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# POOR RICHARD CAPITAL MANAGEMENT

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## FIRST QUARTER 2025

Poor Richard Capital Management, LLC

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## Executive summary

Over the first quarter, the fund outperformed the market, returning 16.97% compared to -4.3% that the Standard & Poors 500 Index returned.

As of 3/31/2025, our holdings were:

Position	Portfolio Weight
<b>Nexstar Media Common (NASDAQ: NXST)</b>	<b>51%</b>
<b>Gray Television Common (NYSE: GTN)</b>	<b>23%</b>
<b>Centene Corporation Common (NYSE: CNC)</b>	<b>13%</b>
<b>Cash &amp; Cash Equivalents</b>	<b>13%</b>

## New Equity Positions:

During the first quarter, we took a position in Centene Corporation, the country's largest Managed Medicaid provider. Centene has been trading at a discounted valuation, largely due to sector-wide negative sentiment toward Medicaid managed care companies related to the expiration of ACA exchange subsidies in 2025, and potential adverse changes from the Trump Administration to the Medicaid program. Even in a worst-case scenario, we believe that the broader market is discounting any future repricing in the Medicaid business over the next couple of years to offset these adverse macro impacts and overvaluing the long-term probability that any Medicaid cuts made in this administration will materialize fully through the next decade across multiple political administrations. Trading at 10x current earnings, management has already taken advantage of this discounted valuation by aggressively increasing share repurchases.

## Financial Performance and Market Commentary

Our portfolio outperformed the broader market in the first quarter, propelled by strong performance in our local broadcast positions. Both Nexstar and Gray beat analyst's expectations on the top and bottom lines in the first quarter. The commentary over the broader market was dominated by the potential impact and fallout of the Trump Administration's "Liberation Day" tariffs, which we believe was a large factor in the market's risk-off adjustment, largely impacting technology companies that command premium multiples relative to their peers and are highly exposed to economic downturns due to their consumer discretionary nature. We also believe that any tariff impact is likely to have a delayed effect on the data, due to consumers trying to front-run price hikes, which would temporarily boost spending and give a doctored appearance of strong consumer resilience. Over the longer term however, tariffs are a regressive tax that gets passed on to the consumer both directly and indirectly. Businesses with strong market pricing power can pass any tariff burden directly onto consumers, while businesses in highly competitive markets may opt to cut production to hedge their exposure in what is now a less profitable and economically rewarding landscape. As the production of goods get cut in any given market, market prices for goods must naturally rise to bring the market back to equilibrium and restore economic viability to producers, indirectly taxing consumers. Frankly, this would be a very different conversation if tariffs created a net positive, but historical data points otherwise. Tariffs aren't a one-for-one trade-off, as many of our current politicians like to evoke. They are notorious for raising less tax revenue than expected, due to their indirect economic and behavioral impact that is difficult to quantify. Because tariffs are a tax directly on imports, while simultaneously making imports more expensive, this administration is making a very perilous bet that consumers will absorb these price hikes without issue. If consumers opt not to absorb tariff-driven price hikes, and instead choose to cut back on consumption, this will cause imports to fall, and with it, import linked tax revenue. This market dynamic is the perfect concoction for stagflation, where prices rise in an environment with slowing consumption and economic growth. Another difficult behavioral prediction to make is if, or to what magnitude, international trade flows will change with the new opportunity cost of tariffs. Depending on the magnitude and the specific goods market of tariffs, countries may see a risk-adjusted benefit to limiting trade exposure with the United States, and increasing exposure with other financial giants like China and the European Union, which would have long lasting negative effects on import volume, import tax revenue, export volume, our domestic producers, and the dollar's status as the world's reserve currency. While tariffs can be a strategic tool in international negotiations and in shaping domestic industry investment, there is substantial downside economically for both consumers and businesses if utilized inefficiently. It would be in this administration's best interest to weigh those considerations when enacting trade policy.

Gray benefited from strong execution of its cost cutting initiatives announced in 2024 and expects to exceed its \$60m annual savings goal. The company also made voluntary debt repurchases worth \$17m during the period, and produced \$117m of free cash flow, equivalent to a quarter of its entire market capitalization. As mentioned in previous letters, we expect Gray's continuation of strong free cash flow generation and voluntary deleveraging to accrue significant value to the equity holder overtime.

Nexstar used free cash flow during the quarter to pay down \$31m of debt, return capital to shareholders via dividends and buybacks worth \$132m, and used \$22m to acquire a broadcast station in the Cleveland area, creating a broadcast duopoly in the Cleveland DMA. During the quarter, the company also secured additional sports programming for its broadcasting network, The CW, including a track competition, professional volleyball, & basketball events to replace its existing scripted programming lineup. Despite linear subscriber churn, Nexstar produced record first quarter retransmission revenue, due to growth in virtual MVPD subscribers, and synergies created from its continuing reaffiliations of existing broadcast assets with the CW, and away from the Big Four broadcast networks.

**Chart showing growth of an assumed \$100,000 investment in the Poor  
Richard Capital Fund from inception**

Period	Poor Richard Net Asset Value	Poor Richard Return Net of Fees	S&P 500 Net Asset Value	S&P 500 Index Return
3/9/2023	\$ 100,000.00	0.00%	\$ 100,000.00	0.00%
3/31/2023	\$ 103,254.12	3.25%	\$ 104,874.28	4.87%
6/30/2023	\$ 100,557.08	-2.61%	\$ 113,578.78	8.30%
9/29/2023	\$ 89,910.15	-10.58%	\$ 109,433.16	-3.65%
12/29/2023	\$ 104,976.81	13.18%	\$ 121,733.45	11.24%
3/29/2024	\$ 104,053.92	-0.88%	\$ 134,101.57	10.16%
6/28/2024	\$ 96,349.15	-7.40%	\$ 139,358.35	3.92%
9/30/2024	\$ 98,273.40	2.00%	\$ 147,064.87	5.53%
12/31/2024	\$ 82,044.74	-16.51%	\$ 151,035.62	2.07%
3/31/2025	\$ 95,966.19	16.97%	\$ 144,541.09	-4.30%
<b>Cumulative Return</b>	<b>\$ 95,966.19</b>	<b>-4.03%</b>	<b>\$ 144,541.09</b>	<b>44.54%</b>

**Note to Investors:**

On all future reports, this chart will be placed at the bottom of the report comparing what the fund produced in the past quarters compared to the Standard & Poors 500 Index. While I feel it's important to post this for transparency purposes, I would caution investors on concentrating on quarter to quarter results. One or two years is too short of a time to make any opinions regarding investment performance. This is because there is simply not enough data to judge performance through both strong and weak markets, which do have a significant impact on the long-term compounded rate of return.