

*Portfolio*

# Performance Report

Full Year 2024

*Thomas Yarwood Perez*  
January 10, 2025

**Letter**

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My portfolio is an ongoing attempt to outperform the market on a risk-adjusted basis. My strategy is simple; to buy securities that are mispriced due to an overestimation of the downside risks. The result is owning quality securities at bargain prices relative to the risk they hold. By implementing this strategy, I hope to achieve the greatest risk-adjusted returns.

This last year, it has been difficult to identify investment opportunities. It's not that the market hasn't presented opportunities to deploy capital, but because investment research is a time-consuming process. Working full-time, spending time with my girlfriend, hanging out with friends, exercising, sleeping, AND researching investments is a near impossible task.

Regardless, this year, like every year, has been a learning experience. I am proud to have been able to implement some prior learned experiences into the portfolio this year. This consisted of doubling down on my high conviction investments despite high emotions and letting investments ride through fluctuations of the market. Though it's been a good year, it's hard to not attribute a big chunk of my returns to luck. "In the short-term the market is a voting machine; in the long run it's a weighing machine" and I don't think enough time has passed for my investments to have been weighed.

Now, looking forward. Regarding the market, on a macro scale I don't believe that the current risks in the world are accurately reflected in securities. Geopolitical, political, and economic risk are all heightened while investors are (weirdly enough) willing to pay a premium for equities, and even bonds. On the other hand, over the past two years there have been extraordinary breakthroughs in technology stemming from developments in AI, quantum computing, and others. Though the impact of these technologies on the future cashflows of business is still uncertain, they present a tremendous investment opportunity. As a result, I believe market participants are in for a more volatile year. In 2025, my goal is to capitalize on others' fears during down times and seek those lesser covered names in the market. I hope to add at least one new name to my investments, while maintaining the goals and philosophy of the portfolio.

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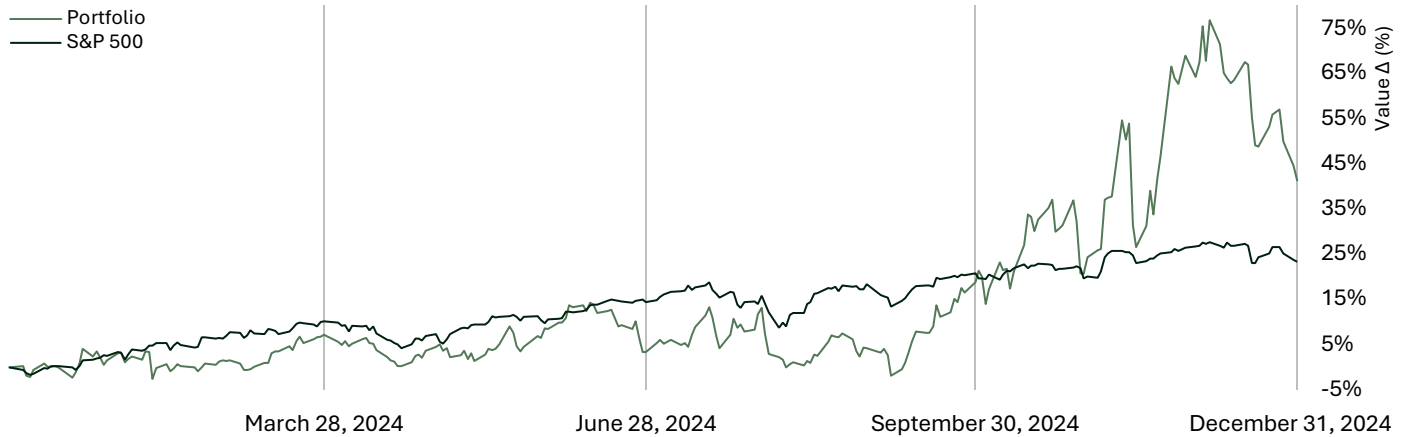
### Highlights

- The portfolio outperformed the benchmark in 2024 delivering returns of 41.40% compared to 23.31% of the S&P 500.
- Overall risk, measured by various factors, rose year over year for the portfolio.
- New capital was added to the portfolio, and HIMS was the newest addition to holdings.

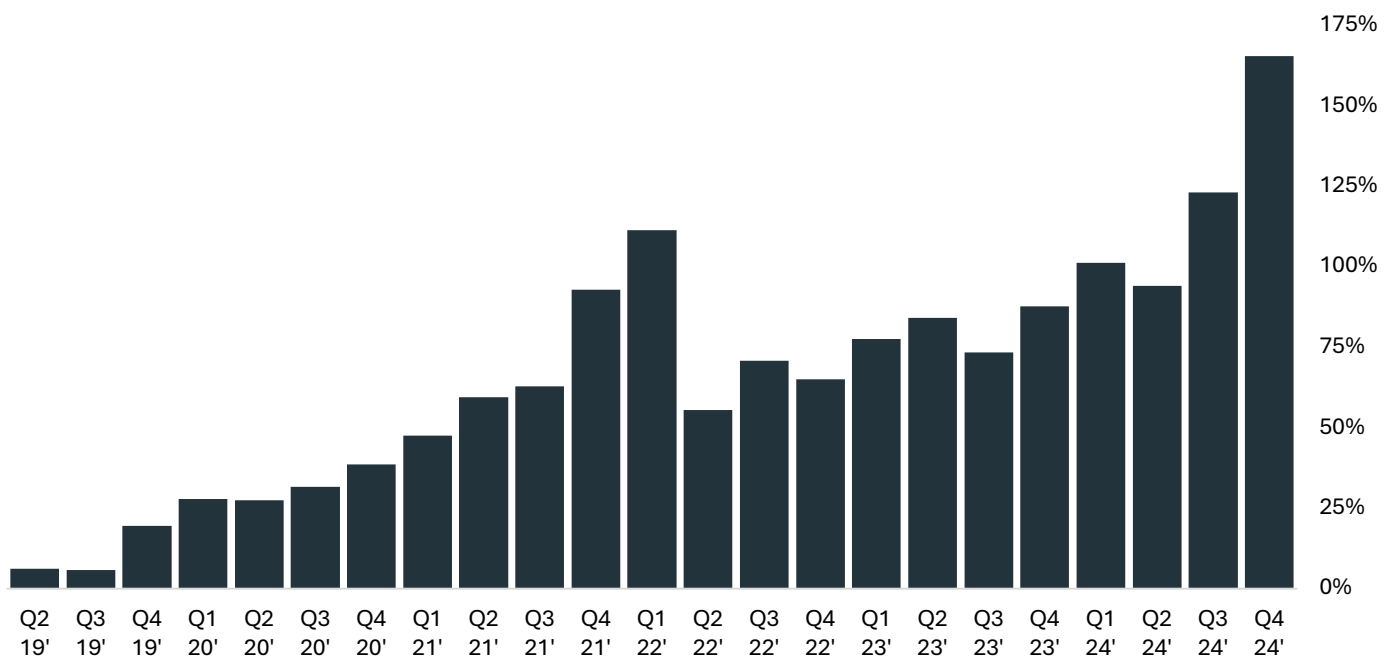
### Performance

Returns	Q1	Q2	Q3	Q4	Annual
Portfolio	7.17%	-1.45%	14.94%	18.98%	41.40%
S&P 500	10.16%	3.92%	5.53%	2.07%	23.31%
Difference	-2.99%	-5.37%	9.41%	16.91%	18.09%

2024 Performance v. Benchmark

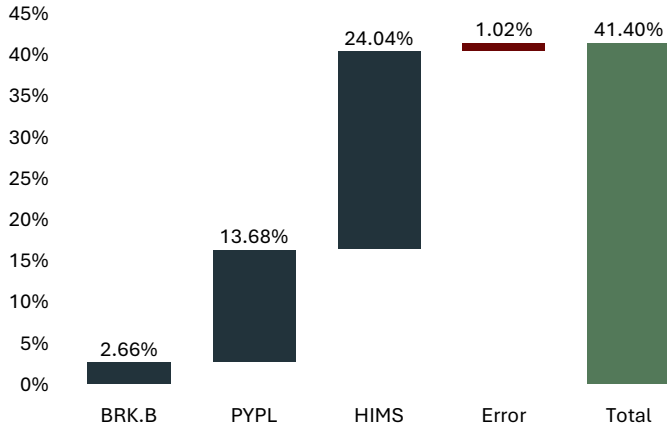


Performance Since Inception (Quarterly)



Contribution Analysis

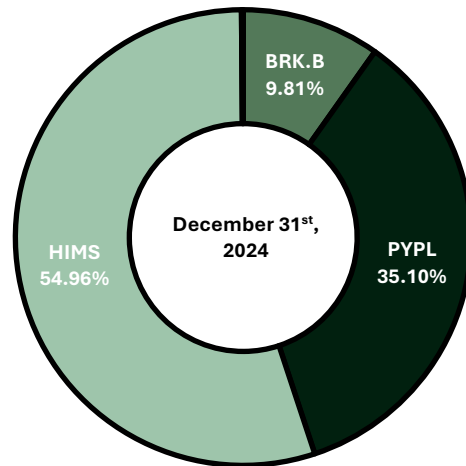
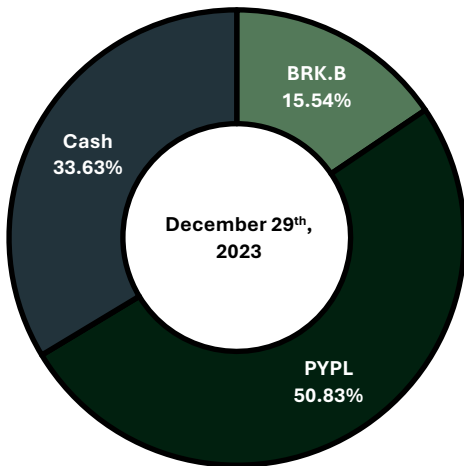
Total Contributions to 2024 Returns



Commentary

In 2024, HIMS contributed the largest to returns followed by PYPL and BRK.B respectively. The margin of error can be attributed to the manual calculation of contribution analysis. Since there was a cash inflow into the portfolio and a change in the holdings in the middle of the period, contribution cannot be calculated by multiplying the weights of the holdings by the gain or loss during the period. The proper way to calculate it would be to take a daily contribution of returns and have separate stub periods for each cash inflow or outflow (it is very hard to accurately do this in Excel).

Holdings



## Valuation Synopsis

### **PayPal, Inc. (PYPL)** SCORE 3 of 5 FAIR VALUE | \$85 MV: \$85B

PayPal has continued to be a holding in the portfolio throughout the year, without any additional capital contributions. The company has begun to see some business performance changes since Alex Chriss stepped in as the CEO in the fall of 2023. Revenue grew around 8% for the last twelve months, while earnings grew at around 5%; additionally, the valuation of the company grew larger than the business fundamentals a reflection of increased confidence in management and a larger confidence that the company can achieve profitable growth. Though the business still faces fierce competition, evident in their decreased margins, I believe there are still many opportunities for growth - namely through digital wallet adoption and business payments analytics. Despite fact that the business strategy has largely changed from when I originally purchased shares in 2022, it remains a high conviction investment. I believe the company is fairly valued given its relationship between competitive risks, growth opportunities, and the current multiple that it's valued at (FWD P/E: 18.5x).

### **Berkshire Hathaway Inc. (BRK.B)** SCORE 3 of 5 FAIR VALUE | \$450 MV: \$970B

Berkshire Hathaway remains in the portfolio. At face value Berkshire Hathaway looks expensive relative to operating cashflow it provides. The operating earnings of the company trade at a premium to competitors in similar industries (Insurance, Transportation, and Others). The premium is derived from the company's (and specifically Warrens) ability to invest and achieve attractive returns, while protecting downside risk. For this reason, despite the operating company looking expensive, I believe the company's ability to deliver investment alpha merits the premium that the operating business is valued at. With all considerations to the business, I believe the shares are fairly valued.

### **Hims & Hers Health, Inc. (HIMS)** SCORE 4 of 5 UNDERVALUE | \$24 MV: \$5.3B

HIMS is the newest addition to the portfolio this year, and the largest. When I first initiated the position in the spring, I believed the company to be undervalued. The business sells generic drugs in the online consumer packaged goods (CPG) industry. The selling point is its brand and ease of use. The company was (and is) founder lead, possessed a healthy balance sheet, was on the cusp of reaching profitability, and seemed ripe for growth. HIMS was valued at 3.60x LTM sales, with the option to break into the weight loss industry.

Since the initial investment I significantly added to the position; however, during that time the business changed course. HIMS began to offer compounded versions of the weight loss drug "Ozempic" (semaglutide), which overshadowed much of its other businesses segments. Given the legal nature of the compounded drug business and an extremely competitive environment, the forecasted cashflows of the business (and therefore the value of the business) has since been extremely volatile. Although my investment thesis has changed over the period, I still maintain that the business is undervalued at 4.25x LTM sales. Management has showed its agility and ability to seize on opportunities, and I believe they will continue to capture market share while managing the risks that the opportunities impose. Considering the potential growth from the weight loss industry, and despite risks, the business is still valued below its future cashflows.

## Portfolio Analysis

### **Taxes**

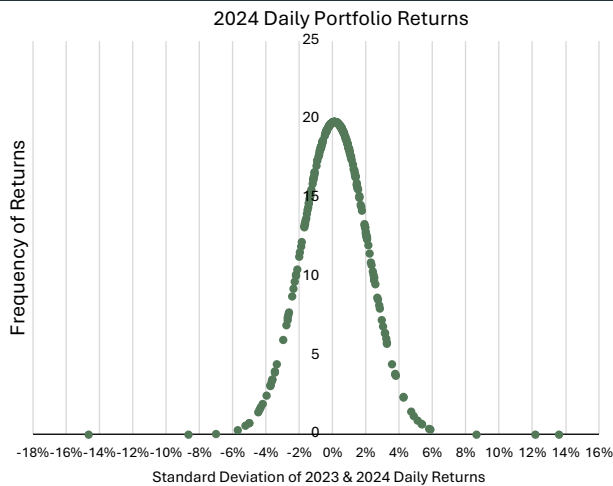
During the year I considered selling a portion of my position in HIMS and take short-term capital gains tax. Up until this moment, I never had a real consideration for taxes in the portfolio and never took it

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into account when calculating annual returns (it really makes the process of manually calculating returns that much more cumbersome). However, I think it's an important discussion point in terms of my portfolio analysis and real world returns.

I originally wanted to sell a portion of my position in HIMS because of the outsized weighting it had in my portfolio. I was uncomfortable with how much it had appreciated relative to my other holdings and it exposed me to greater non systemic risk. However, I was weary of the short-term gains tax which I would have incurred on my realized gains. I'm still contemplating plausible solutions to minimize the portfolio exposure, while considering the transaction costs.

### Risk Analysis



Over the last year risk, as measured by the standard deviation of daily returns over 2023 and 2024, increased significantly. In comparison with the 2023 daily returns, it's evident that 2024 was a much more volatile year. Though both years had a similar amount of trading days (250 v. 252), on 24 occurrences daily returns fluctuated at least more than two standard deviations. On six occurrences, the returns fluctuated greater than three standard deviations, all of which occurred in the fourth quarter.

This volatility was the direct result of my HIMS purchase in combination with its sizable weight relative to the portfolio. The position also increased relative to other holdings therefore contributing more to the portfolio volatility. The portfolio had substantial daily swings due to news releases directly and indirectly related to HIMS. The goal of the portfolio is to achieve outsized risk adjusted returns relative to the benchmark. Ongoing variation in daily returns has, thus far, not impacted long-term risk adjusted returns. However, if the portfolio continues to have outsized variability it will likely dramatically reduce the performance on a risk adjusted basis. Over the next year I plan to add more holdings in the portfolio with the contribution of new capital. This will bring down the portfolio's volatility, as higher risk names such as HIMS will have a comparatively lower weight.

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### Portfolio Statistics

#### Portfolio Returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2019					-1.81%	8.06%	1.22%	-5.18%	3.96%	3.36%	8.45%	0.77%	<b>19.59%</b>
2020	7.65%	1.33%	-1.97%	0.39%	-0.15%	-0.60%	1.48%	1.88%	-0.05%	-1.01%	5.58%	0.67%	<b>15.82%</b>
2021	1.10%	4.10%	1.25%	3.48%	-0.07%	4.55%	3.07%	4.32%	-5.06%	8.51%	3.01%	5.90%	<b>39.21%</b>
2022	2.97%	-0.59%	7.08%	-13.89%	-3.62%	-11.35%	15.70%	0.94%	-5.91%	1.92%	0.01%	-5.21%	<b>-14.38%</b>
2023	5.51%	-2.50%	4.55%	2.24%	-3.10%	4.62%	3.33%	-4.72%	-4.33%	-5.38%	10.46%	3.59%	<b>13.70%</b>
2024	1.13%	0.28%	5.68%	-3.24%	4.54%	-4.62%	4.30%	-3.38%	11.88%	12.73%	28.57%	-16.32%	<b>41.40%</b>
<b>Total</b>													<b>165.66%</b>
<b>Annualized</b>													<b>19.00%</b>

#### S&P 500 Returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2019					-3.65%	6.89%	1.31%	-1.81%	1.72%	2.04%	3.40%	2.86%	<b>13.11%</b>
2020	-0.16%	-8.41%	-12.51%	12.68%	4.53%	1.84%	5.51%	7.01%	-3.92%	-2.77%	10.75%	3.71%	<b>16.26%</b>
2021	-1.11%	2.61%	4.24%	5.24%	0.55%	2.22%	2.27%	2.90%	-4.76%	6.91%	-0.83%	4.36%	<b>26.89%</b>
2022	-5.26%	-3.14%	3.58%	-8.80%	0.01%	-8.39%	9.11%	-4.24%	-9.34%	7.99%	5.38%	-5.90%	<b>-19.44%</b>
2023	6.18%	-2.61%	3.51%	1.46%	0.25%	6.47%	3.11%	-1.77%	-4.87%	-2.20%	8.92%	4.42%	<b>24.23%</b>
2024	1.59%	5.17%	3.10%	-2.94%	3.48%	3.47%	-0.03%	3.47%	1.59%	1.22%	3.86%	-2.50%	<b>23.31%</b>
<b>Total</b>													<b>105.92%</b>
<b>Annualized</b>													<b>13.72%</b>

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### Portfolio Statistics

#### Risk-Adjusted Metrics

Daily	Beta	Rp	Rf	$\sigma$	$\sigma_d$	Sharpe	Sortino	Treynor	Alpha
Portfolio	0.58	19.00%	2.60%	23.95%	18.56%	0.68	0.88	0.28	16.40%
S&P 500	1.00	13.72%	2.60%	20.52%	16.86%	0.54	0.66	0.11	11.13%
Weekly	Beta	Rp	Rf	$\sigma$	$\sigma_d$	Sharpe	Sortino	Treynor	Alpha
Portfolio	0.64	19.00%	2.60%	21.45%	13.09%	0.76	1.25	0.25	16.40%
S&P 500	1.00	13.72%	2.60%	18.78%	14.69%	0.59	0.76	0.11	11.13%
Monthly	Beta	Rp	Rf	$\sigma$	$\sigma_d$	Sharpe	Sortino	Treynor	Alpha
Portfolio	0.71	19.00%	2.60%	22.40%	14.18%	0.73	1.16	0.23	16.40%
S&P 500	1.00	13.72%	2.60%	17.15%	10.90%	0.65	1.02	0.11	11.13%
Beta	2019	2020	2021	2022	2023	2024	Cumulative		
Daily	0.93	0.16	0.74	1.03	0.91	1.31	0.58		
Weekly	1.11	0.16	0.67	1.29	1.00	1.90	0.64		
Monthly	1.21	0.13	0.88	0.93	1.12	1.84	0.71		

## Disclosures

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