Far View Capital Management
520 East Cooper Avenue, Suite C7
Aspen, CO 81611
646-838-4401
info@farviewcapitalmgmt.com

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Dear Partner,
Welcome to Far View Partners L.P.'s performance update for the half-year ended December 31, 2020.

Portfolio Performance

During H2 2020, Far View Partners generated a return of +40.76% net of all fees and expenses, which comprised +10.55% in Q3 2020 and +27.33% in Q4 2020. For 2020, Far View Partners returned +34.44%. Since inception on July 1, 2011, Far View Partners has generated a cumulative net return of +255.77%, a +14.29% CAGR.

In H2 2020, Far View enjoyed continued gains in Naked Wines PLC (WINE). WINE has benefitted from a material inflection in 2020, as the COVID-19 pandemic massively increased customer awareness of online wine retail, a space where WINE is one of the largest players. Given WINE's subscription-based business model, I believe this demand inflection will have a permanent, positive impact.

The Partnership also saw positive performance from Par Technology Corporation (PAR). During H2 2020, the company's competitive position for cloud-based, point-of-sale software improved and the health of its larger restaurant chain customers stabilized. PAR also benefitted from tailwinds related to rapidly increasing software-as-a-service valuations.

Finally, Far View's H2 2020 results were helped by the performance of CDON AB, a recent position initiated in October 2020. I am excited about the potential of this new position, and I have attached a writeup from early December outlining my investment thesis.

Far View's gains in H2 2020 were offset by losses in its Echostar Corporation (SATS) position. Long-standing investor dissatisfaction with the company's capital allocation policies, combined with concerns about the competitive impact of low-Earth-Orbit (LEO) satellite constellations worked to compress SATS's multiple, despite the company's strong operational results. Far View maintains a small position in SATS due to the company's undervaluation, but I am waiting to see a change in the company's desire to monetize its valuable assets before increasing our allocation.

Far View also suffered losses from its position in British cloud software provider Wandisco (WAND). The company's near-term guidance undershot investor expectations. WAND has irreplaceable intellectual property, which they should be able to more effectively monetize in 2021 as a result of newly established partnerships with Microsoft Azure and Amazon Webservices.

Finally, as a result of the strong performance of equity markets in H2 2020, the Partnership suffered losses in its equity index short positions.

On December 31, 2020, the Partnership's portfolio consisted of long equity investments in the United States, Canada, United Kingdom, Sweden, Germany, and Japan as well as short positions in equity indices as a hedge. Far View Partners also had a modest cash position at the end of the quarter and maintained short positions in various currency futures for hedging purposes.

Replacing Valued Tools

It is easy to rid yourself of tools that are flawed or provide limited utility. However, true growth comes from being willing to relinquish previously valuable tools when they have outlived their usefulness.

When I started Far View, I implemented numerical portfolio guidelines to help me decide when to buy and sell securities. Specifically, I would estimate the potential upside and downside values of an investment and would then look to purchase new positions that offered at least a 5.0x reward/risk ratio. Conversely, I would look to begin selling positions as their reward/risk approached 1.5x. As I uncovered new information, I would constantly update the upside and downside values for specific securities so that those values represented a relatively current assessment of the security's attractiveness.

For several years, these numerical guidelines have helped me determine the timing and magnitude of purchases and sales. As prices moved, approaching the 5.0x or the 1.5x guardrails, I was forced to either reassess the thesis to change the upside and downside values or adjust the size of the investment. This discipline was especially helpful during periods of high volatility, as I was pushed to be more cautious during periods of greed and more aggressive during periods of fear.

The consistent application of this reward/risk system provided structure and added significant value during Far View's early years. Recently, however, these guidelines have caused errors of omission; I failed to make investments where I had a high degree of qualitative certainty but where the price did not quite match my quantitative rules.

As an example, in early 2018, I began researching MIPS AB, a Swedish manufacturer of sports helmets components that help reduce concussions. The investment thesis was that MIPS enjoyed a strong competitive position due to its unmatched intellectual property. Furthermore, their products had the potential for rapid sales growth resulting from emerging customer awareness in highly underpenetrated markets. At the time, investors appeared to be undervaluing this long-term opportunity because the company's true profitability was being hidden by the cost of a patent lawsuit it had initiated against the Canadian helmet company Bauer.

I thoroughly investigated MIPS and conducted multiple interviews with customers and competitors. Discussions with helmet manufacturers confirmed the uniqueness of the product and its ability to increase market penetration. An employee at one helmet manufacturer described MIPS as an $8 part that allowed them to increase ASP by $20-30, making it highly attractive. He expected the company to significantly increase penetration in action sports helmets. Another industry participant noted that MIPS had the strongest and broadest IP portfolio which would make it tough for competitors to attack its niche. He described the company as being akin to "Gore-Tex for helmets". As a result of these and other interviews, I became convinced that the long-term opportunity for MIPS was massive.

However, based on my estimates at the time, MIPS's reward/risk ratio appeared to be roughly 4.5x at the prevailing price near SEK 50. Thus, despite my positive qualitative view, I decided to wait for the share price to pullback slightly until it met my quantitative purchase criteria.

While the stock hovered near SEK 50 for a while, it never dropped to my purchase level. Over the next couple of years, my thesis played out just as I had envisioned. MIPS won the Bauer dispute and massively increased its penetration in multiple end markets. This success drove large growth in revenue and earnings, which resulted in a significant revaluation of the stock. As I write this letter, the company's share recently traded at ~SEK 500, generating a roughly 10x return in just under 3 years. Clearly, failing to invest in MIPS was damaging to Far View's returns.

While valuation will always remain an important input to successful investing, the MIPS experience was a reminder that small changes in valuation are much less important than the soundness of the investment thesis. Said another way, if you believe a security has a potential long-term value of $100, then whether or not your thesis is correct is much more important than whether you are able to buy that security at $50 of $45.

Furthermore, my strict reward/risk guidelines were flawed in that they attempted to impose precision on an inherently imprecise process. The upside/downside levels were based on my rough inputs and trying to craft a precise output from rough inputs is illogical. Going forward, I intend to accept the imprecise nature of valuation and trust my instincts more with regards to the proper levels for buying and selling securities.

The Partnership

While the year ended well, I remember my discomfort in March when I wrote to inform you that Far View was performing poorly and suggest that it was a great time to add capital. During that period, the portfolio dropped precipitously and almost every additional purchase we made looked like a mistake as share prices continued to collapse. It is important that we all remember these challenging periods, as they are highly likely to happen again. As always, my focus is solely on searching for investments that I believe have the potential to generate attractive long-term returns and part of that means accepting short-term volatility.

Despite my inability to predict its short-term performance, I remain excited about the current portfolio and its potential long-term returns. 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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