Peter Rabover
Portfolio Manager
Artko Capital LP

April 25, 2019

Dear Partner,

For the first calendar quarter of 2019, an average partnership interest in Artko Capital LP returned 10.3% net of fees. At the same time, an investment in the most comparable market indexes—Russell 2000, Russell Microcap, and the S&P 500—was up 14.6%, 13.1%, and 13.7%, respectively. Our monthly results and related footnotes are available in the table at the end of this letter. Our results this quarter came from contributions from the near doubling of Joint Chiropractic as well as Skyline Champion, while the rest of the portfolio remained flat to modestly up for the quarter.

	2Q18	3Q18	4Q18	1Q19	YTD	1 year	3 year	Inception 7/1/2015	Inception Annualized
Artko LP Net	5.5%	0.5%	-27.1%	10.3%	10.3%	-14.8%	8.9%	38.2%	9.0%
Russell 2000 Index	7.8%	3.6%	-20.2%	14.6%	14.6%	2.1%	12.9%	27.3%	6.6%
Russell MicroCap Index	10.0%	0.8%	-22.1%	13.1%	13.1%	-2.4%	12.3%	19.8%	4.9%
S&P 500 Index	3.3%	7.6%	-13.7%	13.7%	13.7%	9.5%	13.5%	48.5%	11.1%

On "the Valeant Problem"

Few words can evince as sour of cringes in the public investment space as "Lehman", "Bear" or "Enron" - forever associated with spectacular failures at the end of their respective business cycles. More recently that reaction can be triggered by mentioning Valeant Pharmaceuticals, the infamous pharma company that dropped from $85 billion equity valuation to below $5 billion in 2015; a spectacular fall of 96% in a span of a few months as news of potential fraud and accounting problems sunk the company. However, before those events transpired, Valeant represented another "problem" for its shareholders. Prior to founding Artko Capital LP, your portfolio manager had the pleasure to work for John Schaeffer at Hahn Capital Management (HCM), one of the smartest and best people I've had the pleasure to work alongside in this industry. Together, late in 2008, we collaborated as a Senior Analyst and Portfolio Manager on investing 4% of HCM's portfolio's capital in Valeant Pharmaceuticals, trading at less than $1 billion valuation with a solid Sum-Of-The-Parts (SOTP) thesis, which we will mention in context of our new position later in this letter. It is also around this time that a few other, more famous and very well respected, investment funds got involved with the Valeant story; among them Value Act and Sequoia Fund. From 2009 to mid-2015 all of those portfolios recorded significant gains as a result of the company's continued strong run of gobbling up drug companies, cutting their R&D, and raising prices with the stock doubling every few months significantly outperforming both the market and their fund inflows; thus, becoming a much larger position in their portfolios.

This is where the "Valeant problem" that is rarely discussed, becomes an issue for us: what to do with a position that rapidly increases in size relative to the rest of the portfolio and where Hahn Capital Management and Sequoia/Value Act approaches to the matter differed. While the latter funds continued to hold, and allowed the single position to become almost a third of their portfolio, Hahn Capital had strict risk controls and processes in places that forced them to sell down the position to at least 4% of the portfolio when it became 6% of the portfolio's weight. Luckily for Hahn, they exited the position prior to the spectacular blow up while the other aforementioned funds suffered significant double-digit portfolio losses when the truth about Valeant's practices became public. Of course that is not to take away from the spectacular track records of all of the aforementioned funds, but to point out how different

investment strategies (concentrated versus diversified), portfolio manager incentives (Management Fee Only versus Performance Carried Interest), and risk control processes (on single position sizes) can result in very different portfolio returns and risk profiles for different shareholders of the same stock. To put another way, sometimes a sell decision is not one of security analysis but one of portfolio risk management and fund strategies. As a result of this, and other similar experiences throughout our career, we have tried to approach the middle ground of the two styles by having a strong degree of concentration and conviction in our portfolio while still maintaining a robust portfolio risk management process focusing on capital preservation, position size, and its risk-reward ratio relative to the rest of the portfolio.

Additionally, we believe the other lesson to be learned from Valeant was no matter how high of a conviction, knowledge base or confidence you have in a publicly traded company or its management, at the end of the day things can and occasionally do go unpredictably wrong and are out of your control. This is a staple of public equities investing and is a common mistake made by even the most reputable investors: having the illusion of control. These sort of lessons are particularly important in the small and microcap space with less experienced management teams that can get caught up in the mania of their high flying stocks. The stock moves can be mistaken for a grade on their own competence and management prowess versus a stock market shift in sentiment and a turnover in shareholder base from value to more momentum based investors. This is not unlike what we have seen with our past and current holdings in USA Technologies (USAT); Hudson Technologies (HDSN) and Gaia (GAIA) whose spectacular multi bagger returns turned into significant sell offs due to management incompetence and hubris (in USAT and HDSN) as well as a turnover in shareholder bases (in GAIA) but also where we have taken big gains off the table in the past, and minimized the future losses by exiting completely or maintaining much smaller position sizes.

Now time for some good news in facing our own "Valeant Problem" this past quarter with our Core Portfolio position in Joint Chiropractic (JYNT) doubling and up over 200% from our initial ~$5 per share investment in late 2017. At the end of the 4th quarter of 2018, the investment represented close to 10% of our overall portfolio, a weighting for a position that is within bounds of our typical high conviction holdings of between 6% to 10%. As part of our portfolio risk management process, however, as a position reaches 15% of the portfolio we usually begin to reduce the position size back to a more manageable 6% to 10%. This is what we have begun to do with JYNT as it ran from $8 per share in late 2018 to over $17 by April 2019 on the back of continued outstanding results, strong guidance, and proof of its consistently high free cash flow generative business model having significant growth opportunities ahead. We still have a very high conviction in the company and its business model and believe the stock can still generate triple digit returns within the next few years; however, we feel the current stock run seems to have gotten ahead of its fundamentals and in industry jargon speak is "priced to perfection" with little room for margin of error for its management. The current stock run significantly decreased its margin of safety and JYNT's risk-reward ratio to low single digits. We have taken significant gains off the table between $13.00 and $17.00 per share and reduced our JYNT portfolio position size to around 6% of the portfolio by selling almost two thirds of our original shares. We would love to be buyers if the stock comes back down to a better risk reward ratio, at a lower stock prices, but for now we are happy to share that the partnership investment processes of finding multi-baggers in the microcap space, patience, and a robust portfolio risk management framework are continuing to work well for our partnership.

Enhanced Portfolio Additions

- Recro Pharma (REPH) - We added an initial 2% position late in the 1st quarter to the $180mm pharmaceutical manufacturing company masquerading as a pharmaceutical drug development company. We generally have an aversion to investments in fields that are commodity based or where

we lack a knowledge-based competitive advantage such as tech or pharmaceuticals. In particular, this case was an interesting event-based situation where Recro's very valuable Contract Development and Manufacturing Organization asset (CDMO) was overshadowed by its costly investment in the intravenous meloxicam (IVM) pain management drug.

We have no strong opinion on the value of the drug, which has gone back and forth with the FDA on the agency's desired results but were more excited when its second attempt at approval was rejected leading management to essentially suspend most of its cash draining R&D operations and to focus on its very valuable CDMO asset. Our view was that if the drug was approved at our $8 entry price, we would do well on the price adjustment, but were secretly hoping that it would not so we would have the opportunity to buy more at much lower prices just the CDMO asset. This is essentially what has transpired in recent weeks, and we started to add significantly more portfolio weight to this position at lower price levels as we believe both the incentivized management and board are looking for a lucrative exit. In the wake of the drug's rejection the company has begun to lay off the rest of the IVM R&D staff, added a reputable activist investor to its board, and expanded its board seats signaling its shareholder friendly intentions and desire to realize significant value from its CDMO asset where it also meaningfully raised its 2019 guidance and expects to be cash flow positive by 2H19.

The CDMO asset has many of the characteristics we look for an investment: very sticky (95% renewal rate) customer base with long-term contracts; a strong moat where it can take up to two years for a pharmaceutical company to complete its due diligence on a potential replacement; complex intellectual property for manufacturing oral release drugs; and a hard to obtain Drug Enforcement Agency (DEA) license to manufacture controlled substances. As a result, the CDMO has almost 40% operating margins, industry growth tailwinds and a secular shift toward outsourcing drug manufacturing. While the company has some net debt and expected to burn more cash in the first half of 2019 as it winds down its IVM venture, the future looks bright as the sub-$200mm enterprise value company expects its CDMO asset to generate up to $40mm in EBITDA this year, placing its run rate 2019 multiple around 5.0x. At the same time, in the last two years the multiples for transactions for similar assets are 16.0 to 17.0 times signaling significant upside even if the company is able to get a low double digit multiple on its asset in a sale scenario, though we would be just as fine with holding it for continued organic growth. Additionally, it's likely the IVM drug has some value to other pharmaceutical companies with more FDA experience and larger capital bases to develop it, though we are not ascribing a value to this option in our thesis.

As a final point, to circle back to our original discussion of Valeant Pharmaceuticals, this situation - while not precise - is very similar to our original thesis in that stock in 2008: a mismanaged drug trial where the drug had more value to other industry participants, solid cash flowing operations masked by a bloated SG&A/R&D base; and an involvement with a reputable activist investor, Value Act, that was willing to monetize the assets and change the strategy to one with a clear path to value creation where one doesn't need to have a PhD in biology to recognize.

- <u>NRC Group 10/18/23 $11.50 Warrants (NRCGW)</u> - We added a 2% position in the warrants of NRC Group, a $300mm environmental services company. NRCG provides environmental, compliance, and waste management services to the global marine and rail transportation, general industrial, and energy markets. It has a unique, hard to replicate business model that boasts some of the industry's highest margins, retention rates, and growth. Their Environmental Services segment provides various cleaning and waste management services that are high-frequency, non-discretionary, and small-ticket recurring services across a diversified base of 3,000+ customers. It sports a high teens EBITDA margin and above GNP revenue growth with numerous regulatory and reputational barriers to entry. The

company's Sprint Waste Disposal segment, with well-located E&P landfill assets and up to 65% EBITDA margins, is in the process of green fielding three additional landfills to serve the high-volume Permian Basin. But what really impressed us is the Standby Services segment. As the only global provider of commercial standby oil spill compliance and emergency response services, these retainer-based services are government-mandated and serve as a low-cost "insurance policy" in the event of an incident. But importantly, NRCG doesn't absorb the cost of handling incidents, customers pay additional for it. With 99% customer retention, an average customer tenure over 12 years, and ~45% EBITDA margins, (with 80% incremental), it's a highly sticky and profitable business, with ample room for growth at a high incremental ROIC. NRCG has ~75% market share in the US standby vessel market, and the recent expansion into Mexico has demonstrated their reputation advantage, where it's six for six on all of its bids.

While we are mindful of the company's energy market exposure, hairy capital structure, and the negative sentiment associated with its Special Purpose Acquisition Vehicle (SPAC) background, we believe the almost 50% EBITDA multiple discount to its trading peers is unwarranted and should close itself within the next few years as the SPAC overhang is removed and management executes on its high EBITDA growth opportunities. The company is currently trading at a 2019 EV/EBITDA multiple of 6.5x with 80% Free Cash Flow conversion and multiple growth opportunities on the horizon, while peers trade at a 11-12x median multiple. We see the stock moving above $18 (or the warrant exercise capped price of $6.50), where it would still trade at a discount to peers. With our warrant entry prices around $0.86 and a 50% downside from time decay if we are wrong on our thesis, the 15-to-1 risk-reward ratio makes NRCG's warrants a lucrative and asymmetric investment opportunity for the partnership.

Core Portfolio Sales

- Village Supermarkets (VLGEA) – We have exited our 6% Core Portfolio investment in Village Supermarkets at $28-$29 price levels, resulting in a 25% gain in the year plus that we have held it. This has been our second successful investment in the company since our inception and its stock performed exceptionally well during the late 2018 drawdown. We are still big fans of the company business model that is able to achieve industry high ROICs due to its partial ownership and participation in Wakefern's co-op, whose stake we feel is worth significantly more than the company's operations. We would love an opportunity to have a third go at investing in VLGEA if it comes back down to low $20s stock price. In the end, this was purely a capital allocation decision where we wanted to reposition our partnership's capital to investments with better risk-reward opportunities and higher absolute upsides available in the microcap space.

Other Portfolio Updates

- Gaia (GAIA) – Our Core Portfolio's 10% investment in Gaia continued to underperform, down 10% for the quarter. During the 1st quarter earnings call the company announced a shift in strategy moving away from its 1 million subscriber goal by late 2019 at a breakneck 60% *subscriber* growth rate to a more manageable, profitability focused, 30% *revenue* growth rate, supplanted by price increases and focus on lower cost customer retention (vs high cost acquisition) with expected breakeven profitability by late 2019. The move was meant to placate the market's concern about Gaia's cash burn; however, given its sudden shift from a positively upbeat confirmation of previous strategy a few months prior, it had the opposite effect in spooking investors and creating additional uncertainty and stock price volatility.

We are still strong believers in the product and the company business model, as well as its value as a popular content provider with close to 600,000 global subscribers paying $10-12 a month for its admittedly weird but unique content. While we are disappointed at the recent stock performance, we believe that at its current $9 per share price and a $130mm Enterprise Value, that excludes the $30mm to $40mm value of the company's commercial office building in Colorado, its content library and other hidden assets on the balance sheet, the stock represents a good investment from a risk reward and margin of safety stand point. We have lowered our expectation for 2021 EBIT from $60mm to $30mm and our intermediate term expected price from $60.00 to mid $30s. We will cautiously monitor the new strategy rollout; however, we still have significant confidence in the incentivized and experienced management team as well as the significant upside potential in this investment and we look forward to updating you on the progress.

- Ecology & Environment (EEI) - Our 10% Core Portfolio investment in Ecology & Environment stayed flat last quarter. The investment in the environmental consulting company continues to be one of our highest conviction portfolio holdings despite the company not having filed current financials in almost a year. As of the last official report, almost a year ago, the $45mm market cap company had $17mm in cash and was generating a run rate of $5mm to $6mm in Free Cash Flow per year. Since then the filings have been delayed due to a minor, but frustratingly slow to resolve, accounting issue having to do with the consolidation accounting of its tiny Latin American subsidiary. While disappointed we do not consider this to be a major detractor from our overall thesis of this company's eventual sale to a strategic competitor or, given its strong cash flow profile, to a private equity investor.

  While there have not been major financial reporting updates, other than approximate Net Income, there have been a number of strategic updates that have strengthened our thesis. In late 2018 the company announced a large staff reduction program which would cost approximately $1mm but would result in $5mm to $6.5mm in EBIT contribution run rate starting in 2019. Given a typical EBIT and Free Cash Flow run rate of $5mm this would seemingly improve the cash flow generation of the company to over $10mm a year, though given the government shut down and uncertainty associated with Latin American and US energy infrastructure near term growth, we temper our expectations closer to $8mm per year. While it is hard to gauge the more recent performance given the limited information flow, we do expect the company to report close to $20mm in cash on the balance sheet by May 2019, implying its current Enterprise Value to be $25mm and a Price to Free Cash Flow multiple of only 3 times. At the same time, the company also laid off its CEO and is currently led by its investment banker Chairman of The Board and a temporary executive committee with no announced plans to look for a new chief executive.

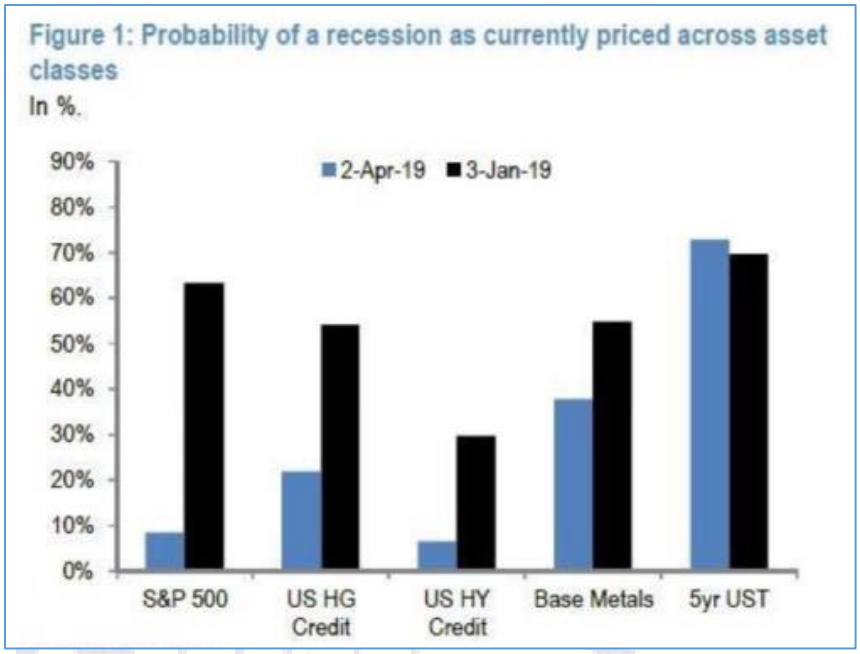
  While its not easy to read the tea leaves of these moves we believe that the aforementioned actions and an incentivized board consisting of octogenarian founders looking to monetize their investment, two representatives of a private equity firm that has - in the past – offered to buy the company at a 30% premium to current share price, and a chairman that has a consistent history of selling companies, are all signs pointing to an eventual sale of the firm. We feel comfortable with the margin of safety given the current valuation, cash balance, and strong dividend yield, though are mindful of the headwinds associated with the company's end markets and the length of time it has taken to put out current financials. Our price target remains above $20.00 per share with not an insignificant probability of a $30.00 plus per share potential and we continue to be patient with this investment.

- Leaf Group (LEAF) – We increased our 7% of Core Portfolio investment in Leaf Group to 9% on the news that Osmium Partners, a substantial and long-term Leaf Group investor, has stepped up their campaign to pressure management to sell the company with the nomination of its own slate of directors in the upcoming proxy. In mid-April 2019, the company has agreed to conduct a comprehensive strategic review including a potential sale. Our thesis in making this investment three years ago below $6.00 per share was that the company was much more valuable on a Sum-Of-The-Parts basis relative to its price and were hopeful that a CEO with a history of creating value via turning around and selling media and e-commerce assets would be willing to recognize that value.

  While we commend the CEO, Sean Moriarty, on turning around the troubled Media assets, including making tough decisions to completely re-write the business model for Livestrong and eHow, we have been disappointed in the pace of value creation in this company and the performance of its Society 6 segment. We were particularly disappointed in the decision to raise additional equity at less than 1.0x revenue multiple, below $8.00 per share, to acquire businesses at 3.0x to 4.0x revenues; an uncertain strategy that hopes to create additional operating leverage but frankly seems to be a poor use of shareholder capital given the high risks involved. However, with the company agreeing to conduct a review and essentially shopping itself, we are hopeful that significant value can be realized as the alternative scenario envisions the company continuing to be stuck with average assets and a permanently low valuation. We are usually loathe to value companies on a Enterprise Value to Revenue basis, however, given LFGR's bloated SG&A base and public company costs which would be taken out in a strategic acquisition scenario, as well as state and federal Net Operating Losses Carryforwards in close to $300 million, we believe it is appropriate in this case. With the industry multiples of around 4.0x, even a discounted multiple of 2.0x to 3.0x Enterprise Value to Revenue for Leaf Group Media assets and 1.0x multiple for its Society 6 and Saatchi Art assets could result in a $12.00 to $20.00 per share value for the whole company. There are a lot of moving parts and uncertainty associated with this investment but given the low price today and an upcoming, value driving event in the intermediate future, this position offers a good upside potential for our partnership.

Market Outlook and Portfolio Commentary

No game is more popular on Wall Street than guessing where we are in a current market and economic cycle relative to some other past cycle. It is a cornucopia of common investment biases from anchoring to familiarity but investing in markets is relative and we have been and will likely continue to be guilty of doing the same; though hopefully with a little bit more self-awareness in assigning proper weight to our analysis. With the yield curve backing off, but continuously flirting with, a recession implying inversion and the Fed hitting the pause on interest rates, the uncertainty levels are still high, but should be lower than late last year. With trade uncertainty needing to be wrapped up prior to the beginning of the 2020 US election cycle, we believe that recession fears are overblown, though the probability of low growth is still high. The markets are still feeling very uncertain about the economy as the JP Morgan chart below shows that where while the S&P and High Yield markets are pricing in a <10% of a recession, the US Treasury markets are pricing a 70% probability.



Our view based on corporate earnings reports and macroeconomic data that we are unlikely to enter a recession in the near term and are likely to continue to print a positive GDP number for a few years, though at a slower rate than last year's somewhat surprising 3.0%. So we will take a comparison stab ourselves, and compare the current market and economic environment to one of 1998, where the Fed paused and lowered interest rates allowing the economy to grow at a strong clip for three more years and fueling a meteoric tech bubble rise in the stock market.

We are cautiously optimistic on the intermediate term market performance as Russell 2000 and Russell Microcap are still significantly below their September 2018 highs, with some of the fear factors fueling the drop, rising interest rates and recession, being more subdued in the current year. Our biggest worry continues to be the disconnect in the market that is increasingly being led by public venture capital type of technology companies with the "old school" fundamentals type of investments being left behind, especially in the microcap space. We've positioned almost half of our portfolio to be near term event driven, while still maintaining the margin of safety discipline focused on long term capital preservation, and looking forward to updating you on the progress as the year unfolds.

Partnership Updates

We welcomed one new partner to the partnership this quarter, bringing our total to 39 at the end of March. We have successfully completed our audit for 2018 and - as always – thankful for working with HC Global and Berkower LLC on our important accounting and auditing function. We are excited about the continued growth in partners and assets under management and as always are thankful for your business.

Next Fund Opening

Our next partnership openings will be May 1, 2019, and June 1, 2019. Please reach out for updated offering documents and presentations at info@artkocapital.com or 415.531.2699

Appendix: Performance Statistics Table

	Artko LP Gross	Artko LP Net	Russell 2000 Index	Russell MicroCap Index	S&P 500 Index
Jul-15	2.1%	1.7%	-1.2%	-3.2%	2.1%
Aug-15	-3.7%	-3.7%	-6.3%	-5.4%	-6.0%
Sep-15	1.6%	1.4%	-4.9%	-5.8%	-2.5%
Oct-15	1.7%	1.5%	5.6%	5.4%	8.4%
Nov-15	4.1%	3.3%	3.3%	3.8%	0.3%
Dec-15	0.2%	0.0%	-5.0%	-5.2%	-1.6%
Jan-16	-5.2%	-5.4%	-8.8%	-10.4%	-5.0%
Feb-16	0.9%	0.8%	0.0%	-1.5%	-0.1%
Mar-16	8.9%	7.5%	8.0%	7.1%	6.8%
Apr-16	1.4%	1.1%	1.6%	3.2%	0.4%
May-16	3.5%	2.7%	2.3%	1.3%	1.8%
Jun-16	2.3%	1.8%	-0.1%	-0.6%	0.3%
Jul-16	12.4%	10.0%	6.0%	5.2%	3.7%
Aug-16	0.5%	0.4%	1.8%	2.7%	0.1%
Sep-16	0.1%	0.1%	1.1%	2.9%	0.0%
Oct-16	-1.5%	-1.3%	-4.8%	-5.7%	-1.8%
Nov-16	13.5%	11.0%	11.2%	11.6%	3.7%
Dec-16	1.8%	1.4%	2.8%	4.6%	2.0%
Jan-17	-2.2%	-2.3%	0.4%	-1.5%	1.9%
Feb-17	2.3%	2.2%	1.9%	1.0%	4.0%
Mar-17	-3.4%	-3.5%	0.1%	0.9%	0.1%
Apr-17	2.7%	2.7%	1.1%	1.0%	1.0%
May-17	0.1%	0.1%	-2.0%	-2.3%	1.4%
Jun-17	6.6%	5.4%	3.5%	5.2%	0.6%
Jul-17	3.4%	2.7%	0.7%	-0.6%	2.1%
Aug-17	-2.0%	-1.7%	-1.3%	-0.8%	0.3%
Sep-17	1.1%	0.9%	6.2%	8.2%	2.1%
Oct-17	1.2%	0.9%	0.9%	-0.2%	2.3%
Nov-17	1.2%	0.9%	2.9%	2.5%	3.1%
Dec-17	2.8%	2.3%	-0.4%	-0.5%	1.1%
Jan-18	5.9%	4.8%	2.6%	2.5%	5.7%
Feb-18	-2.6%	-2.2%	-3.9%	-3.2%	-3.7%
Mar-18	3.6%	2.9%	1.3%	1.5%	-2.5%
Apr-18	0.6%	0.4%	0.9%	1.3%	0.4%
May-18	5.9%	4.8%	6.1%	7.2%	2.4%
Jun-18	0.4%	0.2%	0.7%	1.3%	0.6%
Jul-18	-1.1%	-1.0%	1.7%	-0.1%	3.7%
Aug-18	-0.7%	-0.7%	4.3%	4.3%	3.3%
Sep-18	2.6%	2.1%	-2.4%	-3.3%	0.6%
Oct-18	-14.2%	-12.6%	-10.9%	-10.9%	-6.8%
Nov-18	-6.3%	-6.4%	1.6%	-0.6%	2.0%
Dec-18	-10.9%	-11.0%	-11.9%	-12.1%	-9.0%
Jan-19	11.1%	10.8%	11.3%	10.5%	8.0%
Feb-19	1.7%	1.6%	5.2%	5.5%	3.2%
Mar-19	-2.0%	-2.1%	-2.1%	-3.0%	1.9%

	Artko LP Gross	Artko LP Net	Russell 2000 Index	Russell MicroCap Index	S&P 500 Index
YTD	10.7%	10.3%	14.6%	13.1%	13.7%
1 Year	-14.4%	-14.9%	2.1%	-2.4%	9.5%
3 Year	13.0%	8.9%	12.9%	12.3%	13.5%
Inception 7/1/2015	59.3%	38.2%	27.3%	19.8%	48.5%
Inception Annualized	13.2%	9.0%	6.6%	4.9%	11.1%
Monthly Average	1.2%	0.8%	0.7%	0.5%	0.9%
Monthly St Deviation	5.0%	4.5%	4.8%	5.1%	3.4%
Correlation w Net	-	1.00	0.81	0.79	0.70

Legal Disclosure

The Partnership's performance is based on operations during a period of general market growth and extraordinary market volatility during part of the period, and is not necessarily indicative of results the Partnership may achieve in the future. In addition, the results are based on the periods as a whole, but results for individual months or quarters within each period have been more favorable or less favorable than the average, as the case may be. The foregoing data have been prepared by the General Partner and have not been compiled, reviewed or audited by an independent accountant and non-year end results are subject to adjustment.

The results portrayed are for an investor since inception in the Partnership and the results reflect the reinvestment of dividends and other earnings and the deduction of costs, the management fees charged to the Partnership and a pro forma reduction of the General Partner's special profit allocation, if applicable. The General Partner believes that the comparison of Partnership performance to any single market index is inappropriate. The Partnership's portfolio may contain options and other derivative securities, fixed income investments, may include short sales of securities and margin trading and is not as diversified as the indices, shown. The Standard & Poor's 500 Index contains 500 industrial, transportation, utility and financial companies and is generally representative of the large capitalization US stock market. The Russell 2000 Index is comprised of the smallest 2000 companies in the Russell 3000 Index and is generally representative of the small capitalization U.S. stock market. The Russell Microcap Index is comprised of the smallest 1,000 securities in the Russell 2000 Index plus the next 1,000 securities (traded on national exchanges). The Russell Microcap is generally representative of the microcap segment of the U.S. stock market. All of the indices are unmanaged, market weighted and reflect the reinvestment of dividends. Due to the differences among the Partnership's portfolio and the performance of the equity market indices shown above, however, the General Partner cautions potential investors that no such index is directly comparable to the investment strategy of the Partnership.

While the General Partner believes that to date the Partnership has been managed with an investment philosophy and methodology similar to that described in the Partnership's Offering Circular and to that which will be used to manage the Partnership in the future, future investments will be made under different economic conditions and in different securities. Further, the performance discussed herein does not reflect the General Partner's performance in all different economic cycles. It should not be assumed that investors will experience returns in the future, if any, comparable to those discussed above. The information given above is historic and should not be taken as any indication of future performance. It should not be assumed that recommendations made in the future will be profitable, or will equal, the performance of the securities discussed in this material. Upon request, the General Partner will provide to you a list of all the recommendations made by it within the past year.

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