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To My Partners:

The performance of our portfolio for the third quarter of 2016 and since inception is summarized below.

	Hinde Model Account		S&P 500
	Gross	Net	Total Return
2016:			
Q3	5.11%	4.71%	3.85%
Year-to-Date	2.93%	1.78%	7.84%
Since Inception (07/01/15):			
Annualized	5.67%	4.09%	6.34%
Cumulative	7.14%	5.14%	8.00%

Following a first quarter that included a sharp equity market sell-off and a second quarter that ended with the shocking Brexit referendum, the third quarter seemed downright tranquil. Data on the U.S. economy suggested modest, if uninspiring, underlying growth. Steady gains in household consumption continued to offset industrial sector headwinds from the strength of the dollar and the collapse in the prices of many commodities, most notably oil. In the absence of a bona fide bogeyman to bedevil the market, the effects of aggressive and unconventional forms of monetary stimulus by central banks in developed countries manifested themselves by inflating asset prices, compressing risk premiums, and suppressing volatility. From mid-July through early September, the S&P 500 went 43 trading days without a daily move of 1.0% or more, one of the longest such stretches in the past 20 years. The only hint of volatility during the quarter came after a few Federal Reserve officials made somewhat hawkish comments that raised expectations for another rate hike before the end of the year.

Over the course of the quarter, the S&P 500 delivered a total return of 3.85%, bringing its year-to-date return to 7.84%. As expectations for future U.S. monetary policy firmed slightly, the yield on the 2-Year Treasury moved up 19 basis points to 0.77%, and the yield on the 10-Year Treasury increased 11 basis points to 1.60%. Risk premiums, such as credit spreads and option-implied volatility, began the quarter at somewhat elevated levels in the wake of the U.K.'s Brexit vote and generally declined to levels below long-term medians by quarter end.

Our portfolio outperformed the S&P 500 during the third quarter. Several of our positions, including NMI Holdings, Inc. class A common stock (NASDAQ: NMIH), E*TRADE Financial Corporation common stock (NASDAQ: ETFC), Colfax Corporation common stock (NYSE: CFX), and Amazon.com, Inc. common stock (NASDAQ: AMZN), delivered particularly strong performance. Those positions collectively contributed 8.78% to our gross return. That positive contribution was partially offset by a 2.74% detraction from our position in Liberty Interactive Corporation series A QVC Group common stock (NASDAQ: QVCA). QVCA declined 21.1% during the quarter.

Performance Attribution

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

Performance Attribution			
3Q 2016		YTD	
NMI Holdings	4.00%	NMI Holdings	3.03%
E*TRADE Financial	2.11%	Colfax Corporation[1]	2.87%
Colfax Corporation[1]	1.72%	Amazon.com	1.53%
Amazon.com	0.95%	TopBuild	0.76%
TopBuild	-0.96%	Interactive Brokers Group	-2.21%
Liberty Interactive QVC Group	-2.74%	Liberty Interactive QVC Group	-3.03%
Other	0.03%	Other	-0.02%
Gross Performance	5.11%	Gross Performance	2.93%

Portfolio Composition

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

Portfolio Composition	
Equities - Long	79.3%
Equities - Short	-7.3%
Cash[2]	28.0%

During the quarter, we added a new position in HRG Group, Inc. common stock (NYSE: HRG) that is hedged by a short position in Spectrum Brands Holdings, Inc. common stock (NYSE: SPB). We also added to our position in Interactive Brokers Group, Inc. Class A common stock (NASDAQ: IBKR) and closed out our short position in out-of-the-money calls on Colfax Corporation common stock (NYSE: CFX), which served to partially hedge our long position in the stock, shortly before their expiration in September. At the end of the quarter, our portfolio included eight long equity positions, one short equity position that hedges one of our long positions, and cash.

Select Portfolio Updates

The portfolio updates for this quarter include four of our positions: HRG Group, Inc. common stock, NMI Holdings, Inc. common stock, E*TRADE Financial Corporation common stock, and Liberty Interactive Corporation series A QVC Group common stock. HRG Group. Inc. common stock is a new special situation investment. NMI Holdings, Inc. common stock gained 39.1% during the quarter, and our long position in the shares was the top contributor to the portfolio's performance during the quarter. E*TRADE Financial Corporation recently announced a notable management change. Finally, our position in Liberty Interactive Corporation series A QVC Group common stock, a compounder investment, was the largest detractor from the portfolio's performance during the quarter due to some temporary headwinds that have weighed on the performance of QVC's U.S. business over the past few months.

[1] Includes both common stock and associated derivative securities
[2] Includes short sale proceeds

HRG Group, Inc.
(NYSE: HRG)

Phil Falcone, a former star hockey player at Harvard who cut his teeth on Wall Street as a high yield and distressed debt trader, and the investment firm he founded, Harbinger Capital Partners, rose to prominence primarily through bets against securities backed by subprime mortgages as the housing bubble began to burst. Funds managed by Harbinger Capital Partners returned an eye-popping 119% in 2007. Initially seeded with just $25 million in 2001, the firm was managing more than $26 billion by mid-2008. As Harbinger Capital Partners grew, its investment strategy increasingly shifted from its roots in distressed debt toward activist and private equity-like investments, the most prominent of which included a 19% activist stake in The New York Times Company and an ill-fated, multi-billion dollar investment in the satellite network LightSquared. One of Harbinger Capital Partner's lesser-known control investments was in a publicly-traded company called Zapata Corporation.

In June 2009, Harbinger Capital Partners acquired 51.6% stake in Zapata Corporation from Malcolm Glazer, an investor and corporate raider who owned the Tampa Bay Buccaneers and the Manchester United Football Club. At the time, Zapata Corporation was a NYSE-listed shell-company with no operating business that owned about $150 million of cash and securities. Phil Falcone saw the opportunity to use Zapata Corporation as a vehicle for accessing permanent equity and long-term debt financing in order to fund acquisitions. In December 2009, Zapata Corporation changed its name to Harbinger Group, Inc.

Harbinger Group grew rapidly in the years after Phil Falcone took over. It acquired a 54.5% controlling interest in Spectrum Brands, a publicly-traded diversified global branded consumer products company, from Harbinger Capital Partners by issuing 119.9 million new shares, a transaction that brought the ownership interest of Harbinger Capital Partners in Harbinger Group up to 93.3%. Several months after the Spectrum Brands acquisition, Harbinger Group acquired the U.S. life insurance subsidiary of British insurer Old Mutual Group plc for $350 million. Harbinger Group also went on to invest in a variety of other, smaller businesses, including a reinsurance company, several asset management companies, and an oil and natural gas production company. Harbinger Group's book value grew from $158 million on June 30, 2009 to $2.3 billion by September 30, 2009, and its stock price nearly doubled over the same period.

Despite achieving some measure of success, Harbinger Group was not immune to legal and regulatory problems that emerged for Phil Falcone and Harbinger Capital Partners. At the height of the financial crisis, Falcone had restricted investors in funds managed by Harbinger Capital Partners from withdrawing their capital. While the so-called gate provisions were in effect, Falcone improperly borrowed $113.2 million from one of the funds to pay his personal taxes and also granted favorable redemption and liquidity terms to certain large investors without informing other fund investors. The SEC filed enforcement actions against Falcone and Harbinger Capital Partners in June 2012. The parties agreed to a settlement in August 2013 that barred Falcone from the securities industry for at least five years and required Falcone and Harbinger Capital Partners to admit wrongdoing and pay more than $18 million. In the wake of the SEC settlement, a plan was put in place to wind down the funds managed by Harbinger Capital Partners. Harbinger Capital Partners gradually sold off its stake in Harbinger Group, and Phil Falcone resigned from his role as Chairman and CEO of Harbinger Group in late 2014.

The split led to an apparent change in Harbinger Group's strategic direction. The balance of power on the board of directors shifted from Phil Falcone and Harbinger Capital Partners to Leucadia National Corporation and Fortress Investment Group, two sophisticated investment firms that between them own around 40% of the company and control four of the nine seats on its board of directors. In early 2015, the company ditched the "Harbinger" moniker and changed its name to HRG Group, Inc. Less than a month later, HRG Group announced it would pursue strategic alternatives for its majority-owned insurance subsidiary, Fidelity Guaranty & Life, a process that ultimately led to signing a definitive agreement to sell the business to Anbang Insurance Group Co., Ltd. HRG Group also divested all of its oil and gas assets and began the process of shuttering its asset management businesses. Once the sale of Fidelity Guaranty & Life closes and HRG Group sells the associated reinsurance business, Front Street Re, essentially all of the value

of HRG Group will come from its stake in Spectrum Brands.

Although HRG Group has not publicly committed to fully monetizing its assets, it seems likely to do so in the foreseeable future. On a sum-of-the-part basis, HRG is worth more than $20 per share, well above where the stock is currently trading. The discount to value at which HRG trades is attributable to the tax inefficiency of holding a less-than-80% stake in a C-corporation (Spectrum Brands) through another C-corporation (HRG Group) and to the drag created by HRG Group's corporate overhead. The alternatives for tax-efficiently monetizing one publicly-traded company's large, appreciated stake in another publicly-traded company are generally limited and require meeting certain criteria. When its assets are slimmed down to essentially just the Spectrum Brands stake, HRG Group will have a unique opportunity to structure a relatively straightforward transaction that would tax-efficiently monetize its stake in Spectrum Brands: a stock-for-stock merger with Spectrum Brands. It is hard to see how Leucadia and Fortress could justify passing up such a fleeting opportunity to unlock shareholder value. If HRG Group does indeed decide to pursue a full monetization of its assets, that should be announced – if not completed – within the next 24 months.

Our stake in HRG is hedged with a short position in Spectrum Brands Holdings, Inc. common stock (NYSE: SPB).

NMI Holdings, Inc.
(NASDAQ: NMIH)

During the third quarter, NMI Holdings, one of the two private mortgage insurance companies launched in the aftermath of the housing bust, reported strong financial results for the preceding quarter. The written volume of its highest return product, borrower-paid mortgage insurance, grew an impressive 153.4% year-over-year. Based on that strong growth, NMI Holdings indicated that it should meet or exceed the high-end of its prior guidance for new insurance written for the year. The company also achieved an important milestone by reporting its first ever quarter of GAAP profitability. Even if NMI Holdings just maintains its current rate of new insurance written, it will deliver years of robust earnings growth. The company expects pre-tax income to hit at least $60 million next year, up from $7 million to $10 million this year, and to continue to grow rapidly after that.

NMI Holdings also announced that it had entered into a quota share reinsurance agreement with a panel of eight strongly capitalized and highly rated third-party reinsurers on incredibly attractive terms. The implied after-tax cost of capital for risk ceded under the agreement is expected to be in the neighborhood of just three percent over the term of the transaction. In contrast, NMI Holdings underwrites its mortgage insurance with the expectation of achieving a mid-teens return. The wide spread between the return NMI Holdings expects on the mortgage insurance it writes and its cost of capital under the reinsurance agreement represents a significant source of shareholder value creation. With the reinsurance agreement in place, NMI Holdings now has the capital resources to scale to around $50 billion in insurance-in-force, roughly double its current size. The company's earnings at that scale will generate a meaningful amount of capital to support continued growth.

NMIH gained 39.1% during the third quarter. The company's continued strong financial performance and the announcement of the reinsurance agreement went a long way toward allaying the misplaced investor fears that had weighed on the stock earlier this year. The recent sale of AIG's mortgage insurance subsidiary, United Guaranty Corp., to Arch Capital Group Ltd. also revealed that several diversified insurance companies and reinsurance companies may be interested in acquiring a U.S. mortgage insurance company. Despite NMIH's strong performance, it continues to trade notably below the low-end of Hinde Group's estimate of its intrinsic value, 1.2x adjusted tangible book value or $9.50 per share.

*E*TRADE Financial Corporation (NASDAQ: ETFC)*

E*TRADE has long been bandied about as an eventual acquisition target for a larger online broker or other financial services firm. As E*TRADE has continued to recover from the damage inflicted on its balance sheet by the bursting of housing bubble and ensuing financial crisis, a sale of the company has become increasingly feasible. Marking E*TRADE's loan portfolio to market would no longer open up an enormous hole in its regulatory capital that an acquirer would have to fill. Expensive forms of financing raised to keep the company afloat have been retired. Deferred tax assets created by the tremendous losses E*TRADE experienced are increasingly being utilized, diminishing the significance of limitations on their usage that would come with a change in control. With this backdrop, an announcement that E*TRADE recently made may signal that a sale of the company is on the horizon. On September 12, 2016, E*TRADE announced that its board of directors had fired the company's CEO, Paul Idzik and replaced him with its General Counsel, Karl Roessner.

Although Paul Idzik did a relatively good job of nursing the company's balance sheet back to health and mending E*TRADE's reputation with its regulators, the growth of E*TRADE's brokerage business has not kept pace with that of its larger peers. E*TRADE's brokerage account growth slowed from 4.9% in 2014 to 2.2% in 2015 and 2.4% year-over-year at the end of the second quarter of this year. In contrast, TD Ameritrade and Charles Schwab grew their brokerage account totals by 4.8% and 3.9% year-over-year in the second quarter. In an industry characterized by considerable economies of scale, E*TRADE is a second tier player that is falling further behind the industry leaders. That is not a recipe for long-term success as an independent company.

E*TRADE's board of directors is giving the company 18 to 24 months to accelerate the growth of certain key brokerage metrics, such as accounts, trading volume, and client assets, by 2% to 3%. If the company does not achieve this performance threshold, the board of directors will evaluate strategic alternatives, which would likely result in a sale of the company.

It seems like a long shot that E*TRADE will be able to meet the board's performance threshold within 18 to 24 months. In *Barron's* 2016 Online Broker Ranking, E*TRADE came in right in the middle of the pack – 9th out 16 – and was behind its larger peers, Fidelity, TD Ameritrade, and Charles Schwab. E*TRADE lagged notably in the following categories: trading experience & technology, range of offerings, and costs. It is hard to imagine that E*TRADE will be able to sufficiently overhaul its product offering to meaningfully improve its competitiveness within the next 18 months, much less begin to see the fruits of doing so manifest themselves in the growth of key brokerage metrics.

The fact that the board of directors chose the company's General Counsel, Karl Roessner, as the replacement for Paul Idzik may indicate that the board of directors is already leaning toward selling the company. It is unclear whether Karl Roessner has any direct experience – much less a track record of success – developing, marketing and managing a brokerage business and driving growth. Karl Roessner does have an extensive background in mergers & acquisitions though. Prior to joining E*TRADE as General Counsel in May 2009, Karl Roessner was a Partner in the mergers & acquisitions group of the law firm Clifford Chance LLP. Beginning in 2002, he advised E*TRADE on acquisitions and divestitures in the brokerage space, including E*TRADE's acquisitions of BrownCo and Harrisdirect prior to the financial crisis. Presumably, he also must have played a leading role in the numerous discussions E*TRADE has had over the years with TD Ameritrade, Charles Schwab, and others about potential business combinations. He seems a much more logical choice to lead a sale process for the company than to reinvigorate its tepid brokerage growth.

While ETFC is cheap on a stand-alone basis as E*TRADE continues to unlock its earnings power, a sale of the company could deliver material incremental upside. The online brokerage model enjoys enormous economies of scale. In a purely scale-driven acquisition, the acquiring broker can take out around 80% of the target broker's cost structure. In E*TRADE's case, that could represent more than $800 million of cost

synergies. And there are typically revenue synergies to be realized as well. E*TRADE generally does not do nearly as good of a job as larger competitors, like TD Ameritrade, Charles Schwab and Fidelity, of selling advisory services to its customer base or garnering as large a share of each customer's investable assets. E*TRADE also has arguably the most well-known brand in the online brokerage industry, something certain prospective acquirers might highly value. Imagine Bank of America rebranding its often-overlooked Merrill Edge product as Merrill E*TRADE. In light of the tremendous synergy potential and likelihood of strong interest by multiple capable bidders, E*TRADE would probably be able to realize a price of $40 per share or more in a sale.

For the third quarter, ETFC gained 24.0%. Most of ETFC's gain during the quarter relates to favorable changes in the yield curve over the course of the quarter. Some portion of the gain may relate to the market pricing in a somewhat higher probability of a sale of the company in the wake of the leadership transition.

Liberty Interactive Corporation QVC Group (NASDAQ: QVCA)

QVC reported solid results for the second quarter, including 2% revenue growth and 4% operating income growth in the U.S., but it also disclosed that it experienced a deceleration in sales trends in the U.S. beginning in early June that continued into the third quarter. QVC's management attributed the softening sales trend to a variety of factors, including i) aggressive markdown activity at department stores to clear spring and summer fashion goods, ii) weak overall demand in certain categories, such as jewelry, handbags and consumer electronics; iii) QVC's decision to moderate its use of promotional financing in response to a modest uptick in delinquency rates, iv) strong competition for attention from the Olympics and the U.S. election, and v) a significant drop-off in sales of WEN hair care products, one of QVC's best-selling lines, due to allegations that the products cause hair loss. QVC's management indicated that its U.S. business would likely report a year-over-year decline in revenue and operating income for the third quarter.

QVCA had an outsized reaction to the news, declining 21.1% over the course of the third quarter. Financial markets have a significant bias toward extrapolation, and in light of the tectonic changes occurring in the two industries that QVC straddles, retail and media, it is easy to weave a superficial narrative that this deterioration in QVC's historically stable growth trend represents a structural turning point for the business. QVCA is currently priced as if QVC's business is in long-term decline. While it is important to respect the fundamental changes occurring in the retail and media industries, QVC has successfully navigated numerous shifts in the retail and media landscapes over its 30 years of existence, and it is well positioned to continue to do so. The nature of the recent sales slowdown that QVC has experienced – driven by QVC's best customers pulling back a bit, not by a fall-off in viewership or the rate of new customer acquisition – supports the idea that this is likely just a temporary air-pocket, not a sign of a structural change.

Although the outlook for QVC's earnings growth over the next few years has unquestionably dimmed as a result of headwinds the business is currently facing, our investment in QVCA should still ultimately prove to be a good one. The other components that will drive QVCA's total compound return over the next several years remain in place. QVC continues to generate a huge amount of cash. zulily's performance is exceeding expectations so far. Greg Maffei and John Malone will create value through capital allocation. And there continues to be ample scope for the market to assign QVCA a better capitalization rate once QVC reinvigorates its business in the U.S.

I believe there are substantial gaps between the prices at which the securities in our portfolio are trading and their respective intrinsic values. In contrast, I believe much of the broader equity market's gain this year has come at the expense of prospective returns. Our portfolio is well positioned to deliver attractive absolute and relative returns over time, and I continue to work tireless to further enhance our portfolio's latent value.

Thank you for your continued confidence and support.

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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