

# OWLS NEST PARTNERS

May 29, 2025

To Our Partners:

## Performance

Owls Nest Partners Master Fund Ltd. Through 12/31/2024					
	4Q 2024	2024	3 Year	5 Year	Since Inception (10/1/2017)
ONP Fund (Net) <sup>1</sup>	14.57%	4.20%	11.42%	63.54%	111.90%
Russell 2000 TRI	0.33%	11.54%	3.77%	42.93%	64.98%
<i>Outperformance</i>	<i>1,424 bps</i>	<i>-734 bps</i>	<i>766 bps</i>	<i>2,061 bps</i>	<i>4,692 bps</i>

## Holdings as of 12/31/2024

We ended December 31, 2024, with the following holdings (in order of position size, largest to smallest):

Name	Ticker	Market Cap (\$ mm)	Sector	Industry
Goosehead Insurance Inc.	GSHD	3,970	Financials	Insurance Brokers
EPAM Systems, Inc.	EPAM	13,069	Technology	Information Technology Services
J.B. Hunt Transport Services	JBHT	17,197	Industrials	Transportation & Logistics
Tecnoglass Inc	TGLS	3,737	Industrials	Building Products
Paylocity Holding Corp	PCTY	11,068	Technology	HR & Employment Software
Ensign Group Inc.	ENSG	7,667	Healthcare	Health Care Facilities
The Bancorp, Inc.	TBBK	2,519	Financials	Banking
Xometry, Inc.	XMTR	2,066	Industrials	Trading Companies & Distributors
Advanced Drainage Systems, Inc.	WMS	9,066	Materials	Building Materials

<b>Median Net Debt/Market Cap:</b>	1.2%
<b>Median Market Cap:</b>	\$7,667 million
<b>Median Market Cap at Entry:</b>	\$2,539 million
<b>Active Share vs. Russell 2000:</b>	99.3%

<sup>1</sup> Past performance is not indicative of future results. Performance is presented for the Owls Nest Partners Master Fund Ltd., net of management fees and anticipated performance fees, and is calculated at the master fund level incorporating all fund investors. Not all investors pay the same fees, therefore individual returns are different and may be higher or lower than the returns shown above.

## FY 2024 Attribution

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Almost all our names saw appreciation in 2024.

Window manufacturer TecnoGlass was our largest gainer as their significant competitive advantages in cost, lead times, and new product innovation allowed them to again dramatically outgrow their industry. They exited the year with backlog up more than 25% compared to a year ago, providing significant confidence in the 2025 and 2026 forecasts, and they also concluded the year in a net-cash position for the first time despite a slew of growth cap-ex projects over the last few years. Continued strength in the important Florida market, accelerated share gains resulting from a competitor's disarray after being acquired, new products for the California and Arizona markets, and the entry into the vinyl window market (to complement their existing aluminum window line) augur well for continued growth.

Goosehead, discussed below, was our second largest contributor, and HR software provider Paylocity was third. Paylocity continues to grow and gain share despite a post-COVID slowdown in its space, and it also benefits from higher short-term interest rates since they get a significant amount of float income.

The significant detractor for 2024 was Progyny, whose growth disappointed both us and Wall Street.

## FY 2024 Portfolio Adjustments and a Discussion on "Quality"

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Over the course of 2024, we added three new holdings, all clear leaders with special capabilities in their fields. We added:

- 1) **The Bancorp (TBBK)**, the "gold standard" outsourced banking service and technology provider to the most established and fastest growing fintech companies like Chime and Square/Block,
- 2) **J.B. Hunt (JBHT)**, a leader in trucking with never-to-be-matched intermodal capabilities as a result of their partnership with the Burlington Northern and Santa Fe Railroad,
- 3) **Advanced Drainage Systems (WMS)**, whose n-12 dual wall polyethylene pipe is the standard most specified by architects as it gobbles up share from concrete reinforced pipe due to significant cost and ease of installation advantages.

We've included further elaboration on these new positions later in this letter. We also increased the size of our EPAM and Paylocity positions based on extremely compelling valuation and improving fundamentals.

We made room for these new positions by selling five others, a few of which had already been trimmed late in 2023. We fully exited our positions in Armstrong World Industries, Interactive Brokers, Repay Holdings, Progyny and MarketAxess. We also shrank our Xometry position and Goosehead to a lesser extent due to their share price strength.

Armstrong and Interactive Brokers were great winners for us and continue to have very good prospects, but the valuations got fuller, and a decent chunk of our thesis has played out. Selling them was an effort to redeploy that capital in names with more 'juice'. Swapping Repay, Progyny and MarketAxess for The Bancorp, J.B. Hunt and Advanced Drainage represents a significant upgrade in quality.

Quality, like beauty, is in the eye of the beholder, so we should take a moment to explain what we mean by quality. The number one determinant of quality is the certainty of the ultimate outcome. The quality company is the leader in an industry with a very stable structure and whose advantages make trying to compete against them an unfair fight. Some leaders may advance in more of a straight line than others or may grow faster than others, but they all can invest in their business knowing the long-term destination of the company. And they all can take advantage of downturns to step on the throats of weaker players.

Certainty of outcome is essential if you are truly an investor and view shares as partial ownership in a business producing a stream of future cash flows. No offense, but if you don't see it that way, you are not an investor. You are a speculator playing musical chairs thinking you can get to a chair before someone else. Some people may be good at musical chairs, at least for a time. But that's a very different proposition than investing alongside Owls Nest Partners. And I've never understood how anyone can have confidence in their manager when the game is musical chairs. How can you be sure that he's only temporarily slower than the other players and will regain his step? Whereas if your manager is a true investor like Owls Nest Partners, and you are invested in companies with real and growing cash flows and a high degree of certainty in the ultimate outcome, it is a lot easier to have confidence at critical times and seize the greatest opportunities which are axiomatically the ones available at moments when macro factors lack clarity and investing cannot promise instant gratification.

The other key determinant of quality in the long run is logical capital allocation and the ability to reinvest in the business in ways that widen the moat and drive high incremental returns. And this requires good governance and great alignment, because the best investments a company can make are typically counter cyclical and made when weaker players are actively retrenching.

MarketAxess, Repay and Progyny are all leaders in their spaces that generate a lot of cash. They have staying power, but they lack the opportunities that our new holdings have and that are discussed below. MarketAxess's industry has gotten more dynamic as new technology has lessened the value of some of their offerings and allowed competitors to develop products that are skimming some of the growth they would have otherwise gotten. Repay's inorganic growth strategy became difficult to execute as tons of capital, particularly from private equity, drove acquisition prices beyond what could be justified and provide high incremental returns. Progyny was something of a victim of its own success. The need and visibility of the fertility benefits management space increased so dramatically and so quickly that new, more aggressively managed and lower cost models became needed as the benefit expanded beyond the industries with the highest paid employees that originally sponsored Progyny. To our thinking, Progyny management focused too much on short-term profitability and not enough on continued product leadership and evolution, and the certainty of ultimate outcome became murky.

Determination of quality is ultimately subjective, and we will not always get it right. But we are in a unique position to have an unusually high batting average because of our structural advantages – capacity constraint and concentration – and our in-depth primary research process which builds the richest mosaic out there around our companies and their industry over the intermediate and longer terms.

#### 4Q '24 Quarterly Attribution

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The majority of our positions were positive contributors in the quarter, with Xometry (XMTR), Goosehead (GSHD), and EPAM Systems (EPAM) leading the way.

Despite a protracted slump in manufacturing, Xometry's marketplace for custom manufactured parts exceeded expectations on the top line and on margins. Additionally, the prospect of a Trump presidency leading to tariffs, supply chain restructuring drove additional interest in Xometry since they can help clients quickly move sourcing for manufacturing back to the United States or to other geographies that may make more economic sense after tariffs.

Goosehead continues to benefit from increased personal lines insurance rates. Unlike carriers who have to absorb underwriting losses, Goosehead generally sees its commissions increase as rates increase. That said, the upside from rates is offset to some extent by increased shopping based on price leading to higher than usual churn exacerbated by the fact that many carriers are effectively leaving the market until pricing reaches profitable levels. Despite difficulty with product availability, Goosehead still leads the industry in retention, and agent productivity continues to dramatically outpace the industry, which is the ultimate driver of long-term share and profitability.

The prolonged headwinds on IT/software development budgets finally seem to be lessening which allowed EPAM to gain ground. Additionally, EPAM went on offense and took advantage of the downturn and their cash-laden balance sheet to make two important acquisitions which expand their industries and geographies served and provide new engineering capacity in attractive markets within US time zones.

During the quarter, investor interest rose in pro-cyclical names and sagged non-cyclical ones, including healthcare-related names. As a result, longtime holding Ensign Group was the only meaningful detractor even though their operational fundamentals and acquisition pipeline remain very solid.

#### 4Q '24 Quarterly Portfolio Adjustments

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During the quarter, we initiated a new position, Advanced Drainage Systems (ticker WMS which was chosen to signify Water Management Systems). We also added to several positions, including J.B. Hunt (JBHT) and the Bancorp (TBBK). We exited our positions in MarketAxess Holdings (MKTX) and in Progyny Inc (PGNY). We also sold a meaningful portion of our Xometry position as the share price rose meaningfully and lightened up somewhat on Goosehead into strength.

#### Get to Know Our New Positions – TBBK, WMS, JBHT

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##### **The Bancorp (TBBK) – The Arms Dealer in the FinTech Wars**

One of our favorite investment setups is a business that benefits from the hard work—and capital—of others. That might mean distributors who move the product, engineers who specify it, or customers who evangelize it. The Bancorp (TBBK) fits squarely in that mold: a mission-critical infrastructure provider that powers the fintech ecosystem.

At first glance, The Bancorp looks like a bank. But look deeper and you find a best-in-class infrastructure partner enabling the modern fintech economy. It handles the back- and middle-office heavy lifting for brands like Chime, PayPal, Square, and HealthEquity—companies growing rapidly by serving people that traditional banks struggle to serve due to bloated cost structures, burdensome regulatory loads, ossified tech stacks, and frankly a focus

on mature, more lucrative corporate or HNW clients. Unlike legacy banks, fintechs are nimble, scalable, and asset-light. But there's a catch: to issue cards, accept deposits, or originate loans, you need a bank charter and the capital requirements, compliance burdens, and regulatory scrutiny that come with it. And no fast-growing fintech focused on product innovation wants that. That's where The Bancorp steps in.

As a "sponsor bank," TBBK acts as a regulatory gateway—handling compliance, issuing cards, managing Know Your Customer (KYC) and anti-money laundering (AML) obligations, and processing payments on behalf of its clients. And it does this better than anyone else. It is now the largest debit card issuer in the U.S. outside of the big banks—a critical distinction because unlike those giants, TBBK isn't competing with its clients. This is a fixed-cost business where scale matters immensely. Every new client brings more data, more transactions, tighter compliance, and lower prices for partners. That growing volume flows through TBBK's P&L with minimal incremental cost. It's a beautiful model: fintechs focus on growth, while TBBK collects low-cost deposits, interchange revenue, and durable, high-margin fee income.

The regulatory and pricing environment for TBBK was greatly enhanced by Congress's passing the Durbin Amendment in 2010 after the global financial crisis exposed the systemic risk and fragility of the banking system. Durbin was designed to help smaller regional and community banks with under \$10 billion in assets to compete with the big banks by allowing them to earn double the interchange rate on debit transactions permitted their larger peers. TBBK, which actively manages its balance sheet to stay under this threshold, benefits from this design which effectively eliminates competition from larger banks since this interchange is the primary source of revenue for fintechs. Every contract is different, but TBBK generally passes over 95% of this interchange back to the fintech partner. Hence, why would any fintech partner with a bank that is only allowed to charge half as much debit interchange.

TBBK showed up on some screens in mid 2024, and we accelerated our work after a fintech exec we trust (and a former employee of another portfolio company) proactively brought it up to us and spoke of them in glowing terms. Our diligence consisted primarily of speaking to former employees, clients, and competitors, and the story was unambiguous—TBBK is the gold standard. And it is the rare "gold standard" that really costs no more than the unproven alternative since TBBK's scale makes them the lowest cost provider as well and allows them to be very profitable while matching the market's pricing. And why would anyone choosing a mission critical supplier want anything other than the strongest and most proven partner when that partner costs no more? Hence, TBBK is in the enviable position of choosing which fintechs it wants to work with.

Curiously, this is a situation where despite industry growth, the competitive environment is actually getting more benign. Many banks that rushed into banking-as-a-service post-COVID failed to be fully compliant and are now under consent orders damaging their brands and reputations and making it impossible for them to take on new clients even if anyone wanted them. TBBK is clean, scaled, and growing. And the growth is very durable not only from new clients, but as established partners leverage their established clients with new products and services like secured cards, early wage access and various consumer loans. For example, in the last twelve months, partner loan balances on the TBBK platform have gone from \$0 to \$575 million.

And TBBK's cost effective go to market and profitability reflects this powerful position. By choosing to only work with the best funded and best positioned fintechs, TBBK ensures that its clients pour their VC dollars into products that drive transaction volume through TBBK. And TBBK doesn't pay for this exposure—it gets paid. The Bancorp is one of the most elegant examples we've ever seen of a company that benefits from the success of

others without taking their risks. Like a Visa or Mastercard, it provides the rails, not the train; the infrastructure, not the application. Every fintech dollar spent on growth flows through TBBK's pipes. Every customer acquired, every card swiped, every loan issued makes the moat deeper—without TBBK lifting a finger on sales or marketing.

And as a service provider and after a huge investment in its platform over the last six years, all this growth requires little cap ex. And you will recall the Durbin Amendment's limit on size. So, what does TBBK do with all their cash? Basically, 100% of earnings can be funneled into share buybacks, giving us perhaps the cleanest capital allocation setup in our entire portfolio.

Now here's where valuation gets interesting. TBBK is clearly misunderstood by the market. It's a textbook example of our structural advantages at work. Small, not terribly liquid, followed by bank analysts and looks like a standard bank. It even has the word bank (or at least banc) in its name. But when you look at companies with the growth and economics of TBBK (and there aren't many), they trade at 4 times the multiple of TBBK (which endures the ignominy of a single digit P/E). When you look at financial system enablers like Visa, Mastercard and FICO, they also trade at 4X the multiple of TBBK even though their growth rates are significantly lower. But this low P/E, while insulting, is a brilliant advantage while it lasts. The math is simple. If your stock trades at a single digit P/E, and you can put all your earnings into share repurchases, you reduce your share count by more than 10% a year. That adds 10% to your earnings growth rate. Keep growing and keep doing this, and you're left with a handful of very valuable shares.

We think this is one of the most asymmetric, misunderstood, and attractive investments we've made in many years. We have two distinct paths to win: (1) double digit earnings and revenue growth amplified by a self-funded buyback shrinking the share base by 10% per year yielding a 20+% EPS grower with a greater than 30% ROE that still trades at a single digit P/E, and (2) ultimately the massive multiple expansion, when the market wakes up to the fact that TBBK isn't a bank—it's the infrastructure layer of the new financial system. It sounds strange, but we hope that that the march from small bank P/E multiple (9X- 10X) to no risk, no capital, financial ecosystem enabler (30X – 40X) is a long and slow one. We'd love to own this compounder a very long time, and our ultimate destination is only increased by their ability to scoop up stock at these absurd prices.

### **Advanced Drainage Systems (WMS) – Turning Inertia into Opportunity**

We're not often in the infrastructure business. Too many mediocre companies hiding behind the complexity of their end markets or the permanence of their assets. WMS (Advanced Drainage Systems) is the rare exception: an incredibly high-quality, capital-efficient business hiding in plain sight within a very large, very sleepy industry.

WMS makes plastic pipes. That's the dull headline. The more important story is that they are the undisputed leader in stormwater and wastewater management—essential systems for both residential and commercial construction—and they are driving the conversion of the industry from reinforced concrete to plastic. Plastic pipe is lighter, faster to install and cheaper on a material basis, all while having the same serviceable lifespan. Yet concrete still holds 60% market share, primarily due to inertia: building codes, engineering familiarity, and the bureaucratic slog of changing specifications.

And that is the opportunity. Converting a market doesn't happen with a great product alone—it takes infrastructure, influence, and a long-term orientation. WMS has all three. The company is more than ten times the size of its next competitor. It has locked up the largest distributors in the country by offering jobsite delivery,

broader product sets, and best-in-class service. They are vertically integrated as one of the largest recyclers of plastic in the U.S., giving them both a cost and lead-time advantage. And they've spent decades building credibility with state DOTs and civil engineers, the gatekeepers of large-scale public project adoption which then accelerates plastic usage in private projects. In fact, a long-tailed tailwind on the horizon stems from Texas DOT's recent approval of plastic which will drive decades of share gains in that fast growing market.

We've long admired WMS, but we revisited it in greater depth in 2024 when the stock, sentiment, and expectations all sank in the face of the slowdown in development resulting from some demand having been brought forward during COVID and the increase in interest rates making it harder for deals to "pencil" and get off the ground. Since then, we've done deep work across the ecosystem—calls with cement and aggregate producers, distributors, former employees, and even competitors who, to a person, echoed the same refrain: WMS is the 800-lb. gorilla. Distributors won't switch. Competitors can't keep up. The culture, born of its ESOP roots is different—in a good way.

So why now? The core end markets—non-residential and single-family residential construction—are in the process of bottoming after a severe contraction the last few years. Warehouse construction, a huge driver during the COVID e-commerce boom, collapsed nearly 50% and has stabilized at that lower level. But e-commerce isn't going away—it still only makes up ~20% of retail—and the supply/demand imbalance in housing hasn't magically fixed itself. New home starts are still down 30% from 2021 levels, while the housing shortfall is measured in the millions. Bringing manufacturing back to this country and supporting its distribution needs would add demand. At some point, we'll need to build. A lot. But it's not even just about building. WMS is also a direct beneficiary of the need to invest in repairing our aging and failing stormwater and wastewater infrastructure, which is made all the more important as global warming brings about more extreme weather events.

One of our favorite reasons to own quality leaders with long-term oriented management teams is their ability to make counter-cyclical investments in their business while weaker players are retrenching. These investments, which may penalize earnings in the near-term, are the great moat expanders that make the business' superiority durable much farther into the future and serve as a turbocharger of earnings when the growth rate of the industry inflects. During this downturn, WMS has been investing heavily. They've spent 3x maintenance capex the past two years, and 5x this year alone—including a \$65M engineering and innovation center, automation, recycling infrastructure, and fleet upgrades. These investments are entirely self-funded and will power revenue growth through product innovation and margins through scale, automation, and lower input costs well into the future.

The company's balance sheet is underleveraged providing more value-creating optionality. WMS has a long track record of disciplined capital allocation. Since current management took over in 2017, they have used logical and accretive acquisitions to help drive the doubling of sales and quintupling of EBITDA. As our readers know, we are huge believers in alignment and skin in the game generally, but especially when it comes to capital allocation. Significant insider ownership is the protection against ego-driven, capital destroying deals and the fuel for great long-term investments, and insiders own 20% of WMS. Timing deals is impossible, but a meaningful player in an important adjacent market is currently in play and would be a great fit, and the synergies that WMS can uniquely bring to the table and the nature of the seller's motivation – European company wanting to sell off its US operations as non-core – improve the chances of this being done on good financial terms if and when it happens. And if no deal is likely to happen, the company will likely buy back stock aggressively as they did the last time the stock traded at these levels.

WMS is not an exciting story. It doesn't make AI chips or cure cancer. But it has a great virtue that companies that are leading technological or medical breakthroughs can only dream about. WMS gets to compete against ancient technology. Truly. Reinforced concrete pipe goes back to Roman times. There are no great concrete pipe innovations driving down the price of concrete pipe by 25% a year like there is in semiconductor land. In a world full of turbulence, WMS has great certainty of outcome. Plastic pipe will continue to take share. In the states where plastic was first adopted, plastic now has better than 65% share, and that share continues to grow, compared to the approximately 40% share nationally. The destination is known. Working inside an unusually secure industry structure, WMS enjoys the rare combination of scale, cost leadership, structural tailwinds, and management alignment. It's currently trading at a trough multiple, just as headwinds have stabilized and a path to revenue acceleration is emerging. For us, this is exactly the type of market leading company and high-quality compounder experiencing temporary headwinds that we have harnessed historically for great long-term returns.

### **J.B. Hunt (JBHT) – Intermodal's Indispensable Leader**

Shiny objects may come and go, but they all have one thing in common and they all illustrate one important point. Every shiny object must be moved, and 72% of all goods in America move by truck. In a world where resilience, cost, and speed drive every supply chain decision, logistics has become the quiet backbone of modern commerce. And at the center of that backbone sits J.B. Hunt (JBHT)—the largest trucking company in the country.

For more than 60 years, they've compounded scale in an industry where scale is everything. Most of trucking is a commodity business—cutthroat, cyclical, and bid-driven. But JBHT broke that mold, beginning with pioneering intermodal freight in 1989 with the Santa Fe Railway. Rather than freight getting offloaded from a boat in California and on to a truck to get to Chicago, intermodal uses much more efficient, lower cost and environmentally friendly rail connections to get the trailer to a junction near the destination and then offloaded to a truck for the remaining portion. Combining long-haul rail with short-haul trucking delivers the holy grail for large shippers: lower cost with higher flexibility.

The agreement with the Santa Fe grew enormously in importance in 1995 when the Santa Fe merged with the larger Burlington Northern to become the Burlington Northern Santa Fe (now BNSF). BNSF is the largest freight railroad in the country, a colossus with more than 32,000 miles of track that handled more than five million intermodal shipments in 2024 and has been owned by Berkshire Hathaway since 2010. JBHT's exclusive, evergreen partnership with BNSF gives them priority access to the best rail network in North America and importantly allows JBHT to set the price of the service to the end customer. Whereas JBHT's competitors have to accept whatever pricing the BNSF wants to charge, JBHT effectively gets to share in the profitability created by the BNSF's effective monopoly on routes. Recently, Schneider National, a peer of JBHT on the truckload business, threw in the towel and exited the BNSF network entirely, realizing they simply could not compete. JBHT hauls more intermodal containers than the next five players combined. The network advantage is self-reinforcing: more volume yields lower costs, which wins more business, which increases volume again.

Leveraging their strength in intermodal, JBHT has evolved over the last two decades into a full-stack logistics partner, capable of moving freight through multiple modes and solving virtually any transportation challenge. Intermodal remains half the business and usually 60% of the profits, but they do it all including dedicated fleet

services, final-mile delivery, and brokerage. They've become the quarterback for shippers like Walmart and Home Depot, who consistently cite JBHT's mode-neutral platform as essential to their supply chains.

But none of this has spared them from the cycle. We are still in the longest freight recession in history. The COVID boom pulled forward demand, flooded the market with trucks, and set up a brutal correction. Fundamentals began to crack in early 2022 as stimulus effects wore off, spending shifted back to services, leaving the industry with a glut of capacity at a time when operating costs and the cost of capital soared. Freight cycles are nothing new—but this one has tested even the best.

And that's precisely why we're here.

The best time to buy cyclical is when earnings momentum has evaporated and no one, save the few who can think and act with a long-term view, can own them. Oil stocks in 2020. Housing in 2011. Trucking today. At moments like this, it's easy to focus on waning demand, but supply tells the real story. When capacity exits the system—when truck orders collapse, carriers bleed cash, fleets get parked or sold to companies in developing countries, and drivers leave the industry—that's when the setup gets interesting. This cycle has an additional interesting twist or two that could make the supply contraction particular. Federal authorities have recently passed stricter drug and alcohol rules and created a clearinghouse to track violators which turns violations that used to earn a slap on the wrist into massive fines and the loss of your license to drive. Additionally, the Trump administration has given an executive order soon to go into effect requiring all class 8 truck drivers to speak English. Some widely quoted authorities think as much as 10% of the drivers will not be able to comply dramatically shrinking the pool of drivers available to haul for leading and highly visible shippers who need to be compliant.

JBHT has been through seemingly countless cycles. And every time, they invest through the downturn—upgrading people, technology, and capacity when their peers are cutting costs. That approach has powered decades of industry leading returns and solid growth. That choice isn't just a cultural quirk—it's a structural edge. The Hunt family still owns 18% of the business. Insiders own over 20%. The top 16 executives have 350 years of combined tenure. These are owner-operators. They don't think in quarters. They think in freight cycles and decades. And they have invested during this downturn as well, picking up assets on the cheap from other shippers and developing a state-of-the-art tech platform.

And intermodal still has huge room to grow. Despite being around since the '80s, millions of truckload shipments are still primed for conversion. Today approximately 10% of long-haul freight loads go via intermodal, and improved rail performance and increased cost of trucking and road congestion lead government and industry experts to believe that that number should go as high as 18%-20% in the next 10 years. JBHT's leverage to increased intermodal is enormous. And Berkshire/BNSF obviously believes in intermodal and JBHT too. BNSF is now investing to grow including rolling out a new premium intermodal service called Quantum and by investing billions of dollars in a new facility in Barstow, California to relieve pressure of SoCal ports and make conversion to intermodal easier, more efficient and less expensive. The partnership is evolving from cost control to growth mode, opening up new lanes and capabilities.

Supply is contracting. This cycle will end even if demand remains tepid. Pricing power will return. It's just a question of magnitude and timing. During the downturn, JBHT is using their balance sheet, culture, and strategic positioning to consolidate strength while the rest of the industry regroups. Ironically, the Trump tariff uncertainty may depress demand to the point where the market finally gets the capacity clearing event it needs

to have real pricing power just in time to use that power if the uncertainty diminishes due to a deal and demand snaps back. Obviously, the people at JBHT like the set up. They have repurchased \$750 million of stock and continue to buyback \$250M a quarter, and insiders, who already own a huge slug of stock have bought up another \$10 million in the open market with their own money. JBHT isn't just ready for the next upturn. They're building it.

### **And finally, a personal note about our colleague Tyson Wilson's becoming a US Citizen**

*"My path to U.S. citizenship began in early 2020 when I joined Owls Nest Partners on a work visa. Just a few months later, in June 2020, I got married, which accelerated my journey. Marriage to a U.S. citizen allowed me to transition from a work visa to a marriage-based Green Card, granting me lawful permanent residency. Over the next five years, I built my life and career in the United States, fulfilling all residency requirements. Eventually, I applied for naturalization, completing the necessary background checks, attending a biometrics appointment, and passing the citizenship interview, which tested my English skills and knowledge of U.S. history. Finally, after years of dedication and patience, I took the Oath of Allegiance, becoming a U.S. citizen. My journey was both challenging and rewarding, transforming my professional start with Owls Nest Partners into a lifelong commitment to this country." – Tyson Wilson (Canadian since 1991, American since May 2025)*



From the perspective of a US citizen who has always taken the privileges of citizenship for granted, it was an incredibly moving experience being present for the swearing in of 48 new citizens and seeing all these varied journeys which began in every corner of the earth culminate in the tears of relief and pure joy of knowing that they had achieved something more important than anything else – freedom and the ability to exercise some control over their destiny. It is clear, we are still a great country in part because we are able to attract people like Tyson. We are lucky to live here, and we are lucky to be able to invest our savings here – growing it while also making our country greater and improving the lives of all those here.

Here's the oath that Tyson and each new citizen had to recite, parts of which go back to the 1790s:

"I hereby declare, on oath, that I absolutely and entirely renounce and abjure all allegiance and fidelity to any foreign prince, potentate, state, or sovereignty, of whom or which I have heretofore been a subject or citizen; that I will support and defend the Constitution and laws of the United States of America against all enemies, foreign and domestic; that I will bear true faith and allegiance to the same; that I will bear arms on behalf of the United States when required by the law; that I will perform noncombatant service in the Armed Forces of the United States when required by the law; that I will perform work of national importance under civilian direction

when required by the law; and that I take this obligation freely, without any mental reservation or purpose of evasion; so help me God.”

### **Investment Program**

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For the benefit of any first-time readers, the hallmark of the Owls Nest Partners approach is the purchase of industry leading companies when a temporary headwind has recoiled the fundamental growth drivers and compressed their multiple. This typically happens as hot money “renters” exit and drive the price down. There is no such thing as a free lunch: we can only receive our requisite value if we accept that our companies will appear “catalyst-less” and uninteresting for some time. We believe we are handsomely rewarded for this modest level of patience, especially since it is in these moments that a company can invest in its own business with the highest returns. There is wonderful optionality associated with a well-run, shareholder friendly, cash-laden company that is able to aggressively put money to work during a temporary headwind.

It is our belief (and experience) that our future outperformance will not be driven by any economic or market forecasting prowess, but instead by ten unique investments, each playing out over time. We perceive these investments to have modest downside due to high quality and low expectations, and very significant upside as revenue growth and margin expansion return in spades and as increased investor confidence justifies a higher multiple of earnings for the company’s stock. We seek reasonable ballast and diversification within the portfolio as a result of our natural conservatism, strengthened by our co-investment alongside clients.

### **Final Thoughts**

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More than ever, we thank you for your support and for choosing to have your money working alongside ours.

Gratefully,

Philip, and the Owls Nest Partners team

## Disclaimer

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## Disclosures

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