Dear Fellow Partners,

The Summers Value Fund LP ("the Fund") generated a net[1] return of 1.2% during the second quarter of 2019, which compared to the S&P 500 Index return of 3.8% and the Russell 2000 Index return of 1.7%. The Fund returned 1.3% net[1] during the first half of 2019, which lagged the S&P 500 Index return of 17.3% and the Russell 2000 Index return of 16.2%. Our performance during the first half of the year was negatively affected by a 42% sell-off in the shares of Scott's Liquid Gold (SLGD) following a string of weaker-than-expected quarters. Since inception (13 months), the Fund has returned 5.0% net[1], which underperformed against the S&P 500 Index return of 7.6% but compares favorably to the Russell 2000 Index return of -4.9%. We remain confident that the Fund is well-positioned to generate attractive risk-adjusted returns over the long term driven by the compressed values and special situations that are held in the portfolio today.

Top 3 Contributors YTD (Gross)	**% Impact**
Undisclosed Long	4.33%
Undisclosed Short	3.93%
Eagle Pharmaceuticals (EGRX) Long	3.88%
Top 3 Detractors YTD (Gross)	**% Impact**
Scott's Liquid Gold (SLGD) Long	-12.55%
Covetrus (CVET) Long	-4.81%
Undisclosed Short	-1.09%

A Marathon; not a Sprint

My middle son is an avid swimmer, and as a result, my wife and I attend many swim meets during the summer months. One skill my son has been working on this summer is "getting off of the block" at the start of each race. The speed at which a swimmer starts a race can mean the difference between winning and losing especially in a short distance, sprint event. So far in 2019, the Fund has struggled to get off of the block. Fortunately, we participate in a long-distance event where stamina and focus are more important. As we have often discussed, the Fund will be out of sync with the major indexes in certain periods of time, which could include years. The first half of 2019 was one of those periods of time, but given our long-term orientation, we can patiently wait for the value in our portfolio to be recognized by the market. Investing is a marathon; not a sprint. Since the Fund's inception 13 months ago, the picture looks brighter and we would encourage our limited partners to stay focused on the long-term.

1H19 Portfolio Commentary

At the end of June, the Fund consisted of 11 long positions and four short positions, within our investment parameters of up to 15 longs and five shorts. The portfolio consisted of 14 domestic securities and one foreign security. The Fund ended June with 90% long exposure and 9.5% short exposure. The top five long positions represented 57% of the portfolio at the end of the period reflecting our concentrated nature.

The Fund produced a small loss on the long side of the portfolio in the first half of the year. The biggest contributor during the period was an unnamed long position, which we began purchasing in the first quarter. We continue to be selective buyers of the stock and will provide transparency to our limited partners when the position is full. The biggest detractor during the period — by a wide margin — was Scott's Liquid Gold (SLGD). Scott's began the year as the Fund's largest position, so the year-to-date sell-off has been particularly painful. The company experienced a difficult first quarter of the year driven by lower 7th Heaven face mask sales and reduced skin care sales to China while awaiting key regulatory approvals. At the current price of $1.50 per share, Scott's has roughly 35% of its market cap in cash with zero debt based on the first quarter ending cash level of $6.6 million. In addition, we materially trimmed our position in Anika Therapeutics (ANIK) during the second quarter at prices above $40 per share. Anika shares appreciated on the back of stronger-than-expected first quarter results and the announcement of a large share buyback program, which highlighted the strength of the company's balance sheet.

The Fund generated a gain on the short side of the portfolio in the first half of 2019. The biggest driver of performance in the period was our largest short position, which depreciated 35% against our average cost. Despite the year-to-date weakness, we are maintaining the position as we believe that the company is poised to miss its full year sales forecast. The company's new product launch is not meeting expectations and prescription trends continue to track poorly. Longer-term, we believe the company has going concern risk given the company's over-leveraged balance sheet and history of operating losses. Lastly, the company has recently experienced turnover in both the CEO and CFO positions, which we believe underscores the growing risks the company faces.

Position Updates

In this section, we will provide an update on the top three positions in the Fund. Each of these positions has been owned since the Fund's inception and continues to display an attractive risk-reward profile.

Biospecifics (BSTC)

We presented Biospecifics as a best idea at the recent Value x Vail conference held in Vail, Colorado. The presentation can be found here. Our thesis hinges on our belief that the Xiaflex sales potential in cellulite will be bigger-than-expected and that the stock market is currently undervaluing the opportunity. The cellulite indication should be filed in the next few months and, if all goes well, approved in late 2020. The cellulite market is a cash-pay aesthetics market, which could lead to multiple expansion over time if our thesis is correct. We believe the currently approved Xiaflex indications plus cash on the balance sheet are worth $45-50 per share providing downside protection. The biggest risk facing Biospecifics is the going concern risk associated with the company's commercial partner, Endo Pharmaceuticals (ENDP), which we are monitoring closely. We expect Biospecifics to end 2019 with over $100 million of cash on the balance sheet and zero debt (~$14 per share). The company recently announced a $4 million share buyback program. We believe the company could more aggressively return capital to shareholders and should evaluate an ongoing dividend along with more aggressive share repurchases when market conditions warrant.

Eagle Pharmaceuticals (EGRX)

Eagle Pharmaceuticals was a top contributor in the year-to-date period. In April, the company announced a positive change to the terms of its Bendeka license agreement with Teva Pharmaceuticals (TEVA). The important changes to the agreement included extending its duration to when the product is last commercially sold from the previous end date of 2025 and increasing the royalty rate from 25% to 30% beginning in October of this year. We view the license agreement changes as material positive events as they should lead to an improved cash flow outlook for the company. Eagle has a number of upcoming pipeline readouts (regulatory and clinical), which shareholders should learn about in the near-term. We would view any pipeline success favorably given the pipeline setbacks experienced in recent years. In the background, the company continues to repurchase shares and has now repurchased almost 3 million shares since 2016 or 18% of the share count. Eagle ended the first quarter with $60 million of net cash on the balance sheet and should continue to be a strong cash generator going forward. Despite the year-to-date performance, Eagle trades at only 11.5x our estimate of 2020 earnings per share.

Electromed (ELMD)

We added to our Electromed position in the second quarter and currently own 2.3% of the company's shares outstanding. Electromed recently announced a salesforce restructuring including the naming of a new head of sales. We applaud these changes, which should lead to higher salesforce productivity, and therefore, more attractive margins in the future. Our thesis on Electromed is that the company is currently under-earning, and as profitability improves, the stock should respond positively. We believe the company can generate at least a mid-teens EBIT margin over the next 12-18 months up from the 8.5% margin expected in fiscal 2019 (ended in June). The balance sheet remains well capitalized, and we are modeling the company to end its fiscal 2020 with over 20% of the market cap in cash with zero debt. Trading at 1x EV/Sales and 1.3x EV/Gross Profit on our full year fiscal 2020 estimates, it is our belief that the stock has 100%+ upside if management can fix the company's salesforce productivity issues. Lastly, we view the company as a perennial acquisition target given that its two primary competitors have already been acquired by larger medical device companies.

Partnership Update

The Fund exited the second quarter with over 90% of its assets in the 5-year share class, which highlights the strength of our investor base. We continue to view our long-term orientation as one of our greatest competitive advantages.

During the second quarter, the Fund celebrated its one-year anniversary. We have enormous gratitude for the limited partners who joined us during our first year, and we will work hard to increase the value of your investment over time.

In Closing

Our strategy has ample capacity and we seek like-minded individuals to join the partnership. Our preference is to grow assets through referrals, and we appreciate recommendations from our existing limited partners. The first-half underperformance has led to compressed value across the portfolio, which we expect to be recognized by the market over time. Interested parties can reach out to me directly at andy@summersvalue.com.

Sincerely,

Andrew Summers, CFA
Managing Partner

[1]Summers Value Fund LP net return is the unaudited, net return, based on a hypothetical investor who invested at fund inception and pays a management fee and incentive allocation applicable to Class A Interests (1% management fee; 20% incentive fee above a 6% annual cumulative hurdle rate). Net return is not necessarily indicative of any single investor's performance. An investor's return may vary from the results shown based on different fee structures and fund-level expenses. The performance information given is historic and should not be considered as an indication of future performance. Performance reflects the reinvestment of dividends and income.

Definitions:

Indexes: The performance of market indexes is being provided for the purpose of making general market data available as a point of reference only. These indexes are widely recognized by investors, followed by the investment industry and readily available to the investing public. The indexes do not reflect fees and expenses associated with the active management of portfolios. Furthermore, it should be noted that investors may not be able to invest directly in the indexes. The performance returns of the indexes were obtained from recognized statistical sources and include the reinvestment of earnings. Although Summers Value Partners LLC believes these sources to be reliable, it is not responsible for errors or omissions from these sources.

Standard & Poor's 500 Total Return Index (S&P 500): An index consisting of 500 stocks chosen for market size, liquidity and industry group representation, among other factors, the S&P 500 is designed to be a leading indicator of U.S. equities, and it is meant to reflect the risk/return characteristics of the large-cap universe.

Russell 2000 Index (R2K): An index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.

Enterprise Value (EV): Market Capitalization – Cash + Debt = EV

Disclaimer: