



February 2020

Dear Limited Partners,

For the fourth quarter of 2019, the Greenhaven Partners Fund returned approximately +8.8% gross, bringing the 2019 total return to +14.8%. This performance can be compared to the HFRI Equity Hedge (total) returns of +2.5% in Q4 and +13.7% for the year. Please check your statements as individual LP returns will vary based on share class.

During the fourth quarter, the Partners Fund made one significant new commitment to a special purpose vehicle (SPV) managed by North Peak Capital. A non-disclosure agreement binds me from disclosing the underlying holding, so please bear with me as I describe the investment. Sorry to those of you who like to play detective, but this holding will not appear in North Peak's 13F filing because it is not U.S. listed.

North Peak's SPV is invested in a single multi-billion-dollar company that operates outside of the U.S. and is the number one or two competitor in the vast majority of markets where it operates. In a business that many view as a "winner-take-most," the company benefits from operating leverage and enjoys secular tailwinds from shifts in consumer behaviors. This company represented the single largest holding in North Peak's main fund, and they created the SPV to offer investors additional exposure to the "best idea" without exceeding their risk limits for a single position size. The fees are reasonable, and the liquidity terms are fair. On a look-through basis, this investment simply increased our exposure to an existing holding within our investment in the "main" North Peak fund. I believe that, with a little good fortune, this SPV has the opportunity to generate returns of 2X or greater in the next three to five years.

North Peak applies a private equity thought process to the public markets. North Peak does deep work and invests with conviction, seeking investments that can return multiples of their original investment over a three year + timeframe. Through strong returns, North Peak has grown into a substantial holding for the Partners Fund.

The Partners Fund has six investment criteria, which I have discussed in detail before:

- **One-person investment committee**
- **Concentrated holdings**
- **Reasonable amounts of capital (AUM)**
- **Significant personal investments ("skin in the game")**
- **Original thinking**
- **Mindset: Getting rich is not the point**

North Peak unequivocally violates our first criteria: They do not have a one-person investment committee. The fund is managed by two brothers, Jeremy and Michael Kahan. They have complementary skill sets as Michael is



more experienced in the private markets and Jeremy in the public markets and their investment style is a blend of both disciplines.

Ultimately, the purpose of the Partners Fund is to deliver attractive risk-adjusted returns, not check boxes on a criteria check list, and I am comfortable that the investment committee of one rule was bent for the Kahan brothers. As I have spent more time with them, I have come to see that they do almost everything together. They work in the same office, eat lunch together, and even vacation together. I suspect that one day, they will teach a masters class on how to run an investment partnership – together. You may take some solace in the fact that a significant portion of Ben Graham’s lifetime investment returns came from his Geico investment, which violated his rules on concentration and valuation... may we be so lucky in our rule bending.

FINAL THOUGHTS

As I have said at the end of every 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 continue to 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. I will work hard to grow your family capital alongside mine.

Sincerely,

Scott Miller



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