GREENLIGHT

January 22, 2019

Dear Partner:

We had another difficult quarter and lost an additional (11.4)%,[1] net of fees and expenses, bringing the Greenlight Capital funds' (the "Partnerships") year-to-date loss to (34.2)%. During the fourth quarter, the S&P 500 index returned (13.5)%, bringing its year-to-date return to (4.4)%. Since its inception in May 1996, Greenlight Capital, L.P. has returned 1,367% cumulatively or 12.6% annualized, both net of fees and expenses.

Coming into the 2012 season, the Boston Red Sox beat reporter wrote, "…the Red Sox still have a very talented roster and they have the capability of doing big things… the Sox pitching staff will be a strength… Jon Lester will win the AL Cy Young Award… the Red Sox will make it to the World Series in 2012."[2] As it turned out, the Red Sox won 69 games and lost 93 and finished in *last* place. The starting pitchers went 48-72 and gave up 5.2 runs per game. Jon Lester went 9-14. The year just didn't turn out for them.

When we entered 2018, we liked our portfolio. We believed our three biggest longs (General Motors, Brighthouse Financial and Bayer) were poised for strong years, and our short portfolio was laden with overvaluation and future disappointments. As it turned out, we would have been lucky to end the season 69-93. We finished last, but it felt more like 30-132. Nothing went right for the entire year.

The baseball analogy comes down to process vs. outcome. As we review 2018, we don't believe we had a bad process in assembling the portfolio. 2018 was very different from our last bad year in 2015. In 2015, three big mistakes drove the result. In 2018, the losses were a mile wide and ~~an inch~~ a yard deep. It's much easier to explain results when they are driven by large moves in a few names. It's much harder when the answer is a lot of everything. It's possible that in time, we will better understand why 2018 turned out the way it did. But today, it feels more like a combination of a few where we were wrong, a difficult environment for value investing, and a lot of adverse variance.

The Red Sox believed in their process, and after the 2012 season they kept the nucleus of the team intact. After the losing season, the Boston Red Sox News predicted little improvement in 2013: "The Sox won't make the playoffs; there's too much ground to make up and the rotation remains suspect."[3] It turned out the Red Sox were right to stand by their core players. The team won the 2013 World Series. The rotation went 67-42, gave up 3.8 runs per game and Jon Lester went 15-8.

Over the year we made a few portfolio changes, like selling Apple, Bayer, Mylan and Perrigo, covering the oil frackers and Core Laboratories during the year-end oil rout, and adding a few

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[1] Source: Greenlight Capital. Please refer to information contained in the disclosures at the end of the letter.
[2] https://bleacherreport.com/articles/911032-boston-red-sox-seven-bold-predictions-for-the-2012-season
[3] https://www.fenwayticketking.com/news/some-red-sox-predictions-for-.html

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small and medium positions. We have re-underwritten the entire portfolio and we are excited about its current construction. 2019 is in the early days, but we feel a little like a team that just won its opening day game after a last place finish.

Let's review positions that are 5% or larger in our current portfolio (in alphabetical order and with valuations based on year-end figures). Given the valuations and fundamentals of these investments, we believe they should all do better in 2019.

AerCap (AER) – Long
5.8x P/E on 2018 estimates, 65% of book value

AER leases new and mid-life airplanes to airlines globally. AER's 99%+ utilization rate and seven-year average remaining lease term support a high degree of earnings visibility. The company is well-managed and a strong capital allocator. Since we invested in the company in 2014, AER has disposed of about 400 planes to improve its fleet age, technology mix and customer concentration, while generating strong gains on sale consistent with conservative carrying values. During this period, the company has de-levered, bought back 35% of its shares outstanding and grown book value per share by 15% annually. Global traffic growth has averaged 6.5% annually over the last five years. The recent collapse in oil prices is a positive as it improves airline profitability, further stimulates global passenger traffic, and supports the values of used planes. Nonetheless, shares of AER fell about 25% in December. At current values, we would expect management to accelerate the sale of aircraft to redeploy into an even more aggressive share repurchase program.

Assured Guaranty (AGO) – Short / Puerto Rico GO bonds – Long
Current valuation is not relevant because we don't believe the accounting

AGO is a financial guarantor. In addition to insuring many large long-term issuances in Chicago, Illinois and New Jersey that may prove problematic, AGO is already responsible for billions of dollars of defaulted Puerto Rican debt. We believe AGO has set aside inadequate loss reserves against what bond markets and our analysis suggest will be sizable losses. Were the company to own up to the probable losses, we believe its credit rating and ability to write new business would be at risk, and it would have difficulty getting regulatory permission for the additional special dividends necessary to support AGO's aggressive stock buyback program. As a hedge for the possibility that Puerto Rico's restructuring turns out better than expected for AGO, we bought defaulted Puerto Rico GO bonds. The GOs have appreciated, while AGO has held steady, making this one of the few profitable positions in 2018.

Brighthouse Financial (BHF) – Long
3.8x P/E on 2018 estimated adjusted earnings, 29% of book value

We have never seen a life insurer trading at this kind of valuation in a stable environment unless it has either a reserving problem or a capital problem. We believe BHF has neither. Not only did BHF initiate share repurchases in mid-2018, two full years ahead of schedule, but during an early-December investor call, BHF management revealed that the business is performing much better than expected a year ago. Improving deposit growth, upsized cost-cutting plans and an acceleration of capital returns all combined to raise the outlook for medium and long-term earnings power and capital returns. This slide summarizes BHF's achievements from the spin-off, which indicate that the company is performing far better than promised:

Evolution of Brighthouse's financial targets

	At Separation	Today
Sales Results	• Annual annuity deposits of $4 billion+ by 2020	• Annual annuity deposits of $8 billion+ by 2021 • Solid annuity and life insurance new business platform with attractive growth expectations
Corporate Expenses	• Corporate expense reduction of $150 million by year-end 2020	• On track for $150 million of corporate expense reduction by end of 2020; targeting additional $25 million reduction in 2021
ROE and Adjusted Earnings *(less notable items)*	• Approximately 8% adjusted return on equity[1,2] and stable over time • Mid-to-high single digit % annual growth of adjusted earnings per share[1]	• Approximately 11% adjusted return on equity[1] by 2021, ~300 bps improvement • ~8% return on equity, excluding AOCI[3] (on a GAAP net income basis) • Low double digit % annual growth of adjusted earnings per share[1]
Capital Return	• Shareholder capital distributions beginning in 2020	• Shareholder capital distributions began in September 2018

[1]See Appendix for definitions and information regarding non-GAAP measures. Reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures are not accessible on a forward-looking basis.
[2]Adjusted to approximately 8% in November 2017 from the initial target of approximately 9% to incorporate separation-related balance sheet adjustments.
[3]On a GAAP basis and does not exclude notable items.

Brighthouse FINANCIAL 7

Source: Brighthouse Financial Investor Outlook Call, December 3, 2018.[4]

Subject to reasonably steady capital markets, the company plans to repurchase $1.5 billion of stock by the end of 2021. At the year-end value, this would be over 40% of the outstanding shares. Normally, good news is met with a positive response. But with BHF, analysts seem to hate the company no matter what management says. As Sandler O'Neill put it in its December 3, 2018 note:

> We view the outlook slides and corresponding conference call as disappointing. This was an investor outlook call. We had expected the company would discuss earnings trajectory for the next year (2019) and not three years (2021) out… That the company announced their first outlook call since separation and did not provide actual guidance for 2019, we find to be a distinct negative.

Never mind that the three-year outlook was much better than consensus expectations, as was the implicit 2019 forecast. And, from the "heads I win, tails you lose" school, the analyst added this gem in describing risk from mortality rates:

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[4] The full presentation can be found at https://investor.brighthousefinancial.com/static-files/d17fcafe-4014-4cb1-a197-de7ebdd61fd1

> The long-term profitability of Brighthouse's life insurance and annuity products rely upon sound assumptions relating to mortality rates. If mortality rates are lower than assumed, Brighthouse may be required to make larger payments under its annuity products than it had otherwise assumed. If mortality rates are higher, then it would have to make higher payments under its life insurance policies than it had otherwise assumed.

It would be funny, except that the stock fell 48% in 2018 despite a raft of good news.

Looking ahead to 2019 and beyond, BHF's reported earnings should continue to benefit from deposit growth, cost cutting, and shifts in the company's investment and hedging portfolios. Cash generation should benefit further from the run-off of "establishment" costs (as the company ends its reliance on MetLife overhead support) and from favorable reforms to annuity rules currently under review at the National Association of Insurance Commissioners. While the business remains sensitive to market performance, including equity returns and interest rates, BHF is positioned for a very positive inflection in free cash flow and capital returns over 2019-2020.

CONSOL Coal Resources (CCR) – Long
6.9x P/E on 2018 estimates, 12.5% dividend yield

CCR owns an interest in the highest quality, most efficient coal mining complex in Northern Appalachia with a 26-year reserve life. CCR's low cash-cost and high-BTU coal (~$1.12/MMBtu) coupled with its favorable logistical position (dual rail served with access to a Baltimore export terminal) allows CCR to serve domestic thermal, crossover metallurgical and international thermal coal customers in a flexible and cost competitive fashion. After a significant industry downturn in 2015-2016, industry capacity has been rationalized and utility stockpiles are at multi-decade lows. The outlook for coal prices has become favorable. We believe there is upside to current estimates over the next several years.

Deutsche Pfandbriefbank (Germany: PBB) – Long
6.8x P/E on 2018 estimates, 36% of book value, 11.0% dividend yield

Not all European banks should be painted with the same brush. PBB specializes in commercial real estate finance and public investment finance. The loan book is extremely conservative and has virtually no non-performing assets. We believe PBB is overcapitalized with an estimated 20% Common Equity Tier 1 ratio (as compared to a regulatory minimum of just under 5%) and has capital ready to deploy in a downturn. The shares fell about a third last year for no obvious reason.

General Motors (GM) – Long
5.4x P/E on 2018 estimates, 4.5% dividend yield

In November, the company announced a massive cost-cutting program that will take $4.5 billion out of annual operating expenses. Most of the cuts are not associated with the highly-publicized plant capacity reduction. While the common narrative is that management is taking these steps ahead of a cyclical decline, the reality is that the U.S. sedan business has been in serious decline for several years. As a result, we believe the recent earnings do not represent cyclical peak conditions. The market does not seem to recognize the full implications of the cost cutting.

The cost cuts are so significant that even if the various "bear cases" play out over the next several years, including risks associated with a further cyclical decline in auto sales, China, leasing, consumer credit and the high-margin light truck business, it becomes much more difficult to see GM's earnings decline significantly as implied by the low P/E multiple. Should those risks not materialize, the cost cuts should drive very attractive earnings growth for the next three years.

Gold – Long

U.S. debt to GDP is over 100%. The U.S. Treasury recently announced that the U.S. debt has increased by over $2 trillion under the current administration. A decade into an economic recovery, with employment approaching maximum levels, the U.S. is running an almost $1 trillion deficit, even with low interest rates limiting the burden of existing debts. This is not prudent. When the economy eventually slows, the deficit is sure to expand rapidly, possibly catastrophically. The politicians say deficits don't matter (President Trump has answered concerns about the massive national debt with "yeah, but I won't be here"). History says otherwise. Gold continues to be a hedge in our portfolio to imprudent global fiscal and monetary policies.

Green Brick Partners (GRBK) – Long
7.0x P/E on 2018 estimates, 85% of book value

GRBK is a diversified homebuilding and land development company operating in growing markets in Dallas, TX, Atlanta, GA, Colorado Springs, CO and Vero Beach, FL. GRBK has tripled its revenue since going public in 2014, while maintaining industry-leading high margins and low debt-to-capital. It has achieved this via organic growth, accretive acquisitions, launching title and mortgage subsidiaries and reducing its costs through national accounts contracts available to it as a function of GRBK's scale. Management is disciplined and resourceful. GRBK expects earnings to grow moderately in 2019 despite a homebuilding industry slowdown, in which the company is well positioned to be opportunistic. David Einhorn and Harry Brandler are on the Board.

Tesla (TSLA) – Short
50x P/E on 2019 non-GAAP estimates, which we think are optimistic

This is such a bizarre situation that we could write pages about the latest developments every quarter. A lot of attention was paid to Elon Musk's recent statement that he doesn't respect the SEC. Why should he? After all, he committed blatant market manipulation and was rewarded with a fine, which he said was "worth it." The Chairman of the SEC wrote of the settlement that "the skills and support of certain individuals may be important to the success of a company." In other words, if you are as important as Elon Musk, removal is not a serious option. He is above the law.

Last week, TSLA confirmed what we have written in the last several letters, namely that it had non-repeatable results in the third quarter of 2018 by selling high-end versions of the Model 3 ahead of 2019's decrease in the Federal tax credit for buyers of TSLA's cars. With that pull-forward of demand, we believe the third quarter was as good as it gets and TSLA faces challenges in 2019.[5] Admitting that it is not just a question of manufacturing scale and putting in a smaller

[5] Even the third quarter results should be questioned, as there appear to be many accounting red flags and inconsistencies.

battery, TSLA now says it needs to make many manufacturing engineering improvements and manufacturing design improvements in order to make a $35,000 version of the Model 3.

Because TSLA has done a poor job of ramping production, the market has been focused on the shortage of supply. With manufacturing getting to higher throughput, we believe the next leg of the story will be a shortage of demand, which should undermine the bull case.

TSLA bulls believe the company is the next Apple, and essentially deserves a huge premium because it has the best product and will continue to do so for years to come (we disagree). The ardent fan base makes that seem plausible. Apple always delighted the customers and did whatever it could to please them. TSLA, on the other hand, seems willing to offer inflated promises and poor service. Apple created loyalty by supporting its customers, while TSLA wants the customers to support it because TSLA is saving the planet.

TSLA's recent announcement that it will be cutting its workforce by an additional 7% suggests that its poor customer service is likely to get even worse. A few years ago, TSLA had a remarkable world-leading Net Promoter Score of 97 (which basically means it was building a world class brand that everyone recommends). Currently, the score is only 37, which places it just below Hyundai.[6] Manufacturing quality control is low. Consumers are having bad experiences charging, servicing and repairing their cars, obtaining refunds from TSLA for cancelled orders and receiving vehicle registrations after taking delivery.

So, that's our starting line-up heading into the 2019 year. Our longs are businesses that are performing well and are priced at really low valuations. The shorts have flawed business models, questionable accounting and leadership, and obvious paths to serious problems. We also have a bit of a macro hedge in case the politicians and central bankers continue to act irresponsibly – which seems like a safe bet. We can't forecast the result, but we are looking forward to the new season.

We have several personnel developments to share.

Harry Brandler, our CFO, will retire from Greenlight in January. Harry has been with us for over 17 years and was our seventh employee. Most of our partners know Harry well, and we know everyone is going to miss him as much as we will. It has been a great ride, Harry!

We have developed a deep bench of talented professionals in the operations and finance areas and we promoted several of these individuals at year-end. Jennifer Goff was promoted to Director of Investor Services; Chris Mickelson was promoted to Director of Finance; Aric Steffen was promoted to Director of Operations; and Brian Tudda was promoted to Director of Tax. This senior team has an average tenure at Greenlight of 11 years. Our COO, Daniel Roitman, who has been with us for 16 years, will oversee Operations and Finance on an interim basis.

Steven Rosen joined as our new Chief Compliance Officer (CCO) in early November. Steve brings a wealth of practical legal and compliance experience to Greenlight. Most recently, he was a compliance consultant at Sunriver Management. Before that he was CCO of Citadel's multi-manager equities platform Surveyor Capital. Earlier in his career Steve managed compliance at

[6] https://customer.guru/net-promoter-score/tesla-motors

Coleman Research and practiced law at WilmerHale and UBS. Steve graduated from Georgetown University with a B.A. in Government and from George Washington University with a J.D. Welcome, Steve!

Sean Farrell left the firm at year-end after training Steve for a few months on our compliance program. Sean served on active duty in the United States Air Force from 1994 to 2000, spent time in the Air Force Reserves during the year, and he will be busy with much more training this spring. We wish Sean the best of luck in his future endeavors and thank him for his continuing service to our country!

On the research side, Josh Hittman was promoted to Director of Proprietary Research. Congratulations Josh!

Due to demand that we thought would lead to a counter-productive rate of asset growth, we closed the funds in 2000. We have periodically opened to limited additional capital on six occasions, most recently in 2014, all of which were oversubscribed. Since then, we have been hard closed and have said we will let everyone know if there is an opportunity. In more recent periods we have had substantial redemptions, which is understandable given our struggles. However, some have asked if they can invest. Until now, the answer has been "no" – no matter how nicely we have been asked. At this point, we no longer believe there is risk of our assets growing too quickly (other than through improved performance), so for those interested in investing, the answer will now be "yes." To be clear, we do not plan to initiate a marketing effort, as we plan to continue to focus on the portfolio.

At quarter-end, the largest disclosed long positions in the Partnerships were AerCap, Brighthouse Financial, General Motors, gold and Green Brick Partners. The Partnerships had an average exposure of 126% long and 67% short.

"Cheers to a new year and another chance for us to get it right."

– Oprah Winfrey

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

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Unless otherwise noted, performance returns reflect the dollar-weighted average total returns, net of fees and expenses, for an IPO eligible partner for Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., and the dollar interest returns of Greenlight Capital (Gold), L.P. and Greenlight Capital Offshore (Gold), Ltd. (collectively, the "Partnerships"). Each Partnership's returns are net of the modified high-water mark incentive allocation of 10%.

Performance returns for Greenlight Capital L.P. since inception reflect the total returns, net of fees and expenses, for an IPO eligible partner and are net of either the modified high-water mark incentive allocation of 10% or the standard 20% incentive allocation applied on a monthly basis pursuant to the confidential offering memorandum for a partner who invested at inception.

Performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. Each partner will receive individual statements showing returns from the Partnerships' administrator. Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

All exposure information is calculated on a delta adjusted basis and excludes credit default swaps, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and baskets, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of such figures for investments by Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital (Gold), L.P., and Greenlight Capital Offshore (Gold), Ltd. (excluding the gold backing held by the gold interests) and are the result of classifications and assumptions made in the sole judgment of Greenlight.

Positions reflected in this letter do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Greenlight, affecting the Partnerships.

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