

Dear Partners,

We finished the first quarter of 2014 up 7.14%. We continue to do well with our core positions in General Growth Properties and Howard Hughes Corp, both which are weighted heavily in the portfolio. They both continue to give us exposure to real estate, which is the top performing sector so far in 2014. GGP is up 11.7% and HHC up 18.9% YTD.

Our third largest position Fannie Mae dropped 30% on news that the [Corker Warner v2 bill was released](#) and it ended up losing 50% of its share price. We immediately analyzed the release and realized that the probability of it impacting the shareholders was very low and that nothing had changed in our original thesis. The move from \$6 to \$3 was also predicated on fear and profit taking. Because we were already overweight our position, we decided to not add. It has since recovered from \$3 to \$4, or a third of the steep drop. We see FNMA as one of the most asymmetrical special situation plays in the market at the very moment. The graph below illustrates the significant moves.



The only significant position we added in Q1 was Third Point Re (TPRE). It is a high quality reinsurance business with the float managed by Dan Loeb from Third Point, an excellent fund manager with a good long term track record. We also hold Greenlight Capital Re (GLRE), which is managed by David Einhorn and our goal in holding TPRE & GLRE is to invest in two high quality, fast growing reinsurance institutions and which have two talented fund managers managing the float of their respective companies.

Overall, we continue to manage a concentrated portfolio, keeping operational and trading costs low, while looking for new and compelling businesses to analyze and invest in. We still feel our portfolio is well positioned to outperform the market over the long term.

Sincerely,

Mike Rusinas, *Portfolio Manager*

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