

Far View Capital Management
575 Madison Avenue- 10th Floor
New York, NY 10022-2511
212-605-0117
info@farviewcapitalmgmt.com

October 10, 2013

Dear Partner,

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

Portfolio Performance

During Q3 2013, Far View Partners generated a return of +9.05% net of all fees and expenses. For the first nine months of 2013, the Partnership produced a total net return of +9.10%. Global equity markets advanced in the quarter bolstered by an improving global economy and continued support of asset prices by the Federal Reserve.

Far View's positive performance was driven by solid returns from the portfolio's largest positions. Additionally, Star Bulk, a dry bulk shipper whose rights offering Far View helped backstop, generated gains due to an earlier than expected advance in bulk shipping rates during August and September. These positive results were offset by weak performance from a small, speculative long position that declined due to a delay refiling its financial statements. Performance was also hurt by losses on a put option position in a bankrupt solar company as a large industry rally supported the share price despite the occurrence of negative, company-specific catalysts.

During the quarter, Far View continued to adjust the position size of existing investments to account for the changes in their risk-rewards. At the end of Q3 2013, the Partnership's portfolio included long investments in the US, Europe and Australia, put options in the US, and a significant cash position.

Process: Realized vs. Future Returns

When monitoring an investment portfolio, it is important to track the potential returns of each position. The total return of an investment is the sum of the return already realized and its future return. Altering this equation slightly shows that the potential future return is the difference between the total return and the realized return:

$$\text{Total Return} = \text{Realized Return} + \text{Future Return}$$

$$\text{Future Return} = \text{Total Return} - \text{Realized Return}$$

This equation demonstrates an important concept that Far View utilizes to manage its investment portfolio. If the total return remains constant, a security with a positive realized return may underperform in future periods as a result of pulling forward profits. A poorly performing investment, however, may be primed for outperformance as its previous losses allow for a larger future return.

While modern portfolio theory states that a rational actor will attempt to maximize a portfolio's future return, many investors do not behave in such a manner. As the price of a security advances, greed often takes hold, causing an investor to neglect a deteriorating risk-reward in an attempt to hold on for future

gains. Conversely, a declining security is often dumped after negative performance due to a fear of further losses. By causing investors to buy high and sell low, this irrational influence of greed and fear caused by share price movements materially hampers performance.

The critical assumption of this theory is that the total return remains constant. One of the goals at Far View Partners is to find investments that can be continually held for a long period of outperformance as a result of repeated increases in the estimated value of the security. On the other hand, positions where the potential total return has significantly diminished must be sold even after a subpar realized return. In the absence of a change in a security's estimated value, however, an investor must react to price movements that change the investment's risk-reward.

Far View Partners has put safeguards in place to counteract the tendency to be influenced by an investment's recent performance. Every position has estimated upside and downside values that are used to assess its risk-reward. As the share price changes, this ratio adjusts and generates an automated alert if it crosses certain thresholds. At this point, the investment is reviewed to determine whether the initial upside and downside scenarios have changed due to an updated assessment of the security. If the potential values do not change, then the position size is adjusted to better align with its new risk-reward. This automation of the review process helps the Partnership avoid being unduly influenced the performance of its investments.

Portfolio Investment: Sevan Drilling

Sevan Drilling (SEVDR) is a Norwegian operator of ultra-deepwater drilling rigs. In June 2011, Far View started researching the announced rights offering of Sevan Marine, SEVDR's parent company. While Sevan Marine was too risky, SEVDR appeared to be undervalued due to investor concerns about the impact of a technical cross-default provision if Sevan Marine declared bankruptcy. Sevan Marine had also secured its short-term debt with its 28.5% ownership stake in SEVDR, creating a potential share overhang in the event of a messy liquidation.

Through extensive research and due diligence, Far View concluded that SEVDR would be able to extricate itself from a potential Sevan Marine bankruptcy without material harm and that the company's rigs had significant value to industry peers. The risk-reward appeared quite attractive as SEVDR was trading below the valuation implied by distressed industry transactions and would generate material upside if the company was valued more normally on its assets and operations. Providing further confidence that the share price was undervalued, SEVDR management had bought \$1.6mln of stock at significantly higher prices in the IPO and in the open market after Sevan Marine had become distressed.

As a result of this analysis, Far View invested in SEVDR in Q3 2011. The stock initially performed quite well as the Sevan Marine overhang lifted, Seadrill acquired the 28.5% ownership stake in SEVDR and the rigs performed well operationally. As a result of this strong performance, the Partnership decreased SEVDR's portfolio allocation during 2012 because the increased price had lowered the risk-reward. However, Far View maintained a mid-sized position as the stock still appeared to be undervalued relative to its assets and normalized earnings power.

The decision to maintain a position proved costly. During September 2012, SEVDR announced that human error had critically damaged one of its two rigs, removing it from operations for almost two months at a perilous time for the company. The additional repair expense and loss of operating cash flow pressured SEVDR's liquidity, causing a collapse in the share price. During this difficult period, Far View added back to the position as the increased balance sheet risk was more than reflected by the gap between the company's net asset value and its depressed share price.

In 2013, SEVDR diluted current shareholders to improve its balance sheet by raising equity through a private placement and then worked to refinance its debt. Seadrill opposed the terms of the debt refinancing and launched a tender offer to take control of SEVDR, causing a significant jump in the share price. As a result of the improved share price and diluted potential upside, Far View used this positive news to exit the bulk of its remaining position.

SEVDR reinforced two key lessons during Far View's ownership. The first lesson is the value of adjusting the position size as its risk-reward changes. In the 2+ years since Far View initiated the position, SEVDR's share price advanced a disappointing 6% annually because of the rig failure and the resulting equity dilution noted above. However, by taking advantage of share price changes to adjust the position size, the Partnership's investment has generated an annual IRR over 12%, more than double the result of merely buying and holding the security.

The second lesson is the importance of avoiding thesis drift. When SEVDR was initially purchased, Far View's edge was apparent and the thesis was clear. However, after SEVDR's major overhangs lifted, the Partnership's thesis shifted to SEVDR's relative valuation, an area where Far View's advantage versus other investors was much less apparent. While the rig failure caused by human error was an unforeseeable event, its impact on the business of a company with only two rigs was predictable and, in hindsight, represented an increased level of risk that justified SEVDR's discounted valuation versus its more diversified peers. Had the position been eliminated when the initial thesis had come to fruition, Far View's IRR would have been above 70% and the Partnership would have avoided incurring significant losses in Q4 2012. As a result of this mistake with the SEVDR investment, Far View improved the portfolio checklist to minimize the risk of thesis drift for existing positions.

The Partnership

Far View Partners had a productive quarter with several research projects revealing interesting insights about existing investments and potential opportunities. While it is difficult to predict when these insights will generate investment returns, this accumulated knowledge is an important asset for the Partnership.

As always, it is critical for Far View Partners to retain the confidence of limited partners who understand and support its process and goals. To that end, please contact me with any questions or thoughts that you have about the Partnership. As the largest investor in Far View Partners, I remain extremely excited for its long-term prospects and hope that you share my enthusiasm. Thank you very much for your trust and support.

Sincerely,



Brad Hathaway
Managing Partner

Disclaimer

This letter is provided on a confidential basis for informational purposes only and does not constitute the provision of investment advice.

Certain information presented herein constitutes “forward-looking statements” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Any projections, market outlooks or estimates in this letter are forward-looking statements and are based upon certain assumptions. Due to various risks and uncertainties, actual market events, opportunities or results or strategies of the Fund may differ materially from those reflected in or contemplated by such forward-looking statements and any such projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur.

This letter includes indications of past performance of certain investments of Far View Partners L.P. (the “Fund”). Past performance is not a reliable indicator of, and is no guarantee of, future results. Investment returns will fluctuate with market conditions and every investment has the potential for loss as well as profit. The value of investments may fall as well as rise and investors in the Fund may not get back the amount invested.

All performance figures are estimated and unaudited. A partner’s actual returns may vary due to, among other things, the timing of a partner’s investment and any special terms granted to a partner.

The source for all information included in this letter is Far View Capital Management, unless stated otherwise. While all the information prepared in this letter is believed to be accurate, Far View Capital Management may have relied on information obtained from third parties and makes no warranty as to the completeness or accuracy of information obtained from such third parties, nor can it accept responsibility for errors of such third parties, appearing in this letter.

This letter does not constitute the offer of any securities or interest in the Fund.