

First Quarter 2025 Quarterly Commentary

White Brook Capital Partners as a commingled investment fund is winding down. Almost all positions have been sold and the account will sit in cash until it is dispersed to partners. White Brook Capital will remain and continue to manage separately managed accounts. So far this month, White Brook Capital Partners is down but has outperformed the midcap index as we continued to build cash.

Less than a week ago I was optimistic we had a uniquely positioned portfolio for the next few years and the likelihood of outperformance and positive performance was exceptional. The tariff announcement this past week, along with its calculation and implementation, however, confirmed what I thought was a low probability downside risk. It is clear that the economic environment is likely to be exceptionally unpredictable this year. Unless there's a clear reversal in policy, in the next year, I think we'll see something similar to the early days of Covid where this administration is willing to look past facts in order to operate in a parallel reality. Having done it once before, that's a tough environment to invest in midcaps.

I have given everything I have to make White Brook Capital Partners a success, but the performance for the past 3 years has not met expectations. While I believe our relative performance would be positive this year, I now think there's little chance to generate significant positive returns in a midcap strategy in the near term. White Brook Capital Partners is returning capital to investors.

I believe that, like during Covid, there will be opportunities to build generational wealth during the next several years. If we shorted stocks, we'd be able to match the volatility of the market and look to aggressively buy when individual stocks got exceptionally cheap. But White Brook Capital Partners does not short stocks or hold instruments that short stocks, to match against long positions and defray the volatility. As a long only partnership, we can only sit in cash to lower volatility. I'd recommend having a larger cash allocation for the next year, and if given the opportunity, I'd do that, earn yield, and wait for individual opportunities that were beyond compelling across market caps. But I do not have a crystal ball and I wanted to give each partner a chance to decide that for themselves.

The process of unwinding the portfolio is mostly complete. We sold a large percentage of the portfolio early on Thursday and the process will end in the next couple days. The funds will sit in cash until it can be disbursed to you. There is a final audit that needs to take place, as well. The administrator or I will reach out with specifics to return capital. It will hopefully be a relatively quick process.

White Brook Capital as a firm is not shutting down and will continue to manage separately managed accounts custodied at Charles Schwab or Interactive Brokers. I believe recent international trade moves are without precedent and short on rationale and therefore have acted quickly and defensively to protect your capital. Separately

managed accounts have eliminated those positions that I believe are most sensitive to the difficult macroeconomic challenges that I believe are occurring and will continue to occur in the country as long as the administration stays on its current path. Market commentators talk about uncertainty in the marketplace, but the level of business uncertainty today hinders short and long term decision making across the board, whether it's for a company making a new investment or just maintaining current efforts, whether to try to rewire the supply chain at significant cost, or sit tight, raise prices, and hope presidential passions change. It's difficult for management teams to operate and make decisions today and even more so for investors to accurately divine the future cash flows and strategic position that those businesses may have with imperfect information.

Should prices become so compelling, or the investing environment begin to clarify, I would look to redeploy, but how and when that is, is unclear. I look forward to having individual conversations with clients as you have time. In the meantime cash will be a significant portion of the portfolio.

With the closure of the White Brook Capital Partners and what I believe will in time be an attractive environment, White Brook Capital will have three strategies moving forward.

1. White Brook Capital's Ethical Index

[Outlined in our last insights post](#), the Ethical Index is a diversified passive investment based on the S&P 500. It strips out vice and defense companies and those that have profited from the recent and continuing wars - leaving the index with 397 companies. It is more zealous in those aims, particularly the latter, than available options I have seen. For those who wish to strip out financial companies, that can be done as well. It has only started on April 1st and is performing in line with the S&P 500 as designed, through this downside volatility. The track record couldn't be shorter, but there's nothing in its construction that should result in significant divergence from the S&P 500 unless the above exclusions significantly outperform or underperform. I am happy to help clients directly or if you'd like to put me in touch with your Investment Advisor to find an arrangement that works - with them.

2. White Brook Capital Small Cap

The Small Cap Strategy targets small and microcap companies that we believe can grow strongly in a relatively short amount of time. Our first incubated account, started at the beginning of the year, is up over 100% this year, but that record is too short to have significant confidence in this extremely volatile strategy. These stocks are characterized by high analyzability, but low short term earnings confidence, and the opportunity for investment is measured in the hundreds of thousands and low millions of dollars in companies with market caps of less than 400 million. Each investment should be thought of as short term (1-2 years) with returns targeted at 100%, but with significant risk. We continue to only incubate this strategy.

3. **White Brook Capital All Cap Discretionary**

The All Cap Strategy targets all market caps and will hold a mix of ETFs (including the Ethical Index - at request), money market funds, and single stocks to generate returns where 60%-75% of the portfolio's returns will be due to the allocation to "the market" or cash. The rest of the return profile will be due to single stock selection.

Unless a special situation arises - as it may with the small cap strategy - where a commingled fund is necessary - moving forward everything will be done in separately managed accounts custodied at Schwab or IB.

Again, I look forward to having individual conversations with clients as you have time. It is an honor to manage your investments, I thank you for your support, and will strive to continue to earn your trust.

Sincerely,



Basil F. Alsikafi

Portfolio Manager

White Brook Capital, LLC

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