



October 2018

Dear Fellow Investors,

In the third quarter, the partnership had positive net returns of approximately 3%, which brings year to date returns in excess of 12% net of all fees and expenses. Individual returns will vary by investor class, so please check your statements. This marks our tenth straight quarter of positive returns. Let me assure you, this is not by design. In fact, if this past quarter had ended a few days later, our modest gains would have turned into losses. I am looking for out of favor and misunderstood companies with a multi-year time horizon. As a concentrated, long biased partnership, we will have down months, quarters, and years. The returns should not be linear, but with a little good fortune, over time we can continue to compound our capital at attractive rates.

UNDERMONETIZATION IS A GOOD PROBLEM

There are good businesses and bad businesses. Similarly, there are good business problems and bad business problems. Bad business problems include disadvantaged cost structures and overcapitalized competitors who can sustain years of losses in the pursuit of market share. Good business problems include the inability to satisfy demand. In an ideal world, we would short bad businesses with bad business problems, which will eventually be priced in by the market, and own good businesses with good business problems. One of the “good problems” is undermonetization, which can take many forms but is essentially some variant of undercharging or not taking full advantage of an existing customer base. For example, ad-supported companies can undermonetize by showing users fewer ads than customers/viewers would tolerate. Facebook does not monetize WhatsApp despite its hundreds of millions of monthly users and almost \$20B price tag.

The beauty of undermonetization is that there is typically a relatively simple “fix” that only requires tweaks to existing product offerings and/or pricing. Such changes typically are not capital intensive and have less execution risk than would come with launching new products or entering new markets. When pairing the “good problem” of undermonetization with a good business that has operating leverage, the results can be quite compelling as the incremental revenue easily converts to incremental profit.

Initially, focusing on undermonetizing companies was not intentional. However, as I have reflected on our portfolio, the theme is certainly recurring. If TripAdvisor can monetize 2% rather than 1% of their website traffic, our investment should work out quite well. If Yelp can better monetize the efforts of their existing sales force by offering more flexible contract terms that encourage trial and generate more advertisers with higher lifetime values, our investment should work out quite well (see below for further commentary). If Etsy sellers do not revolt and accept the new 5% commission rate instead of the former 3%, our investment should work out quite well. Again, these are tweaks to existing structures. Etsy will continue with the same shopper traffic, the same pool of sellers, and the same exact cost structure – just a few lines of code should increase earnings and revenue dramatically.

When undermonetization is addressed in a business with operating leverage, we should see accelerated revenue growth and expanding margins. Given that improving growth and improving margins are catnip for many investors, the third driver of returns, multiple expansion, can work for us as well. Now, not all undermonetization is good or



easily fixable, but as internet companies mature, I expect undermonetizing companies will continue to be a fertile hunting ground for new investments. While not the traditional altar for a value investor to pray to, the manner in which improving monetization can flow through the income statement is compelling.

TOP 5 HOLDINGS

Fiat Chrysler (FCAU) – I have said in the past that I look for investments where the valuation makes sense.” In my opinion, Fiat Chrysler has reached that point again. The company has transformed itself from a company suffering under the burden of enormous debts that could only think about debt repayment to a very well capitalized company. Fiat Chrysler is currently generating over \$100M per week in cash. At the end of this year, their net industrial cash should exceed \$2.50 per share. On top of this, after the end of the quarter, the company finally announced the impending sale of their parts business, Magneti Marelli, which will add another \$4+ of net cash when it closes early next year. So adjusting for the sale of the parts business, FCAU has approximately 40% of its market capitalization in cash.

Today, FCAU trades (ex cash) for less than 3X forward earnings. If we assume that they can achieve their five-year plan, shares ex cash are trading for less than 1X 2022 earnings. Typically, these valuations only show up for sick and dying businesses. In contrast, Fiat Chrysler’s U.S. sales were up 15% Y/Y in September and are up 6% year-to-date. The company also has several product introductions in the pipeline to introduce new models in categories where their brands have not been represented. Of particular interest are the new three-row, seven-passenger Jeep Grand Cherokee and the Jeep Scrambler pickup truck that will be introduced next year.

Yes, Fiat Chrysler is a cyclical and capital intensive business, but it has been structured to allow for variability in revenue. At the company’s recent Capital Markets Day, management provided guidance that the company could remain profitable even if U.S. auto sales dropped as low as 10M cars. U.S. new car sales dipped to 9M in the depths of the 2008 financial crisis, so it is reasonable to expect the company to remain profitable in nearly all but the most draconian scenarios. The question is – how profitable? Fiat’s Chairman is not a novice capital allocator. He makes the pilgrimage to Omaha. He finally has real levers to pull at FCAU.

How might this play out? There are all indications that the company would like to restore their dividend. It would be interesting to see how FCAU was valued based on a dividend yield. They could easily cover a €1/\$1.14 per year dividend – apply a 5% yield to that and you have a \$22+ stock. It would not surprise me at all if Elkan initiates a combination of a tender offer and/or buyback to take advantage of the stock’s price as I believe he is inclined in the very short term to try and walk the valuation up to be in a stronger position to effect a merger with another OEM to realize the enormous potential synergies. These options have never been available to him, now they are and I think they will be utilized in 2018, hopefully to dramatic effect. As a result, I have layered a small short-dated out-of-the-money option position and an in-the-money option position to allow the fund to profit disproportionately should this scenario occur. I do not purchase options as a regular practice and 90% of options expire worthless, so this cherry on top may disappear, but the opportunity well outweighs the cost. Given the company’s current valuation, known catalysts, and orientation of the Chairman, I continue to like the set-up.



Etsy (ETSY) – As previously discussed, Etsy has announced a significant price increase to a commission rate of 5%; when combined with the payment processing fee of 3%, the net result is a take rate of approximately 8%. Fortunately, this pales in comparison to the current Amazon Made rate of 15%. The value proposition to sellers of being able to reach 20M + buyers for a listing fee of 20 cents and only paying the 8% upon a sale of an item remains very compelling.

SharpSpring (SHSP) – SharpSpring has become a Top 5 holding through a combination of price appreciation and the purchase of additional shares over several months. SharpSpring is a SaaS (Software as a Service) business that provides marketing automation software primarily for digital marketing agencies who utilize their technology to run sophisticated digital campaigns that include web pages customized based on a visitor’s historical activity. Purchasing SharpSpring’s software gives a customer licenses for use with up to three clients. The software is also white-labeled so that an agency can present it with their own branding and can upsell if they choose. With this model, SharpSpring has an attractive LTV/CAC ratio typically greater than 6. In English, that means that for every \$1 they spend acquiring a customer, that customer will generate \$6 in lifetime value. The right way to run this business, in my opinion, is to spend every available dollar on sales and marketing to build the customer base, not worrying about short-term profitability. SharpSpring management agrees, and recently executed a convertible debt offering to access additional resources for marketing.

SharpSpring operates in an oligopolistic market with three primary competitors: HubSpot, Act-On, and Pardot (by Salesforce). HubSpot is the largest competitor and in a difficult competitive position relative to SharpSpring. HubSpot has a large customer base paying in excess of \$30K per year versus SharpSpring charging less than \$5K per year. HubSpot cannot easily slash prices 75% to compete on price, and given the near-parity of the offerings, offering a “stripped down” version is also not viable. These dynamics have driven adoption and market share gains for SHSP, particularly among smaller agencies.

SharpSpring has benefitted from multiple expansion, but also has executed well. Product revenue grew 40% in their last reported quarter. In a more recent press release, the company announced a record number of new customers in Q3 while maintaining marketing efficiency (their LTV/CAC should remain above 6). There is a very long runway for growth for SharpSpring. The company will benefit from secular tailwinds in an industry growing over 20% per year. There is also a history of acquisitions in the space at premiums to where shares trade today. SharpSpring came to my attention through a conversation with Jeremy Kahan of North Peak, a manager the Partners Fund is invested with.

TripAdvisor (TRIP) – TripAdvisor remains the dominant travel research company and maintains the largest installed base for travel apps. The company continues to make progress on their in-destination business for local tours and activities, and has been optimizing ad spending on the hotel business to improve profitability. We continue to hold the shares as it is entirely plausible that TripAdvisor can improve their monetization rates on the \$1.3+ trillion in travel spend it influences. The company has announced but not rolled out a new version of the site, which features a personal travel feed that makes it easier to plan and book travel while putting an emphasis on friend and influencer recommendations when available. Like any major overhaul, it has the possibility of improving the experience and economics... or not. Time will tell.



Yelp (YELP) – We discussed Yelp in detail in Greenhaven’s Q2 letter. The initial indications are that the transition away from one-year contracts and toward more flexible, “cancelable at any time” commitments has gone well. As management said in their quarterly letter to shareholders ([Link](#)):

“We are pleased with how the transition has gone. Clients have responded well to the increased flexibility and our salesforce has closed more new deals than ever before. We added a record number of advertisers in the quarter, and trial conversion and client retention were consistent with our expectations.”

There remains the possibility of increased traction of new offerings, improved monetization, operating leverage, and multiple expansion.

COMMENTS ON ADDITIONAL INVESTMENTS

EnviroStar (EVI) – Given SHSP’s strength and EVI’s price declines, **EnviroStar (EVI)** was replaced in the Top 5 during Q3. This remains a very large holding for our partnership, and there continues to be progress. The company has announced five acquisitions so far this year as they continue to execute their buy and build strategy. EVI will not screen cheaply for several reasons, including deal costs, which depress current year earnings, and a larger infrastructure, which depresses short-term margins. As EnviroStar scales, we should see operating leverage and margin expansion as this infrastructure is spread over a larger base of business. As discussed in past letters, there is also a dynamic where acquisitions made late in the year immediately increase the fully diluted share count but only contribute a partial year of revenue and earnings. While short-term earnings may be understated, the long-term potential of EnviroStar remains compelling as they create value with the ability to acquire assets at 5X EBITDA using a stock currency that is in excess of 15X EBITDA. When paired with the ability to improve the acquired companies and a current balance sheet that can accommodate significant debt, this flywheel can turn for a long time.

NEW HOLDING – **Box, Inc. (BOX)**

There are a lot of ways to invest. There is a more quantitative method driven by particular ratios such as price to book, price to earnings, and return on invested capital. The investment I am about to describe is driven far more by the qualitative. For such investments, I often gain conviction through a synthesis of my life experiences and hypotheses about the future. To provide the context for our most recent investment, let me lay out three life experiences. They are somewhat disjointed, but are important pieces to the puzzle.

The first relevant experience occurred when I was in business school. After the first semester, students got to choose courses that we thought would be interesting, so I signed up for a class called “Managing a Multinational Organization.” I had previously managed a small company, and was intrigued by the prospect of pulling back the curtain on what managing a multinational company would look like. It was one of the best classes I ever attended... but it does not appear on my transcript. I walked out of the class after 20 minutes and vowed to never try to manage a multinational company myself. The issues of a small company are dramatically magnified when dealing with



different languages, cultures, customer preferences, labor laws, regulations, etc. A large enterprise is exponentially more complex than a small business and requires special skills and tools.

The second relevant experience came from my time in an operating role at Acelero, the education services company I helped found. We were looking at selling a technology-based product to Head Start programs, but selling this type of product was not something we had done before, so we tried to pick the brains of the smartest entrepreneurs in the space in order to shape our sales and marketing strategy. One day we were able to meet an individual who, in our opinion, had “cracked the code” in the education space, having grown from two guys in rented office space to eventually being acquired by a public company. When discussing how to sell in the education space, he said that their sales strategy hinged on identifying what motivated the customer, and addressing those motivations. This is pretty basic and common sense, but, he then went on to say something that proved to be incredibly insightful. To paraphrase:

“In this space, we found two types of customers – those primarily motivated by compliance, and those primarily motivated by quality. The product is built to be both compliant and drive quality – but when we are talking to a compliance-driven person we emphasize the compliance features, and when we are talking to a quality-focused person we emphasize how the product drives quality. We speak about the same product in different ways, emphasizing different features.

You guys are driven by outcomes – that’s why you do this work – but half of your potential customers are driven by compliance. Don’t forget that, and don’t try to sell outcomes to the compliance guy. Give him compliance.”

In regulated industries, compliance can drive hundreds of billions of dollars of purchases just because the product checks a box for regulators and allows everyone to keep their jobs.

The third life experience also occurred at Acelero. When we first started, we had a paper checkbook in the filing cabinet. We ran payroll monthly using a bookkeeper. It was as low tech as you could get. As we added a few employees, we graduated to Paychex where we could phone in our payroll. For a period of growth from 10 to 100 employees, we used a boutique PEO (professional employer organization), and when we crossed 100 employees, we switched over to ADP, which was the provider of choice for larger companies. Over time, we did far more than issue paychecks with ADP as their data and systems integrated with our health insurance provider, our retirement plans, and our corporate learning tools.

Unfortunately, we grew to hate ADP. We hated the (lack of) service, we hated the pricing, and we hated the user interfaces. However, we stayed with them year after year after year because they were integral to running our finance department, and the complexity and risks of changing payroll providers and interrupting all of those integrations were too high. Removing ADP as the center of this ecosystem felt like the equivalent of attempting a brain transplant – the integrations kept us captive as they created a very significant barrier to exit. We stayed not because we were happy, but it was too hard to leave.

So to summarize, my past experiences gave me an admiration for the complexity facing large enterprises, a recognition that – particularly in a regulated industry – purchase decisions are often driven by compliance, and an



appreciation for how integrations between vendors for critical systems can effectively lock in a customer. Recently, these experiences, coupled with two other themes that have been running through my research process, laid the foundation for a new investment.

The first theme, discussed above, is companies that are “undermonetizing” can be attractive investments. The second theme percolating is also an obvious one: data is today’s gold, and it is unlikely that companies will, on average, spend less on accessing, sharing, and protecting it. There is real career risk in skimping on data, and data management and cybersecurity have significant tailwinds for the next decade or longer.

None of these experiences or themes are blindingly brilliant, but collectively they are the underpinnings for our investment in Box, Inc. (BOX).

Box started 13 years ago out of a USC dorm room as an online file storage company, effectively offering a cloud-based hard drive to store computer files. Today, there are multiple companies that will allow a user to store a virtually unlimited number of files for a nominal amount of money, or even for free. Online file storage is a “bad” business as there is little value add and it is effectively a commodity. The founders of Box realized that commodity storage could be a race to the bottom, so relatively early on, they began to focus on the enterprise customers (larger companies), and particularly companies in regulated industries. For large companies in regulated industries such as health care or defense, storing information is easy: compliance is the tricky part. Large companies need to control who can access files, and with whom the files can be shared both externally and internally. There needs to be a log of all activity surrounding the file. Who opened it, when and where did they log in from, etc.? There are file retention policies to be enforced. While Google Drive may work for a small business, the compliance needs of an enterprise quickly strain the functionality of Google. Do you want your health records stored on a free Dropbox account your doctor got by sharing the email address of 5 friends? If you run a defense contractor with 150,000 employees, do you want them using a hodge-podge of Dropbox, Google Drive, and OneDrive? Large companies need more robust data storage solutions. They need the ability to share content internally and externally but also to have controls and records of how that sharing occurred. They need the ability to lock files. To gain a sense of the robustness of the Box offering, it is worth perusing this feature comparison datasheet ([linked here](#)).

Over the last decade, Box has built a customer base of over 87,000 companies with over 10M users that store their data on Box servers, including 69% of the Fortune 500. Box has integrated with 1,400+ applications so far, including Google Suite, DocuSign, and Slack. The products and integrations allow files stored with Box to be “the source of truth,” which means that while other applications can access files stored on Box, all of the changes are made and kept on the Box version where the security and sharing protocols can be applied. These integrations make it less likely a customer will leave Box, and diminish the chances that a direct or adjacent competitor could create a copycat product.

The robustness of Box’s current product suite and the lack of credible alternatives has led to very low churn rates: retention is 95%. Because of the addition of new products and the sales of additional seats, we can expect the core base of customers (before any new customer adds) to spend more this year than they did last year. In fact, Box’s net dollar retention is running at approximately 108%, so even if no new customers were added, and with some attrition, we would still expect revenue to increase at least 8% before factoring in sales to new customers.



Box has a very sticky product, and a large customer base. There is the potential to further monetize the customer base by selling a lot more product and services to the existing base to take advantage of being the holders of critical data. Box is sprinting at this opportunity. The company is spending over \$100M a year on R&D. While meeting the compliance use cases of large enterprises is complex, it does not require this level of R&D spending. Box is aggressively building a robust pipeline of new products for release over the next two years, designed to improve how people work with and share information, the security of information, as well as applying automation and machine learning. Here are a couple of links to provide a sense of the future products and how they take advantage of Box's unique position and how far Box will be from a simple file storage company.

Box Shield (video [linked here](#)) Box Skills (overview video [linked here](#)).

Box recently added a new board member, Kimberly Hammonds, and in the press release she said,

“Box’s leadership and vision for cloud content management puts the company in a unique position to power digital transformation and improve the business of every enterprise across the globe. Content and information are at the heart of how we work, and are only becoming more critical as powerful new technologies like AI, machine learning, and automation open up all new opportunities to innovate. Box is just scratching the surface as a transformative partner for their customers and I’m excited to be a part of this next phase of their business.”

I feel the same way.

I have not seen Box written up in any of the traditional venues like SumZero but it was presented by venture capitalist CEO Chamath Palihapitiya at the Ira Sohn conference. He argues that Box is a way for individuals and companies to benefit from the improvements in AI (Artificial Intelligence). Over time, Box customers (who are generally larger and have more types of data spread across more users than customers of other solutions) inevitably will want to apply artificial intelligence to their data. In fact, they will likely want to apply AI solutions from multiple vendors. Box is application agnostic and will be able to integrate with all of the major AI players including Google, IBM, and Amazon. Thus, by storing files on Box, companies will have both the security they need and also the flexibility to work with multiple vendors to access and mine their files in different ways. Typically when I hear a buzz word like AI, a combination of words like vaporware, hype, and short come to mind. In the case of Box, at this point only the expense of creating this functionality has been realized as these integrations have been built and are being tested but have yet to launch. The ability to apply the best AI offerings to data stored on box represents a free call option that could be another barrier to exit that generates revenue and is buzzworthy enough to generate multiple expansion.

Box is missing one characteristic that I value: high insider ownership. Box was started by four college-aged friends with limited personal resources. Their first round of funding came from Mark Cuban. Eventually, as the company pursued developing for and selling into the enterprise market, they raised hundreds of millions of dollars in several rounds of financing. As a net result, the co-founder CEO owns approximately \$70M in stock and the co-founder CFO just north of \$20M. So while collectively they hold less than 5% of the company, they do have “skin in the game” and are not simply hired hands.



Box operates in a massive market that they refer to as “Cloud Content Management” and size at \$45B per year. I think no matter how we define it, it is likely growing and worth multiples of Box’s current revenue. Last year, Box generated operating cash flow while spending roughly two-thirds of revenue on sales and marketing and product development (54% and 20%, respectively). Over time, a company’s value should approximate the rates of return that they can get when they reinvest capital. As discussed before, with a customer base of 87,000 companies, it is easy to see a very high ROI on new product development. I am typically skeptical of sales and marketing spend as it can be a sugar high to drive short-term growth. However, with customer retention rates running in the above 90% and net dollar retention running well above \$100, Box is actually probably not spending *enough* on sales and marketing. There is a slide on page 88 of their investor day deck ([link](#)) that shows revenue growth by cohort. It is beautiful. Several different years of customer cohorts have been compounding revenue growth well in excess of 20% per year. Now, marketing effectiveness may deteriorate over time, but the last two years have seen CAGR’s of 24% and 20%, and there is still a largely untapped international opportunity as the U.S. constitutes 76% of revenue.

All of the above paints the picture of a high-quality business with a bright future. Companies like this are rarely optically cheap. We are currently buying shares at just north of 4X next year’s sales, which one could argue is cheap relative to many SaaS peers, (Dropbox and DocuSign have valuations twice as rich) but certainly is not on an absolute basis. I think one of the greatest risk factors here is multiple compression, particularly if growth slows. However, given the product pipeline and sales pipeline, I don’t think the slowdown is imminent. In the long run, Box has the opportunity to continuously improve their business through a virtuous cycle of retaining customers and improving monetization. Product improvements lead to greater value add, which leads to greater utilization, greater lock in, lower churn, and higher revenue per user. Revenue growth and margin expansion are highly probable, with multiple expansion a possibility. No additional capital is required to grow. There is a long runway for growth, and multiple opportunities for additional products to be sold into a large and attractive customer base. Continued revenue growth of 20%+ for the foreseeable future, coupled with operating leverage and a very valuable customer base, create an interesting set-up.

SHORTS

We ended the quarter with limited short exposure. The fund remains short ETFs targeted at short-term traders, a bond fund where the underlying interest rates received relative to the risk assumed do not pass my common-sense test, and two indices as very modest hedges.

ANNUAL MEETING/ANNIE DUKE

In September, we held Greenhaven’s annual meeting in New York City. It is a special night for me, as I get the in-person opportunity to share context on the health and direction of the partnership, enjoy the company of our limited partners, and to say thank you. At the meeting, I spoke about three operating principals that have guided the firm over time. The first was to **go slow** and recognize that doing nothing is usually the right course of action. The second principal is to **only pursue the “Hell Yeahs.”** If something does not really excite me, we will leave it to others. The final operating principal is that **design matters**. How we organize, who we invest with, and how we



spend our time are the most critical decisions. The primary filter for all design choices is, “can it help improve returns?” This may sound simple, but it is very different than how most large hedge funds operate.

Also at the meeting, we gave a small set of gifts to the limited partners in attendance that included the book *Thinking in Bets: Making Smarter Decisions When You Don’t Have All the Facts* by Annie Duke. Annie Duke has an interesting background, awarded a National Science Foundation Fellowship to study Cognitive Psychology at the University of Pennsylvania. She was also one of the top poker players in the world for two decades, winning over \$4M in poker tournaments and a lot more elsewhere. She was also part of a group of players who helped each other improve their decision making. The group was led by a player named Eric Seidel, who has over \$38M in tournament winnings.

I think this book is well worth reading as it is a nice summary of probabilistic thinking and how to apply it. At the core, many of our investments are, in my estimation, asymmetric. There is a chance we may lose money, but there is a significant chance at a large profit, providing a positive expected value.

When I say design matters, and who I spend our time with is important, I mean it. Under the umbrella of the Partners Fund, I am going to convene Annie Duke and the portfolio managers of the funds the Partners Funds is invested in. As I wrote in the invitation to the managers,

“I think there is an opportunity to learn from her poker group – their norms, rules for engagement, etc. I think there are lessons that we may apply with each other.... At the end of the day, we are paid to make decisions, and avoiding a couple of bad ones and making a couple of better ones can have a large impact on our collective funds. Adding a couple of frameworks to the toolkit could have long-term benefits.”

The day with Annie Duke will be followed by a day of idea sharing among the managers. I don’t know exactly what will come of these gatherings, but in my experience, good content and good people are a promising formula. While I believe our best chance at generating returns are with an investment committee of one, I am also keenly aware that the best chance of success will not be acting entirely alone. Rather, our best chances for success will be from the combination of the right limited partners, the right managers in the Partners Fund, and the right outside resources. The Annie Duke day will be another stop on that journey.

OUTLOOK

We have a healthy economy and a portfolio of companies that have the opportunity for revenue growth, margin expansion, and multiple expansion over time. As volatility arises, I will attempt to take advantage of the opportunities it creates. We will continue to invest with a long-time horizon, and we will continue to invest like it is our own money – because it is. Thank you for the opportunity to grow your family capital alongside mine.

Sincerely,

A handwritten signature in blue ink, appearing to read "Scott Miller".

Scott Miller



Disclaimer:

This document, which is being provided on a confidential basis, shall not constitute an offer to sell or the solicitation of any offer to buy which may only be made at the time a qualified offeree receives a confidential private offering memorandum (“CPOM”) / confidential explanatory memorandum (“CEM”), which contains important information (including investment objective, policies, risk factors, fees, tax implications and relevant qualifications), and only in those jurisdictions where permitted by law. In the case of any inconsistency between the descriptions or terms in this document and the CPOM/CEM, the CPOM/CEM shall control. These securities shall not be offered or sold in any jurisdiction in which such offer, solicitation or sale would be unlawful until the requirements of the laws of such jurisdiction have been satisfied. This document is not intended for public use or distribution. While all the information prepared in this document is believed to be accurate, Greenhaven Road Capital Fund 1 LP, Greenhaven Road Capital Fund 2 LP, Greenhaven Road Investment Management LP, and MVM Funds (Greenhaven) makes no express warranty as to the completeness or accuracy, nor can it accept responsibility for errors, appearing in the document.

An investment in the fund/partnership is speculative and involves a high degree of risk. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests and none is expected to develop. The portfolio is under the sole trading authority of the general partner/investment manager. A portion of the trades executed may take place on non-U.S. exchanges. Leverage may be employed in the portfolio, which can make investment performance volatile. An investor should not make an investment, unless it is prepared to lose all or a substantial portion of its investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits.

There is no guarantee that the investment objective will be achieved. Moreover, the past performance of the investment team should not be construed as an indicator of future performance. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the fund/partnership. Any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur.

The enclosed material is confidential and not to be reproduced or redistributed in whole or in part without the prior written consent of Greenhaven. The information in this material is only current as of the date indicated, and may be superseded by subsequent market events or for other reasons. Statements concerning financial market trends are based on current market conditions, which will fluctuate. Any statements of opinion constitute only Greenhaven’s current opinions, which are subject to change and which Greenhaven do not undertake to update. Due to, among other things, the volatile nature of the markets, and an investment in the fund/partnership may only be suitable for certain investors. Parties should independently investigate any investment strategy or manager, and should consult with qualified investment, legal and tax professionals before making any investment.

The fund/partnership is not registered under the investment company act of 1940, as amended, in reliance on an exemption thereunder. Interests in the fund/partnership have not been registered under the securities act of 1933, as amended, or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of said act and laws.

The S&P 500 and Russell 2000 are indices of U.S. equities. They are included for informational purposes only and may not be representative of the type of investments made by the fund.