Far View Capital Management
646-838-4401
info@farviewcapitalmgmt.com

July 14, 2021

Dear Partner,
Welcome to the performance update of Far View Partners L.P. for the half-year ended June 30, 2021.

Portfolio Performance
During H1 2021, Far View Partners generated a return of +16.86% net of all fees and expenses, which comprised of +16.18% in Q1 2021 and +0.59% in Q2 2021. Since inception on July 1, 2011, Far View Partners has generated a cumulative net return of +315.77%, a +15.31% CAGR.

In H1 2021, Far View enjoyed continued gains in Naked Wines PLC because investors began to increasingly appreciate the company's strengthened competitive position and long runway for high-return growth. The Partnership also benefitted from gains in German insurance technology company JDC Group AG (JDC). Far View initially invested in JDC in July 2020 and substantially increased our position in February 2021 after the company announced the signing of a partnership with large German public insurer Provinzial. This contract win massively increased JDC's mid-term growth trajectory and confirmed Far View's investment thesis that JDC has a leading position in white-label software solutions for the German insurance industry. Finally, Far View enjoyed gains in American Outdoor Brands (AOUT), a manufacturer of rugged outdoor equipment that was spun-off from firearms manufacturer Smith and Wesson in August 2020. AOUT's share price advanced rapidly in 2021 as its strong earnings results supported the investment thesis that the company's loved brands and strong management team were well poised for organic growth as an independent company.

These gains were offset by losses in Optiva Inc (OPT), as the company languished in investment purgatory due to the bruising legal fight between its two largest shareholders, ESW Capital and Edgepoint. This dispute was finally resolved in March 2021 when ESW sold to a group led by Edgepoint. This resolution should hopefully allow OPT to resume its transformation into a cloud-based provider of billing software for telecom operators. Far View also suffered losses in Australian direct-to-consumer beauty retailer Adore Beauty Group (ABY), as investors worried about the company's tough comparisons to its strong COVID results. ABY's share price also declined after a poorly communicated May earnings update provided a customer number for the trailing nine months instead of the normal trailing twelve months, worrying investors that the company had suffered significant customer losses. I believe ABY is an attractive long-term opportunity because the company is the leader in an underpenetrated market that is just beginning a well-established shift online. Adore is supported by a highly devoted customer base who increase their spend with ABY each year which provides an excellent platform for attractive organic growth. Far View added materially to its ABY position in May and June. Finally, the Partnership suffered losses from its hedges as a result of the strong market performance during H1 2021.

On June 30, 2021, the Partnership's portfolio consisted of long equity investments in the United States, Canada, United Kingdom, Sweden, Germany, Spain, and Australia as well as short positions in equity indices as a hedge. Far View Partners also had a small cash position at the end of the quarter and maintained short positions in various currency futures for hedging purposes.

Lessons I Have Learned

I am proud to celebrate the 10-year anniversary of Far View Partners. Anniversaries are often a time for reflection. As I look back on the evolution of the Partnership, I see a lot of change from its launch in July 2011. The investments made in that early period represented a different set of preferences about what makes an attractive opportunity and were researched with a much less mature process. Some choices I made in those early years make me cringe now. Thankfully, I survived my early mistakes and have developed significantly as an investor. In the name of continued growth, here are some lessons I learned from the fund's first decade:

1. **Learn from my investments**

   A great deal of my growth as an investor has come from learning lessons from specific investments. Analyzing my successes and mistakes has provided valuable input which has improved my investment process.

   Great investments have removed boundaries that artificially limited my universe. For example, I used to only buy things that were declining and refused to even look at stocks where the share price was not near a 52-week low. My investment in Italian HVAC manufacturer Delclima (DLC) allowed me to consider stocks with strong performance. After a year of ownership, DLC's share price had generated attractive returns but the risk-reward was better due to the company's strong business performance. I increased the DLC position near its highs and achieved very attractive returns from that higher level. As a result of this experience, I removed my self-imposed limitation to only buy stocks with weak recent performance which kept Far View from researching many attractive opportunities.

   Investment mistakes have provided valuable lessons by creating constraints that usefully narrow the investment universe. For example, two emotionally fraught forays into dry-bulk shipping companies have reminded me that commodity-sensitive businesses do not fit with my personal investing preferences and often lead to errors on my end. Another lesson came from losing money in an investment with the dishonest management team of a pawnshop operator. This experience reinforced the value of only working with trustworthy people. Finally, multiple mistakes with turnarounds have taught me the difficulty of quickly fixing a broken business.

2. **Simple beats complex**

   My best investments have been those where I could clearly explain the thesis in a few sentences. These simple theses often meant I had identified and deeply understood the key performance indicators and focused my research efforts on what really mattered. These simple investments are often so clear that it feels like an epiphany.

   On the other hand, the complex theses based on obscure data from hidden corners of the internet and a 10-tab Excel model have had a much greater rate of error. In these situations, I was often outside my circle of competence and my complex thesis was an attempt to paper over my lack of true knowledge. In my opinion, investment success comes from understanding a couple of core facts about the business very deeply as opposed to memorizing many small details about the company.

3. **Due diligence doesn't determine the return of a security; it determines the ability of an investor to achieve that return**
   One of the great ironies of investing is that the thickness of my research file has not correlated with the performance of the underlying investment. Given this mismatch, I sometimes wondered about the value of deep due diligence.

   To generate good long-term returns in an investment, I need to uncover the opportunity and to be willing to hold it long enough to allow the thesis to play out. Often, this long-term holding period will include multiple times where questions will be raised about the validity of the investment thesis. These periods of doubt are when the benefits of my due diligence efforts take shape. When my conviction in the thesis is shaky or reliant on another investor's work, I am much more likely to allow volatility to shake me out of a lucrative opportunity. Conversely, when I have done the work and deeply understand the company, holding an attractive investment through periods of uncertainty becomes much easier. Deep due diligence provides the fortitude that allows me to fully benefit from a promising investment thesis.

4. **Be less price-sensitive and more thesis-driven when trading**
   I was initially very price-sensitive when investing and focused on small changes to my cost basis when trading. I had strict quantitative limits when I initiated a position and would not trade if it moved a few percent from my preset levels. For an existing position, I would generally add when the share price declined from my initial cost basis and trim if it outperformed.

   However, I learned that this trading plan was not properly aligned with my investing strategy and was detrimental to my results. Given my focus on longer-term opportunities with multiples of upside, trying to save 5% on the entry is illogical if I have a high conviction that the potential return is over 100%. The MIPS mistake from the H2 2020 letter is a perfect example of this painful past trading error.

   For existing positions in the portfolio, focusing too much on performance versus my cost basis meant that I was often mindlessly cutting my exposure to positions that were outperforming because my thesis was correct and adding exposure in situations where I had made a mistake. I have since focused on adding when a new datapoint increases the probability the thesis is correct. Increasing the position at a higher price when I have greater confidence in the upside scenario is a much better risk-reward than increasing the position size at a lower price when the probability of success remains uncertain.

   Conversely, selling investments when the thesis is broken at a significant loss have resulted in some of my best trades. For example, in early 2014 I sold two positions that were down 40% and 60% from my cost as I realized my theses were wrong. Since then, both have declined another 75% to today. I think of David Einhorn's joke, "What do you call a stock down 90%? A stock that was down 80% and then got cut in half," a lot when faced with a stock that has declined significantly but the thesis is broken. [i]

5. **Understand and accept the game you are playing**
   Concentrated, long-term investors must accept volatility and periods where great investments significantly underperform. For example, Amazon enjoyed a 38,000% return in its first 20 years after going public, an incredible long-term track record by any measure. However, that excellent result combined with gut-wrenching volatility. During that period, Amazon had 107 occurrences when the share price fell at least 15% over 3 days and had a 20% or greater drawdown (average drawdown 36%) in 16 of those 20 years.[ii] While an Amazon investor would have generated enviable long-term

results, they had to accept frequent large drawdowns. I learned that, if my goal is to outperform over a multi-year time horizon, I must accept these periods of underperformance.

I have also accepted that I will miss great investments. Early in my career, I would get frustrated when passing on an investment that went on to do very well. Eventually, I understood that I did not need to find every good potential investment to have a successful portfolio. Instead, my goal is to create a portfolio of 10-15 investments that work for me given my skills, limitations, and interests. Interests are an important part of the equation because the quality of my research is significantly higher for a company I find compelling. By investing in business that I enjoy learning about, I increase my probability of gaining a unique understanding of the company.

6. **Competition**

This lesson has been challenging for me to learn. When I launched the fund, I had a zero-sum mindset with regards to similar fund managers and viewed them as my competition for returns. While it is true that investing is zero-sum game on a macro-scale (for a group of investors to outperform, another group has to underperform), this idea could not more incorrect on a micro-scale.

I now understand that if another investor's fund does well, it in no way limits my ability to generate great returns. Marc Andreesen has described this feature for technology firms as the "sense of unbounded future possibility"; the success of one firm does not prevent the success of another firm. In fact, by working together they can increase the probability that both succeed.[iii] I have found that collaboration with like-minded individuals has proven to improve both of our results as we share ideas and make suggestions for research process best practices.

This realization has created a much healthier view of competition. I have grown to understand that my competitive goal is not to beat other managers with different strategies, risk tolerances and investment preferences. Instead, my goal is to generate the best possible returns given my skills, interests, and risk profile and to continue to improve all facets of my investing capabilities. With this perspective, I am striving to be a better investor today than I was yesterday and a better investor 10 years from now than I am currently. By working together with other like-minded managers, I give myself the best opportunity to achieve these long-term goals.

7. **If it were easy, it wouldn't be interesting**

For a while, I would get frustrated during challenging periods and wish for "easy returns". However, I have since realized the challenge is what makes the investment profession interesting over the long-term. If a task is easily conquered, then it quickly becomes boring. Said another way, as an avid skier, if I were forced to ski only green runs, I would be highly "successful" but would also quickly lose interest.

Given my goal to continue to invest for the long-term, I have accepted the ongoing challenge investing journey. From my perspective, running a fund is an incredible profession because it pushes me to try to understand a variety of businesses and craft elegant investment theses out of complex facts.

Because the investment landscape never stops evolving, I must continuously hone my process if I want to continue to generate attractive long-term returns. This constant reinvention is difficult and often leads to periods of struggle but overcoming that challenge is what has kept me coming back for the last ten years at Far View and what will keep me coming back in the future.

The Partnership

I feel truly fortunate to have reached the 10-year anniversary for Far View Partners. To my limited partners, thank you so much for your trust and confidence, especially during difficult periods. Having long-term oriented limited partners has been one of my strongest competitive advantages, and I greatly appreciate your understanding of my investment philosophy.

I believe I am better today than I was in the past, and I hope to continue to improve going forward. I also think the current portfolio is more aligned to my long-term goals than previously and look forward to watching this group of investments develop over the years ahead. As a reminder, I am Far View's largest investor, and the Partnership contains the vast majority of my net worth. Please do not hesitate to contact me if you would like to discuss Far View or our portfolio companies in greater detail.

Sincerely,

Brad Hathaway

Brad Hathaway
Managing Partner

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[i] https://ritholtz.com/2012/10/qotd/

[ii] https://theirrelevantinvestor.com/2017/01/04/looking-for-the-next-amazon/

[iii] Invest Like the Best Podcast; https://joincolossus.com/episodes/58516750/andreessen-making-the-future?tab=blocks, minute 116+