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To My Partners:

The performance of our portfolio for the fourth quarter of 2018 and since inception is summarized below.

	Hinde Model Account		S&P 500
	Gross	Net	Total Return
2018:			
Q4	-14.77%	-15.09%	-13.52%
Year	-7.61%	-8.99%	-4.38%
Since Inception (07/01/15):			
Annualized	11.54%	9.87%	7.93%
Cumulative	46.58%	39.05%	30.62%

I know you think you understand what you thought I said but I'm not sure you realize that what you heard is not what I meant. – Alan Greenspan

Communications from central bank officials are powerful. They shape expectations for future monetary policy, move interest rates, and influence financial market conditions. At their best, central bankers can stabilize turbulent markets with words alone. Back in 2012, Mario Draghi, the President of the European Central Bank, famously turned the tide against a worsening eurozone financial crisis simply by stating that "the ECB [was] ready to do whatever it takes to preserve the euro." But central bank officials are only human. On occasion, they misspeak or are misunderstood, as the quote from former Fed Chairman Greenspan illustrates. Daft comments from central bank officials can be just as powerful as deft ones.

Just such a daft comment triggered the wave of uncertainty that swept over U.S. financial markets during the fourth quarter. On October 3rd, Fed Chairman Jerome Powell commented during a public question-and-answer session that "we're a long way from neutral at this point" in reference to the Fed's main policy rate, the federal funds rate. Market participants had thought the Fed was only about three hikes away from neutral, hardly a "long way." Powell's comment caught them by surprise. It seemed to suggest that the Fed planned to push the federal funds rate much higher than had been expected.

Financial markets lurched in response. The yield on the 10-year treasury shot higher, jumping from 3.05% on October 2nd to 3.23% on October 5th. The equity market tanked, and option-implied volatility soared. From October 2nd through October 11th, the S&P 500 lost 6.7% and the VIX more than doubled. Most of the equity market's decline reflected an abrupt loss of confidence among market participants.

Had the Fed acted quickly and decisively to clarify or walk back Powell's comments, it could have restored confidence and repaired financial market conditions. Instead, the Fed's response was slow and tepid. It took Chairman Powell until November 28th, almost two months after his gaffe, to indicate in a speech that the federal funds rate was in fact "just below" neutral, not a long way from it. Trump's criticisms of the Fed and the mid-term elections likely stayed the Fed's hand to some extent. Fed officials would want to avoid the appearance of being influenced by Trump's criticisms or of affecting the elections. Regardless of the reason

for the Fed's feeble response, it allowed uncertainty to fester and spread in financial markets throughout the fourth quarter.

Several developments around the globe also weighed on financial markets during the quarter. China and the U.S. made only limited progress in resolving their trade dispute, and China's economy showed further signs of slowing. Increasing supply and declining demand sent oil prices sharply lower, weakening the outlook for oil & gas-related investment spending. And political dysfunction reigned prominently in both the U.S. and U.K. Trump initiated a federal government shutdown in an effort to extort funds for a border wall, and the British government continued to flail in the face of the looming deadline for Brexit. With investor confidence already shaken by the Fed, these negative headlines had outsized effects.

For all these reasons, financial markets ended 2018 in a stressed state. That is the primary reason for the poor mark-to-market performance of the S&P 500 and our portfolio for the fourth quarter and full year. When investors lose confidence, the impact on security prices is indiscriminate. But investor confidence is mean-reverting. Although the outlook for global economic growth has diminished somewhat, a recession is by no means imminent. To the extent the underlying results of the businesses in which we are invested meet our conservative expectations, our portfolio should deliver attractive returns over time.

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 2018		2018	
Retail Value	-1.37%	Amazon.com	4.10%
Amazon.com	-1.45%	Retail Value	-1.60%
Fastenal Company	-1.53%	Northeast Bancorp	-3.95%
Alphabet	-2.10%	Colfax Corporation	-7.37%
Northeast Bancorp	-2.83%		
Colfax Corporation	-5.51%		
Other	0.02%	Other	1.21%
Gross Performance	-14.77%	Gross Performance	-7.61%

Portfolio Composition

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

Portfolio Composition	
Equities - Long	95.3%
Cash	4.7%

During the quarter, we added to our position in Interactive Brokers Group, Inc. class A common stock (IEX: IBKR), a position we had trimmed at considerably higher prices earlier in the year. At the end of the quarter, our portfolio included eight long equity positions and cash.

Select Portfolio Updates

The portfolio updates for this quarter cover three of our compounder investments, Waters Corporation common stock (NYSE: WAT), Colfax Corporation common stock (NYSE: CFX) and Interactive Brokers Group, Inc. class A common stock (IEX: IBKR).

Waters Corporation (NYSE: WAT)

Waters Corporation is a leading provider of high precision measurement instruments and associated consumables, software and services to pharmaceutical, life science, food safety, industrial, government and academic customers. We initially invested in WAT in December 2016.

Part of our original investment thesis was that Waters was poised to benefit tremendously from any tax reform legislation. A truly global business, Waters Corporation generates more than two-thirds of its revenue and more than ninety percent of its pre-tax income from outside the U.S. Prior to the passage of the Tax Cuts and Jobs Act ("TCJA"), Waters would have faced a significant tax bill if it repatriated its foreign earnings, so it simply kept the money overseas. Over the years, Waters built up a hoard of more than $3.3 billion in overseas cash, representing essentially all its earnings. At the same time, Waters Corporation's U.S. domiciled parent ultimately borrowed almost $2 billion in the U.S. to fund ongoing share repurchases. Waters found itself in the perverse situation of being increasingly cash-rich outside the U.S. and leveraged to the hilt domestically. While the strategy worked in the short-term, it would have reached a limit at some point. Uncertainty about when and at what cost Waters Corporation would ultimately be able to repatriate its historical and future foreign earnings weighed on its stock. That uncertainty is part of the reason we were able to buy the shares at such an attractive price.

Needless to say, the passage of the TCJA in late 2017 was a massive boon for Waters Corporation. It allowed the company to repatriate all its historical and future foreign earnings at a reasonable cost. While it was immediately clear that Waters would return a large amount of cash to shareholders, there were open questions about precisely how and how much. To answer the "how much" question, Waters had to determine what its capital structure should look like going forward. Prior to the passage of the TCJA, its capital structure had been almost exclusively driven by tax considerations. If Waters opted for an unleveraged balance sheet, the cash available for shareholders could have amounted to only about $1.5 billion, the difference between its overseas cash and its domestic borrowings. If Waters were instead to target a prudently leveraged capital structure – something that would make perfect sense given the stability of its business – it might be able to distribute as much as $4 billion.

Waters announced its capital structure decision on its third quarter earnings call in late October. The decision was a good one. Waters decided to target a ratio for net debt-to-EBITDA of 2.5x, unleashing $3 billion of incremental capital for distribution to shareholders. As a point of reference, Waters Corporation's entire market capitalization was around $11 billion at the time we made our investment. For the first nine months of 2018 – prior to making its capital structure decision – Waters repurchased $808 million worth of shares, or about $400 million in excess of its earnings for the period. After making the announcement, the company accelerated its repurchase activity to $500 million in the fourth quarter alone. It plans to repurchase $2.5 billion worth of shares in 2019 with the accelerated rate of share repurchases continuing in 2020.

Although Waters has clearly benefitted substantially from tax reform, the prospect for something like the TCJA was just the gravy on our investment thesis. The meat of our thesis, as is always the case with our compounder investments, was that Waters Corporation is a great business that is poised to thrive. And it certainly is; however, even great businesses have ebbs and flows in the strength of their results.

For Waters, 2018 began as a period of ebbing growth. Pockets of weakness developed in its business in the first quarter that restrained organic revenue growth. As the year progressed, the company's growth began

to flow. Organic revenue growth ultimately accelerated from 1% in the first quarter to 5% in the fourth. For the full year, constant currency organic revenue growth came in at 4%, slightly below the Company's long-term target of 6%. Waters was still able to deliver robust growth in operating income and earnings for the year through disciplined cost management.

After panning Waters for most of 2018, market participants cheered the improved revenue trends the company achieved in the fourth quarter, which was reported on January 23rd. The stock's double-digit rally on that day brought its gain for 2019 to 21.7%. We sold our position during the first quarter of 2019 after the stock's strong response to the earnings report. WAT had reached our estimate of fair value, and it is likely we will be able to redeploy the funds into a better opportunity in the near future. Our investment in WAT delivered a 26.7% compound annual return over our multi-year holding period.

Colfax Corporation
(NYSE: CFX)

Colfax Corporation is a diversified holding company that acquires good companies and turns them into great ones by applying its Colfax Business System. Colfax was founded by Steve and Mitch Rales about 10 years after they founded Danaher. Identical to the Danaher Business System in all but name, the Colfax Business System is a comprehensive set of tools, processes and values that drive superior results. Danaher has delivered eye-popping long-term returns for shareholders over time, and Colfax seems poised to do the same. We made our initial investment in CFX in December 2015. At the time, severely depressed demand in several of Colfax's key end markets, most notably the oil and gas industry, left the shares deeply out of favor.

During the fourth quarter, Colfax announced an agreement to acquire DJO Global Inc. for $3.15 billion in cash. The consideration was roughly equivalent to Colfax's market capitalization at the time of the announcement. DJO Global is a leading global provider of medical technologies, including rigid and soft orthopedic bracing, vascular therapy systems and compression garments, therapeutic shoes and inserts, electrical stimulators and a comprehensive suite of reconstructive joint products for the hip, knee and shoulder.

The acquisition is a transformational one for Colfax. Most significantly, it diversifies Colfax's end-market exposure away from the cyclical industrial end markets served by both its fabrication technology business, ESAB, and its air and gas handling business, Howden. DJO Global will also provide Colfax with a new platform for making high return bolt-on acquisitions. Given the considerable size of the DJO Global transaction, Colfax is exploring strategic alternatives for its Howden business.

Market participants have taken a skeptical view of the DJO Global acquisition thus far. Many were surprised and concerned by how far afield Colfax, which has historically focused on industrial sectors, seems to have gone in acquiring a medical technology company. Some had sticker shock at the price Colfax paid and the fact that it would have to issue equity to finance the transaction. Others were concerned with the amount of debt that Colfax would be left with if it could not find a buyer for its air and gas handling business at an attractive price. All of these concerns have weighed heavily on the market price of CFX since the announcement of the transaction.

The market's initial reaction notwithstanding, the DJO Global transaction should prove to be a good one for Colfax over time. Although Colfax was historically focused on industrial sectors, its executives and board have extensive experience in the medical device industry. Moreover, Colfax will be retaining key members of DJO's management team. Colfax had been following DJO Global as a potential new platform acquisition for over two years prior to doing the deal. They have done extensive due diligence on the company and see clear opportunities to reduce costs, accelerate revenue growth and improve margins through the application of the Colfax Business System. DJO Global also has a powerful channel of distribution into orthopedic clinics that will serve as the basis for highly accretive bolt-on acquisitions in the future. The share of orthopedic procedures done in clinics as opposed to hospitals is expected to increase rapidly in the coming years. As

Colfax's management delivers on the potential from this transformational acquisition, the returns that CFX delivers from its current, depressed price should be explosive.

Interactive Brokers Group, Inc. (IEX: IBKR)

Interactive Brokers Group is a highly automated global securities brokerage firm. It offers its customers direct market access to 120 securities trading venues in 26 countries around the world, superior execution quality, and a sophisticated trading platform all at cost that is dramatically lower than what competitors charge. IBKR has been in our portfolio since inception.

As a result of its superior value proposition, Interactive Brokers has been gaining market share hand-over-fist in its targeted customer segments around the world. Over the past few years, it has had particular success generating new accounts through partnerships with introducing brokers. Introducing brokers are new or established brokers that choose to white label IBG's cutting edge, low-cost platform. The introducing brokers handle marketing and customer service, and Interactive Brokers simply adds those accounts to its highly scalable automated brokerage platform. Interactive Brokers charges the introducing broker a discounted commission rate based on the aggregate trading volume of all the introducing broker's customers. The introducing broker then marks that commission rate up to its customers. Although Interactive Brokers receives a lower commission rate for a trade that comes through an introducing broker than it would for a trade that comes through a direct individual account, IBG also avoids substantial costs that are borne by the introducing broker. With account growth of 45% in 2018, the introducing broker segment was IBG's fastest growing customer segment for the year, growing to 31% of IBG's total accounts.

IBG's introducing broker model has been especially effective in China. For the twelve months ended September 30, 2018, more than half of IBG's net new accounts came from Asia. Growth in Asia has driven the share of IBG's accounts that come from the region to 35% as of September 30th, up from 26.0% two years prior. Roughly half of those accounts in Asia come from mainland China through introducing broker partnerships. Two of the company's largest introducing broker partners in China are Tiger Brokers and Futu Securities. These introducing brokers offer Chinese investors access to global markets through Interactive Brokers. Because Chinese investors primarily use IBG's introducing broker partners to invest outside of China, prospective customers from mainland China need to navigate through Chinese capital controls in order to fund their accounts. The growth IBG has achieved in China thus far and the long-term opportunity the country offers are underscored by the fact that only one out of every ten accounts opened at Interactive Brokers by a resident of mainland China through an introducing broker partner has ended up being funded due to the challenges presented by China's capital controls.

Beginning in October 2018, China seems to have administratively tightened those capital controls. The share of accounts opened by mainland China residents on IBG's platform that ultimately got funded dropped sharply. Interactive Brokers believes the tighter capital controls are directly related to the on-going trade dispute between the U.S. and China. The tighter capital controls have reduced IBG's flow of new introducing broker accounts from China. While IBG's net account additions were running up 29.7% year-over-year for the first nine months of 2018, net account additions declined 21% and 37% year-over-year in November and December when the full impact of the tighter capital controls hit. To be clear, Interactive Brokers is still growing its account base, just more slowly than it had been. If capital controls stay in place, IBG's rate of account growth will likely decelerate into the mid-teens from 26% at the end of September. IBG's revenue and income growth rates will decelerate less because introducing broker accounts generate lower than average revenue and profit dollars per account. Although the tightened capital controls should prove temporary, it is impossible to say how and when those restrictions will be eased.

Uncertainty about how IBG's business in China would be affected by China's slowing economic growth, poorly performing financial markets and on-going trade dispute with the U.S. has weighed heavily on the price of IBKR since the shares hit a high of over $80 in May 2018. Even if the currently tight capital controls were to stay in place indefinitely, IBKR is conservatively worth more than $80 based on its robust long-term growth opportunity in all of its other customer segments and geographies. If China's tightened capital controls instead prove temporary, IBKR would be fairly valued at more than $100 today. IBKR was our largest position at the end of the year.

Conditions in the equity market have eased thus far in 2019, and the mark-to-market value of our portfolio has bounced back sharply from where it was on December 31st. I continue to believe our portfolio has a substantial amount of "potential energy" in it, and I am hopeful that energy will be released in the coming quarters. Despite our portfolio's poor mark-to-market result for 2018, I remain confident that its return over a multi-year period measured from the beginning of 2018 will be attractive.

On a related note, our experience investing in Waters Corporation yields a point worth emphasizing. Not everything about our investment in Waters went as expected. Most notably, the company's revenue growth in 2018 was soft. How then did we earn a stellar, 26.7% compound annual return over our multi-year holding period? The answer is simple. When we purchase a security, we pay a price that should yield a healthy return even if many things turn out worse than we initially expected. We underwrite all our investments with assumptions that are deliberately and considerably more conservative than our expectations. As long as the businesses underlying the securities we own meet or exceed those conservative assumptions for their long-term performance, our returns should be strong. Nothing that happened during 2018 leads me to believe that any of the businesses we own will come up short relative to our conservative assumptions.

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.

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