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To My Partners:

The performance of our portfolio for the fourth quarter of 2015 and the year since inception is summarized below.

	Hinde Model Account		S&P 500
	Gross	Net	Total Return
3Q15	-3.14%	-3.51%	-6.44%
4Q15	7.46%	7.06%	7.04%
2015	4.09%	3.30%	0.15%

Most of the time common stocks are subject to irrational and excessive price fluctuations in both directions as the consequence of the ingrained tendency of most people to speculate or gamble... to give way to hope, fear and greed. – Ben Graham

The second half of 2015 was a rollercoaster for the U.S. equity market. There were big ups and downs, and when all was said and done, things ended up back where they started. China's surprise devaluation of the renminbi in August and the Fed's balk at raising rates in September due to "recent global economic and financial developments" left the equity market in a nervous state at the end of the third quarter. Those nerves calmed over the course of the fourth quarter as market participants had a chance to process the developments in China and as economic data and corporate earnings reports alleviated some of the market's worst fears. That fluctuation in the market's temperament accounted for the vast majority of the price volatility in the overall equity market and our portfolio over the course of the second half of 2015.

Despite the market's tantrum, the U.S. economy continued to power through the headwinds that it had faced all year. The term "manufacturing recession" has become popular, but "industrial recession" would probably be more accurate in order to include extractive industries. A strong dollar, weak commodity prices – most notably oil prices – tepid growth overseas, and unfavorable weather all weighed heavily on industrial production in the U.S. during 2015. The Fed's Industrial Production Index ended the year down 1.8% from the prior year. But the industrial recession in 2015 was only sufficient to drag on economic growth, not derail it. The U.S. economy added an impressive number of jobs in each of the final three months of 2015 and for 2015 as a whole. In addition to higher incomes, consumers enjoyed a windfall from lower oil prices of more than $100 billion over the course of the year. Consumer sentiment ended the year not far off its high for the current expansion. New residential construction activity continued to recover. Notwithstanding the industrial recession, the U.S. economy looks to have grown around 2.0% for 2015. The economy's resilience gave the Fed enough confidence to raise its target range for the federal funds rate by 25 bps at its December meeting, the Fed's first rate hike in almost a decade.

Our portfolio outperformed the S&P 500 by 3.15% net of fees for the second half of 2015. A substantial contributor, Amazon.com common stock (NASDAQ: AMZN), more than offset a notable detractor, Sears Hometown & Outlet Stores common stock (NASDAQ: SHOS), and most of our other positions made moderate positive contributions.

Performance Attribution

Positions that had a material impact on the portfolio's mark-to-market performance for the quarter and for the year since inception are outlined below.

Performance Attribution			
4Q 2015		2015	
Amazon.com	2.70%	Amazon.com	3.85%
PayPal Holdings	1.53%	TopBuild	0.94%
E*TRADE Financial	1.30%	Sears Hometown & Outlet	-1.98%
Interactive Brokers Group	1.27%		
News Corporation	1.08%		
Other	-0.42%	Other	1.28%
Gross Performance	7.46%	Gross Performance	4.09%

Portfolio Composition

The composition of the portfolio at the end of the quarter is depicted below.

Portfolio Composition	
Equities	94.7%
Cash	5.3%

During the quarter, three new positions were added to the portfolio, and two positions, News Corporation Class A common stock (NASDAQ: NWSA) and Sears Hometown & Outlet Stores common stock (NASDAQ: SHOS), were closed. At the end of the quarter, our portfolio included 10 long equity positions and cash.

Select Portfolio Updates

Hinde Group's investments generally fall into one of two categories: compounders or special situations. The two positions discussed below include an example from each category. Colfax Corporation common stock (NYSE: CFX) is a compounder, and Blount International, Inc. common stock (NYSE: BLT) is a special situation. Both were added to the portfolio during the fourth quarter.

Colfax Corporation (NYSE: CFX)

Steven and Mitchell Rales, the brothers who founded Colfax Corporation in 1995, are best known for another company they founded, Danaher Corporation. The Rales brothers created Danaher Corporation in 1984 through an act of financial engineering that brought together a small vinyl-siding company, a tire manufacturer and a nearly bankrupt real estate investment trust in a merger that unlocked over $100 million in tax benefits. Danaher's strategy soon evolved into acquiring well-positioned – but under-performing – companies and then unlocking the full potential of those companies by upgrading the management teams and implementing a business philosophy centered on continuous improvement, the Danaher Business System. To say that the Rales brothers have been successful would be a dramatic understatement. For the twenty years ended 2014, Danaher's stock delivered a compound annual total return to shareholders of 18.0%, almost double that of the S&P 500. If you compare the total return of Danaher's stock since the company was founded to that of Berkshire Hathaway's stock over the same

period, the results are not even close. Danaher wins by a landslide. Danaher is now worth around $60 billion.

Colfax Corporation is in essence a smaller, earlier-stage Danaher. Although Colfax initially focused on a relatively narrow niche, acquiring leading manufacturers of specialty pumps and valves for industrial fluid-handling applications, the Rales brothers established a much broader vision – more in line with that of Danaher – for the company in 2010: to become a premier, global industrial enterprise operating multiple business platforms. That expanded vision ultimately led to the acquisition of Charter International plc in 2012, a transformational deal that grew Colfax's revenue from just under $700 million to almost $4 billion. Charter's two primary businesses, Howden and ESAB, expanded Colfax into the gas-handling and fabrication technology sectors, respectively.

Normally, a company with the pedigree of Colfax would be trading at a large premium to book value and a miserly earnings yield on the expectation of great things to come. That has generally been the case for Colfax in the past. But more recently, Colfax has been facing considerable cyclical headwinds in most of its end markets. Colfax's gas-handling, fluid-handling and fabrication technology solutions are used for applications in the oil & gas, mining, marine and general industrial sectors, among others, and around half of its sales are shipped to emerging markets. If you had to come up with a list of the areas of the global economy that are facing the greatest near-term challenges, that would be your list. Colfax estimates adjusted EPS declined around 30% in 2015, and it expects an additional 8% decline in 2016. The stock declined over 50% during 2015, ending the year near its low. As of December 31st, CFX traded at a modest discount to book value and offered a heady earnings yield approaching 8.0%.[1]

Despite recent struggles, Colfax's businesses are very likely to grow over time. Howden, ESAB and Colfax Fluid Handling have leading positions in fragmented markets with attractive long-term outlooks. Additionally, several of Colfax's most important end markets are clearly cyclically depressed. For example, the oil and gas industry, one of the most important end markets for each of Colfax's business platforms, is in the midst of a historic downturn driven by massive oversupply and plummeting oil prices. Global upstream investment in the oil and gas industry declined around 20% in 2015, and Barclay's Capital currently estimates it will decline a further 15% in 2016.[2] This would mark only the second time in the past 30 years that global upstream oil and gas investment has declined in consecutive years, and it would leave the level of global upstream oil and gas investment in 2016 around 40% below the International Energy Agency's estimate of the average annual level of global upstream oil and gas investment necessary over the long-term.[3] Similarly, the power generation market, which is the largest single end market for Colfax's gas handling business, is currently between cycles of spending related to compliance with environmental regulations. Colfax is also currently running well below its mid-teens operating margin target. Although it is impossible to say whether management's guidance for 2016 will represent the precise bottom for Colfax's earnings, it does represent a conservative basis for valuing the company over a multi-year investment horizon.

Our investment in CFX should deliver attractive returns overs a multi-year period. The price we paid for CFX implies an earnings yield around 8.0%, and Colfax converts nearly all of its earnings to free cash flow. The company should be able to generate some degree of organic revenue growth over a multi-year period, and any progress that Colfax makes toward its mid-teens margin target would accelerate earnings growth beyond revenue growth. There is also considerable scope for value-creating acquisitions as management executes the Danaher playbook and for a rebound in Colfax's valuation multiples as the company's growth trends stabilize. Even using conservative assumptions on all these fronts, CFX should deliver a high-teens or better annualized return relative to our current average cost.

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[1] Earnings yield relative to 2016 guidance adjusted to exclude amortization of acquisition-related intangibles
[2] Barclay's Capital. *Global 2016 E&P Spending Outlook*. January 13, 2016
[3] International Energy Agency. *World Energy Outlook 2015*

Colfax's management and board of directors seem to feel the same way. Mitchell Rales bought over $10 million worth of stock in August at an average price of $38.41, nearly double our average cost. Another board member bought almost $500 thousand worth of stock in mid-December at an average price of $22.77. Colfax itself has been actively purchasing shares as well. The company's board of directors authorized the repurchase of up to $100 million of stock in October. Through mid-December, Colfax had repurchased nearly 1 million shares.

Blount International, Inc. (NYSE: BLT)

In a landmark decision in *Revlon, Inc. v. MacAndrews & Forbes Holdings, Inc.*, the Delaware Supreme Court established that once the sale or breakup of a company becomes inevitable the fiduciary obligation of the seller's board of directors narrows to a singular focus on securing the highest price available. This obligation has come to be known as a board's "*Revlon* duties."

Traditionally, a seller's board of directors would aim to fulfill its *Revlon* duties prior to entering into an agreement to sell the company. The board would hire investment bankers who would canvass the market and ultimately identify a buyer through some form of an auction process. The resulting merger agreement would then contain a so-called "no-shop" provision that would generally prevent the seller's board of directors from soliciting prospective buyers any further.

During the private equity boom that preceded the global financial crisis, an alternative emerged that flipped the traditional process on its head: the "go-shop" provision. The go-shop provision aims to fulfill a board's *Revlon* duties *after* a merger or acquisition agreement is signed. It allows a selling company to sign an acquisition agreement without conducting a comprehensive – or any – marketing process. The seller's board then meets its *Revlon* duties by having its investment bankers go out and "shop" for a better deal for a limited period of time.

Most often, a go-shop process fails to produce a better deal. The initial buyer has a number of advantages over any prospective "jumpers." But that is not always the way things turn out.

Maytag's sale process in 2005 provides one of the most dramatic examples of what can happen. In short, Maytag agreed to be acquired by Ripplewood Holdings, a private equity firm, in May 2005 for $14.00 per share in cash, a 21% premium. There was no pre-signing marketing process. Instead, Maytag's board relied on a go-shop provision to satisfy its *Revlon* duties. The go-shop process ultimately brought two strategic buyers, Haier and Whirlpool, into the fray. After several rounds of bidding over three months, Maytag dropped its deal with Ripplewood and agreed to be acquired by Whirlpool for $21 per share in cash and stock, a 50% premium to the initial deal struck with Ripplewood. Maytag's experience is obviously an outlier, but it does demonstrate that go-shop processes can sometimes create material shareholder value.

That brings us to Blount. Blount International, Inc. is the world's leading manufacturer and marketer of cutting chain for chainsaws. It sells saw chain under the Oregon, Carlton and KOX brands as well as on a white label basis to original equipment manufacturers. Although saw chain is Blount's most important business, the company also designs, manufactures and markets a variety of other equipment, replacement parts and accessories used in forestry, lawn and garden; farm, ranch and agricultural; and concrete cutting and finishing applications.

On December 10th, Blount announced a definitive agreement to be acquired by American Securities, a private equity firm, and P2 Capital Partners, an investment management firm that held approximately 15% of Blount's shares prior to the announcement, for $10.00 per share in cash. Although the consideration represents a substantial, 86% premium to BLT's closing price prior to the deal's announcement, it also represents about a 40% discount to where BLT traded at the beginning of 2015. The deal includes a go-shop provision that allows for a 50-day go-shop process ending on January 28, 2016.

While the most likely outcome is that Blount's current deal goes through, there is a reasonable possibility that it gets jumped by one or more strategic buyers. Based on conversations with industry executives, there are at least five possible strategic buyers for Blount, including Husqvarna, Briggs & Stratton, MTD, ECHO Incorporated, and Deere & Company. Any of those strategic buyers should be able to realize considerable synergies by acquiring and integrating Blount, most notably in the area of sales and distribution. Blount has a truly global sales and distribution footprint that it considers one of its most significant and difficult to replicate competitive advantages. It ships 54% of its sales to more than 115 countries outside the U.S. A strategic buyer selling into the same channels as Blount could reduce duplicative costs where the sales and distribution footprints of the two companies overlap and exploit cross-selling opportunities in areas where one company or the other has a stronger presence. It is impossible to estimate the precise amount of synergies each of these strategic buyers could realize from acquiring and integrating Blount, but each of them should be able to realize enough synergies to easily outbid a private equity firm.

Among those five possible strategic acquirers, Husqvarna deserves special mention. Based in Sweden, Husqvarna is a leading producer of outdoor power equipment, gardening products, and light construction equipment. Husqvarna is publicly-traded on the Stockholm Stock Exchange and has a market capitalization over $3 billion. Chainsaws are one of Husqvarna's most important products, and Husqvarna purchases most of the saw chain for its chainsaws from Blount on a white label basis. In 2013, Husqvarna announced plans to manufacture its own saw chain, but it has experienced difficulty maintaining quality as it ramps up production volume. An industry executive described a combination of Husqvarna and Blount as a "match made in heaven" and one that could generate material synergies. Blount recently disclosed that it and Husqvarna (thinly-veiled as "Party C") have discussed the possibility of Husqvarna acquiring Blount "on multiple occasions over the prior several years" and that Husqvarna expressed interest in acquiring Blount as recently as this past November. While Husqvarna reportedly balked at Blount's demand for "a premium significantly in excess of typical acquisition premiums," it would have been more surprising if Husqvarna had instead jumped at the opportunity given it was not aware of any other expressions of interest in – much less firm offers for – Blount at the time. Blount ultimately signed the deal with American Securities and P2 over further discussions with Husqvarna because it offered an attractive premium, was in hand, and would still allow the company to continue to solicit interest from Husqvarna and others.

In a best case scenario, the go-shop process will reveal interest from multiple strategic buyers that might drive the price up to $14 per share or more in a competitive bidding process. This is an unlikely, but possible, outcome. If the go-shop process hooks only one strategic buyer, that strategic buyer could probably win the company with a bid of $11 or $12 per share. All that said, the probability of any jumper emerging is probably less than 40%. In the likely event that no jumpers emerge, Blount's current deal for $10 per share should close. The terms of the deal with American Securities and P2 are solid. The debt financing for the transaction is committed, includes only senior secured bank debt, and reflects relatively modest leverage for a private equity transaction. Although the large premium American Securities and P2 are offering creates the possibility of material downside in the unlikely event that the current deal runs into trouble, that risk is mitigated by the presence of multiple strategic buyers that could step in to scavenge a busted deal and a large reverse termination fee.

All things considered, the prospective risk adjusted returns from BLT are attractive, even though the most likely outcome is a small return from the current deal closing. As an added benefit, the outcome of this investment should be relatively uncorrelated to the rest of our portfolio.

The U.S. equity market in 2016 is off to its worst ever start to a year. Market participants have once again given way to fear in the face of plunging oil prices and growing cracks in China's economic edifice. While the prices of the securities in our portfolio have declined along with the overall equity market, their values have hardly changed. I remain confident that our portfolio will deliver attractive returns over time.

The equanimity of Hinde Group's investor partners is a stark contrast to the mercurial nature of most market participants. It is one of our greatest competitive advantages. Thank you for your continued confidence and support.

Please feel free to contact me if you have any questions or if there is anything you would like to discuss.

Regards,

Marc Werres
Managing Partner

Important Disclosures

The performance figures depicted herein relate to the Hinde Model Account. This account serves as the model account for the taxable accounts Hinde Group manages. The performance of investor partner accounts may differ from the figures depicted herein for several reasons, including cost basis differentials, the timing of account inflows, tax considerations, or other reasons. The Hinde Model Account's gross results reflect the deduction of trading commissions and other fees charged by Hinde Group's broker. Net results reflect the hypothetical deduction of management fees (1.5% of AUM per annum billed quarterly in advance).

The Hinde Model Account's inception date is July 1, 2015.

The statistical data regarding the performance of the S&P 500 was obtained from the website of S&P Dow Jones Indices. The S&P 500 returns shown do not represent the results of actual trading of investible assets/securities.

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