GrizzlyRock Institutional Value Partners, LP
and GrizzlyRock Value Partners, LP

2017 Second Quarter Investor Letter

July 21st, 2017

Fellow Partners,

GrizzlyRock Institutional Value Partners, LP and GrizzlyRock Value Partners, LP (together "GrizzlyRock" or the "Fund") decreased 2.03% net of expenses during the second quarter of 2017 and has returned -7.06% year to date through 6/30/17. Since inception, the Fund has compounded at 9.0% net of expenses per year.(1) The culprit of poor year-to-date performance has been the short portfolio (Fund long portfolio has a positive attribution year-to-date).

Short losses year-to-date have resulted from stock price increases of businesses with reasonable and/or cyclical revenue growth, yet a considerable lack of profitability. These businesses are not simply high quality companies at stretched valuations; rather, these companies have little hope of reaching and/or sustaining profitability given weak competitive positions, lack of technological innovation, capital market dependence, continually high reinvestment rates, and below average management teams. One could synthesize this year's short portfolio this way: while we asserted "the emperor has no clothes and clothes are unlikely to materialize for quite some time", for a number of businesses market claims have been "when the emperor dons clothes they will be the most magnificent clothes the world has ever seen!" Substituting the concept of enduring profitability for "clothes" explains Fund performance year-to-date.

In fundamental long/short investing, two imperative concepts are (1) being "early" is the same as being "wrong" and (2) managers must be pragmatic rather than dogmatic. This year we have made the error of being early on many short positions, yet thankfully we have been pragmatic with position sizing.

For a stock to increase markedly in price without showing commensurate profit, the narrative must appear compelling. However, business valuation over time will ultimately be grounded in economic reality. With a 9 year bull market continuing and the "fear index" VIX at all-time lows, market participants continue to pay ever higher prices for the prospect of future cash flows. Speculators are reaching far out on the risk spectrum in story stocks heralded by management teams and investment bankers with a story to tell about the "emperor's clothes". The current environment has not been conducive for many of our short positions, and thus our positioning has been both early and wrong.

Fortunately, pragmatic position sizing has limited the adverse impact. For the first time in the Fund's history, a short reached a 3.0% position size during the quarter and we consequently reduced risk by covering a portion of the position per our risk framework. From a fundamental perspective, this position remains a top conviction short, yet our portfolio risk framework exists to limit damage from adverse price moves.

Despite adverse near-term price action, we have updated our frameworks inclusive of new information, and re-underwritten our positions. This has led us to refreshed conviction in many short positions. While the less arduous route might be simply to close our positions and "move on", we believe our conviction will be rewarded in due time.

A daily exercise for us is to ask ourselves "if we didn't have this position on, would be put it on at this price with our diligence satisfactorily completed?" Any position we would not answer affirmatively is closed. Yet at times, our conviction is not linearly rewarded. These types of high-conviction decisions have significantly improved Fund performance over the course of GrizzlyRock history and we expect them to continue to add value in the future.

Reasons for Confidence Going Forward

Starting with the short portfolio, there are two distinct ways for our short positions to reverse course and generate positive risk-adjusted Fund returns:

(1) **Company Specific Narrative Changes**: While each company we are short has a distinct thesis, many bull narratives boil down to one of two cases: margins will inflect upwards for businesses which are investing for the future or margins will stay perpetually elevated for businesses which are currently over-earning. These narratives are espoused by company management, parroted by many sell-side analysts and accepted as truth by enough investors for the stock price to remain elevated. The human mind is terrific at viewing information through a lens of previously accepted belief (i.e. confirmation bias), viewing situations favorably (i.e. affirmation bias), as well as being influenced by peer perception (i.e. herd mentality). Yet four times a year these businesses file financial statements, including key performance indicators and commentary for all to view. This is often when a business's valuation must be grounded in economic reality. Our analysis positions us to profit handsomely when overly optimistic narratives are belied by the numbers and the narrative fallacy is exposed.

Importantly, we have been through similar situations before. Examples of low quality businesses initially misvalued which were ultimately profitable shorts for us include: the three dimensional printing sector in late 2013 (ex. 3D Systems), regional JOBS Act restaurant IPOs in 2014 and 2015 (ex. Chuy's Holdings, Fiesta Restaurant, and El Pollo Loco among others), high-mindshare yet little technological differentiation businesses in 2015 & early 2016 (ex Box Inc.), faddish products in 2016 (ex. Amplify Brands, David's Tea, Nutrisystem etc.), and significantly over-earning businesses this quarter (ex. Home Capital Group - please see page 12 for commentary).

(2) **Potential Market Weakness**: While GrizzlyRock invests based on individual security characteristics, each market participant must also consider the prevailing investment landscape. While the observations below are not timing indicators and do not influence individual position sizing, in aggregate, the observations provide a reasonable backdrop for us to maintain short positions and thus lower overall market exposure:

- 30x Trailing 10-Year Cyclically-Adjusted PE Ratio: The 30x mark has been reached just twice previously, 1929 and 1999. Though not a timing tool, both of these years were preceded by robust equity market returns that well outpaced true economic growth and followed by recessions and market declines.
- Implied Volatility is at an All-Time Low: While implied volatility may continue to remain low, increased risk focus could adversely affect market prices.
- 9-Year Bull Market with Lofty Recent Gains: A portion of recent gains are predicated on continued corporate earnings growth & potentially reduced corporate tax rates. Should corporate profits decline or tax reform fail to gain steam, market expectations should reduce accordingly.
- Increasing Interest Rates: Historically, US equity markets have performed poorly during periods of rising interest rates. For risk assets discounted by the summation of a riskless rate (i.e. US Treasury Bills) and a reasonable risk premium, an increase in rates would decrease the summation of future cash flows and thus the applicable multiple. While the re-rating of risk assets such as equities is rarely linear, our short positions improve the Fund's ex-ante return profile during such periods.

Given event-driven and value long positions have been the predominant contributors to Fund performance since inception, a GrizzlyRock letter which begins discussing our long portfolio on page three is a rarity. This quarter, the poignancy of short portfolio attribution is worthy of focus. In no way does this diminish our belief in our long portfolio.

The long portfolio continues to lean idiosyncratic in nature (per the above commentary about broad market prices) with the following sample of eclectic, asymmetrically-priced special positions: a commercial REIT turnaround by newly installed & capable management; a cable / telecom operational execution story (including a highly skilled Board Chairman spending millions of personal net worth recently buying common stock); and an industrial sensor business with improving profit margins and a book/bill ratio well over 1.0x. We own many cash generative businesses with improving business prospects and little market correlation.

Why Does GrizzlyRock Short?

A close personal friend and fellow GrizzlyRock investor recently asked me why GrizzlyRock shorts stocks. Given the commentary above regarding recent shorting challenges and our idiosyncratic long portfolio, that is an exceptional question. Here's our answer:

(1) **Profitable Over a Market Cycle:** For over five years from inception through Q1 2017, GrizzlyRock's short portfolio was profitable in aggregate. When compared to lofty market appreciation over that time frame, GrizzlyRock's short alpha is even more pronounced, totaling 26.9% since inception (as of 6/30/17).

Five and one half years into GrizzlyRock's existence, there has not been a period of pronounced market stress. This recent history does not invalidate our strategy. Rather, this history portends we may be closer to the inevitable next round of market stress. Assuming we continue to produce short alpha during the rest of this full market cycle, it would be reasonable to expect overall profitability from Fund short positions.

(2) **Incremental Cash to Invest at Periods of Stress / Low Valuation:** There are three primary ways to have incremental cash to invest at particularly attractive times of market stress: maintain a cash balance prior to market stress, own businesses which regularly return cash, or "create cash" by covering shorts. As our idiosyncratic longs tend not to be reliant on broad market performance for us to profit, holding excess cash would be a drag on Fund return. Secondly, while some public securities return cash regularly, the overall amount of portfolio cash return is meager compared to the opportunity set presented during periods of market stress. Thus, a reflexive strategy of opportunistically closing shorts during periods of market volatility and allocating capital to attractive long investments allows us to use periods of market stress to our advantage.

(3) **Mitigation of the "100 Year Storm" Exogenous Risk:** We expect a well-researched short portfolio consisting of low quality businesses to be more effective in mitigating Fund impact during market weakness than broad market hedges. This is often due to the underlying shareholder base, which generally consists of momentum and/or short-term holders who are often "weak hands" (i.e. first to capitulate) given the underlying businesses' weak durability and cash flow. This creates a reflexive information loop for which selling begets further selling, pressuring prices.

This thesis has been tested thus far in periods of market volatility as recent as 1Q 2016, allowing the fund to weather market volatility and take advantage of opportunities that presented themselves on the long side of the portfolio. We firmly believe our short portfolio will soften the blow if a 2008/2009 scenario or Black Swan event were to materialize.

Quarterly Performance

During the quarter our long investments contributed over 400 basis points of attribution, and year to date though June 30th our long portfolio has generated positive Fund attribution (each figure gross of expenses). Year to date through June 30th, five long positions have attributed at least 50 basis points, highlighted by Darling Ingredients at 141 basis points. Darling remains a top position given capacity expansion, strong regulatory framework, and robust and expanding free cash flow generation.

Two positions constituted most of the negative short book performance in 2Q17, Teladoc (87 basis point impact), for which we have provided our brief thesis below in the appendix, and an undisclosed short. Our research suggests these upward price movements are not validated by fundamental business improvements, and therefore we have chosen to maintain each position for the time being.

Personnel Updates

During the second quarter, GrizzlyRock and Greg Fujii agreed to amicably separate. As you may recall, Greg joined us on the investment team during the fourth quarter of 2016. Greg is a person of high integrity and we thank him for his efforts at GrizzlyRock.

On July 1st, Saidal Mohmand was promoted to Partner, including equity partnership in GrizzlyRock's operating entities. Saidal and I have been working together for nearly four years and his efforts have been tremendously accretive to Fund return. I'm exceptionally pleased to call Saidal my partner in working to compound Fund capital.

Operational Updates

KPMG completed the 2016 annual audit during the quarter with an unqualified opinion. Please contact our CFO Ann-Marie Wolf or me to receive a copy of the Fund audit.

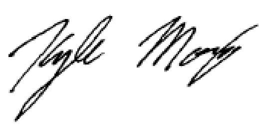
Conclusion

Life lessons are all around for those who observe. One of the best ways to learn those lessons is from a coach (athletic, mental, life, academic teacher, etc.). At UCLA, my baseball coach, Gary "Skip" Adams, ingrained many such lessons in our team. One of Skip's favorite quotes, always delivered in a booming voice, is an applicable way to conclude this quarter's letter:

> The ultimate measure of a man is not where he stands in moments of comfort and convenience, but where he stands at times of challenge and controversy.
>
> \- Dr. Martin Luther King, Jr.

While disappointed by recent results, we at GrizzlyRock look forward to confidently answering the challenge over the years ahead.

Sincerely,



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Appendix A: Current Fund Short Position: Teladoc, Inc. (NASDAQ:TDOC)

Teladoc Current Metrics ($MMs except per share values)			
Share Price 07/20/17	34.3	Dividend Yield	0.0%
Fully-Diluted Shares 03/31/17	62.0	FY17E Pro-Forma Revenue	290
Market Capitalization 07/20/17	2,124	EV / FY17E Pro-Forma Revenue	8.3x
+ Debt 03/31/17	450	2019E Pro-Forma Adj. EBITDA	$18.1
- Cash 03/31/17	165	EV to 2019E Pro-Forma Adj. EBITDA	133.1x
Enterprise Value 07/20/17	2,409		

Base Case Intrinsic Value ($MMs except per share values)			
Intrinsic Value Share Price	6.8	EV / FY17E Pro-Forma Revenue	2.4x
Fully-Diluted Shares 03/31/17	62		
Implied Market Capitalization	424	EV to 2019E Pro-Forma Adj. EBITDA	39.2x
+ Debt 03/31/17	450		
- Cash 03/31/17	165	Equity Downside	80%
Intrinsic Enterprise Value	709		

Source: Company Filings and GrizzlyRock Estimates

Founded in 2002, Teladoc, Inc. is a provider of telehealth solutions. Teladoc contracts with employer health plan sponsors, managed care companies and other payers to provide beneficiaries access to its on-demand network of providers 24 hours a day, seven days a week, 365 days a year. Market euphoria amongst momentum tech equities has created an attractive short selling opportunity in Teledoc.

The company is perceived as a high-growth technology company, yet contrary to the sell-side thesis, Teladoc is a structurally challenged middle-man provider with 15 years of negative cash flow and EBITDA. While the telehealth industry is growing overall, the Company faces a variety of challenges not factored into the current stock price:

- Disintermediation by both clients (Aetna, etc.) and doctor/providers
- Lack of operating leverage and an increase in costs
- Declining gross margins due to pricing pressure and dissipating recurring monthly fees
- Cost disadvantage vis-à-vis traditional in-person offerings such as urgent care
- Saturated employer end market
- Uncertain acquisition strategy
- Cash burn and financial leverage

While the health care industry is slow to evolve at times, our research indicates these trends are materializing and for that reason we believe the market's implied bull case of robust EBITDA growth is improbable.

Despite the significant headwinds noted above, Teladoc's stock price performed well over the past year, appreciating by over 120%. This has been partially driven by market acceptance of Teledoc reaching their goal of Adjusted EBITDA break-even by 4Q17E and aggressive top-line growth goals.

The narrative has morphed as Teladoc has entered upon an expensive acquisition spree, purchasing low quality assets such A HealthiestYou and Best Doctors and financing these acquisitions with expensive debt and little regard for valuation paid, as well as re-entered the uneconomic small business market which generally lacks PMPM fees and boasts lower margins. In the case of the June 2017 Best Doctors acquisition, Teladoc paid $440 million for a business generating $5 million in Adj. EBITDA, growing 10% per annum. (Note: financing this acquisition will cost ~$24 million per annum in interest expense).

Teladoc is not a transformative technology business worthy of a lofty valuation. Teladoc is a combination of an early 2000's call-center, a 1980's healthcare business and a failed mobile application, conjuring the public of its ability to revolutionize healthcare. Conversely, it is highly probable Teladoc fails to deliver on its profitability goals, top-line revenue goals, and utilization goals shared with clients. GrizzlyRock expects further EBITDA losses and cash burn which re-rate Teladoc's equity towards our base case price target of ~$7 per share.

Appendix B [2]: 2nd Quarter Closed Positions Review (organized by investment type)

As included each quarter, below are reviews of investments exited during the quarter. Also, we will re-enter a short position as price fluctuations and/or updated fundamental business prospects warrant. In an effort to be succinct, we will not discuss shorts that have been highlighted in previous commentary.

Value Equity

- <u>Quintis Ltd. (ASX:QIN) (gross realized loss of 46%):</u>

  In 2016 we disclosed a core position in Quintis Ltd. (f/k/a TFS Corporation), the largest owner and manager of Indian sandalwood plantations, headquartered in Australia. Our investment was predicated upon perceived undervaluation due to poor optics and forthcoming free cash flow as the Company monetizes its upcoming harvests.

  Since the position initiation, a short report, CEO resignation and multiple customer loss announcements materially impaired our thesis and we exited the position.

Event Driven

- <u>Par Technology Corporation (NYSE:PAR) (gross realized gain of 28%)</u>

  Par Technology operates two distinct businesses: (1) a no growth, consistent EBITDA generating government technology segment which provides contract services and software solutions to the federal government and (2) a fast growing food & beverage segment which provides software, hardware solutions and support services to restaurants, grocery stores and specialty retail outlets.

  We initiated a position in Par Technology as the market ascribed little value to the food & beverage segment, which is undergoing a transition from a cyclical hardware unit model into a high margin, recurring software and services revenue model. We successfully exited the position as the market began to ascribe value to the food and beverage segment.

- <u>Tangoe, Inc. (NASDAQ:TNGO) (gross realized gain of 23%)</u>

  Tangoe is a leading provider of telecom expense management solutions. We initiated a position in Tangoe earlier in the year after the Company was delisted, allowing us to purchase the business at a low multiple of recurring revenue and free cash flow.

  Moreover, the delisting created a unique opportunity to purchase the business at a significant discount to two bids from leading private equity firms who were also the largest shareholders. We gained comfort that an acquisition could be completed as the bids referenced a quality of earnings report from Alvarez & Marsal. We exited the position as the acquisition was consummated.

- Tetragon Financial Group Limited (ENXTAM:TFG) (gross realized gain of 27%, not including a yearly dividend of ~6% collected for over 5 years)

  Tetragon is a closed-end investment vehicle and asset manager which primarily invests in and manages a combination of CLOs, credit, infrastructure and equity funds. We were initially attracted to Tetragon as the company traded at a substantial discount to net asset value, which consisted predominantly of liquid assets and importantly continued to grow.

  Tetragon's reported net asset value understated its interest in several highly cash generative asset managers. We believed that the discount would narrow over time as Tetragon looked to IPO its collection of asset managers and, in the interim, would collect over 5% annually in dividends. We monetized our position as the discount to net asset value narrowed and the potential IPO was delayed.

Short Positions

- Amaya, Inc. (TSX:AYA) (gross realized loss of 37%):

  Amaya is a provider of online gaming services, notably through its PokerStars and FullTilt Poker brands. We initiated a short position in 2016 as the consensus mistakenly assumed Amaya would grow its Pokerstars segment organically through its casino offering and that the chairman's bid for the company would materialize at a premium to the trading price.

  Our short thesis was predicated upon the business fundamentals deteriorating (organic declines within Pokerstars), outstanding litigation, aggressive accounting, an unsustainable debt load and potential regulatory action. Despite multiple failed buyout bid attempts, weakness in PokerStars and government action materializing on insider trading charges, we exited the position at a loss as the shareholder base did not exit or capitulate as our expected catalysts occurred.

- Advanced Drainage Systems Inc. (NYSE:WMS) (gross realized gain of 13%):

  Advanced Drainage is the largest manufacturer of plastic drainage pipes used in commercial and residential construction as well as agricultural applications. We initiated a short position when the consensus extrapolated potential gross margin benefit perpetually into the future, causing Advanced Drainage to trade at a significant premium to peers.

  Our variant view was the belief that the near-term margin benefit from low polyethylene prices would ultimately be passed on to customers, which was supported by the company's historic gross margins in previous cycles. Despite operating a rather "simple" business, Advanced Drainage had significant accounting issues as evidenced by multiple restatements, late filings and an SEC investigation predicated upon "tone at the top" issues. Multiple quarters of poor earnings and agricultural and international headwinds allowed us to exit our short position at a profit.

- <u>Aqua Metals, Inc. (NASDAQ:AQMS) (gross realized gain of 25% from inception):</u>

  Aqua Metals is a lead recycler utilizing a purported clean electrochemical process backed by strong IP and a competent management team. The company was taken public by a firm led by professionals with past ties to MDB Capital, a notorious brokerage house, and as well had purported ties to paid promotion websites.

  Our due diligence revealed that the company had no patents related to its process, which is based upon a previously tested and failed technology that was found to be economically unfeasible. Furthermore, if Aqua Metals reached its stated evergreen production goals, it would trade at a significant premium to higher margin battery peers such as JCI and ENS.

  Subsequent diligence revealed that the management team had a history of failed public ventures revolving around battery technologies and has been plagued by what we viewed as dubious related parting dealings. We exited our position after the 1Q17 earnings release in which the company disclosed it had generated no revenues and missed expectations.

- <u>Cardtronics plc (NASDAQ:CATM) (gross realized loss of 2%):</u>

  Cardtronics is the largest independent operator of ATMs, owning/managing over 200,000 across the globe. We initiated a short position as Cardtronics traded at a premium to payment processing peers despite the loss of its largest customer, 7-Eleven, who constituted over 18% of revenues and a greater portion of EBITDA.

  In response, Cardtronics has chosen to pursue a costly debt fueled acquisition strategy to mask the lack of organic growth and secular declines within the industry as digital transactions take greater market share. We exited our position as Cardtronics missed estimates and technical factors worsened for the short (i.e. short interest increased).

- <u>Equitable Group (TSX:EQB) (gross realized gain of 41%):</u>

  Equitable Group is one of the largest subprime Canadian mortgage lenders with a strong presence in the Greater Toronto area, Alberta and British Columbia. Notably, Equitable Group has grown its loan portfolio substantially over the past three years (60%), which coincided with the hiring of a team fired from Home Capital. Equitable Group is highly levered with just under 5% equity to assets, no provision for loan losses, and likely shared similar disclosure/credit issues as its closure competitor, Home Capital.

  Our due diligence suggested if any decline in housing prices were to occur or any EQB specific credit events (i.e. OSFI investigation), EQB equity would decline, exacerbated by its reliance on short-term brokered deposits. We covered our short position in Q2 as the market became concerned with the sustainability of Equitable Group’s funding model and the Toronto housing market.

- Enova, Inc. (NASDAQ:ENVA) (gross realized loss of 43%):

  We initiated a short position in Enova, a subprime online lender, given risk to the company's business model from CFPB rules slated to be implemented in 2H17E/FY18E, which eliminates the lucrative short-term payday loan segment (30% of revenues), deterioration within the capital-intensive Net Credit business, restrictions on advertising and lack of provisioning. Given Enova's reliance on the capital markets and highly leveraged balance sheet, ENVA is in a precarious position with any of the above mentioned items having the ability to push Enova into insolvency.

  We exited the position due to uncertainty around CFPB rule implementation and the company's continued access to the securitization markets. Given our familiarity with the business and subprime consumer credit cycle near its last innings, we are patiently waiting for an opportune time to re-initate our position.

- FleetCor Technologies, (NYSE:FLT) (gross realized gain of 14%):

  We initiated a short position in FleetCor, a fuel and logistics provider to the trucking industry, as diligence noted margins were substantially higher than their main peer and competitor without any clear indications as to the source of such a divergence. We later found the company's Better Business Bureau (BBB) ratings to be overwhelmingly negative, with the primary cause of such complaints primarily surrounding various fees.

  This provided an explanation to the company's outsized margins, a practice which we viewed as legally dubious and unsustainable. Further, the main competitor recently won a large customer from FleetCor, signaling that the business's competitive position was not as strong as many perceived. The business traded near historically high valuation, which we saw as unreflective of these issues. We monetized our short position as the market sold FleetCor upon reports from Citron Research and Capital Forum which corroborated our research.

- Home Capital Group, Inc. (TSX:HCG) (gross realized gain of 68%):

  Founded in 1979, Home Capital is one of the largest subprime mortgage underwriters in Canada. HCG underwrites CMHC insured and uninsured subprime mortgages in Canada which are predominantly originated from independent mortgage brokers. Said simply, Home Capital specializes in providing mortgages to individuals with poor credit or those with "untraditional" circumstances (i.e. students, hard to verify income, etc.)

  We initiated our short selling position in early 2016 after spending 1.5 years researching the Canadian subprime credit markets. Our short selling thesis was predicated upon Home Capital maintaining negligible loan loss reserves, a history of missing estimates and guidance, disclosed mortgage fraud in excess of $2 billion as well as questionable undisclosed relationships. All of this left Home Capital in a precarious position when considering the significant balance sheet leverage, reliance on short term funding and an overheated Canadian housing market.

We successfully monetized our short position in Q2 as it was disclosed that Canadian regulators took legal action in conjunction with the continued deterioration in the business fundamentals which led to a substantial increase in funding costs and an exodus of deposits.

- <u>Orchid Paper Product Company (AMEX:TIS) (gross realized gain of 5%):</u>

  Orchid Paper is a highly-levered producer of paper towels and toilet paper trading at 11.2x forward EBITDA, a considerable premium to peers. The company had historically operated a single, highly successful facility based in the Midwest with a confluence of factors that drove industry leading margins. To expand its footprint, Orchid levered up and began an ill-timed, ill-planned greenfield new-build facility in the southeastern US just as its volumes in the West were trimmed, pricing pressure in the Midwest intensified, and at least six competitors announced expansions in the southeast.

  While our thesis materialized as covenant issues intensified and the company continued to miss earnings estimates, we were forced to prematurely cover our position as our borrow was recalled.

- <u>PCMI, Inc. (NASDAQ:PCMI) (gross realized gain of 13%):</u>

  PCMI, formerly known as PC Mall, is a multi-vendor reseller of IT products and services. Sales had been declining in the three years leading up to 2015, at which point management levered up and made three acquisitions bringing nearly $1B of revenue and igniting a greater than 100% increase in the stock price. These acquisitions have masked an otherwise mature market with secular headwinds as data moves to the cloud. Moreover, the structure of the company's acquisitions served to considerably overstate EBITDA.

  We exited our position as the Company missed earnings estimates and as allegations of fraud supported by litigation were uncovered.

- <u>NIC, Inc. (NASDAQ:EGOV) (gross realized gain of 17%):</u>

  NIC provides online service capabilities to local, state and federal agencies, primarily building and maintaining web portals for state agencies. The consensus ascribed a lofty multiple for NIC given the perceived stability of NIC's revenues. Our short selling thesis was predicated upon over 50% of NIC's contracts coming up for renewal over the next two years. Notably, our diligence suggested NIC's web portals are undifferentiated and were priced at unfavorable terms, particularly when considering the technology involved and as competition intensified.

  We covered our position at a profit after earnings disappointed and as the state of Texas, a large NIC customer, entered the RFP process rather than an auto-renewal.

HISTORICAL MONTHLY RETURN

GrizzlyRock	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	Year
2017	-3.01%	-1.11%	-1.09%	3.88%	-5.05%	-0.67%							**-7.06%**
2016	-0.20%	2.48%	6.36%	2.33%	-0.04%	2.23%	2.88%	0.43%	0.12%	0.88%	-0.02%	1.34%	**20.24%**
2015	-1.57%	2.28%	-1.69%	2.51%	0.50%	-1.07%	-2.16%	-0.65%	-2.05%	2.58%	2.53%	-2.00%	**-1.01%**
2014	0.48%	1.51%	0.70%	2.11%	0.14%	1.93%	-0.36%	1.33%	-1.08%	0.99%	5.77%	-0.82%	**13.29%**
2013	6.35%	1.91%	2.03%	-0.16%	-0.64%	2.63%	-1.95%	-1.85%	2.00%	2.29%	-0.27%	0.46%	**13.26%**
2012	2.93%	4.35%	-1.55%	2.50%	-4.07%	3.89%	0.41%	3.07%	0.78%	-0.14%	-1.20%	1.99%	**13.36%**

Table presented net of all operating, management, and performance fees
Please note that no management or incentive fees were charged to the fund in calendar year 2012
Past performance does not guarantee future results

Footnotes

(1) Average annual return calculated shown as a geometric monthly mean. The formula is as follows: Average Annual Return = (geometric mean of monthly return) ^ number of months since inception.

(2) Realized gross returns are estimated and calculated by comparing the estimated average entry price to the average position exit price. Interest and dividends received are included as applicable.

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