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January 21, 2016

Dear Partner,

Welcome to the performance update of Far View Partners L.P. for the half-year ended December 31, 2015.

Portfolio Performance

During H2 2015, Far View Partners generated a return of +0.11% net of all fees and expenses comprised of -2.36% in Q3 2015 and +2.53% in Q4 2015. For 2015, the Partnership generated a net return of +0.61%. Since inception on July 1, 2011, Far View Partners has generated a cumulative net return of +74.89%.

Far View's 2015 performance was helped by further gains from DelClima, which was acquired by Mitsubishi Electric in August. While I will miss having DelClima as part of the portfolio given its long and profitable history for Far View, I am pleased with the acquisition price as it was well above my most recent upside target and represents a ~10x return from Far View's initial cost in January 2012. The Partnership also benefitted from continued strong performance from our large and long-held position in Vertu Motors PLC where continued margin expansion drove increases in consensus earnings estimates.

Offsetting this positive performance, Far View suffered losses in many of its other portfolio positions. Far View's largest loss came from Norwegian small-cap Aqualis, an energy-focused consulting firm. Weaker than expected consulting demand driven by greatly reduced energy company budgets combined with investor aversion to small-cap energy stocks to result in a ~50% decline in the company's share price in 2015. At year-end, Aqualis traded roughly in line with its existing net cash position despite a flexible, capital-light operating structure that has the ability to remain cash flow breakeven even at significantly reduced demand rates. Even in this weak energy environment, the company should also benefit from its significant ongoing book of business and retains massive upside optionality if the energy market recovers. Although the timing of this recovery is uncertain, I believe the company has significant potential to drive attractive long-term returns, even from the Partnership's higher cost.

Far View also suffered losses in Halogen Software (mentioned in the H1 15 letter) where continued sales execution problems caused the company to lower its guidance for subscription revenue growth from high-teens to low-teens. While this underperformance is frustrating, I am confident the current price provides an attractive risk-reward with significant upside for shareholders if HGN's highly regarded new CEO Les Rechan can improve sales force productivity.

On December 31, 2015, the Partnership's portfolio consisted of long equity investments in North America, Europe, and Asia, an option position in the U.S., and a moderate cash position.

Process: What To Do When a Position Drops

A critical question for any investor is what to do when the share price of an existing position declines significantly. Such a decline can represent a signal to exit the position, an opportunity to add to the investment, or something to completely ignore. How an investor behaves in this inevitable situation will have a significant impact on their long-term returns.

In the value investing community, there is a common belief that investors should add to poorly-performing positions because the price decline solely serves to provide a larger margin of safety. However, this mindless contrarianism can be very dangerous and often results in the investor attempting to catch a falling knife or doubling down on a mistake. As the old investment adage notes:

Q- "What do you call an investment that is down 90%?"

A- "An investment that was down 80% and then got cut in half."

Far View's research process focuses on understanding why a security is mispriced and what our edge is compared to other investors. With existing loss-making positions, I repeat this initial process. When analyzing recent weak performance, I try to identify whether it is the result of a new problem, increased concerns about an existing risk, general market/sector/regional panic, or another reason. Only by understanding what is driving the lower price can I determine whether the investors selling the security are acting rationally or making a mistake.

Sometimes this additional research uncovers a previously undiscovered risk or invalidates the existing investment thesis. In that case, I promptly sell the position even if it generates a realized loss for the Partnership. Although it can be frustrating to sell a losing position, this discipline is critical for risk control. If I had to pick one area in which I have improved the most since founding Far View, it is my increased willingness to quickly admit my mistakes and minimize their damage. As George Soros said, "There is no shame in being wrong, only in failing to correct our mistakes."¹

During 2015, I exited three small loss-making positions, Magnachip, Dolphin Capital, and Future Bright after they declined significantly (at least 25% from cost) and where I no longer believed the investment thesis was accurate. These sales were frustrating because they forced me to acknowledge the error of my initial analysis and sell the position despite its weak performance. But my willingness to admit these mistakes saved Far View from further losses because all three of these positions have continued to decline and currently trade materially below Far View's exit price.

In other situations, however, adding to an existing position after a large drop is a good decision. If continued research identifies the driver of the weakness and if the investment thesis remains intact, then that lower share price provides a more attractive opportunity.

I added significantly to the Halogen Software position in H2 2015 because continued research suggested that the company's execution problems were fixable and did not materially impair the value of its recurring subscription revenue. The impact of this decision remains to be seen because it can take a long time to improve sales force productivity, but I am optimistic that Halogen will drive attractive future returns for Far View.

¹ George Soros, *Soros on Soros: Staying Ahead of the Curve*

Finally, sometimes it is best to just do nothing. The frenetic pace of the market often leads to a bias for action for an investor. Doing “something” in response to a share price decline feels good because it gives an investor a false sense of control of the situation. However, many times in investing the most prudent course of action is to be patient and do nothing, especially during emotionally charged periods.

For example, if the investment thesis remains relevant but increasing the position causes its size to exceed preplanned maximum loss limits, then maintaining the existing position size is often the best course of action. Selling that position does not make sense with a valid thesis, and increasing it is dangerous because of the potential for an unacceptable level of loss if the thesis turns out to be incorrect.

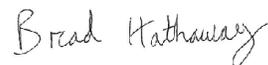
The Partnership

At the end of 2015, Far View Partners transitioned its administration firm from Nottingham Investment Administration to Atlas Fund Services. I want to thank Nottingham for their invaluable help during Far View’s first four and a half years. I expect the transition to Atlas to be smooth for existing limited partners and look forward to working with them. Please feel free to contact me if you have any questions about this transition.

Far View has been very active in December and January and I have increasingly found attractive opportunities to put capital to work. While the near-term is likely to remain volatile, I am very optimistic about the potential long term returns from the existing portfolio. Because I am Far View’s largest investor and my investment in the Partnership comprises the vast majority of my net worth, my interests are fully aligned with those of my limited partners.

As always, it is my goal to work with limited partners who understand and support the Partnership’s investment strategy and processes. To that end, please feel free to contact me if you have any questions or thoughts about Far View Partners or my investment philosophy. Thank you very much for your continued trust and support.

Sincerely,

A handwritten signature in cursive script that reads "Brad Hathaway".

Brad Hathaway
Managing Partner

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