GREENHAVEN ROAD
PARTNERS FUND

November 2018

Dear Limited Partners,

By now, you should have received your statements from Opus. The Partners Fund returned approximately +3.6% in the third quarter, and has returned +10.3% in the ten months since its December 2018 inception. Please check your individual statements for your returns, as performance can vary based on share class and subscription date.

While overall returns are boiled down to a single number, there is a wide dispersion of returns across the underlying funds. A significant portion of this dispersion is just noise, as returns over a three-month or one-year period are not statistically significant. However, there is a portion that is related to skill. For the main Greenhaven Road Fund, I spend considerable time writing long letters with the belief that if my LPs know what we own and why we own it, they (you) are more likely to stay the course when we hit the inevitable "rough patches" that are part of life with a concentrated portfolio of differentiated, non-consensus investments. I want investors to understand how we achieve our returns to provide context to the single number in the statement – I would rather have a shared understanding of our portfolio than blind faith.

I would like to create the same dynamic for the Partners Fund: I want LPs to understand what we own and why we own it. However, the Partners Fund presents some unique challenges, as we are not at liberty to discuss all of our investments (the funds) or THEIR investments (underlying names) in our letters, and we are not able to distribute all of the communications from the underlying managers. We are also "partners" with the underlying managers, and respecting their needs and desires is important. As an initial effort to help foster familiarity, Greenhaven hosted an April event at the Harvard Club to bring together Partners Fund investors and the managers of the underlying funds. Going forward, we will try a three-pronged approach. We will continue to host an annual in-person event if there continues to be demand. When the Partners Fund invests in new managers, we will get the manager(s)' permission to discuss them in these letters. Finally, each quarter we will feature the recent quarterly letter of two managers so that our LPs can keep a finger on the pulse without being inundated with reading material. We will request sharing permission from all of the managers so that those who want all of the letters (will likely be 100 pages+) can email Ally (investorrelations@greenhavenroad.com) to obtain copies of as many as are available in a given quarter. My goal is to find a balance where all limited partners will get more information, and those who really want to get into the weeds are free to do so.

ANNIE DUKE

In the last Partners Fund letter (link), and in the last letter for the main fund (link), I mentioned that we would be convening the underlying managers of the Partners Fund for a working session. I wrote, "I believe that, over time, having the smartest investors I know speaking with each other more frequently can only collectively help performance of each of their funds, and thus the overall returns of the Partners Fund." That event took place at the end of October in the form of a two-day meeting in New York City that gathered folks come from most corners of the earth including England, Amsterdam, South Africa, and several U.S. states from New York to Oregon. In addition to the managers of the Partners Fund, I invited a half dozen managers who I really respect and thought would enrich the event and the ecosystem.

On the first day, Annie Duke (the author of *Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts*) walked us through many of the common errors people make when making decisions. In addition to being a writer and speaker, Annie is a former World Series of Poker champion and also a professor with a background in cognitive psychology. She introduced the group to a litany of different errors, including "resulting", conflation of luck and skill, and poor belief calibration. Her taxonomy of potential shortcomings bordered on depressing. In a room full of people who self-identify as intelligent, she sent the group into a near psychological death spiral when she explained that more intelligent people are actually *more* susceptible to making the errors even when aware of them. Smart people are just better at convincing ourselves that we are not making these errors even while in the act of making them.

Fortunately, Annie went on to explain that one of her best strategies for improving decision making is to use peers to inject organized skepticism. Ideally, the peers have the background to understand the context which a decision is being made in. She went on to suggest norms and tools to use with each other, in order to overcome some of the societally awkward feelings that can get in the way of providing blunt feedback to peers. Changing behavior is difficult, and it is a tall order to convince a group of independent thinkers that intentional collaboration can be in their self-interest, but I think Annie definitely nudged us.

On the second afternoon, managers presented individual investment ideas, and then as a group we attempted to keep the learnings from Annie Duke alive by forming a "red team" for each idea. The idea is that in the following weeks the red team would do their best to "tear down" the investment thesis and highlight as many weaknesses as possible, so that the presenting manager can hopefully improve their process, and address any blind spots in their thinking. The companies presented ranged from a nanocap software company to a special situation listed in Sweden to one of the largest companies in the world. There is a diversity of geographies presented which included South Africa, Sweeden, and Korea and a range of special situations, compounders, and deep value. The range of presentations highlighted the different styles employed by the managers.

SEED INVESTMENT

There is a lot of freedom that comes from trying to build a fund while not copying somebody else step for step. For example, the Partners Fund is not looking to scale AUM, which is the exact opposite of the typical Fund of Funds playbook. It also means that the evolution of the Partners Fund is opportunistic, not premeditated. Occasionally there is also a confluence of circumstances that can create opportunities. I believe that we are at one of those points in the evolution of the fund. I have been increasingly attracted to managers with a specific geographic focus, as the Partners Fund should be a source of diversification. Toward this end, we are in the process of setting up an investment in a South Africa-focused manager in whose fund the Partners Fund will have an economic interest beyond our investment. We will receive a revenue share on the overall profits earned by the underlying fund, not just our pro rata share of the fund's profits and losses. I mention this for two reasons. The first is that if the underlying fund is successful, our "seed" investment can materially improve our returns – either way, revenue share can only make positive contributions. The second reason is to highlight that this is an entirely opportunistic endeavor related to the individual and their current structure, this is not a line of business that we are going to actively pursue going forward. While the economics of seeding are very asymmetric, and I think deviating from the traditional fund of funds playbook here will be to our benefit, seeding is a nuanced endeavor. We have benefitted greatly from Stride Capital's contributions in our effort here, but going forward I intend to leave the seeding to seeders. Assuming everything stays on course, in the next letter, I will outline in greater detail the how and the why of this investment.

QUARTERLY SUBSCRIPTIONS

To simplify the administration of the Partners Fund, we have moved to quarterly subscriptions. The next date to add capital will be January 1st. Please reach out to Ally (InvestorRelations@greenhavenroad.com) if you are interested in adding capital.

FINAL THOUGHTS

As I said at the end of the last letter….Our fund of funds is going to be different. It will be smaller, the underlying holdings will be more esoteric, and I hope the managers will collaborate more over time. I believe that it will all be good different, but only time will tell. Thank you for joining me on this journey, and I will work hard to grow your family capital alongside mine.

Sincerely,

Scott Miller

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