April 3, 2018

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned (13.6)%,[1] net of fees and expenses, in the first quarter of 2018. During the quarter, the S&P 500 index returned (0.8)%.

In our history, we've had five other quarters with a greater than 5% loss. In four of those, there were clear world or market events that provided a simple explanation, and in one, a few positions in our portfolio went wrong at the same time. This period has not been like any of these. No events or individual positions stand out. Our losses were broad throughout the portfolio, but generally shallow. We had nine positions (six longs and three shorts) that each cost more than 0.5% and only one (Micron Technology) that generated a gain of over 0.5%, despite our portfolio having a decent earnings season.

We looked at our 20 largest longs and 20 largest shorts to see how many had positive and negative earnings reports announced in the quarter. We defined positive and negative on a case by case basis, based on what the market seemed to care about. For example, Tempur Sealy International met EBITDA and earnings expectations, but missed on revenue. The market cared more about the revenue miss so, for the sake of this exercise, we called that a miss. Similarly, Netflix (NFLX) missed EPS expectations and guided to much higher than expected future cash burn, but exceeded revenue and subscriber targets. The market loved the release, so we counted NFLX as a beat. All told, of our 20 largest longs, we judged 13 to have beaten expectations, 4 to have met expectations and 3 to have disappointed. Of our 20 largest shorts, 9 beat expectations, 1 met and 10 missed expectations.

We then looked on a weighted average basis at how the stock prices reacted on the first trading day after earnings were announced. Not surprisingly, the longs that met or exceeded expectations (representing 89% of capital) advanced around 2% and those that missed (17% of capital) fell about 8%. For the shorts, those that met or exceeded expectations (representing 29% of capital) rose 7% and those that disappointed (28% of capital) fell almost 5%. While there is some asymmetry in the longs versus shorts, the reaction to earnings announcements generally made sense. On the one day when investors received actual information about companies, more often than not the market prices followed the reported results.

The problem was… all the other days. For the quarter as a whole, the longs that met or exceeded expectations wound up losing 4%, and those that missed fell 17%. The story on the shorts was even worse. Shorts that exceeded expectations finished the quarter up 19% and stunningly, the shorts that missed expectations also finished up 5%.

[1] Source: Greenlight Capital. Please refer to information contained in the disclosures at the end of the letter.

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The result is summarized in the table below:

		Number of Positions	Size	Weighted Average Price Change - Day After Earnings	Weighted Average Price Change - Quarter	Greenlight Return
Longs	**Beat**	13	82%	1.7%	-3.6%	-2.1%
	Met	4	7%	2.2%	-13.7%	-0.7%
	Missed	3	17%	-8.1%	-17.0%	-2.8%
	Total	20	107%	0.2%	-6.5%	-5.6%
Shorts	**Beat**	9	28%	7.4%	18.9%	-3.8%
	Met	1	1%	1.3%	-0.5%	0.1%
	Missed	10	28%	-4.6%	5.0%	-1.8%
	Total	20	58%	1.3%	11.6%	-5.5%

It is difficult to fully explain what caused the results above. As an example, General Motors (GM) entered the year with consensus EPS estimates of $6.30, $5.80 and $5.75 for 2017, 2018 and 2019, respectively, and the stock at $40.99 had an undemanding price to earnings multiple of 7x. GM reported actual 2017 EPS of $6.62, guided 2018 to be similar, and forecast that 2019 earnings should be even better. The stock advanced 6% on the day of the earnings release, before rolling over and falling 18% from its peak to the end of the quarter.

GM's fundamentals appear favorable. Employment is strong, tax cuts are helping GM's customers, used car values are performing well versus expectations and industry scrappage rates are increasing. GM has lean inventory and a product line-up that is gaining share with pricing power. We just don't see what the market may be saying, and we believe that GM is more likely to exceed near and intermediate-term forecasts than to disappoint. Also, the company plans to return about 10% of its market capitalization to shareholders in dividends and buybacks in 2018. Time will tell whether the market is correctly sniffing out incrementally tougher prospects for GM to justify the multiple compression.

Similar stories exist for a number of our other long positions. AerCap Holdings (AER) and Mylan (MYL) each trade at 8x earnings. AER has bought back 32% of its shares in the last 33 months, and MYL has bought back nearly 5% of its shares in the past few months. In just two quarters since it was spun off from MetLife, Brighthouse Financial (BHF) has made significant progress towards achieving its objectives for capital return; it will likely reach its capitalization targets well in advance of the 2020 expectation set at the time of the spin-off. BHF trades at 48% of book value and under 6x earnings.

We believe our investment theses remain intact. Despite recent results, our portfolio should perform well over time. To some extent, this quarter's result stems from the continued extreme outperformance of growth over value. The Russell 1000 Pure Growth Index followed a 38% 2017 advance with another 7% climb through the end of March. The Russell 1000 Pure Value Index has declined over 3% year-to-date, retracing most of its 2017 gain of 4%.

During the quarter we proactively managed our gross exposure. As of January 1, we were 133% long and 82% short. Had we left the portfolio alone, the losses would have driven that to 148% long and 105% short, which would have been above our comfort zone. Throughout the quarter we methodically reduced gross exposure, such that we ended the quarter at 111% long and 82% short. So far, the exposure reduction has been helpful, as our year-to-date trading has led us to avoid an additional 1.5% of losses.

We exited a number of positions during the quarter:

We acquired our long investment in Chemours (CC) at an average price of $6.97 in the fourth quarter of 2015 after concerns regarding legacy environmental litigation exposure, elevated leverage, and a cyclical decline in titanium dioxide pricing caused the shares to decline following the spin-off from DuPont. Ultimately, the litigation was settled at a manageable cost, the TiO_2 cycle turned, and CC's next generation refrigerants gained share. We exited at $31.62 with a large profit.

We first acquired shares in Uniper (Germany: UN01) at €10.02 in the third quarter of 2016 when E.ON spun out the company. Over the next two years, the management team executed on its operational and strategic goals, and the market began to appreciate the earnings power we saw in the business. The value of the company's assets attracted a strategic suitor when Finnish peer Fortum launched a bid for UN01 late last year. We exited our stake at €22.85, a slight premium to the offer price, with a large profit.

We shorted Hexagon at 339 SEK in early 2016 because we believed the management team's behavior was suspect and the business was deteriorating. The business surprised us by accelerating, so we covered at 414 SEK for a small loss.

We shorted United Rentals at $76.66 in the third quarter of 2016 because we believed the non-residential construction cycle was peaking, and that excess rental equipment would lead to lower pricing and weaker earnings. This thesis proved incorrect, as the economy improved and industry supply tightened. Fortunately, we only "rented" a small number of shares, and exited at $149.89 with a medium loss.

We had two departures during the quarter. Analyst Gaurav Sharma left to pursue a technology-related entrepreneurial opportunity. After 11 years as a controller, Jamie Tully retired from Greenlight to spend more time with her family. We wish Gaurav and Jamie continued success! Also, analyst James Lin is taking a leave of absence. After 16 productive years at Greenlight, James is looking forward to some time off from the daily demands of work. Congratulations to David Tepperman and his wife Lauren who welcomed baby Hazel Jane into the world. Although it doesn't rhyme with her name, we say Mazel!

At quarter-end, the largest disclosed long positions in the Partnerships were AerCap, Bayer, Brighthouse Financial, General Motors and gold. The Partnerships had an average exposure of 111% long and 82% short.

> *"Today is the oldest you've ever been, and the youngest you'll ever be again."*
>
> –Eleanor Roosevelt

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

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Unless otherwise noted, performance returns reflect the dollar-weighted average total returns, net of fees and expenses, for an IPO eligible partner for Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., and the dollar interest returns of Greenlight Capital (Gold), L.P. and Greenlight Capital Offshore (Gold), Ltd. (collectively, the "Partnerships"). Each Partnership's returns are net of the modified high-water mark incentive allocation of 10%.

Performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. Each partner will receive individual statements showing returns from the Partnerships' administrator. Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

All exposure information is calculated on a delta adjusted basis and excludes credit default swaps, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and baskets, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of such figures for investments by Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital (Gold), L.P., and Greenlight Capital Offshore (Gold), Ltd. (excluding the gold backing held by the gold interests) and are the result of classifications and assumptions made in the sole judgment of Greenlight.

Positions included in the "Beat/Met/Missed Table" were selected and classified at Greenlight's discretion. The table excludes certain positions at Greenlight's discretion. Sizing was based upon the relative position size at the beginning of the quarter, and position sizing may have been modified prior to quarter end. While most positions within the table were held for the entire quarter, some were disposed of prior to quarter end. Weighted average price change reflects the change in price from the first day of the quarter to the last day of the quarter. Greenlight Return reflects the gross of fee return and was calculated using weighted average of such figures for investments by Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital (Gold), L.P., and Greenlight Capital Offshore (Gold), Ltd.

Positions reflected in this letter do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Greenlight, affecting the Partnerships.

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