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Dear Partners,

During the second quarter of 2020, Rhizome Partners generated a net return of 18.3%, bringing the year-to-date net return to 1.7%. For comparison, the S&P 500 index has returned -3.0% year-to-date and the FTSE NAREIT All Equity REIT Total Return Index has returned -10.0%. Our Q2 performance is largely driven by three factors. First, Griffin Industrial Realty increased from $32.70 to $54.17 per share. Second, our pre-Covid positions experienced large price gains across the board. Third, our new investments also experienced sizable price gains across the board.

Time Period	S&P 500[1]	Hypothetical 10% Absolute Return	FTSE NAREIT All Equity REIT Total Return[2]	Rhizome Partners Class B Net Return[3,4]
April 10th thru Dec 31, 2013	18.2%	7.2%	-4.9%	19.50%
Full Year 2014	13.7%	10.0%	28.0%	19.2%
Full Year 2015	1.4%	10.0%	2.8%	-5.8%
Full Year 2016	12.0%	10.0%	8.6%	11.5%
Full Year 2017	21.8%	10.0%	8.7%	5.6%
Full Year 2018	-4.4%	10.0%	-4.0%	-7.2%
Full Year 2019	31.5%	10.0%	28.7%	17.8%
Q1 2020	-19.6%	2.4%	-23.4%	-14.0%
Q2 2020	20.6%	2.4%	8.0%	18.3%
2020 YTD	-3.0%	4.9%	-10.0%	1.7%
Cumulative Return Since Inception	126.5%	99.1%	64.3%	75.8%
Annualized Return Since Inception	**12.0%**	**10.0%**	**6.5%**	**8.1%**

1. S&P 500 returns include dividend reinvestments and are fully invested
2. FTSE NAREIT All Equity REIT Total Return Starts on 3/31/2013 and includes dividend reinvestments and are fully invested
3. Net return is net of expenses and incentive allocation for Class B. Individual partners may experience returns that are different than the Class B return.
4. Rhizome Partners Class B Net Return is accomplished while holding 31% cash and cash-like instruments while comparable indexes are fully invested. Class B Net Return also includes 14% of investments that are workouts/special situations/hedged

General Commentary

Every market crisis is different and there is a lot to learn from each one. The Great Recession felt like a slow moving train wreck that started in late 2007 and did not bottom until March of 2009. For years, the housing bubble defied many short sellers' warnings of fraudulent mortgage underwriting combined with historic systemic leverage. Then it unraveled and it almost took the world economy down. The subprime mortgage crisis affected everyone and harshly punished industries that were related to housing and commercial real estate. The US government reacted slowly as it was politically unpopular to bail out the investment banks. The whole episode felt like a decade of twists and turns compressed into an 18 months period. This is especially true for individuals like me who worked in Citigroup's real estate investment banking division. In hindsight, the Great Recession was a fantastic learning experience regarding how to underwrite investments to weather adverse conditions.

By comparison, the 2020 crisis is markedly different. The government acted quickly to pass multiple stimulus packages including an additional $600 weekly unemployment benefits on top of state unemployment benefits. Banks also responded proactively, allowing forbearance of mortgages up to 6 months. While there were long

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wait times initially, banks started rubber stamping approvals after a few weeks. There was little government hesitation as Covid-19 affected everyday people rather than maligned investment bankers.

Initially, all companies sold off in unison. But the financial market quickly distinguished the industries that benefited from Covid-19 and those that were impaired by it. The largest beneficiaries are technology companies that enable remote work-from-home and e-commerce companies. Many of these companies operate in the digital realm and largely interact with users via mobile phones. Many of them are inherently great businesses with high margins and incredible returns on invested capital. Covid-19 increased engagement and in many cases accelerated the adoption of their products. Companies that provide video conferencing, digital signatures, SaaS subscriptions, and e-commerce experienced dramatic increases in revenue. The market has rewarded these companies with sharply higher prices.

On the other end of the spectrum are companies that are impaired by Covid-19. Airlines, hotels, restaurants, enclosed malls, brick-and-mortar retailers, sports, and entertainment businesses are badly hurt. Many of these businesses are inherently worse businesses due to their lower margins, higher capital intensity, and lack of pricing power. It is interesting to note that if one had concentrated exposures to the technology/software/e-commerce category, one would experience double- to triple-digit portfolio gains for 2020. Conversely, if one had a concentrated allocation to the latter category, one would have experienced a 20-50% drawdown at the half-year mark. With the exception of Howard Hughes Corporation, our portfolio companies had exposure to neither category. Thus, we were neither overly lucky nor overly unlucky with the way that Covid-19 impacted our portfolio.

Within the real estate business, the impact has varied by specific segments. Data centers and cell towers actually benefitted from the crisis as digital usage increased. Warehouses experienced strong occupancy and rent collection due to rapid transition to e-commerce and the re-shuffling of the supply chain. Multi-family and self-storage generally held up well. Offices will certainly be impacted due to the movement towards work from home trends. But the Office REITs have fallen by 30-50% and there could be significant value despite the obvious headwinds. Enclosed malls, hotels, student housing, gaming, and shopping centers are experiencing the worst challenges. Most were forced to shut down during the second quarter. To add insult to injury, some of the prime retail locations in New York City's Fifth Ave and Chicago's Magnificent Mile experienced rampant looting and physical damages in the wake of social unrest. This adds a significant new risk factor in a retailer's decision to re-open or expand in the future.

There is a great debate about the future of cities versus the suburbs. Not a day goes by without a newspaper or a financial talking head declaring the death spiral or impending implosion of cities. Unlike the Great Recession and the previous crisis, demand and pricing for single family homes are robust. We believe this is largely due to the cocktail of low interest rates, Millennials reaching the home buying age, and a general desire to move away from dense cities for now. We are thinking deeply about long-term trends and following developments closely. While we believe that many real estate investments have the setup for doubles and triples, we will change our mind quickly if we see evidence that an asset class has become structurally impaired.

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Musings on Interest Rates, Opportunity Sets, Variant Viewpoints

Ironically, we find the markets talking rather little about the seismic impact of low interest rates on real estate assets. There is considerable speculation about how low interest rates have driven up valuations of fast growing technology companies. But amongst real estate investors, there is far more focus on the near-term risk of foreclosure waves and the death of the cities. It is important to remember that interest rates are the gravitational force that governs asset prices; this is especially true for real estate assets because interest rates determine the levered cash flow that is available to equity holders. The effect is compounded by the fact that lower interest rates will result in higher distributions which are further prized by investors in a low interest rate environment.

The cap rates on most real estate assets are expressed as a spread over the 10-Year US Treasury Yield which is roughly 0.55% at this writing. This is down about 1.3% from January of 2020 and down about 2.0-2.5% from 2018 and 2019 rates. We are not discussing an intellectual exercise. The reduction in rates has dramatic real world effects by forcing large institutions to behave differently. Simply put, there are trillions of dollars of capital held by life insurance companies and endowments that must make the difficult decision of holding the US Treasury for 10 years with the possibility of earning a 5-6% cumulative return. Yes, that is indeed 5-6% over 10 years. Alternatively, they can pay a 4-5% cap rate for a well-located Class A warehouse with a 3.5-4.5% additional yield that can grow the rent by 2-3% a year with the possibility of a large 10% rent increase when the leases roll over. Thus, warehouses and other high quality real estate assets become much more attractive by comparison. We believe that many high quality real estate assets will likely experience 0.75-1.5% of cap rate compression as a result of these forces.

We saw this phenomenon in the public markets from 2010 through 2014 when investors plowed their capital into REITs and energy MLPs in their search for yield. In the private markets, cap rates compressed dramatically due to lower cost of financing following the financial crisis. Today, we are already hearing anecdotally that people have refinanced their houses at 2.6%-3.0% on 30-year mortgages. The significance of cap rates compressing at near-zero bound territory is that a 5% cap rate compressing to a 4% cap rate is actually a 25% appreciation in price and a 4% cap rate compressing to a 3% cap rate is actually a 33% appreciation in price.

Our view is that the market is overly preoccupied with the current challenges posed by Covid-19. These concerns are legitimate and should not be ignored. But we also believe that there will be a vaccine and that GDP will likely approach pre-Covid-19 levels in the next 2-3 years. At that time, many of the REITs and real estate holding companies will likely be highly prized by both the public and the private markets. We are accumulating high quality real estate assets at 6%-10% cap rates that are paying out 6-8% dividends. Many of them have valuable development parcels that do not generate cash flow. Most of the debt is non-recourse mortgages backed by individual properties. In some cases, the cash on the balance sheet is up to 40% of the market cap.

However, this does not apply to real estate asset classes facing structural declines such as enclosed malls. In a low interest rate environment, the largest factor that drives net present value is the terminal value of the asset. If investors are unsure about the long term sustainability of the income stream of a real estate asset class, then they will heavily discount all the future cash flows. Retail real estate is difficult to invest in except

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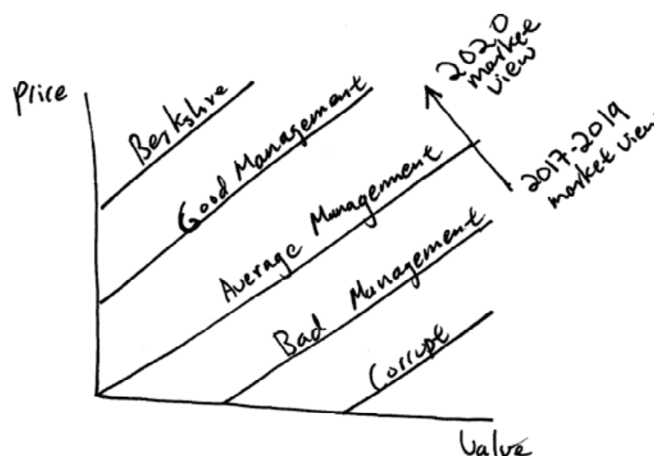
for select trophy assets. Enclosed malls have the additional risk of a "death spiral" where occupancy drops below 80% and the inline tenants can convert from fixed-rent to percentage-of-revenue rent. While there is no shortage of "real estate investing tourists" poking around companies like Simon Property Group and Seritage, we have little desire to own these companies. We will be vigilant in avoiding real estate assets where we are not certain of the long-term viability of the use and tenants.

Investment Updates

Griffin Industrial Realty – Griffin Industrial Realty experienced a 66% price gain during Q2 and contributed a roughly 5% gross return to the fund. We have been stating for years that Griffin trades at a large discount to net asset value. The market shrugged and ignored the progress that the company has been making until the company announced that Gordon Dugan has joined the board as the new chairman. Since then, the company has started to host a pre-recorded webcast for its quarterly earnings call. It has also overhauled its investor presentation and it now looks "institutional quality."

Fundamentally, the company came through the crisis unscathed. Griffin leased 409k sqft of space at an 8.1% cash increase over the expiring leases. The company collected 100% of April rent, and 99% of both May and June rent. We knew that Griffin conducted high quality tenant selection. But this extraordinary outcome surprised us. While we believe the quality of our underwriting was demonstrated here, there is an element of "luck" that COVID-19 favorably affected the warehouse sector as manufacturers and retailers scrambled for warehouse space during the quarter. A supply chain transformation that would have normally taken 3-5 years occurred in a matter of 2-3 months. Every recession is different. During the Great Financial Crisis, warehouses were disproportionally hurt as the US economy contracted. While the US GDP decreased at an annualized rate of over 30% during Q2, the logistics networks were rearranged from stores to warehouses leading to increased demand for warehouses.



Value investing is fascinating in that we can under perform for years despite conducting thorough underwriting and buying at a very large discount to intrinsic value. Griffin Industrial Realty is a prime example of this. There were minimal mark-to-market returns for Griffin from 2017 to 2019. All the returns occurred in a matter of 2 months in May and June of 2020. The mark-to-market performance on Griffin was essentially

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flat for 3 years and then spiked to an 18% CAGR for the shares that we still own today. We believe that the sudden re-rate is due to the convergence of the market's views of Griffin towards our view as illustrated by the crude sketch. We have physically visited Griffin's warehouses all over the US, analyzed their capital allocation, and spoke with management frequently. We believe that the CEO is a high caliber operator and capital allocator. The market generally believed that the company was being run for the benefit of the family. We believe that the warehouses are Class A and well-located and the market does not believe that the warehouses deserve a 4.5-6.0% cap rate. The market also assigns virtually no value for Griffin's land holdings.

We attribute the convergence in perception of value to the following factors. First, Gordon Dugan joined the board as Chairman and invested $2.5mm of his own capital. The rest of the market took notice and started pondering "What does Mr. Dugan see in Griffin?" After all, he did generate a 6X return for his previous shareholders at Gramercy Property Trust that was sold to Blackstone in a $7.6bn deal. Investors have been looking for a way to ride "side car" on his new public venture. Second, the rent collection and new lease signing during Q2 alleviated investor doubts of Griffin's business. As the shares rallied in May and June, we trimmed our holdings in Griffin. But we had a light bulb moment and decided to hold onto some of our shares. This is largely due to us recognizing the new possibility that Griffin may actually trade above private market NAV. Our channel checks revealed that Gordon Dugan has an incredible Rolodex of buy side contacts. He is well-respected and well-connected. Michael Gamzon, Griffin's CEO, essentially recruited Gordon Dugan to join the board because he understood that Mr. Dugan's involvement would bring instant credibility. In addition, his father-in-law had to step down and give up $350k of annual executive chairman compensation. These facts reflect the opposite of a business being run in the interests of a large controlling family.

Under normal circumstances, we would fully exit our position at 80-90% of NAV. But Griffin has an exciting story tied to the theme of e-commerce taking share from traditional brick-and-mortar retail. Most of the comparable warehouse REITs trade at a premium to NAV. We believe that there is a chance that Griffin may trade at a 10% premium to NAV and then use the common stock as a currency to make accretive acquisitions and development deals. Due to the small size, a few successful deals could move the needle and we can see the shares trade to $80-$100, a substantial upside to the current price. While we have trimmed our position by about half, we will wait and see if the company can convince the capital markets to buy into their growth strategy.

Berry Global – During Q2, Berry Global's share price increased 31% from $33.71 to $44.32. We increased our Berry Global positions by roughly 7.5% during the quarter. Due to our familiarity with the plastic packaging business, we also started a position in IPL Plastic which we will discuss later in the letter. With the proceeds from selling Berry Global puts, we created an 80/20 allocation between Berry Global and IPL Plastics.

As we predicted in the previous letter, Berry Global has performed exceptionally well during the pandemic. During Q1, the company reported 2% organic volume increases. Two thirds of the business is recession resistant and should experience volume growth during the Pandemic. One third of the business has more cyclical exposure to industrials and automobiles and should experience some volume decline. The company guided to 2% volume decrease companywide for calendar Q2 and Q3. This is an incredibly recession resistant business that generates free cash flow year in year out. We believe that the increased use of protective garments and face masks will drive demand for Berry's health and hygiene products. Consumers stocking their pantries and household cleaning products will likely lead to volume growth. Berry also confirmed its

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guidance for $800mm of free cash flow for the 2020 fiscal year. Since becoming public, Berry has never missed annual free cash flow guidance. This is a testament to the "bond-like" characteristics of the business. Integration of the RPC acquisition is going well. During calendar Q2, Berry redeemed $500mm or roughly 5% of the debt outstanding which will save the company over $25mm in annual interest expenses going forward. This is an incredible counter cyclical accomplishment during one of the worst economic crises in history. It appears the market is starting to appreciate these attributes of Berry.

DuPont – During Q2, Dupont's share price increased 56% from $34.10 to $53.13. We also increased our exposure to DuPont by about 5% during the first half of 2020. With the proceeds from hedging DuPont, we decided to add to our chemicals exposure by increasing our holdings of Univar Solutions which we will discuss later in the letter. Our DuPont/Univar allocation is roughly 65/35.

DuPont reported strong results in its Nutrition and Biosciences, Electronics & Imaging, and Safety & Construction segments during calendar Q1. All segments reported EBITDA margins between 28-29%. We believe these three segments will fare well. Nutrition and Bioscience is a consistent grower through market cycles. Electronics & Imaging is exposed to memory in servers, data centers, and smart phones. Safety & Construction contains the Tyvek protective garment business which is seeing large increases in sales due to Covid-19. This is mitigated by lower sales in aerospace and defense markets. We expect the Transportation and Industrial segment to be challenged as it has exposure to automobile production and certain industrial applications.

The company moved quickly to improve liquidity by securing a $2.0bn delayed-draw facility and replaced a $750mm revolving credit facility with a $1.0bn revolving credit facility. The company also delayed certain capital investments and idled production at several manufacturing sites in its Transportation and Industrial segment that has exposure to the auto, oil & gas, and select industrial markets. We believe the company has more than adequate liquidity to weather the storm. We believe that the company will still maintain EBITDA margins of over 20% during the crisis. The Reverse Morris Trust combination of the Nutrition and Bioscience segment with International Flavors and Fragrance (IFF) is still on target for early 2021. We believe the IFF transaction could serve as a catalyst for shares to trade higher.

Laaco – Laaco had to shut down their Downtown LA Athletic Club due to Covid-19. This will likely create a cash drag for the overall business. On the other hand, we believe Laaco's self-storage business will be robust as many students were forced to leave school early and will likely need self-storage services for their personal belongings. Self-storage has been deemed an essential business by the government. All facilities were open and operating. We believe that this segment will continue to generate a robust amount of cashflow during the crisis. Laaco is only paying out half of their operating cash flow. The company may temporarily reduce the distribution by a small amount. We estimate the probability of a dramatic cut is less than 5%.

Howard Hughes Corporation – Howard Hughes experienced more dramatic impacts to its business than our other portfolio companies. Most categories of assets have been hurt except for the land sale business which has remained surprisingly resilient. During the second quarter, Howard Hughes Corporation had to shut down its hospitality and entertainment business. Most of the retailers had to shut down except for essential grocery and drug stores. The Seaport in New York City was shut down. Las Vegas was deeply impacted due to casinos being shut down. Hawaii suffered due to drop offs in tourism. Surprisingly, condo pre-sales in its luxury

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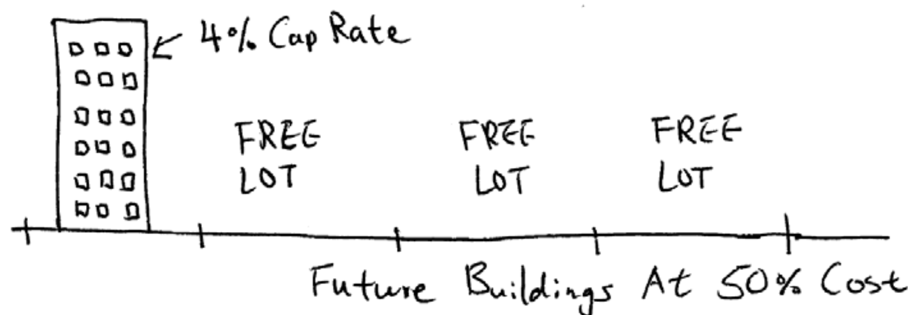
Honolulu towers have held up well. The Woodlands office market is suffering due to its exposure to the oil and gas industry. We do not think that the ultimate vacancy rate will be as high as most investors are currently projecting. It would not surprise us if the Class A category peaks at less than 20% vacancy rate.

One way that this crisis is different than previous crises is the forced closure of retail and hospitality businesses. Generally, retail and hospitality investors underwrite to declines in net operating income of 25%-50% during a bad recession. The forced closures actually turn the retail and hospitality assets' net operating income negative. We have spent a great deal of time on the ground in many of Howard Hughes' key markets. We believe that many of their assets are still attractive. What is unique about their retail assets is that they are valuable amenities to the master planned communities. The retailers are carefully chosen and we believe they will be sustainable and relevant in 10, 20, and 30 years as people will still want a nice steakhouse and a WholeFoods that they can walk to. The recovery will take time. But the current price also sets the company up for a potential multi-bagger in a few years. Our enthusiasm for a potential multi-bagger opportunity is tempered by the fact that the company was ill prepared financially heading into a crisis. The chairman, Bill Ackman, also forced the company to issues shares at a large discount to intrinsic value. We have updated our score card on management and board quality.

New Investments

AutoDesk (*3.0% Position Size*) – AutoDesk is a Computer Aided Design (CAD) software provider that has largely transitioned from a perpetual license model to a Software-As-A-Service (SaaS) model. I personally used this software during my short stint as a HVAC engineer and during my undergraduate years. It is an essential software used by HVAC engineers and architects. Because the ecosystem primarily uses AutoCAD, this makes it nearly impossible for a competing CAD program to encroach the existing user base. We paid a roughly 25x P/FCF multiple for this business and we owe you an explanation as to why this is likely cheap. We will use a real estate analogy to demonstrate why AutoDesk was cheap.



AutoDesk had 16mm active users but only 4mm paid subscribers. 2mm of the non SaaS users were customers who bought a perpetual license and will likely switch to a SaaS subscription at some point. The other 10 million users essentially use pirated copies. AutoDesk knows their IP addresses and can shut down the software if they wanted to. Thus, AutoDesk has the runway to quadruple its SaaS subscribers over time. We are also confident that AutoDesk can increase subscription prices by 2-3% a year and create additional value by making tuck-in acquisitions that they can cross sell to their existing customers.

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If the existing AutoDesk business was an apartment building in a great neighborhood, we basically paid a 4% cap rate for the existing house. But we get three additional parcels of land for free. Unlike the real estate development business, software with high switching costs is one of the best businesses because the incremental gross and operating margin on a new AutoDesk subscriber is over 90% and likely 50% respectively. This is akin to the real estate business where putting up new apartment buildings costs less than 50% of the future buildings' value. Despite a mid-20s P/FCF multiple, we can arrive at a mid-single digit P/FCF in 2025 due to the predicted high growth rate and high incremental operating margin. In short, we are underwriting to a 3-4 bagger in 5 years in an asset light and high switching cost business with a dominant software that I have personally used before. Lastly, the base rate of success is very high for companies transitioning from traditional perpetual licenses to SaaS models. Prior success examples include Microsoft and Adobe.

What should we do now that AutoDesk is up 54%? Our intention is to hold onto the shares and capture the upside as AutoDesk converts the remaining 12mm users into SaaS subscribers. There is a long run way for AutoDesk to create shareholder value in the next 4-5 years.

IPL Plastics (*1.7% Position Size*) – During the market selloff, we had an opportunity to add to Berry Global. We did in small amounts. But we also took the opportunity to build a position in a new plastic packaging company called IPL Plastics that had sold off 50%. They primarily make plastic containers for consumer staples such as yogurt and ice cream. In addition, they make recycling bins and sturdy reusable crates for storing and moving agricultural products and automobile parts.

Like Berry Global, IPL Plastic is a nice business that sports a 15% EBITDA margin. Unlike Berry Global, IPL Plastic's business is a bit "chunkier" but it is growing organically at about 3-4% a year as it has exposure to growing end products and is generally more "on trend" with today's Environment, Social, and Governance (ESG) investing movement. IPL has roughly 3x EBITDA of net debt and its market cap was roughly 2x EBITDA for a total enterprise value of roughly 5x. Most plastic packaging companies with organic volume growth are acquired at over 10x EBITDA. On an enterprise value basis, we are buying at about a 50% discount to private market. But accounting for the existing capital structure, we are buying the equity at about 29% of private market value. Hence, it is also important to pay attention to the market cap/EBITDA multiple as well.

After our purchase, there were rumors that three private equity firms were looking to take IPL Plastic private and the shares traded up almost 50%. Our knowledge and ownership of Berry Global was incredibly helpful in quickly allocating capital towards IPL Plastics. We understood the pros and cons of the plastic packaging industry. As a matter of fact, if Berry were not in debt paydown mode, it would have likely purchased IPL Plastics. We estimated that in 2 years time, Berry could potentially pay 10x EBITDA multiple for IPL Plastics. By passing along resin savings and implementing cost savings, Berry would likely pay a 6-7x EBITDA multiple post synergies. But IPL Plastics enterprise value would likely be around 4x EBITDA after 2 years of debt pay down. Thus the upside at our purchase price of IPL Plastics could potentially be 4x our purchase price.

We kept a roughly 80/20 allocation between Berry Global and IPL Plastics. We knew Berry well and have owned it for years and it is a higher margin, steadier, and more diversified business. But IPL Plastics had higher upside. The drawback is that we did not know the business and the management team as well as we knew Berry Global. Thus, we opted to size it smaller. The other consideration for IPL Plastics is that smaller

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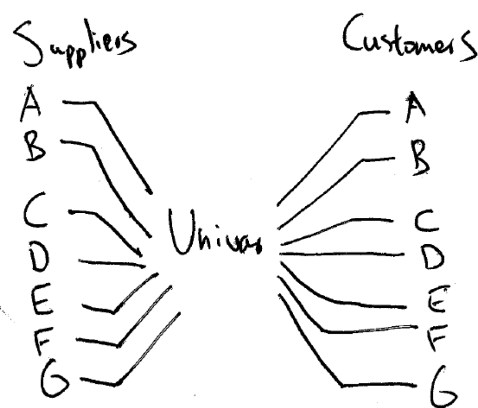
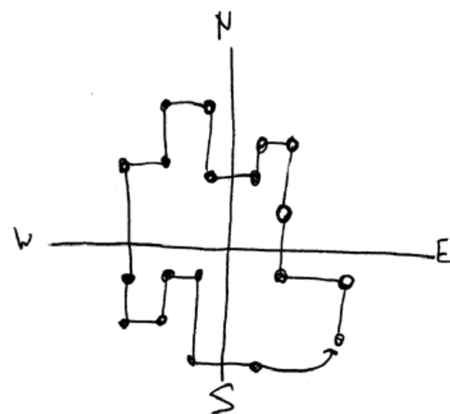
"orphaned" companies tend to linger in "No Man's Land" for a long time with no catalyst for price re-rating until a hard catalyst emerges such as a sale of the company.

Univar (*3.7% Position Size*) – We first bought a starter position in Univar following the selloff in late 2018. We sold a portion of the stock for a gain in 2019. In the first half of 2020, Univar share prices cratered from $24 to a low of $6.40. We added to our Univar position at prices from $8 up to $14 for an average cost of $12.54. Shares ended the quarter at $16.86 or up about 34%. In hindsight, we should have bought much more near the low. The reality is that the purchase window only lasted a few days and there was uncertainty regarding whether Univar's facilities would be deemed essential or whether it would be forced to close. In hindsight, a chemical distribution company with a product line-up that contains disinfectants and sanitizers among other industrial chemicals would certainly be considered essential. Hindsight is 20/20.

Our decision to buy Univar Solutions is a result of our cumulative experience of investing in Calumet Specialty Products, FRP Holding's rock pits, and watching venture capitalists burn through billions investing in Uber, Lyft, Lime, and food delivery companies.

Through Calumet, we understood the importance of chemicals and the challenges of getting them to customers. Handling chemicals requires licenses and experience. It is much harder to start a company distributing corrosive sulfuric acids than starting a trucking company hauling generic freight. Univar Solutions also has a strong moat in the form of route density. Simply put, Univar Solutions has hundreds of warehouses all over the world. As a delivery truck goes out, it can service more customers than its mom and pop competitors within a certain radius. This lowers the unit cost of each delivery. This is precisely the end goal that the ride sharing, scooter rental and food delivery companies are fighting each other for. Unlike the startup businesses where they are fighting each other for market share, there exists an oligopoly of larger chemical distributors and shares tend to be stable over time. Univar Solutions also buys from a diverse set of manufacturers and sells to a diverse set of customers. This is the best type of distribution business because neither the customer nor the supplier can exert too much bargaining power and it is incredibly hard to dislodge. In addition, there is a trend towards manufacturers outsourcing their distribution. The reasoning is simple: route density makes it much more efficient for Univar Solutions to distribute a product versus a manufacturer building out hundreds of warehouses worldwide.





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Companies with high route densities such as Sherwin Williams, and Pool Corporation have performed well historically and sport enviable P/FCF multiples in the 30s and 40s. Admittedly, these multiples are a little rich for us and we believe that a 15-20x P/FCF multiple is more along our line of thinking. While Univar Solutions has roughly 3.7x EBITDA of net debt, we believe the company can quickly deleverage. Unlike Calumet, Univar has no significant debt maturity until 2024 and will likely reduce net debt by 2x EBITDA by then. The beauty of distribution companies is that free cashflow generation is counter-cyclical. When revenues drop, working capital is converted into cash which can be used to pay down debt. We estimate that a 15-20x P/FCF multiple after the company pays debt down to below 2x EBITDA will result in a price per share of $35 to $45 per share versus our new shares purchased at $12.54. This is an excellent upside range of 183% to 259% in roughly 3 years.

New Undisclosed Real Estate Positions

We have also been buying more REITs and real estate holding companies. We recently bought a REIT that owns real estate assets in a geographically constrained market. All the debts are non-recourse mortgages at the property level and the company pays a healthy 6% dividend yield. The company collected over 90% of the rent during the recent months. The available cash is about one third of the market capitalization. The private market value is likely about 3x the current trading price. We have been accumulating shares in another real estate company that is currently trading at about half of net asset value. Similar to the other REIT, about 40% of the market cap is in cash on the balance sheet. Due to the small trading volume of these companies, we will refrain from disclosing them until we have accumulated our full position.

Regards,

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Important Disclosures

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The Fund commenced operations in April 2013 and has limited performance history. All performance of the Fund shown is from inception, net of applicable fees and expenses, presumes reinvestment of income and reflects the performance of the Class B Interests with a 1% Management Fee and a 15% Performance Allocation. The performance of Class A, which is also currently being offered and charges a 2% Management Fee and a 20% Performance Allocation, is not shown but is available upon request. Past performance is not indicative of future results. No representation is made that the Fund will or is likely to achieve its objectives, that the Investment Manager's investment process or risk management will be successful, or that any investor will make any profit or will not sustain losses.

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