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Dear Partner,
Welcome to the performance update of Far View Partners L.P. for the quarter ended December 31, 2012.

Portfolio Performance
During Q4 2012, Far View Partners generated a return of +4.95% net of all fees and expenses. For the year ended December 31, 2012, the Partnership produced a total net return of +22.38%. While international markets advanced during the quarter, U.S. markets declined as increasing investor optimism about the health of the global economy was offset by fears of the U.S. falling over the "Fiscal Cliff." For the year, global equity markets performed strongly with the S&P 500 advancing 16.00% and the MSCI World increasing 16.62% driven by large injections of central bank liquidity combined with a sluggish but improving global economic outlook.

While most positions advanced during the quarter, a large portion of the portfolio's performance was driven by Veripos (discussed below) whose share price rallied after reporting strong Q3 results. This positive contribution was somewhat offset by a collapse in the share price of Sevan Drilling (SEVDR), a Norwegian ultra-deepwater oil driller. SEVDR's share price plunged after the company revealed that an equipment malfunction caused by human error had damaged one of its two rigs and created concerns about the company's liquidity. Following the completion of over a month of repairs, the rig is once again fully operational. SEVDR has also addressed its liquidity concerns with an equity issuance in Q1 2013. After reassessing the investment thesis due to this unexpected development, Far View believes that SEVDR trades at a material discount to its net asset value and the Partnership retains a mid-sized position.

The Partnership was active in Q4 2012, taking advantage of the mid-November decline to initiate multiple new positions and using the strong December rally to pare opportunities where a higher share price had made the risk-reward less attractive. During Q4, the Partnership's portfolio was mainly comprised of long investments in the U.S. and Europe, as well as a single investment in Australia. Far View Partners also maintained a significant cash position.

Process: Cash
While many firms attempt to remain fully invested at all times, Far View Partners believes that cash can be a valuable asset in the absence of mispriced securities. In a rising market environment like 2012, a material cash holding can be a drag on returns due to its lack of earnings power. However, the value of cash lies not in its current earnings power but in the ability it gives an investor to take advantage of future opportunities that may be more attractive than those currently available.

Furthermore, cash provides the opportunity to take advantage of the major dislocations that occasionally occur when securities markets become unbalanced. An investor who can be a liquidity provider when the market is full of panicked or forced sellers is able to take advantage of a very attractive opportunity set. By not striving to always be fully invested, Far View retains the liquidity to aggressively jump on the truly mispriced investments.

Portfolio Investment: Veripos

Veripos (VPOS) is a Norwegian provider of precise positioning signals and equipment for marine and onshore markets. As a very small spin (<1% of revenues) out of large-cap Norwegian oilfield services provider Subsea 7 (SUBC), VPOS faced an overhang as the majority of SUBC's institutional shareholders were either unable or uninterested in owning a small security. VPOS also suffered from investor ignorance as most SUBC sell-side analysts knew very little about the business with many choosing to not even read the late-distributed prospectus. As a result of this investor neglect, VPOS had the potential to be materially mispriced when it began trading publicly in Q3 2012.

In advance of VPOS listing, Far View Partners began due diligence on the company to better understand the business by speaking with SUBC IR, VPOS management, industry consultants, customers, competitors and former VPOS senior management. This research process revealed that VPOS is an attractive business with a base of high-margin, consistent subscription revenues that should continue to grow as the company's marine customers further expand their fleets of dynamically positioned vessels.

VPOS's business also boasts strong barriers to entry and minimal customer churn because the accuracy and reliability of its service is considered mission critical for the company's marine customers, yet its subscription fee only represents a small portion of their overall vessel operating costs. This low customer churn means that once the VPOS equipment has been installed on a vessel, the company is highly likely to receive the high-margin signal subscription payments for the life of that vessel.

The diligence process also revealed that industry peers have a high opinion of the quality of VPOS's technology, service organization and employees. As a result of its strong barriers to entry and high-quality product, VPOS has generated mid-20s EBIT margins in an asset-light business for multiple years.

Based on the quality of the business and its growth prospects, it appeared that VPOS deserved a premium multiple. However, when the stock initially listed, it traded at a distressed price due to the overhang from the SUBC shareholders who rapidly exited their positions (over 60% of the float traded in first 5 days). Far View actively took advantage of this forced selling and investor misunderstanding to acquire a large position in VPOS at a discounted multiple. After the initial selling pressure abated, VPOS quickly rallied as trading volumes normalized.

After acquiring this large position, Far View continued to perform due diligence on VPOS through further conversations with industry players and by attending the Dynamic Positioning Conference to meet with mid-level employees at VPOS as well as at its major customers and competitors. Far View also interviewed VPOS's strategic partners to better understand the opportunity for the company in its nascent onshore business. This ongoing research has suggested the company's outlook continues to be bright and the stock remains significantly undervalued by the investment community due to its limited institutional shareholder base and lack of significant sell-side coverage. Thus, VPOS remains a large position in Far View's portfolio even after its strong performance since listing.

The Partnership

Any long-term returns earned by Far View Partners will be the result of the dogged application of a well-defined and continuously refined investment process. The Partnership has created a research structure and operating plan to allow it to best take advantage of the firm's long-term orientation, flexible investment mandate and nimble portfolio size. Far View's methods for finding and exploiting mispriced securities are constantly enhanced in an effort to improve their likelihood of success. While there will certainly be periods when the portfolio's investments are out-of-favor, this consistent development of the research process will provide Far View with a strong structure for long-term investment outperformance.

As the largest investor in Far View Partners, I remain excited for its long-term outlook. I have reinvested the entirety of my performance allocation back into the Partnership and it contains the vast majority of my net worth. Please feel free to contact me if you have any questions or thoughts about the Partnership and thank you very much for your trust and support.

Sincerely,

Brad Hathaway

Brad Hathaway
Managing Partner

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