



“We are seeing substantial inflation, we are raising prices and people are raising prices with us and its being accepted” Warren Buffett

To: Ironwood Partners
From: Nathan Reid, Fund Manager
CC: NAV
Date: 04/07/2022
Re: Q1 2022 Performance Outline and Summary of Fund Results.

FUND UPDATE

Market Update/Fund Update (Q1 2022)

Dear Partners,

Since I wrote the annual (Q4 2021) letter three (3) months ago a lot has changed in the world and therefore the market. Russia invaded a sovereign European nation and inflation has reared its ugly head in a massive way for the first time in almost 40 years. The inflation playbook will tell you that generally one should own real estate (preferably with leverage), commodities and gold in an environment like this. Luckily the fund has the commodity piece covered with our investment in LSB Industries (LXU), which has had a massive movement this quarter, and also last year. **The fund was up 5.23%** in Q1 2022 with all of the major indexes **down between 5% and 9%**, depending on the index. This is the advantage of a concentrated fund. We don't have to, nor do we try, to track the market. We buy equities that appear cheap and hold them until they no longer appear cheap.



Results

Historical Results

Co-Managed Fund		NAV	/Share	Sole Manager Fund		NAV/Share
Initial		\$10.00				
2013	22.00%	\$12.20		2019	37.09%	\$11.53
2014	(2.46%)	\$11.90		2020	30.23%	\$15.02
2015	(26.72%)	\$8.72		2021	21.29%	\$18.22
2016	12.96%	\$9.85		2022	5.23% (Q1)	\$19.17
2017	6.59%	\$10.50				
2018(A)	(19.91%)	\$8.41				
GROSS GAIN				GROSS GAIN		
2013 to 2018		(15.9%)		2019 to Q1 2022		127.9%
				3.25-yr CAGR		28.8%

(A) Partial co-managed year

As you are all aware, value stocks (the type we tend to focus on) were really out of favor for a good part of last decade, and therefore the fund had a hard time keeping up with the indexes. As you can see from the table below, we are far exceeding the market since January 2019. I hope to continue this streak by focusing on picking stocks that are out of favor and cheap in relation to what the underlying business is worth.

	<u>Q1 2022 return</u>	<u>Gross Return from January 2019</u>	<u>CAGR (3.25 years)</u>
Ironwood Fund	5.23%	127.90%	28.8%
Nasdaq	(9.1%)	90.74%	22.0%
DOW Jones	(4.6%)	38.00%	10.4%
S&P 500	(4.9%)	65.71%	16.8%

Positions

Year-to-Date performance of our largest positions is highlighted below:

<u>Quarter</u>	<u>12/31/2021</u>	<u>03/31/2022</u>	<u>YTD Gain (Loss)%</u>	<u>% Fund</u>
BNCC	\$44.49	\$36.22	(18.6%)	29.6%
PAR	\$52.77	\$40.34	(23.6%)	7.7%
LOV	\$3.14	\$2.70	(14%)	8.2%
LXU	\$11.05	\$21.84	97.6%	32.1%
BRKB	\$299.00	\$352.91	18.0%	9.6%
<u>Top 5 positions</u>				<u>87.2%</u>

Major Portfolio Changes in Q1 2022

There were no major portfolio adjustments in Q1 2022.

Thesis Discussion(s)

No thesis updates.

**BERKSHIRE
HATHAWAY INC.**



**LSB
INDUSTRIES**

spark
networks  **BNCCORP**

Inflation

As I discussed briefly at the beginning of this Q1 2022 update, we have entered an extremely inflationary environment. The massive government stimulus package that was created due to Covid, the supply chain issues also related to Covid and the pent-up demand coming out of the pandemic, combined with low interest rates and now a war in Ukraine (a major exporter of certain products) have combined to cause a huge inflationary pressure cooker. Inflation is an interesting monster, cause when you are in it, you may think you are getting richer (as you watch your assets such as stocks and real estate go up), but what really is occurring is everything is getting more expensive and you are just keeping up and the dollar denominated assets you own are worth more, but only because the dollar is worth less with much lower purchasing power. Rental rates were up 27% in Phoenix in 2021, an unsustainable pace of increase. Walmart is paying truck drivers \$110k per year and wage pressures are everywhere. In times like these stock picking becomes extra critical and alternative assets will perform much better than general market indexes, since the indexes contain companies that will be punished by inflation. I like our odds to outperform in a choppy environment such as this.

Thank you all again for investing in The Ironwood Fund. I wake up every day energized to compound our capital and am proud the have had a strong quarter in the face of such a volatile and uncertain market.

Warmest Regards,

Nathan Reid

Nathan Reid, MBA

Fund Manager/General Partner

www.ironwoodfund.com