November 18, 2019

To the Limited Partners,

SRK Fund I, LP recorded a –4.89% return for Q3 of 2019. This was a disappointing performance compared to a positive 1.70% for the S&P 500 and –2.00% for the Russell 2000. Year to date the fund has appreciated 44.87% compared to 20.60% for the S&P 500 and 14.20% for the Russell 2000. On a positive note, as of this writing the Fund has recouped the third quarter losses by appreciating more than 10% in the fourth quarter thus far.

**SRK Fund I, LP Returns (%) as of September 30, 2019**

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>Q3 2019</th>
<th>YTD 2019</th>
<th>Since Inception</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRK Fund I, LP</td>
<td>2.90%</td>
<td>-4.89%</td>
<td>44.87%</td>
<td>49.81%</td>
</tr>
<tr>
<td>S&amp;P 500 TR</td>
<td>-4.03%</td>
<td>1.70%</td>
<td>20.60%</td>
<td>15.70%</td>
</tr>
<tr>
<td>Russell 2000</td>
<td>-11.72%</td>
<td>-2.00%</td>
<td>14.20%</td>
<td>0.77%</td>
</tr>
</tbody>
</table>

*Inception date of 05/01/18*

The Third Quarter

The decline during the third quarter was the result of short-term unrealized losses and a mistake that I made (which I’ll address later). For the most part, the fund fell due to several key stocks that declined in price during the quarter. The price declines of these holdings do not reflect any deterioration of their intrinsic values; illiquidity and volatility are the main culprits for the price declines. Smaller illiquid securities that the fund holds are susceptible to short-term downside volatility when a larger number of shares than normal hit the market without enough buyers to take the volume. This volatility does not impede the value of the security though, rather, it provides opportunity for us to add to these holdings at an even larger discount to fair value. On average, individual stock prices fluctuate more than 75% in a 52-week period. The value of the businesses underlying the stocks surely do not fluctuate more than 75% during a year and therein lies opportunity.
**Syncora Holdings Ltd. (SYCRF)**

The mistake that I made during the quarter was misjudging management and the board of directors' incentive to sell Syncora’s insurance subsidiary for the quickest possible closing deal. I had thought they would receive close to $6.00/share for the insurance subsidiary due to its book value of ~$7.50/share, but due to the appreciation of the stock, the board of directors' bonuses had already been achieved and had incentivized a less lucrative but quicker closing sale. The company sold the insurance subsidiary with most of the NOL assets for a larger than expected discount to its book value. This caused the stock to drop from ~$5.30 to ~$4.90, where I sold most of our position. A less than ideal ending, but Syncora was not a total disappointment, the Fund initially purchased shares for $3.10, returning more than 50% in a little over a year mostly uncorrelated from the market.

**Nocopi Technologies Inc. (NNUP)**

Nocopi declined by 14% during the third quarter; we used this as an opportunity to add to our ownership of the company at a free cashflow yield close to 30%. Nocopi released their third quarter results on November 13th showing 14% revenue growth year over year and a doubling of the amount of cash that now sits on their balance sheet. I expect revenue and free cash flow to continue to grow at high single digits into next year as the company receives continued demand for their specialty inks. As a large shareholder of the company, we have been able to talk and meet with management over the past year and believe that they will commit to returning capital to shareholders through value enhancing share buybacks.

**Evans & Sutherland Computer Corp. (ESCC)**

Through the second and third quarters the Fund has been averaging down in ESCC as shares traded lower by 12% during the quarter, potentially due to some element of early tax loss selling. The third quarter financial results were disappointing for the company, but a bright spot was the
growth of $9.9 million in the sales backlog during the quarter. The sales backlog at the end of the third quarter stands at $17.3 million compared to $13 million at the end of the second quarter. I believe the company is significantly undervalued, as the backlog continues to recover to above $20 million, I expect the share price to increase significantly closer to fair value. I will note that the prospects for a recovery in this position during the fourth quarter are unlikely. However, over the next year or two, and especially over the next four years, I believe we will be substantially rewarded.

**New Holdings**

During the quarter we added shares of a company that sells its product to a number of companies in the pharmaceutical industry. The company is asset-rich with $0.104 per share in cash with shares trading at $0.115 and excess real estate providing substantial downside protection. It has a small but dominant operating business with high barriers to entry and limited competitors that has been overlooked by the market and allows for significant upside potential. A recent consolidation of operations to one facility is expected to save the company $700,000 annually, providing a return to profitability and a catalyst for the stock price. Due to liquidity and my interest in continuing to add to this position I will keep the name of the company hidden for the time being.

The concentrated makeup of the Fund will often result in surprising quarterly results. Volatility is a friend to the Fund; it allows us to buy the proverbial dollar bill selling for 40 cents that was selling for 60 cents the month prior with the dollar bill still being worth a dollar. The dollar bill carrying a wildly fluctuating discount will always be of more interest to us rather than the dollar bill selling for a quite stable premium. Over time this will lead to the outsized returns that we are looking to earn on our capital and with less risk of a permanent capital loss.

Please feel free to reach out to me if you require further clarification about our holdings.
Sincerely,

Sean Kirkwood
SRK Capital, LLC
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