VOSS CAPITAL

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May 6th, 2020

Dear Partners,

On January 1st, 2020, Voss restructured to a Master Feeder Fund Complex, containing both onshore (Voss Value Fund, LP) and offshore (Voss Value Offshore Fund, Ltd.) feeder funds, as well as one master fund vehicle (Voss Value Master Fund, LP), which trades the feeder fund assets in the aggregate.

In Q1 2020, the Voss Value Fund, LP and the Voss Value Offshore Fund, Ltd., returned -18.0% to investors net of fees and expenses, compared to a -30.6% total return for the Russell 2000 and a -19.6% total return for the S&P 500.

As of the date of this letter, the Fund's total gross exposure stands at 141.1% and the beta-adjusted net long exposure is 75.1%. Our top 10 longs and shorts have gross weightings of 77.1% and -24.8%, respectively. Firm assets stand at $147M.

Voss Value Master Fund Complex

ESTIMATED NET MONTHLY PERFORMANCE | 2020				
PERIOD	Voss Value Fund, LP	Voss Value Offshore Fund, Ltd.	Russell 2000 TR	S&P 500 TR
JANUARY	1.75%	1.71%	-3.21%	-0.04%
FEBRUARY	2.35%	2.31%	-8.42%	-8.23%
MARCH	-21.21%	-21.24%	-21.73%	-12.35%
1st QUARTER	**-17.95%**	**-18.04%**	**-30.61%**	**-19.60%**
APRIL				
MAY				
JUNE				
2nd QUARTER	**0.00%**	**0.00%**	**0.00%**	**0.00%**
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	**-17.95%**	**-18.04%**	**-30.61%**	**-19.60%**

The table below shows the Voss Value feeder fund returns compared to some of the relevant indices:

Net Return Comparison as of March 31st, 2020							
					Compound Annual Growth Rate		
	1 Month	3 Month	YTD	1-Year	3-Year	5-Year	ITD[1]
Voss Value Fund, LP	**-21.2%**	**-17.9%**	**-17.9%**	**-11.5%**	**5.1%**	**9.6%**	**14.0%**
Voss Value Offshore Fund, Ltd.	**-21.2%**	**-18.0%**	**-18.0%**	N/A	N/A	N/A	N/A
S&P 500	-12.4%	-19.6%	-19.6%	-7.0%	5.1%	6.7%	12.5%
Russell 2000	-21.7%	-30.6%	-30.6%	-24.0%	-4.6%	-0.3%	8.6%
Russell 2000 Value	-24.7%	-35.7%	-35.7%	-29.6%	-9.5%	-2.4%	6.7%
Russell 2000 Growth	-19.1%	-25.8%	-25.8%	-18.6%	0.1%	1.7%	10.4%
HFRX Equity Hedge Index	-9.6%	-13.3%	-13.3%	-9.4%	-2.4%	-1.8%	1.1%

(1) Investment to Date measures the time period from Voss Value Fund, LP's inception date of October 1st, 2011

All 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 Kelli Walter, Chief Operating Officer of Voss Capital, LLC, with any inquiries.

The Great Humiliator strikes again. March saw the fastest crash in stock market history by almost any way you measure it. It could be argued that the market *did* react rationally in the face of extreme uncertainty and did its job of properly pre-pricing economic data. The market flushed 35% in quick order as it reacted to the unprecedented government policy of forced lockdowns and rapidly assessed the economic damage in a near-vacuum of data. The selling begot selling and led to many large-scale forced liquidations. Then, without any all-clear, the market ripped back and has continued to rally in the face of record breaking bad economic news and negative earnings revisions, driven more by virus-related headlines. This is typical of a bear market in that the economic downturn was being pre-priced in mid-March. The question now is what is the lasting damage to corporate earnings and how long does the economic contraction last? Our research shows that the stock market's historical drawdowns are more correlated to the *duration* of an economic contraction as opposed to its *depth*[1].

Five weeks ago, consensus was for 4.4% EPS growth for the S&P 500 for 2020. Two weeks ago, it was -10.8%. Now? -18% and dropping. And while the 2021 EPS estimates currently imply over 25% growth over a depressed 2020, we think this bounce back may also be overly optimistic as there have been drastic cuts to capital expenditures by corporations and a massive, and likely lingering, retrenchment in consumer spending.

We do not know yet if late March was the ultimate market bottom of this cycle. Some stocks that bottomed (and languished) at 3-4x EBITDA in 2008/2009 never breached below 10x or even 15x in this current sell off despite worse prospects and in some cases much higher leverage. Others, mostly smaller value names, dropped to valuations similar or lower than their '09 troughs despite stronger balance sheets this time around. There has been discombobulating, disproportionate and uneven stock price reactions across groups of stocks with similar business models and similar economic exposures. It is chaos under the canopy of the FANG type stocks, which soak up all the ink, oxygen, and fund flows. The market so far has felt and traded like a correction the entire way down–and now up–as opposed to the traditional slow-grinding bear market. But perhaps that phase is still to come.

Just as I made the tactical mistake of legging out of shorts too early, I seemed to have legged back in to some shorts too soon on their way back up as many high fliers have reverted back to their euphoric ways witnessed just weeks ago. In fact, many stocks are now much more expensive than at the start of March as their forward revenue/earnings/cash flow prospects have come down while their prices have sky-rocketed. For the short book it is clear we must stress test multiples to 2000 peak levels. For the longs we stress test to 2009 troughs. A bubble for the overall market indices at P/E multiples far exceeding that of the 2000 peak seems equally likely (we are almost there) as does a new "lower low." The range of potential outcomes over the near term has never felt wider. While it feels discombobulating now, going forward it may in fact be the best medium to long term environment in the history of the fund, as stocks are acting extraordinarily thematically without considering some of their underlying nuances creating mispriced opportunities.

Looking back in history at all other pandemics and taking cues based off people's (and the market's) responses to those past pandemics has been a mistake. In April 2009, the Swine Flu (H1N1) had killed over 10,000 Americans before it was declared a public health emergency and there was estimated to be over 60 million cases with limited to no institutional or government response and a muted market reaction. Global cases were estimated at 1.68 billion, with deaths estimated at 284,000.

This time around governments around the world moved to hastily shut down society based mostly on models from Neil Ferguson of Imperial College. Mr. Ferguson has a history of draconian projections. During the Avian bird flu in 2005, Ferguson predicted 150 million deaths with the sharp logic of "40 million people died in the 1918 Spanish flu outbreak…There are six times more people on the planet now so you could scale it up to around 200 million people probably."[2] Despite those unnerving projections at the time, we did not have the forced lockdowns that the government has deemed necessary today. Of course, Twitter mobs did not exist back then and smart phones (e.g. 24/7 instantaneous news flow) were not prevalent, as the first iPhone was just about to hit the market.

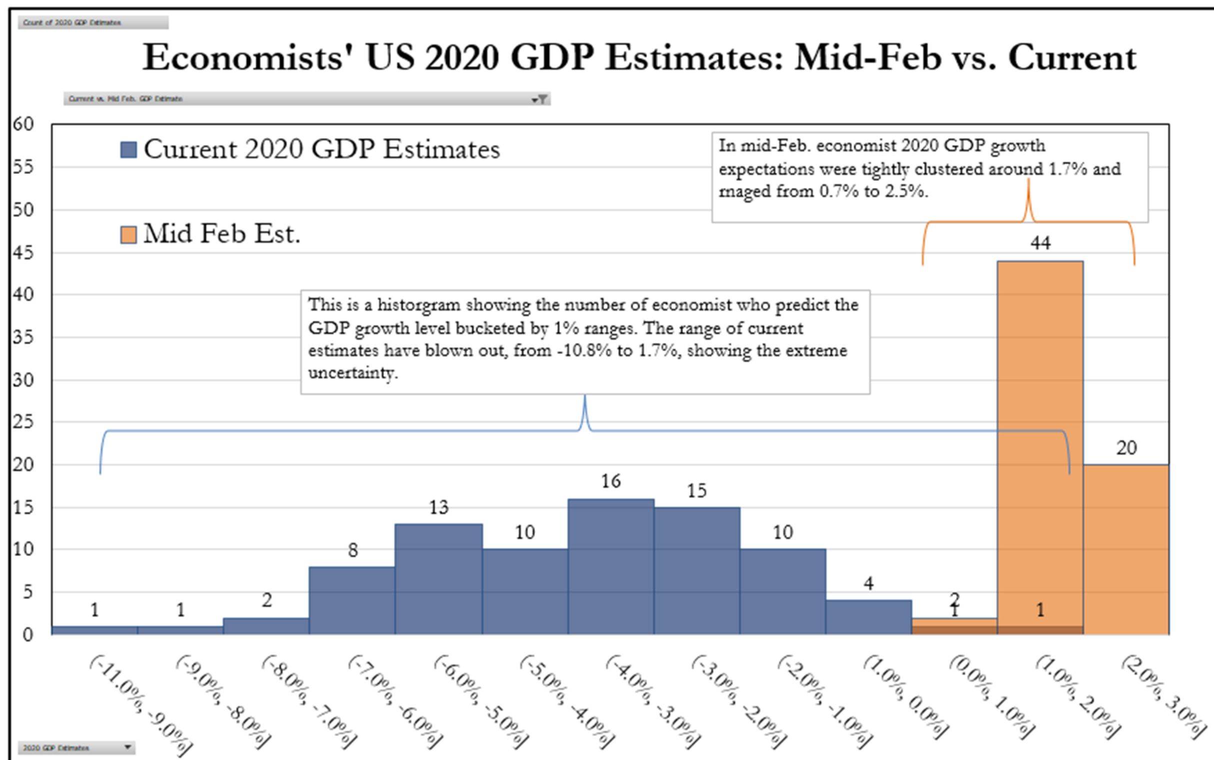
Now with state governments and local authorities ultimately calling the shots on reopening in phases and drawing seemingly arbitrary lines about what and how businesses can reopen, the uncertainty and unevenness is only worsened. Ultimately, a hard lesson that has been re-learned is that it is difficult to model human behavior based on past events.

The one size fits all approach to containing the virus based on faulty projection models has clearly devastated the economy. The extent of the structural economic damage remains unclear. Offsetting the forced shutdowns and change in consumer behavior is an unprecedented (sick of this word yet?) government stimulus. *The fiscal deficit in the US is now projected to reach 19.2% of GDP*, following the approval of another $484 billion stimulus two weeks ago, and could even rise to 24% of GDP.[3] Deficits all over the world are projected

to far exceed their levels in 2009. This stimulus is going to mostly hit after the economy is already hopefully starting to self-repair, so it is possible that it could in fact supercharge a rebound.

On the monetary side, the Federal Reserve is also taking drastic actions. In 2008, the Fed did not implement QE until weeks after the seminal moment of Lehman's failure. This year, their alphabet soup of liquidity programs came all at once and in greater size, as opposed to piecemealed sequentially like the last financial crisis. Their move to begin artificially boosting the prices of junk bonds by buying listed junk bond ETFs killed price discovery and set off a major rally in riskier/junkier stocks. While we thought some companies may enter a death spiral from elevated credit cost combined with the coming economic collapse, their stock prices instead ripped around the time of the Fed announcement. The Fed programs certainly seemed to have worked in keeping credit flowing, but in hindsight we should have taken that as a stronger signal to cover more higher beta shorts in early April.

The current extreme economic uncertainty can be visualized by looking at the dispersion of economists' forecasts of 2020 GDP. In mid-February, the ~80 economist estimates were clustered tightly around 1.7% growth (orange bars). Now they have blown out ranging from -11% to +1.7% (blue bars).



This is mirrored at the micro level with the range of earnings estimates widening substantially across most of the companies we track. Disparate views should narrow down to a more consensus view over time, and that removal of uncertainty and more clarity of the quantifiable impacts should help more accurately price stocks.

Small-caps and laggards have generally outperformed coming out of every bear market and major market correction during the last 40 years. ***Usually Small Cap Value is the leader coming out of a bear market for at least a year***. In 2009, small-cap value led from the bottom and outperformed through the end of that year. However, in 2020, small caps have drastically and consistently underperformed their larger cap brethren—heading into the downturn, during the sell-off, and then during the current recovery—making this correction/bear market different than others so far compared to the last 40 years. Small caps have only started to make up relative ground the last few days/weeks after the Fed's foray into junk bonds in early April. The Russell 2000 Value Index remains 35.3% off its August 2018 high and is still down about 12% over the last five years (the median stock doing much worse).

The cheapest decile of small caps now has an earnings yield (inverse of the P/E) ***21% greater than the most expensive decile of large cap stocks***.[4] Similarly, the earnings yield on small cap value stocks is >20% higher than the 10-year US Treasury. While this spread could

converge a bit from some combination of treasury yields rising and earnings declining, this is a noteworthy and historically wide yield spread that was only briefly experienced once in history at the height of the internet bubble.

In the past, wide valuation dispersion like we have now has been a strong signal for small-cap value stock outperformance over the next 3+ year time horizon. From December 31st, 1999 to December 31st, 2006, the smallest, cheapest decile of stocks returned 530% while the S&P 500 returned 8% and the Nasdaq returned -37.6%.[5]

This is not to say the historically wide valuation spreads won't continue to get worse in the near term—the growth stock bubble could ultimately end up making the Nasdaq bubble look like child's play in comparison—but it does bode well for Voss's long term forward return prospects given our small cap value bias.

To help clarify our thinking in a post-lockdown world that will never be the same, we are currently bucketing our portfolio into a few categories.

Longs:

Bucket 1 – Companies that will be affected by COVID-19 and the government mandated lockdown policies, but whose stocks have been disproportionately punished.

An example is PAR Technology **(PAR)**. Despite being up ~70% off its low, PAR is still down 45% YTD. Of our core positions, PAR is probably the most directly exposed to disruptions caused by the lockdowns as a seller of hardware and software to the restaurant industry. However, we believe PAR is more insulated than many point-of-sale peers due to working with primarily Tier 1 and Tier 2 fast food restaurant chains (McDonald's, Arby's, YUM!, and Dairy Queen are their largest customers). Fast food chains are benefitting now on a relative basis, generally deriving >70% of their sales from the drive-through. These restaurants have mostly remained open and are all still paying PAR. The company has plenty of capital to weather a few quarters of slowdown in new bookings, and the company smartly purchased a drive-through headset business last year. We believe the downturn also puts PAR's cash burning competition (namely privately owned Toast) into more of a defensive posture and may temporarily alleviate competitive pressure, as Toast is dependent on their next financing round while PAR is not. As evidence, Toast recently fired half of their staff while PAR continues to hire. PAR is also looking to acquire adjacent software products and we believe this downturn can potentially make the acquisition market more attractive. Their government division is cash flow positive and works off long-term, multi-year contracts and has a growing backlog. We have a great deal of confidence in PAR's management team and are confident that they are making savvy moves to come out of this recession stronger than before. They are sitting on a gigantic backlog of Tier 1 fast food and fast casual stores for their Brink POS product that will be booked and implemented in due course, which we believe will materially change the complexion of the P&L once implemented.

Another example of a stock in this bucket is Legacy Homes **(LEGH)**. LEGH is the 4th largest manufactured housing company in the US. They will be hurt due to ~40% of sales being in oil industry-centric Texas, but we believe manufactured housing shipments have over 100% growth potential due to cyclical, secular, and structural tailwinds over the next few years including new GSE financing initiatives (Fannie and Freddie)[6], demographic trends (Millennials entering home buyer market, Baby Boomers downsizing/retiring), and the existing stock needing replacement. Manufactured Housing ("MH") shipments are still ~50% below their 60-year average, but growth in MH shipments may be necessary to alleviate the affordable housing shortage in the US and will receive continued political support. Unfortunately, there is an extreme shortage of entry level housing inventory on a nationwide basis and the median mortgage payment on a manufactured home is ~35% cheaper than the median monthly rent payment in the US**.** MHs account for ~80% of shipments of all US housing sold for under $150,000. Of the ~8.6 million installed MH units, 50-55% are >30 years old**.** With production running at just ~100k units/year, it will take >43 years just to replace the *current* MHs >30 years old. LEGH is taking market share within the industry and has a unique business model due to their financing arm, manufactured housing community development, and owned retail distribution where they get higher margins and a higher financing attachment rate. LEGH is run by owner/operators who have a "bootstrap" mentality (seeding the company with just $50k of equity and growing through self-funding), who have been profitable in every year of existence and are aligned to create long term shareholder value. LEGH trades at a >20x P/E multiple discount to its larger peer Cavco (CVCO), despite having a similar ROIC and growth profile and over 2x the EBITDA margins (23% versus CVCO's 9%).

Bucket 2 – Companies that are direct beneficiaries of the post-lockdown/recessionary world but whose stocks have not been rewarded enough – most likely due to their small size and poor trading liquidity, or misperception.

One example to highlight again is Rimini Street **(RMNI)**. RMNI as a counter cyclical software stock was always a part of our original investment thesis and our enthusiasm has only been strengthened by the current recessionary environment. Unlike many other software companies with hiring freezes, Rimini is still hiring and even launched a TV marketing campaign to make hay while the sun shines (for them, at least).

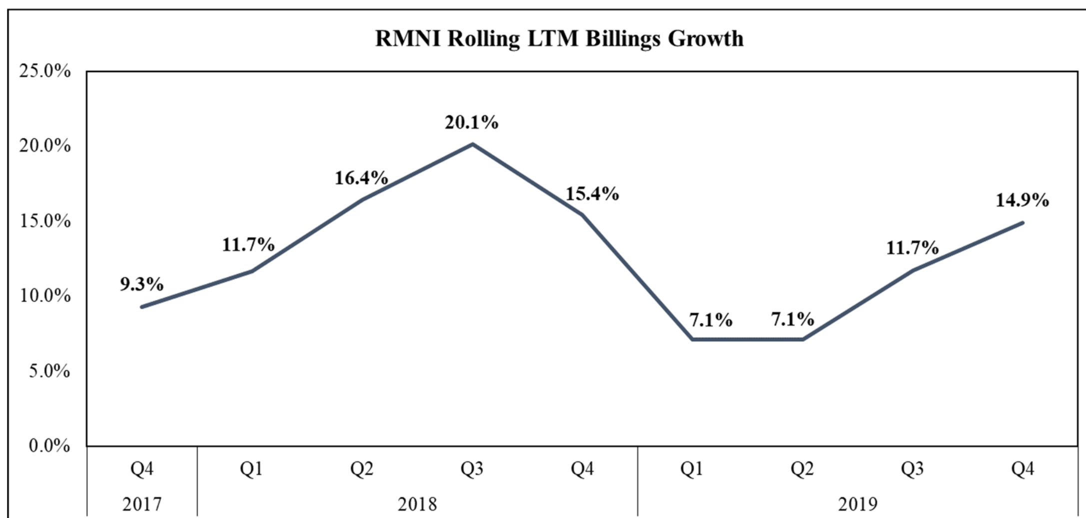
RMNI is a provider of mission critical software support and offers companies immediate and substantial savings on their IT budgets, as they typically price their contracts at 50% of the invoice of competitors (namely Oracle and SAP). A recent Gartner report estimated that "third-party software support", which Rimini dominates (~70% market share), will grow from $351 million in 2019 to $1.05 billion in 2023 – over a 30% CAGR.

In regard to Rimini being counter-cyclical, there are two main points to consider. One is that most of Rimini's churn occurs when a company decides to rip and replace their ERP, something that occurs less in a recession. Secondly, as a company's urgency to cut costs increases, RMNI's value proposition rises. It is appealing for customers to immediately save 50% on their Oracle renewal invoice. To summarize, renewals should be higher and inbounds for new business should be higher as well.

One aspect of RMNI that will change in a post-lockdown world is that they will meaningfully cut back on travel to customer's offices for marketing purposes, as they seem to have seamlessly transitioned to nearly 100% virtual sales meetings with customers readily accepting, or even preferring this. This will not only save the company millions on travel expenses going forward (operations in 17 countries), but also has the potential to actually increase the productivity of sales reps as they are now able to take many more (virtual) meetings each day due to lack of travel time in between.

Due to their terrific reputation and high customer satisfaction, RMNI is breaking into Application Management Services (AMS) and has only just begun cross selling these services to existing customers. The thesis here is the same as for third party software support: deliver more value and better service for less money. The AMS revenue opportunity or addressable market is at least 2x the size of RMNI's core business, and that is just within their existing customers based on what those customers are already spending on AMS with other vendors. AMS also gives them a chance to diversify some of their revenue base from competing directly with Oracle and SAP, as AMS is provided by consulting firms like Accenture, KPMG, and Deloitte primarily. We view AMS as an industry ripe for disruption, with consistently poor satisfaction ratings from customers who typically get high churn junior analysts covering AMS as the consulting firms put their best people on the more lucrative consulting contracts.

RMNI is hitting an inflection point operationally with their growth re-accelerating in 2020 and (we believe) meaningful cash flow beginning to materialize with operating scale. We have already seen the company turn the corner on billings growth, which should lead to ARR growth acceleration in 2020.



Although the stock is a modest outperformer YTD, we believe the stock hasn't performed better the last several weeks purely due to its low market cap and somewhat limited (although improving) trading liquidity. Our base case price target is $7.50 (75% upside), which is based on a conservative 2x multiple of our estimate of 2020 year end annual recurring revenue (assuming 15% growth). In our more optimistic scenario whereby RMNI achieves a 21% CAGR in recurring revenue in 2020 and 2021 and garners a still relatively conservative EV/ARR multiple of only 3x, the stock would be worth $16 by the end of 2021, greater than 4x today's market price.

Buckets 1 and 2 represent the vast majority of our portfolio, and indeed we have started to cull names that do not explicitly fit into these two frameworks.

Shorts:

Government actions have accelerated structural business shifts that were already in place long before the forced lockdowns and have only been exacerbated by the policies that are explicitly and arbitrarily picking winners and losers. I could go buy art supplies at Wal-Mart or on Amazon.com, but could not go to the local mom & pop art store that was never crowded to begin with. One of the clearest and most unfortunate takeaways from all of this is that small businesses will be the losers—forever at the whim of government bureaucrats choosing to force them to shut their doors if they are deemed to be non-essential.

Bucket 1 – Companies that are being fundamentally affected, but whose stock prices have not yet priced in enough damage.

A new short on this "small businesses will suffer and are secular losers" theme, along with it being a hedge to our PAR long, is Square (**SQ**). In contrast to PAR who works primarily with Tier 1 enterprise customers, SQ's customer base is comprised mostly of Tier 3 & 4 small businesses (think single location coffee shops and taco trucks). SQ is also far more dependent on transaction revenue as opposed to steadier subscription revenue. Square has eschewed software revenue and has instead focused on payments revenue as the economics are better and it is easier to deceive smaller businesses with seemingly small payment percentage rates versus a monthly software bill. While this has worked for Square in the past, we believe COVID has put a real monkey wrench in this model. For one thing, there is a good chance that a material percentage of their customer base will simply cease to exist. For the ones that do continue to exist, we expect an extended period of below average transaction volumes. In contrast, we expect PAR's customer base (Tier 1 and 2) to ultimately come out of this contraction stronger as it is our thesis that brick and mortar Mom and Pop retail and many independent restaurants will be permanently impaired. Square will have a hard time moving up market because the rates they charge are high. Typically, customers who are successful and expand significantly tend to "graduate" from Square to other providers and negotiate significantly better payment terms.

Square's other main business, Cash App, generates revenues mostly by getting cash in the hands of people faster. Much like Venmo, Zelle, and numerous other payment competitors, Cash App allows free cash movement between friends if you are willing to wait a few days to access the cash. The business model is primarily to accelerate cash into the hands of people, as Square will charge a 1.5% fee for an "instant deposit." Along with Square Lending, we think this business puts Square in the precarious position of being both a tech company and a bank. We believe the 1.5% fee is both exploitable long term by competitors and something regulators will take a hard look at, as the implied interest rates (1.5% for a few days advance) more resembles loan sharking than a fixed ATM fee. If Square were to be treated more like a bank, it would have material implications for its required profitability and structure, and likely its multiple. While the Cash App may give Square a temporary boost to offset some of the carnage in their core business, at over 50x 2021 EBITDA on what we view as still generous EBITDA estimates, we think the bet is asymmetrical to the downside.

Another core short in this bucket is J&J Snack Foods (**JJSF**), which is directly in the crosshairs of the virus. JJSF manufactures and distributes snack foods throughout North America. JJSF's main products are delicious unhealthy snacks like churros, funnel cakes, soft pretzels (21% of revenue) and drinks like frozen lemonade and ICEE slushies that are sold in sports stadiums and arenas, movie theaters, theme parks, restaurants, convenience stores and schools. Essentially a who's who of places shut down right now. On 3/12/2020 JJSF came out and said 1/3 of its revenue would be impacted by the shutdowns. Just eleven days later on 3/23/2020 the company said actually 2/3 of its revenue is from venues or locations that were then shutdown. Coming into March, JJSF already had negative operating income growth but its stock had been continuously propped up to high multiples from fund flows as part of the consumer staple "safe haven" bubble, perceived safe because of their good operating performance during the 2008 economic downturn. Even up through the first week of March (when the price was ~$160), 2020 estimates had not yet been cut for JJSF and it was trading at ~33x un-revised 2020 earnings estimates. Now, we believe analysts remain too optimistic on a quick snapback. With all the major sports leagues shutdown

and movie theaters empty and convenience store traffic down ~50%, JJSF reported that sales were down 45% in the first four weeks of Q2. Numerous consumer surveys we are seeing show there is true and possible lasting fear of crowds due to the virus and most individuals claim they will not be returning to normal social behavior anytime soon, such as attending movies or sporting events even when such venues open back up. On top of the psychological hurdle, there are 30 million newly unemployed people who will likely be unable to afford attending games and theme parks in the next few quarters. We *already* liked JJSF as a short before we knew of the lockdowns, which just serve as further downside catalysts. With negative growth and still trading at a lofty 28x 2020 EBITDA estimates and 13x what is likely peak EBITDA (2019 level), JJSF stock has a lot of room to fall further.

Bucket 2 – Companies that are perceived to be beneficiaries of a post lockdown world (e.g. some of the deemed work from home winners) that the market is unjustly rewarding.

The best example of this is GrubHub **(GRUB)**, which we highlighted in detail last quarter. While we are in the midst of what should be the best operating environment imaginable for GRUB with everyone stuck at home, the company guided for just $5 million of adjusted EBITDA in Q2. For the full year, we think they will be lucky to do $85 million in *heavily adjusted* EBITDA (almost all of this will likely be stock-based compensation being added back) all but proving the operational profitability the company once enjoyed years ago isn't coming back. Remember, this $85 million in EBITDA is compared to just a few months ago in October 2019 when the consensus expectations of analysts were for GRUB to pump out $340 million of EBITDA in 2020. So there has been a 75% cut to expectations and yet the stock is still flat YTD. Analysts are now seemingly expecting a huge resurgence in profitability in 2H 2020 that we think will prove elusive. The more likely reality is that GRUB faces a new treacherous triple whammy of tangible threats: 1) a consumer led recession where people will likely avoid paying unnecessary exorbitant delivery fees, 2) restaurants publicly urging their customers to order direct from the restaurant and to cut GRUB out entirely as delivery through third parties is decidedly uneconomical, and 3) political and regulatory pressure as legislators attack the company and cap their commission fees they charge restaurants as we've seen begin to happen in San Francisco and Seattle, with NYC likely next. Additionally, we find it unlikely that GRUB is acquired in the short to medium term which seemed to be a point of the bull thesis coming into this year. Its most likely suitor, Uber, is struggling badly in the COVID world and is burning a lot of the cash that might have otherwise been spent on an > $5 billion acquisition of GRUB. Making matters worse, GRUB is also losing material market share in their most prized and profitable market, New York City, as Uber Eats and DoorDash seem intent on going after GRUB's more profitable corporate business. According to data from Second Measure, GRUB's market share in NYC has dropped swiftly from 71% in August 2019 to 62% as of March and is likely lower now. In other words, why would Door Dash and Uber Eats spend billions to acquire GRUB when they can instead continue bleeding GRUB's market share in its most desirable markets. Despite all these threats, GRUB has never been more expensive on an EV/EBITDA basis and we think its equity can easily soon resemble a mere shadow of its current self – something more akin to a YELP that trades at 6x forward EBITDA instead of >60x.

Something else we are finding is that some companies that weren't public during the last recession but where we can find data showing their businesses in fact got creamed, are now pricing in immediate return boom times and an earnings growth explosion that has a snowball's chance in hell of materializing. Many of these, with their leverage, potential EBITDA declines and likely multiple compression could fall by 90% – that is if the Fed, ETFs, and Robinhoodlums don't perpetually bid them up in the face of fundamental collapse.

Conclusion

Like many others spending more time at home over the last few weeks, I began looking for ways to improve my living space and picked up a therapeutic new hobby: urban gardening from my apartment balcony (and inside with hydroponics/grow lights). I acquired seedlings or planted seeds for a wide variety of types of plants—jalapenos, lettuce, arugula, tomatoes, potatoes, flowers, mint, basil, citrus trees, etc. While I have mixed results so far, one thing is clear. The plants I have "meddled" with the most are doing the worst. If something looked droopy or was struggling, I felt I had to "do something"—water it even more, add fertilizer, re-pot it, move it inside, move it to a less sunny spot, move it a more sunny spot, move it back outside, move it to a hydroponic set-up, prune it, etc. The plants I have left in one spot and not messed with as much are mostly thriving.

A similar phenomenon is highlighted by Laurence Gonzales in his book Everyday Survival. In the early days of aviation, the "spin" was a mysterious event – a death spiral from which pilots rarely recovered. Knowing that, if a pilot found himself in a spin and had a parachute, he would most likely bail. Then people noticed something strange… After the pilot bailed, the plane would sometimes right itself and fly on until it ran out of fuel. The airplane was never at fault. The pilots were doing something to keep the plane in a spin.

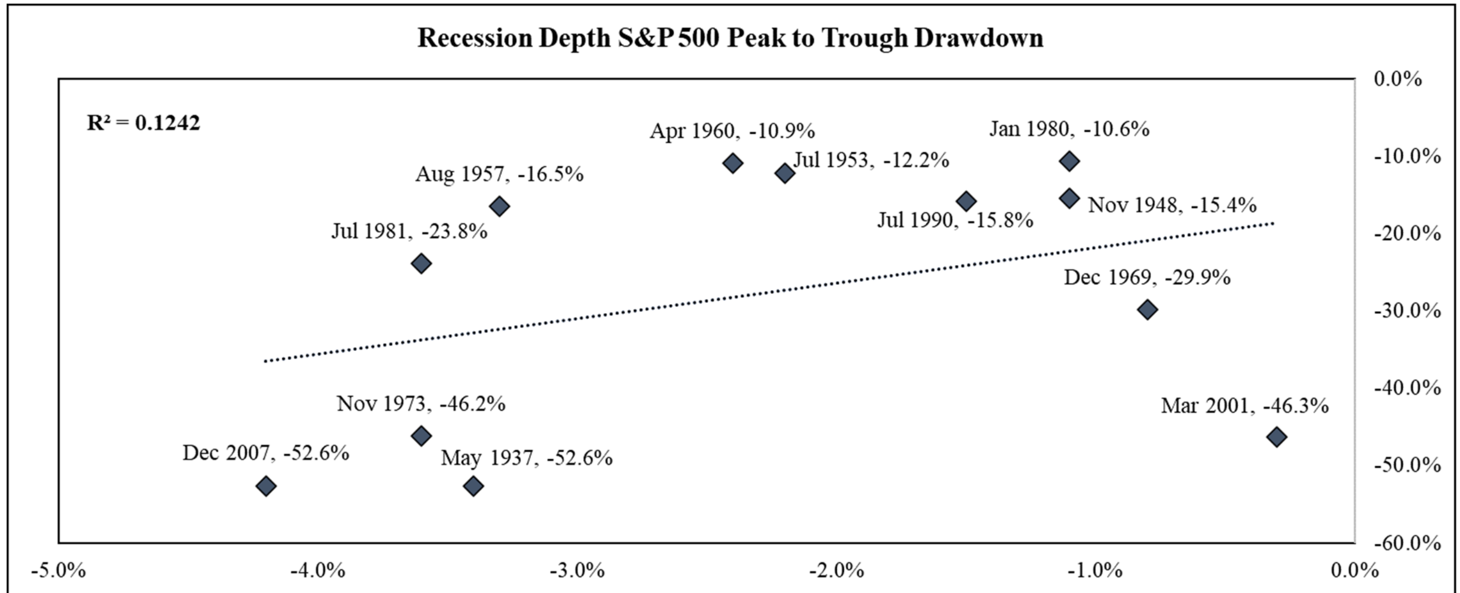
This is an expensive market lesson and good life lesson for me to relearn (and an analogy for governments to stop meddling in markets). I am not proud of our results lately nor how I handled the market's volatile action the last few weeks—failing to stick my guns and succumbing to (mostly imaginary and purely self-imposed) pressure to deliver short term performance. I have over traded—too much meddling and flip-flopping, getting whipsawed by the up/downs, compounding little errors and worsening performance instead of ignoring wild short-term fluctuations and resting easy, relying on our rigorous, fundamentally derived long-term price targets. Just like paranoid pilots in a pickle and my poor pepper plants, to recover from our recent spins we should be doing less, not more. While we have a lot of wood to chop to make up temporary losses, we feel good about where the portfolio is positioned now and believe we are poised to once again deliver alpha going forward.

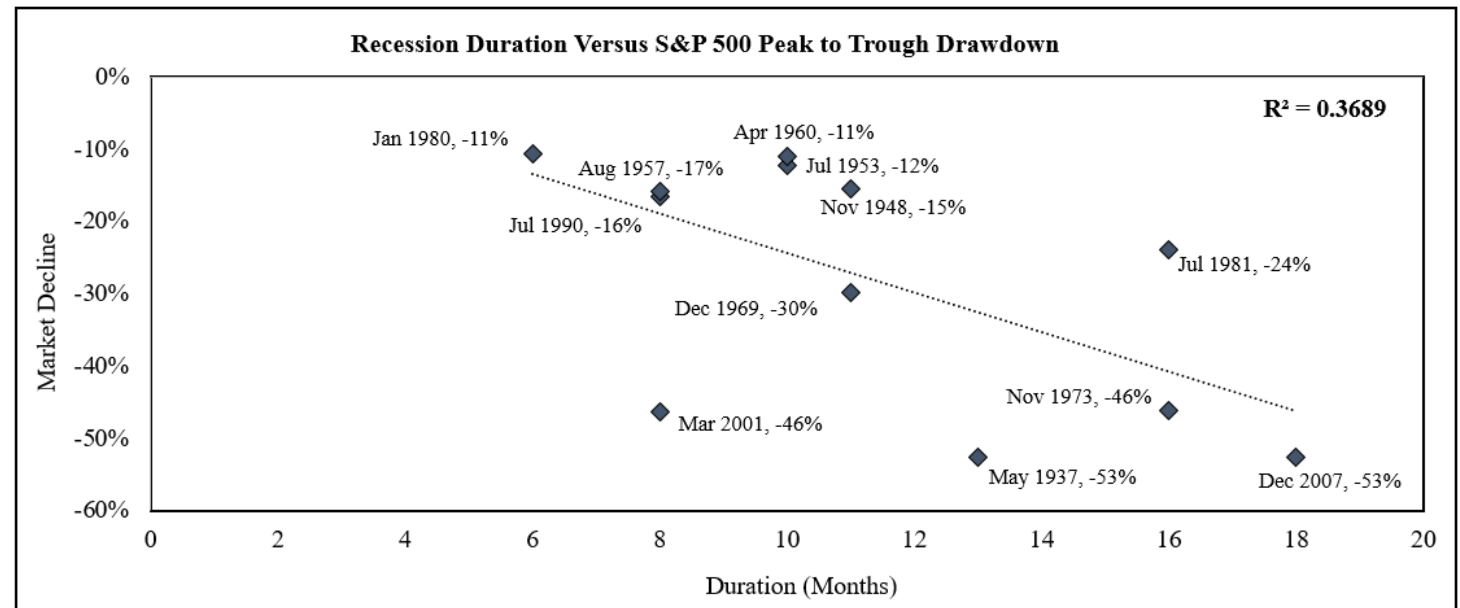
Sincerely,

Voss Team

Appendix:

1:





Recessions 1937 - 2009

Beginning	End	Duration (Months)	GDP Decline	Unemployment	S&P 500 Peak	S&P 500 Trough	S&P 500 Drawdown	Notes
May-37	Jun-38	13	-3.4%	19.1%	Mar-37	Mar-38	-52.6%	New Deal, Social Security Insurance pulling capital out
Feb-45	Oct-45	9	-11.0%	1.9%	-	-	-	End of WW2, war production fell off
Nov-48	Oct-49	11	-1.1%	5.9%	Jun-48	Jun-49	-15.4%	Post War Recession
Jul-53	May-54	10	-2.2%	2.9%	Dec-52	Aug-53	-12.2%	Post Korean War, Fed tightened to fight inflation
Aug-57	Apr-58	8	-3.3%	6.2%	Jul-57	Dec-75	-16.5%	
Apr-60	Feb-61	10	-2.4%	6.9%	Dec-59	Oct-60	-10.9%	
Dec-69	Nov-70	11	-0.8%	5.5%	Apr-69	Jun-70	-29.9%	Restrictive monetary policy, decline in Govt spending
Nov-73	Mar-75	16	-3.6%	9.0%	Jan-73	Sep-74	-46.2%	Oil Px up 4x, stagflation, Vietnam War
Jan-80	Jul-80	6	-1.1%	7.8%	Jan-80	Mar-80	-10.6%	
Jul-81	Nov-82	16	-3.6%	10.8%	Nov-80	Jul-82	-23.8%	Iran Oil Crisis, Prime Rate reaches 21.5% to fight inflation
Jul-90	Mar-91	8	-1.5%	6.8%	May-90	Oct-90	-15.8%	NAFTA, Gulf War, United LBO
Mar-01	Nov-01	8	-0.3%	5.5%	Aug-00	Sep-02	-46.3%	
Dec-07	Jun-09	18	-4.2%	10.0%	Oct-07	Mar-09	-52.6%	Great Recession, Housing Bubble Unwind

2: https://www.theguardian.com/world/2005/sep/30/birdflu.jamessturcke
3: Morgan Stanley Research
4: https://www.osam.com/pdfs/research/A%20Historic%20Opportunity%20in%20Small%20Cap%20Stocks.pdf)
5: https://mailchi.mp/verdadcap/an-apology-for-small-cap-value-1305433, Bloomberg
6: https://www.fhfa.gov/PolicyProgramsResearch/Programs/Documents/DTS-Manufactured-Housing-Chattel.pdf

Common Terms:

CAGR – Compound Annual Growth Rate	*GDP – Gross Domestic Product*
DCF – Discounted Cash Flow	*IRR – Internal Rate of Return*
EBITDA – Earnings Before Interest, Taxes, Depreciation & Amortization	*LTM – Last Twelve Months*
EPS – Earnings per Share	*NTM – Next Twelve Months*
EV – Enterprise Value	*P/E – Price to Earnings*
FCF – Free Cash Flow	*YTD – Year to Date*

Disclosures and Notices:

Beginning January 1, 2020, all investment activity is conducted by the Voss Value Master Fund, LP (the "Fund"), which has 2 feeder funds, and therefore performance figures from January 1, 2020 onward are calculated based on the Master Fund. All limited partners invest in the Fund through one or more of the following feeder funds: Voss Value Offshore Fund, Ltd. (the "Offshore Fund") and Voss Value Fund, LP (the "Predecessor Fund"), each a "Feeder Fund". Performance figures for the Predecessor Fund are contributable to Travis Cocke as sole portfolio manager. Mr. Cocke maintains the same the position with the Fund and the Fund will employ a similar strategy as the Predecessor Fund. Actual returns are specific to each investor investing through a Feeder Fund. Each Feeder Fund was established at different times and has varying subsets of investors who may have had different fee structures than those currently being offered. As a result of differing fee structures, differing tax impact on onshore and offshore investors, the timing of subscriptions and redemptions, and other factors, the actual performance experienced by an investor may differ materially from the performance reported above. Portfolio statistics shown are inclusive of the Predecessor Fund and the Offshore Fund.

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Past performance does not guarantee future results.