Far View Capital Management

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Dear Partner,
Welcome to the performance update for Far View Partners L.P. ("Far View") for the half-year that ended on December 31, 2022.

Portfolio Performance

During H2 2022, Far View generated a return of -9.12% net of all fees and expenses, which comprised -19.18% in Q3 2022 and +12.45% in Q4 2022. For 2022, the fund generated a net return of -50.40%. Since inception on July 1, 2011, Far View Partners has generated a cumulative net return of +100.95%, a +6.26% CAGR.

In H2 2022, Far View suffered significant losses in Swedish Marketplace CDON AB, which declined in both quarters and was our largest position entering the half. CDON reported disappointing Q3 2022 earnings and announced a major cost reduction and CEO change during December 2022.[1]

Far View also suffered losses in Distribution Solutions Group (DSGR) as mentioned in the Q3 update. Positively, DSGR was a large positive contributor in Q4 2022 after the company reported another strong set of earnings in early November. I am excited for DSGR's potential as investors become increasingly knowledgeable about the post-merger entity.

Finally, Far View suffered losses in Spanish online travel agency eDreams Odigeo (EDR) as the stock continued its steep decline in 2022. Investor concerns about the unit economics of EDR's Prime subscription offering should be put to rest through continued quarters with expanding margins. Furthermore, in mid-December, private equity shareholder Ardian successfully sold its 15% stake as its fund was reaching end-of-life. Based on the subsequent rally, this placement appears to have removed an overhang that had weighed on EDR.

Offsetting these losses, Far View benefitted from its position in Wandisco (WAND), a data migration platform, which the fund acquired in Q3 2022. Far View previously owned a position in WAND in 2020 that was sold in early 2021. During my earlier research, I had been impressed by the unique, high-value nature of WAND's technology but became concerned during continued diligence about the size of the near-term addressable market in Hadoop migration.

After selling WAND in 2021, I continued to track the company because of the substantial potential for its technology. In 2022, WAND signed multiple customer contracts for IoT in automotive and telecom, showing evidence of significant customer traction (bookings up 1200% y/y in H1 2022). If WAND has

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[1] Please note that I have served on the board of CDON since 10/25/22, which could pose potential conflicts of interest.

truly found product-market fit, then there is potential for much higher revenues and earnings than implied by current valuation levels.

Far View also enjoyed gains in Westwing (WEW), one of our largest losers of H1 2022. Better than expected Q3 2022 earnings reassured investors about the level of trough results in the business. Supporting this increased confidence, WEW began a share repurchase in Q4 2022 which has continued into Q1 2023.

The portfolio also benefitted from our position in ACV Auctions (ACVA), another security purchased in mid-2022. As an unprofitable recent tech IPO, ACVA has been in the crosshairs of investor fear this year. In H2 2022, the stock began to recover as the company's results supported my investment thesis that continued market share gains will drive revenue growth and increased scale will create a strong path to mid-term profitability. If ACVA can achieve its 2026 goals, then the share price should generate strong results over the next few years.

On December 31, 2022, the Far View's portfolio consisted of long equity investments in the United States, Canada, United Kingdom, Sweden, Germany, and Spain as well as short positions in equity indices as a hedge. Far View was fully invested at the end of the quarter and maintained short positions in various currency futures for hedging purposes.

Selling A Mistake- Adore Beauty

In Q3 2022, Far View sold its position in Adore Beauty (ABY) at a significant loss. ABY IPO'd in Australia in 2020 and the stock declined significantly from its initial listing price. I thought ABY was mispriced because Australian investors were excessively focused on tough COVID comparisons and on the current valuation of the share that was based on earnings with severely subscale margins.

Conversely, I believed the loyalty of ABY's customer base, the stability and recurring nature of the beauty category, and the low penetration of online beauty in Australia presented an opportunity for the company to compound revenue for a long-time. Furthermore, these high-value customers and the profitability structure of the beauty industry provided the company the potential to generate high margins at maturity.

I was also impressed by founder and board member Kate Morris, who created ABY in her Melbourne garage and bootstrapped it from nothing to ~$200mln of revenues. Through my due diligence, it was apparent that she had created a deep, emotional connection with her employees and ABY's customer base. Combining these factors suggested that ABY had the potential to generate a highly attractive multi-year IRR and Far View acquired a small position in the stock in Q1 2021.

While the share price performance was weak in 2021, the business actually performed decently with revenues growing just under 20% in calendar 2021 (June 30 fiscal year), despite those difficult comparisons. The company also made initial steps towards demonstrating its long-term profit model and did not burn cash, even after significant growth investment. With the thesis seemingly intact but the share price weaker, Far View continued to acquire shares throughout 2021 and Q1 2022.

This solid performance changed in August 2022. ABY reported FY 6/22 results which were fine but noted that revenue had declined 28% in the first seven weeks of FY 6/23. This surprising performance raised multiple red flags for me. The high revenue retention of ABY's loyal customers should have prevented such a significant decline. Furthermore, the stability of the beauty category with small ticket sizes, high brand loyalty, and frequent replenishment, meant that results should not have been so volatile.

Over the next week, I had multiple conversations with the ABY CEO, CFO, and Board Chairman. These conversations were frustrating as they were unable or unwilling to provide a satisfying explanation for the business's unexpected performance. After these calls, I decided that while I wasn't certain what was wrong, something was clearly not working at ABY. Because I no longer had confidence in the quality of the business or the capabilities of management, Far View sold its entire position in late August and early September.

As a post-mortem, ABY's weak performance continued and Q1 6/23 revenues declined 29% y/y. While Far View doesn't have a position anymore, I continue to study ABY to better understand what caused this material underperformance (I have theories but want confirmation) so that I can improve my process for future e-commerce investments.

The Far View Partnership

2022 has been by far the most challenging year of my investment career. In addition to securities like ABY where the investment thesis did not work, 2022's performance also suffered from multiple securities that declined far below levels I would have projected based on their business performance (ex WEW). As a result, the performance of the portfolio was much worse than my expected downside case.

This year has been a humbling reminder that the market can often have a wider set of outcomes than my projected range. As a result, I believe it is critical to make sure each investment thesis and the portfolio at large are able to withstand unexpected circumstances. Thankfully, Far View is set-up to have that staying power in a weak environment as a result of its structure and my like-minded limited partners.

While I am unwilling to make near term predictions, I hope the portfolio has turned a corner in Q4 2022. Multiple investments have announced positive news that supported the investment theses and several of our worst performing investments in 2022 have begun to rebound off their lows. While I can't predict performance, I am confident in Far View's ability to continue to uncover attractive, unique investment opportunities as we did in H2 2022.

Thank you again for your trust and support. I am privileged to be surrounded by limited partners and friends in the investment community who deeply understand Far View and my investment strategy. Your confidence during a challenging period has been invaluable and I greatly appreciate all of you who have reached out.

If you have questions about Far View or any of our portfolio companies, please feel free to contact me because I always enjoy discussing the firm and our portfolio with like-minded investors.

Sincerely,

Brad Hathaway

Brad Hathaway
Managing Partner

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