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July 16, 2013

Dear Partner,

Welcome to the performance update of Far View Partners L.P. for the quarter ended June 30, 2013.

Portfolio Performance

During Q2 2013, Far View Partners generated a return of -2.02% net of all fees and expenses. For H1 2013, the Partnership produced a total net return of +0.05%. Despite intra-quarter volatility as investors attempted to predict the Federal Reserve's future plans, US equity markets rose with the S&P 500 completing its strongest first half in more than a decade. European equity markets endured a significant drop from their highs during Q2 2013 but recovered to end slightly up for the half year.

As a concentrated portfolio of unique securities, Far View tends to be more influenced by the movements of its individual positions than by the direction of the markets. During the quarter, the significant share price declines of Delclima and Veripos drove the Partnership's negative returns and more than offset solid performance throughout the rest of the portfolio. After reexamining each investment thesis, Far View Partners believes that the current price of each security offers an attractive discount to its potential long-term value and has used this period of weakness to replace shares previously sold at higher levels.

In Q2 2013, Far View eliminated positions in Agilysys (discussed below) and A.T. Cross, two small investments initiated during the brief market turmoil of early November 2012. During the quarter, the Partnership initiated positions in a US-listed, large-cap spinoff that traded at a significant discount to the sum of its parts as well as a US-listed legal services company where a decline in the company's previous core division had masked the value of its other assets. Far View Partners also agreed to help backstop a rights offering for a dry-bulk shipping company that is using the proceeds to invest in new capacity in a cyclically depressed market. At the end of the Q2 2013, the Partnership's portfolio included long investments in the US, Europe and Australia as well as a significant cash position.

Process: Analyzing Multiple Potential Outcomes

When analyzing an investment, it is critical to remember that the expected thesis is just one of many possible outcomes. For example, the leveraged company that generates phenomenal upside if it stabilizes its business and manages to avoid bankruptcy can just as easily produce a complete loss of the investment with a small shift in any number of factors. Howard Marks has explained the difference between actual and potential outcomes well:

No ambiguity is evident when we view the past. Only the things that happened happened. But that definiteness doesn't mean the process that creates outcomes is clear-cut and dependable. Many things could have happened in each case in the past and the fact that only one did happen understates the

variability that existed. What I mean to say (inspired by Nicolas Nassim Taleb's *Fooled by Randomness*) is that the history that took place is only one version of what it could have been.¹

Far View strives to ensure multiple outcomes are considered for each potential investment. While evaluating a security, the Partnership performs quantitative analyses of multiple positive and negative scenarios to understand the potential investment returns under a variety of conditions. These different scenarios are then tested for sensitivity to each variable to make sure that small changes in inputs do not lead to outsized differences in results. Every investment write-up discusses positive and negative scenarios to make sure that different potential outcomes are fully considered. This consideration of multiple outcomes continues while monitoring existing positions as specific focus is placed on any facts that disprove the main investment thesis. Finally, during the post-mortem on an exited investment, the initial write-up is reexamined to determine whether the performance was due to the accuracy of initial thesis or the impact of good/bad fortune.

Portfolio Investment: Agilysys

Agilysys (AGYS) is a provider of software to the hospitality market. Far View started researching the company in early fall 2012 after a discussion of the investment's merits with a fund manager who was a shareholder. AGYS was interesting because the company was in the middle of an inflection of its core business with the potential to lead to significantly increased margins and a higher valuation.

After selling a non-core division, AGYS focused on its main business, providing enterprise applications and point-of-sales solutions to casinos, hotels, and cruise ships. This business had the potential to be a valuable asset due to the sticky, recurring stream of revenue provided by these software subscriptions and the growth in demand of its core end market as hotels entered a replacement cycle for their outdated legacy platforms. However, as a result of its history of underperformance, AGYS traded at ~0.5x revenue, a fraction of both closest peer Micros (over 2.0x revenue) and historical industry transactions (~1.5-3.0x revenue).

AGYS's undervaluation stemmed from the company's significantly below peer margins due to a combination of excessive corporate expenses, non-core businesses with lower margins, and an under-earning core hospitality business. To improve performance, AGYS's new management team enacted a margin improvement plan including the relocation and reduction of its headquarters, the continued divestiture of non-core assets, and the improvement of hospitality margins by increasing revenue across its large fixed expense base. Significant grass roots due diligence including conversations with IT directors at AGYS's hospitality customers, current and former employees, industry consultants, and competitors' employees provided confidence in the company's ability to gain market share and increase revenue during the hospitality replacement cycle. Another factor supporting the thesis was that management's compensation was based on achieving high profitability goals, and multiple insiders had purchased over \$500k of stock at an average price near \$7.50 after joining the company.

If AGYS improved its profitability closer to its peers, a share price of \$15 was feasible even at a discount to comparable multiples. Share price downside also appeared to be protected around \$5.50 due to the presence of a large net cash position and the strategic value of the company's recurring subscription revenue. Thus, when the stock declined to ~\$7.50 during the market turmoil in mid-November 2012, AGYS represented an attractive risk-reward based on the probability of the nascent turnaround. Unfortunately, this opportunity was short-lived as AGYS quickly rallied back to \$8.50 before the Partnership was able to reach its desired position size.

¹ Marks, Howard. *"No Different This Time- The Lessons of '07"*

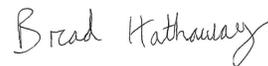
Since Far View initiated the position, AGYS's share price has steadily advanced, driven by strong results that have shown evidence of the beginning for the turnaround as well the overall equity market rally. In mid-June, the share price leapt above \$12 after the company announced the sale of a non-core business. Because the share price had approached Far View's estimate of upside value with a great deal of turnaround risk still remaining, the Partnership took advantage of this advance to exit the position. Despite the desire to be a long-term investor, Far View is always willing to sell a security where the risk-reward no longer justifies owning a position at current prices.

The Partnership

Far View strives to continuously develop its investment process. In 2013, the Partnership has invested in a variety of resources to assist its research efforts. These new tools have proven to be valuable additions and have helped to improve the discovery of potential investments as well the diligence of attractive opportunities. Going forward, Far View will consistently invest in useful resources that have the ability to provide an investment edge.

As always, it is my goal to work with limited partners who understand and support the firm's investment strategy and processes. To that end, please feel free to contact me if you have any questions about the Partnership. Q2 2013 was a productive quarter for Far View Partners and I believe the current investment portfolio has the potential to generate strong results. 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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