January 2019

Dear Fellow Investors,

The fourth quarter was not a profitable one for the partnership. In fact, statistically, it was the least profitable we have had in several years. For investors in the Long-Term Class, returns were approximately -20.7% for the quarter and -10.5% for the year. You may take some solace in the fact that the Russell 2000 was down -22% for the quarter and down -11% for the year.

As I have written before, if we want to have the opportunity for significant up quarters, we have to be able to tolerate significant down quarters. We will not get the ups without the downs. Over time, there should be more ups than downs, but there will be both. Despite our Q4 2018 returns, the fund has still outperformed major indices over the last three years, five years, and since inception (eight years). Given the embedded valuations of our holdings, I like our prospects. What goes down can also go up. Our portfolio is stocked with companies I believe have high insider ownership, strong products, attractive valuations, and asymmetric return profiles. While paper losses were incurred in the short term, opportunities were created for the long term.

Given that down periods are an inevitability of investing in a concentrated, long-biased fashion, the question is: what do I do during these periods of rapidly declining markets? The simplest solution would be to just time the market. Sell when prices are high, sit out the entirety of the declines, and buy shares right at the bottom just before prices begin their rebound. Sounds good to me. Unfortunately, I don't know how to time the market effectively, nor am I aware of any person or computer that has consistently done so. Inevitably, market timing leads to underinvestment. Portions of the downside are often avoided, but so are the recoveries. Given the positive expected values of our investments over the long term, trying to predict the daily movements of the market is not likely to improve returns. As a result, little effort is devoted to it.

Where, then, is effort focused? I try to balance three competing forces during these periods of high volatility and rapidly declining prices. The first is a desire to be a long-term shareholder and just hold tight. Even the highest-quality companies like Berkshire Hathaway and Nike have each had multiple 50%+ drawdowns during their decades of heroic returns. Only those able to endure the pain of such declines actually participated in the 100X+ returns that ultimately were realized by the holders. Doing nothing is far harder than it sounds but is often richly rewarded in the equity markets when you hold a portfolio of companies with high insider ownership, recurring revenue, operating leverage, and the ability to grow with no additional capital.

The desire to just hold conflicts with a recognition that volatility creates opportunities. In a period where the average stock in the Russell 2000 is down in excess of 20%, there are hundreds of stocks down 30% or more from their recent highs. A stock that declines 33% has to gain 50% to recoup those losses. Buying fundamentally sound businesses that have sold off for non-fundamental reasons can be a very profitable endeavor. The second competing desire is thus to upgrade our portfolio. Have all of those companies' prospects really diminished by so much so quickly? When my wife hears "risk off," she wants to start stuffing money in our mattress and assume the fetal position – yet in reality, "risk off" is shopping time for the value investor. In my past few years of research, I have periodically remarked, "I would like to own that someday at a better price." Well, for several companies, "someday"

came during the fourth quarter. I looked at more companies in greater depth in the fourth quarter than I had in the prior two years.

Nearly 90% of stocks in the Russell 2000 were down in the fourth quarter. The overall market was down 12 days in a row at one point. Any "risk" taking was met with immediate short-term losses. The final competing force is a desire to survive. I don't mean that I have an intense desire to give into panic, sell everything, and hide under the desk. The fund is my largest investment by orders of magnitude comprising a very, very significant portion of my liquid net worth. I want to invest for decades. I want to be thoughtful about the risks we are taking and make sure that we are disproportionately rewarded. I want to seize opportunities, but to survive markets that can be irrational for long periods of time requires not betting the farm, spreading risks, and seeking asymmetric opportunities where the upside is substantially higher than the downside.

Hopefully you just read the previous passages and said to yourself, "shouldn't the desire to hold, the desire to take advantage of opportunity, and a thoughtful assessment of assumed risks be in place at all times?" They should be… and they are. Our course of action in the fourth quarter resembled that of every other quarter. While the result was more negative, the process and philosophy were exactly the same. We do not have a new strategy. A portfolio built with a five-year time horizon was not completely tossed because of the volatility of the 64 trading days of the fourth quarter. Rather, we completely exited one position as the original thesis appears to be wrong (more on that later), made some adjustments to existing positions, and initiated three new positions, all with different but I believe highly asymmetric return profiles. If I could recreate the asymmetry of the opportunities available to us in Q4 every quarter, we would all benefit enormously. The seeds of future returns have been planted.

NEW INVESTMENT: KKR & Co.

During the quarter, we initiated a new position in KKR & Co. (KKR), an alternative asset manager founded 42 years ago. Under the leadership of Henry Kravis, the firm has evolved from a single buyout fund to a 1,200-employee asset management firm with offices all over the world. I believe KKR has all of the attributes of a great business.

High Insider Ownership: The firm is 40% owned by employees.

Recurring Revenue: The fund is increasingly focused on "permanent" capital. Currently, 9% of capital is permanent and 80% has eight-plus years of duration at inception.

Operating Leverage: Incremental margins are exceptionally high in the asset management business, as compensation is the primary variable cost incurred with each incremental dollar of profit.

Aligned Incentives: In addition to 40% insider ownership, the firm has more than $10 billion invested alongside clients in KKR funds. Further, more than half of the KKR AUM is eligible to be charged performance fees. Employees do well when clients do well. Shareholders do well when employees and clients do well.

Secular Tailwinds: The alternative asset management industry is growing at approximately 12% per year. I believe that the recent declines in public equities will do nothing to slow pension funds, and others that need to show a path to 8+% annual returns, from allocating away from fixed income and towards private equity – there is no end in sight. Assets have flowed disproportionately to the larger firms, and KKR is taking share within private equity, growing assets at 19% per year since 2004.

Runway for Growth: KKR has enormous opportunities for growth, particularly in several large markets such as real estate and infrastructure, where the leading players' AUM is 19X and 10X, respectively, the size of KKR's.

Under-earning / Investing in the Future: While KKR has been in business for over four decades, the vast majority of its currently funded strategies have been operating for less than one. Infrastructure; energy; U.S., European, and Asian real estate; Tech and Health Care Growth; Private Credit; and U.S. and European Lending are all less than 10 years old. The economics of a strategy can get substantially better over time. The first fund in a strategy is typically smaller and used to build a track record, and its first year is typically a money-losing period as early management fees often do not offset fundraising expenses. If all goes well, there will be some incentive fees, but the amount is often on the small side because the fund is on the small side. The economics get progressively better as a larger second fund is layered in around year four and potentially an even larger fund is layered in around year eight. Eventually, there can be both sizable management and incentive fees from multiple funds in a strategy, with economics that continue to improve as funds age and grow in size. Given the young age of so many funds at KKR, there is the potential for significantly improved economics over time.

Differentiated: KKR has the strongest balance sheet of any of the publicly traded PE firms in terms of cash and investments as a % of total market capitalization. This provides downside protection, but also allows KKR to seed funds and provide additional capital to close deals. The firm also has a Capital Markets group which allows KKR to syndicate deals, reduce cost of capital, and optimize monetization strategies, improving returns and likely generating $500M+ in profitable revenue. KKR is one of a handful of private equity firms that can do "mega deals" because of their access to capital on the balance sheet as well as the services of their Capital Markets group.

We began purchasing shares in the low $20s and ended purchasing shares in the high teens. What did we get for our money? As of the end of Q3 2018, the firm had $195B in assets under management, and an adjusted book value of $16.68 per share.

Let's spend a minute on the balance sheet since it is a large part of the investment thesis. KKR's balance sheet as a percentage of equity value is the highest of any publicly traded asset manager, a fact which is often ignored by sell side analysts as it is easier to compare firms on a P/E basis. KKR uses these internal funds to aggressively seed new funds and invest in existing funds. The asymmetry for the KKR investment is created because of the downside protection provided by the balance sheet and the long duration of the capital it manages.

KKR's balance sheet has three attractive components: cash ($2.9B or $3.50 per share), investments ($10.2B or $12+/share), and unrealized carried interest ($1.7B or $2 per share). If you are adding up these totals as we go, you

get $17.50 on a $20 stock. Sound too good to be true? Well, there are some liabilities and some "other assets" so the stated book value per share is $16.68 per share. In addition, these values are all as of September 30th, before the market swoon. Q4 saw large marked-to-market losses on KKR's investments including the largest holding, First Data Corp. (14% portfolio weight as of 9/30), which was down 31% in the quarter. The private companies, which are valued using a mix of public company comparables and discounted cash flows (DCFs), presumably fared far better than First Data Corp. Declines in investment value have a secondary effect of also negatively impacting the unrealized carry. The balance sheet has multiple inputs that we cannot estimate with great precision, but when I back out the parts of "other investments" that we don't want to own and make estimates for the impact of the decline of the public markets, there is still north of $13 per share in balance sheet that I am happy to own – in fact, more than happy to own. I personally view the investments on the balance sheet as significantly preferable to cash. Employees own 40% of the company; they also own 40% of these investments and have a track record of compounding capital at high rates. This is their capital, and their incentive compensation is driven off of the returns of the funds in which this capital is invested. It is not unreasonable to believe that the balance sheet investments can compound at double-digit rates (with no fees) for the foreseeable future invested alongside KKR managers.

For a company with over $13 per share in attractive balance sheet assets, we also get $195B in assets under management (AUM), almost $60B in dry powder (funds that can be called and added to AUM), and a franchise that is growing market share in an industry that is growing. The firm is lengthening the duration of the capital under management, as well as growing total assets. KKR raised $39B in gross capital in 2017 and should have exceeded this number in 2018 (to be confirmed when the final numbers are released). Even with the number of "young" funds the company is currently nurturing, they have still generated after-tax distributable earnings of $1.65 in 2016, $1.66 per share in 2017, and are on pace for $2 in 2018. Ex balance sheet, we are paying sub-4X depressed earnings that should grow. The beauty of KKR is that both components of valuation can grow: the investments and the earnings stream.

Earlier I mentioned that KKR has grown AUM at a compounded annual rate of 19% over the past 13 years. While there is some lumpiness in incentive fees, management fees are very stable and growing. The setup is reminiscent of our previous holding of Fortress Investment Group (FIG), whose balance sheet was ignored during volatile and "risk off" periods (link to our thesis).

At the KKR investor day (link to presentation), the company laid out a series of reasonable assumptions (slides 22-23) to double earnings and book value in five years as well as reasonable valuation frameworks (slides 239-246) to derive a $40 stock price as of the July presentation date. Now, there are a lot of ifs and assumptions in here, but I consider it to be a very reasonable path to doubling earnings and book value, and with a little multiple expansion from today's very low base, there is a path to a triple or better in less than five years. I can sleep at night because of the protection provided by the balance sheet, but I dream about the growth in AUM and earnings power that may likely come. In my opinion, this is a fantastic business that became very attractively priced as the market ignored the balance sheet, growth prospects, and earning power of the company. Thank you, Mr. Market. Volatility does have its benefits.

NEW POSITION – BLUELINX – MAN AGAINST THE MACHINE

In the fourth quarter, we invested in the building products distribution company BlueLinx (BXC) for the second time. When we initially invested, the thesis (presented in our Q4 2017 letter) was that were shares were cheap due to non-fundamental factors, including the forced sale of 70% of the company by a private equity fund that was at the end of its life. Despite being a long-term oriented investor, I sold the shares relatively quickly for a substantial gain. I had more faith in the discount to asset value (land) at which the company was trading than I had in the ongoing building products distribution business, which is low margin and cyclical: not my favorite combination. In addition, BlueLinx was subscale relative to competitors and I just thought there were better places to put our capital. Thus, as the valuation gap closed and future returns became less about assets and more about the business, we sold.

In March 2018, shortly after we sold the shares, BlueLinx bought its competitor Cedar Creek, which had significant overlap in product lines and geographies. The acquisition created much-needed scale, taking the 10th and 11th largest building distribution companies and combining them to become the 6th largest in the nation and the 3rd largest east of the Rockies. The market loved the deal, which was financed with debt, and sent BXC shares from the high teens to the low $40s in a matter of days as analysts clamored over the potential earnings growth. As stand-alone companies, BlueLinx generated $44M in adjusted EBITDA in 2017 and Cedar Creek generated $60M, so just by combining the two and not issuing any shares, the pro forma company would generate more than twice the EBITDA per share. Even more interesting to forward-looking investors, management showed a path to $50M in cost savings by closing facilities, reducing redundant overhead, and improved purchasing enabled by the larger scale. With the cost savings factored in, on a pro forma basis, the combined BlueLinx + Cedar Creek + cost savings would generate more than $150M in cash per year. After paying interest on the debt, taxes, and CapEx, the company estimated the combined entities would generate $75M in excess cash flow per year. With 9.3M shares outstanding, this is more than $8 per share in free cash flow. Even at $40 per share, this translates into a 20% free cash flow yield to the equity, IF the savings could be realized.

At its core, BlueLinx is a self-help story about realizing the benefits of an acquisition. Is $50M in savings realistic? It represents a 1.5% improvement in the gross margin and looks very achievable. In fact, it may be conservative. There have been several positive data points since the March acquisition. For example, at every turn management has reiterated this cost saving goal and their ability to achieve it. In fact, on the last quarterly call, in addition to reiterating their confidence, management stated that they were ahead of schedule in terms of realizations, and under budget. Other data points include the CEO of Cedar Creek deciding to join BlueLinx as COO, relocate his family to Atlanta, and tie his entire bonus to the realization of the cost savings. The company has consolidated more than 10 out of 70 facilities and management has made several open market purchases of stock. Collectively, these data points are all incrementally positive.

So, what drove the stock from $42 on September 12th to $21 in early December? There are certainly macro concerns about housing, which fared very poorly during the "great recession." As a distributor of building products, revenues are clearly tied to construction activity. If one believes that housing starts are going to be depressed for the next five years, BlueLinx is not a stock to own.

However, there is a strong argument to be made that there are demographic tailwinds to housing over time. Single family housing starts in the United States bottomed out in the recession at just below 450,000 per year and have increased to approximately 850,000 in 2018, nine years later. It is estimated that just over 1M single family homes per year are required to accommodate population growth and replacement from fires, floods, termites etc., so we have been under-producing new houses for the last decade. The surpluses from before the great recession have been absorbed. Can new housing starts pull back for six months or a year? Absolutely. But with the 10-year bond ending 2018 at a multi-month low and unemployment sub-4%, single family home starts remaining around 850,000 does not feel wildly optimistic.

In 2018, virtually all housing-related stocks sold off, it was just a question of how much. For a housing bear, BlueLinx is an interesting target. The company does not screen well for computers, there are no sell side analysts or consensus estimates, and the historical numbers don't capture any of the potential cost savings described above. As a result of the Cedar Creek acquisition, which has the potential to be wonderful in the long term, current debt has increased dramatically and large one-time expenses are being incurred to close redundant facilities and merge operations. Many of the machines may not factor in the qualitative attributes that attract me. Short interest increased dramatically in the fourth quarter as the BXC price declined. Score one for the machines.

BXC short sellers likely focus on the headline debt figures. Following the Cedar Creek acquisition, BlueLinx balance sheet has almost $600M of debt between a $179M term loan and a $415M asset backed loan (real estate and inventory). On a trailing 12-month basis, the company has generated $80M of adjusted EBITDA. In other words, the stated debt is more than 7X the trailing EBITDA. Neither machines nor humans like low margin, cyclical business with minimal debt coverage.

Let's take a minute and look at the balance sheet more closely. There is more than $400M in inventory and $285M in receivables against the previously mentioned $594MM in debt plus $153M in accounts payable. The company is in the process of closing more than 10 distribution centers (out of 70). They have not guided to any reduction in inventory, but it certainly would not surprise me to see the inventory decline and thus reduce the level of the asset-backed loan. There is also an opportunity to shift dollars owed from the asset-backed loan to accounts payable, effectively letting vendors provide more financing. Will the money still be owed? Yes, but it will likely improve how the company screens. The company is also selling two newly-closed redundant facilities that are expected to fetch in excess of $25M. Further, just operating the business will reduce the leverage. The asset sales, inventory reduction, vendor financing, and cash generation from the business should reduce the asset-backed loan by well over $100M (and possibly significantly more) in 2019. While the headline debt appears high, given all of the offsetting and liquid assets – and with the receivables and inventory – the risks of distress are far more remote than the debt to EBITDA coverage ratio would imply.

The third factor likely driving the decline in the BXC share price was exposure to the price of lumber, which is volatile and can be driven by macro fears about future housing demand as well as different trade policies. I am by no means an expert in the lumber market and I don't have a view on where it is headed. Over the course of the third quarter, the price of lumber effectively went straight down: a once-in-every-four-years type of move. The fear was this would lead to depressed earnings. Even though the company only carries about 30 days of inventory of commodity goods like plywood, they were losing money on sales since they had paid higher prices for the inventory

but were forced to adjust their customer prices to market prices. Management spent a disproportionate amount of time discussing lumber prices on their conference call as investors were clearly focused on it. From my perspective, lumber will go up and down over a three- to five-year timeframe, but it will not be the driving factor in the success of the BlueLinx business or our investment. Machines and investors focused on quarterly earnings can obsess over commodity prices. The company *just* weathered a once-in-five-years negative move in lumber; this should not be our focus.

Yes, BlueLinx's fortunes are in part tied to new house construction, but the non-cyclical "self-help" earnings improvements and the nature of the balance sheet provide downside protection. In a softer new home building market, the company would reduce inventory, thus reducing debt levels. In addition, the company can continue to do sale leasebacks of owned properties. If housing starts were to go down 20%, BlueLinx would likely remain profitable and continue to reduce debt. Bankruptcy is far more remote of an event than a simple historical debt/EBITDA calculation would indicate. This is not to say that the share price cannot decline (this was an $8 stock not too long ago), but I believe that on a risk adjusted basis, there is substantially more upside than downside embedded in the prices, even factoring in the cyclicality and debt.

Carved into the Mount Rushmore of special-situation investing is Joel Greenblatt, author of "You Can be a Stock Market Genius," former manager of Gotham Capital (which returned over 40% annually for almost two decades), and professor of the hardest class to get into at Columbia Business School. I believe BlueLinx has many of the attributes of a Greenblatt special situation: no sell side analysts, moving parts, insider buying, distorted financial statements, and asymmetry. Perhaps we should not be surprised that the godfather himself was rumored to have attended BlueLinx's annual meeting. I suspect that he approves of BXC. If housing is stable, there is a clear path to a triple. If housing improves or the savings come in better than expected… Thank you, Mr. Market and your machine friends.

NEW INVESTMENT: RADISSON HOTELS

During Q4, Greenhaven invested in Radisson Hotels AB (STO:RADH), a Swedish-listed equity that provides ownership in the European operations of Radisson Hotels. In August, a deal was announced for Chinese conglomerate Jin Jiang to acquire a majority stake in RADH. Without muddling this letter with all of the game theory and intricacies of Swedish takeover law, when we bought our initial shares at 36 kroner, there was a virtually guaranteed forthcoming offer of 35 kroner to all shareholders and reasons to believe it could be substantially higher (3% downside/20%+ upside). When we bought our second and larger tranche of shares, the price was at just over 40 kroner, keeping pace with Jin Jiang's revised offer of 40 kroner/share with the possibility of a substantially higher bid (1/2% downside/20% upside). In early January, Jin Jang came back with a final bid of 42.50 kroner, which was not as high as I believed possible but generated a double-digit return for Greenhaven with very little risk and in just a few weeks. I would invest in this type of situations – less than 1% downside for significant upside – all day every day if I could. We have reinvested the capital into a new position to be discussed in the next letter.

Any confidence that I had in predicting how a Chinese conglomerate would navigate Swedish M&A law was made possible by Brad Hathaway of Far View Capital, in which the Greenhaven Road Partners Fund is invested. Brad

presented Radisson Hotels at a Partners Fund dinner early last year, long before Jin Jiang and Greenhaven Road became attracted to the opportunity.

TOP 5 HOLDINGS

Fiat Chrysler (FCAU) – We can add Fiat Chrysler to the long list of companies whose short-term stock price movements bear little relationship to the current operations or future earnings of the company. FCAU stock declined 15% in the quarter despite announcing the long-anticipated sale of the parts division, which contributed roughly 10% of EBITDA for 30% of the value of the company… despite announcing strong U.S. unit volumes every month during the quarter (+15%, +16%, +17%)… despite unveiling the Gladiator, a new Jeep pickup truck (a white space product) that has gotten rave reviews and will likely generate strong margins and profits when it goes on sale in 2019).

Going forward, FCAU will have a very strong balance sheet post-sale of the Magneti Marelli parts division. Net of cash, the stock is trading sub 2X EBIT after taking share last year with the new Ram pickup and continued growth in Jeep. I had hopes for a tender offer of shares after the Magneti Marelli sale. That has not yet materialized, but the sale is not expected to close until Q2 2019. Despite all of the negative headlines, the U.S. auto market actually grew in 2018. There has been a prolonged pause in the share price of FCAU, but there has been robust growth in earnings power and net cash on the balance sheet. Fundamentals will matter again. The Agnelli family controls this business. They have a generational timeline, not a quarterly one. Eventually, the gap will close between price and value, and when it does, we are not playing for a 5% move.

Radisson Hospitality AB – Discussed above.

Box, Inc. (BOX) – was a new position last quarter (link to our Q3 letter). The combination of very low churn (sub 5% per year), a large attractive customer base (69% of the Fortune 500), a pipeline of new very high margin products to sell into this base of customers, and an undemanding valuation provides an interesting set-up for acquisition or long-term compounding.

SharpSpring (SHSP) – This SAAS business sells marketing automation tools, acquiring customers at a fraction of their expected long term value (LTV/CAC > 6) with a flagship product that is growing well in excess of 40% per year and a long runway for growth.

Etsy (ETSY) – This is a healthy two-sided marketplace with improving economics driven by pricing changes that will better monetize the existing traffic. Management is investing in growth, improving the user experience for shoppers and the tools for sellers. We trimmed our position during Q4 because it is the highest multiple stock in our portfolio as well as the most susceptible to multiple compression. Etsy is also one of the best businesses that we own and is carving out a nice position as an alternative to Amazon.

SHORT POSITIONS

The fund remains short ETFs targeted at short-term traders, a bond fund where the underlying interest rates received relative to the risk assumed do not pass my common-sense test, and two indices. One of the benefits of the volatility is that the persistent, across-the-board upward march of all stocks has ended and we now have a far better environment for short selling. While we will undoubtedly remain a very long biased fund, it would not surprise me if we added a few shorts over the coming quarters.

EXIT: YELP

I make it a practice to inform the partnership of significant new purchases in these letters. I want you to have a sense of what we own and why we own it, thus providing context to our historical and future returns. I tend not to highlight when we exit a company. However, in the case of Yelp (YELP), I think it is instructive. Yelp was a top five position for multiple quarters and I spent a fair amount of time in the previous letters explaining how I thought a tweak to their business model – getting rid of one-year contracts for advertisers – would increase trial of their product and ultimately grow their base of advertisers. The thesis passed a common-sense test and, in fact, the company was experiencing growth on a year-over-year basis as well as on a quarter-over-quarter basis. Given the operating leverage in the Yelp business model, I was quite excited by the possibility of sustained growth.

What happened? When Yelp reported their quarterly results, their paying advertiser accounts did not grow. They had 194,000 paying advertisers on June 30 and 194,000 on September 30. Not growing for one quarter is not a reason in itself to sell an investment we entered with a three- to five-year time horizon. However, in the context of a company that just made trying the product easier, it was disconcerting to see no growth at all in the number of advertisers. Management cited some operational issues that may in fact reverse themselves, and exiting maybe an over-reaction, but I just could not get over the fact that the advertiser count stayed flat despite the term changes and the activity of Yelp's sales force, which totals over 3,000 people. So even with easier selling terms, *three thousand* salespeople could not grow the number of advertisers. It took that many people to just replace the advertisers that were leaving. Again, the issues at Yelp maybe temporary, and the Yelp valuation is not demanding, but 3,000+ salespeople running around, meeting business owners, and making phone calls to sell a more consumable package ending that quarter with a net result of no growth in advertisers does not give me cheery thoughts. Ultimately, the thesis that changing the contract terms will have great long-term benefits for the company may be true, but in the intermediate term, there are real product and execution risks.

K1s

We expect to have K1s ready by the first week of March. If you have any questions in the interim, please reach out to Ally (investorrelations@greenhavenroad.com). For our tax-paying LPs, the K1 should not be a major event as realized gains were largely offset with realized losses.

GREENHAVEN
ROAD CAPITAL

OUTLOOK

The headlines around us are dire. Our government is not functioning, literally not functioning, as we continue to experience the longest government shutdown in our nation's history. Just about every financial headline is negative. We have the seemingly contradictory narrative of "interest rates are rising; this is going to kill the economy" as well as "interest rates are falling because the economy is weakening." Of course, implied by both of those headlines is that the economy is currently strong, but that is rarely explicitly stated.

The fourth quarter saw the return of the +2% or -2% day in the market with the S&P 500's average daily move exceeding 1% per day. In reality, the fortunes of the companies we are investing in are not rising and falling by 1% per day. The future cash flows of Box are not declining by 1%, 2% or more because of a single tweet emanating from the White House. My job is to make sure we do not conflate negative short-term results with a broken process.

In my opinion, there are macro headwinds and multiples may compress, but there are also great companies like KKR that that will adapt and prosper. We only need to find a couple a year and hold on through the noise. Just as I ended the last letter – as volatility arises, I will attempt to take advantage of the opportunities it creates. We will continue to invest with a long time horizon, and we will continue to invest like it is our own money – because it is. Thank you for the opportunity to grow your family capital alongside mine

Sincerely,

Scott Miller

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