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July 14, 2017

Dear Partner,

Welcome to the performance update of Far View Partners L.P. for the half-year ended June 30, 2017.

**Portfolio Performance**

During H1 2017, Far View Partners generated a return of +14.60% net of all fees and expenses, which was comprised of +7.89% in Q1 2017 and +6.22% in Q2 2017. Since inception on July 1, 2011, Far View Partners has generated a cumulative net return of +139.61%.

Far View enjoyed solid results across the portfolio in H1 2017. Most notably, Coats Group PLC continued its strong performance from H2 2016 as the company benefitted from its completed pension investigation, strong operational results and inclusion into the FTSE 250 index. Far View's returns were also boosted by acquisitions as three portfolio companies— Halogen Software Inc., PennTex Midstream Partners LP, and Covisint Corporation— received offers during H1 2017.

These broad based profits were offset by declines in two small US companies that gave back some of their strong performance from the H2 2016. Far View added to both positions in H1 and would like to add more if they trade at attractive prices in the future.

While the Partnership generated good returns in H1 2017, it has been a frustrating period for Far View as I have struggled to find attractive new positions. While the volume of ideas will ebb and flow, a small, flexible fund should be able to uncover compelling ideas on a more regular basis than we have over the past several months.

Reviewing my efforts from H1 2017, I am confident that this dry spell is not for lack of trying as I have evaluated a similar number of ideas compared to prior periods. This commentary is also not a lament that there are “no good investments in this market” because I have seen investors I respect find opportunities that are compelling to them. For whatever reason, though, I have struggled to find ideas that have made me sufficiently comfortable to commit Far View's capital, and I will not make investments that don't fit my requirements.

However, there is a fine line between appropriate patience to avoid mistakes of commission and excessive caution that create mistakes of omission. While my plan remains to patiently wait for fat pitches, I am constantly reviewing the results of my discarded ideas to make sure I am not overly disqualifying attractive opportunities.

Positively, I still believe the current portfolio contains sufficient potential to generate attractive mid-term returns for Far View. Another reason for optimism is that I have recently initiated smaller positions in

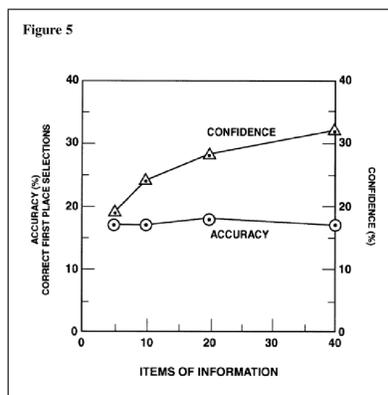
June/July and have identified a few other potential opportunities that require further diligence. I expect I will eventually find new large positions to drive strong long-term returns for Far View.

On June 30, 2017, the Partnership's portfolio consisted of long equity investments in the United States, Europe, and Canada, and a large cash position.

### **Process: Quality, not Quantity, of Information**

Many investors take excessive pride in researching all facets of an investment and often boast about the number of hours spent reviewing a position. Unfortunately, effort alone does not determine a stock's future returns. In fact, excessive research into immaterial elements of an investment thesis often creates overconfidence that can generate catastrophic losses.

Paul Slovic, a professor in Decision Research at the University of Oregon, performed an interesting study with expert handicappers. They were given horse performance data and were asked to judge the five, ten, twenty, and forty most important data points useful in determining the winner of a race. They were then given past race data and asked to rank the top five horses in each race using their top five variables. They were also asked to provide a level of confidence in the accuracy of their prediction. The experiment was then repeated with the ten, twenty, and forty data points. Interestingly, the increased amount of data had no impact on the handicappers' accuracy but did strongly increase their confidence in their predictions.<sup>1</sup>



This study is a perfect example that more information is not always better. In investing, a small number of factors generally determine the outcome of an investment thesis and an investor must be able to identify and evaluate those key variables. Further research into more immaterial factors often proves to be irrelevant or provides a false sense of confidence in the investor's understanding of the security.

At Far View, I try to control the impulse to do "research for research's sake". As an example, my checklist includes an item where, if my research process forces me to search for obscure and difficult-to-find information, then I need to consider whether I am trying to artificially increase my confidence in a mediocre opportunity. Most of Far View's best investments have come in situations where I can clearly identify the critical factors and the attractiveness of the opportunity is readily apparent.

### **Portfolio Investment: The RMR Group**

Far View's 2016 and H1 2017 performance benefitted from this kind of simple and clear investment thesis. In December 2015, I received a call from a friend asking what I thought about the RMR Group (RMR). Having never looked at it, I resolved to take a quick look given my respect for this investor's ability. My first read of the registration document made clear that I would need to move quickly as this opportunity appeared attractive and short-lived. Therefore, my research focused on the critical issues of

why this security was being sold, whether it was a good business, and if it was cheap. Focusing on these three critical questions dramatically increased the efficiency of my research process for RMR.

Because of the structure of the deal, it was readily apparent that RMR had the potential for forced sellers. RMR had come public through an unusual transaction where its shares were initially sold to its managed REITs and then distributed to the REIT shareholders. As a very small (0.01-0.02 RMR shares per REIT share), taxable distribution near the end of 2015, RMR faced significant selling pressure from its initial REIT shareholders who were not natural owners of a non-REIT company.

In addition to this unique method of coming public, RMR's business appeared attractive. RMR was a REIT asset manager and generated attractive revenues from its secure, long-term management contracts. This stream of cash flow was stable, high-margin, and had opportunities for growth. The company also had a clean balance sheet and opportunities for further upside through its potential to generate incentive fees based on REIT performance.

Finally, RMR's financials and share price showed that the company was trading at a material discount to my estimate of fair value. In fact, RMR's base management fees were easily worth more than its enterprise value without any contribution from the company's other sources of revenue. At RMR's trading range in December 2015, the risk of material downside was limited, and the potential for attractive upside was significant.

After completing this initial research, the investment thesis was clear. RMR's abnormal listing had generated significant selling pressure that had created the opportunity to buy a good business at a significant discount to its intrinsic value. During 2016 and H1 17, Far View's returns benefitted as RMR's share price increased by more than 3x as the investment thesis played out.

### **The Partnership**

After six years in New York, Far View will be relocating to Colorado in September. This move should not have a material impact on the operations of the fund or the experience of its limited partners. While the mailing address will change, the firm's email address and phone number will remain the same. More importantly, Far View's prime broker, administrator and back office personnel will remain intact, so limited partners should not see any material change in day-to-day operations. Please feel free to contact me if you have any questions about this move.

I remain the largest investor in Far View and it comprises the vast majority of my net worth. I am excited for the future of the Partnership and believe its first six years have created an excellent foundation for long-term success. Please don't hesitate to contact me if you have any thoughts or questions.

Sincerely,



Brad Hathaway  
Managing Partner

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All performance figures are estimated and unaudited. A partner’s actual returns may vary due to, among other things, the timing of a partner’s investment and any special terms granted to a partner.

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<sup>i</sup> Paul Slovic, "Behavioral Problems of Adhering to a Decision Policy,"