A One Embarcadero
5th Floor
San Francisco, CA 94111
T (415) 992-8125
W hinde-group.com

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To My Partners:

The performance of our portfolio for the fourth quarter of 2017 and since inception is summarized below.

	Hinde Model Account		S&P 500
	Gross	Net	Total Return
2017:			
Q4	9.83%	9.42%	6.64%
Year	34.47%	32.47%	21.83%
Since Inception (07/01/15):			
Annualized	20.30%	18.50%	13.31%
Cumulative	58.65%	52.79%	36.61%

The U.S. equity market rallied over the course of the fourth quarter as the passage of legislation cutting corporate and individual tax rates appeared increasingly likely. Trump and congressional Republicans ultimately delivered, and the Tax Cuts and Jobs Act of 2017 ("TCJA") was signed into law on December 22, 2017. In the near-term, the TCJA will boost the after-tax earnings of most U.S. corporations, allow the tax-efficient repatriation of large amounts of corporate cash held overseas, and goose the economy through increased business investment and higher household consumption.

The TCJA is far from a panacea though. Prior to the TCJA's passage, the U.S. federal budget was already poised to face substantial pressure from growing spending on entitlement programs as the population ages and higher debt service costs as interest rates increase from historically low levels. The TCJA only adds to those long-term fiscal challenges, specifically to the tune of around $1.5 trillion over the next decade.[1] Many were alarmed when the budget deficit reached 9.8% of GDP in 2009 in the wake of a once-in-a-century financial crisis. The last time it had reached that level was during World War II. The federal budget deficit is now expected to hit that level within 30 years *when the economy is operating at full health*. Thoughtfully designed, revenue-neutral corporate tax reform could have strengthened the U.S. economy; we got a half-baked tax cut that leaves the U.S. with an even less sustainable combination of tax and spending policies than we had previously. Moreover, adding to government debt to stimulate growth can make sense when the economy is depressed, but that is far from the state of the U.S. economy today.

The U.S. economy has solid underlying momentum and is at or approaching its full potential. U.S. GDP looks like it grew around 2.6% in the fourth quarter. That would bring growth for the full year to around 2.3%, up from 1.9% in 2016 and 2.0% in 2015. Private investment picked up in 2017, in part due to a diminished drag from the energy sector, and household consumption remained steady. The economy's current growth trajectory is notably above the 1.5% to 2.0% range most economists believe is sustainable over the long run, and growth may accelerate modestly in the near-term on account of the TCJA. At the same time, the unemployment rate is at its lowest level since the heady days of 1999/2000, and economic output slightly exceeds the Congressional Budget Office's most recent estimate of its potential. Supply-side constraints

[1] Congressional Budget Office, Cost Estimate for the Conference Agreement on H.R. 1, a Bill to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 (December 15, 2017), www.cbo.gov/publication/53415.

may increasingly limit the rate of growth the U.S. economy is able to achieve over the next several years.

The equity market's steady gains during the fourth quarter resulted in the first ever calendar year in which the S&P 500 delivered a positive total return in each month. Broader conditions in financial markets also remained unusually benign. Credit spreads continued to be miserly and implied equity volatility could barely muster a heartbeat. Yields on treasury securities moved up notably as the market priced in a more favorable outlook for economic growth and correspondingly tighter monetary policy.

Our portfolio performed well for both the fourth quarter and the full year. Our positions in Interactive Brokers Group, Inc. Class A common stock (NASDAQ: IBKR), Amazon.com, Inc. common stock (NASDAQ: AMZN), and Fastenal Company common stock (NASDAQ: FAST) took the podium for both periods. Fourth quarter returns of 31.5%, 21.6%, and 20.0% for IBKR, AMZN, and FAST, respectively, brought their full year returns to 62.2%, 56.0% and 32.6%.[2] Despite detracting notably from our fourth quarter performance, our position in Northeast Bancorp's voting common stock (NASDAQ: NBN) made a substantial positive contribution to the portfolio for the full year. NBN fell 11.5% in the fourth quarter, trimming its gain over our average cost for the year to 19.6%. NBN's small market capitalization and lack of sell-side research coverage introduce a lot of noise to its short-term price fluctuations. For the full year, our portfolio's cash position averaged 23.9%.

Performance Attribution

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

Performance Attribution			
4Q 2017		2017	
Interactive Brokers Group	6.21%	Interactive Brokers Group	12.58%
Amazon.com	2.15%	Amazon.com	5.31%
Fastenal Company	2.11%	Fastenal Company	3.78%
Alphabet	0.84%	Northeast Bancorp	3.18%
Northeast Bancorp	-2.03%	Waters Corporation	3.03%
		Alphabet	1.56%
		Colfax Corporation	1.43%
		TopBuild	1.27%
		HRG Group	1.23%
Other	0.55%	Other	1.11%
Gross Performance	9.83%	Gross Performance	34.47%

[2] The stated full year return for FAST reflects its price return relative to our average cost.

Portfolio Composition

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

Portfolio Composition	
Equities - Long	97.7%
Equities - Short	-6.2%
Cash[3]	8.5%

During the quarter, we added to our existing position in Colfax Corporation common stock (NYSE: CFX). No positions were initiated or closed during the period. At the end of the quarter, our portfolio included eight long equity positions, a short equity position that hedges one of our long positions, and cash.

Select Portfolio Updates

The portfolio updates for this quarter cover our positions in HRG Group, Inc. common stock (NYSE: HRG), a special situation that is hedged by a short position in Spectrum Brands Holdings, Inc. common stock (NYSE: SPB), and Colfax Corporation common stock (NYSE: CFX), a compounder. Both positions have delivered terrific internal rates of return thus far: 25.4% since September 2016 for HRG/SPB and 33.7% since December 2015 for CFX. The return on our position in HRG/SPB is particularly extraordinary considering the degree to which it has been hedged.

HRG Group, Inc.
(NYSE: HRG)

On November 30, 2017, Fidelity & Guaranty Life, a publicly-traded company in which HRG Group had a 80.4% equity interest, completed its merger with CF Corporation. CF Corporation acquired each share of Fidelity & Guaranty Life common stock for $31.10 in cash, representing a total of $1.835 billion. HRG Group's share of that amount was approximately $1.462 billion. HRG Group and CF Corporation were able to structure the transaction in a tax-efficient manner by making a joint election under Section 388(h)(10) of the Internal Revenue Code. The 388(h)(10) election will preserve a substantial amount of HRG Group's tax loss carryforwards that otherwise would have been used to offset any taxable gain on the transaction. In a related transaction, CF Corporation acquired Front Street Re, a subsidiary of HRG Group that provided reinsurance to Fidelity & Guaranty Life, for $65 million.

It was always quite clear that the next step for HRG Group after completing the sale of its interest in Fidelity & Guaranty Life would be to arrange a merger with Spectrum Brands Holdings, Inc., another publicly-traded company in which HRG Group owns a 59.6% interest. Monetizing its stake in Fidelity & Guaranty Life streamlined HRG Group's remaining assets to just its controlling interest in Spectrum Brands, cash, and a sizeable amount of tax loss carryforwards. On December 19, 2017, HRG Group publicly disclosed a proposal to merge with Spectrum Brands. It also separately requested some changes to the Board of Directors of Spectrum Brands that would enhance HRG Group's control over the company in the absence of a deal. Simply put, HRG Group is flexing its negotiating and corporate governance muscles to strike a merger on favorable terms. While Spectrum Brands' public response to HRG Group's proposal indicated some narrow gaps between the two parties, it seems highly likely that the two companies will be able to strike a deal in the near future.

While the vast majority of the potential return from this position has been realized, the risk adjusted returns from holding the position until a definitive merger agreement is announced still appear attractive assuming a deal is finalized in the near-term.

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[3] Includes cash collateral related to short positions.

Colfax Corporation (NYSE: CFX)

On December 11, 2017, Colfax completed the sale of its fluid handling business, the one around which the company was originally formed in 1995, to CIRCOR International, Inc. for $863 million, including $542 million of cash and 3.3 million shares of CIRCOR International, Inc. common stock (NYSE: CIR). The consideration amounted to a healthy 13.4x the fluid handling segment's adjusted EBITDA for the trailing twelve months and approximately $7.00 per share of CFX. The transaction leaves Colfax primarily composed of the two businesses acquired through the Charter International plc transaction, Howden and ESAB, as well as several smaller acquisitions Colfax has bolted onto those two businesses since.

Colfax plans to use the proceeds from the sale of its fluid handling business to fund the acquisition of a new "platform" company that will stand alongside Howden and ESAB. The company has been actively evaluating a broad set of acquisition targets that meet its platform criteria across a variety of industries. Management is hopeful that it can get a platform deal done by the end of 2018. A compelling platform acquisition would not only provide another avenue for long-term shareholder value creation, but also boost the stock price in the short-term by bolstering investor confidence in Colfax's ability to execute the Danaher playbook.

In recent quarters, Colfax's operating performance has been buffeted by pockets of weakness in the Howden business. Howden designs, manufacturers, installs and maintains complex air and gas handling equipment for critical applications in the power, oil & gas and petrochemical industries, among others.

A pullback in construction of new coal-fired power plants in China has hurt Howden's power business. China had been building an unsustainably high number of coal-fired power plants as part of its investment-led economic growth model. The Chinese government recently reigned in that wasteful investment. The timing and abruptness of the reset were unexpected, but the long-term outlook for a gradual decline in demand related to coal-fired power plants remains unchanged. Only 25% of Howden's power business is driven by newly built coal-fired power plants. The remaining 75% is driven by aftermarket parts and services as well as upgrades and environmental retrofits. Even under the most aggressive scenario the International Energy Agency models for carbon emission reductions, the amount of coal-fired generating capacity globally would only decline by 1.3% per year through 2030. Howden should still be able to grow overall if that downside scenario for coal-fired power generation comes to pass, and the company could benefit significantly if its air and gas handling equipment were to be incorporated into a broadly deployed carbon capture and storage solution.

Howden has also experienced some weakness in its oil & gas business driven by delayed refining and other downstream projects. Based on the company's project funnel, Howden's management is confident that orders from the oil & gas industry will return to growth in the second half of 2018.

Our investment in CFX should deliver attractive returns over the next several years. Between organic growth, margin improvement, and acquisitions, Colfax should be able to achieve more than $3.00 of EPS within four years. As Colfax executes on its acquisition playbook and the short-term factors buffeting its earnings trajectory subside, the capitalization rate at which the market values the company should better align with the rate at which the market values both Danaher Corporation and Fortive Corporation, roughly a 4.3% forward earnings yield. A 4.3% forward earnings yield on more than $3.00 of EPS would result in a share price in excess of $70. Achieving that scenario in three years would result in an annualized return of more than 20.0%.

It was a good year for Hinde Group in many respects, but it is always important to keep in mind that our shortest holding period is generally one year and many of our positions are held for much longer than that. Hinde Group added just three sizeable new positions to the portfolio in 2017, and those positions contributed only about 8.5% to our 34.5% gross mark-to-market return for the year, or roughly one-quarter of the total. It is always best to consider the performance of Hinde Group's strategy over a multi-year period.

Two and a half years since its inception, Hinde Group's annualized net return to its investor partners is more than 5% higher than the annualized total return of the S&P 500, and I believe the risk in Hinde Group's portfolio was somewhat lower than that of the S&P 500 considering i) the margin of safety present in each of our investments when they were initiated, ii) the extraordinarily high business quality of our compounder investments, iii) the hedging we've done, such as with our stake in HRG, and iv) the fact that our cash position has averaged 22.0%. I am pleased, but not satisfied, with the investment results we've achieved thus far.

Although financial markets are buoyant and assets are generally priced for meager returns, our portfolio has enough latent value heading into 2018 that it should do well on both an absolute and relative basis.

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, but not limited to, cost basis differentials, the timing of account inflows, and tax considerations. 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.

Past performance is not necessarily indicative of future results. All investments involve risk, including the loss of principal. The views expressed herein are those of Hinde Group as of the date indicated and may change without notice. Hinde Group may buy or sell any security at any time and is under no obligation to provide updates to the information contained herein. This is not a recommendation to buy or sell any security.