*GREENLIGHT

April 15, 2021

Dear Partner:

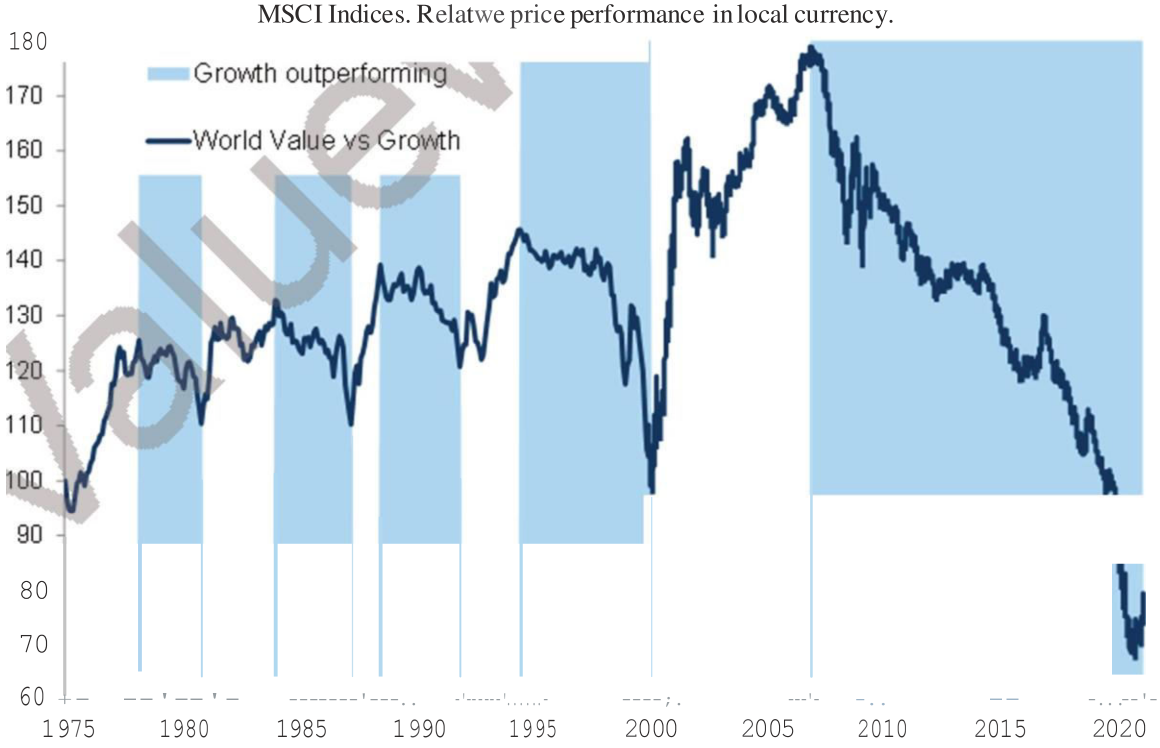
The Greenlight Capital funds (the "Partnerships") returned -0.1%[1] in the first quarter of 2021 compared to 6.2% for the S&P 500 index.

For a quarter in which we made only a handful of portfolio changes and essentially broke even, a lot happened. In general, the investment environ ent – especially from mid-February through the end of the quarter – was favorable as value o tperfor.med growth, and interest rates and inflation expectations rose.

Has the tide turned from Growth to Value? A ter a very tough decade, we have only just begun a recovery as shown in this 45-year chart from Goldman Sachs research:

Growth has outperlonn.ed since the GFC

MSCI Indices. Relatwe price performance in local currency.



Monthly Frequency until 2000. Daily Frequencyfr om 2000 onwards.
Source: Datastream, Goldman Sachs Global Investment Research

Part of the shift from growth to value may be coming from higher inflation and inflation expectations. As measured by the inflation swap market, 10-year inflation expectations fell from 2.9% in September 2012 to 0.8% in March 2020. The only significant intervening bounce came

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

in 2016, when expectations jumped from 1.5% to 2.3%; notably, that was the only year in the last decade in which value outperformed growth. After bottoming in March 2020, inflation expectations have recovered to 2.5%. The trend became clearer in the middle of May, and value started outperforming growth then, and especially since the middle of February. Since May 15, we have returned 80% of the S&P 500 index with half the net exposure.

When the time comes, we will have to figure out how to perform better in deflationary periods. But for now, we believe inflation is only going one way – higher – and we are optimistic about our prospects. The wind is now at our backs.[2] The economy is in full recovery mode. Household balance sheets are stronger than they have been in a long time and household income growth was up 13% in February compared to last year. And this is before the latest $1.9 trillion – with a "T" – pandemic relief stimulus. Corporate capital spe cling i . booming. There are shortages and bottlenecks everywhere. Last month nearly one millio J obs returned. There are signs of an emerging labor shortage.

As for the Fed, it fundamentally changed its framework ast August. It no longer seems to care that monetary policy works with a lag. ctual y , ·t has embraced an asymmetrical inflation policy: The Fed wants to be ahead of the curve on the downside to protect the stock market and corporate bondholders the economy. ehina the curve is fine on the way up no matter how frothy the stock market the recovery is. o , it says it is only going to react to actual inflation that exceeds its 2% target for a period of. ime.

Furthermore, the Fed has indicated that it believes any abnormally high inflation will be *transitory*. We wonder, ow will the Fed know? Do price increases come with a label that says "transitory"? Our sense is t at no matter how hot inflation gets in the coming months, the Fed will continue ith zero inte es · rates and large-scale asset purchases. After all, the U.S. Treasury has a lot of debt to se no it isn't clear who, other than the Fed, can absorb the supply.

The bipantisa: ·dea that deficits don't matter has even reached popular culture. John Oliver dedioa e an entire episode of *Last Week Tonight* to browbeating anyone who is concerned about the gr win national debt.[3] His argument boiled down to: (1) nobody knows how much debt is too much· (2) we have a good need to spend money now; and (3) it won't be a problem until inflation shows up, and we can deal with it then.

Though one can debate whether the official government statistics are contrived to avoid capturing inflation, shortages and bottlenecks accompanied by rising demand can only be solved through increased capacity and higher prices. We have also reset the baseline income for non-working adults; it will take higher wages to bring those marginally attached to the labor force back to work.

While the Fed says it has the tools to fight inflation, it remains to be seen if it will have the stomach to use them when the time comes. That is a discussion for another day. Right now, we remain positioned for rising inflation and inflation expectations.

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[2] We know: famous last words. That said, we call them like we see them and we think the tide has finally turned.
[3] https://www.youtube.com/watch?v=yq_ E3HquRJY

Most of our long portfolio and one mid-sized short performed well during the quarter:

- **Brighthouse Financial** (BHF, +22%) benefitted from rising interest rates;
- **Danimer Scientific** (DNMR, +61%) began its life as a public company;
- **Concentrix** (CNXC, +52%) benefitted from strong demand and rising estimates;
- **Resideo Technologies** (REZI, +33%) was helped by the strong housing market;
- **Change Healthcare** (CHNG, + 18%) agreed to be acquired by UnitedHealthcare;
- **AerCap Holdings** (AER, +29%) agreed to acquire GE Capital's aircraft leasing business (GECAS) at a discount; and
- An undisclosed healthcare short (-41%) fell d e to reduced government reimbursement for its product.

However, two factors offset these gains. Eir t Green Brick Partners (GRBK), our largest position, doubled in 2020. This led to an ex essive ighting within our portfolio. In January, we sold approximately one-quarter of o r Ha es in an underwritten offering. As is customary, we sold at a discount, which hurt our Janua result. It took a while for the market to digest the shares and, as a result, GRBK underperfonned its peers, which generally advanced over 20% during the quarter.

GRBK, as a business, had excelle t results. Full year 2020 earnings per share were up 97%. More importantly, its backlo_g gr w 86% and its lot position grew 61%. In early 2021, the business accelerated further, with ew OD ers up 80% through February, ahead of last year's 76% growth in the comparable re-COVID) period. Normally, the business is limited by sales. Currently, GRBK is limite by any houses it is able to build and how quickly it is able to build them. This is what we cah "a high class problem."

There is a sh rtage of inventory of new or existing homes for sale, so house prices are rising. The pricing umbrella has allowed GRBK to raise prices faster than costs, some of which are rising shawly \f he result is the company expects 2021 to be another year of exciting growth. The compa y; is now planning for a multi-year housing boom, of which it believes we are still in the early stages. In 2020, GRBK earned $2.23 per share, leaving the stock inexpensive at just over 1Ox trailing earnings, with the growth in 2021 and beyond still to come. While the position is still our largest, we are currently comfortable with the sizing.

The other performance drag was the short portfolio. In late January, the market came to focus on companies with large short interests. Despite having a diversified portfolio, a number of our positions fell into this group and experienced sudden, sharp rises. We adjusted to the dynamic by reducing our exposure to single name shorts, both in number and sizing. To mitigate the potentially uncomfortable net long bias that would have resulted, we added macro hedges of market index and index option shorts. While we do not expect this to be a permanent change, we will evaluate and modify as we go. The performance of our short portfolio in 2020 and in early 2021 was unacceptable, so change is certainly needed. If we swing a little less hard, we should hit more balls. We have also revised our internal analyst incentive structure to fully emphasize alpha creation.

Much has been made of the short-squeezes in late January. In fact, Congress held hearings, where it called the leaders of Robinhood, Melvin Capital and Citadel and an individual investor who made a great call on GameStop (GME) to testify. We have a few thoughts about this to share.

First, it is very healthy for market participants to discuss and debate stocks. This is true both privately and publicly. There are rules about fraud and manipulation that need to be followed, but investors discussing why they think GME (or any other stock) should go up or down ought to be encouraged. There is no reason to drag anyone before Congress for making a stock pick.

Second, it is also fine to make bad stock picks. If a hedge fund takes a big position in a stock and is wrong, it loses money. Isn't this how it is suppose to work?

Third, payment for order flow isjust *disguised* commissions We are in a world where consumers, especially young ones, expect internet services to be free, or t least free to them. A quote widely attributed to Richard Serra about commercial TV ·n 973 says it best: "You're not the customer; you're the product."[4] Ifyou want the broker o · ork fo you, pay a commission.

Fourth, Robinhood suspended tradi g i Gertain stocks because it was undercapitalized. It is possible that it wasn't followin the regulatory requirements. A regulatory sanction is probably appropriate – but as we'll discuss elo .., e won't be holding our breath.

Finally, we note that the real je foe on the GME squeeze came from Chamath Palihapitiya and Elon Musk, whose appearances on V and Twitter, respectively, at a critical moment further destabilized the sit ation. 1V1 . Pa ihapitiya controls SoFi, which competes with Robinhood, and left us with the imp ession that by destabilizing GME he could harm a competitor. As for Mr. Musk, we are going t defend him, half-heartedly. If regulators wanted Elon Musk to stop manipulati g stocks, they should have done so with more than a light slap on the wrist when they accused im o anipulating Tesla's shares in 2018. The laws don't apply to him and he can do whatever he aiat .

Many wlio would never support defunding the police have supported – and for all intents and purposes Have succeeded – in almost completely defanging, if not defunding, the regulators. For the most part, quasi-anarchy appears to rule in markets. Sure, Dr. Michael Burry, famed for his role in *The Big Short,* reportedly received a visit from the SEC after tweeting warnings about recent market trends – and decided to stop publicly speaking truth to power. But for the most part, there is no cop on the beat. It's as if there are no financial fraud prosecutors; companies and managements that are emboldened enough to engage in malfeasance have little to fear.

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[4] Variations of the quote started with Mr. Serra in 1973 (https://guoteinvestigator.com/2017/07/16/produc !L) though the actual quote can be attributed much later in 2010 to an Andrew Lewis, who said, "If you are not paying for it, you're not the customer; you 're the product being sold."

Strange things happen to all kinds of stocks. Last year, on one day in June, the stocks of about a dozen bankrupt companies roughly doubled on enormous volume. Recently, the *Wall Street Journal* reported a boom in penny stocks.[5]

Someone pointed us to Hometown International (HWIN), which owns a *single* deli in rural New Jersey. The deli had $21,772 in sales in 2019 and only $13,976 in 2020, as it was closed due to COVID from March to September. HWIN reached a market cap of $113 million on February 8. The largest shareholder is also the CEO/CFO/Treasurer and a Director, who also happens to be the wrestling coach of the high school next door to the deli. The pastrami must be amazing. Small investors who get sucked into these situations are likely to be harmed eventually , yet the regulators – who are supposed to be protecting investors – appear to be neither present nor curious. From a traditional perspective, the market ·s fractured and possibly in the process of breaking completely.

Another recent example is the investigation 0£ d'ether by the Office of the Attorney General of New York (OAG). Tether is a cryptocurrency tHa ·s a ways worth a dollar (the value is "tethered" to the dollar). Tether is one of the largest cryptoeUlirencies with about $40 billion outstanding, yet it has not been audited or regulated in any erious manner. In theory, Tether is supposed to have $1 of cash backing every Tether 1 sued. Except it didn't, at least when it was investigated.

The OAG conducted a two-y:ear Rrobe a d found that Tether deceived clients and the market by overstating reserves and hiding approximately $850 million of losses around the globe. Tether and its sponsor, Bitfinex, "reek' essly and unlawfully covered up massive financial losses to keep their scheme going an protect thei bottom lines," said the OAG. Further, "Tether's claims that its virtual cur ency was fol bac ed by U.S. dollars at all times was a lie."[6]

Did the OAG shu do n Tether? Did anyone get arrested or even lose their job? Was the regu atocy mfrastru re changed to make sure this doesn't happen again? No, of course not. The OAG ass ss n 18.5 million penalty and Tether agreed to discontinue "any trading activity with New Yorkers.' It was as if Bernie Madoff had been told to pay a small fine and stop ripping off Ne . Yo ker:s, but to go ahead and have fun with the Palm Beach crowd.

If Congress wants to understand why GME did what it did, or more recently how the Arch-Egos fund cornered the market in a handful of stocks,[7] it would be better to call to account the absentee regulators and their philosophical backers.

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[5] "Tiny-Company Boom Makes Markets Look Silly," by James Mackintosh, *Wall Street Journal*, February 18, 2021. Fourteen members of the Russell Microcap index have risen so much that they are now larger than the smallest S&P 500 stocks.

[6] Here is the full release... It's quite graphic; the remedy appears rather light: https://ag.ny.gov/press-release/2021/attomey-general-james-ends-virtual-currency-trading-platform-bitfinexs-illegal

[7] The media is focused on how the banks allowed excessive leverage and poorly (or properly) managed their risks. The real story is how Arch-Egos was able to buy up most of the float of GSX Techedu, causing the stock to soar 400% in the face of umefuted allegations of massive fraud. The SEC has an ongoing investigation of GSX but appears to not have noticed a single fund (or a slnall group of funds) essentially cornering the inarket. A traditionalist could say this was inarket inanipulation and transparently illegal.

We are pleased to announce that Vinit Sethi will be assuming leadership of Greenlight Masters. Vinit has been integral to Greenlight Masters' success since its beginning in 2002 through his involvement in the manager assessment and selection process, and we are excited for him to become the new portfolio manager. Some of us are particularly excited to see Vinit present at next year's annual partners' dinner. Concurrent with this move, David will take over managing the Greenlight Capital research team. Congratulations, Vinit!

Mitch Golden, who has served as the portfolio manager of Greenlight Masters, will be leaving Greenlight at the end of the month to pursue a new opportunity. We thank Mitch for his terrific stewardship of Masters over the years and we wish him luck in his new endeavor.

As we shared at the Annual Partner Meeting, we promoted Toby Haselberger to Partner. Toby was introduced to us in 2018 through a former Greenli.g analyst, and Toby literally took his seat. This was back when we used to work from work. hile we were optimistic about Toby's abilities then, we are truly impressed by how well he has com along. Toby demonstrates a terrific work ethic and passion for our trade. He lo es imresting nd solving investment puzzles, while maintaining an even-keeled and disciplined pproach. This past year Toby developed insightful work on a good number of investments. He is a clever analyst and an excellent team member. Congratulations, Toby!

We also have two analyst additions and departure to announce. In February, James Fishback joined us from Macrovoyant, a gl bal macro hedge fund he founded in 2016. In March, Robert Wright joined us from Crane Capita a long/short equity hedge fund he founded in 2018. Prior to Crane, Robert was a investment research analyst for 10 years at Fir Tree Partners, focusing on both equity and credit. R'obert started his career in M&A at Wachovia Bank and later worked as a private equity investment analyst at H.I.G. Capital. Welcome, James and Robert! After six years with Greenlight, an;y Greene will be leaving in May. We thank him for his contributions and ish n1m future success.

At quarter-end, the largest disclosed long positions in the Partnerships were Atlas Air Worldwide, Brigh ouse Einancial, Change Healthcare, Danimer Scientific and Green Brick Partners. The Partnersmps had an average exposure of 118% long and 81% short.

"If you want to make enemies, try to change something."

-Woodrow Wilson

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

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All figures are unaudited. Greenlight does not unaertake o update any infonnation contained herein as a result of audit adjustments or other corrections. Past perf0 nance is not indicative of future results. An investor's actual returns inay differ from the returns presented due to seeral factors, including the tilning of each investor's capital activity and the applicable incentive allocation rate, hlch inay: oe 10% or 20% depending on whether such investor is below such investor's modified high water inark. Ea m estor will receive individual statements showing returns from the ad1ninistrator. Reference to an indeN oes not imp y that the Partnerships will achieve returns, volatility or other results silnilar to the index. The total retu . S'y:>r the index do not reflect the deduction of any fees or expenses which would reduce returns.

All exposure i 0nnationJs calculat€d on a delta-adjusted basis and excludes "lnacro" positions, which inay include, but are not limitetl o gov:emmen ebt, currencies, c01mnodities, credit default swaps, interest rate swaps, volatility indexes, credit indexes and tleriv tives on any of these instruments. However, equity indexes and derivatives on such instruments are 1 eluded in long/short exposure. The largest disclosed long positions represent individual issuers to whic the Rartners tps hav the highest exposure. Greenlight, in its discretion, inay exclude from this list any position that has notmeen disclosed but would otherwise be included, and instead include the Partnerships' next largest position. All wei fiting exposure, attribution and perfonnance contribution infonnation is inclusive of positions held both directly ana in irectly through the inaster funds, reflects the weighted average of such figures for investments by 6reenligh Gapital, L.P., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital Investors, LP, and Greenlight Capita Qffshore Investors, Ltd. (excluding any gold backing), and are the result of classifications and assumptions inade in the sole judgment of Greenlight. All exposure calculations include the impact of month-end redemptions and subscriptions as of the first day of the following month.

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