JRW FINANCIAL LLC

MANAGEMENT COMMENTARY – Q2 2015

INTRODUCTION

In our first quarter commentary, we made reference to the Aeternitas Fund. Going forward, the single portfolio managed by JRW Financial will be referred to as the JRW Core Equity Portfolio. Although a matter of semantics, we believe our portfolio is better characterized by a frank description of what it is: a single portfolio of equities that forms the core fundamental offering of investment services provided by JRW Financial.

PERFORMANCE MEASURES[1]

	Q2 2015	Q1 2015	Since Inception[2]
JRW Core Equity	2.70%	2.96%	(0.01%)
S&P 500	0.28%	0.95%	7.02%
NASDAQ Composite	2.06%	3.86%	14.15%
Dow Jones Industrial Average	(0.29%)	0.33%	6.81%

Our portfolio performed well in the second quarter, as it did in the first quarter, making up for operational missteps in the latter portion of 2014. As the "since inception" column shows, our performance overall has lagged the markets relatively significantly since inception in July 2014, but this was due in large part to our ill-fated attempt to catch a falling knife in Lumber Liquidators (LL). That is a mistake we will not make again (though there will be others).

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.

[1] We include performance of a composite of the JRW Core Equity Portfolio versus the three major U.S. indices for informational purposes only. JRW Financial does not believe quarterly performance is the appropriate measure of a portfolio's worth, but will include performance metrics to be open and forthright. We believe performance over a minimum of 3-5 years is a much better barometer of our ability to invest in competitively advantaged businesses. The information provided in the table for the JRW Core Equity Portfolio is gross return, and the accuracy of the index information is to the best of our knowledge.

[2] Inception date of JRW Core Equity Portfolio is July 1, 2014.

MARKET OVERVIEW

It seems that not much changes within the global marketplace. Reasons for the demise of equity markets are espoused frequently and have included inflated asset prices due to various rounds of easy monetary policies, potential Greek default and exit from the European Union, and the inevitable raising of interest rates by the U.S. Federal Reserve. These same issues that are at the forefront of commentary these days have been around for years. And the shorter-lived causes for financial peril, such as the precipitous decline in the price of crude oil and the precipitous rise in the value of the U.S. Dollar against all other foreign currencies, have since dissipated.

And to what end? In the U.S., broad based stock indices have glided higher over the past 6 years since the advent of this bull market, and have been at or near all-time highs as recently as a few weeks ago. Investors who have remained invested for the long-term have seen significant gains while the dooms-dayers and nay-sayers have been wrong time and again.

At JRW Financial, we think it prudent to be as aware as possible about what goes on in the global financial world. We keep track of the news and we think long and hard about the issues that may affect our portfolio holdings. But we do not think of these events as reasons to sell our ownership interests in the businesses we have purchased, nor do we think in terms of needing to be "out of the market" or "on the sidelines" should broad based equity measures begin to correct, sell-off, or even crash.

Warren Buffett talks about the need to be fearful when others are greedy and greedy when others are fearful. This mental model offers a paradox at present. On one hand, if the financial pundit community is to be believed, we are on the precipice of calamity. In such instances where the prevailing market sentiment seems to be extreme fear, we would look to be opportunistic purchasers of our target businesses. On the other hand, markets that make new highs, stock prices that are deemed “expensive” broadly across the board, and easy monetary policy fostering “artificial” economic stimulus portends a froth-riddled, greedy market. In such cases normally, we would reserve our purchases for a time when prices and sentiment were not so dear.

So which is the appropriate course? I tend to come down somewhere in the middle with regard to the broader market. From looking at the stocks we monitor closely, there are few bargains available, and in general market prices look at best fairly valued, if not inflated somewhat. But there are many signs that point to an improving and positive global economic outlook, including growth among many developed nations worldwide (although the emerging market struggles of Brazil and Russia, and the significant slowing of growth in China may give reason for pause). Companies are exceeding estimates on both the top and bottom lines, and the best and brightest of the companies we follow continue to earn returns on invested capital that far exceed their conservatively estimated cost of capital, particularly in a continued low interest rate environment.

The point I want to emphasize, however, is that our portfolio decisions, the buying and selling of ownership interests in the businesses we follow, are not dictated at all by what happens geopolitically or macroeconomically. We will not rush to sell portfolio holdings if market prices begin to fall. We are long-term investors, owners of businesses that enjoy durable competitive advantages. We believe in the companies we own because of their business operations. We do not believe that panic-selling across markets because the Fed raises interest rates 0.25% will have any effect on the per share business value of the companies we own. We would be eager to add to positions or begin new positions in great businesses if panic-selling offers those shares on the cheap.

We purchase shares in wonderful businesses at fair and reasonable prices. It is the wonderful business we want to own, and only business performance, competitive advantage, and returns on invested capital dictate to us what we should buy. The global macro environment is good to keep abreast of, but it will not dictate to us the buying and selling of stocks. When asked by investors, peers, or people in general, for what we think about the market, we can postulate what effect events may have on broad market prices. But when asked whether we would be raising cash or moving to the sidelines on the basis of global macro events, we answer with a resounding NO!

TO PROTECT AND GROW CAPITAL – HOW WE DO WHAT WE DO

The overarching goal of our investment operations is to protect client capital over which we are granted stewardship while compounding that capital over a long-term investment time horizon. Towards that end, we allocate investment capital to wonderful businesses purchased at reasonable market prices with honest and capable managers guiding the business towards the compounding of per share business value, and we require a margin of safety built into each investment we make.

To paraphrase Warren Buffett, investing is simple, but it is not easy. The preceding paragraph summarizes in simple terms what we work towards each day as investors. The process of achieving our goal, however, is challenging. With almost infinite opportunity to allocate investment capital and a finite amount of time with which to analyze investment opportunities, we must determine the most advantageous way of narrowing our focus to ensure that we find the best opportunities for asymmetric investment returns[3].

[3] Asymmetry is defined as the lack of equality among parts. In terms of our investment operations, our quest for asymmetric returns is shown through our focus on those opportunities where the upside potential for compounding

We treat each investment as if we were purchasing the entire business. Our ideal business is one that we can purchase at reasonable prices related to the potential to compound per share business value. We want to own our businesses for a very long time to allow the force of compounding to work. Our interests are best served when we align ourselves with operators with a true knack for guiding their business successfully.

The truly indispensable essence of our investment approach is the emphasis we place on finding businesses that have structural competitive advantages. By shrinking the universe of potential investments to those businesses with truly inherent and durable competitive advantages, we increase the probability of finding opportunities that provide asymmetric returns over the long-term. Owning businesses where the likelihood of long-term compounding of per share business value is high correlates well to the likelihood of our compounding investment returns over a similarly long-term time horizon.

Howard Marks, one of the foremost thinkers and writers on investing, and Chairman of Oaktree Capital, says that in order for investors to achieve consistently above-average returns from investing, they must engage in a differentiated and powerful way of thinking, which he calls "second-level thinking." At JRW Financial, we strive to engage in second-level thinking at all times. Marks writes:

> What is second-level thinking? First level thinking says, "It's a good company; let's buy the stock." Second-level thinking says, "It's a good company, but everyone thinks it's a great company, and it's not. So the stock's overrated and overpriced; let's sell."[4]

One of the most important ways we strive to apply second-level thinking is through our work examining the structural competitive advantages of the businesses we research. Not only do we examine the existence of a structural competitive advantage within a business, but also we examine the nature of that advantage. We do not view competitive advantages as static, but rather as evolving or devolving.

To put this in the context of Marks' second-level thinking, we believe that first-level thinking says, "It's a business with a structural competitive advantage; let's own it." However, second-level thinking, and the type of analysis we conduct, says, "The business has a structural competitive advantage, but the advantage is waning, and the fundamentals of capitalism are eroding the business, so the advantage is no longer durable; we're avoiding the stock." Applied

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capital is much greater than the downside risk of permanent capital loss. We invest when the probabilities are strongly in our favor and the margin of safety in the investment is great.

[4] Howard Marks, The Most Important Thing Illuminated, p. 4.

another way, our second-level thinking might say, "Although the business may not have a structural competitive advantage right now, it is developing one, so we want to follow this company closely."

To determine whether a business enjoys a structural competitive advantage, we examine the company's current and historical returns on invested capital[5]. More so than any other metric we know, we believe return on invested capital shows the inherent ability of a company to maintain an operational advantage over its peers. The ability to earn greater returns on less invested capital, and the ability to sustain this over a period of time, shows us that a company has something more than just excellent operators at the helm, though that never hurts. The metric shows us something inherent in the nature of the business that allows it to earn more with less. Return on invested capital is the way we quantitatively determine whether the business enjoys a competitive advantage.

We analyze the qualitative nature of the business as well to determine the particular source of the competitive advantage. Pat Dorsey, formerly of Morningstar and currently of Dorsey Asset Management, has written extensively[6] on the sources of structural competitive advantage, and we apply these lenses and others to determine with some level of precision what the competitive advantage is that a business enjoys. Because we view stock purchasing as owning shares in businesses, we strive to know as much about each company we own as we can, and we want to think of our businesses in terms of what makes them better than competitors or new entrants.

That analysis gets us through first-level thinking. To take our framework a step further, we examine the industry peers of any business we research. We analyze the industry as a whole to see where market share is gaining, where the opportunities are for growth, whether the growth runway is lengthening or shrinking, how the business is able to price its product or service within the marketplace, and whether there is new technology on the horizon that threatens the business or the industry. We want to own the small subset of businesses that defy the basic tenets of capitalism and will increase market share, margins, and returns on invested capital over the long-term. We want to own the few businesses we believe will be better off in 5, 10, or 20 years. Analyzing the nature of competitive advantages, not just the source, gives us this differentiated edge in our investment research and company analysis. This is our version of second-level thinking.

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[5] As with many investment metrics, there are different methods proposed for calculating return on invested capital. In the interest of simplicity, we define return on invested capital as Operating Income divided by the sum of Long-Term Debt and Shareholder Equity.

[6] The Little Book That Builds Wealth and The Five Rules for Successful Stock Investing should be on any aspiring investor's wish list.

It is through this important lens that we view all the businesses we research, both those in the portfolio and those that are considered potential candidates for investment.

WHAT ABOUT VALUE?

A significant portion of our analytical framework is devoted to analyzing businesses for their competitive advantages. This exercise allows us to answer the question of "in what should we invest?" Identifying businesses with competitive advantages that are inherent and durable comprises the lion's share of the analytical work that we do, but it does not end the task. Once we find where all the fish are located, we must still devise the best method of catching them.

Our preferred method of "catching fish" is valuation. We look for a divergence between what the shares of wonderful businesses are **worth** and how the market **prices** those shares. Efficient market theorists will cringe at reading the previous sentence, but a fundamental tenet of our investment philosophy is that markets are not always fully efficient and that shares can be **mispriced**.

We believe that the universe of wonderful businesses with structural competitive advantages is a small subset of the entire universe of investable securities. It is on these companies that we focus. Essentially, that answers the "what?" Before making any investment however, we need to determine the point at which asymmetry arrives. We find this through the price we are willing to pay for ownership shares in the list of wonderful businesses we maintain. Effectively, this answers the "when?"

As the old adage counsels, "there are many ways to skin a cat." Value investors, by and large, seek to pay no more than what they consider fair value for shares of stock. Some value investors will only purchase stock when the market offers a significant and deep discount to per share business value. Others aim to pay a fair and reasonable price. Determining per share business value is much more art than science, and there are many ways to do so.

Our favored method of determining the right price at which to buy can be classified as a private market multiple. Since we believe our purchase of stock represents an ownership interest in the entire enterprise, we apply a business owner mindset to the purchase of shares. We determine the amount a private market participant would likely be willing to pay for the entire enterprise, and we apply that to the common shares outstanding to determine the maximum price we are willing to pay. The metric we utilize is the multiple of enterprise value[7] to operating income. By inverting the multiple, we are able to find the percentage yield of operating income from the previous twelve months of operations on a current reflection of enterprise value. In general, the

[7] Our definition of Enterprise Value is Market Capitalization (stock price * shares outstanding) plus Long-Term Debt minus Cash.

higher the yield (and thus the lower the multiple of operating income we are to pay), the more attractive the price.

We have certain guiding principles with regard to the attractiveness of the yield we seek. We require an absolute minimum yield of 6.5%. This translates roughly to paying no more than 15x operating income on an enterprise value basis. We factor the asymmetry of the opportunity into our equation. The larger the margin of safety as determined by the business outlook uncovered through our application of second-level thinking to competitive advantage, the higher the price we would be willing to pay (and thus the lower the yield we are willing to accept). In most cases, we hold off purchases until we find yields in excess of 10%.

Our belief in value-oriented investing inherently objects to the notion that all market prices are efficient at all times. We are comfortable with that view. Ben Graham's mercurial and temperamental Mr. Market is a powerful mental model through which to view the stock market. To be sure, the belief that markets are inefficient is also the belief that the market is incorrect and the analyst is correct. This requires resolve supported by extensive research and analytical work (and to be fair, a healthy ego). Because we believe not all market prices are efficient all of the time, we look for pockets of inefficiency surrounding the mispricing of stocks in which we have great interest.

WHY ARE WONDERFUL BUSINESSES MISPRICED?

Many of the businesses we follow are followed broadly by the investment community and by the analyst community. Much or all of the information that is knowable is known and factored into multi-layered financial models. Information is not our edge.

Our edge comes from our disciplined approach to investing and our differentiated outlook on the businesses we analyze and follow. Talent is not always the greatest determinant of success – in business, sports, investing, or life. Commitment to excellence, passion for the pursuit, and unending dedication to working harder and better than everyone else can be far more important to one's success than talent alone.

Our edge, then, is recognizing the reasons why stocks within the marketplace can be mispriced. Our belief in the inefficiency of markets is what gives us the ability to find asymmetric return opportunities. We believe the fundamental cause of market inefficiency and security mispricing is the human brain. More specifically, human psychology and the limits of our inherent psychological biases are the primary reasons why a majority of the mispricings we find in the market occur. Howard Marks sums up the theory behind our argument perfectly:

> Whereas the key to ascertaining value is skilled financial analysis, the key to understanding the price/value relationship – and the outlook for it – lies largely in insight into other investors' minds. Investor psychology can cause a security to be priced just about anywhere in the short run, regardless of its fundamentals. The discipline that is most important is not accounting or economics, but psychology.
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> The key is who likes the investment now and who doesn't. Future price changes will be determined by whether it comes to be liked by more people or fewer people in the future.[8]

This summation from Marks echoes the theory behind Ben Graham's Mr. Market. Graham notes in The Intelligent Investor that the market is a voting machine in the short-run, and a weighting machine in the long-run. Short-term market price fluctuation is largely noise and is based on the psychological whims of collective market participants. Over the long-term, the best asymmetric return opportunities are likely to be weighed by the market and "liked" by the majority. This latter point is what causes market prices to move, and what will bring the market around to those ideas we have focused on as offering the most asymmetry.

Another of our favorite investment thinkers and writers, Christopher Begg of East Coast Asset Management, states his belief as follows:

> Psychological mispricings are driven from collective investor psychology which induces broad selling or a lack of buying in an investment, asset class or group of securities. Psychological mispricings have produced some of our most compelling compounding opportunities. The study of how human beings perceive the world is a helpful tool to understand the psychological biases that produce mispricings.[9]

The collective perception of market actors in the short-term is what creates the most advantageous opportunities for mispricing. Cutting through the short-term noise of price to focus on the long-term fundamental per share worth of a business is also a method of second-level thinking.

Behavioral finance, or the study of how human psychology impacts financial decisions, is a groundbreaking and fascinating area of study. I plan to devote a significant amount of time expanding my knowledge base with regard to this field. I am very excited to begin reading

[8] Marks, The Most Important Thing Illuminated, pp. 32-33.
[9] Christopher Begg, East Coast Asset Management – First Quarter 2012 Update – A Focus on Mispricings, April 24, 2012.

Misbehaving: The Making of Behavioral Economics by leading scholar Richard Thaler. I have no doubts that future market commentaries will include greater discussion of the link between psychology and financial actions.

PORTFOLIO NEWS AND NOTES

Health Net Acquisition

Although the event occurred two days after the close of the quarter, we had a recent development with our holding Health Net (HNT). On July 2, Centene (CNC) announced a planned acquisition of Health Net in a roughly $6.3 billion transaction, or north of $78 per share. This acquisition price represented a 21% premium from the closing price of Health Net shares after the previous session. The proposed agreement offered $28.25 in cash per Health Net share, as well as 0.622 shares of Centene.

The Affordable Care Act has brought on speculation of a flurry of merger activity among health insurers and managed care companies. The idea is that bigger and stronger combined firms will improve efficiencies and economies of scale, while entrenching competitive positions and offering access to new opportunities.

We were attracted to Health Net's positioning in the Medicare, Medicaid, and VA services spaces, and the fact that it was smaller than the behemoths in the industry signaled to us that it had room to grow. While we did not immediately acknowledge the takeover potential, in retrospect our timing worked out well. What we did like was an EBIT yield on total enterprise value north of 10% and significant free cash flow yield of around 30% at time of purchase.

The deal is set to close some time in 2016. We will hold our position in Health Net as we examine Centene closer and analyze what the potential tie up will look like in finished form. We realize as well that there is always the possibility of a rival takeover offer at an increased price given the current deal-hungry nature of the industry.

eBay to Spin Off PayPal

The Board of eBay Inc (EBAY) officially approved the split between the Marketplaces division (what is considered to be traditional eBay) and PayPal, the online payments platform considered by many to have been the crown jewel property of eBay. On Friday, July 17, at the close, we will receive 1 share of the newly public PayPal (PYPL) for each share of eBay we own, and PayPal shares will begin trading Monday, July 20.

Online and mobile payment is a burgeoning industry that is still in the very early stages of development. Spinning off PayPal allows the company to pursue growth avenues outside of the combined entity. The Marketplaces division has struggled in recent years due to a variety of factors, including having market share taken by Amazon, but still enjoys a network effect, where the more people there are that use eBay for purchases, the more sellers eBay will attract.

Spinoffs create opportunities in both the parent company and the newly-formed public entity. Investors (and speculators) have new reasons to place trades, new information to analyze, and new plans to make. In the vast majority of circumstances, the spun-off company is the company with higher growth prospects and considerable momentum, whereas the parent company can be seen as the underappreciated and forgotten business.

We are bullish on the online and mobile payment industry. The transition from paper currency to electronic transactions continues to be one of our primary themes for future growth and we remain very active in the space, particularly with MasterCard (MA), one of our core holdings.

PayPal is the clear leader in the growing industry, as it is one of the earliest and most widely-used online and mobile payments platforms. Without question there is a distinct competitive advantage in terms of the network effect PayPal has developed over the years. As with many credit card and other payment companies, the more widespread the acceptance of the form of payment, the more attractive it becomes to users. This is certainly true with PayPal, and the competitive advantage it will enjoy as a separate entity should be significant.

However, our focus in analyzing PayPal as it becomes a standalone entity will be on whether PayPal can continue to be the leader in the space in the coming years, or if new entrants pose a serious threat to the business. The online and mobile payments space will have no shortage of potential entrants, including Apple (AAPL), Google (GOOG), and Amazon (AMZN) (*JRW Core Equity owns Apple and Google*). Credit card companies should not be forgotten in this space either, as American Express recently launched "Express Checkout," an online and mobile payments competitor.

Heavy tends to be the head that wears the crown, and as the clear leader, PayPal would suffer the biggest losses should any of its potential competitors steal share and eat into the competitive advantage the business has developed. While we think standalone PayPal is going to be a wonderful company, we will watch closely for signs of deterioration of its competitive advantage, and we would consider taking an opportunity to trim our exposure should the prevailing market forces in the short term price the shares dearly after the spinoff.

As for eBay, there may be significant potential for the firm, now focusing solely on the Marketplaces segment, to execute successfully a transition into a more mature, singularly focused platform. Amazon has taken share from eBay, but the threat does not appear to signal a death knell, as users use Amazon and eBay for different purposes, and eBay does not face the overhead of expenses for logistics, order filling, and storage that Amazon faces. A renewed focus on developing better technology for its own third-party, fixed price sale platform, as well as focusing on growing users for that platform as well as the legacy auction platform, should lead eBay to continue its own strong network effect advantage. And as the company matures, we would be interested in seeing the company shift its capital allocation policies towards returning significant free cash flow to shareholders through dividends and buybacks. We plan to keep our ownership interest in legacy eBay and would look to add on any short-term weakness post-spinoff.

Dry Powder

While we try to remain as fully invested as possible when situations warrant, we do keep a bit of cash on hand to be put to use when attractive opportunities arise. We will use any volatility offered by the market's reaction to macro events including Greece and the raising of interest rates in the U.S. to add to existing positions or initiate new positions in some of the best businesses around that are trading at attractive prices. Our favorite ideas at present include World Wrestling Entertainment (WWE), Chicago Bridge & Iron (CBI), Outerwall (OUTR), Berkshire Hathaway (BRK.B), Aflac (AFL), Oracle (ORCL), MasterCard (MA), and Union Pacific (UNP).

SPOTLIGHT HOLDING: OUTERWALL, INC. (OUTR)

I like to highlight one of our investments in each of these quarterly letters to give a bit more information as to what we look for in our research, how we analyze the businesses we own, and what our outlook for the future is for our holdings. Last quarter's letter went into depth about our position in World Wrestling Entertainment (WWE). This quarter I would like to highlight our position in Outerwall (OUTR).

Outerwall is a provider of automated retail solutions offering convenient products and services that benefit consumers and drive incremental retail traffic and revenue for retailers. Most notably, Outerwall owns the Redbox self-serve movie and video game rental kiosks located outside many retail stores and gas stations. Outerwall also owns Coinstar (previous name of the company), the coin-counting kiosks usually found in supermarkets and other retail stores.

Outerwall enjoys a monopoly on providing automated retail services through Redbox and Coinstar in all of the properties in which it operates. Retailers are unlikely to have multiple kiosks providing the same service taking up valuable floor space. Thus, the fact that Redbox and Coinstar are significantly ingrained into many of the most popular and ubiquitous retail chains, including Wal-Mart, CVS, Walgreens, and Target, inhibits competition and makes it unlikely that a competitor will enter the market to provide the same service.

The biggest risk to Outerwall, and the fundamental reason why short interest in the name is exceedingly high (47% of the float as of June 15, 2015), is the threat of digital streaming of movies. Netflix is a primary competitor, along with Amazon streaming, and cable operators such as Comcast and Verizon also compete through their digital streaming options. The argument is that people will just choose to browse through their cable boxes and digitally purchase a movie, rather than go out to a store (a large reason why Blockbuster and other movie rental retailers went out of business). Physical rental volume of DVDs and Blu-ray discs continues to decline over the years, and offers little reason to expect stabilization.

While the physical DVD rental market is in secular decline, we believe the decline to be plodding at worst. Outerwall has a dominant position based on its kiosk footprint. We believe the market for low-cost DVD rentals will not decline precipitously and the convenience of widespread kiosk locations cannot be overstated. Outerwall recently experimented with price increases to stem the tide of revenue stagnation with great success. The ability to raise prices and keep demand steady is the sign of a truly advantaged business.

Returns on invested capital are consistently above average. Current return on invested capital is 28.24%. Over the past 5 years, returns have consistently exceeded 17%. The company has committed to returning 75-100% of free cash flow back to shareholders through share buybacks and dividends. The business is not capital intensive and requires minimal maintenance capital expenditures each year. Thus a capital allocation policy of returning the lion's share of free cash flow to shareholders is very prudent.

From a valuation perspective the company's shares are very attractive. At the time of writing, shares in Outerwall trade for $80.02. Based on current total enterprise value, the shares yield a very attractive 12.30% (remember that we look for EBIT yield in excess of 6.5%). On a free cash flow to market capitalization basis, the company yields 17%. Prudent capital allocation continues to reduce the outstanding share count, thus increasing our portion of earnings and free cash flow generated by the company. On valuation, Outerwall is one of the most attractive opportunities in our universe.

Based on the company's shareholder friendly capital allocation policies, we believe there is a significant margin of safety built into the shares at current levels. We believe also that the competitive advantage enjoyed by Redbox in the low-cost, on-demand DVD rental kiosk space more than makes up for the slow secular decline in physical DVD rentals. The company continues to look for other ways to innovate as well, including its Coinstar division and its EcoATM division, a technology recycling kiosk service that continues to attract attention.

With above-average returns on invested capital, extremely attractive valuation, and an adequate margin of safety, we are confident in our ownership of Outerwall over the long-term.

CONCLUSION

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. 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
July 2015