May 1, 2020

Dear Partners,

SRK Fund I, LP appreciated +1.77% during Q1 of 2020. In contrast, the S&P 500 and the Russell 2000 had a loss of -19.60% and -30.61%, respectively.

SRK Fund I, LP Returns (%) as of March 31, 2020

	Q1 2020	2019	2018*	Since Inception*
SRK Fund I, LP	1.77%	77.99%	2.90%	85.10%
S&P 500 TR	-19.60%	31.48%	-4.03%	1.47%
Russell 2000	-30.61%	25.52%	-11.72%	-23.15%

**Inception date of 05/01/18*

During one of the fastest and most severe sell-offs markets have experienced we managed to emerge unscathed. This may seem shocking at first glance when compared to market returns, but there are several characteristics of the Fund that I believe helped accomplish this. These characteristics are (1) a concentrated portfolio with the top five positions typically making up more than half the fund, (2) a decent size cash position depending on opportunities available, and (3) our small amount of capital managed allows us to invest where others are not able to. The Fund is in no way like an index or mutual fund, and our returns will not correlate neatly when compared to either. I expect that our strategy will outperform over the long-term, but I am not stubborn to believe that we won't have periods of underperformance. If our portfolio had ended the quarter down 30% my confidence in the long-term outperformance of our strategy of buying stocks for less than their fair value would not have changed.

Our returns were not without volatility, though. During the worst of the selling in March our portfolio was down double digits at one point, only to recover those losses and end higher as some of our larger holdings regained most of their losses and we were able to deploy cash into several opportunities I found to be bargains during the panic.

Paying Less Than Fair Value

In our 3rd quarter letter of 2019, I explained that the Fund had been averaging down in shares of Evans & Sutherland Computer Corp. (ESCC), and I further stated:

"I believe the company is significantly undervalued, as the backlog continues to recover to above $20million, 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."

When I first introduced the company during the 2nd quarter letter of 2019, I said that I believed ESCC is worth at least $1.20 per share as the backlog eventually recovers. As it turns out we did not have to wait two years or even one for this to happen. In early February, ESCC announced that it was being acquired for $1.19 per share. The acquirer saw similar value in the company as I had and decided to take advantage of the undervalued stock price. We nearly doubled our capital from our average cost on this position. They owe us a penny per share.

Portfolio Updates

Heading into the sell-off our cash position represented about 30% of the Fund, this was due to the timing of some investments being sold and what I felt to be a limited amount of opportunities that I found appealing. This cash position was a key reason why the fund did so well during the sell-off. I caution partners not to interpret my decision to hold cash as an ability to time the market, it was merely the result of what I felt to be limited opportunities that turned out to be a bit lucky on timing. That cash went to good use during the sell-off.

Nocopi Technologies Inc. (NNUP)

Nocopi ended the quarter about -3% lower after recording record growth and profits for the 4th quarter and year end of 2019. For the year, revenue and net income increased 39% and 181%, respectively. High margins and operating leverage are beginning to show through on the income statement as additional revenue drops to the bottom line. I expect Nocopi to continue its growth as its licensees continue to increase their distribution and product offerings around the globe. The company will surely experience some impact from the Coronavirus, with potentially some delays in their supply chain, but I am not overly concerned as they are well capitalized with a strong balance sheet. Nocopi continues to trade for less than 7x earnings.

Jemtec Inc. (JTC.V)

Jemtec provides a full spectrum of monitoring technologies and services to provincial and federal correctional and border services across Canada (house arrest, probation monitoring, etc.). Their contracts typically range from 1 to 5 years with options for the client to exercise additional yearly extensions. They recently announced a new contract with Correctional Services Canada for potentially five years and the Province of Saskatchewan extended their contract for an additional year. Jemtec currently has two-thirds of its market cap in cash and is trading for less than 3x EBITDA (net of cash), which I expect to be relatively unaffected by the virus. If capital allocation is managed properly and shareholders are treated fairly, we do not necessarily need the business to grow for this to work out well. The CEO owns 20% of the shares outstanding and the company recently paid us a special dividend of $0.25 per share; I think our interests are aligned.

IBEX Technologies Inc. (IBT.V)

Staying in Canada! Ibex’s primary business is the manufacture and selling of high purity enzymes for in-vitro diagnostics and research (I am not going to pretend I knew what that meant initially). If you or someone you know has had cardiac surgery Ibex’s products were most likely used in the devices that monitor blood clotting before and after operation. These devices can deliver test results quickly, helping to reduce blood loss, reduce patient length of stay, and costs from delays and prolonged treatments. The major providers of these diagnostic devices include Abbott, Medtronic, tem, Siemens, and Haemonetics. Ibex is the sole provider of heparinase that is used in FDA and EU approved hemostasis-measuring point of care devices (greater than 50% of Ibex's revenues). Ibex has gone through several rough years recently with a high capex investment in their Montreal facility in 2017 and the winding down of an unsuccessful operation in Iowa that has obscured the earnings power of the core business. During the past year they have shut down the Iowa facility (including selling the real estate) and moved all production to their Montreal facility, projected to save about $700,000 a year in expenses. This is already showing through in the recent financials with Ebitda turning positive; historically, maintenance capex runs between $30,000 and $60,000 each year. Looking at the balance sheet Ibex has about 90% of its market cap in net cash. I believe Ibex is worth significantly more than it is being valued at today and the market will eventually realize the true cash flow that the company can produce.

Newly Added Positions

During the panic selling we were able to use our cash position to add new companies to the portfolio. I will provide further details in the future if warranted. Some of the new positions include:

Tile Shop Holdings, Inc. (TTSH): The Tile Shop specializes in tile and stone products for floors, walls, backsplash, etc. sold through their 142 stores. The business has been mismanaged and compared to their competitors, they are not a great business, but I believe they will be able to manage their liquidity well enough through this period to be able to improve the business in the future. There is an interesting backstory going on within the company that has forced many shareholders to sell their shares, especially during the worst of the panic selling. We were able to buy shares for less than half of working capital on the balance sheet.

Pershing Square Holdings Ltd. (PSH.AS): Pershing Square is the publicly listed fund managed by Bill Ackman. The portfolio includes the likes of Berkshire Hathaway, Chipotle, Restaurant Brands (Burger King, Popeyes, and Tim Hortons), Agilent, Lowes, Hilton, Howard Hughes Corp, Starbucks, and several others. These are companies I know and understand, and most of which should do well in an economic recovery. The fund trades at a discount to NAV, mostly because of mistakes that were made in years past and the loss of trust in Ackmans investment strategy, but that strategy has changed, and the fund now owns good companies at reasonable prices. We were able to acquire shares around a 44% discount to NAV, and shares currently trade at close to a 30% discount to NAV. The fund will do well during an economic recovery and I expect the discount to NAV to be closer to 15% as the fund continues to buyback its own shares and the markets trust in Pershing's strategy returns.

<u>The Market</u>

The Coronavirus has brought the world to a standstill, businesses have been forced to close their doors, and innocent lives have been lost. The negative economic data continues to reach historical levels and we are experiencing a global recession. The question is, how deep will it be and how long will it last. I can not confidently answer that, and gladly our investment strategy does not rely on me accurately forecasting the macro economy. My job is to find and invest in significantly undervalued stocks with a margin of safety, and that is what I will continue to do.

My typical opinion on the market is to have no opinion, but I will say that the rise since the recent bottom has been surprising. Instead of guessing where the market is headed next, I suggest listening to companies' commentary around capital expenditures. Many large companies are in what I call "survival mode", they are cutting back on capex and increasing liquidity on their balance sheets. The short-term future economy is unknown, and they are proceeding with caution, leading to a potential short-term deflationary environment.

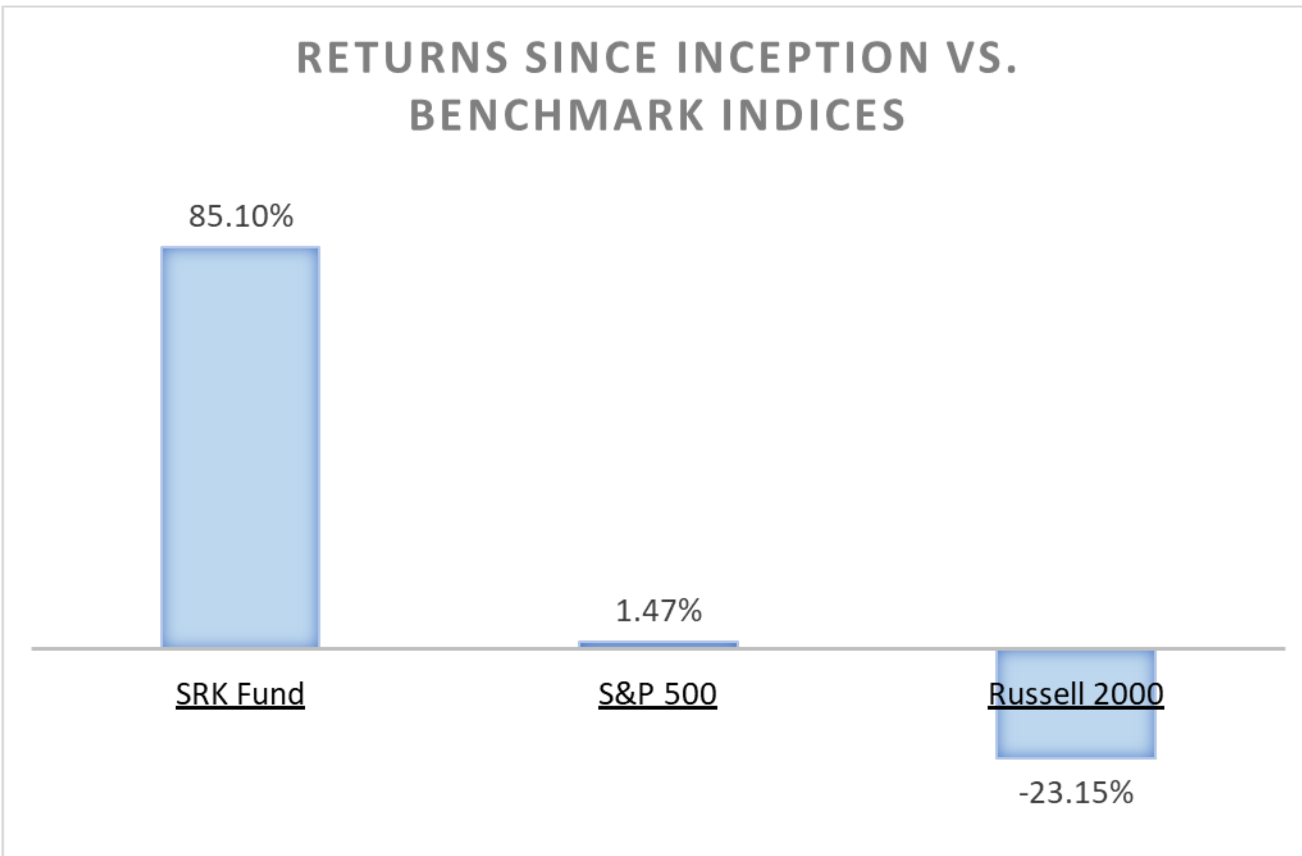
With that being said, I am not sure what the market will do, but I believe the intelligent investor will do well with opportunities that the market leaves behind for us to pick over.

I hope that everyone stays healthy and safe as we move through this chaotic period. America as a country continually progresses and I remain optimistic about the future. Please feel free to reach out to me if you require further clarification about our holdings.

Sincerely,

Sean Kirkwood

SRK Capital, LLC


RETURNS SINCE INCEPTION VS. BENCHMARK INDICES
85.10%
1.47%
-23.15%
SRK Fund
S&P 500
Russell 2000

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