JRW FINANCIAL LLC

Dear Clients and Interested Parties,

The broad market, as represented by the Standard and Poor's 500 index, fell (6.9%) for the quarter, with the other primary indices, the Dow Jones Industrial Average and the NASDAQ Composite Index, declining (7.6%) and (7.4%) respectively.

Since the March 2009 bottom, the stock market has experienced one of the strongest bull markets in history. Much of this march higher has been orderly without significant pullbacks or corrections. However, corrections are normal. Supply and demand dynamics, mixed with investor psychology, drive market prices over short periods. Over longer periods, compounding of per share business value takes greater precedence in the share prices of common equities. Volatility and downside price action is a fact of life when investing, and to some extent the low-rate, high-liquidity environment of recent years brought about complacency.

The 3rd quarter was rough on investors in public equities worldwide. I cannot tell you for certain why stocks went down, why volatility came back into the markets with substantial velocity, or whether the 4th quarter is likely to be similar to the 3rd quarter in terms of volatility and share price declines, or whether global markets will find some reprieve from the recent selling pressure. As investors, we have to be prepared with a portfolio that will prevent permanent loss of capital no matter the broad market conditions. I do believe we are so prepared.

As always, I counsel you to refrain from focusing on performance metrics over as short a time period as a single calendar quarter because I believe that has the tendency to spur extreme short-termism. Declining account balances and unrealized losses do more to spur fear and agitation than rising account balances and unrealized gains do to spur pleasure and satisfaction. I recognize that in myself and I am certain it is the norm for the majority of people.

I wrote the following last quarter when our portfolios performed positively and outpaced the market:

> As we stress time and again, quarterly and even yearly performance is not truly indicative of the quality businesses we own and the potential for compounding investment returns over a long-term time horizon. Our method of investment operations may be out of favor for significant periods of time, including most notably during peak bull market periods. But judged over long periods of time that encompass full market cycles, which is the time period on which we focus our investments, we believe our performance will outperform our benchmark, the S&P 500 index, as well as offer exceptional compounding potential with limited risk of permanent capital loss.

162 S. Easton Rd., (267) 217-3025
Glenside, PA 19038 joe@jrwfinancial.com
www.jrwfinancial.com

You'll find that in both good market periods and bad, and after both positive and negative short-term returns for our portfolio, I will beat the drum on the same basic message: ***think long-term.*** My goal is to outperform the returns you could get from your hard earned money in any other conceivable way over a multi-year time period that encompasses a complete business cycle. We cannot and will not outperform (or even have positive returns) all of the time – but we are confident that we will do so ***over time***.

Warren Buffett has stated that the stock market exists merely to make the buying and selling of businesses easier, not to assign value to those businesses. Thus, we do not sell businesses on the basis of declines in share price. We do not understand the line of thinking that says: "I own a wonderful business with a durable competitive advantage and significant prospects for compounding growth over the next decade. If only the price would go down, I could sell my shares." That is the opposite of how we believe share price declines should be handled by long-term investors seeking to purchase premium businesses at discounts to per share business value.

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Some of the businesses we own are priced significantly below the price at which we purchased shares. For some clients, this means an unrealized loss of some size, depending on the time period in which accounts were opened and purchases made. This is normal. When purchasing shares in great businesses, we try to buy well, meaning at a price that will provide us a margin of safety against permanent capital loss. Stock prices fluctuate over the short-term, sometimes dramatically, and oftentimes irrationally. If we buy at the exact bottom of a price range, it is sheer luck and not repeatable. Frequently, share prices will decline after purchase, and this should not cause worry or concern.

Let's look at some representative examples from the JRW Core Equity portfolio for how stock prices can fluctuate. The following results are from the last year of trading:

- Google, Inc. (GOOGL) has traded as low as $490 and as high as $713
- Apple, Inc. (AAPL) has traded as low as $92 and as high as $133.
- MasterCard (MA) has traded as low as $69 and as high as $99.
- Berkshire Hathaway Inc. (BRK.B) has traded as low as $125 and as high as $152
- Outerwall Inc. (OUTR) has traded as low as $50 and as high as $84.
- World Wrestling Entertainment Inc. (WWE) has traded as low as $9 and as high as $23.
- Interactive Brokers Group, Inc. (IBKR) has traded as low as $22 and as high as $45.
- Chicago Bridge & Iron (CBI) has traded as low as $32 and as high as $59.

I wish I had a crystal ball that allowed me the foresight to know when a stock would trade at its lowest and highest prices in a given year, because our approach to investing would be much different. However, neither I nor any other market participant I know has such a tool, nor the ability to forecast with precision the occurrence of these price events.

The market goes through periods where the baby, the bathwater, and the kitchen sink are all thrown out. For patient investors, these periods provide buying opportunities when corrected, but also provide heartburn in the short-term. I continue to stress patience with the businesses we own and I judge their worth to our portfolio in terms of business operations and not price fluctuations. It is not easy to sit and watch account balances decline significantly, but over a long enough period of investment, it is inevitable.

In general, our investment success or failure will be dependent upon three factors: the fundamental and durable nature of the underlying businesses we own and their economics, the skills and abilities of the management teams with whom we have partnered, and the margin of safety built into the purchase price of our ownership interests. Any of these could cause material harm to our investment thesis. The usual culprit is deteriorating fundamental economics of the business, which is why we spend the majority of our research time on the competitive landscape and the durability of returns on invested capital.

For value-oriented investors, returns are rarely smooth. However, the further out you extend your expected return period, I believe you will find the JRW Core Equity portfolio will compound your capital at substantially satisfactory rates.

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Recent monthly commentaries have included my thoughts on the benefits of thinking long-term with regard to our portfolio and the process of investing generally, as well as the businesslike approach I take to our investment operations. I began penning these commentaries on a monthly basis so as to not over-deluge you with too much information in our traditional "quarterly" letters. I believe that trend will continue. In non-quarter-end months, I will try to focus on aspects of our investment process or any other finance or economic topics I find fascinating at that time. The letters at the end of each calendar quarter will focus more on our portfolio and some of the holdings we own, have purchased, or have sold. This divide seems to me to be the best way to provide you with as much information as I find prudent about our portfolio businesses, as well as some educational or informative material with regard to our investment process, philosophy, or theory.

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During the third quarter, we made one new purchase, two sales, and added selectively to businesses we already own. The new business we purchased in the JRW Core Equity portfolio is Interactive Brokers Group, Inc. (IBKR). I will utilize the "Spotlight Holding" section below to detail our investment thesis and why I believe IBKR to be one of the most attractive long-term holdings we have.

We sold out of our entire position in Health Net (HNT) across separate accounts based on valuation in light of the proposed acquisition of HNT by Centene (CNC). Upon reviewing the proposed acquisition, I was not comfortable with holding the position into the merger and I used the run-up in shares shortly after announcement to liquidate our position. We held HNT for a much shorter period than will be normal for our holdings, but we were rewarded handsomely during our ownership period.

We sold out of our entire positon in eBay Inc. (EBAY) across separate accounts as well. Frankly, I was more enamored with the PayPal (PYPL) portion of old eBay than I was the legacy auction business. In our 2nd quarter commentary, I mentioned that we planned to hold onto the legacy Marketplaces business while we evaluated each company after the spin-off. I am not convinced that the auction business has a significant runway for future growth in front of it, and I am not convinced about the potential for the investment to compound per share business value over the long-term. I will keep the business on watch and monitor how the business performs as a standalone company, but in the quarter EBAY became a source for raising capital that could be better used in other potential opportunities. We remain long PYPL.

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SPOTLIGHT HOLDING: INTERACTIVE BROKERS GROUP, INC. (IBKR)

Our featured position for this quarterly review is the newest holding across our JRW Core Equity portfolios. We purchased ownership interests in IBKR in the 3rd quarter. IBKR is an electronic, online, and fully automated discount brokerage firm and market maker founded in 1977 by current Chairman and CEO Thomas Peterffy. Peterffy founded the company initially as a market maker on the floor of the American Stock Exchange in 1977. The brokerage business began in 1993, and today brokerage accounts for more than three-quarters of net revenues earned by IBKR. IBKR is the largest online U.S. broker by trading volume and has been voted consistently atop the Barron's rankings for electronic brokers over the last four years. As clients know, IBKR serves as the custodian and broker-dealer for separate accounts managed by JRW Financial.

IBKR is an <u>extraordinary</u> business trading at a fair price with significant potential for long-term compounding, and is run by first-class management including Peterffy, who is a billionaire and a visionary. Peterffy maintains ownership of in excess of 75% of the firm.

In essence, IBKR fits perfectly the mold for the businesses we want to own for a very long time in our portfolio. IBKR has a wide and durable competitive advantage in that it is the low cost service provider within the electronic online discount brokerage industry, and it really is not close. IBKR competes directly with Charles Schwab (SCHW), E-Trade (ETFC), and TD Ameritrade (AMTD), among others. IBKR is far and away the low cost leader within the industry.

	US Margin Loan Rates Comparison*				US Commission Rates Comparison*		
	$25K	$200K	$1.5M	$3.5M	100 Shares	1 Stock Option	1 E-mini S&P 500 Future
Interactive Brokers	**1.61%**	**1.36%**	**0.98%**	**0.75%**	**$1.00**	**$1.00**	**$0.85**
E-Trade	7.94%	6.14%	3.89%	3.89%	$7.99	$8.74	$2.99
Fidelity	7.58%	6.58%	3.75%	3.75%	$7.95	$8.70	N/A
optionsXpress	8.25%	7.00%	6.00%	6.00%	$8.95	$12.95	$3.50
Schwab	8.00%	6.88%	6.25%	6.00%	$8.95	$9.70	N/A
TD Ameritrade	8.50%	7.25%	6.25%	6.25%	$9.99	$10.74	$2.25
thinkorswim	8.50%	7.25%	6.25%	6.25%	$9.99	$10.74	$2.25

A benefit of being the lowest cost provider of transaction services by such a wide margin is the runway for growth inherent in that fact. IBKR could raise prices fairly substantially at some future point to improve revenues and profitability, and still maintain its position as the low cost provider.

We believe IBKR offers customers the best services within the industry as well.

Net Dollar Price Improvement vs. Best Bid/Offer[(1)] – 2nd Half 2014

Execution Price Improvement Comparison*	US Stocks (per 100 shares)	US Options (per contract)
Interactive Brokers	$0.55	$0.99
Industry	$0.47	$0.49
IB Advantage	**$0.08**	**$0.50**

[(1)] ***Net Dollar Improvement per Share Definition***: ((# of Price Improved Shares * Price Improvement Amount) - (# of Price Disimproved Shares * Price Disimprovement Amount)) / Total Number of Executed Shares

Not only does IBKR offer significant execution improvement on prices per trade versus the remaining companies within the industry, but also the company functions on behalf of its customers by not selling order routing services. IBKR uses the most sophisticated order routing technology in the industry to ensure optimal execution of customer trades. Peterffy and other managers have backgrounds in computer programming and systems management. Automation is the key that drives IBKR's ability to maintain low costs and provide sophisticated, premium technological platforms to customers. Automation is the reason why IBKR can charge the lowest prices in the industry and maintain profit margins in excess of 50%. In an interview with The Motley Fool, Peterffy summed up IBKR's edge perfectly. When asked how IBKR was able to remain ahead of competitors in automation and technology, Peterffy said: "They cannot do it the way we can do it because, as I said, we're computer programmers. They are businessmen." And he's right.

Another sign of IBKR's devotion to customers is the fact that IBKR does not sell customer order flow. Many online brokers will sell customer orders to high frequency traders[1] so that the traders can see where most of the orders are going and attempt to front-run transactions. "Selling order flow" drives a decent amount of revenue for the other online brokers in the industry. However, IBKR does not engage in the practice. Peterffy is an outspoken critic of the high frequency trading phenomenon and believes that the sale of order flow would impact IBKR's customers negatively, as well as increase customer costs unnecessarily.

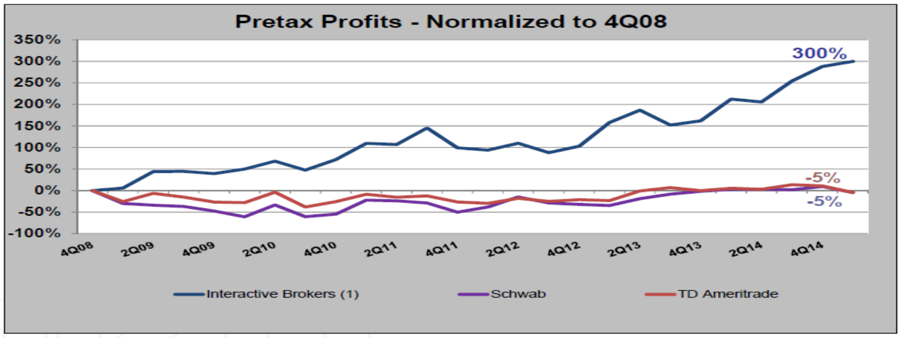
IBKR continues to grow by leaps and bounds. As of June 30, 2015, IBKR had 310k client accounts, up from 158k in 2010, a compound annual growth rate (CAGR) of 14.4%. Also, IBKR has $66.0 billion in client equity, up from $22.1 billion in 2010, a CAGR of 24.4%. Furthermore, the chart below gives a good indication of how IBKR performs in certain growth metrics compared to its peer group[2].

	Client Accounts		Total DARTs		Client Equity*		Equity per Account*	
	1Q13 vs 1Q14	1Q14 vs 1Q15	1Q13 vs 1Q14	1Q14 vs 1Q15	1Q13 vs 1Q14	1Q14 vs 1Q15	1Q13 vs 1Q14	1Q14 vs 1Q15
IBKR	**16%**	**18%**	**25%**	**11%**	**38%**	**25%**	**19% $195K**	**6% $206K**
ETFC	4%	3%	34%	-14%	23%	11%	22% $57K	8% $62K
SCHW	1%	4%	13%	-7%	11%	9%	10% $202K	5% $211K
AMTD	5%	5%	30%	-3%	19%	13%	14% $99K	7% $106K

[1] Michael Lewis, one of my favorite non-fiction authors, chronicles this practice and the rise of high frequency traders in his excellent book Flash Boys. I recommend the book highly (along with Lewis' other tremendous works Moneyball, Liar's Poker, and The Big Short.

[2] "DARTs" in section 2 of the chart refers to Daily Average Revenue Trades, or a metric within the brokerage industry that measures the typical daily volume of trades for a firm. Growth in that metric means there were more daily trades on average for that company compared to the prior period.

One might think that a company growing so significantly as the low cost provider within an industry would sacrifice profitability to do so, but that could not be further from the truth with IBKR.



The brokerage unit accounts for more than 84% of the pretax income for IBKR. With its fully automated, state-of-the-art execution platform, IBKR is equal parts broker and software company. The software platform allows for 24/7 access to markets around the world. IBKR offers 100+ markets in 24 countries and 20 currencies for trading capabilities. Simply put, the business is attractive to every type of market participant – advisers, traders, long-term investors, and traditional "mom and pop" retail customers. With only ~1% market penetration of total available brokerage dollars in the online discount broker world, IBKR has tremendous paths for growth ahead. Pretax margins in IBKR's brokerage business average in the low 60s, and Peterffy believes pretax margins can exceed 70% based on the operating leverage inherent in the business. IBKR is low cost and extremely profitable. Win-win.

If ever there was an owner-operator at the helm of a publicly-traded company, Mr. Peterffy is he. He owns a significant portion of the company outright, and still works tirelessly as CEO and Chairman to ensure IBKR achieves the lofty goals he has set out for the company, though he is beginning to plan for his succession by handing over substantial responsibility to CEO-in-waiting Milan Galik. Peterffy is on record as stating that he believes IBKR is on track to become the biggest broker in the world based on the advanced nature of its technology offerings. As the world becomes more automated, the brokerage business will follow suit, and IBKR has prepared for that since the inception of its brokerage business. Brokers provide essentially the same service. Thus, it follows that the best, most efficient technology, as the industry moves further and further into automation, will win the day. IBKR has the best technology. Therefore, Peterffy believes IBKR will become the best platform and the biggest broker. We are more than thrilled to have Mr. Peterffy working for us as shareowners.

We purchased shares in the business throughout the quarter between $38-$39 across various client accounts. To be sure, the valuation was not the cheapest valuation at which we've purchased shares in our wonderful businesses. With around 405 million shares outstanding, and about $1.04 billion in cash on the balance sheet, our purchase price effectively values IBKR at a Total Enterprise Value of $14.8 billion. Based on last year's pretax income of $506 million and free cash flow of around $400 million, we bought shares for about a 3.4% earnings yield and 2.8% free cash flow yield.

However, if we factor in expected growth of a minimum of 15% over the next decade, which we anticipate as a base case, we believe our effective internal rate of return on our shares will be in the 17-20% range, making IBKR one of the most attractive long-term holdings across our portfolios.

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As usual, specific account information, including individual holdings and performance, is mailed under separate cover to individual clients.

I believe strongly in each of the businesses we own, and in our prospects for future operations. I cannot stress enough how important I believe patience, discipline, and long-term thinking are to investment success. The broad market declined and so did the prices of the stocks in our portfolio, but I believe the per share business values are as strong and defensible as ever. If anything, recent price declines have given us an opportunity to go shopping for premium items at bargain prices.

It is an honor and privilege to manage assets on behalf of clients, and I hope for consistent success over the long-term for both the businesses we own and for the clients we serve. Investing is a truly wonderful pursuit, one for which I have intense passion, and I am lucky to have this opportunity. I look forward to speaking with clients and other interested parties, so please feel free to be in touch!

With warmest regards,

Joseph R. Weidenburner, JD
President & Chief Investment Officer
October 5, 2015