April 14, 2021

Dear Investor,

After having an outstanding year of performance in 2020, I was a bit worried about some give back as we entered 2021. However, we continued to have outstanding investment returns in the first quarter of this year. As you can see in your enclosed statement, we outperformed the market by a wide margin, with our LP's up on average 25% net of fees and our separate accounts up over 30%, compared to the S&P 500 up 6% for the quarter.

Many of our investment ideas have worked nicely for us, but many more have yet to work which bodes well for the balance of the year. As I noted in my year end letter, our investments in the nuclear power and uranium mining industries have done extremely well but we believe we are only in the second inning of a nine inning game in that sector. Enclosed with your statement is a recent interview with Old West partner, Brian Laks, on the nuclear power/uranium mining industry. Another area where we have significant exposure is the gold mining industry which has been very disappointing for the past six months. There is no doubt Bitcoin has stolen some of gold's thunder as a fiat currency alternative and pushback to central bank manipulation of markets. I take comfort in our gold positions and unless you think the word is a safe place with few challenges, I see it as holding an insurance policy in the portfolio.

As I see the market reach all time highs day after day, I have no doubt we are getting some benefit from the overall market. However, I strongly believe we are greatly benefiting from our individual stock selections that are predominantly counter cyclical. The S&P 500 continues to be dominated by a handful of mega cap names most of which we have never owned. For the past five years each of our portfolios easily beats their respective benchmarks never owning the highflyers of this long bull market.

So, what about the next five years? In my mind, the biggest threat to the market will be inflation. The Fed is convinced they have inflation under control and in fact they have been falling all over themselves to get inflation to 2% or more. I think this is a huge mistake. What is wrong with 1% inflation, or better yet no inflation? If prices start coming in hotter than expected the Fed could be forced to discontinue treasury purchases and let rates rise. If you recall the Taper Tantrum of 2013, the market reacted sharply to Fed tightening.

A perfect storm is developing for inflation. By pure coincidence, the world has experienced a number of events the past year which can result in massive price increases.

1) A worldwide semiconductor shortage has been caused by:
   a) A massive fire at a Japanese plant.
   b) An explosion in demand for computer equipment due to stay-at-home work.
   c) Huge demand for video games due to stay at home.
   d) Excess demand for cars and trucks which are loaded with chips.
   e) Semiconductor factory shutdowns due to Covid.
2) A once in a generation blockage of the Suez Canal causing worldwide supply disruptions. In addition, there is a worldwide shortage of shipping containers.
3) The Texas freeze has caused huge disruptions in plastics and energy production.
4) A Covid caused pent up demand for suburban housing has caused lumber to reach all-time highs. Home prices are skyrocketing nationwide, especially in low tax states. Inventories of existing homes for sale are at record lows which will eventually bleed into inflation figures. With the Fed intervening in the free market by buying Treasuries every month, they are artificially holding down interest rates which is fueling housing demand and exasperating housing shortages.
5) Steel and copper prices have skyrocketed due to supply disruptions and increasing demand.
6) Labor shortages are beginning to pop up because many workers would rather stay home since the government is handing out billions of dollars. Nothing fuels inflation more than wage inflation. In early April, the Labor Department issued the results of its JOLTS survey, which stands for Job Opening and Labor Turnover survey. Job openings reached 7.4 million, up 600,000 in the past two months. The all time high number was 7.5 million in November of 2018. We continue to hear about how many people are out of work, but that conflicts with this job openings number. Why get off the couch when money keeps arriving in the mail?
7) The nations money supply has been growing at rates not seen in over one hundred years. The money supply (M2) grew 24% last year and is growing even faster this year. Money supply growing at this pace is absolutely inflationary.
8) The Fed continues to invest $120 billion per month buying Treasuries and mortgage backed bonds, and their balance sheet has grown to $7.6 Trillion. This is nine times greater than the Quantitative Easing done during the Great Recession. This activity artificially suppresses interest rates which causes huge price increases in stocks, bonds, real estate, bitcoin, N.F.T's, SPACS, etc., etc., etc.
9) The government recently passed the $1.9 Billion Covid relief bill which sends $1,400 to most Americans after giving $600 to the same people in December. Next comes the $2.3 Trillion Infrastructure Bill. Over the last two years the government will spend an additional $6 Trillion above and beyond operational expenses. Printing and spending this type of money adds fuel to the inflationary fire.
10) Mostly due to Covid supply disruptions, food prices increased 3.4% in 2020, double the increase of the previous two years.

The classic definition of inflation is too much money chasing too few goods. Given all the factors listed above it seems inevitable to me that we are in for a surge in prices. The question is, is it temporary or long lasting? Its impossible to predict how Americans will react to these pricing pressures. A recent poll of investors showed concerns over inflation ranked number one ahead of Covid. If consumers begin worrying, they may start advancing purchases ahead of anticipated price increases, causing excess demand which further fuels price increases. This is exactly what happened in the late 70's when inflation rose 13.5% in a single year (1979). So much for the FED's 2% target!!

If inflation does surprise to the upside commodities have traditionally done very well. More than half of our money is invested in commodity producing companies so we believe our portfolios will hold up quite well. It has been forty years since our country has experienced runaway inflation and interest rates (until the past two months) have been falling for forty years. The bond bull market will end eventually, and all the factors listed in this letter just might signal the turn.

In our January 2019 letter we wrote about Rafael Holdings (RFL), one of our largest holdings. The stock has quadrupled since we first invested in it four years ago. Old West partner Joe Boskovich Jr. provides this update:

Rafael Holding (RFL)

As our clients and readers of past Old West Investor Letters know, we look to invest in companies led by management teams that are among the largest company shareholders and who have demonstrated the ability to allocate capital effectively and efficiently. At the top of that list is IDT Corporation ("IDT") and its founder and Chairman, Howard Jonas. Howard Jonas founded IDT Corporation in 1990 and has been incredibly successful at creating value for its shareholders by using the cash flows from its core telecom business to fund a wide array of growth initiatives. In just the past decade, IDT has spun-off five public companies and sold a sixth after which it paid a special dividend to shareholders.

Had you invested in IDT in January 2010 and kept each of the spin-offs, an investment in IDT + SpinCo's has generated greater than 50% annualized returns for shareholders vs. 12% for the S&P 500. As an example, one of IDT's more recent spinoff successes is a company called Zedge Inc, which has been one of Old West's largest contributors to performance. We received shares when the business was spun-off in 2016, and we have continued to build our position, most recently participating in a private offering of common stock $1.28 per share in February 2020. We had spent hundreds of hours learning the business, meeting with management, and trying to understand its various business verticals, which gave us the comfort and conviction needed to ultimately own 14% of the Company's overall shares. After several years of what seemed to be little progress as the company built out its new offerings and invested for future growth, Zedge recently reported record revenue growth of 101% in its most recent quarter. Free Cash Flow has increased 5x from $0.4 million in Q2 2020 to $2.1 million in Q2 2021. As a result, Zedge's stock price has appreciated to over $14.00 per share, or more than 10x above where we participated in the capital raise a little over a year ago on behalf of our clients.

Despite this incredible success, we believe that Howard Jonas/IDT are in the early innings of creating significantly more value for shareholders. Rafael Holdings (RFL) is the most recent IDT spin-off, and the most interesting with the most upside, in our opinion.

Rafael Holdings Overview

Rafael Holdings is a holding company that was spun-off from IDT in March 2018 with the following assets:

1) Majority interests in two promising pharma companies, Rafael Pharmaceutical (“Rafael Pharma”, “Pharma”) and Lipomedix.
2) A wholly owned venture focused on developing a pipeline of therapeutic compounds, The Barer Institute.
3) And a portfolio of commercial real estate properties.

We believe that an investment in Rafael Holdings represents an extremely asymmetric opportunity where a portion of the company’s current value is protected by its portfolio of real estate properties, LipoMedix and The Barer Institute, while its stake in Rafael Pharmaceutical is potentially worth many, many multiples of its current market cap. We also believe that the investment is hidden from the broader investment community due its obscure structure, hence the extreme valuation discount. As an example, the company is classified on Bloomberg as an “Investment Company” due to its real estate assets rather than a biotech company where we believe the greatest level of value disconnect exists. The “crown jewel”, Rafael Pharma, has presented at multiple medical conferences, but always as a privately held biotech company. A deeper analysis and knowledge of IDT/Howard Jonas is needed to know that an ownership interest in Pharma is possible through an investment in Rafael Holdings.

Corporate Background

Cornerstone Pharmaceuticals (renamed Rafael Pharmaceuticals in 2018) was founded in 2001 based upon a premise known as Altered Metabolism of cancer cells, or the scientific study that cancer cells produce energy differently than healthy cells. Based on this groundbreaking scientific work, Cornerstone’s founders set off to dedicate their careers to studying the ways that cancer cells produce energy.

In 2012, Howard Jonas was introduced to a Cornerstone Pharma executive, and after learning more about the company and its mission, he offered his services as a board member. Several years into his volunteer service, Jonas had become convinced of the company’s work and was impressed by the scientific and medical clinical trials being conducted at Wake Forest Baptist University. In need of cash to further its research, Howard agreed to fund the company’s future in exchange for the right to own a majority stake in Rafael Pharma through IDT. In addition to IDT's investment, Howard invested $15 million personally.

As trials progressed, it appeared that IDT might be sitting on an asset that could revolutionize treatment therapies for difficult to treat cancers and deadly diseases. In a Phase I clinical trial at Wake Forest Baptist Medical Center, Rafael dosed 18 patients with its lead compound, CPI-613, in combination with a common chemotherapy regimen, Folfirinox, for patients with Stage IV metastatic pancreatic cancer. Of the 18 patients dosed, 4 experienced a complete response and 8 others had radiographic responses, so an objective response (complete remission or partial remission) rate of 61%. As a comparison, Folfirinox by itself has a complete response (CR) rate of less than 1% and an objective response rate of 31.6%. A few of the patients that experienced remissions from the Phase 1 trial have been vocal advocates for the company and drug in hopes of helping others. You can read one of their incredible and inspirational testimonials on this blog; **www.cpi613.com**. Based on these incredible results, Rafael Pharma launched a Phase III trial to examine CPI-613 in 500 stage IV metastatic pancreatic cancer patients at 70 locations and successfully completed the trial despite the ongoing impacts of the COVID-19 pandemic.

Given these exciting results, Howard decided to spin-off Rafael Holdings from IDT in 2018 with approximately half of the parent company cash and all of IDT's real estate assets to fund future trials.

Rafael Pharmaceutical

CPI-613 (Devimistat) is currently conducting numerous clinical trials, including the Phase 3 trial for first line metastatic pancreatic cancer, a Phase 3 trial for acute myeloid leukemia (AML), a Phase 2 trial for relapsed Burkitt's lymphoma, a Phase II Trial for Fist Line Locally Advanced Pancreatic Cancer, five additional Phase 1/2 trials, and several preclinical studies. To date, CPI-613 has achieved multiple remissions from some of the deadliest cancers, administered as both a single agent as well as in combination with standard drug therapies.

The company expects multiple major milestones this year, led by its Phase III Metastatic Pancreatic Cancer trial. The Phase III trial was fully enrolled this past August, 18 months ahead of schedule. In October, the FDA granted fast track approval, and the company is expecting the data read-out in Q3 of this year. If successful, the treatment would become standard of care and CPI-613 would potentially become a $5+ billion per year Revenue indication for Pancreatic Cancer alone. At a 3-6x Revenue multiple, which is a historical range that big Pharma would pay for an oncology asset like this one, Rafael Holdings' 50% stake in Rafael Pharma would be valued at roughly $7.5-$15 billion, or 12x-23x the current market cap. This ignores all of the other indications for CPI-613 and the other assets owned by Rafael Holdings, which could add substantial value to the company.

At the world-renowned JPMorgan Healthcare Conference this past January, Rafael Pharma CEO, Sanjeev Luther, disclosed data for the first time from its Compassionate Use Cohort in Metastatic Pancreatic Cancer. Seven First-Line patients and 19 Second-Line Patients have been treated with CPI-613, showing a 71% response rate in first-line and 53% response rate in second-line. There are also four confirmed CR's in compassionate use out of the first 27 patients. This "unheard of" data, as described by Rafael Pharma's Management team, confirms the results from the earlier Phase I trial.

Ono Pharmaceutical Out-Licensing Agreement
Rafael Pharma's June 2019 announced Out-Licensing Agreement with Ono Pharmaceutical to accelerate clinical development and commercialization of CPI-613 in Japan and other Asian countries was one of the major milestones that increased our confidence and comfort as Rafael Holdings shareholders. Under the terms of the agreement, Rafael Pharma received a one-time upfront payment of $12.9 million and up to an additional $150.3 million if certain development and commercial milestones are achieved. We believe Rafael Pharma has already received a portion of the milestone payments following Ono's commencement of its Phase I study of CPI-613 (ONO-7912 in Japan) for patients with Pancreatic Cancer six months ago. The commencement of this trial and partial milestone payment is indicative of Ono's confidence in the drug and conviction of success. If successful, Rafael Pharma will also receive low double-digit royalties based on Revenue in Japan, South Korea, Taiwan, and ASEAN (Association of Southeast Asian Nations) countries which would build on top of the above figures and valuation outlining the value creation opportunity.

World Class Management Team

One of the key characteristics that has continued to excite us concerns the caliber of people working for Rafael Holdings and its various subsidiaries. Rafael Pharma Board Members include Dr. Richard Axel, a world-renowned chemist at Columbia University and former Nobel Prize winner in Physiology and Medicine, and Dr. Chi Van Dang, the Director of the Abramson Cancer Center at the University of Pennsylvania and one of the world's leading authorities on cancer metabolism. 68% owned LipoMedix is led by CEO, Alberto Gabizon. Gabizon is the co-inventor and co-developer of Doxil, a multiple myeloma treatment that generates hundreds of millions in Revenue per year. And Rafael Holdings therapeutics venture, The Barer Institute, is named after Sol Barer, the co-founder of Celgene, an asset acquired by Bristol-Myers for $74 billion in 2019. Barer has agreed to use his name and connections to form and try and replicate the success of Celgene inside of Rafael Holdings. The Barer Institute has already reached collaborative research agreements with leading scientists in the field of cancer at leading academic institutions.

Most excitedly however, was the recent hiring of Ameet Mallik to become Rafael Holdings Chief Executive Officer. Mallik will join Rafael Holdings on May 1st from Novartis where he is currently the U.S. Head of Oncology. It is hard to imagine that the top oncology executive at one of the world's largest pharmaceutical companies would leave a "cushy" job making millions to take the helm at a tiny biotech company less than 1% of his current employer's size unless he felt it was a "once in a lifetime" opportunity. Mallik's employment agreement will give him equity in whatever the future at Rafael looks like (we believe that Rafael Holdings and Rafael Pharma will merge to become a pureplay biotech with greater float and more liquidity). We estimate that RFL stock would need to appreciate more than 5x from current levels for Mallik to "breakeven" on the move and to account for the opportunity cost of moving from a $15 billion Revenue business inside of Novartis.

We see plenty of challenges and opportunities for the balance of this year and we think we are very well positioned to grow your hard earned assets. Thank you for your continued loyalty and support.

Sincerely,

Joseph Boskovich, Sr.
Chairman and Chief Investment Officer

Disclosures

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