GREENHAVEN ROAD CAPITAL

August 3, 2017

Dear Fellow Investors,

If we are going to try to "outperform" the market by having a concentrated portfolio with off-the-beaten-path companies and non-consensus ideas, we have to accept periods of under-performance. Sometimes we are early, and sometimes we are just wrong. We will have down months, quarters, and years. Fortunately, this quarter was not one of those down quarters and this year so far is not one of those down years. The fund returned approximately 10% gross during the second quarter, pushing year-to-date returns above 30% gross. Net returns vary depending on investor class, but are approximately 25% year-to-date. Our returns compare favorably to the S&P 500 and Russell 2000 indices, which were up 9% and 5%, respectively, over the same period. As I have said before, short-term returns are "noisy" and not meaningful. If I told you we had performed well over a 15-minute period or an hour, you would say, "who cares?" We are playing the long game here, not focused on one-, three-, or six-month periods. Our five-year and fund life returns are all in excess of the relevant benchmarks net of all fees and expenses.

ANOTHER FOUNDATIONAL VOICE

As I consider buying, selling, and holding investments, there are certain themes and core ideas that I use as touchstones. For example, when investing in microcaps with limited liquidity, I can hear Chuck Royce whispering, "It's not the liquidity discount that matters – is the company going to get there?" He means, effectively, that one must be very wary of the execution risk in illiquid companies because it can be a marriage and not a date if that limited liquidity disappears. This is why selection matters so much – you have to be happy with being a long-term owner. In addition to Chuck, I often think of my Stanford professor Jack McDonald, who brought in a speaker who had invested $25,000 in a private company. When the company went public, he had a 10 bagger, but he did not sell; he held and held and held and held, and eventually his investment was valued at more than $50M. This phenomenal return was only possible because he selected his company (Cisco) well AND viewed it as a very long-term investment in a company and management team he believed in. Despite a very large gain in the near-term, he remained focused on the longer-term business opportunity and let the magic of compounding work over more than a decade. Before I sell a stock that is up significantly, I ask "What would Professor McDonald think?" – code for the fundamentals of the opportunity ahead are far more important than the paper gain or loss realized to date.

Historically, when analyzing companies, I have heard the whispers of Marc Andreessen saying, "software is eating the world." Looking around, I see evidence of software everywhere from my programmable TV remote to the braking system in my car. I am not typing on a typewriter and I don't call a broker to place trade orders. This past quarter I read "Modern Monopolies: What It Takes to Dominate the 21st Century Economy" by Alex Moazed and Nicholas L. Johnson. The book argues that Marc Andreessen's notion of software eating the world is directionally correct, but more accurately, platforms are eating the world. Andreessen is correct in that software will keep being applied to ever-expanding areas; however, the great companies will be platforms, not simple software. Single point software solutions are easily copied over time; the cost of development is relatively low and the barriers to entry are also low. Just look at the Apple App Store with more than 2,000,000 apps available. Moazed and Johnson argue that the great businesses of our time will be software-related, but they will be technology platforms like the App store and not the individual apps. The book delves into several different types of platforms and nuances between them, but for our purposes, "software is eating the world" is now "platforms are eating the world." I have intuitively understood the advantages of network effects and the attractive economics of the incremental customer on platforms, which has led us to currently own four of them within our portfolio: Etsy, Interactive Brokers, Gaia, and TripAdvisor. The book is well worth reading as it provides precision and mental models to analyze platforms and think about their health and conditions for growth, and argues that many of the great businesses of this generation will be platforms. The book will be given out at Greenhaven's annual meeting this year (details to follow via email).

TOP 5 POSITIONS

The top 5 positions in the portfolio are as follows:

Fiat Chrysler (FCA) – The thesis remains the same: if the turnaround continues to be successful, Fiat will earn in excess of $5 next year and have a net cash position. The company will benefit from margin expansion as their product mix shifts away from commodity sedans and increasingly towards luxury cars (Maserati and Alfa Romeo) and SUVs (Jeep). There are several ways to realize value, including selling off the parts business or spinning off the luxury brands, as they have already done with Ferrari. Ultimately, strong businesses with strong brands and reasonable balance sheets do not trade for 2X earnings for long. Either the company will fall far short of its 2018 plan and today's prices will seem reasonable, or they will continue to execute and today's prices will be deemed quite attractive.

EnviroStar (EVI) – Shares of EnviroStar have doubled in the six months that we have owned them. As discussed in our Q4 letter, this commercial laundry operation is growing through a "buy and build" strategy executed by CEO Henry Nahmad, who trained under his uncle, Albert Nahmad, who has grown another arguably "boring" business, air conditioning company Watsco (WSO), by more than 60X since he began the strategy. The math of such roll-up/"buy and build" strategies is very compelling. If you buy companies paying 4X EBITDA using stock that trades at 10X+ and cash generated, the returns can be astounding. For example, Pool Corp (POOL), also founded by Watsco alumni, compounded at more than 40% for a decade. There is a lot of execution risk in roll-ups, and time will tell if Henry Nahmad is up for the job, but he has committed significant personal and family capital to EnviroStar and thus far has made all the right moves, upgrading the CFO and completing two acquisitions to date.

ETSY (ETSY) – Etsy was discussed in great detail in our last letter. Share price appreciation has come faster than expected as an activist and two private equity funds have entered the picture. The CEO was replaced and layoffs have pared back the workforce by roughly 22%. New management has been well-received by investors to date. We purchased these shares with a multi-year time horizon because Etsy is an interesting platform that is an alternative to Amazon. The company has monetization problems, but presents a great opportunity to service creative entrepreneurs.

Limbach Holdings (LMB) – The price of Limbach shares are below our average cost. Many days it feels like we are the only "bid" for this sub-$100M "boring" business in the HVAC space. Limbach has an opportunity to grow by pursuing additional geographies and adding complementary products such as electrical wiring and fire suppression. Margins could expand through an increased focus on higher margin services, roll-off of a larger low margin project, and more conservative bidding for new work. Clearly there is exposure to commercial building, particularly in hospitals, education, and entertainment. However, the company's strong management team, significant order book, and logical strategy with clear demonstrations of progress underpin our thesis. Over the next five years we will see how "boring" this business actually is.

TripAdvisor (TRIP) – TripAdvisor is discussed in detail later in this letter.

SHORT INVESTMENTS

When we purchase shares of a company on the long side, we want other investors to follow us in and purchase shares after we purchase them, driving the price higher. The inverse is not always true when we are shorting a stock. Additional shorts can drive the price down (good) but also drive up the rate at which we are borrowing the stock. A heavily shorted stock can have a borrow rate in excess of 50%, which in rough terms means that if you were short the stock for a year and it only declined 25%, you would lose money. This past quarter we shorted four financial products targeted at short-term traders. The borrow rates on these stocks are not inconsequential. I would rather not drive the borrow rate up by discussing them in detail, but suffice it to say we are short poorly designed financial products and long common sense. Per usual, individual short positions are approximately 1-2% fund weight.

GREENHAVEN ROAD PARTNERS FUND

At Greenhaven Road, our operating principles are quite simple. The first operating principal is to go slow. The best decisions are made outside of the frenetic. We don't want to be the busiest, but we aspire to be the best. The second principal is to only do the "Hell Yeah" no brainers. If something does not excite me to the point of keeping me awake at night, leave it for others. The third operating principal is to organize ourselves in the manner which will give us the best chances of generating returns. The decision to stay small and limit the size of the fund is driven by the belief that it increases our chances to generate returns. The decision to be concentrated in our best ideas, again, increases our chances to generate returns. The decision to form a business partnership with Stride Capital to also handle and boost the quality of the non-investing aspects of Greenhaven Road, again, is driven by a desire to increase our chances to generate returns. I cannot point to any of these choices individually and say that is the secret sauce, but I believe that, collectively, these choices have made the partnership stronger and improved our chances to invest successfully. It is through the lens of going slow, only pursuing the "Hell Yeahs," and making conscious choices to give ourselves the best chance of generating returns that I want to preview the Greenhaven Road Partners Fund.

The Greenhaven Road Partners Fund will be a "fund of funds," investing in emerging managers focused on small niches of the market. This vehicle will take advantage of my relationships with fellow portfolio managers as well as the relationships the Royce Family Office has developed over decades. Unlike Greenhaven Road Fund 1, where size is the enemy of returns, scale is beneficial for the Partners Fund, since it will allow us to be more supportive of other managers and spread out administrative costs.

I believe the Partners Fund will strengthen our networks, deepen our relationships, add to our idea flow, and allow us to have deeper and broader conversations with the best emerging managers. Adding the Partners Fund alongside Fund 1 will be a different approach than most managers take. I believe it is "good different" and will give us an interesting and sustainable "edge." I have discussed the broad strokes of the Partners Fund with a few limited partners so far. Those who are portfolio managers themselves tend to say something along the lines of, "Makes total sense – not a lot of extra work and the yields could be multiples of the time investment." The limited partners who are entrepreneurs are accessing different mental models and are concerned about focus and bandwidth, saying something along the lines of, "Is it worth it?" This is a fair question. The way the economics work, given the expected size differences of the funds (Fund 1 larger) and fee structure differences (Fund 1 higher), we should only pursue the Partners Fund if we believe it improves the return prospects of Fund 1. I believe it does.

Over the coming months, you will begin to receive updates. The timing, size, and a dozen other details are evolving as we are moving slowly, making sure the fund is a "Hell Yeah" and will improve our chances at generating returns. If the Partner's Fund was a baby, we are at the point where we have gone through the fun of conceiving, gotten pregnant, the baby appears healthy from the sonograms, and we are just comfortable enough to start telling the family. More to come…

NEW INVESTMENT - TRIPADVISOR

The investment business is a funny endeavor. When you own a portfolio of 15 companies and aspire to very low turnover, a lot of time is spent learning and researching and little time is spent buying. Three summers ago, I had a love affair with TripAdvisor (TRIP) – I could see real beauty in the business. TripAdvisor is an advantaged travel platform, operating in the massive $1.3 trillion travel industry with an asset-light business model that takes no inventory. The company began as a place where travelers could review hotels and restaurants and quickly became one of the best sites to research travel options on the internet, evolving to include activities and tours at one's destination. I spent weeks thinking through the high value proposition for consumers who can make a far more informed purchase decision through TripAdvisor rather than relying on word of mouth or out-of-date travel books. The site also gives providers a free way to be discovered – and quality destinations with higher ratings can charge more. A variety of competitors also aggregate a supply of hospitality offerings on their platforms, but TripAdvisor seems the best at providing consumers with information to make informed decisions and driving demand for properties. I studied the company's ownership structure as well as its growth paths outside of hotels, but ultimately could not get comfortable with the valuation and put TripAdvisor in the "own at a different price" bucket. At the time, TRIP stock was priced too close to perfection and I was less willing to pay up for quality than I am now. I would like to think we have both gotten better with age. So, what's the story today?

Today, TripAdvisor receives more than 250 reviews per minute on the site and has more than 500 million reviews in aggregate. This is an incredibly rich reservoir of content that TripAdvisor effectively acquires for free. Contributors are not compensated. Restaurants and hotels that are positively reviewed often proudly display TripAdvisor stickers in their windows or on their doors, effectively serving as free advertising for TripAdvisor. Over time, TripAdvisor has evolved into the best place on the internet to research and book a trip and activities/tours. When researching prices, TripAdvisor will search hundreds of other travel comparison sites, such as Expedia and Priceline, through something called meta search. The company also has direct relationships with properties and will allow for direct bookings, which they call their "Instant Booking" feature. When searching for hotel prices on TripAdvisor, a consumer is shown the best price per property; sometimes through Instant Booking and sometimes through the meta search results – whichever is better for the consumer. The combination of reviews and pricing make TripAdvisor the best destination for hotel research.

In addition, TripAdvisor can research and book restaurants and attractions "in destination." Once at a destination, the TripAdvisor app allows for searching by proximity, rating, and cost, which can be really helpful if you have three kids pulling on your leg asking what you are doing next. The value proposition for the consumer across the TripAdvisor platform is quite high. The company describes a TripAdvisor flywheel effect where TripAdvisor offers more products and choice, leading to more bookings, increased usage and repeat usage; all of this results in increased revenue per user, which leads to the ability to grow the user base as well as increased monetization potential and brand loyalty. The product gets better with more users and becomes harder to replicate.

Shares of TripAdvisor are near five-year lows in terms of price – down 65% off of their highs – and short interest has risen. The company has its skeptics; however, there are many positive signs. Over the last five years, unique monthly usership has increased four-fold and reviews per active user have doubled, indicating that engagement is far healthier than the share price. TripAdvisor users love the platform and its content, but, particularly in the last year, the company has had challenges turning visitors into dollars. Unfortunately, TripAdvisor currently has a monetization problem, or as a positive parent might say – a monetization opportunity.

There are a number of contributing factors to this problem/opportunity including increased usage of mobile phones, which monetize at lower rates. More significantly, pay-per-click traffic (sent through to Expedia and Priceline) lessened when their Instant Booking option launched. In addition, discounted pricing offered in connection with the kickoff plus user interface issues have led to lower monetization of hotel-related traffic. However, revenue per hotel shopper has seen steady improvements as the product has matured, with last quarter's improvements returning to 2015 levels.

The company is also facing increased competition from Trivago, which is aggressively pursuing growth in the hotel shopper segment, spending in excess of 80% of revenue on sales and marketing while TripAdvisor just increased to 55% after previously spending below 50%.

In the intermediate term, monetizing hotel shoppers will be the driving determinant of company economics, but I think the following quote from the CEO, while long, illustrates the mentality of management as well as the opportunity in destination "attractions:"

> *How would we as stewards of this company look at the opportunity in the attractions category? And we say, wow, fantastic, could turn it profitable tomorrow by a lot if we wanted to but why would we choose to do that when the growth opportunity is so tremendous? We feel so optimistic about this category because it's so big and we're the ones that can bring the demand and the supply together, we just need more inventory. With more inventory, we can both grow our organic demand and buy more demand, and then we become known as the aggregator of, hey, what do I want to do when I get there. And that feeds upon itself, we get more supply, we get more demand, bingo, and we not only retain our current leadership position in that category, but we become unassailable over years. And then, as with any business like this, margins flow really nicely out of it because as traffic builds, especially if it's repeat traffic or organically grown traffic or app traffic, customer acquisition is nil and you've got a beautiful margin machine here.*

Currently, just 7% of reviewed attractions are bookable on TripAdvisor. With both the most downloaded travel app and the most reviews/ratings, they have a real opportunity to dominate this space supplying additional customers to attractions and bringing real value to users. The incremental margin should be very high.

Given the intense competition and monetization challenges, why purchase shares? Valuation does enter into the equation. In the past year, the Nasdaq is up more than 27% while TripAdvisor's shares are down more than 40%, so we can now purchase TRIP shares for roughly 17X this year's cash earnings or 3X EV/REV. While revenue declined with last year's botched rollout of Instant Booking and under-monetized traffic, the company has historically grown revenues at more than 20% per year, and Q1 2017 saw revenue growth in excess of 5%. TripAdvisor has a history of growing profitably and its ownership group includes Liberty's John Malone, so there are also excellent capital allocators involved who have been buying back stock and investing for the future.

TripAdvisor has a platform designed for transactions and has built an ecosystem that includes apps, rich content users access for free, and free advertising both in-app (via reviews) and in the real world (those recognizable stickers posted in restaurant windows). When you step back, for a reasonable valuation we are getting the best product with excellent owners in an enormous market. As temporary Instant Booking issues subside, we could see revenue growth, margin expansion, and multiple expansion over time.

NEW INVESTMENT – YATRA WARRANTS

Every couple of months, I get a call from Eric Gomberg of Dane Capital asking if I want to join him for a meeting. It is always interesting, and often related to SPACs (Special Purpose Acquisition Corps). The historical returns of SPACs have been very underwhelming, and ignoring every SPAC ever created as a rule of thumb would have been a wise move. The fact that so many investors "pass" just because a company is a SPAC leaves the stocks off-the-beaten-path, uncovered, and unloved. While most are not investable, for the selective, there are opportunities. I think Eric has found a diamond in the rough with Yatra Online (YTRA).

We made a smaller purchase this quarter in the warrants of Yatra, an online travel agent (OTA) focused on India. The warrants are effectively an option to purchase shares for $11.50 any time in the next five years. The position was "smaller" because the risk of permanent capital loss was greater since the warrants, which have a five-year life, could ultimately be worth zero.

OTAs benefit disproportionately from rising incomes. As the number two provider in its market, Yatra has a very reasonable valuation and is selling at a deep discount to the number one company in the space, MakeMyTrip (MMYT). I presented Yatra at ValueX Vail and at the Manual of Ideas Wide Moat conferences. A 20-page presentation is available on our website www.greenhavenroad.com under the Investor Letters section. We have almost doubled our money in just a couple of months, and if all goes right, there is more to be made.

REPURCHASE OF AN OLD INVESTMENT – FERARRI

One of the most difficult things to do as an investor is to repurchase shares in a company at a higher price than you sold them at: effectively, admitting you were wrong to sell in the first place. Shortly after Fiat spun off Ferrari, I sold the shares, arguing that I was a value investor at heart and would not be able to hold the higher multiple "luxury brand" Ferrari when the company hit an inevitable rough patch. I was also skeptical of their plans to expand into private aviation and marine vehicle interiors. These plans have since been scrapped and, more importantly, Ferrari has proven that volumes will increase above the historical 7,000 car-per-year cap. With high fixed costs and significant excess capacity in the existing manufacturing footprint, the incremental volumes have very attractive economics. The company can grow volumes significantly with limited capital expenditures providing increased volumes/revenues and expanding margins with no additional capital to be raised.

To further the margin expansion, Ferrari has continued to introduce special editions. The incremental margins on $2M La Ferraris are close to eye-popping. The company has also indicated a willingness to rationalize or steady its Formula 1 spending. This is an incredibly strong brand that continued to sell through the recession and had historically not raised production despite the growing wealth around the world. Sergio Marchionne will stay on as CEO of Ferrari, making it his "project" after he retires from Fiat at the end of 2018. One of the greatest auto brands remaining in the hands of one of the greatest auto executives with levers to pull on models to release, production numbers, and pricing presents an interesting set-up.

NEW LIMITED PARTNERS

We continued to add several limited partners over the course of the quarter. I have to say that I am humbled by the number of current or former portfolio managers and finance professionals who are choosing to invest in the fund. Just this last quarter we accepted capital from managers of a $200 million fund and $1 billion fund. Current and former fund managers are by far our largest constituency of limited partners. The second largest constituency is entrepreneurs. Collectively, you all are a very independent thinking group, and I feel honored to have you as partners.

OUTLOOK

This summer I had the good fortune to take a vacation with my family. As our destination was a vacation "hot spot," there were many people there who spend most of their time fermenting in the hypervigilance of city life, away from the ocean and its rhythms. The beach, while beautiful, had more type-A people than should naturally be convened in one place. One day, the surf was rough enough to incite fear in the "nervous nellies," but calm enough to be classified as a "green flag" day by the lifeguards. Suddenly, one parent screamed for a lifeguard to help her child swim back to shore. Even to the moderately knowledgeable, it was clear that the child was not in dire trouble. There was no riptide, the child was not asking for help or waving his arms, and he was ultimately surprised when the lifeguards showed up because he thought they were rescuing somebody else. More noteworthy is the chain of events that followed. Another mother assumed the call for a lifeguard was because of a shark, so she screamed at her children to get out of the water because of the shark… which only existed in her brain. Another mother heard these cries, and screamed "shark" even louder, waving her arms even more frantically in an effort to get her children out of the water. It was like a wave – parents searching for their children, not the "shark," screaming louder for them to get out of the water. While well-intentioned, this was unnecessary panic. Fortunately, there was no shark, but unfortunately, in the race to get out of the water, one of the kids rode a big wave, which resulted in a face plant and the next 10 minutes spent scraped up and crying on the beach. The good intentions actually caused harm.

We are in a market with a complete lack of volatility. In the first six months of the year, there were a record low number of days where the market moved 1% or more in either direction. Volatility is not dead; it will return. There are a lot of tense people who kind of understand the market and who love their portfolio almost as much as their children. When volatility does rear its head, CNBC will be filled with those people who think they saw a shark or heard a smart person scream "shark," so they will scream it even louder. My job is to be like the lifeguard, watching the water in moments of calm and panic. In this case, she quickly diagnosed that the problem was not a shark, but overzealous parents, and told them to avoid using that word unless they actually saw a shark themselves. Panic over.

Morgan Housel of the Collaborative Fund wrote a great piece entitled "The Seduction of Pessimism" (http://www.collaborativefund.com/blog/the-seduction-of-pessimism/) in which he argues that it is far easier to appear smart by being pessimistic. He also points out that, "Every past market crash looks like an opportunity, but every future market crash looks like a risk." The truth is, in the short term, I have no idea what the overall market will do. As a long-biased partnership that is typically fully invested, we will have negative returns when the next pullback happens. However, I agree with Morgan: the pullback will also be an opportunity. Historically, in my investing career, I have captured most of the downturns and benefitted disproportionately on the recovery. Pullbacks are situations where the babies are thrown out with the bathwater and where knowing companies and understanding fundamentals matters. For now, I suspect we will muddle along with 2% GDP growth, limited volatility, and a growing importance of ETFs. However, when the "crash" comes, I know it will be short-term painful and likely long-term profitable for our partnership. We will continue to invest with a long time horizon like it is our own money – because it is. Thank you for the opportunity to grow your family capital alongside mine.

Sincerely,

Scott D. Miller

Scott Miller

Disclaimer:

This document, which is being provided on a confidential basis, shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified offeree receives a confidential private offering memorandum (“CPOM”) / confidential explanatory memorandum (“CEM”), which contains important information (including investment objective, policies, risk factors, fees, tax implications and relevant qualifications), and only in those jurisdictions where permitted by law. In the case of any inconsistency between the descriptions or terms in this document and the CPOM/CEM, the CPOM/CEM shall control. These securities shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied. This document is not intended for public use or distribution. While all the information prepared in this document is believed to be accurate, Greenhaven Road Capital Fund 1 LP and MVM Funds makes no express warranty as to the completeness or accuracy, nor can it accept responsibility for errors, appearing in the document.

An investment in the fund/partnership is speculative and involves a high degree of risk. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests and none is expected to develop. The portfolio is under the sole trading authority of the general partner/investment manager. A portion of the trades executed may take place on non-U.S. exchanges. Leverage may be employed in the portfolio, which can make investment performance volatile. An investor should not make an investment, unless it is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits.

There is no guarantee that the investment objective will be achieved. Moreover, the past performance of the investment team should not be construed as an indicator of future performance. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the fund/partnership. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur.

The enclosed material is confidential and not to be reproduced or redistributed in whole or in part without the prior written consent of Greenhaven Road Capital Fund 1 LP and MVM Funds. The information in this material is only current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Any statements of opinion constitute only current opinions of Greenhaven Road Capital Fund 1 LP and MVM Funds, which are subject to change and which Greenhaven Road Capital Fund 1 LP and MVM Funds do not undertake to update. Due to, among other things, the volatile nature of the markets, an investment in the fund/partnership may only be suitable for certain investors. Parties should independently investigate any investment strategy or manager, and should consult with qualified investment, legal and tax professionals before making any investment.

The fund/partnership is not registered under the investment company act of 1940, as amended, in reliance on an exemption thereunder. Interests in the fund/partnership have not been registered under the securities act of 1933, as amended, or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said act and laws.

The S&P 500 and Russell 2000 are indices of U.S. equities. They are included for informational purposes only and may not be representative of the type of investments made by the fund.