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To My Partners:

The performance of our portfolio for the fourth quarter of 2019 and since inception is summarized below.

	Hinde Model Account		S&P 500
	Gross	Net	Total Return
2019:			
Q4	2.89%	2.50%	9.07%
Year-to-Date	8.12%	6.51%	31.49%
Since Inception (07/01/15):			
Annualized	10.77%	9.12%	12.77%
Cumulative	58.49%	48.11%	71.75%

Although our portfolio delivered a positive return for the year, its mark-to-market performance meaningfully lagged that of the S&P 500. To better understand what happened, it is helpful to split the portfolio into two buckets. The first bucket includes our positions in Covetrus, Inc. common stock (NASDAQ: CVET) and Interactive Brokers Group, Inc. class A common stock (NASDAQ: IBKR). At cost and market value at the beginning of the year, respectively, CVET and IBKR were our two largest positions, equivalent to roughly half of the portfolio's beginning value. The second bucket includes everything else.

The performance of the second bucket was actually quite good. Realized and unrealized gains from the second bucket added 26% to the total value of our portfolio over the course of 2019. Given that the second bucket accounted for only around half of the portfolio's capital on a weighted average basis and included the portfolio's cash position, it should be clear that the equity positions in the second bucket as a group dramatically outperformed the S&P 500.

The positions in the first bucket, CVET and IBKR, are what dragged down our overall mark-to-market return. Mark-to-market losses from the first bucket as a whole subtracted 18% from our performance for the year. Most of that drag came from our position in CVET. CVET ended the year down 52% from our average cost. IBKR ended the year down a more modest 15%, but that still represented a wide margin of underperformance relative to the S&P 500.

It is inevitable that I will make mistakes. There will be investments that do not meet our return expectations. We will even lose money on some investments. <u>However, I do not believe any of those are the case with respect to our positions in CVET or IBKR. In fact, I continue to believe that both investments will prove to be among the best we ever make.</u>

I encourage you to withhold judgment on Hinde Group's recent performance for a while. By the end of this year at the latest, the market price of our portfolio should present a more accurate picture of the value that Hinde Group's efforts have created. In particular, I am looking forward to a sharp rebound in the market price of CVET in the near future.

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 2019		**2019**	
Covetrus	2.49%	Fastenal	5.40%
Alphabet	1.76%	Alphabet	4.71%
Interactive Brokers Group	-2.78%	TopBuild	4.27%
		Northeast Bank	3.55%
		Colfax Corporation	3.31%
		Retail Value	2.12%
		Waters Corporation	1.50%
		Amazon.com	1.30%
		Interactive Brokers Group	-3.16%
		Covetrus	-14.71%
Other	1.42%	Other	-0.18%
Gross Performance	2.89%	Gross Performance	8.12%

Portfolio Composition

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

Portfolio Composition	
Equities – Long	74.7%
Equities – Short	-1.0%
Cash	26.3%

During the quarter, we added a small short position in the equity of a NASDAQ-listed company. At the end of the quarter, our portfolio included seven long equity positions, one short equity position and cash.

Select Portfolio Updates

Hinde Group's partner letter for the third quarter discussed each of the two positions that dragged down our mark-to-market performance in 2019, CVET and IBKR. There will be additional updates on those positions in the coming quarters as well. The two portfolio updates for this quarter cover our position in Fastenal Company common stock (NASDAQ: FAST), a compounder investment, and the addition we made to our short equity exposure during the quarter.

Fastenal Company (NASDAQ: FAST)

Fastenal distributes fasteners, safety items, tools and other supplies primarily to industrial and construction businesses in the U.S. The company's performance in 2019 clearly illustrates why it meets our "great business" criteria.

Trump's trade wars created a variety of headwinds for Fastenal over the course of the year. Flagging industrial production sapped demand for the products Fastenal sells. At the same time, tariffs both directly and indirectly increased the cost of purchasing many of those products. Most of Fastenal's competitors saw their earnings decline in 2019.

But not Fastenal. Despite the headwinds it faced, Fastenal grew its revenue and operating income by 7.4% and 5.8%, respectively, in 2019. The company achieved that growth not only in the face of stiff headwinds but also while converting roughly 75% of its earnings to free cash flow. Moreover, it returned the vast majority of that free cash flow – about 83% – to the owners of the business, including us, as dividends over the course of the year. These results are a testament to the fact that Fastenal is an owner-oriented, growth-and-cash-flow machine – our investment thesis in a nutshell and a beautiful thing to behold.

Fastenal's consistent outperformance is rooted in its meaningful and durable competitive advantages. The company has a unique distribution infrastructure with points of presence much closer to customers than those of competitors as well as last-mile delivery capabilities. Fastenal's unique distribution infrastructure allows it to provide high-touch, differentiated solutions to its customers. The company benefits from economies of scale in a variety of ways as well, especially with respect to the Fastener category. These advantages power Fastenal's "growth drivers," most significantly industrial vending machines and "onsite" locations integrated into customer facilities, which have allowed – and will continue to allow – Fastenal to gain market share in a massive, fragmented industry.

We have been shareholders of Fastenal since mid-2017. Over our holding period, we have both added to and trimmed our position. Through December 2019, our investment in Fastenal, including both price appreciation and dividends, has delivered a 32.2% compound annual return. Notwithstanding the strong returns FAST has delivered for us thus far and its 45.4% total return in 2019, FAST continues to offer the prospects for at least low-to-mid teens returns over time.

Equities - Short

To date, short positions have played a relatively small role in Hinde Group's portfolio. Prior to this quarter, Hinde Group had put on only two short positions. The most significant of those directly hedged a corresponding long position in an arbitrage-like trade. In other words, only one of Hinde Group's previous short positions was a standalone short intended to generate profits independent of other positions in the portfolio.

Going forward, I aim to put slightly more emphasis on identifying standalone, profitable short positions for the portfolio. Short positions have the potential to benefit the performance of our portfolio, but I recognize realizing that potential will be no mean feat. The short position we added to the portfolio during the fourth quarter represents a prudent step in that direction.

I have also made the strategic decision to discuss Hinde Group's standalone short positions only in general terms. There are two main reasons. First, our short positions will typically each be much smaller in size than our long positions. For example, the short position we initiated during the fourth quarter is about one-tenth the size of our average long position. Second, developing a reputation as a short seller could adversely affect Hinde Group's ability to build productive relationships with the executives of the companies in which we aim to invest. For both of these reasons, it makes sense to limit the extent to which Hinde Group discusses its standalone short positions in its partner letters.

The short position we added to the portfolio during the fourth quarter was in the publicly-traded equity of a company whose profitability and growth trajectory should be adversely affected by changes occurring in the competitive landscape it faces. The company is a competitor of one of the companies we own.

To reiterate, I am confident that Hinde Group's mark-to-market performance since the beginning of 2018 will appear in a much more favorable light by the end of this year. That should start to become evident in the near future.

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.