling the ever-evolving demands of the tech industry while securing premium pricing power. We recently read *The Nvidia Way*¹⁵ and found it illuminating. If you want to understand how Nvidia’s history and culture have resulted in a dominant process power, this book is a must-read - especially if you enjoyed our prior article on leadership.¹⁶



Microsoft

Microsoft retains one of the best non-founder CEOs in business today. Satya Nadella’s track record since the 1990s includes visionary moves like orchestrating Microsoft’s early advertising deal with Facebook. Stepping in for Steve Ballmer—who, ironically, turned out to be a far better investor than a CEO¹⁷—Satya shepherded Microsoft into the cloud era. The company nearly missed mobile, and it almost missed AI, too, but it wisely hitched its AI wagon to OpenAI, reaping enormous benefits thus far.

¹⁵Kim, *The Nvidia Way*.

¹⁶Nicoletti, “FOUNDER MODE: LEADERSHIP AS VALUE.”

¹⁷Ballmer is now worth more than Bill Gates because he has left the majority of his wealth in Microsoft stock

OPEN RAN, 5G, & THE FUTURE OF WIRELESS

Echostar

We participated in Echostar's exchange offer for our convertible bonds, deeming the terms fair. We remain more optimistic about the debt side of this business than the equity side—historical debt loads at EchoStar and DISH Network have not worked in the equity's favor. Thankfully, our investment was primarily in these notes. Now, we hold a straight note and a convertible. We plan to keep the convertible for potential upside and look to sell the straight bond.

We're seeing SpaceX Starlink and AST Space Mobile change the prospects of how consumer mobile devices are connected. Echostar sits in a unique position here with their new terrestrial Boost network in the US, and a global license to S-band frequencies (currently in use for the LoRa IoT device network). Echostar has the key resources to compete in this rapidly changing industry.

TIAA (There is an alternative)

Coyuchi

During the quarter, we received full repayment on our loan to Coyuchi earlier than anticipated. We still hold warrants in the company and remain optimistic about its future. Time will tell whether those warrants will meaningfully impact our returns.

Zan Compute

The Zan Compute loan was set for repayment on December 31, but we, along with our lending partners, Agility Capital, agreed to extend it. We worked out a faster amortization schedule through March 31, 2025. We believe this path maximizes our long-term returns while supporting Zan's operational needs.

CLI Studios

CLI Studios continues to outperform expectations. Their 2024–2025 conservatory class is at record enrollment, and sign-ups for the summer intensives are ramping nicely. If you know any aspiring dancers—whether they dream of a professional stage career or simply want to level up their skill—check out <https://www.clistudios.com/>. It’s a great resource and a testament to the kind of niche, high-quality services that can thrive in a connected world.

Altria (Mo)

We closed our position in Altria this quarter. It served us well over the period (~4 years), generating a 16.9% IRR.

Lifelink

You may remember the Lifelink loan, which was repaid in April. A dispute amongst the equity investors resulted in a lawsuit to which our lending syndicate was named (we held 10% of the loan). As of this writing, we’ve been released from the lawsuit with prejudice. While we, and our attorneys, concluded there was no risk in our position, we did have to spend some money representing ourselves in Delaware. Our portion of the legal bill is de minimis.¹⁸

HEALTH

More details on our health portfolio can be found in the Top Mark Health Partners section of this document. However, I will point out that the price of Harrow stock fell in dramatic fashion after the company’s Q3 earnings. We opportunistically initiated a position in the TMCP portfolio and added to our position in the TMHP portfolio.

¹⁸Approximately \$7,500 as of the most recent estimate.

A full breakdown of our portfolio positions, their thematic category, and their respective percent of net asset value over each of the last five quarters is provided below.

<i><u>Investment</u></i>	<i><u>Theme</u></i>	<i><u>% of Portfolio</u></i>				
		<i><u>12/31/2023</u></i>	<i><u>3/31/2024</u></i>	<i><u>6/30/2024</u></i>	<i><u>9/30/2024</u></i>	<i><u>12/31/2024</u></i>
NVIDIA Corp	Software is Eating the World	13%	20%	23%	21%	23%
Lantheus Holdings Inc	Health	20%	17%	19%	24%	19%
Celsius Holdings Inc	Health	8%	10%	9%	7%	8%
Microsoft Corp	Software is Eating the World	9%	9%	8%	7%	7%
Harrow Inc	Health	0%	0%	0%	0%	6%
Tesla Inc	Metals Powered Economy	2%	2%	3%	3%	5%
CLI Studios	TIAA	6%	5%	6%	5%	5%
EchoStar Corp	Open RAN, 5G, & the Future of Wireless Networks	5%	5%	4%	5%	5%
Amazon.com Inc	Software is Eating the World	5%	5%	4%	4%	4%
Taiwan Semiconductor Mfg. Co. Ltd.	Semiconductors are the Teeth	2%	2%	2%	2%	2%
Snowflake Inc	Software is Eating the World	2%	1%	1%	1%	1%
Altria Group Inc	TIAA	4%	4%	3%	4%	0%
Coyuchi	TIAA	0%	0%	0%	4%	0%
Zan Compute	TIAA	1%	1%	1%	0%	0%
HubSpot Inc	Software is Eating the World	2%	0%	0%	0%	0%
ASML Holding NV	Semiconductors are the Teeth	6%	0%	0%	0%	0%
Invesco QQQ Trust, Series 1	Hedge	-3%	0%	0%	0%	0%
Lifelink	TIAA	3%	3%	0%	0%	0%
Stocks, Convertible Bonds, & Private Credit		85%	83%	83%	87%	86%
<u>Cash</u>		<u>15%</u>	<u>18%</u>	<u>17%</u>	<u>13%</u>	<u>14%</u>
Total Partnership		100%	100%	100%	100%	100%

TOP MARK HEALTH PARTNERS LP

Partnership Letter

For the Quarter ended December 31, 2024

PARTNERSHIP LETTER & PERFORMANCE UPDATE

TMHP CUMULATIVE RETURNS TO DATE¹⁹

To: 12-31-2024, From:	TMHP % Gross Return	TMHP % Net Return	S&P 500 Healthcare
12/31/2023	25%	18%	3%
Since Inception	33%	23%	12%
<i>Annualized Since Inception</i>	<i>18%</i>	<i>12%</i>	<i>6%</i>

Partnership interests in Top Mark Health Partners (TMHP) gave back gains in Q4 to end the year with a 18% (net) increase. From inception (18 months prior), TMHP is up 23% (net), compared to the 12% gain of the S&P 500 Healthcare Sector index. We suggest that you begin to assess this performance on a compounded, multi-year basis as we build the track record. This separates what is in and out of our control, distinctly not in our control is market timing. As a result, our periodic results may be inferior to the market for a period, but this will only convey information about the timing of outcomes rather than the end result (which matters most).

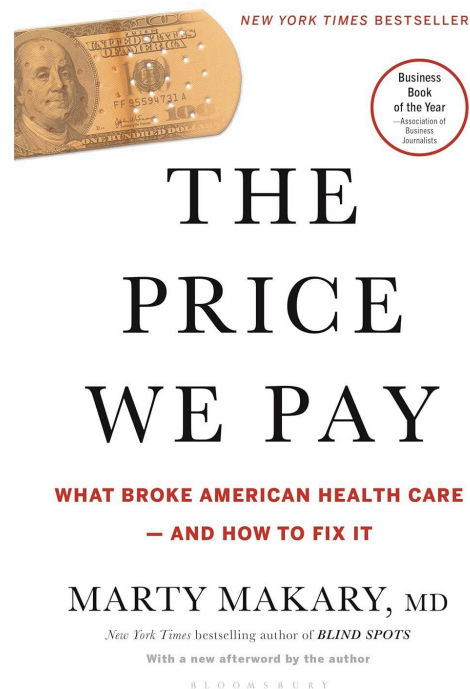
The healthcare sector broadly fell as a result of the US presidential election outcome and subsequent appointment of RFK Jr. to lead the Department of Health and Human Services. However as we enter 2025, we are happy with, and optimistic about the prospects of our investments in this partnership. While there are certain to be changes to our healthcare system, we don't believe our current holdings will be unduly impacted in a negative manner.

¹⁹ Please review the Important Disclaimers on Page 3.

During the quarter, we closed one position, took another to full allocation, and opportunistically added to several existing allocations.

You may recall that earlier in 2024 we had opened research positions in two companies, Radnet and Tenet Healthcare, that operate healthcare facilities in separate, fragmented markets. Tenet operates ambulatory surgical centers which is a market we like, however the company never gained our conviction to bring to a full position. Furthermore, they operate several hospitals which only added to our uncertainty as the Trump administration looks for ways to cut costs from the US healthcare spend. In particular, Dr. Marty Makary²⁰, the appointee to head the FDA, holds the opinion that the lack of price transparency in hospital care is anti-consumer, anti-competitive, and only serves to inflate the cost of healthcare in the US. With this in mind, we do believe there are significant issues with the way hospital services are priced. Even though Tenet is a scale operator in ambulatory surgical centers, we believe the risk of their potential exploitation of known inefficiencies in the healthcare system is too great to remain in the partnership.

As of writing this letter, we are merely a week into the second Trump presidency and it's far too early to draw conclusions on policy changes. President Trump's nomination of Marty Makary has not drawn much press but I feel could have an outsized impact on the country going forward. I recommend reading his book *The Price We Pay* as it highlights why healthcare costs are so exorbitant. Dr. Makary is likely one of the few people best positioned to address the rising cost of our healthcare system.



²⁰ Dr. Makary was previously on the board of Harrow Health. He resigned from the position upon his appointment to the FDA.

TMHP QUARTERLY RETURNS DATA²¹

Quarter Ended	TMHP % Gross Return	TMHP % Net Return	S&P 500 Healthcare
12/31/2024	-14%	-12%	-10%
9/30/2024	23%	19%	6%
6/30/2024	11%	9%	-1%
3/31/2024	6%	4%	9%
12/31/2023	2%	1%	6%
9/30/2023	0%	0%	-3%
6/30/2023	5%	3%	4%

²¹ Please review the Important Disclaimers on Page 3.

PORTFOLIO UPDATE & COMMENTARY

<u>Positions</u>	<i>% of Portfolio</i>		<u>Change</u>
	<u>9/30/2024</u>	<u>12/31/2024</u>	
Lantheus Holdings Inc	30%	25%	-4.4%
Vertex Pharmaceuticals Inc	18%	21%	3.7%
Harrow Inc	21%	21%	-0.2%
Axsome Therapeutics Inc	6%	6%	0%
Celsius Holdings Inc	4%	5%	1%
Radnet Inc	2%	6%	4%
Exelixis Inc	2%	7%	5%
Tenet Healthcare Corp	2%	0%	-2%
Stocks	84%	91%	7.5%
<u>Cash</u>	16%	9%	-8%
Total Partnership	100%	100%	

The drawdown of TMHP interests during the quarter was attributed to our three largest positions. While the general momentum of the sector was to move lower, each of these three had their own specific circumstances that I will expand on below.

Lantheus Holdings (\$LNTH)

While reporting their Q3 financials, Lantheus failed to meet the market's expectations for Q4 guidance. However, no part of our thesis was impacted. Increased use of radioligand therapy to treat prostate cancer will drive increased adoption of radiodiagnostics, i.e. Pylarify. The FDA has two applications submitted for expanding use of radioligand therapy. Either approval could double the size of the addressable market.

A development we are watching carefully is the new CEO's propensity for acquisitions. Managers must be good allocators of capital and we do not yet have the track record of the new CEO to make a determination. Two acquisitions in quick succession is worrisome but in both cases the initial outlay of cash was minimal compared to the total deal size. The majority of

both deals are tied to milestone payments. That could be shrewd negotiating, but as I've said, it is still too early to make any determination.

Vertex Pharmaceuticals (\$VRTX)

Just before year-end, Vertex released additional study results for Suzetrigine, their non-opioid pain drug. This particular study was a Phase 2 trial exploring its efficacy in lumbosacral radiculopathy, more commonly known as sciatica. This chronic nerve pain condition has historically been very difficult to treat. The results of this study showed a statistically significant reduction in pain from both Suzetrigine and placebo. The placebo effect was rather large in this study, which was not designed to remove the placebo response, and therefore the result shows no drug improvement over placebo.

That study result sent shares markedly lower. We maintained that this result had no impact on the FDA new drug application for use of Suzetrigine to treat acute pain. Keeping a level head, we modestly added to this position going into the FDA decision as we felt the downside was already priced in. Ultimately our conviction was proven right as in January the FDA approved Suzetrigine as the first new mode-of-action for pain treatment in decades.

"Today's approval is an important public health milestone in acute pain management. A new non-opioid analgesic therapeutic class for acute pain offers an opportunity to mitigate certain risks associated with using an opioid for pain and provides patients with another treatment option. This action and the agency's designations to expedite the drug's development and review underscore FDA's commitment to approving safe and effective alternatives to opioids for pain management."

*- Jacqueline Corrigan-Curay, J.D., M.D.
Dir. of FDA Center for Drug Evaluation and Research*

The potential impacts of having a non-opioid pain treatment available cannot be overstated. The CDC estimated the economic cost of the opioid epidemic on the United States in 2019 at \$985b²². Due to this, in 2022 Congress passed the NO PAIN Act which subsidizes

²² CDC, "CDC Works 24/7."

the cost of non-opioid pain treatments when they exceed that of an opioid, many of which are now generic. Each year, 80 million people in the US are treated for acute pain, half of whom are prescribed an opioid. The average duration of treatment is 19 days. At this rate, the US government could fully subsidize Suzetrigine in place of every opioid prescription (I know, unrealistic) for a total cost of \$22b. It's hard not to imagine that eliminating opioid prescriptions wouldn't have a significant impact on that \$985b figure, providing an amazing ROI for our nation.

Now, that scenario will not occur any time soon. But, Vertex's strategy with all drugs is a process of continuous innovation. This "process power" is a key source of distinction which is quite rare among pharmaceutical companies.²³ The next several versions of this drug are already in late stage development. If Vertex can continue to improve upon this first formulation, maybe we can eliminate opioid use outside of supervised clinical settings.

Harrow (\$HROW)

Harrow missed forecasts on sales when they reported their Q3 financials. This was due to the high-class problem of demand exceeding the manufacturing capacity of Vevey. The underlying reason was an extremely high prescription refill rate for this condition. The typical refill rate for dry eye disease treatments is 30%, Vevey saw a 90% refill rate. This is a very early indication that Vevey could become one of the leading treatments in this condition. The inventory issue affected the last 2 weeks of the quarter with management expecting those delayed orders, along with new orders, to be caught up in Q4 of 2024 as additional manufacturing capacity was contracted.

The rest of the business appears to be operating according to plan. The Iheezo launch is going well. Triesence was authorized by the FDA to re-enter the market prior to year end. And the results from Melt Pharmaceuticals' pivotal study came back satisfactory. Harrow owns approximately 47% of the Melt spinout, along with royalty rights on the lead drug candidate.

²³ Helmer, 7 Powers.

Due to the share price action following the Vevye inventory issue, the partnership took that opportunity to add to our position. Even though the share price has appreciated significantly from our first purchase, we still feel there is a large opportunity ahead for the company.

APPENDIX

TOOLS OF LABOR AND THOUGHT: THE IMMINENT INTELLIGENCE REVOLUTION

The Second Industrial Revolution provided dramatic leaps in productivity per laborer, accelerating per-capita economic growth and broadly increasing standards of living. The precursor to this, the appropriately named First Industrial Revolution, produced a major shift in how labor was performed. Human labor was displaced by machines, and as society became comfortable with a mechanized economy, a generation of ideas rooted in this new reality produced a tremendous wave of innovation: the Second Industrial Revolution. The Digital Revolution, by creating a new information economy, is the precursor to a much larger forthcoming revolution: The Intelligence Revolution. The Intelligence Revolution is destined to provide a dramatic leap in the productivity per information worker and usher in a step-change in economic growth and standard of living.

TOOLS OF LABOR

The Industrial Revolution occurred over two distinct periods. The First Industrial Revolution spanned from roughly 1760 to 1830 during which time machine tools and mechanized factories were introduced. Steam power enabled locomotives and steamboats. Machines, rather than human and animal labor, became the primary means of production. These innovations laid the groundwork for a much larger explosion of innovation that would follow.

By 1870, the Second Industrial Revolution was emerging, driven by an immense expansion in manufacturing capacity fueling this second, larger, burst of innovation. As demand for manufactured goods increased, manually operated machines initially met

that need. However, as industries mastered these processes, automation began to be introduced, driving greater efficiencies and transforming production.

Innovations in industrial-scale iron production led to the Bessemer process, enabling mass production of steel. Early machine technology was organized into assembly lines, and interchangeable parts streamlined manufacturing. Cheap paper production fueled textbook and newspaper distribution. Telegraph and railroad networks were built out across nations to carry information and goods. Electric street cars shuffled people through cities. This prosperity facilitated the widespread adoption of gas, electricity, filtered water, and sewage systems to the home.

The Second Industrial Revolution, lasting until 1915, saw a greater increase in economic growth than any prior era. Living standards improved significantly, with many luxury items becoming attainable to the average person. People had more money, indoor plumbing, and could even communicate instantaneously over long distances with a telephone. This era in the United States is often referred to as the Gilded Age, highlighted by material excesses and rapid industrialization.

TOOLS OF THOUGHT

Just as the First Industrial Revolution laid the groundwork for the unprecedented economic growth of the Second Industrial Revolution, the Digital Revolution has laid the groundwork for an even more transformative era: the Intelligence Revolution.

The transistor was invented in 1947, marking the start of the Digital Revolution. This period would come to be known by several other names such as the Information Age, the Computer Age, and the Internet Age. There is debate about when history will show this period to have ended, but it will likely be marked between 2010 and 2020. During the 2010s several milestones were reached: the majority of the global population

was connected to the internet, 99% of all recorded information was digitized, and mobile phones became ubiquitous. These milestones marked the completion of the infrastructure build of the Digital Revolution.

Computing advances during this Digital Revolution have enabled many technologies that power the modern lifestyle. Highlights of this era include the space age, which evolved from the first human flights in the 1960s to today's near daily rocket launches that bring satellites to orbit to provide GPS, weather monitoring, and global internet services. The adoption of personal computers through the 1980's allowed individuals and employees at any level to leverage the productivity gains afforded through word processing and digital computation. Mobile technologies have connected nearly every human on the planet to any other, on demand. And cloud computing has allowed global internet scale data to be stored, processed, and packaged into readily available software products.

This near universal availability of compute and network connectivity has enabled a new information-based economy. Novel business models have been developed that changed how society operates. News and entertainment are shared globally, in real-time, through digital networks. Anyone on the planet can command the flow of goods globally to be delivered to their doorstep. Entire industries, such as online advertising were born, and countless businesses offer customers digital software that creates value without the transfer of physical goods.

Just as the initial shift from human labor to mechanized production opened the door for the Second, and larger Industrial Revolution to occur, the first Digital Revolution was merely an era of digitizing and connecting the global economy. The second compute revolution, the Intelligence Revolution, will result in larger

advancements in human productivity, a phenomenal increase in economic growth, and a step-change improvement to living standards.

Where the tools of the Digital Age enabled individuals to leverage computation, the tools of the Intelligence Revolution promise to automate thinking processes. Society's creation of a large information-based economy caused an immense demand for data processing, reporting, content creation, and more. That, as with the First Industrial Revolution, was filled with manual labor. Ever more powerful computers, massive data storage, and big data processing aid in worker productivity, but also laid the foundation for creating the automation around those very processes humans currently perform. Whereas the Industrial Revolution produced industrial robots to automate labor, the Intelligence Revolution will be punctuated by the creation of Artificial Intelligence to automate knowledge work. Now that society has created the framework for a fully digital economy, we may begin to automate with Artificial Intelligence.

While some laborers were displaced, the Industrial Revolution did not eliminate manufacturing jobs, they in fact increased in overall numbers in the years ahead. The Intelligence Revolution will do the same. Some job roles will disappear, however each information worker's productivity will increase dramatically. With that will come an equally dramatic rise in economic growth. This economic growth will in turn provide a greater means for consumption of goods and services. Luxuries once reserved for the wealthiest individuals today will become commonplace in the future, just as they have in past cycles. The results will play out similarly to the past Agricultural and Industrial revolutions where society will achieve a new base level of prosperity.

Artificial Intelligence will enable every person to have an assistant with the collective knowledge of humanity, freely available to converse with. These AI assistants will have autonomy to complete tasks at the direction of the owner. Just as machines like the

internal combustion engine gave an individual the power of a herd of horses, AI assistants will give an individual the labor equivalent of a team of college graduates. Every person will have the productive capability of an entire office of knowledge workers - we can only begin to imagine how this period of innovation will change human life in the decades ahead.

TMCP RETURNS DATA

TMCP ANNUAL RETURNS DATA²⁴

Period	TMCP % Gross Return	TMCP % Net Return	S&P 500 Total Return	Berkshire Hathaway	VC Index	QQQ
2024	37%	31%	25%	25%	2%	25%
2023	24%	23%	26%	16%	-3%	55%
2022	-30%	-30%	-18%	4%	-21%	-33%
2021	41%	34%	29%	30%	53%	27%
2020	64%	53%	18%	2%	36%	48%
2019	79%	65%	31%	11%	19%	39%
2018	15%	14%	-4%	3%	18%	0%
2017	58%	48%	22%	22%	11%	33%
2016	133%	109%	12%	23%	0%	7%
2015	-5%	-6%	1%	-12%	13%	10%
2014	9%	9%	14%	27%	22%	19%
2013	-6%	-7%	32%	33%	29%	37%
2012Q4	0%	0%	0%	4%	7%	0%

²⁴ Please review the Important Disclaimers on Page 3.

TMCP QUARTERLY RETURNS DATA²⁵

Quarter Ended	TMCP % Gross Return	TMCP % Net Return	S&P 500 Total Return	Berkshire Hathaway	VC Index	QQQ
December 31, 2024	-1.42%	-1.46%	2.41%	-1.48%	n/a	4.89%
September 30, 2024	4.76%	3.92%	5.89%	12.89%	1.17%	1.72%
June 30, 2024	11.94%	10.08%	4.28%	-3.50%	-1.06%	7.88%
March 31, 2024	18.11%	15.85%	10.56%	16.92%	2.28%	8.70%
December 31, 2023	-1.33%	-1.58%	11.69%	2.10%	0.46%	14.47%
September 30, 2023	0.08%	-0.18%	-3.27%	2.64%	-2.53%	-2.89%
June 30, 2023	11.97%	11.74%	8.74%	11.21%	-0.47%	15.29%
March 31, 2023	12.31%	12.11%	7.50%	-0.66%	-0.84%	20.81%
December 31, 2022	3.32%	3.10%	7.56%	15.31%	-6.87%	-0.19%
September 30, 2022	-3.98%	-4.24%	-4.88%	-0.61%	-2.35%	-4.46%
June 30, 2022	-18.71%	-18.94%	-16.10%	-22.68%	-9.37%	-22.59%
March 31, 2022	-13.05%	-13.09%	-4.60%	17.37%	-3.98%	-8.76%
December 31, 2021	12.96%	11.38%	11.03%	9.55%	7.06%	11.27%
September 30, 2021	3.19%	2.55%	0.58%	-1.73%	9.58%	1.11%
June 30, 2021	15.94%	13.61%	8.55%	8.53%	12.09%	11.20%
March 31, 2021	4.60%	3.53%	6.17%	10.89%	16.68%	1.90%
December 31, 2020	4.72%	17.44%	12.15%	8.69%	14.21%	12.92%
September 30, 2020	15.13%	0.00%	8.93%	19.72%	12.17%	12.41%
June 30, 2020	35.48%	29.84%	20.54%	-1.73%	9.31%	30.32%
March 31, 2020	0.40%	0.18%	-19.60%	-19.90%	-3.08%	-10.25%
December 31, 2019	23.63%	20.63%	9.07%	8.90%	5.54%	12.83%
September 30, 2019	6.61%	5.63%	1.70%	-2.05%	-0.82%	1.33%

²⁵ Please review the Important Disclaimers on Page 3.

June 30, 2019	2.20%	1.77%	4.30%	5.69%	6.93%	4.13%
March 31, 2019	32.94%	27.16%	13.65%	-1.56%	6.45%	16.80%
December 31, 2018	-52.83%	-48.73%	-13.52%	-4.38%	1.71%	-16.82%
September 30, 2018	28.93%	26.58%	7.71%	13.46%	5.20%	8.47%
June 30, 2018	24.49%	21.96%	3.43%	-5.70%	5.99%	7.37%
March 31, 2018	51.72%	44.35%	-0.76%	0.50%	3.96%	3.02%
December 31, 2017	14.14%	12.36%	6.64%	8.32%	2.82%	7.32%
September 30, 2017	12.52%	10.80%	4.48%	7.87%	3.24%	5.96%
June 30, 2017	29.46%	25.67%	3.09%	1.94%	1.35%	4.19%
March 31, 2017	-4.92%	-5.10%	6.07%	2.35%	3.24%	12.06%
December 31, 2016	121.48%	100.96%	3.82%	12.90%	-0.01%	0.05%
September 30, 2016	6.06%	5.12%	3.85%	-0.35%	3.32%	10.69%
June 30, 2016	0.80%	0.60%	2.46%	1.65%	0.52%	-1.23%
March 31, 2016	-1.58%	-1.77%	1.35%	7.91%	-3.34%	-2.08%
December 31, 2015	-1.20%	-1.37%	7.04%	1.31%	1.65%	10.19%
September 30, 2015	-1.54%	-1.70%	-6.44%	-4.69%	-0.44%	-4.74%
June 30, 2015	0.42%	0.25%	0.28%	-5.82%	6.82%	1.63%
March 31, 2015	-3.17%	-3.32%	0.95%	-3.76%	4.38%	2.66%
December 31, 2014	0.88%	0.64%	4.93%	9.23%	10.23%	4.76%
September 30, 2014	-0.50%	-0.60%	1.13%	8.95%	2.64%	5.48%
June 30, 2014	3.42%	3.11%	5.23%	1.36%	2.93%	7.36%
March 31, 2014	5.41%	5.29%	1.81%	5.31%	4.74%	0.40%
December 31, 2013	1.29%	1.10%	10.51%	4.40%	12.74%	11.85%
September 30, 2013	-0.06%	-0.22%	5.25%	1.07%	6.56%	11.03%
June 30, 2013	-1.37%	-1.53%	2.91%	7.88%	4.47%	3.57%
March 31, 2013	-6.15%	-6.32%	10.61%	16.57%	2.53%	6.49%
December 31, 2012	0.23%	0.23%	-0.38%	3.52%	1.03%	0.28%

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