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Dear Partner,
Welcome to the performance update for Far View Partners L.P. for the quarter ended December 31, 2011.

Portfolio Performance

For the quarter, Far View Partners generated a return of +9.29% net of all fees and expenses. For the half-year since inception on July 1, 2011, Far View Partners has generated a total net return of +0.31%. During the quarter, global equity markets enjoyed strong, albeit volatile, performance, recovering a large portion of the losses suffered in August and September. The S&P 500 ended the half-year down less than -5% (compared to -19% at the low) and the Euro Stoxx 50 ended the half-year down less than -19% (compared to -32% at the low). As a long-biased portfolio currently split between U.S. and European equities, Far View Partners benefitted from this market recovery with especially strong performance from the severely distressed opportunities that the Partnership took advantage of in late September and early October.

One abnormal factor, however, negatively influenced the Partnership's performance. As a result of its investments in European assets, Far View Partners faced significant exposure to the Euro, an unwanted risk that the Partnership attempted to offset through exchange-traded currency futures. Initially, this hedge performed as intended and helped to protect the portfolio from the impact of the decline of the Euro versus the U.S. Dollar.

Unfortunately, during October, investors became concerned about the fate of the Partnership's futures broker, MF Global, due to its large position in European sovereign debt. As fears about the solvency of the broker mounted, Far View Partners transferred some assets away from MF Global but kept others in place due to a desire to maintain the existing, valuable currency hedge. This decision was influenced by a belief in the legal protections intended to safeguard the accounts of futures customers by segregating their assets from the assets of the broker. This confidence turned out to be ill-founded as it has since been determined that MF Global violated both exchange regulations and U.S. law by commingling customer assets with corporate assets, an illegal transfer that created a shortfall for MF Global clients, including the Partnership.

While Far View Partners has recovered over 80% of its MF Global assets, a small percentage of Partnership cash remains at the broker. While it is possible that Far View Partners will recover a portion (or perhaps the entirety) of these funds in the future, both the timing and amount of that recovery remains uncertain. To reflect this uncertainty, these stranded assets have had their value in the Partnership reduced to 0 until they have been recovered. Ultimately, this asset markdown hurt the Far View Partners' performance by roughly -0.30% during the 4th quarter.

While I am very upset that my partners and I suffered a loss due to MF Global's malfeasance, this experience has strengthened my belief in the importance of having strong counterparties. To that end, I am comforted that the vast majority of Partnership assets are custodied at JP Morgan Chase, one of the strongest counterparties possible.

Process: Selling/Trimming Positions

While most investing literature focuses on evaluating securities for purchase, the decision to sell an existing position is an equally important driver of performance. At Far View Partners, the judgment to sell or reduce a position generally results from new information that contradicts the existing investment thesis and/or from a change in the security's price that materially impacts its risk-reward dynamics.

When evaluating a current position, an investor must remain closely attuned to any facts that challenge the existing investment thesis. This attention to contradictory evidence helps counteract the human tendency to only seek out information that confirms existing beliefs. At Far View Partners, the initial investment write-up includes an entire section devoted to a summary of any evidence that contradicts the investment thesis. When incremental diligence uncovers a fact that challenges the validity of that thesis, then the security is reevaluated and, if deemed necessary, sold. For example, at the end of the 3rd quarter, the Partnership initiated a position in a telecommunications firm (which will remain anonymous because its evaluation remains ongoing) with the potential for faster than expected subscriber growth upon the launch of a new service. However, after establishing a small position, continued diligence revealed that subscriber growth might be slower than initially expected. As a result of this incremental evidence, the security was sold for a small gain while ongoing diligence is performed to further evaluate the thesis.

Price is also a major factor when deciding whether to sell a position. Unless the estimated intrinsic value of a security increases as a result of new evidence, its risk-reward opportunity worsens as its price rises. As a simple example, a security with an estimated intrinsic value of $10 has a much less attractive risk-reward after rallying to $8 than it did initially at $4. In the absence of new evidence, this position should be reduced or eliminated. As a result of the strong market rally in the 4th quarter, Far View Partners reduced the size of some portfolio positions (and eliminated one entirely) because their risk-rewards had become much less attractive as their prices increased.

Portfolio Investment: OceanFreight

On July 26th 2011, OceanFreight (OCNF), a US-listed shipping company, entered into an agreement to be acquired by competitor DryShips (DRYS). This transaction was interesting because the consideration consisted of $11.25 in cash and 0.52 shares of OceanRig (ORIG), a Norwegian ultra-deep water drilling company that traded infrequently on the Norwegian over-the-counter market. Because OCNF shareholders had limited desire to receive shares in an unknown, illiquid, foreign company operating in a different industry, OCNF shares traded at a much larger than normal discount to the stated value of the transaction. Far View Partners, however, had previously evaluated ORIG during the diligence process for a different portfolio investment and, based on this prior analysis, believed ORIG shares to actually be undervalued at their trading price in Norway as a result of their over-the-counter listing status and lack of trading liquidity. Thus, by buying the discounted OCNF stock, Far View Partners was able to acquire ORIG shares at a very attractive discount to their intrinsic value. As OCNF shareholders began to better understand the potential value of ORIG, OCNF shares advanced in price to close the discount towards the stated transaction value, providing a strong return to the Partnership before DRYS completed the transaction in early November.

The Partnership

Going forward, I want to remind my partners about the value of having a long-term perspective. Due to the volatility of the markets (especially in recent times), short-term results will often be unduly influenced by chance. Thus, while I am pleased with the strong results of the 4th quarter, the results of any single quarter are not my focus. Instead, I am more concerned with the evolution of the investment process that will drive the long-term success of Far View Partners. To that end, I believe the 4th quarter was another successful step for the Partnership as it continues to work to uncover and evaluate promising opportunities that will provide the foundation for strong, long-term returns.

As always, a critical ingredient for the success of Far View Partners is the cultivation of relationships with limited partners who both understand and support the investment process and goals of the firm. To that end, please feel free to contact me to discuss any questions or thoughts that you may 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

Brad Hathaway
Managing Partner

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