VOSS CAPITAL

832.519.9427

INVESTORS@VOSSCAP.COM

3773 Richmond Avenue, Suite 500 Houston, Texas 77046

May 7th, 2021

Dear Partners,

In Q1 2021, the Voss Value Fund, LP and the Voss Value Offshore Fund, Ltd., returned +23.3% and +22.7% to investors net of fees and expenses, respectively, compared to a +12.7% total return for the Russell 2000, a +20.7% total return for the Russell 2000 Value, and a +6.2% total return for the S&P 500.

As of March 31st, 2021, the Fund's total gross exposure stood at 156.7% and the beta-adjusted net long exposure was 115.5%. Our top 10 longs had a 63.8% weighting, and our top 10 shorts had a gross weight of -28.4%.

Firm assets under management stood at approximately $252 million as of March 31st, 2021.

Voss Value Master Fund Complex

ESTIMATED NET MONTHLY PERFORMANCE | 2021					
PERIOD	Voss Value Fund, LP	Voss Value Offshore Fund, Ltd.	Russell 2000 TR	Russell 2000 Value Index	S&P 500 TR
JANUARY	3.5%	3.5%	5.0%	5.2%	-1.0%
FEBRUARY	11.7%	11.5%	6.2%	9.2%	2.8%
MARCH	6.6%	6.3%	1.0%	5.0%	4.4%
1st QUARTER	**23.3%**	**22.7%**	**12.7%**	**20.7%**	**6.2%**
APRIL					
MAY					
JUNE					
2nd QUARTER	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
JULY					
AUGUST					
SEPTEMBER					
3rd QUARTER	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
OCTOBER					
NOVEMBER					
DECEMBER					
4th QUARTER	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
YEAR TO DATE	**23.3%**	**22.7%**	**12.7%**	**20.7%**	**6.2%**

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

Net Return Comparison as of March 31st, 2021							
					Compound Annual Growth Rate		
	1 Month	3 Month	YTD	1-Year	3-Year	5-Year	ITD[1]
Voss Value Fund, LP	**6.6%**	**23.3%**	**23.3%**	**85.9%**	**26.7%**	**22.3%**	**20.0%**
Voss Value Offshore Fund, Ltd.	**6.3%**	**22.7%**	**22.7%**	**84.5%**	N/A	N/A	**39.2%**
S&P 500	4.4%	6.2%	6.2%	56.3%	16.8%	16.3%	16.5%
Russell 2000	1.0%	12.7%	12.7%	94.8%	14.8%	16.4%	15.5%
Russell 2000 Value	5.2%	21.1%	21.1%	97.0%	11.6%	13.6%	13.8%
Russell 2000 Growth	-3.1%	4.9%	4.9%	90.3%	17.2%	18.6%	16.9%
HFRX Equity Hedge Index	0.9%	2.7%	2.7%	25.1%	2.4%	4.3%	3.4%

(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 Taylor Steinhauff of Voss Capital, LLC, with any inquiries.

Like those betting on the home team at Bryant-Denny Stadium in Tuscaloosa[1], the optimist triumphed again in Q1, us among them. We have managed to gingerly tiptoe our way past some, but not all, of Mr. Market's psychological booby traps lately and we remain vigilant the many more he is surely setting soon.

As we have been stating consistently in letters and in calls to Partners for the last several years, when small cap value stocks outperform larger cap growth stocks, we believe that tends to give us a performance tailwind. In Q1 this is exactly what we witnessed, with the Russell 2000 Value index returning +20.7%, and the Russell 1000 Growth index +4.8%.

In May of last year, we pointed out the historically wide valuation dispersion with the cheapest decile of small cap stocks having a 21% greater earnings yield than the most expensive decile of large cap stocks and how this was potentially a precursor to outsized small cap value outperformance for the next 1 – 3 years.[2]

Fast forward to today and the statistically cheapest quintile of stocks have outperformed the most expensive cohort by a shockingly large amount since then. To wit, the cheapest 20% of the Russell 2000 by P/E ratio returned 29.75% in Q1 and the most expensive 20% returned just 3.5%.[3] This was a welcome reprieve for value investors and akin to stumbling on an alpha oasis after years of crawling on hands and knees through a desert.

> "Expectation is the root of all heartache." -William Shakespeare
>
> "If you have too much expectation, you may come away disappointed." – Dalai Lama

Throughout Stoic philosophy and Buddhist teachings, the importance of low expectations as a key to happiness and contentment is a consistent theme. This philosophy guides our investment framework as well. Our aim to continuously recycle capital into stocks with overly dour expectations embedded, providing a low bar for reality to hurdle. Economic data and corporate earnings overall continue to exceed expectations recently, keeping the market elevated for longer than most investors have been able to fathom. A full 86% of S&P 500 constituents that have reported Q1 earnings have beaten consensus estimates and they are doing so by the widest margin (a full 2.9%) since Factset began tracking the data. This surprise spread has surpassed the previous all-time high…set one quarter ago in Q4 2020.

Long US Home Remodeling Thesis

Aside from the pleasant small cap value tailwind, another important driver of recent performance has been our outsized bet on US housing related securities which we wrote about in our Q2 letter last year. At the time we noted the severe under investment in residential real estate since the financial crisis and the multitude of demand drivers for single family homes. Despite this bullish set up, we noted that, "*most market participants seem to believe the results are unsustainable...seen in the still low consensus estimates, the muted homebuilder stock reactions to Q2 earnings, and the multiples ascribed to related stocks in the market.*"

Even after the significant run up of many of our longs related to housing since last summer, most have in fact experienced earnings multiple compression as their fundamental improvements and upwards earnings revisions continue to outpace their stock price appreciation. Thus, we remain heavily overweight the space. We have trimmed slightly away from the mortgage finance companies, as we believe the re-fi wave is subsiding a bit, and we have leaned more into the building products players.

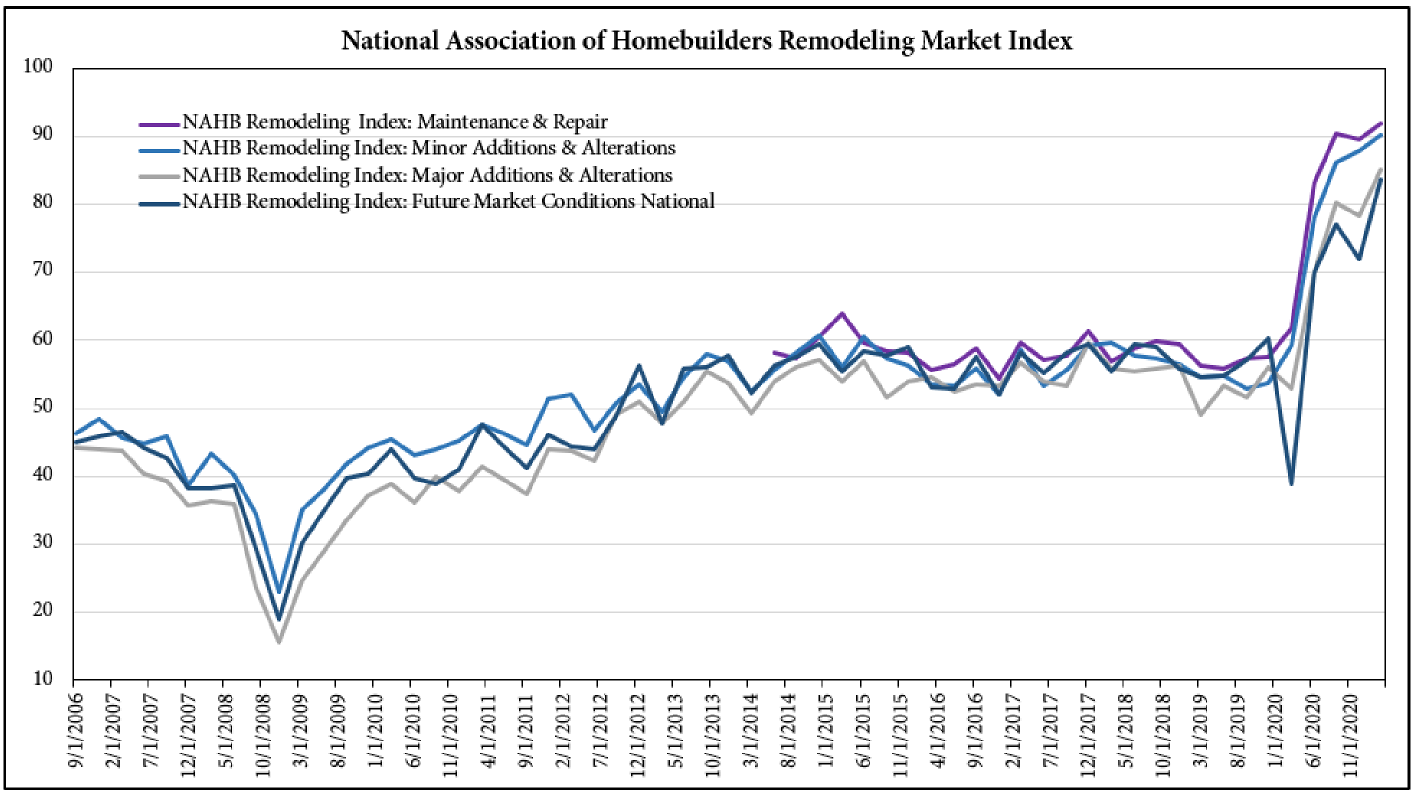
In a year chock-full of economic surprises, one shocking development was that US Household formation set a record in 2020, clocking in at north of five million new formations. This was nearly 10x higher than in the previous recession--2009's level was 534,000.[4] We believe that increased household formations will lead to more spending on homes/home remodeling, furniture, home décor, etc.

Within our broader theme of "long US housing," a working thesis for us has been that there is massive pent-up demand for major home remodeling. While 2020 was the year of easier DIY projects around the home, our thesis has been that as COVID fears and restrictions subside, 2021 would be a year of surging higher ticket Do-It-For-Me (DIFM) home remodeling projects requiring construction and installation professionals to enter the home.

With median US home prices up >17% y/y in March, home equity is exploding higher (now surpassing $21.1 trillion) and this is what comprises the majority of the majority of American's household net worth. This substantial home equity tends to give people more comfort in reinvesting back into their home or gives them the ability to tap into the equity to fund home improvement projects. As a rule of thumb, we do not put too much weight in consumer surveys because what people say they want or will do and what they actually do often have no correlation. Nevertheless, currently a full 77% of American homeowners are saying they plan to make improvements to their home in 2021 and 49% of Millennials homeowners plan on spending >$10,000 on home improvement this year.[5]

Given we have arguably underbuilt new housing units relative to historical trendline/population growth the last ~10 years (see our Q2 2020 letter), the median age of existing owner-occupied housing in the US has continued a steep climb, with the median US home now being ~44 years old.[6] >40% of the existing homes in the US are over 50 years and >80% are over 20 years old.

The age of existing housing stock is quite important for a home remodeling surge thesis. The reason for this is that major remodeling spend takes a significant step higher as a home becomes over 10 years old. Remodeling spend then takes *another* step function higher at 20+ years old. In 2018 and 2019, less than 1% of remodels occurred in homes < 10 years old.[7] Over the next five years, the 9+ million homes that were built in the peak building years of 2002-2006 will enter this 20+ year old milestone (from 2022-2026).



The NAHB Remodeling Market Index[8], which is derived from a quarterly survey of general contractors, corroborates our positive outlook with each sub-component (plans for maintenance and repair, minor/major additions, future market conditions) having exploded to all-time highs. Quotes and bids for professional remodeling are currently far surpassing the peak of the housing bubble. The current combination of strong consumer balance sheets, Millennials spending shifting more towards home related expenditures, and the nation's rapidly aging housing stock has the potential to create a powerful tailwind for above trend growth for home remodeling spend for many years to come. We have identified several core longs that we believe stand to benefit from these trends. Please let us know if you would like to set up a call to discuss this thesis and explore some of our top ideas.

One of the best non-investment related books I've read lately that is entirely applicable to investing is Kobe Bryant's *The Mamba Mentality: How I Play*. Studying Kobe has become a bit of an obsession for me lately—not studying his moves or gameplay, but rather his psychology and approach to mental preparation for the game. In the book Kobe states:

> "The mindset isn't about seeking a result—it's more about the process of getting to that result. It's about the journey and the approach. It's a way of life. I do think that it's important, in all endeavors, to have that mentality."

Those who know me well know that when I launched the Fund I came up with my own similar mantra and concept, which for over ten years now I have called the "Alpha Odyssey" (trademark pending). For us that represents a journey of self-conquest, commitment to continuous learning, dedication to mastering the craft of investing, and of course, hopefully generating massive alpha for our Partners along the way as a result of our intense focus on process.

We remain as obsessed with our Alpha Odyssey as ever before and wake up each morning with deep gratitude to you all for entrusting us with a portion of your capital.

Sincerely,

Voss Team

Appendix:

[1] *Crimson Tide football has a 45-2 Home record over the last seven seasons.*
[2] *https://www.osam.com/pdfs/research/A%20Historic%20Opportunity%20in%20Small%20Cap%20Stocks.pdf*
[3] *Jefferies equity research*
https://www.newyorkfed.org/medialibrary/media/research/economists/mccarthy/Housing_Activity_and_Consumer_Spending.pdf

[4] *https://www.clevelandfed.org/en/newsroom-and-events/publications/economic-commentary/economic-commentary-archives/2012-economic-commentaries/ec-201212-household-formation-and-the-great-recession.aspx*
[5] *https://www.swimmingpool.com/blog/lightstream-home-improvement-trends-survey-refresh-their-spaces/*

[6] *https://www.census.gov/programssurveys/ahs/data/interactive/ahstablecreator.html?s_areas=00000&s_year=2019&s_tablename=TABLE0&s_bygroup1=4&s_bygroup2=1&s_filtergroup1=1&s_filtergroup2=1*

[7] *American Community Survey, conducted by the US Census Bureau.*

[8] *Bloomberg/NAHB: https://www.nahb.org/news-and-economics/housing-economics/indices/remodeling-market-index*

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 two 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.

This letter is provided by Voss Capital, LLC ("Voss") for informational purposes only and does not constitute an offer or a solicitation to buy, hold, or sell an interest in the Voss Value Fund, LP (the "Fund") or any other security. An investment in the Fund is speculative and involves substantial risks. Additional information regarding the Fund, including fees, expenses and risks of investment, is contained in the offering memorandum and related documents, and should be carefully reviewed. An offer or solicitation of an investment in the Fund will only be made pursuant to an offering memorandum. This communication is confidential and may not be reproduced or distributed without prior written permission from Voss. This confidential report is only intended for the recipient and may not be redistributed without the prior written consent of Voss. The information contained herein reflects the opinions and projections of Voss as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. All information provided is for informational purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security. Data included in this letter comes from company filings and presentations, Credit Suisse, analyst reports and Voss' estimates. While the information presented herein is believed to be reliable, no representation or warranty is made concerning the accuracy of any data presented. Certain information contained in this letter constitutes "forward-looking statements" which can be identified by the use of forward-looking terminology such as "may," will," "should," "expect," "attempt," "anticipate," "project," "estimate, or "seek" or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results in the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking statements. There can be no guarantee that the Fund will achieve its investment objectives and Voss does not represent that any opinion or projection will be realized. The securities contained within the benchmark indices highlighted herein do not necessarily correspond to investments and exposures that will be held by the Fund and are therefore of limited use in predicting future performance of the fund. Indexes are unmanaged and have no fees or expenses. An investment cannot be made directly in an index. The Fund consists of securities which vary significantly from those in the benchmark indexes listed below. Accordingly, comparing results shown to those of such indexes may be of limited use. The S&P 500 Total Return Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. The Russell 2000 index is an index measuring the performance approximately 2,000 small-cap companies in the Russell 3000 Index. The Russell 2000 serves as a benchmark for small-cap stocks in the United States. The Russell 2000 Growth Index measures the performance of those Russell 2000 companies with higher price/book ratios and higher predicted and historical growth rates. The Russell 2000 Value Index measures the performance of the small-cap value segment of the U.S. equity universe. It includes those Russell 2000 companies with lower price-to-book ratios and lower expected and historical growth values. HRX Equity Hedge Index consist of Equity Hedge strategies which maintain positions both long and short in primarily equity and equity derivative securities. A wide variety of investment processes can be employed to arrive at an investment decision, including both quantitative and fundamental techniques; strategies can be broadly diversified or narrowly focused on specific sectors and can range broadly in terms of levels of net exposure, leverage employed, holding period, concentrations of market capitalizations and valuation ranges of typical portfolios.

Past performance does not guarantee future results.