

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

January 21, 2015

Dear Partner,

Welcome to the performance update of Far View Partners L.P. for the quarter ended December 31, 2014.

Portfolio Performance

During Q4 2014, Far View Partners generated a return of +6.75% net of all fees and expenses. For 2014, the Partnership produced a total net return of +12.64%. Since inception on July 1, 2011, Far View Partners has generated a cumulative net return of +73.82%. On December 31, 2014, the Partnership's portfolio consisted of long investments in the U.S., Europe, and Asia, option positions in the U.S., and a significant cash position.

Overall, I felt that 2014 was a good but not great year for Far View Partners. I was pleased with the discovery of two attractive opportunities to make large (>8% of capital) investments during the year. As discussed in the Q2 2014 letter, Far View's large investments have driven the vast majority of the fund's returns to date despite representing a small fraction of the securities that the fund has invested in. Unfortunately, finding these large investments requires significant patience as they tend to be uncovered infrequently. Both of the 2014 large investments generated strong returns for the Partnership during the year and have the potential to be significant sources of future profit as well. Far View also benefited from another strong year from Delclima (described in the Q2 2012 letter) as our investment thesis based on strong ICC&R results and an exit from the company's underperforming radiator business continues to play out. Delclima has been a large position for the Partnership since early 2012 and its share price has increased ~4x from Far View's initial cost and still has the potential for future gains.

Negatively, the Partnership suffered three easily avoidable losses in riskier, "option-like" investments (discussed in the Q2 2014 letter), in which I got seduced by the potential for large returns and did not pay enough attention to the downside risk. The only silver lining to these investments is that I have gotten better at realizing when I have made an error and was able to exit before these manageable mistakes snowballed into much larger losses. To better restrain myself from these "option-like" investments in the future, I have improved Far View's checklist to make the barrier to entry much higher for similar opportunities.

Process: To-Don't List

Deciding what not to do is as important as deciding what to do. – Steve Jobs

When I started Far View, I created checklists covering a number investment research tasks including idea generation, due diligence, and portfolio management. I have found these checklists useful over the last few years, but have also become aware of the importance of avoiding activities that are counter-productive to Far View's long-term goals. To formalize this process, I spent time in Q4 2014 defining what I call, Far View's "To-Don't List". So far, this list has focused on behaviors in three separate areas

including: day-to-day To-Don'ts, investment types to steer clear of, and business practices to avoid. In the sections below, I will discuss examples from each of these categories.

To-Don't List: Day to Day To Don'ts

One key element to strong daily productivity is avoiding counter-productive activities. While all of these To Don'ts appear to be work, they do not help generate profitable investment ideas for Far View or produce a greater understanding of our existing positions. In fact, by wasting time, energy and willpower, they can actually be harmful to the Partnership's ability to generate long-term returns.

For example, to improve my productivity I don't let outside factors disrupt my schedule. I do not keep my email open throughout the day and only check it at scheduled times to prevent me from getting distracted. If at all possible, I don't schedule tasks that require lower mental focus in the morning so that I can more efficiently use the time when I am most productive. By avoiding distractions during the day, I maintain my energy and focus on activities that have greater potential to improve Far View's long term returns.

Also, I don't spend significant time watching the trading prices of individual securities or the overall market. Instead, I check prices only a couple of times a day and use pricing alerts to be aware of major events or when a security may have reached an interesting price level. By not continuously watching trading activity, I avoid the temptation to make a trade purely to "do something" and make it easier to retain my willpower for more important decisions.

Finally, I do not monitor Far View's profit and loss daily and instead check it only a couple times a month. Closely following the Partnership's returns does not help generate profits and is overrated as a risk-management tool for a highly concentrated portfolio. More importantly, frequent monitoring of the firm's profit and loss can actually be quite destructive for Far View by continually subjecting me to the emotions of greed and fear and making it more difficult to retain a rational mindset.

To-Don't List: Investment Types

While Far View has a broad and opportunistic mandate, a large portion of the investment universe falls on the "To-Don't" list. Due to my specific set of strengths and weaknesses, certain types of investments are not a good fit for the Partnership. While these investments appear attractive, they generally offer a poor risk-reward for Far View when understood more fully.

One area I don't invest in is securities that fall outside my circle of competence. Because of my lack of domain expertise, these investments have a higher than expected risk as I may turn out to be unaware of key, situation-specific concerns. In these situations, I may mistakenly think I have an investment edge, when in reality I am the "fish" at the poker table, increasing the potential for an unexpected negative development. Not only are these types of investments more likely to generate losses, they also have a very inefficient return on time. Being outside my circle of competence prevents me from focusing on the key issues and requires me to invest time understanding an investment thesis that may exceed what is justified by the security's return potential.

I also avoid making investments that will represent an insignificant position in Far View's portfolio. If a security does not have the potential to generate a meaningful (at minimum 2%) impact on our returns, then it should not be added to the Partnership. While some investors believe that smaller positions represent a prudent form of diversification and a low-risk method to get exposed to uncertain investments, I believe insignificant positions can cause outsized harm to a portfolio. First, these positions are generally sized smaller due to an unsavory element in the investment thesis that generates a higher risk of loss. While some may argue that the small position size limits the potential loss, the investment still represents a bad risk-reward. Furthermore, the purchase of an insignificant position can cause an investor to make a

mental commitment to a weak investment thesis. Thus, while the initial exposure appears contained, a small purchase can be a dangerous first step to a much larger loss. Also, insignificant positions do not generate enough return to justify the research focus they require. An investment with a 1% potential impact rarely involves 1/10 the work or attention of a position with the potential for a 10% impact on the portfolio. Due to my limited research bandwidth, time spent on these insignificant positions is time taken away from evaluating more impactful securities.

To-Don't List: Business Practices

I have also set up Far View to avoid some business practices that are common in the investment industry. While these structures are often good for the business of attracting capital, they frequently have negative impacts on the ability of the firm to generate attractive returns for its investors.

For example, I do not provide frequent liquidity to Far View's limited partners and instead use a three year lock-up for the fund's investments. While superficially attractive, I believe frequent liquidity would hurt the Partnership by hampering Far View's ability to invest with a long-term horizon, which I believe represents a key competitive advantage. A concentrated investment portfolio like Far View's will inevitably have periods of negative short-term performance. If I did not have faith that my limited partners shared my long-term investment horizon, my ability to look past these short-term performance fluctuations would be materially hampered.

Moreover, frequent liquidity can often be harmful to the returns realized by limited partners. While most investors believe they act as rational allocators of capital, multiple studies have shown strong evidence of short-term performance chasing. For example, a study of mutual fund investors over a 13 year period showed that the investors performed 1.6% worse per year compared to the mutual funds they had invested in. This significant underperformance was created by the investor's tendency to invest more capital at short-term performance peaks and withdraw capital during periods of weak performance.¹ Thus, more frequent investor liquidity caused the investors to generate returns that were significantly lower than if they had been forced to keep their money invested for the entire period.

For similar reasons, Far View does not report monthly performance figures. Because of the impact of randomness in short-term investment returns, I believe that monthly figures would not provide useful information to Far View's limited partners. Less frequent reporting makes it easier to retain a more rational approach to investment returns. Furthermore, frequent reporting would impact my ability to generate future returns for the Partnership as it would increase my focus on shorter-term results and prevent me from maintaining a long-term perspective.

I do not actively try to market Far View Partners to potential investors. While I am always interested in adding limited partners who believe in the Partnership's investment philosophy, I do not believe that actively marketing is a good use of my time. Far View is not set up to appeal to many types of investors, especially those with shorter-term time horizons. Because a strong base of like-minded limited partners is a key competitive advantage for the Partnership, I only want investors who believe in our strategy and do not want to add limited partners who need to be "sold" on Far View Partners. By not spending time marketing, I can remain focused on my main goal: generating excellent long-term returns on the Partnership's existing capital.

The Partnership

Going forward, I have decided to change the content of Far View's quarterly communications. Attached to this email is a new performance summary which will be provided quarterly and will show Far View's

¹ Friesen, Geoffrey. "Mutual Fund Flows and Investor Returns: An Empirical Examination of Fund Investor Timing Ability," *Journal of Banking and Finance*, Vol 31 (2007), 2796-2816.

current and historical returns. While I will continue to provide quarterly returns, I intend to write only semi-annually. My goal with these letters has always been to provide useful insights into my investment philosophy and research process so that my limited partners can better evaluate the Partnership's potential to generate future returns. I hope that by decreasing the frequency of the letters, I can provide more thoughtful discussions that will drive increased understanding of Far View Partners.

As always, it is my goal to work with limited partners who understand and support Far View's investment strategy and processes. To that end, please feel free to contact me if you have any questions or thoughts about the Partnership or my investment philosophy. I am the Partnership's largest investor and it contains the vast majority of my net worth. I remain very excited for the long-term outlook of Far View Partners and hope you share my enthusiasm. 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

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.