

Tidefall Capital LP
Q1 2025
April 24, 2025

	Q1 2025	YTD 2025	Since Inception (Jan 21, 2020)	Since Inception CAGR
TIDEFALL LP <i>(Net)</i>	-5.6%	-5.6%	229.8%	27.2%
S&P <i>(TR)</i>	-4.3%	-4.3%	82.7%	12.3%
TSX <i>(TR)</i>	1.5%	1.5%	66.6%	10.3%

“Predicting rain doesn’t count, building an ark does.” - Warren Buffett

The key to long term performance of a fund manager is individual stock selection and we strive to tune out political noise from our reports. However, the massive pivot in US policy and resulting global trade war are too important not to address.

We believe the post WWII “Pax Americana” is being undone as the United States withdraws from its global leadership role. “Liberation Day” occurred on April 2nd, the day after April Fools and it’s not hard to understand why. The ceremony saw the US levy massive tariffs that are oddly similar to disastrous economic policies such as The Smoot-Hawley Tariff act of 1930 which ultimately pushed the world deeper into the Great Depression. Although some of the tariffs have been walked back for 90 days and exemptions made, Chinese tariffs have actually increased as the two largest world economies play a dangerous game of economic brinkmanship. Although we highly anticipate that the coming months will see the United States relent and announce a number of new trade agreements that no doubt will be heralded as “the best trade deals ever”, the constant economic chaos is hurting business and consumer confidence, freezing supply chains and increasing the odds of a recession.

Economic downturns are nothing new as a fund manager but US priorities suggest a deeper, more structural decoupling is underway; one not easily reversed. As global supply chains shift and trading blocs harden, the world appears to be entering a new era of economic nationalism and fragmentation. We continue to believe that US and global equities will prosper over time but we want to highlight that many of the assumed certainties of the past century (low interest rates, falling inflation, globalization, democratic norms and declining global conflict) may be less reliable than the past. We have reflected our current assessment into the portfolio.

After a surge in activity and valuations during the pandemic, biotech stocks have continued to struggle, with the Nasdaq Biotechnology index having zero return over the past decade. Budget cuts and staffing issues at key agencies like the FDA and NIH have disrupted the drug approval pipeline, particularly affecting smaller firms. Meanwhile, higher interest rates have made capital more expensive, reducing appetite for riskier, early-stage biotech bets.

As generalist investors our informational edge on this sector is limited but many companies now trade far below the cash on their balance sheet, with well aligned boards. We have acquired a small basket of stocks that we believe in aggregate offers a compelling risk reward payoff. For example, after a failed drug trial, we acquired Keros Therapeutics under \$10, despite the company having over \$14 per share in net cash, and \$12 per share in probability weighted discounted milestone/royalty payments. Furthermore, two weeks ago, ADAR1 Capital Management crossed the 10% ownership disclosure threshold, increasing the likelihood of a shareholder friendly outcome.

Trevor Scott

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