VOSS CAPITAL

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October 29th, 2015

Dear Partners,

The Voss Value Fund returned 3.89% net of all fees and expenses for the third quarter of 2015. This compared to -6.44% total return for the S&P 500. Annualized alpha on the year is 23.6% and is 19.1% since inception. The Value Fund's 3-year annualized net return to Partners stands at 18.2%, compared to the S&P 500's 10.1%, and Russell Micro Cap Value Index's 8.6%. The Fund's net exposure averaged 69.9% on the quarter. Current gross exposure is 127.5%, net exposure is 75.4% and 8.9% on a beta-adjusted basis. Our top 10 long positions make up 62.3% of the portfolio. Our top 10 short positions make up 18.8% of gross exposure. Contribution from the long book in the quarter was -4.8%. Shorting and hedging (includes bearish oriented options trades) contributed 9.9% to returns.

Voss Value Fund, LP

ESTIMATED NET MONTHLY PERFORMANCE | 2015

PERIOD	VVF (Net)	VVF (Gross)	S&P 500 TR
JANUARY	-1.21%	-1.13%	-3.00%
FEBRUARY	7.65%	9.34%	5.75%
MARCH	-1.15%	-1.34%	-1.58%
1st QUARTER	5.13%	6.66%	0.95%
APRIL	-0.49%	-0.52%	0.96%
MAY	-0.12%	-0.07%	1.29%
JUNE	-1.91%	-2.28%	-1.94%
2nd QUARTER	-2.51%	-2.85%	0.28%
JULY	-2.80%	-3.31%	2.10%
AUGUST	6.66%	8.31%	-6.03%
SEPTEMBER	0.22%	0.35%	-2.47%
3rd QUARTER	3.89%	5.09%	-6.44%
OCTOBER			
NOVEMBER			
DECEMBER			
4th QUARTER	0.00%	0.00%	0.00%
YEAR TO DATE	6.47%	8.89%	-5.29%

All YTD performance figures are unaudited, estimated, and may be subject to subsequent adjustment. A limited partner's actual returns may vary from published fund returns based on the timing of capital and fee arrangements. This statement represents information based on the policies of the fund's managers and general partner. Please contact Travis Cocke, Managing Partner of Voss Capital, LLC, with any inquiries.

We had a solid quarter in relative terms in Q3 2015. Paradoxically, by aiming conservatively for a decent return and not a spectacular one, we significantly outperformed by avoiding concentration in stocks with major downside risk. The volatility and sharp correction in several overpriced stocks benefitted our portfolio, as did a shift in many equity style preferences, as we will discuss in more detail below.

While many investment managers are discouraged in the current environment, we are becoming increasingly pleased with the available opportunity set once again. The fact that many "high-fliers" remain mere reflections of broader abstractions representing unlimited technological potential rather than economic reality means that money making shorting opportunities are still abundant. Very few mid and large cap stocks actually corrected to reasonable valuations.

Simultaneously, a high proportion of small and micro-cap stocks have been obliterated. A full 53% of the Russell 2000 stocks were at least 25% below their 52-week high as of 9/30/15. Midway through October, this number remains an astounding 46% despite the S&P 500 being only 1% from its high. Additionally, of the 1,663 stocks in the Russell 2000 that were constituents of the index in mid-2013, **a full 36% are below where they were as of 6/30/2013**. It has been a blood-bath in small cap stock land and we think Voss' style could be due for a multi-year reversion to the mean, although this is not necessary for continued outperformance and uncorrelated alpha.

It is axiomatic that just prior to a trend change, there will be maximum agreement that the trend will not and cannot possibly end. If over the summer a professional investor could not detect the speculative euphoria within the biotech space raging at unsustainable levels, they are either too disengaged from the process delusional. It is impossible to know when these periodic episodes of ephemeral extreme will elapse, but at the very least any "value" investor would have been avoiding biotech and healthcare stocks from the long side, not piling in at the top. In other words, a true long-term oriented, disciplined value investing approach should have built in safety valves to protect against what caused the majority of the negative attribution in the market's August and September correction.

There is a misguided notion that the market is tough to outperform consistently because it is so damned efficient. We take the opposite view in that the market is tough to outperform because it is so persistently inefficient. As Jeremy Grantham has said, "Every time the market crosses fair value, it's efficient. For a few seconds every five, or six, or seven years it's efficient. The rest of the time, it is spiking up or down and is inefficient."

An example of my contrarian view on long term market inefficiency in action is a long time Voss short we've discussed publicly, Exact Sciences (EXAS). Most people will take a look at the stock chart as the price floated higher from $13 when we first pitched it as a short to $32 at its peak two and a half years later, and assume that the stock price was mostly efficient over that long duration. With a subsequent crash to under $7/share, one may perhaps now infer that the market is not being efficient and over-reacting to the downside all at once. It is the inverse that is true. The stock price has been wildly inefficient and overvalued for years. It is the temporary respite from inefficiency to some semblance of coherence that is the anomaly, not vice-versa. I believe the stock's price is still not an accurate reflection of all of the company's future free cash flows discounted to the present, which leaves room for the stock to continually grind lower as their sequential guide for cash incineration is increasing and expectations will be consistently reset lower like a game of corporate limbo. Management and shareholders will not go down without a fight—they will react like a wild animal backed into a corner with nothing to lose, therefore the path may not be straight down. For the last 24 months, we have tempered our high conviction on the EXAS short case with the same humility and moderation that we apply to managing all of our positions. In so doing, Voss prevents any single temporary market anomaly from putting the performance of the overall portfolio at risk.

As usual one cannot get a clear picture of what is happening in equities with a casual glance at the S&P 500 index. Repeatedly emphasized in Voss literature, no single style, sector, or size of equity is permanently superior, but rather leadership rotates from one group to the other, often playing out in multi-year cycles.

Here is a table showing the performance of various style groups and indices from the market's short-term peak on August 17th, 2015:

	8/17 - 10/12	Month of September	1H of October (through 10/12)
Russell 2000	-4.7%	-4.9%	5.8%
Russell 2000 Value	-1.8%	-3.5%	6.5%
Russell 2000 Growth	-7.5%	-6.3%	5.1%
Russell 1000	-4.1%	-2.8%	5.1%
Russell 1000 Value	-4.1%	-3.1%	5.5%
Russell 1000 Growth	-4.1%	-2.6%	4.9%
S&P 500	-4.0%	-2.6%	5.1%
Russell Micro	-3.9%	-6.0%	5.8%
Russell Micro Value	**-0.9%**	**-4.0%**	**6.0%**
Russell Micro Growth	-8.0%	-8.7%	6.1%
Biotech (IBB)	-17.0%	-11.3%	1.7%

The Russell Micro Cap Value Index was a relative winner during the market's correction from the short term peak on August 17th. This index is the benchmark we have the highest correlation to of any major index (although it is still a low correlation of ~0.3) so we were beneficiaries of style tailwinds for a few weeks. In addition, we held a substantial net short position in the biotech industry over the duration of the quarter. Juicing our recent return even more is the fact that biotech did not bounce back as quickly as the rest of the market. The snapback rally in October left biotech in the dust (halfway through the month).

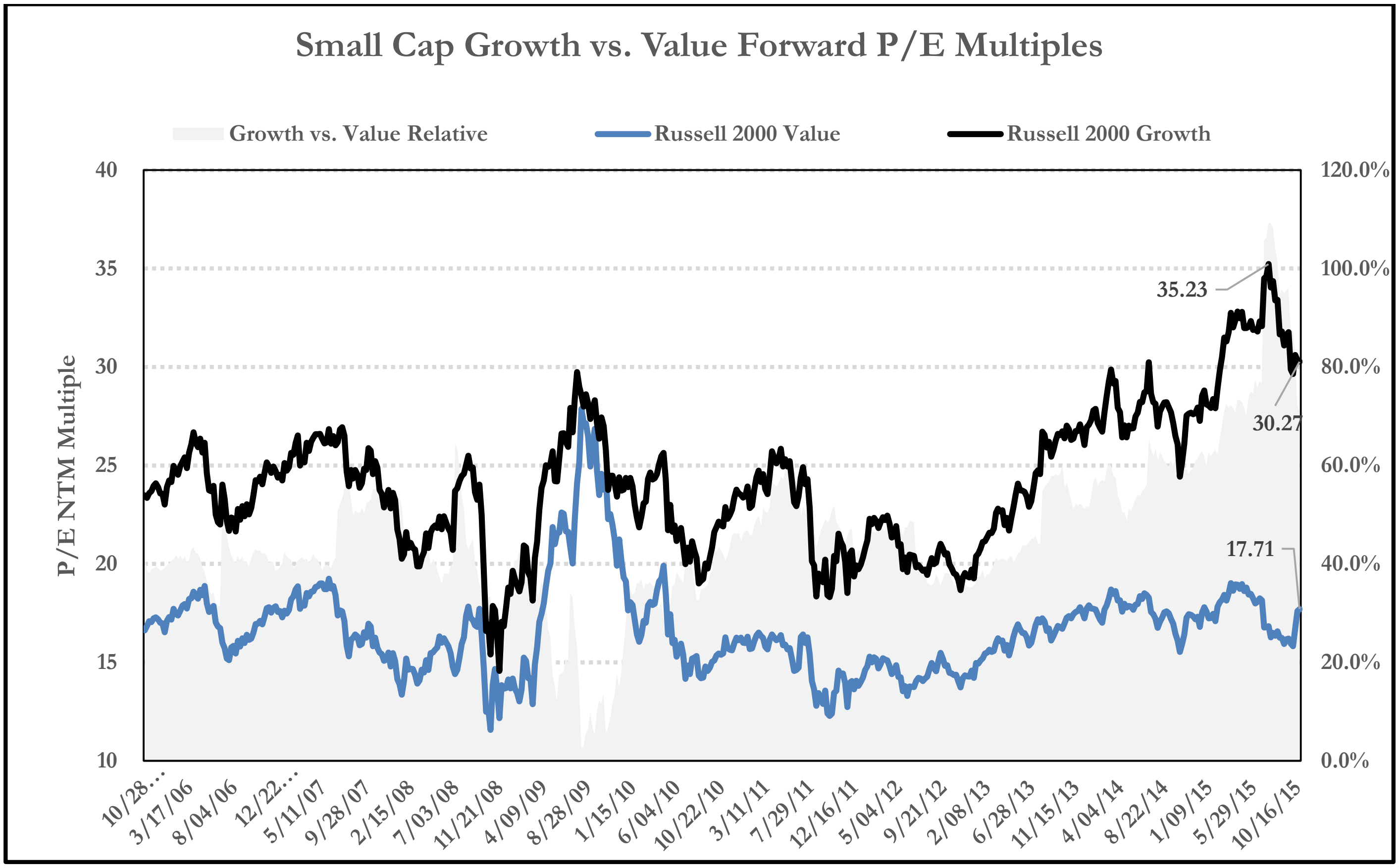
While we've enjoyed a small multi-week tailwind leading to substantial outperformance, we have still faced a multi-year headwind in terms of stock style preference and stock-factor attribution on both the long and short sides of the portfolio:

7-Year CAGR	**Russell 2000**	**Russell 2000 Value**	**Russell 2000 Growth**	**Russell 1000**	**Russell 1000 Value**	**Russell 1000 Growth**	**Russell Micro Value**	**Russell Micro Growth**
Period end 9/30/15	7.1%	4.6%	9.7%	7.7%	5.5%	9.9%	5.0%	9.6%

In comparing the Russell 2000 Value or Russell Micro Value Indices (our long bias) to the Russell 1000 Growth Index, (larger cap stocks, and more representative of our short book), our style has faced a 5% compound annual headwind over the last 7-years. While this does not sound dramatic, anyone who knows the power of compounding even small amounts knows that this adds up to a substantial 57% margin of outperformance for Large Cap Growth stocks over the last seven years.

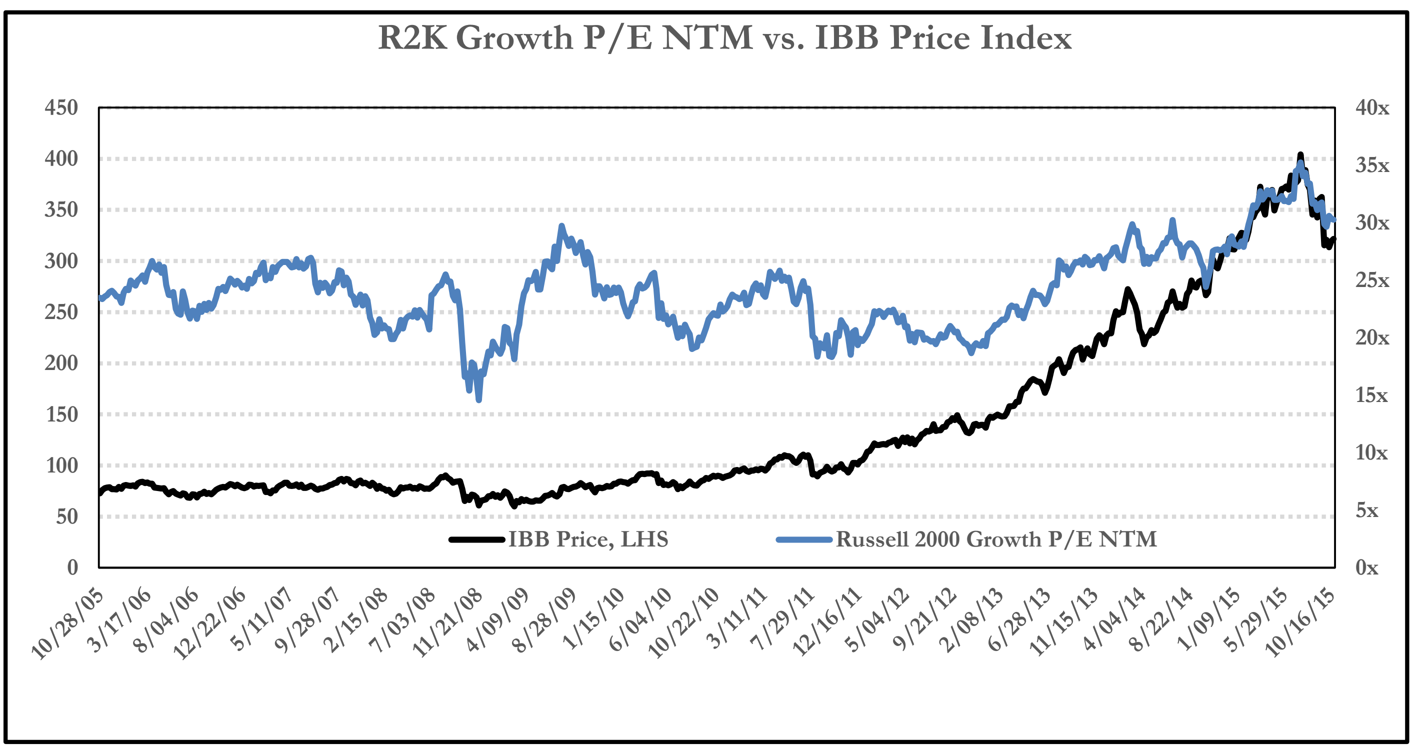
Drilling down further into the indices, we find that the Russell 2000 Growth Index currently commands a 72% forward P/E premium over its Value brethren. While growth always trades at a premium multiple, 72% reflects a notable extreme compared to its 10-year history.

The chart below shows that the premium P/E for growth versus Value peaked in late July at over 109%, where it really went parabolic. This partly explains our extreme relative weakness in the month of July:



Since the end of July Growth's forward P/E premium has come "crashing down" to 72%, a meaningful short-term correction on a relative basis as healthcare stocks crashed.

The 109% premium for growth stock P/E's in July coincided exactly with the top in biotech:



Despite the correction in growth stocks, the P/E premium is still 30% above the 10-year median of just 42%, leaving lots of room for Voss to enjoy a relative style tailwind for a long time to come.

Stocks still have very elevated valuations, with most indices still nestled in at least the 90th percentile of their historical P/E ratios using consensus forward earnings estimates. Small cap value is at the lowest valuation percentile relative to other styles:

	10-Year Forward P/E Percentile Rank (100% = Most Expensive)
iShares Russell 2000 ETF	88%
iShares Russell 2000 Value ETF	74%
iShares Russell 2000 Growth ETF	94%
iShares Russell 3000 ETF	93%
S&P 500	93%

We remain cautious on the market overall, believing it to be oscillating between mixed sentiment and expensive valuations. In the last few weeks, positive market breadth has broken down once again. A few mega cap tech and momentum stocks have lead the indices back to fresh highs (new high for the NASDAQ and S&P 500 within 1% of peak) despite underlying deterioration in small caps. In small cap land it feels like we're crossing the rickety old Bridge of Death from the Monty Python…many boards are rotten and keep falling away. We have to tip-toe lightly and make sure the investment footing is solid before putting our full weight down. Given the wide discrepancies between beaten down micro-cap value and excesses within large cap growth that remain, we are equally encouraged about the return prospects of both our long and short book and believe we remain poised to outperform on a relative basis regardless of market direction.

"Owl Eyes & Fox Walk" - Gain Conviction From First-hand Knowledge

In his book *Deep Survival*, Laurence Gonzales tells of a time he goes to a survival school in which the teacher leads the students out in the woods and ask them to close their eyes and point the direction of where they just came from. Gonzales is surprised that he is unable to point in the correct direction. He had been "following" the leader, not "walking his own walk." We can associate with this feeling. If one is just relying on a friend or family member or GPS to lead the way and navigate in a new town, they will not retain the lay of the land and are more likely to get lost. Walking your own walk in the investment world is the equivalent of doing first hand research from the source documents and not blindly following some other famous money manager into a crowded idea. This allows one to better ascertain what is important and not rely on second hand research in which one can ultimately have almost zero true conviction. Owl Eyes and Fox Walk means having full alertness and gaining conviction via primary research and is a foundational principle at Voss.

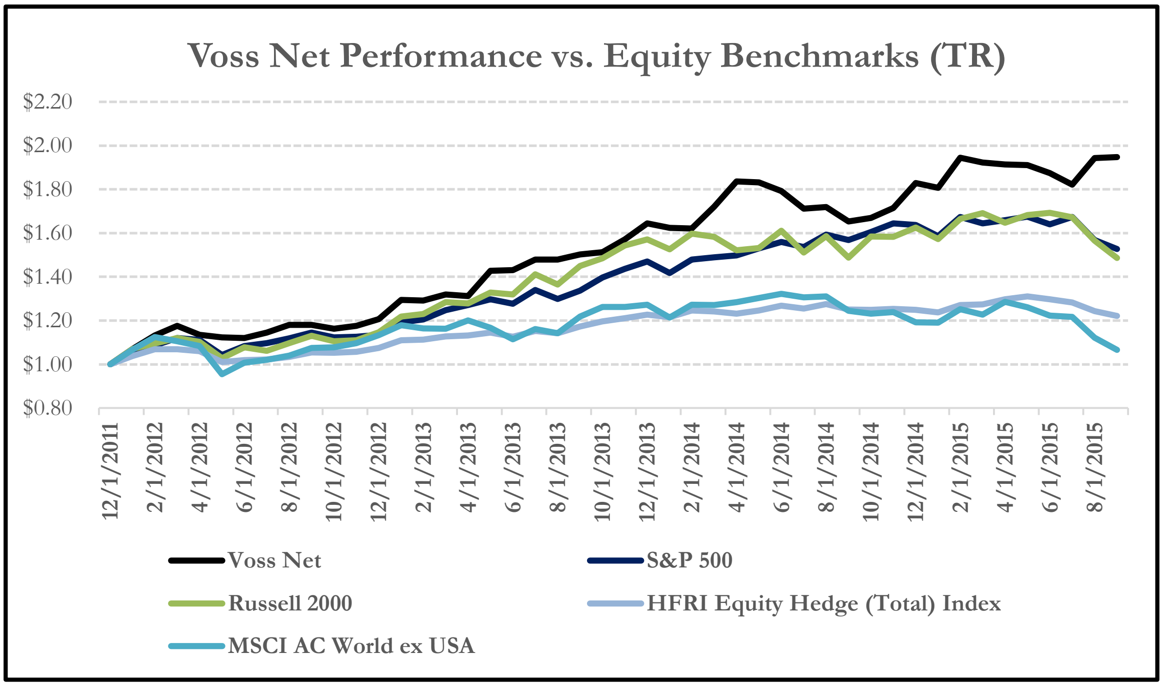
Contrarian based value investing is simple, but not easy. It is rewarding, but not pleasant. It is not comfortable to go against the grain, waking up to negative reinforcement day after day, month after month. We are all born with certain behavioral tendencies that are not conducive to active investing, so we have to learn to hack our emotional response system over a lifetime of investment experience to overcome inherent perceptual biases. Investing is a discipline of mental endurance and non-stop psychological survival. At Voss we believe a robust understanding of human psychology trumps all else when it comes to investment prowess and portfolio management. We are striving to master awareness of our own biases, which demands a culture of unadulterated intellectual honesty-this is perhaps the single greatest "edge" an investor can have for superior long term performance.

We are firing on more cylinders lately, however, we are not firing on all cylinders. Now is not a time for sloth, but one of continued paranoia, emphasis on mental flexibility, urgent hustle in due diligence, and ruthless adherence to our disciplined value investing approach. The moment we even think of resting easy or compromising our investment standards, the Great Humiliator is liable to blind side us with a mortifying sucker punch.

To Continued Alpha,

Travis

Voss Value Fund Monthly Net Returns Since Inception													
	Jan.	**Feb.**	**March**	**April**	**May**	**June**	**July**	**Aug.**	**Sep.**	**Oct.**	**Nov.**	**Dec.**	**Year**
2011										1.51%	-4.09%	3.17%	**0.44%**
2012	7.04%	5.72%	3.90%	-3.44%	-1.13%	-0.21%	2.26%	3.04%	-0.07%	-1.49%	1.17%	2.68%	**20.87%**
2013	7.22%	-0.18%	2.18%	-0.63%	8.80%	0.29%	3.32%	0.02%	1.55%	0.70%	3.87%	4.64%	**36.21%**
2014	-1.24%	-0.16%	6.16%	6.70%	-0.20%	-2.20%	-4.47%	0.43%	-3.82%	0.94%	2.69%	6.69%	**11.25%**
2015	-1.21%	7.65%	-1.15%	-0.49%	-0.12%	-1.91%	-2.80%	6.66%	0.22%				**6.47%**



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