CORSAIR CAPITAL MANAGEMENT, L.P.

July 23, 2018

Dear Limited Partner:

For the second quarter ended June 30, 2018, Corsair Capital was up an estimated 0.1%* net, bringing our 2018 performance to -2.7%* net. Corsair Select was down an estimated -0.1%* net, bringing our 2018 performance to -4.5%* net. Since inception in January 1991, Corsair Capital's compounded net annual return is 12.3%[1]. Since inception in January 2004, Corsair Select's compounded net annual return is 10.9%.

	Corsair Capital (net)*	HFRI - EHI**	S&P 500	Russell 2000
2Q18 return	0.1%	0.8%	3.4%	7.8%
YTD return	-2.7%	1.2%	2.7%	7.7%
Annualized since inception (1991)	12.3%	11.3%	10.2%	11.1%
Total return since inception (1991)	2339%	1780%	1355%	1719%

	Corsair Select (net)*	HFRI - EHI**	S&P 500	Russell 2000
2Q18 return	-0.1%	0.8%	3.4%	7.8%
YTD return	-4.5%	1.2%	2.7%	7.7%
Annualized since inception (2004)	10.9%	5.0%	8.6%	9.2%
Total return since inception (2004)	345.9%	103.3%	229.7%	257.8%

U.S. equity markets generally rallied during the second quarter and were once again led by the technology sector. This may have been a bit surprising to an outside observer watching interest rates rise, President Trump's imposition of multiple tariffs and the continued rise of nationalism threatening the established governing parties in Western Europe.

At home, however, the focus remained on the continued growth of the U.S. job market and the strength of the overall economy. In fact, a recent labor force survey showed that, remarkably, the 4-week average of unemployment claims fell to its lowest levels in 45 years! Further, so many workers (600,000) decided to re-enter the workforce (i.e., started to look for a job) that, perversely, the unemployment rate rose from 3.8% to 4.0%. With respect to corporate profits, however, the fact there are now more job openings than the number of unemployed raises the possible specter of wage inflation at some point down the road.

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[1]Performance used in the computations for periods pre-June 1993 is the performance of a predecessor fund formed in 1991, which was merged into Corsair Capital.

**Unless otherwise noted, performance figures included herein (which include the reinvestment of dividends, capital gains and other earnings) are for Corsair Capital or Corsair Select, as indicated. The figures for each such fund are based on an investment made as of the inception of such fund, are calculated net of such fund's fees and expenses, are based on unaudited data, and may be subject to adjustment. Additionally, the figures for each fund are calculated using the highest management fee per annum rate generally offered by such fund at the time – for Corsair Capital, a 1.00% rate through June 2002, a 1.25% rate from July 2002 through 2009, and a 1.50% rate commencing January 2010; and for Corsair Select, a 2.00% rate since inception. Although the portfolios of the other funds within the Corsair Capital "family" and the Corsair Select "family" have been substantially similar to either Corsair Capital or Corsair Select, as applicable, the actual returns of such other funds have varied. Also, results for individual investors within a particular fund managed by Corsair Capital Management, L.P. ("Corsair") or its affiliates have varied based on, among other things, the applicable fee rate and the timing of capital contributions and redemptions/withdrawals. For additional important disclosures regarding this letter, please see the last page of this letter.*

Corsair Capital: Corsair Capital Partners, L.P. *Corsair Select: Corsair Select, L.P.* ***HFRI – EHI: HFRI Equity Hedge (Total) Index*
S&P 500: S&P 500 Total Return Index *R2000: Russell 2000® Total Return (DRI)*

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In turn, the Federal Reserve raised its benchmark interest rate by another 25 basis points, indicating the likelihood of four such increases during 2018, up from the three increases expected by the market at the start of the year. As the new Fed Chairman, Jerome Powell, recently told Congress that in light of a strong economy, job growth and stirring inflation, "the best way forward is to keep gradually raising" interest rates. With institutional money-market funds already earning close to 2%, the TINA (There Is No Alternative) investment mantra of the last few years may be close to going away. Additionally, the announcement by the European Central Bank that it will end its bond buying program by year's end, added to concerns about longer-term interest rates.

While heretofore President Trump has seemingly been good for corporations and the stock market, his latest actions seem less so. Starting in late March, the President has not only ramped up the rhetoric about the need for a "fairer" U.S. trade balance, he has also imposed a series of tariffs on a growing amount of imported goods. Furthermore, these tariffs have been applied not just to China, but also to our long-term allies in Canada, Mexico and the European Union. Unfortunately, these countries have now retaliated with tariffs of their own on a variety of U.S. manufactured goods. So far the "damage" seems to be limited. Nevertheless, we are trying to avoid those companies most susceptible to these trade actions (or at least try to make sure this risk is priced in).

As mentioned, technology stocks continued to lead the way during the quarter. While we are not calling for a top in this sector, we point out that prudence would dictate for investors to slightly trim exposure to these stocks and add to those that are out of favor. Coincidently, the Wall Street Journal ran an article in June highlighting a report by the investment research firm, Morningstar, which showed that over the last 10 years, investors in mutual funds lagged their respective funds returns by 2.5% annually. The reason: adding to their winning funds and selling their losers. "It feels great to buy more when an investment has been going up, and it hurts to buy more when an asset has gone down. So you tend to raise your exposure to assets that have gotten more expensive (with lower future returns) and to cut – or at least not buy more – when they are cheaper." As most of our partners know, we agree with Morningstar's conclusions.

Portfolio Update

Overall our biggest gainers and decliners were more muted than usual which led to flat returns for both Corsair Capital and Select during the quarter. The largest contributors and detractors for the quarter were:

ILG Inc. ("ILG"), a timeshare business, rose 7% as the long-rumored deal with Marriot Vacations Worldwide ("VAC") finally came to fruition in late April. ILG, initially written up in our Q1 2017 letter, had been in the M&A spotlight as the company indicated on its February Q4 earnings call that it had formed a strategic committee to review potential deals, while an activist investor assembled a slate of board nominees to be voted on in ILG's 2018 annual meeting. To us, a deal between VAC and ILG made logical sense – it was a unique opportunity to combine highly complementary brands to yield a stronger, more diversified company that will benefit from meaningful cost and revenue synergies. In our view, the market's reaction to the deal was somewhat dampened given the relatively pedestrian cost synergy figure quoted ($7MM - which we believe will prove conservative). The terms of the deal include $14.75 of cash and 0.165 shares of VAC for each share of ILG and it is expected to close in the second half of 2018. The merger proceeds compare quite favorably to our high teens cost basis established in Q1 of 2017. ILG closed the quarter at $33.03.

FMC Corp. ("FMC") recouped most of its first quarter 2018 decline, rising 17% during the second quarter. The company reported another "beat-and-raise," confirming our thesis that the acquisition of crop protection assets from DowDuPont

("DWDP") would drive significant earnings accretion and that Lithium revenue and EBITDA would continue to ramp. Management's 2018 earnings guidance range is now $5.90-$6.20 per share, and we expect 2019 earnings to exceed $7.00 per share. We also believe that as FMC's net leverage drops closer to 2.0x EBITDA in 1H 2019, there is a high likelihood that the company's Board will authorize a material share repurchase program. A buyback program, significant earnings growth and the upcoming spinoff of the Lithium segment in early 2019 should drive the stock closer to our view of fair value of $120 per share. FMC shares finished the second quarter at $89.22.

Nomad Foods ("NOMD") rose 22% in the quarter as a "beat and raise" Q1 earnings report along with the continued execution of its accretive M&A strategy pushed the stock higher. In early Q2, NOMD announced strong Q1 results with organic growth of 2.9% and adjusted EPS growth of 40% year on year, resulting in management taking up the bottom end of its Fiscal Year 2018 guidance. Then, in early June, NOMD announced the acquisition of Aunt Bessie's Ltd. for €240MM. Aunt Bessie's is a leader in the UK frozen puddings and potatoes market, which will help diversify NOMD's product and geographic exposure. The deal is expected to be immediately accretive and was financed with cash as well as a term loan that priced better than initially expected. In short, NOMD, which we had written up in our Q4 2016 letter, has succeeded in repositioning itself for above-market growth by redoubling its effort in its core categories and by executing on its frozen food M&A strategy. NOMD closed the quarter at $19.19.

SPX Corp. ("SPXC") shares rose 8% in the period, driven by a solid first quarter beat and an accretive acquisition announcement. The company closed on the purchase of CUES, an underground pipe inspection business which complements SPXC's Radiodetection location services business. SPXC also increased its 2018 EPS guidance range to $2.15-$2.25; however, excluding purchase-accounting deal amortization, 2018 guidance would be closer to $2.40 according to management. We believe that in 2019, with a full year of benefit from the CUES acquisition and the associated deal synergies, the company will earn $2.80 per share and have a clear path to our 2020 EPS estimate of $3.25. We target a $60 stock price in 12-18 months, and expect management to pull levers to unlock shareholder value including stock buybacks and a potential spinoff. SPXC ended the second quarter with a stock price of $35.09.

FLEX Ltd. ("FLEX"), an outsourced manufacturing solutions company servicing a diversified set of industries, declined 14% during the second quarter. The company reported an earnings miss for fiscal Q4 2018, caused by elevated start-up costs for new contracts that haven't begun to produce profits as yet. The most notable of these ramping contracts is with Nike ("NKE"), which management expected to be breakeven by the end of the quarter and disappointed the Street by failing to achieve that. Our thesis in owning FLEX is based on the idea that this is a materially better business than its trading multiple implies and that ramping revenue and earnings could drive the stock as high as $25 per share over the next 1-2 years. While reported EBITDA margins appear to be in the mid-single digits, we believe real EBITDA margins are closer to 20%, as 75%-80% of the company's revenues are contractual pass-throughs to cover raw material purchases by FLEX. In reality, FLEX's clients are paying high margins to the company to provide value-add proprietary manufacturing technology solutions, and we believe the stock deserves a 15x multiple on earnings of over $1.70 per share when the Nike contract inflects to profitability. FLEX closed the quarter at $14.11.

Sinclair Broadcasting Group ('SBGI'), which actually rose very slightly during the quarter, was a detractor for the fund. In early Q2, rumors persisted that "core" ads were not rebounding as sharply as hoped after a challenging Q1, sending broadcasting stocks lower. Then, in early May, SBGI rallied on stronger than expected divestiture proceeds associated with its proposed acquisition of Tribune Media ("TRCO"). We exited our position in SBGI during Q2 given a) the greater than expected softness in "core" advertising which looks to be a continued headwind and b) the increasingly lengthy regulatory

approval process that is now subject to seemingly unending political pressures. While we still believe that the broadcast business, with its steady retransmission fees and its spectrum optionality, is misunderstood, we don't see a catalyst for meaningful re-rating, especially given the worse than expected ad environment. Last week's FCC vote to send the proposed SBGI/TRCO merger to a hearing process has now put the broader deal in jeopardy, reflective of what has been a much more trying approval process than we initially underwrote. SBGI closed the quarter at $32.15.

As of July 1, 2018, the five largest positions in Corsair Select were Caesar's Entertainment Corp, IAC/InterActiveCorp, SPX Corp, Tronox Ltd and Voya Financial.

Thank you for your continued support and confidence. See the attached Appendix for a write-up of a current core investment. Please feel free to call us with any questions you may have at 212-949-3000.

Sincerely,

Corsair Capital Management, L.P.

Appendix – Hilton Grand Vacations ("HGV" - $34.63) - Market Cap $3.4B EV - $3.7B

HGV, a recent spinoff from Hilton Worldwide ("HLT"), is an international timeshare developer/operator, priming itself for meaningful growth over the next 12-24 months. Yet, despite having increased Fiscal Year (FY) 2018 guidance on the back of stronger than expected Q1 sales, the market has penalized HGV for a confluence of non-fundamental factors that we believe will abate in the coming quarters. In our view, HGV's revised capital investment plan, with its 15-20% after-tax IRRs, reflects strong pent-up demand for its premium product and uniquely positions HGV for above industry organic growth. The future has never looked brighter for HGV yet it trades at its lowest forward multiple post spin. Using a 'Sum of Parts' analysis to properly value HGV's different fee streams, we assign a blended 10.5x multiple on our 2020 EBITDA estimate which yields a $55 per share stock price or >50% upside over the next 12-18 months.

A Different Kind of Timeshare Spin

"I can tell you every single day, we're focused on generating new customers . . .over the last 10 years, we've been able to win and secure new customers at a faster rate than the whole industry. . . the revenue for our business follows the new customer"– HGV CEO Mark Wang Q1 2018 Earnings Call

While relatively new as a standalone public company, HGV has a strong track record as a 'best in class' operator distinguished by the following unduplicated qualities:

- 25 straight years of 'Net Owner Growth'
- 50%+ of timeshare sales sold on a Fee-For-Service basis with the likes of Blackstone, Centerbridge and Goldman Sachs providing 3rd party capital
- Dominant market position in Japan, representing 20% of HGV's owners
- 'Arm in Arm' relationship with HLT and its rapidly growing HHonors program

These qualities are critical for the following reasons:

- New Owners predictably spend an incremental $1.10 for each $1 of initial spend, giving HGV a clear view into future higher margin repeat sales
- 'Fee-For-Service' opportunities leverage an external balance sheet to grow in select markets, bringing with it recurring 'Resort & Club' fee streams
- Exposure to a unique high-quality customer less correlated with the US business cycle
- Embedded sourcing opportunity from a rapidly growing pool of loyalty members

Led by seasoned operator Mark Wang, HGV has maintained laser-like focus on new customer acquisition which has enabled HGV to more than double its membership base since 2008 and more than double its recurring 'Resort and Club' EBITDA since 2012. Yet, despite this massive growth in membership base (and market share), HGV's properties remain concentrated in 5 major markets, which creates a significant opportunity to enter into new markets. In this respect, HGV's spin from HLT affords it a unique opportunity to deploy its substantial operating cash flow to turbocharge its growth and significantly increase its base of earnings. This is manifested in the announced $510-530MM in total inventory spend in 2018, corresponding to roughly $350MM in 'growth' spend, a meaningful jump from 2017. The upshot is that while the

near-term free cash flow prospects for HGV lag its more mature peers, the medium term organic growth in earnings and cash flow will be best in class, warranting a premium multiple.

An Attractive Entry Point

With HGV beating contract sales expectations and deploying more capital to satisfy consumer demand, why has the stock fallen ~25% from its March 2018 peak? In our view, a confluence of non-fundamental events/factors have contributed to the exaggerated move:

- 'Forced sale' offering from the HNA Group placing $1B of float back into the public markets
- HGV announced what appeared to be a below consensus Q1 18 earnings driven by changes in revenue recognition policies for projects under construction
- Confusion surrounding EBITDA stepdown from 2018 to 2019 given large non-cash deferred revenue recognized in 2018

The summary is that HNA's sale did not reflect a nuanced view on the business while the changes in revenue recognition have zero impact on the underlying business. We believe these optics will become a non-factor as investors/analysts shift their focus to 2020 metrics.

An Inflection in Growth

"I think back in late 2016, when we were spinning and had our Investor Day, we weren't expecting to be able to accelerate this quickly . . . we're really pleased about it because it's going to allow us to really move into that next phase . . . of growth for us" -- HGV CEO Mark Wang Q4 2017 Earnings Call

In our view, the most underappreciated part of the HGV story is the recent ramp in announced brownfield/conversion projects, which we believe will generate substantially higher growth. While most investors seem focused on the negative impact of HGV's growth inventory spend on near-term cash flow, few seem focused on its sizable returns. In our view, there are a few reasons investors are not yet focused on the benefits of these projects:

- While management has generically quantified brownfield/conversion IRRs, it has not formerly quantified the ramp in EBITDA resulting from this heightened level of spend
- Several projects embedded in this spend have yet to be announced
- Bulk of the earnings related to these projects occur in 2020 and beyond

For now, investors appear anchored to the mid-high single digit EBITDA growth rate articulated at the 2016 investor day, which only contemplated annual total inventory spend of $135-160MM. In our view, the bump in inventory spend will spur double digit revenue and EBITDA growth in 2020 and beyond, a meaningful acceleration from today's pace of growth.

The good news is that some meaningful projects have recently been announced that should be saleable in late 2019 early 2020, providing some much needed 'meat on the bone.' In early May, HGV announced it would convert 87 rooms into 74 timeshare units at the Hilton Los Cabos. This gives HGV a foothold in the Mexican market at a highly sought-after Hilton property with only limited capital required ($41MM). In late June, HGV announced its acquisition of the Quin Hotel in

midtown Manhattan, where it will covert 208 hotel rooms into 212 timeshare units. This more substantial capital outlay ($175MM acquisition price) reflects HGV's strategy of deploying incremental capital in markets it already operates in successfully and will leverage the sales and marketing effort already on the ground. If we consider that, conservatively, $200MM of the $350MM in 2018 growth inventory spend may be available for sale in 2020, we could estimate an incremental $50MM in Real Estate and Financing EBTIDA alone, suggesting upside to 2020 estimates.

Compelling Valuation – Inflecting Free Cash Flow & Shareholder Returns

"We are confident that we can accomplish this and drive returns well above our cost of capital . . . 2017 and 2018 are definitely build years with accelerated growth in 2019, 2020 and beyond" -- HGV CEO Mark Wang Q4 2017 Earnings Call

Putting it all together, we believe HGV's current discounted valuation belies the above expectations top-line growth that will translate into meaningful EBITDA/FCF growth. Our analysis suggests contract sales should grow double digits into 2020, resulting in EBITDA of $541MM and FCF, including nearly $180MM of incremental growth spend, of roughly $200MM. As that inventory growth spend moderates (either in 2020 or 2021), we see FCF easily in the $300-400MM range, or roughly a 10% FCF yield on today's stock. Using a 'Sum of Parts' analysis, giving higher multiples to HGV's recurring fee businesses and lower multiples to its development and financing businesses, we estimate HGV's 2020 EBITDA is worth 10.5x or approximately $55/share. In our view, HGV's accelerating organic growth, strong franchise value and very clean balance sheet POST growth spend (<1x EBITDA), all warrant a best in class multiple. Given the future growth spend will be more than covered by FCF, we expect HGV to eventually shift their focus to greater shareholder returns, providing an incremental lever for value creation.

So, what are the catalysts for the market to recognize the value we believe exists? We can think of a few upcoming catalysts:

- Q2 earnings, where HGV demonstrates continued strong growth
- Incremental project announcements, providing incremental color as to HGV's growth strategy and resulting in potential positive revisions to 2020 estimates
- Late 2018 Investor Day where HGV updates its outlook for future growth under its more aggressive growth strategy
- Future announcement of a capital return plan, either through buybacks or dividends

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