SCHUTT CAPITAL
MANAGEMENT

November 22, 2022

Dear Fellow Investor,

Through the first nine months of the year, the Fund decreased in value by 30.6% (unaudited) and, by comparison, the S&P 500 was down 24% and the NASDAQ was down 32.0%. Despite a challenging performance year, I continue to be guided by our Fund's mission – to compound its capital, and our wealth, at attractive rates for a long time hence, while reminding myself that we are playing a long game and merely find ourselves in the midst of a tough inning.

Our losses in 2022 have been concentrated in a group of holdings that share several general characteristics – an above average growth profile, a "COVID beneficiary" (i.e., benefited from business models that were well-positioned to the economic conditions of 2020 and 2021), and an attractive margin and economic return profile, once they reach more mature states. As a result of these factors, the companies were, in recent history, awarded higher traditional valuation multiples by the market. Within our portfolio, I include Alphabet, Amazon, Meta/Facebook, Naked Wines, and Netflix in this group.

In 2022, these companies have experienced several common headwinds, such as the erroneous extrapolation of COVID-era trends into the future from a business and resource planning standpoint, the (related) surprising and abrupt change in demand patterns as COVID normalized and consumers shifted behaviors, and macroeconomic factors such as a liftoff in inflation and the accompanying necessary, but rapid, increases in interest rates. In addition, investor sentiment has become extremely pessimistic and unforgiving towards companies of this type. Two examples outlined below may help illustrate the dynamic.

Amazon. Amazon's sales accelerated strongly in 2020 and 2021 as the basic tailwind of increasing online commerce was further accelerated by a shift in consumer behavior during COVID. In North America, excluding the company's cloud computing business, sales grew 38% and 18%, respectively, in 2020 and 2021 – resulting in incredible cumulative growth by nearly 2/3rds to $280 billion from a beginning base of $170 billion. Amazon found itself caught behind by this surge in demand and unable to serve customers in accordance with the company's very high delivery speed and service standards. As a result, the company invested heavily in the components needed to fulfill customer needs, anticipating that future volumes would grow at an equally rapid clip. These investments included fulfillment centers, transportation and logistics infrastructure, and lots and lots of workers. As 2022 dawned and the year progressed, slowing demand has demonstrated that these investments were ahead of their time, and have resulted in a cost base too heavy for the present business. Thus far this year, Amazon has been retrenching, reducing planned fulfillment center and logistics capacity, and recently, signaling that around 10,000 layoffs are anticipated. The company's North American online retail business has continued to grow this year, but at more modest levels, and the company has sustained operating losses in the segment due to its high expense structure.

Naked Wines. Naked Wines, a direct-to-consumer and vertically-integrated wine business, experienced a similar whiplash in demand in 2022, after having its already growing business accelerate rapidly through COVID. After struggling to meet consumer demand through 2020 and 2021, Naked Wines invested heavily in inventory (adding wine inventory requires planning almost a year in advance) as well as staff to be ready to serve its customers and further grow the company.

These investments, too, have proven to be too much and the company is now pivoting to operate both sustainably and profitably in a lower growth environment.

"What happens next?" is the most important question today, as we now own a collection of well-advantaged, established businesses whose prices have been significantly marked down. Great businesses and very capable managers adapt when surprising and difficult conditions arise. This adaptation is a hallmark of any successful business over long periods of time. Netflix, for example, has done a remarkable job adapting its business to the new reality it found itself in at the start of 2022 by rapidly developing strategies to launch an ad-supported tier to its subscription offering, addressing widespread password sharing prevalent among subscribers in order to capture incremental revenue, and exploring cost efficiencies. The period playing out today is likely to position these companies for both growth and continued prosperity in the coming years. As the businesses grow, their cash-generating ability should as well, and all this should be ultimately reflected in higher stock prices.

It will be particularly interesting to see how much efficiency is realized as these companies tighten their belts – shrinking staff and taking a more disciplined eye towards costs. Those actions are well underway at each company, though some appear to be pursuing the task more urgently than others. It is not hard to envision a future scenario in which each meets a healthier economic environment with both stronger revenue growth and an improved margin profile.

To be sure, the Fund's portfolio is balanced with holdings that do not fit the basic investment profile that's been discussed in this letter. Berkshire Hathaway is a top five holding by size and as of mid-November is trading slightly above the price at which it started the year. Two specialty insurers that we own, though in smaller sizes, Markel and WR Berkley, have both delivered positive stock price performance through 2022 thus far, too. We also continue to earn steady returns in a few high-yield real estate loans to partners we have worked with for many years in Ohio.

To sum up my interim evaluation, holding the companies discussed most in this letter over the short-term of the past 18 months has been a mistake, and the market movements in each has delivered that message clearly. *But* I am not convinced that holding them over our longer investment horizon is a mistake at all. For these reasons, I continue to hold these positions, think that the valuations of them today are excessively pessimistic, and believe that they will provide our Fund a very good basis for future returns from here.

Thank you for your trust and confidence, as always, and please do not hesitate to reach me anytime if you'd like to talk. I look forward to reporting to you again in the new year.

Best regards,

Marshall P. Schutt
Managing Member

Appendix A: Overview of Changes in Holdings and Current Holdings (6/30/22 – 9/30/22)

New Positions	Disposals
High Yield Loan XXXVIII High Yield Loan XXXVIIV	High Yield Loan XXXI High Yield Loan XXXIV

Positions Substantially Increased[1]	Positions Substantially Reduced[1]

(1) An increase or decrease representing at least 0.50% of the Fund's capital, measured as of the beginning of the period.

Business Descriptions of Holdings at 9/30/22
*(*one of top 5 largest holdings at 11/22/22)*

Alphabet* – *internet services; holding company for Google*
Amazon – e-*commerce and information technology services*
Bank of America Corporation – *large U.S. financial institution*
Berkshire Hathaway* – *holding company; insurance, railroads, utilities, manufacturing, retail and services*
Constellation Software* – *vertical market software*
HEICO Corp. – *aerospace and electronic components manufacturer*
High Yield Loan XXX – *loan secured by real estate; Columbus, OH*
High Yield Loan XXXVII – *loan secured by real estate; Columbus, OH*
High Yield Loan XXXVIII – *note secured by interests in real estate projects; Columbus, OH*
High Yield Loan XXXVIIV – *note secured by interests in real estate projects; Columbus, OH*
Kennedy Wilson Holdings – *real estate investment company*
Markel Corporation – *property and casualty insurance and reinsurance globally; non-insurance operating businesses*
Mastercard – *payments technology company*
Meta Platforms – *social media conglomerate*
Naked Wines – *vertically-integrated e-commerce retailer*
Netflix* – *streaming video service*
New England Realty Associates LP – *real estate investment company*
Research Solutions – *niche software provider*
Salesforce – *enterprise software provider*
Undisclosed Position – *insurance services provider*
Visa – *payments technology company*
W.R. Berkley Corporation – *property and casualty insurance globally*
Wilmington Holdings Corporation* – *controlled investment; private property & casualty insurance company; held through an investment in Gearson Partners Holdings, LP*

Appendix B: Annual Performance

One dollar ($1.00) invested in the Fund at inception is $2.54 as of September 30, 2022.

Annual Performance Metrics:

Year Ending	SPIF Net Return	SPIF Avg. Exposure/Allocation[1] Equities	Secured Loans	Private/ Controlled Co.	Cash	1-Year Return S&P 500[2]	SPIF ROIC[3]
2009 (from 4/1)	9.0%	28%	0%	0%	72%	42.1%	64.8%
2010	12.7%	69%	0%	0%	31%	15.1%	20.2%
2011	-6.3%	77%	0%	0%	23%	2.1%	-8.0%
2012	15.4%	76%	0%	0%	24%	16.0%	21.0%
2013	21.1%	76%	3%	0%	21%	32.4%	28.3%
2014	10.3%	82%	2%	0%	16%	13.7%	12.7%
2015	5.2%	80%	7%	0%	13%	1.4%	6.1%
2016	14.1%	63%	21%	0%	16%	12.0%	18.7%
2017	9.9%	72%	15%	2%	11%	21.8%	10.6%
2018	-6.3%	71%	21%	5%	3%	-4.4%	NM[4]
2019	25.5%	72%	19%	6%	4%	31.5%	NM[4]
2020	4.8%	72%	17%	7%	4%	18.4%	NM[4]
2021	26.6%	80%	10%	7%	3%	28.7%	NM[4]

5-Year Performance Metrics:

Five Year Period Ending	SPIF Net Return Rolling 5-Year CAGR[5]	SPIF Avg. Exposure/Allocation[1] Equities	Secured Loans	Private/ Controlled Co.	Cash	Rolling 5-Year CAGR[5] S&P 500[2]	SPIF ROIC[3]
2014	10.3%	76%	1%	0%	23%	15.5%	14.1%
2015	8.8%	78%	2%	0%	19%	12.6%	11.3%
2016	13.1%	75%	7%	0%	18%	14.7%	17.1%
2017	12.0%	75%	10%	0%	15%	15.8%	15.1%
2018	6.4%	74%	13%	1%	12%	8.5%	NM[4]
2019	9.2%	72%	16%	3%	9%	11.7%	NM[4]
2020	9.1%	70%	18%	4%	8%	15.2%	NM[4]
2021	11.4%	73%	16%	5%	5%	18.5%	NM[4]

My preferred measurement is how the Fund performs over five-year periods or longer – and I encourage you as a limited partner to view our results the same way. The S&P 500 is selected for comparison as it is representative of the broad stock market and the returns available to earn passively for little incremental cost, if one remained fully invested in the index at all times. I view the index as an opportunity set – one of many you could choose, the Fund being another, and any index broadly representative of the U.S. stock market could be exchanged for the purposes of this comparison. The Fund often owns investments not included in the S&P 500 and does not seek to track the composition of S&P 500 in its portfolio.

1. Calculated using an average of month-end balances throughout the year for 2009-2018. For 2019, calculated by averaging the allocation at each of the four quarter ends during the year.
2. The S&P 500 return includes dividends and does not reflect an adjustment for any fees or expenses.
3. Return on Invested Capital. This metric highlights the performance of the Fund's investments, excluding its cash balances. It is calculated by dividing the Fund's gross quarterly return by the average invested capital in that quarter, and then subtracting the percentage of fees and expenses incurred during the same period.
4. ROIC metric not meaningful as the Fund held little, if any, cash during the period.
5. Compound Annual Growth Rate.