SOUTHPAW CAPITAL

6015 Skyline Dr. | Houston, TX | 77057

281.770.0379 | southpaw-capital.com

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Dear Partners,

As suspected the Slacktide we were fortunate to experience ebbed and the second quarter of 2012 was a less relaxing interval than the first as the Fund underperformed the major US stock market indices, ending -4.73% on a net basis versus a total return of -2.75% for the S&P 500, and -1.23% for the HFRI Hedge Fund Index.

Southpaw Value Fund, LP

ESTIMATED NET MONTHLY PERFORMANCE | 2012

PERIOD	SVF (Net)	SVF (Gross)	HFRX	S&P 500 TR
JANUARY	7.04%	8.88%	1.72%	4.48%
FEBRUARY	5.72%	7.11%	1.42%	4.32%
MARCH	3.90%	4.80%	-0.02%	3.29%
1st QUARTER	**17.57%**	**22.23%**	**3.14%**	**12.59%**
APRIL	-3.44%	-4.06%	0.12%	-0.63%
MAY	-1.13%	-1.29%	-1.69%	-6.01%
JUNE	-0.21%	-0.16%	-0.29%	4.12%
2nd QUARTER	**-4.73%**	**-5.45%**	**-1.86%**	**-2.75%**
JULY				
AUGUST				
SEPTEMBER				
3rd QUARTER	**0.00%**	**0.00%**	**0.00%**	**0.00%**
OCTOBER				
NOVEMBER				
DECEMBER				
4th QUARTER	**0.00%**	**0.00%**	**0.00%**	**0.00%**
YEAR TO DATE	**12.01%**	**15.56%**	**1.23%**	**9.49%**

We cannot stress how undesirable an outcome it is to underperform the average equity over any short time period (arbitrary as it may be), but the reasons why it will be common for us are simple enough: we look nothing like the major indices or average equity fund. We tend to hold smaller, more obscure and less loved stocks that are outside

the daily flow of funds. The returns from many of the illiquid equities and liquidations we hold can often have a lot in common with ketchup in a bottle- none'll come and then a lot'll.

We are pleased that we are performing decently on a relative basis given that our largest thematic bet—auto parts suppliers—has entirely round tripped on us and is now a drag on absolute returns and looks dismal in relative terms. A resetting of global GDP expectations has dragged down cyclical auto related names, and the market has not differentiated our more North American centric names from the more global firms. Homebuilder stocks, which generally speaking get 100% of their revenue from within the US, have priced in a substantial and sustainable multi-year rally and look very expensive on a forward basis, whereas the also-cyclical global auto names languish at 52-week lows and look very cheap on a trailing basis. So, one area the market has created dispersion is among domestic versus global companies, as everyone avoids Europe like it is due for a second coming of the Bubonic plague. We do, however, continue to avoid Chinese exposure as if *it* were ground zero for the next pandemic.

Why else might some of our holdings be so unpopular at the moment? The soft patch is unlikely to be due to valuations, as we believe individually and as a whole our portfolio resembles an extraordinarily discounted group of businesses. A possible explanation is that most of our names are not constituents in any indices or ETFs and as there has been a great migration away from individual security selection, which was exacerbated in 2008/2009 downturn, some stocks are outside the daily flow of funds. The percentage of domestic mutual fund assets passively indexed has risen to ~15% (source: icifactbook.org) and another 2-3x as much is likely "closet indexed." Add in another $1.1 trillion that has flowed into passive ETFs and you get a sense of the great passive migration. The dollar value of ETF trading is ½ of total US trading. Since the daily trading value of the ETFs exceeds the daily trading value of their constituents, what is supposed to be the tail is now clearly wagging the dog. The daily flow of funds has begun to bifurcate the valuations of stocks into two groups—those that are in ETFs and those that are not, so the ETFs are distorting the value of the stocks they are meant to track. Ironically as investors pour hundreds of billions into passive ETFs as a way to supposedly reduce overall portfolio volatility, they've in fact contributed to their own increased correlations and volatility. This is a good thing as long as the discrepancies eventually correct. Given the potential for drawdowns we find solace in the valuations we paid and our Linus blanket is a review of the trading comps and valuation multiples of our holdings. Value investing works…but not all the time…which is precisely *why* it works.

In the present low interest rate environment, market participants seem to be overpaying for yield, as evidenced by the low growth Electric Utilities industry having a higher P/E ratio than the faster growing Information Technology sector, and lofty multiples paid for stable yield instruments such as apartment REITS. Electric Utilities as a whole have an average forward P/E ratio of 14.6x and a trailing dividend yield of 4.1%, versus 11.9x P/E and a trailing 2.9% yield for Information Technology (source: Barclays Research). When one considers the alternative safe-haven yield securities that are being anchored to artificially depressed short term interest rates, such as government bonds and high grade corporates, investors are decidedly impaled by a Morton's Fork and it is easy to see why they are blindly chasing certain asset classes. Investors tend to think of yielding instruments in relative terms thus are ignoring the risk of high absolute valuations. Take for instance three apartment REITs: tickers ESS, EQR (a constituent of 17 different ETFs), and AVB, which are required to pay out 90% of net income as a dividend, and yield a simple average of 2.5%. Compare this to blue chip tech stock Microsoft, which has a higher trailing dividend yield of 2.6% with a payout ratio of only 26% and >17% of the market cap in net cash, along with solid prospects for double digit percentage revenue growth over the next few years. I am not making the case for an investment in

MSFT, rather just pointing out that investors have stretched the valuation of what is viewed as a yield vehicle in the apartment REITs and have already priced in some serious dividend growth, leaving reduced prospects for capital gains.

Everyone knows the saying: If a tree falls in the forest and no one is around to hear it, does it make a sound? Southpaw's new rendition is: If a company announces a value enhancing divestiture and no one on Wall Street pays attention is value enhanced? Most likely, but apparently not immediately, as one had weeks, even months to acquire shares of one company that this aptly describes.

One of our winners has been a sleepy mid-western restaurant chain called Frisch's. We became aware of Frisch's prior to the launch of the Fund and had performed an in-depth analysis of the company. The company operates two divisions—their core Big Boy Restaurants burger concept (about 80% company owned and 20% franchised), and 29 franchised Golden Corral restaurants, all with an outsized geographic concentration in Ohio and a lot of real estate assets. Our analysis led us to believe that the company should split into two, or spin-off their lower growth, lower return, lower free-cash-flow Golden Corral division. Eight months later the company put out an 8-K announcing that they were "exploring strategic alternatives" for their Golden Corral division and our interest meter then moved into the red...or in this case maybe we should call it the green. We searched around and found a package of Golden Corrals for sale in Kentucky for around 4.5x EBITDA and \$2.94 million per property for the real estate, which gave us an idea for a range of valuations on FRS' potential transaction. We figured if FRS got just \$2 million per location they would generate \$58 million in total sale proceeds. With the core Big Boy segment doing around \$23 million in EBITDA, at a share price in the low \$20s we thought we were buying FRS at a pro-forma Enterprise multiple of 3.5x or less, which would make it one of, if not the cheapest public restaurant stock available. Below is a sensitivity table that showed the pro-forma Enterprise multiple we thought we were paying at various Golden Corral sale levels and various stock purchase prices.

Stock Price	Golden Corral Sale Proceeds							
	\$10,000,000	\$20,000,000	\$30,000,000	\$40,000,000	\$50,000,000	\$60,000,000	\$70,000,000	\$80,000,000
\$ 19.00	4.2x			3.0 x	2.5 x		1.7 x	1.3 x
\$ 20.00	4.4x	4.0 x	3.6 x	3.2 x	2.7 x	2.3 x	1.9 x	1.5 x
\$ 20.50	4.5x	4.1 x	3.7 x	3.3 x	2.8 x	2.4 x	2.0 x	1.6 x
\$ 21.00	4.6x	4.2 x	3.8 x	3.4 x	2.9 x	2.5 x	2.1 x	1.7 x
\$ 21.50	4.7x	4.3 x	3.9 x	3.5 x	3.1 x	2.6 x	2.2 x	1.8 x
\$ 22.00	4.8x	4.4 x	4.0 x	3.6 x	3.2 x	2.7 x	2.3 x	1.9 x
\$ 22.50	4.9x	4.5 x	4.1 x	3.7 x	3.3 x	0.0 x	2.4 x	2.0 x
\$ 23.00	5.0x	4.6 x	4.2 x	3.8 x	3.4 x	2.9 x	2.5 x	2.1 x
\$ 23.50	5.1x	4.7 x	4.3 x	3.9 x	3.5 x	3.0 x	2.6 x	2.2 x
\$ 24.00	5.2x	4.8 x	4.4 x	4.0 x	3.6 x	3.1 x	2.7 x	2.3 x
\$ 24.50	5.3x	4.9 x	4.5 x	4.1 x	3.7 x	3.2 x	2.8 x	2.4 x
\$ 25.00	5.4x	5.0 x	4.6 x	4.2 x	3.8 x	3.4 x	2.9 x	2.5 x
\$ 25.50	5.5x	5.1 x	4.7 x	4.3 x	3.9 x	3.5 x	3.0 x	2.6 x
\$ 26.00	5.6x	5.2 x	4.8 x	4.4 x	4.0 x	3.6 x	3.1 x	2.7 x
\$ 26.50	5.7x	5.3 x	4.9 x	4.5 x	4.1 x	3.7 x	3.2 x	2.8 x
\$ 27.00	5.8x	5.4 x	5.0 x	4.6 x	4.2 x	3.8 x	3.3 x	2.9 x
\$ 28.00	6.1x	5.6 x	5.2 x	4.8 x	4.4 x	4.0 x	3.6 x	3.1 x

The beauty of the FRS investment is that we did not have to make drastic assumptions of future improvements, but rather were paying a cheap price for the way things are as is, as evidenced by the fact that we were paying only 4.8x EBITDA even if they received \$0.00 for the Golden Corrals. Despite a similar margin profile, this 4.8x multiple

compared to the average restaurant take-out multiple over the last three years of 7.2x (a 50% premium), with a minimum multiple paid by a strategic or financial buyer of 6.1x (a 27% premium) for any public restaurant chain with a market capitalization over $50 million.

Restaurant Acquisition Statistics			
Valuation Summary		**Number of Deals by Transaction Ranges**	
Average TEV/Revenue:	0.9x	Greater than $1 billion	4
Average TEV/EBITDA:	7.2x	$500 - $999.9mm	4
Minimum TEV/EBITDA:	6.1x	$100 - $499.9mm	18
Maximum TEV/EBITDA:	11.0x	Less than $100mm	7
Median TEV/EBITDA:	7.3x	Average Day Prior Premium(%):	33.0

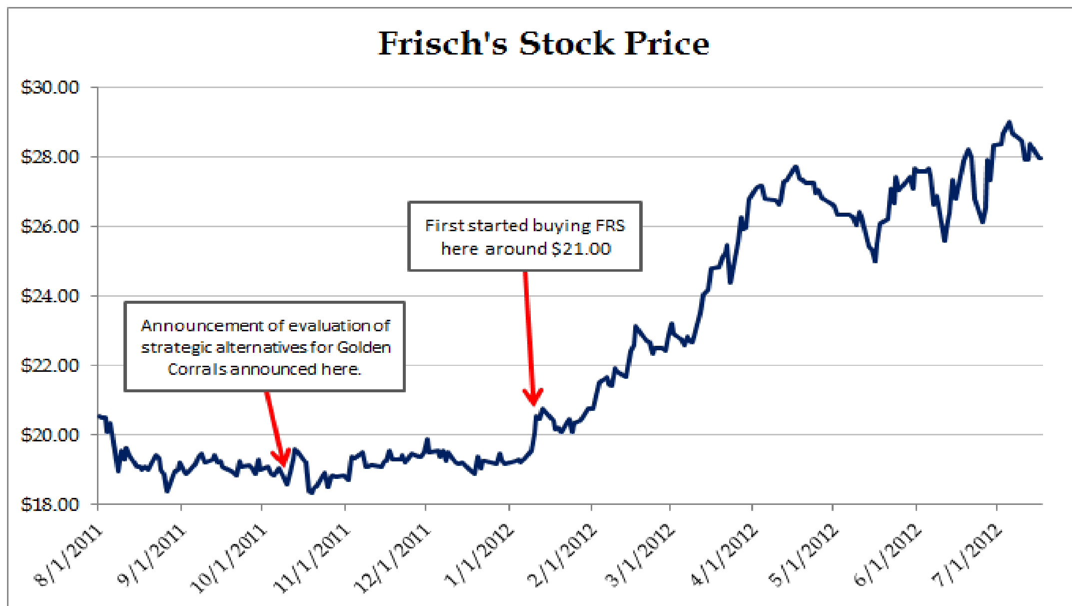
Summary of public restaurant buyouts in the US and UK from December 2008-December 2011. Source: Capital IQ

We assumed that FRS' operations will stay stable. As a testament to the brand they have only comp'd negatively once in the last few years despite being in Ohio, one of the weakest state economies in the nation. Now we believe that Ohio can pick up steam due to the Utica Shale activity, as well as auto production increases, among other things.

FRS was truly an ideal investment candidate as it exhibited the following characteristics:

- Management's alignment of incentives, with the key executives owning ~16% of the company
- Statistically undervalued on an absolute and relative basis; Shares did not embody any optimism
- Business operation within our circle of competence ("Elementary, my dear Watson, elementary!")
- Imminent catalyst for incremental value realization
- Shedding underperforming assets; divestiture with immediate positive financial implications
- Under the radar--no sell side/analyst coverage

We anticipate a large special dividend to be paid out with the proceeds from the Golden Corral sale. We made FRS a full position and it is currently our largest holding. Though he is unlikely he had equity investing in mind, Thoreau is known to have quipped "You must not only aim right, but draw the bow with all your might." Ideal investment situations such as FRS do not arise frequently. We must remain patient while we diligently search for them, but the next time we are so sure in real time that we are aiming right, I suspect we will try and pull the bow back a little harder.



Another winner for the fund in 1H12 was P.F. Chang's (PFCB). Many of you probably know their name-sake concept; however, the company also operates the successful fast-casual Pei Wei chain. At the time of our investment the company operated 204 full service upscale P.F. Chang's units (referred to as Bistro) and 170 Pei Wei units. Additionally, the company had a small, ($10-12mm) but rapidly growing high margin overseas franchising business, as well as domestic frozen foods business (licensing fees from Unilever). P.F. Chang's stock had fallen out of favor with Wall Street analysts mainly due to declining SSS (Same Store Sales) comps. As seen below, things did not look very good.

Bistro

	Same-store sales					Traffic					Ticket				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
2005	2.9%	1.9%	-0.8%	1.0%	1.3%	0.9%	0.9%	-1.8%	0.3%	0.1%	2.0%	1.0%	1.0%	0.7%	1.2%
2006	1.3%	-1.0%	-0.5%	-0.9%	-0.3%	0.0%	-3.9%	-3.0%	-3.4%	-2.6%	1.3%	2.9%	2.5%	2.5%	2.3%
2007	-2.5%	-1.3%	-1.6%	-1.0%	-1.6%	-5.0%	-3.8%	-4.1%	-6.0%	-4.7%	2.5%	2.5%	2.5%	5.0%	3.1%
2008	0.1%	-2.3%	-3.1%	-7.1%	-3.1%	-5.4%	-6.8%	-7.6%	-8.6%	-7.1%	5.5%	4.5%	4.5%	1.5%	4.0%
2009	-6.6%	-6.8%	-8.5%	-5.2%	-6.8%	-6.1%	-6.6%	-7.5%	-4.7%	-6.2%	-0.5%	-0.3%	-1.0%	-0.5%	-0.6%
2010	-2.7%	0.1%	2.3%	0.1%	-0.1%	0.8%	2.6%	2.8%	-0.9%	1.3%	-3.5%	-2.5%	-0.5%	1.0%	-1.4%
2011	0.5%	-2.5%	-3.7%	-2.4%	-2.1%	-2.0%	-4.0%	-5.2%	-3.4%	-3.7%	2.5%	1.5%	1.5%	1.0%	1.6%

Pei Wei

	Same-store sales					Traffic					Ticket				
	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY	1Q	2Q	3Q	4Q	FY
2005	6.0%	6.3%	2.8%	1.9%	4.3%	4.5%	4.8%	1.3%	0.4%	2.8%	1.5%	1.5%	1.5%	1.5%	1.5%
2006	-2.0%	-3.9%	-1.5%	-0.7%	-2.0%	-3.5%	-5.6%	-4.2%	-3.2%	-4.1%	1.5%	1.7%	2.7%	2.5%	2.1%
2007	0.5%	1.0%	-1.0%	-0.5%	0.0%	-2.0%	-0.5%	na	na	-1.3%	2.5%	1.5%	na	na	2.0%
2008	-2.4%	-3.2%	-2.9%	-6.1%	-3.7%	-2.9%	-3.7%	-3.4%	-6.1%	-4.0%	0.5%	0.5%	0.5%	0.0%	0.4%
2009	-2.2%	-0.1%	-0.7%	3.0%	0.0%	-1.7%	0.4%	0.5%	3.5%	0.7%	-0.5%	-0.5%	-1.2%	-0.5%	-0.7%
2010	2.2%	3.0%	0.8%	1.3%	1.8%	1.5%	1.5%	-1.5%	-0.9%	0.2%	0.7%	1.5%	2.3%	2.2%	1.7%
2011	-0.2%	-2.7%	-3.6%	-1.9%	-2.1%	-2.7%	-5.2%	-6.1%	-1.4%	-3.9%	2.5%	2.5%	2.5%	-0.5%	1.8%

SSS comps are a key metric in the restaurant and retail business. As it relates to restaurants, comps are derived from two components: traffic count (number of guest showing up) and average ticket price increases or decreases (buying more/less or price increases/decreases). As seen above, the Bistro (cash-cow division) had slowed down from their large SSS comp increases in the late 90s and early 2000s, when they were often comping up double digit percentages. The concept had reached maturity. Like most large domestic companies, the concepts posted weak numbers in the Great Recession but they began to bounce back in 2010. The bounce did not last long because as the company entered 2011, traffic counts began falling fairly quickly on a year-over-year basis. Declines (or increases) in comps is not an insignificant data point as there is meaningful operating leverage in the restaurant business. The variable costs consist of food, beverage, and packaging which typically run 28-33% of sales. The rest of the costs are fixed. Operators have some wiggle room with managing their labor, but most of the costs are fixed. Therefore, every $1.00 gained or lost in sales volumes per unit can impact pretax profit by $.70 to $.50. A trend of negative comps therefore made P.F. Chang's an unappealing stock to many, in addition to a focus on the high P/E ratio. What did Southpaw see? From our vantage point, we saw the following:

- A restaurant company with two distinct and generally unchallenged concepts on a nationwide basis. The Asian food category has the fewest chain operators (Mom & Pop operators make up a large portion of the category). Interestingly, several others had tried to enter the Asian market and mostly underperformed expectations (i.e. Darden with China Coast and Brinker with Big Bowl). For years, management at P.F. Chang's expected a national competitor to appear and after almost two decades they finally realized few could truly compete.

- We felt P.F. Chang's-- while suffering from weak comps--had positioned themselves very shrewdly within the restaurant industry. The Bistro concept targeted the "upscale" casual dining segment ($20+ average ticket) while Pei Wei was positioned in the fast-casual segment (fast-causal is typically defined as no tip, priced slightly below full-service casual dining at around $8-12 average ticket), comparable food quality to full service casual dining, but you decide where to sit and when to leave, etc. A combination of the Great Recession and the continued growth in the fast-casual segment put increasing pressure on the casual dining segment of the restaurant industry (think Chili's). Suddenly, the casual dining behemoths were offering 2 for $20 promotions in an effort to compete with fast-casual pricing yet maintain their legacy casual-dining cost structure (average Chili's is 4,000-5,500 sqft, costs $2-3mm+ to open, and employs 40-60 people whereas fast-casual concepts may run 1,500-3,000 square feet, employs 15-35 people, and usually leases space). We liked where P.F. Chang's two concepts sat – above and below casual dining.

- After 2-3 quarters of underperforming the Knapp-track index (restaurant industry wide sales index), management publicly discussed this weakness and began a program to address the negative comps issue. This open dialogue and realization that their two concepts needed refinement was important. It showed senior management was not asleep at the switch. Another unique aspect that we really liked about this management team was their focus on Return on Invested Capital. The company had a ROIC section on their investor relations website listing the ROIC for both concepts going back to 2003.

- Management began a wide range of new initiatives: menu expansion, cheaper menu items at lunch, a happy hour menu, new uniforms for the wait staff, new music selections, and remodeling of older units. Management stated that all changes would stay true to the Pei Wei and Bistro concepts. Only tweaks were needed, not a drastic overhaul.

- A consensus among investors was P.F. Chang's was a stale brand. We saw a 200+ unit concept still doing $4.5 million in average unit volumes (~ 16% restaurant-level margins), an impressive feat for any concept new or old! Pei Wei was averaging $1.8mm a unit, which was not bad either. Chipotle, a Wall Street darling, has AUVs of $1.7mm-1.8mm.

- Approximately 1/3 of their Bistro store base was located in three states: TX, CA, FL. While we were not predicting a ramp up in unit growth, we felt concept saturation was still a ways out (Canada had zero units).

- The company paid an annual cash dividend of $1.00 per share (which was increased 10% to $1.10 three months after our initial purchase). Based on our average purchase price ($30.55) this represented an initial dividend yield of 3.27% (increased to 3.6% after the dividend hike). While waiting for improved results, we clipped a nice dividend.

- In 2011, the company generated $121.3mm in EBITDA (includes pre-opening costs, one-time asset impairments, etc.). The Bistro produced restaurant-level EBITDA (before corporate G&A) of $157.45mm (excluding one-time asset impairment and pre-opening expenses). Pei Wei's restaurant-level EBITDA was $40.8mm. Corporate G&A was $70mm in 2011. If we spread the corporate G&A pro-rata for sales volumes (total sales $1.238 billion with $921mm from Bistro and $312mm from Pei Wei and $5.7mm from other), EBITDA for the Bistro declines to $105.45mm and Pei Wei's EBITDA falls to $22.87mm. Depreciation at Pei Wei was $19.3mm so when you subtract this out, operating income at Pei Wei was $3.57mm in 2011. Here you had a 170 unit chain generating $312mm in annual revenues and it essentially breaks even on an EBIT basis. Some argued that this segment destroyed shareholder value (ROIC below the cost of capital) and justified the weak stock price and low trading multiples when compared to peers. We

did a simple sanity check: If management put the Pei Wei division up for sale, what kind of offers would they receive? Southpaw's principals have made offers on franchised restaurant concepts in the past (Buffalo Wild Wings, Subway, Texadelphia, etc.). We have a great deal of knowledge of what a single unit is worth and how it is valued. We felt a unique concept such as Pei Wei with $300mm+ in annual sales and AUVs of $1.8mm+ had a lot of inherent value.

- While negative year-over-year comps continued, the momentum was turning by the 4Q11. There is some seasonality in the restaurant business, but we felt this point was overlooked by many.

Bistro	1Q11	2Q11	3Q11	4Q11	1Q12
Average Weekly Sales	$90,181	$88,487	$85,494	$87,725	$89,696
Sequential Increase (Decrease)	--	($1,694)	($2,993)	$2,231	$1,971
YoY % Change	0.5%	-2.5%	-3.7%	-2.4%	-0.6%
Sequential % Change	--	-1.9%	-3.4%	2.6%	2.2%

Pei Wei	1Q11	2Q11	3Q11	4Q11	1Q12
Average Weekly Sales	$36,501	$35,022	$33,730	$34,194	$35,942
Sequential Increase (Decrease)	--	($1,479)	($1,292)	$464	$1,748
YoY % Change	-0.2%	-2.7%	-3.6%	-1.9%	-1.7%
Sequential % Change	--	-4.1%	-3.7%	1.4%	5.1%

- Last but not least, we were paying 4.8 – 5.25x EV/EBITDA which we felt offered significant downside protection in the event management was not able to turn the corner on comps. As mentioned earlier in our letter, on average public restaurant chains are taken private at 7.2x EBITDA. Here was P.F. Chang's trading 30% below this take-out multiple. While P.F. Chang's owned very little real-estate (all units leased except for headquarters in Scottsdale, AZ), they had negligible debt (less than $2mm) and $53mm+ in cash. This clean balance sheet provided management or a private equity firm the ability to lever up the company. On 2/16/12, the company announced their plans to repurchase up to $150mm of company stock, ~20% of the market cap at the time. This was one of the larger share repurchase programs we'd seen and management telegraphed their intention to borrow funds to fulfill the program. Management was saying loud and clear: our stock is cheap.

- On 5/1/12 (179 days after our first purchase of shares) the company announced that Centerbridge Partners had made an all-cash tender offer for P.F. Chang's at $51.50 per share. After subtracting net cash, Centerbridge was paying $1.032 billion for the restaurant operations. Using 2011 EBITDA of $121mm, Centerbridge effectively paid 8.5x EBITDA.

- PFCB was our largest position at the time and we made a 68.5% ROI in less than six months.

A value trap is a thorn in the side of any investor. PFCB have been perceived as a potential value trap, but a relentless focus on what a rational buyer would pay in the private markets lead us to have a variant perception and profit from it. It is unlikely we would have made (or will make) a clothing retailer as large of a position, as the business is even more susceptible to the whims of the fickle consumer and their fashion preferences. It is amazing to witness the common occurrence of complete collapses of companies and subsequently their stock prices. Some of the collapses are in seemingly stable companies, such as the grocer Supervalu. Others in more fragile industries

like Research in Motion. These stocks looked cheap all the way down. It reminds me of a lesson from an old American poem, The Wonderful One Hoss Shay, a.k.a. The Deacon's Masterpiece. The poem begins:

Have you heard of the wonderful one-hoss shay,
That was built in such a logical way
It ran a hundred years to a day,
And then, of a sudden,it—ah, but stay
I'll tell you what happened without delay…

The deacon was determined to build a carriage to last and made sure that every part was equally strong and durable. Indeed it worked and went without needed repair for a hundred years, and then one day "it went to pieces all at once." A "one-hoss shay" is a metaphor for something that for the longest time seems indestructible and then all of a sudden collapses. In an age of suppressed volatility and fast moving, 'winner-take-all' type of trends, fragility is actually increased, leaving the underlying economy, business model or industry, person, market, or political regimes even more susceptible to a quick collapse. There are numerous examples I'm sure you can think of in recent history. The uncertainty and fragility of certain industries is reason enough to avoid them in equity investing. Even when you think you know where a company will be in a few years' time, it or its stock price can experience a "one hoss shay" moment. The best way of bypassing these situations is to avoid an auto-pilot mindset and remain consistently engaged in critical thinking, remaining paranoid about the downside risks.

I vividly remember a postgame interview with @KingJames from years ago where the reporter asked him, "Who guards you the best?" LeBron's answer: "Me." Confused, or rather believing that LeBron was confused, the reporter asked again, "No, no, I mean which other player in the league best defends you?" Obviously not confused, LeBron again answered, "No one. I'm the only one who can stop me." Despite the profound sense arrogance at first blush, I think the same idea is pertinent to us. Like LeBron, we are in control of our own success or misfortune. This is not a mindset of conceit or misguided confidence, but rather a psychological approach of accepting ownership of our actions. No one forces our hand or forces us to act. It is up to us to take advantage of the market's whimsical nature and we are solely responsible for the Fund's performance. When all of your money is invested in your own Fund you are most beholden to the severity of your own strict judgment and you don't require much in the way of external admonishment for motivation. We continue to shun pride and earnestly accumulate regrets. Our aim is to only make new errors going forward and avoid repeating the same ones. This leads to serious introspection and continual self-examination of investment decisions for potential psychological pitfalls and analytical mistakes.

I hope you stuck with us as we went into some detail about our investment choices. Given we were highlighting some of our restaurant picks we thought it was appropriate to go into the 'meat and potatoes.'

Thank you again for the opportunity to invest a portion of your hard earned capital and for your referrals.

To Alpha,

Southpaw Capital, LLC

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