TO: Investment Partners
FROM: Emeth Value Capital | emethvaluecapital.com
DATE: 02/07/2020
RE: 2019 H2 Letter

Annualized Net Returns to December 31, 2019 (unannualized if < 1 year, inception 12/31/2015)	Emeth Value Capital	MSCI ACWI Index	Delta
6 Months	+33.95	+8.82	+25.13
1 Year	+87.40	+26.59	+60.81
2 Years	+24.61	+7.26	+17.35
3 Years	+29.41	+12.67	+16.74
Since Inception	+24.07	+11.59	+12.48

Calendar Year Net Returns to December 31, 2019	Emeth Value Capital	MSCI ACWI Index	Delta
2016	+9.33	+8.39	+0.94
2017	+39.57	+24.35	+15.22
2018	-17.14	-9.12	-8.02
2019	+87.40	+26.59	+60.81
Cumulative Since Inception	+136.94	+55.04	+81.90

Foreword

I intend to share the updated results at the outset of each letter. It is worth reiterating that I ascribe little significance to short term results. I look out many years when making investments for the partnership and believe our results are best weighed using a similar time horizon.

Thoughts on Concentration: Eating Sardines and Trading Sardines

One parable in Seth Klarman's *Margin of Safety* illuminates a principle of value investing that underpins my approach to concentrated long term equity ownership: "There is the old story about the market craze in sardine trading when the sardines disappeared from their traditional waters in Monterey, California. The commodity traders bid them up and the price of a can of sardines soared. One day a buyer decided to treat himself to an expensive meal and actually opened a can and started eating. He immediately became ill and told the seller the sardines were no good. The seller said, ‘You don't understand. These are not eating sardines, they are trading sardines.’” Equity securities represent the fractional ownership of a real business. However, like sardine traders, most financial market participants are more enticed by speculation – what something can be sold for, rather than ownership – what you receive in return for your investment. This has important implications for how investors think about risk. Modern portfolio theory defines risk as volatility, which is sensible if selling an asset, irrespective of the merits of the underlying business, is your principal goal. This is particularly true if like many market participants you are beholden to a short term investment horizon. For instance, if you have a dollar today but need it for food tomorrow, then you should not invest it in even the best security as you may starve if the price dips overnight. For owners, however, volatility is an ineffective measure. Suppose on your way to the office every morning an erratic neighbor offers to buy your house for a drastically different price each day, sometimes for half or less of the previous offer, does this in effect make home ownership a risky proposition? Obviously not. Ultimately, for owners, risk is tethered to financial reality not perception. Speculators are advised to moderate risk through diversification, defending against the possibility that Mr. Market’s perceived value of any one security changes drastically. Owners, on the other hand, have a different tool in their toolbox – the price paid for an asset. Consider an investor who receives an unexpected offer to buy the entire outstanding common equity of Apple for $1 million. Would this individual be taking on more risk by liquidating their entire portfolio to purchase Apple or by continuing to own seventy-five mediocre assets? Almost certainly the latter. At the available purchase price, this investor could be materially incorrect about the future trajectory of the business and still have confidence that the investment principal will be safe. Nevertheless, modern portfolio theory would have you believe that the quantity of fish you receive for your money is irrelevant, unless it comes in a sufficient number of cans. In many cases, I am invested alongside entrepreneurs who have the entirety of their net worth invested in the companies they founded. In other words, their portfolios have one equity security. Below I highlight a portfolio company, LoopUp Group Plc, where this is exactly the dynamic.

LoopUp Group Plc

Overview

LoopUp Group Plc offers an intuitive and streamlined software as a service (SaaS) product aimed at providing a richer, more productive experience for everyday remote meetings. The group’s mission is to eliminate common frustrations associated with dial-in conference calling, while delivering an enterprise grade software solution for the mainstream business user. The collaboration solutions market is laden with complex and feature-heavy software products that, to date, have witnessed meager user adoption. LoopUp takes a contrarian approach that emphasizes simplicity, reliability, and frictionless use. The company is headquartered in London and has offices in the United States, Germany, Sweden, Australia, and Hong Kong. LoopUp was founded by Steve Flavell and Michael Hughes, who jointly own ten percent of the business. Over the last five years LoopUp has grown revenues more than six fold.

A Brief History of Collaboration Solutions

> *“It is conceivable that cables of telephone wires could be laid underground, or suspended overhead, communicating by branch wires with private dwellings, country houses, shops, manufactories, etc., etc. – uniting them through the main cable with a central office where the wires could be connected*

as desired, establishing direct communication between any two places in the city. Such a plan as this, though impracticable at the present moment, will, I firmly believe, be the outcome of the introduction of the telephone to the public" (Alexander Graham Bell, 1877)

The telephone was invented in 1876. Almost immediately thereafter it was recognized that, to achieve its greatest usefulness, broad interconnection among subscriber lines would be required. This necessitated large investments in a wired telephony network, local exchange offices, switchboard hardware, and operators to physically connect subscribers. At that time, every telephone required its own public telephone line, which meant that a call made by an employee to a coworker down the hall had to be routed the same way as a call to a customer across town - from the employee's desk phone to the telephone company's nearest exchange and then back to a coworker's desk phone. Businesses would therefore incur charges for every call made, often resulting in significant expenses. By the 1950's, large corporates began to invest in their own switchboard hardware and hire their own private operators. These privately-owned switchboards were the first iteration of private branch exchanges (PBX), allowed corporates to have more desktop phones than physical phone lines, and allowed free calls to be made on an internal network. This configuration provided for a necessary step change in cost, which led to the telephone becoming a centerpiece of interoffice collaboration. By the 1980's, automatic circuit switched networks were ubiquitous and electronic PBX systems displaced corporate switchboard rooms, which further lowered costs and provided additional functionality such as voicemail, fax, and three way calling. By the 1990's, the advent of the conference bridge gave rise to virtual meeting rooms, which enabled growing corporates to increase productivity and reduce employee travel expenditures. Finally, the 2000's saw an explosion of digital technologies that were made possible by the arrival of the internet, which included email, VoIP, web conferencing, and video conferencing. Software based products allowed for the addition of rich visual media content and provided an alternative medium for audio versus traditional circuit switched networks (i.e., VoIP). In addition, while early software conferencing solutions were complex on-premise offerings, advancements in technology ultimately offered streamlined cloud-based deployment. Today, software vendors continue to endeavor toward the Holy Grail of unified communications by building increasingly robust and complex product offerings.

Differentiated Product Strategy

An increasingly globalized, mobile, and virtual work culture has positioned collaboration solutions – audio, web, and video conferencing – as indispensable tools of modern business. And yet, after decades of software development, over sixty percent of business users still opt for traditional dial-in products with phone numbers and access codes. It is LoopUp's belief that this is not because people enjoy dialing-in. Indeed, the time-wasting frustrations of conference calling are familiar: "That access code isn't recognized." "Who just joined?" "I think you're on mute." "Who is it with all the background noise?" and the list goes on. Rather, it is because software-based alternatives are often deemed too complex. The collaboration solutions market is laden with feature-heavy software products vying for the attention of technology savvy early adopters and specialist users. LoopUp, however, is pursuing a markedly different strategy by building and marketing a software product specifically designed for the mainstream business user. The result is a streamlined product architecture that requires no user training or downloads and only incorporates select capabilities that business professionals want and use regularly.

Streamlined Product Architecture

As software-based products have attempted to drag conference calling out of the dark ages, user interface and product flow have become increasingly important. Vendors must consider how users interact with a multitude of features, from a variety of endpoints (landlines, smartphones, desktops, tablets, etc.), and how to design a product flow that drives high engagement statistics for both hosts and guest participants. Naturally, LoopUp has taken an approach that stands in contrast to incumbent offerings. First, while most competing software products are zealously video first, LoopUp's offering is audio first and video when you need it. This means the product flow does not automatically guide users into a video conference, which can be unnecessary or even counterproductive in a meeting. Instead, participants are guided to a clean user interface that provides a live readout of call attendees with integrated LinkedIn profile information and the ability, at the host's discretion, to share a screen or enable video with one click. In fact, many video first software offerings witness video attachment rates of less than twenty percent, which supports this differentiated product flow. Second, LoopUp always delivers audio over managed quality of service networks rather than the public internet. Software conferencing products commonly rely on VoIP audio transmitted by a computer microphone over the public internet, which is cost effective but can be compromised by low quality hardware or poor web connectivity. To solve this dilemma, LoopUp calls out to participants on a phone of their choice with a single click when they are ready to join a meeting. This sidesteps the time-wasting frustration of dialing-in with access codes but provides a high quality audio experience that is conveniently accessed (i.e., no fumbling with computer audio settings). Finally, unlike other collaboration solutions, LoopUp does not require users to download software onto their computers to use the platform. This is particularly important for LoopUp's target market, the mainstream business user, where a zero-training product flow is essential. Some users may not have time to install an application if they are running late to a meeting, while others simply opt for the familiarity of dial-in when presented with complexity. LoopUp's goal is to get participants on the call quickly and to provide a solution that is simple, unintimidating, and consumable on a live multi-party meeting. For hosts, a LoopUp meeting invitation can be created in two clicks and joining a meeting is as simple as one click. And for guests, a meeting can be joined with one click followed by entering their names and phone numbers. There are no access codes, no ten digit meeting ID numbers, no dial-in numbers, and no unnecessary downloads. Notably, this simple join flow is critical for driving the virality of LoopUp's product. Everyday hundreds of non-customer guests attend meetings on the LoopUp platform, which serves as a customer acquisition tool for over thirty percent of new LoopUp business each year.

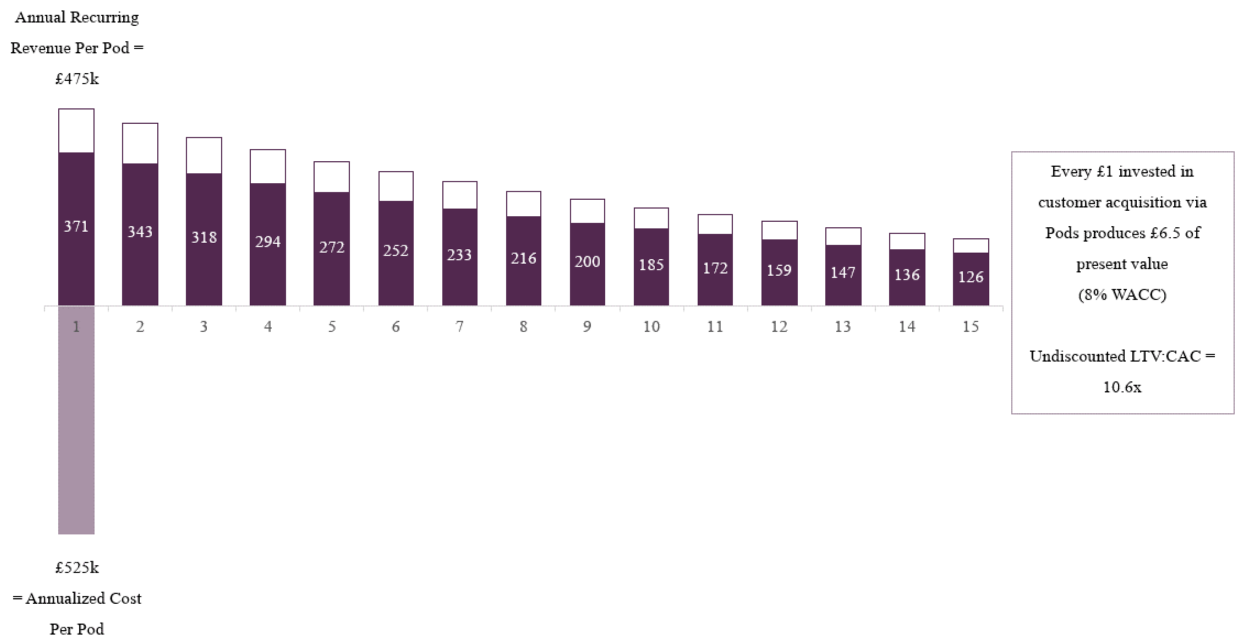
Usage Based Pricing

While most software conferencing products charge customers a fixed monthly license fee per user, LoopUp charges customers on a pay-per-use basis. This resonates with consumers who are accustomed to paying on a per minute basis for traditional dial-in services but are looking for a more progressive offering. What's more, this pay-per-use model extends to specific product features within the LoopUp software, such as video conferencing and screen sharing. If a customer only requires video conferencing on ten percent of their conference calls, then they only pay for video on those specific call minutes. This flexible pricing structure provides a low risk solution to customers that have been hesitant to transition away from dial-in or are unsure of their need for a feature-heavy conferencing product. Even still, consider that user licenses are often less than half of total ownership costs for competing software conferencing products. When a host distributes a meeting invite through a software conferencing platform, there are typically two methods available for joining the call: embedded computer audio or dial-in numbers. According to Gartner, less than half of all web conference calls are joined through embedded computer audio, owing to both the familiarity of dial-in and the inconsistent call quality of VoIP. Unfortunately for customers, dial-in rates charged by software conferencing providers can be rather expensive. This means that audio attachment rates for both employees and guests are critical variables in determining the total ownership cost of a standard software conferencing product. Likewise, because companies often provision licenses to a predefined subset of employees, high engagement statistics are necessary for preventing wasted licensing costs. Needless to say, as solutions increase in complexity, the risk of poor user engagement rises substantially. As a testament to LoopUp's value proposition, customers choose to join remote meetings through LoopUp versus dial-in seventy-six percent of the time. In total, LoopUp's offering is approximately twenty-five percent cheaper than a comparable software conferencing product for an average business user.

	Software Conferencing Product	LoopUp
Users		
Total users	100,000	100,000
Active users	70,000	70,000
Call Activity		
Calls per month	2	2
Average guests per call	3.5	3.5
Minutes per call	60	60
Total minutes per month	37,800,000	37,800,000
Engagement Statistics		
Host software attachment rate	70%	70%
Guest software attachment rate	20%	20%
Product Costs		
License fee per month	$20	$0
Dial-in rate	$0.055	-
LoopUp all-in rate	-	$0.068
License costs	$2,000,000	0
Employee costs	$138,600.00	$571,200.00
Guest costs	$1,293,600.00	$1,999,200.00
Total cost	$3,432,200	$2,570,400.00
LoopUp Cost Savings		**25.1%**

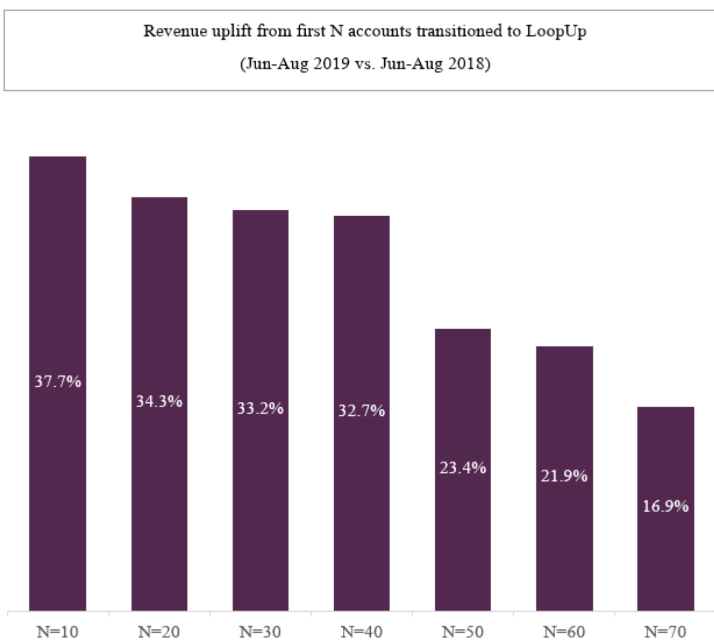
An Efficient Acquisition Engine

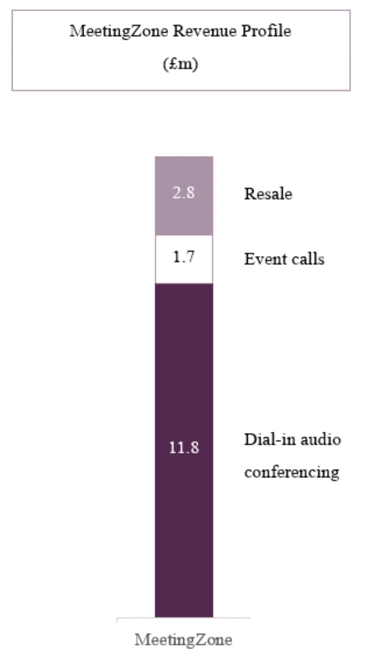
LoopUp's team-based selling structure, called Pods, is central to driving the consistent and efficient acquisition of new business. Each Pod consists of three to four business development associates, two sales executives, and one account management executive who are responsible for lead generation, sales, and customer care. Crucially, Pods are compensated as a team, which promotes a collaborative culture and alleviates common pitfalls associated with individualistic sales organizations. Management believes this better aligns incentives, promotes a sense of ownership, and motivates team members to consistently put their best foot forward. In addition, Pods self-police by proactively weeding out free-riding team members and provide a system that naturally scales with uniform productivity. Pod members are recruited with no prior sales experience, often being recent graduates, and are trained intensively to a shared set of processes – the LoopUp way. LoopUp introduced the Pods organizational structure in 2013, and they have since yielded repeatable and attractive underlying unit economics. Over the prior four years, LoopUp generated an average annual recurring revenue per Pod of £475 thousand compared to an annualized cost per Pod of £525 thousand. LoopUp also has seventy-eight percent product margins and an annual customer loss rate of just six and a half percent. Accordingly, every £1 LoopUp invests in customer acquisition via Pods produces £6.5 in present value or an undiscounted 10.6x LTV:CAC. In other words, LoopUp breaks even on customer acquisition cost in seventeen months with a highly profitable revenue stream that can be expected to recur for many many years. Finally, LoopUp has historically achieved net negative churn through strong upsell rates in retained customers, so even these metrics could be deemed conservative.



MeetingZone Acquisition: Two for the Price of None

In May 2018, LoopUp announced plans to acquire audio conferencing services provider MeetingZone for £61.5 million on a debt free basis. The acquisition more than doubled LoopUp's revenue and was predominantly paid for by issuing new equity at £4.00 per share. MeetingZone was the partner of choice for 6,500 customers worldwide and offered its own audio conferencing services, in addition to acting as a reseller for Cisco's WebEx. The core opportunity was to transition MeetingZone's audio conferencing business to the LoopUp product platform, which benefits from lower customer churn and guides users to pay-per-use capabilities, such as screen sharing, that drives net revenue growth. In addition, because approximately thirty percent of LoopUp's new business is generated by non-customer guests on meetings and existing customer referrals, the MeetingZone acquisition provided an opportunity to leverage the established network effect in the LoopUp product. The acquisition would also bring complementary expertise and revenue streams in both the provisioning of moderated event conference calls and the resale of WebEx. As of the latest report, LoopUp was eleven of twelve months through the MeetingZone transition, had realized more cost synergies than originally anticipated, and had experienced an average revenue uplift from transitioned customers of seventeen percent. In addition, less than two percent of customers by revenue had indicated they would not transition to the LoopUp platform, a figure considerably lower than management's initial assumptions. Next, while the core conference calls business was ideally positioned to transition on to the LoopUp platform, the moderated event calls segment fundamentally could not. This resulted in the formation of Event by LoopUp, a business that has since emerged as an unexpected gem from the MeetingZone acquisition. The moderated event call market is valued at approximately £300 million per annum, and the wider webcasting market is in excess of £2 billion. However, incumbent service providers offer confusing product options and have convoluted booking processes, uncoordinated support, and variable operator quality. Event by LoopUp, on the other hand, is principally differentiated by the quality of people delivering the service. While competitors emphasize product features, Event by LoopUp focuses on delivering a premium level of white glove support throughout the event process. In reality, customers don't care about the underlying technology of their event call. They simply want their important events to be tailored to their needs and to feel confident they will go smoothly. The moderated event calls segment is relatively small for LoopUp, but it is growing quickly, has ninety percent gross margins, allows LoopUp to leverage an otherwise redundant £3 million investment in conferencing bridges, and allows for previously untapped cross-selling. Finally, MeetingZone was one of the fastest growing Cisco WebEx resellers in Europe, boasted ninety-nine percent customer renewal rates, and had strong advocacy from within Cisco. Prior to the acquisition, MeetingZone's WebEx resale division had grown sixty-two percent year over year, and LoopUp felt the offering could be complimentary for customers with specific employee groups that required a more robust solution. However, this division has proven to be a distraction and LoopUp is not focused on growing it. At the acquisition date, MeetingZone produced £5 million in EBITDA, and management estimated that the reduction of duplicated overhead costs and increased purchasing scale could increase the figure to approximately £8 million in EBITDA. Therefore, LoopUp acquired MeetingZone for roughly 7.5x pro-forma EBITDA. Finally, prior to issuing new equity to complete the acquisition, LoopUp was valued at £210 million. In addition, as mentioned previously, LoopUp paid £61.5 million for MeetingZone on a debt free basis. Today, the entire combined company is valued at less than £40 million.





Mr. Market: Call Disconnected

This summer, LoopUp issued a trading update that caused the share price to decline more than eighty percent in four months. Two primary headwinds were cited: soft volumes across the established customer base and growing pains associated with onboarding new Pod members. While Mr. Market clearly voted in favor of structural impairment, I believe these dynamics to be understandably transitory. In the first half of 2019, LoopUp experienced a year over year net revenue erosion of eight percent in its established customer base, which led to positive net churn for the first time in the company's history. Rather than any material change in customer loss rate, the effect was primarily a result of LoopUp's business model. As a pay-per-use product, LoopUp is linked to the overall economic activity of its customers. And seventy percent of LoopUp's revenue comes from professional service firms, such as law firms and private equity firms, which were particularly impacted by the uncertainty surrounding Brexit. For example, according to Experian, United Kingdom M&A transactions declined twelve percent in the first nine months of 2019 and thirty-six percent in the third quarter, representing the lowest quarterly total in a decade. The average M&A transaction takes several months to complete, so the effects of this collapse in activity would be largely reflected in LoopUp's half year results. Moreover, while M&A activity can be expected to be cyclical, global transactions by deal count have been structurally growing since the mid 1980's. Second, in the first half of 2019, LoopUp nearly doubled the number of Pod members in line with its aggressive recruiting targets. Unfortunately, management underestimated the necessary training resource required to properly onboard these new Pod members. Senior team members had to be taken out of Pods to help train new recruits, which impacted revenue growth in the period and required LoopUp to revise down their guidance on Pod expansion. This dilemma, in part, was a consequence of the MeetingZone acquisition. Hearts and minds at MeetingZone had turned toward reselling WebEx more than management realized, which resulted in the difficult decision not to transition any MeetingZone sales staff into LoopUp Pods. Nevertheless, more fundamentally, LoopUp is pleased with the quality of recruits onboard, training levels attained thus far, and new management processes introduced. The current Pod members will form fourteen Pods once fully ramped, up from eight Pods at present, and LoopUp is confident the enlarged platform will deliver material future value to the group.

Valuation

As a growing enterprise software company, LoopUp's financial statements are chock full of "good costs". These costs, while expensed under IFRS accounting standards, in reality create meaningful shareholder value. Therefore, to evaluate the underlying profitability of LoopUp's business, we must first recognize these long term investments masquerading as short term expenses. Consider that over the prior twelve months, LoopUp has spent approximately £5.5 million on customer acquisition costs and £4.3 million on new product development. In addition, after these expenditures LoopUp generated approximately £4.2 million in EBITDA on a base of £33.5 million in revenue. Recall that for every £1.0 LoopUp spends on customer acquisition costs, they generate £0.90 of recurring revenue with ninety-three percent annual net dollar retention. Thus, to replace customer churn at today's productivity levels would cost LoopUp approximately £2.5 million. In other words, on a no growth basis, LoopUp generates £11.5 million in underlying cash flow versus a market cap of £39.5 million – or a twenty-nine percent cash on cash yield.

GBP (Millions)	2015	2016	2017	2018	TTM
Revenue					
Meeting Services	10.11	13.36	17.47	27.92	33.45
3P Services	-	-	-	6.30	11.10
EBITDA					
LoopUp	(0.23)	(0.82)	0.02	3.88	4.20
+Customer Acquisition Cost					5.50
+New Product Development Cost					4.30
-Churn Replacement Expense					(2.50)
=Cash Generation					11.50
LoopUp Market Cap @ £0.71 per share					39.50
Cash on Cash Yield					*29.1%*

Alternatively, let us consider the return provided by LoopUp's customer acquisition costs. The beauty of most software business models is that the revenue from new customers comes with very high incremental margins. For example, when LoopUp is provisioned for a new client, there are essentially no additional costs associated with that new revenue. In 2020, LoopUp will operate with fourteen Pods that will necessitate approximately £7.5 million in costs. Furthermore, LoopUp has witnessed seven percent customer churn and £0.70 of recurring gross margin for every £1.0 spent on Pods. As a result, we can calculate that, in theory, LoopUp will earn £73.5 million of cumulative gross margin from the cohort of new customers acquired in 2020 – or nearly two times LoopUp's market cap. As mentioned previously, because LoopUp is a scalable software platform, this incremental gross margin largely becomes pre-tax free cash flow.

GBP (Millions)					
	Productivity (Gross Margin/CAC)				
Customer Churn	0.50	0.55	0.60	0.65	0.70
15%	£24.5	£27.0	£29.4	£31.9	£34.3
10%	£36.8	£40.4	£44.1	£47.8	£51.5
7%	£52.5	£57.8	£63.0	£68.3	£73.5
5%	£73.5	£80.9	£88.2	£95.6	£102.9
# of LoopUp Pods	*14.0*				
Cost Per Pod	*(525.0)*				

Finally, we can estimate a range of values for LoopUp by projecting the growth in the number of Pods and by estimating sales efficiency and customer churn metrics. The tables below highlight a base case and bull case scenario for LoopUp that equate to £1.50 per share and £3.07 per share respectively, or roughly double to four and a half times the December 31st, 2019 share price.

LoopUp Group Plc - Base Case

GBP (Millions)	2018pf	2019e	2020e	2021e	2022e
LoopUp Meeting Services	33.50	33.52	37.36	43.06	51.58
3P Services	9.50	9.88	10.28	10.69	11.11
Total Revenue	43.00	43.40	47.64	53.74	62.69
Gross Profits	28.44	28.81	31.82	36.26	43.01
Staff Costs		(19.10)	(20.53)	(22.07)	(23.73)
Other		(1.30)	(1.37)	(1.43)	(1.50)
EBITDA (ex-CAC)		8.41	9.92	12.75	17.78
Finance Expenses		(0.53)	(0.46)	(0.40)	(0.35)
Operanting Profit		7.89	9.46	12.35	17.43
Churn Replacement Cost		(5.23)	(3.05)	(3.40)	(3.92)
Pre-Tax Free Cash Flow		2.66	6.41	8.95	13.51
Average Pods	8.00	10.00	14.00	18.00	24.00
New Gross Margin / 1GBP CAC	0.73	0.60	0.60	0.60	0.60
Cost / Pod	(504.00)	(525.00)	(575.00)	(600.00)	(625.00)
New Gross Margin / Pod	368.00	315.00	345.00	360.00	375.00
New ARR / Pod	470.30	403.85	442.31	461.54	480.77
Base Revenue Net Churn	-1.0%	12.0%	7.0%	7.0%	7.0%
Total CAC	(4,032.00)	(5,250.00)	(8,050.00)	(10,800.00)	(15,000.00)
FCF Value @ 8x					108.08
Net Debt					(4.00)
2022 Equity Value					104.08
NPV @ 8% discount rate					82.62
NPV/Share					£1.50
Upside to IV					*110.8%*

LoopUp Group Plc - Bull Case					
GBP (Millions)	**2018pf**	**2019e**	**2020e**	**2021e**	**2022e**
LoopUp Meeting Services	33.50	33.52	39.19	47.23	59.45
3P Services	9.50	9.88	10.28	10.69	11.11
Total Revenue	43.00	43.40	49.47	57.92	70.57
Gross Profits	28.44	28.81	33.24	39.51	49.15
Staff Costs		(19.10)	(21.39)	(23.96)	(26.83)
Other		(1.30)	(1.37)	(1.43)	(1.50)
EBITDA (ex-CAC)		8.41	10.48	14.12	20.81
Finance Expenses		(0.53)	(0.46)	(0.40)	(0.35)
Operanting Profit		7.89	10.02	13.72	20.46
Churn Replacement Cost		(5.23)	(2.69)	(2.35)	(2.83)
Pre-Tax Free Cash Flow		2.66	7.33	11.37	17.63
Average Pods	8.00	10.00	16.00	20.00	28.00
New Gross Margin / 1GBP CAC	0.73	0.60	0.68	0.65	0.65
Cost / Pod	(504.00)	(525.00)	(575.00)	(600.00)	(625.00)
New Gross Margin / Pod	368.00	315.00	391.00	390.00	406.25
New ARR / Pod	470.30	403.85	501.28	500.00	520.83
Base Revenue Net Churn	-1.0%	12.0%	7.0%	5.0%	5.0%
Total CAC	(4,032.00)	(5,250.00)	(9,200.00)	(12,000.00)	(17,500.00)
FCF Value @ 8x					211.55
Net Debt					2.00
2022 Equity Value					213.55
NPV @ 8% discount rate					169.52
NPV/Share					£3.07
Upside to IV					*332.5%*

Conclusion

To quote Howard Marks, "The truth is, most good investments begin in discomfort – or, perhaps better said, they involve doing things with which most people are uncomfortable. You have to believe that value isn't apparent to everyone else, buy things that others think are risky and uncertain; and buy them in amounts large enough that if they don't work out they can lead to embarrassment." Our partnership owns a collection of businesses that are profitable, enduring, and far from priced for a cheery consensus. At times this will be uncomfortable. But, over time, I am confident that relative to the price paid, our investments will produce a substantial amount of free cash flow. I am always happy to speak with you at length about any of our companies, and I remain grateful for your trust and partnership.

Appendix A: Realized Investments

Ticker	Company	IRR*	MSCI ACWI	Delta
FIG	Fortress Investment Group	94.69%	17.29%	77.39%
CMG	Chipotle Mexican Grill	3.19%	13.84%	-10.65%
FCPT	Four Corners Property Trust	46.07%	14.10%	31.96%
WFM	Whole Foods	37.70%	17.21%	20.49%
AMS:VPK	Koninklijke Vopak N.V.	3.29%	8.86%	-5.57%
WMT	Walmart	28.08%	14.16%	13.92%
KKR 1.18.19 Call @25	KKR & Co.	10.00%	2.09%	7.91%
GOOG	Alphabet Inc	38.91%	21.19%	17.72%
BRK.B	Berkshire Hathaway	20.01%	14.81%	5.20%
EBAY	eBay Inc	27.84%	17.45%	10.40%
MMI	Marcus & Millichap Inc	29.94%	14.95%	14.99%
LON:ARR	Aurora Investment Trust Plc	18.71%	16.74%	1.97%
NVO	Novo Nordisk A/S	37.17%	15.28%	21.89%
DKS	Dick's Sporting Goods	42.56%	-2.85%	45.41%
ASX:RHP	Rhipe Ltd	93.23%	3.95%	89.28%
LON:BDEV	Barratt Developments Plc	25.79%	5.39%	20.40%
OSE:CRAYON	Crayon Group Holding ASA	152.89%	8.50%	144.39%
DKS	Dick's Sporting Goods	30.52%	6.80%	23.72%
YTRA 12.16.21 Warrant @ 11.5	Yatra Online	-45.74%	6.17%	-51.91%
YTRA	Yatra Online	-27.90%	8.14%	-36.04%
	Average	33.35%	11.20%	22.14%

**Table above reflects the IRR of realized portfolio investments (unannualized if < 1 Year), and the equivalent IRR that would have been achieved had each invested dollar been allocated to MSCI ACWI.*

Appendix B: Unrealized Investments

Ticker	Company	IRR*	MSCI ACWI	Delta
BSM	Black Stone Minerals LP	-27.75%	5.28%	-33.03%
COG	Cabot Oil & Gas	-3.17%	-0.42%	-2.75%
COG 1.21.22 Put @ 17	Cabot Oil & Gas	-11.32%		
DESP	Despegar.com	29.61%	16.16%	13.45%
LON:DPEU	DP Eurasia NV	6.47%	6.88%	-0.41%
DKS 1.15.21 Put @ 30	Dick's Sporting Goods	77.68%		
DKS 1.15.21 Put @ 35	Dick's Sporting Goods	61.16%		
DKS 1.21.22 Put @ 40	Dick's Sporting Goods	27.57%		
KKR	KKR & Co	35.91%	13.25%	22.66%
KKR 1.15.21 Call @ 20	KKR & Co	227.62%	21.73%	205.89%
LON:LOOP	LoopUp Group Plc	1.32%	13.46%	-12.14%
LON:FRAS	Frasers Group Plc	52.49%	14.20%	38.29%

**Table above reflects the IRR of unrealized portfolio investments (unannualized if < 1 Year), and the equivalent IRR that would have been achieved to date had each invested dollar been allocated to MSCI ACWI. COG 1.21.22 Put @ 17 represents a short sale. DKS 1.15.21 Put @ 30 represents a short sale. DKS 1.15.21 Put @ 35 represents a short sale. DKS 1.21.22 Put @ 40 represents a short sale. As of 02/07/2020.*

Disclosures

Investment in Emeth Value Capital are subject to risk, including the risk of permanent loss. Emeth Value Capital's strategy may experience greater volatility and drawdowns than market indexes. An investment in Emeth Value Capital is not intended to be a complete investment program and is not intended for short term investment. Before investing, potential clients should carefully evaluate their financial situation and their ability to tolerate volatility. Emeth Value Capital, LLC believes the figures, calculations and statistics included in this letter to be correct but provides no warranty against errors in calculation or transcription. Emeth Value Capital, LLC is a Registered Investment Advisor. This communication does not constitute a recommendation to buy, sell, or hold any investment securities.

Performance Notes

Net performance figures are for a typical client under the standard fee arrangement. Returns for clients' capital accounts may vary depending on individual fee arrangements. Net performance figures for Emeth Value Capital, LLC are reported net of all trading expenses, management fees, and performance incentive fees. Reported returns prior to January 1st, 2021 reflect the personal account performance of Emeth Value Capital, LLC's sole managing member, and therefore represent related performance. All performance figures are unaudited and are subject to change.

Contact

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