Robotti
Value Investors

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> *"Your goal as an investor should simply be to purchase, at a rational price, a part interest in an easily understandable business whose earnings are virtually certain to be materially higher five, ten and twenty years from now. If you aren't willing to own a stock for ten years, don't even think about owning it for ten minutes."*
>
> \- Warren E. Buffett[1]

Friends and Members of JEN Capital Partners:

This letter provides a quarterly update on developments at JEN Capital Partners, LLC ("JCP"), a private investment partnership launched on September 1, 2016.

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Constrained by a thicket of regulation and conformist industry norms, most institutional public market investors focus on market capitalization, sector definitions, relative weightings and other benchmarks. Add to that average holding periods of less than a year and bonus structures tied to short-term performance, and it becomes clear why most fund managers won't heed Buffett's advice. In sharp contrast, JCP's long-term investment time horizon and perpetual ownership mindset place heavy emphasis on the durability and permanence of its underlying businesses. I believe the managers and owners of the companies we align with share a similar philosophy.

My search for rational investments—and the resulting composition of JCP's portfolio—reflects a preference for companies with a large, like-minded, shareholder. These are often founders, families, entrepreneurs, executive teams or other long-term investors with meaningful stakes that confer either outright or de facto control ("control owner"). Control owners typically prioritize long-term wealth creation over meeting/beating short-term earnings expectations. They are focused not just on their net worth, but also on their self-worth i.e., their reputation and legacy. I avoid companies with high agency costs--where management's primary interests lie with incumbency and entrenchment and where incentives are not well-aligned with those of the passive outside investors like JCP.

Control ownership can foster a strong, stable corporate culture, one that gives management the latitude to make productive, long-term investments. It also insulates them from the short-term pressures that dominate much of the public markets. Free from the pressure to "do something" when it is unnecessary or unproductive, managers are better positioned to act counter-cyclically, even taking advantage of the inevitable business downturn.

[1] Berkshire Hathaway 1996 Annual Report

Thinking in decades or generations, control shareholders prioritize conservative financing, favoring financial strength over a higher return on equity. Building a business that's durable and resilient requires these qualities---which align closely with JCP's investing ethos.

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Within the JCP portfolio, U-Haul Holding neatly exemplifies a resilient and durable franchise. Founded 80 years ago, U-Haul is North America's largest provider of DIY moving and storage services. The company is controlled by the Shoen family, which owns 50% of the shares—a stake valued at $5.5 billion. U-Haul's leadership is guided by Chairman and President Joe Shoen, the founder's son.

The company's vast scale, with 24,000 company-owned stores and dealers, dwarfs its competition and creates unmatched convenience for customers. For context, *50% of U-Haul's storage transactions are linked to moving services and 90% of the U.S. population is within five miles of a U-Haul dealer*. The company's iconic fleet of orange and white trucks and trailers continuously reinforces its brand presence. The combination of convenience, low costs and brand familiarity make U-Haul a first choice among consumers who have few reasons to consider switching to a competitor. Demonstrating U-Haul's commitment to customer service, Joe Shoen even made his personal phone number publicly available. Over decades, U-Haul's consistent reinvestment in its business has built a multi-layered moat that continues to widen and deepen and is virtually irreplicable.

When assessing a company's equity as an indicator of future earnings potential—over time it's a more stable proxy for business value than earnings—then U-Haul's prospective earning power seems bright. Equity per share has compounded at 15% over the past 20 years. Even if this record is not matched in the years ahead, the company's compounding prospects appear well above average.

In the company's 2004 Annual Report, Joe Shoen outlined what he termed "AMERCO's shareholder Value Proposition," a philosophy that sounds downright Buffettesque:[2]

"It is our intent to be a medium-size company with an entrepreneurial, aggressive management team, relatively immune to the potholes of corporate bureaucracy. Our plans include the following. • Operating in a specialty niche, where our success is dependent more on how we treat our customers than on competitive or market conditions • Developing a self-funding balance sheet. Expand by using our own profits. • Maintaining substantial insider ownership. This includes Shoen interests, ESOP and individual ownership by directors, employees, dealers and vendors. • Encourage a coincidence of interest between ownership, management, operative U-Haul System members and dealers. • Emphasize the strength of the company, not the strength of the stock price. • Employing people who are high in integrity. Successful companies are composed of people with integrity at all levels of the company."

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I was honored to serve as a panelist at the CFA Society New York's 12th Annual Ben Graham Conference in June, hosted at Fordham Law School in New York City. If you're looking to gain valuable insights from

[2] U-Haul Holding changed its name from AMERCO in December 2022, moving its listing from Nasdaq to the New York Stock Exchange.

a group of highly accomplished investment professionals, I recommend adding this event to your calendar for next year!

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Surrounded by distinguished veterans, active-duty military personnel, Gold Star families and other special guests, U-Haul representatives commemorated the company's 80th anniversary by ringing the New York Stock Exchange closing bell on May 23rd, kicking off the Memorial Day weekend.

JEN Capital Partners

JEN Capital Partners is an investment partnership focused on identifying a limited number of fundamentally sound companies with publicly listed securities whose market prices appear to diverge significantly from intrinsic value, conservatively estimated. The approach is rooted in a "business owner's mindset" used to establish a range of intrinsic values, assess prospects for fundamental changes in business economics, analyze balance sheets and identify management incentives as they relate to the interests of the companies' securities holders.

At its core, JCP seeks to preserve and grow the purchasing power of its investors' capital, on an after-tax basis and without assuming undue investment risks, as measured over the course of a full market cycle, e.g., five plus years. I recognize that the capital entrusted to me – a lifetime of savings – is irreplaceable and I treat it accordingly. Given my significant personal investment, downside protection is a cornerstone of the partnership's philosophy.

Members deserve a high degree of clarity on the portfolio, and you are encouraged to reach out with any thoughts or questions – they are always welcomed. I am interested in connecting with like-minded partners, defined as those whose investment time horizon and views of investment risk match my own. If you or someone you know would like to discuss the portfolio and JCP's approach in more depth, please feel free to contact me by phone (646) 442-6818 or by email jensen@robotti.com.

On a personal note, I want to reiterate my gratitude for your continued support. Asset stability can make or break a small investment partnership, and your unwavering support has been critical in building a long-term investment program.

Very truly yours,

Curtis Jensen

Portfolio Manager | JEN Capital Partners

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