



Bumbershoot
Holdings

Bumbershoot Holdings LP
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Dear Partners,

This letter will be a bit shorter than usual since I just provided an [Investor Update](#) in Nov-2023.

While this past year managed to end on a positive note, 2023 was a particular challenge. Stacked performance on a 2-year and 3-year basis is more palatable... but it remains a very difficult environment to be focused on fundamentals.

While this may ring hollow to some people—I'm just calling it as I see it. It isn't that details don't matter... it is that only *certain* fundamental aspects are deemed worthy in the current atmosphere.

Money starts drifting into a select group of winners as a crowding effect drives a jet stream of momentum. It is that *passive flow* which is being layered on top of this incomplete fundamental story that is then driving performance. And there is seemingly nothing to stand in the way of it once the ball gets rolling...

Uncontentious growth. At any cost.
With money flowing out of everything else...
In a self-fulfilling prophecy of mega-cap insanity.

Among friends, I have recently began referring to this phenomenon as the *lizard brain*. It was not meant in a pejorative sense—although I did joke that if you gave me a lobotomy, I'd probably be compounding at 25%—but rather it is a deeply serious reflection of instinctual urge to follow movement. It is *reflexive*. A part of our limbic system that is a complex construct driven out of

By Month:	Bumber	S&P ¹	Russell ²	FTSE ³	Barclay ⁴
Jan-2023	5.97%	6.18%	9.69%	4.29%	3.36%
Feb-2023	-0.14%	-2.61%	-1.81%	1.35%	-1.08%
Mar-2023	0.60%	3.51%	-4.98%	-3.10%	0.05%
Apr-2023	1.42%	1.46%	-1.86%	3.13%	0.40%
May-2023	-5.90%	0.25%	-1.09%	-5.39%	-0.63%
Jun-2023	3.50%	6.47%	7.95%	1.15%	2.18%
Jul-2023	3.39%	3.11%	6.06%	2.23%	1.69%
Aug-2023	-3.97%	-1.77%	-5.17%	-3.38%	-0.61%
Sep-2023	-4.06%	-4.87%	-6.03%	2.27%	-1.27%
Oct-2023	-4.85%	-2.20%	-6.88%	-3.76%	-1.61%
Nov-2023	4.41%	8.92%	8.83%	1.80%	3.82%
Dec-2023	6.34%	4.42%	12.05%	3.75%	2.82%

Bumbershoot Holdings L.P.

2023 Performance

		S&P ¹	Russell ²	FTSE ³	Barclay ⁴
FY-2023	5.82%	24.23%	15.09%	3.78%	9.27%
Inception	114.6%	165.9%	95.5%	33.8%	53.7%



Channel your inner lizard...

fear and desire for safety. Our ancient reptilian nature to compulsively *react* to stimuli of motion happening around us... and then ask questions later.

It's an extremely vital construct though... and one that is *working* to serve its intended evolutionary purpose. Noticing the contrast and then quickly deciding to join in with the ranks for security.

Perhaps we need to add *underperformance* to the list of *disorders and neurological conditions* known to be linked to *dysfunction* of the *basal ganglia*—because for some investors, while the action is noticeable... it is not motivating; and it is a different analytical system that fires up in the brain. A *value* system.

This has somehow become embarrassing and uncool to admit, but *every* investor is a value investor, or at least they ought to be. Because the opposite of value is *not* growth... it is just a *bad deal*.⁶

Listen to the lizard! But give it a dopamine detox...

Performance

Bumbershoot Holdings L.P. generated a positive gross return of +5.82% for the full-year 2023.

The partnership has a *cumulative* total gross return of +114.7% since inception in Oct-2015.

Looking more closely at relative performance, monthly returns generally correlated with key indices, but to a lower amplitude/beta based on our largest individual holdings.

Investment activity is categorized into five segments—*Core, Micro, Value, Special Situation, Discretionary*—with an estimated P/L contribution as follows:

By Category:

Core	1.7%
Core - Long	5.5%
Core - Short	-3.8%
Micro	1.4%
Value	0.3%
Special Situation	1.1%
Discretionary	0.9%
Fx.	0.1%
Misc.	0.3%
FY-2023	5.8%

Core gains on the long side of the ledger were led by **Viking Therapeutics** (VCTX:NCM) which increased substantially following positive early-stage results with its dual GLP-1/GIP compound VK2735, as well as top-line results from its Ph.2b VOYAGE study of VK2809 in biopsy-confirmed NASH. **Ligand** (LGND:NGM)—Viking's former parent company—was also a positive contributor through option hedges and after adding to the position later in the year. The combined position in **Viking/Ligand/Madrigal/OmniAb** represented our largest weighting within the *Healthcare* sector.

Our holdings in the agricultural-fertilizer sector, with positions in **Intrepid Potash/Nutrien/Mosaic/CF Industries**, were a significant detractor for the year. Notwithstanding, we remain highly constructive about long-term fundamentals within the fertilizer industry.

We also recognized a *material* loss on our position in **KVH Industries** (KVHI:NGS) following completion of the company's strategic review *without* a sale.

The combined total effect of the positions noted above largely offset each other.

Many of our other *Core* holdings performed well for the year with a rebound in **Alphabet** (GOOGL:NYSE) and **Micron** (MU:NYSE); and growth from **Federal Agricultural Mortgage** (AGM:NYSE), **Berkshire Hathaway** (BRK-B:NYSE), **Coterra** (CTRA:NYSE) and **Box** (BOX:NYSE).

The collapse of *Silicon Valley Bank* in Mar-2023 had a modest negative impact due to some regional banking exposure, primarily through **Zions** (ZION:NGS).

Category investment profits were also offset by short exposure, which was a moderate detractor.

Micro strategy had strong performance primarily due to gains in **Photronics** (PLAB:NGS) and **Heritage-Crystal Clean** (HCCI:NGS). Heritage was acquired by private equity in mid-late 2023. A variety of lesser sized positions in other companies such as **Heidrick & Struggles** (HSII:NGS), **Frequency Electronics** (FEIM:NGM), **Newpark Resources** (NR:NYSE), **Ingles** (IMKTA:NGS) and **Stereotaxis** (STXS:NCM) also benefited results.

Value category registered gains primarily attributable to **Patriot Transportation** (PATI:NGS), **Gencor Industries** (GENC:NGM) & **AMREP** (AXR:NYSE). Patriot was acquired by *United Petroleum Transports* in an all-cash deal which closed at the end of the year. Increases were partially offset by a decline in **Adams Resources** (AE:NYSE).

Special Situation was led by **Graham** (GHM:NYSE) and **Orion Group** (ORN:NYSE), both of which had tripped financial covenants on debt facilities and had appeared to be going into distress.

Discretionary trading had a notable attribution from **MicroStrategy** (MSTR:NMS) and **Evolv Holdings** (EVLV:NCM).

In terms of exposure levels, *Bumbershoot* ended 2023 with the *Core* category below our targeted range. *Non-Core* categories remain mixed with some above/below target weightings of ~5%+ AUM apiece. I look forward to providing a comprehensive review of the individual categories as we've started to rebuild exposure across a number of new investment ideas.

Investment Outlook

I want to take a different approach this year. Instead of repackaging the main message from the last couple of [letters](#)... perhaps you will indulge me with this long excerpt from ‘philosopher’ [Alan Watts](#). It is cited from his legendary series of seminars held in the late 1960s on which based a book, [Just So: Money, Materialism, and the Ineffable, Intelligent Universe](#).

I love this excerpt because I find it a sort of *prism*, in which you can see in it whatever you wish to discover...

The Fed, inflation/deflation, interest rates, gold, debt, taxes, wage growth, unemployment, the middle class, social media, AI, Bitcoin, MMT/UBI, virtue signaling and of course politics. It’s all there if you look for it in the right light.

I wouldn’t read *too deep* into it though. It is more like dinner table conversation... no real bearing on any of the “near-term” effects that can temporarily dominate the long-run trend.

Or as Watts might say—it’s not so serious. Just enjoy it for what it is... *Marvelous*...

“Today, we in the United States are living in an economy of waste... [...]

Fact of the matter is you see, that we are moving into a period of man’s economic development wherein through technology it is genuinely possible to feed and clothe adequately every human being on the planet. All that we have spent [...] waging war since 1914... that amount of effort and treasure would’ve supplied everybody on earth I think, with a decent independent income. But you see politicians and businessmen are not practical. They say they’re hard-headed and realistic, but as a matter of fact they’re very short-sighted and only look for immediate objectives. And therefore, they can’t even figure on the cost of doing *this* against the cost of doing *that*. And one of the reasons that our technology is impeded and prevented from feeding the world properly is the failure of one of our networks... it’s an information network... and it’s called money. [...]

[...] Money is nothing but bookkeeping... it is figures. It is a way of measuring what you owe the community and what the community owes you. [...] A substitute for barter. [...] And then of course gold was used... because gold was rare and because gold was supposed to have a constant value. You might ponder the question, when a banker buys gold, with what does he pay for it? The answer is a mystery called credit. Credit is bookkeeping...

As the economy of the Western world developed... it was found that there was not enough gold around if it were to remain constant in value... to exchange goods and services. You could of course have changed the picture by putting down the price of goods and services to keep pace with the amount of gold in circulation... but nobody will ever put down the price... there’s something in our psychology whereby prices always tend to go up... but at the same time, therefore, because the amount of gold in the world did not provide an adequate channel for the circulation of goods and services... all great industrial nations went heavily into debt... [...] which year by year gets bigger and bigger and bigger to the horror and consternation of old-fashioned Republicans who pay their bills. But the reason for the increase of the national debt is extremely obvious... it is that with an expanding gross national product there needs to be more and more money... that is to say tokens of exchange... in order to circulate the amount of goods produced, which is ever increasing.

Now, I'm not an economist. [...] But any fool can see certain extremely fundamental principles about this whole situation. [...] The proposition [...] very simply... that money is a circulation of information and in itself has no value. [...]

We must recognize then that money is a pure abstraction. I was on a television show a little while ago [...] and they were having a long, long discussion [...] talking about prospects for the Republican and Democratic parties in 1968 and then [...] onto the question of automation and the problems of unemployment that it was making and the difficulties of transferring workers from this to that, when they were only trained for this. Finally, I said, *"the trouble with you gentleman is you still think money is real."* They looked at me and sort of said *'ohhaha someone who doesn't think money is real!'* Because everybody knows money is money and it is very important. But it just isn't real at all. Because it has the same relationship to real wealth... that is to say to actual goods and services, that words have to meaning. [...] And as words are not the physical world... money is *not* wealth. It only is an accounting of available energy. *Economic energy*.

Now, what happens then when you introduce technology into production... you produce enormous quantities of goods by technological methods... but at the same time you put people out of work. You can say, *'oh but it always creates more jobs.'* [...] *always be more jobs.'* Yes. But lots of them will be futile jobs... they will be jobs making every kind of frippery and unnecessary contraption. [...] At the same time have to beguile the public into feeling that they need and want these completely unnecessary things that aren't even beautiful. Therefore, an enormous amount of nonsense employment and busywork, bureaucratic and otherwise, has to be created in order to keep people working... because we believe [...] that the devil finds work for idle hands to do. But the basic principle of the whole thing has been completely overlooked. The *purpose* of the machine is to make drudgery unnecessary. And if we don't allow it to achieve its purpose, we live in a constant state of self-frustration.

So then if a given manufacturer automates his plant and dismisses his labor force... and they have to operate on a very much diminished income... some sort of dole... the manufacturer suddenly finds that public does not have the wherewithal to buy his products. And therefore, he has invested in this expensive automative machinery to no purpose. And [...] the public has to be provided with the means of purchasing what the machines produce.

But people say, *'that's not fair! Where's the money going to come from? Who's going to pay for it?'* The answer is the machine. The machine pays for it. Because the machine works for the manufacturer *and* the community. This is not the statist communist idea that you expropriate the manufacturer and say you can't own and run this factory anymore, it is owned by the government... it is only saying that the government or the people have to be responsible for issuing to themselves sufficient credit to circulate the goods they are producing... and have to balance the measuring standard of money with the gross national product.

That means that taxation is obsolete. Completely obsolete. It ought to go the other way. [...] That every individual should be assured of a minimum income. Now you see that absolutely horrifies most people. Say, *'all these wastrels... people who are out of jobs because they're really lazy. Giving them money?!'* Ya. Because otherwise the machines can't work. They come to a blockage. This was the situation of the Great Depression. When here we were still in a material sense a very rich country with plenty of fields and farms, mines and factories... everything going... but suddenly because of a psychological hangup... because of a mysterious mumbo jumbo about the economy... about the banking... we were all miserable and poor. Starving in the midst of plenty. Just because of a psychological hangup. And that hangup is that *money is real*; and that people ought to suffer in order to get it. But the whole point of the machine is to relieve you of that suffering. It is an ingenuity... we are psychologically back in the 17th century and technically in the 20th... and here comes the problem...

So, what we have to find out how to do... is to change the psychological attitude... to money and to wealth... and furthermore to pleasure... and furthermore to the nature of work... and this is a formidable problem. It requires the best brains in public relations... in propaganda and all that kind of thing... in all the media... television, radio newspapers, everything. To try to get across a message to the vast general public about what money is... see the difficulty is this... when the public suspects that the money that is being issued... the dollar bills being issued by the government are only paper and stand only for paper... they start putting up prices. So, you get an inflationary situation where the more paper money there is the higher and higher and higher the prices go... which is a very stupid psychological maneuver... and people have to be persuaded... the least effective way of persuading people is passing laws... but have to be persuaded somehow, not to put up the prices, but to play fair with each other... and keep some standard correspondence between how much is produced and how much credit is issued...

So, this goes very deep into us... it goes deep, deep, deep... into a problem we have about guilt... I wonder often if there's any relationship between guilt and gold. That the love of money is the root of evil... it's a very true saying... because you see [...] the difference between having a job and having a vocation is that a job is some unpleasant work you do in order to make money... with the *sole purpose* of making money. There are plenty of jobs because there is still a certain amount of dirty work that nobody wants to do; and that therefore they will pay someone to do it. There is essentially less and less of that kind of work because of mechanization, but if you do a job with the sole purpose of making money, you are absurd. If money becomes the goal [...] you begin increasingly to confuse it with happiness... [...] yes, one can take a whole handful of crisp dollar bills and practically water your mouth over them... but this is a kind of person who is confused like a Pavlov dog... who salivates on the wrong bell. It goes back to the ancient guilt... that if you don't work, you have no right to eat. That if there are others in the world who don't have enough to eat, you shouldn't enjoy your dinner even though you have no possible means of conveying the food to them. And while it is true that we are all one human family... and that every individual involves every other individual. While it is true therefore, that we should *do* something about it... changing the situation... one way of *not* doing anything about a situation is feeling guilty about it... because when people feel guilty about a situation most usually instead of doing something practical to change it, they resort to all sorts of symbolic methods of expiation. [...] Do all kinds of things which will be ways of not doing anything about the problem, but feeling all right about it instead. Guilt invariably produces that sort of reaction. It is a destructive emotion. Instead, we need to have a different attitude to our mistakes... [...] Walt Whitman always admired animals because they do not lie awake at night and weep for their sins. [...]

[...] So that of course if we solve certain economic problems for example... and we have a world where people are not committed to drudgery... we shall discover social evil in some new form. It's exactly the same as when you're worried sick about money and are you going to make the payments on the house...? And the car? The insurance? And you think if only I could have a lot more money, I'd be so happy... and then somehow you get it and for a few days you're ecstatic and walking on air. Then suddenly realize that you might get sick... or that the government or burglars or something might take your money away from you... and you start worrying about that with just the same intensity as you had formerly worried about not having enough money. So, we find if you are a worry-bird you will always find something to worry about, no matter what external circumstances... and so we may be assured that when the human race goes to full economic prosperity; and there is nothing further to be worried about in the way of housing and clothing and food... that we shall instead worry quite fervently about *something else*... [...] because we are always really in the same place. This is the basic understanding of relativity. [...]

[...] One of the great philosophical questions is: '*are we going to make it?*' [...] That all beings, at every scale [...] all feel about life the same way. [...] Are we going to make it? [...] The more it changes the more it's the same thing. Because everyone is really in the same situation. The great dare... are we going to make it? [...] Because this is the situation of the cosmos. [...]

And the answer is *no*. You're not going to make it... [laughter] ..."

I love everything Watts is considering in this session. His attitude towards money and its relationship to the nature of happiness. His plain take on the psychology of demand-pull inflation and the money supply...

But I'm also cognizant that it was this "loosey-goosey" attitude towards value of money which was reflecting—or perhaps necessitated—the [15-year rate hike cycle](#) which was about to come in the mid-late 1960s...

I've said the past couple of years not to underestimate the Fed's desire to keep the music playing. That's not such a 'big IF' anymore with the Fed already signaling rate cuts amid... the insanity.⁷ But we're also starting to touch up on the third-rail of the USD as global reserve currency. I'd suspect that everything may not go quite as smoothly as investors seem to be reasoning...

WSDA Internship

Bumbershoot participated in the [Wall Street Diversity Accelerator](#) (WSDA) internship program in 2023.

The program was founded by [John Barr](#), a portfolio manager at *Needham*, in 2020. The program aims to provide rising college sophomores & juniors from underrepresented communities with an introduction to potential careers in financial services.

I'm still not entirely sure why John felt like I would be a great fit for the program... but I am very glad he did... because it was an incredible & rewarding experience.

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I ended up working with two interns in fact... **Naima Malik** and Brian "**Jaylen**" **McPherson**.

My approach was to have them see the world through different businesses and industries. The "Peter Lynch" philosophy to *invest in what you know*—coupled with serious fundamental stock research. Based on some of my own challenges in undergrad... people are willing to put in effort to things they're passionate about.

Naima is from right nearby in Brooklyn. She attends Medgar Evers College as a Junior where she is studying Financial Economics. She loves cooking & food, which led down a path of looking into a wide variety of food-related businesses within the Consumer Discretionary sector. She ultimately ended up writing a [report](#) about *Mondelez International* (MDLZ:NGS), one of the key confectionary/baked goods/packaged food companies in the world.

Jaylen lives in Rochester and is rising upperclassman at Virginia State. He is into art, culture and fashion; and ended up focusing on *Fast Retailing* (9983:JPY), the Japanese parent company of [UNIQLO](#).

Both came into the program with different levels of knowledge about companies, accounting, and the way that financial markets work, etc. Both left inspired to continue into other opportunities / internships.

While the program was only a portion of the summer, it was absolutely incredible to see their growth from start to finish.

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On a personal level... while the program was a major time commitment... it provided the year with a sense of vibrancy; and it was gratifying and validating to see the results that came out of it be commensurate with the time and effort that our little trio put into meeting every morning.

And when I did my personal "recap of the year," it was one of the most meaningful accomplishments *I* had in 2023...

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Thank you to all the people that were generous to us with their time in investor relations calls, etc. As well as the other mentors and group session leaders, etc.

I've been late getting back to Sue Kazanas, who runs the program day-to-day and is head of the Steering Committee, because overwhelmed between earnings season and slowly trying to finish this letter... but look forward to hopefully working with the program again this summer!

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Administrative

This was a big year for Bumbershoot. As I had noted in last year's [annual letter](#) to partners:

"You'll notice that I often use the collective "we" in talking about our partnership... that's because I really do look at it as a team... as a *partnership*. But at least on the investment side, the reality is it's just me..."

While there is no "I" in *Bumbershoot*... there is one in *Bumberings*... NY-LLC which acts as investment manager & General Partner of the fund; and for which I am both the managing and *sole* member.

That is a lot... especially as we reach a certain size and prepare to take additional steps forward."

I promised more to say on that process as it evolved... and—as detailed in the Nov-2023 [Investor Update](#)—am excited to have reached an agreement in principle with DeForest Hinman to expand the firm.

This had been a long time coming and I am grateful we were finally able to move forward.

We'll be setting up meetings in the coming months for anyone interested in learning more... and any support to help intro the fund to new capital partners is always greatly appreciated.

I'd like you to consider becoming part of Bumbershoot as we take steps forward—to build and grow together.

Taxes

Bumbershoot's form *Schedule K-1* that reports on each partner's share of income/losses for the 2023 tax year have been prepared by our administrator.

Tax implications for 2023 were *de minimus* with most partners recognizing a slight overall loss from a capital account perspective for the year on a taxable basis.

As reminder, we successfully implemented a "*Master-Feeder*" structure in 2019 in order to more efficiently pass back long-term gains in our *Core* holdings. This past year benefited from *unrealized losses* being laid out in the *Master* account that are recognized due to mark-to-market accounting, which more than offset *realized* long-term capital gains on investments held in the *Feeder* account.

For existing partners that have sizable (and hopefully increasing) gains embedded in *Core* investments held in the *Feeder* account—those gains ultimately become taxable upon being *realized* at some time in the future. That event is deferred and consequent tax-effect long-term in nature. The partnership's tax burden is likely be higher next year as a result of realizing long-term gains held in *Viking Therapeutics*. Over time, I expect our tax strategy to remain efficient/advantageous.

Summary

Since the fund's inception, I envisioned an alternative in asset management services, guided by a clear set of values and goals—and I am proud to say that we have remained steadfast in commitment to that mission.

I take the responsibility of managing a portion of your money extremely seriously and am grateful to have an incredible investor base that has acted like *permanent capital* since I started the fund.

Looking forward to a great 2024!

Sincerely,



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¹ S&P 500 Index --

https://ycharts.com/indicators/sp_500_monthly_return

² Russell 2000 Index --

<https://www.ftserussell.com/analytics/factsheets/.../hist...>

³ FTSE 100 Index --

<https://www.ftserussell.com/products/indices/uk>

⁴ BarclayHedge Hedge Fund Index --

http://www.barclayhedge.com/research/indices/ghs/Hedge_Fund_Index.html

⁵ Shutterstock Royalty Free # 2269495881 --

<https://www.shutterstock.com/image-vector/little-green-lizard-baby-friendly-big-2269495881>

⁶ Podcast — Masters in Business — David Einhorn —

“We don't view growth as the opposite of value. We view *anti-value* as the opposite of value. Growth is in our view a component of value... so if something is growing fast it is going to be more valuable... so I don't really see that continuity the same way...” —

<https://www.bloomberg.com/news/audio/2024-02-08/masters-in-business-david-einhorn-podcast>

⁷ “*wen pivot?*”

— [Fed on Track to Cut Rates This Year...](#)

— [BLS – Employment Situation...](#)

— [BLS – Consumer Price Index...](#)

— [NAR – Housing Affordability Index...](#)

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Disclosure:

Long VKTX, LGND, MDGL, OABI, IPI, NTR, CF, MOS, KVHI, GOOGL, MU, AGM, BRK-B, CTRA, BOX, ZION, PLAB, HSII, FEIM, NR, IMKTA, STXS, AE, GENC, AXR, GHM, ORN, MDLZ