Baines Creek Partners, LP
11940 Jollyville Road, Ste. 210-S
Austin, Texas 78759

January 24, 2017

Our Performance in 2016

Baines Creek Partners returned 175.10%, net of fees and expenses in 2016. The S&P 500 returned 11.96% including dividends for the same period. To bring the record up to date, the following summarizes the year-by-year performance of the S&P, the performance of the partnership before allocation of management fees and incentive allocation, and the limited partners' results for the nearly two years we have been in operation:

Year	Total Return of the S&P 500[1]	Partnership Results	Limited Partners' Results
2015[2]	0.70%	-19.52%	-20.60%
2016	11.96%	225.68%	175.10%
Cumulative Results	**12.74%**	**162.12%**	**118.43%**
Annual Compounded Rate	**6.56%**	**66.61%**	**51.27%**

[1] – Total Return of the S&P 500 reflects changes in price plus dividends.
[2] – 2015 period results begin on February 11th, 2015, the inception date of the Fund.

After reviewing the results you may now be asking yourself whether a mistake has been made, potentially a misplaced decimal point. The number is correct. An explanation is, of course, now in order. With this type of return one must be prepared to answer the question of whether this was attributable to investment acumen or were we just, as Nassim Taleb says in his book *Fooled by Randomness*, "lucky idiots."

I plan on shedding more light on 2016, but since we have had many new partners come on board this year I would first like to spend some time talking about our philosophical beliefs on investing (in particular efficient market theory and how we define risk) as well as our method of operation for the fund. This discussion, I hope, will improve your understanding of our results and whether or not you have made a good decision in investing with Baines Creek Capital (BCC). Just because the results thus far have been favorable does not prove it was a correct decision, and likewise, unfavorable results would not necessarily prove it was an incorrect decision.

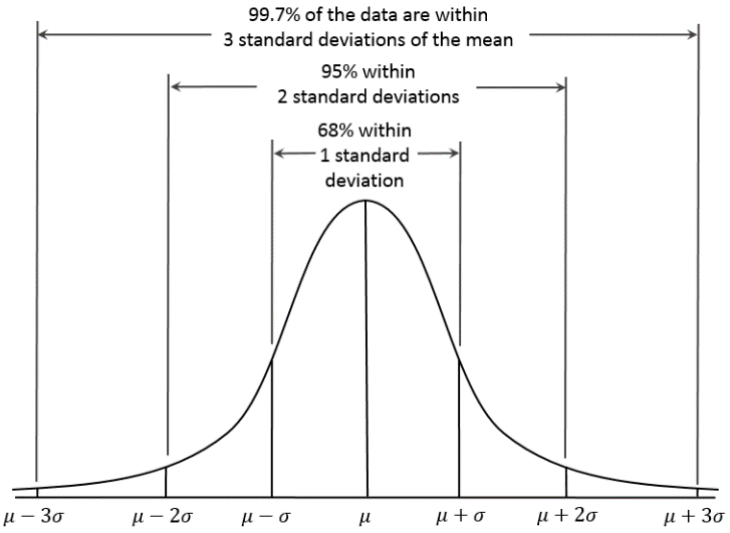
Efficient Markets

The efficient market hypothesis (EMH) is the most widely accepted view in the investment community. It states that asset prices fully reflect all available information with the direct implication being that it is impossible to "beat the market" consistently on a risk-adjusted basis, since market participants should react to new information immediately and prices should reflect this new information immediately.

In addition to market participants attempting to maximize utility, the efficient-market hypothesis requires that participants have rational expectations, that on average the population is correct (even if no one person is), and that whenever new relevant information appears, the participants update their expectations appropriately. Note that it is not required that the participants be rational. EMH allows that when faced with new information, some investors may overreact and some may under react. All that is required by the EMH is that investors' reactions be random and follow a normal distribution pattern so that the net effect

on market prices cannot be reliably exploited to make abnormal profit. Thus, any one person can be wrong about the market – indeed everyone can be – but the market as a whole is always right.

As mentioned above, the normal distribution (like the one pictured below) forms the core of most systems of risk management, including EMH. If you have ever taken a statistics class you may remember that a normal distribution is a type of bell curve that states that averages of random variables independently drawn from independent distributions converge in distribution around the norm. That is, they become normally distributed when the number of random variables is sufficiently large. For example, think of a life insurance company trying to manage their risk against something certain, such as one's death. On observance of millions of independent individuals of different ages, ethnicities, medical histories, occupations, etc., they can reliably estimate the life expectancies of each group. With enough observations the results neatly distribute themselves into a normal curve.



But is it true that returns in financial markets are normally distributed?

In Peter Bernstein's book *Against the Gods: The Remarkable Story of Risk*, he shows the monthly, quarterly, and annual percentage changes in the S&P 500. His data runs from January 1926 through December 1995, resulting in 840 monthly observations, 280 quarterly observations, and 70 annual observations.

Without completely reiterating Bernstein's findings in this letter, here are a few details summarizing them:

- More observations fall to the right of zero than to the left. The stock market has gone up on the average more than it has gone down. Even if stock prices fall into a perfect normal distribution - the mean will be something different than zero. This makes perfect sense. Stocks on average through time have created more wealth than they have destroyed.
- Stock prices went up in 47 of the 70 years in this sample or about two thirds of the time. The average increase in stock prices was 7.7% per year excluding dividends.
- The mean monthly change was +0.6% when looking at the 840 monthly observations. If the 0.6% is deducted in order to correct for the natural upward bias of the stock market over time, the average change becomes +0.00000000000000002%, with 50.6% of the months being positive and 49.4% of the months being negative. The symmetry of a normal distribution appears to be almost flawless.

On the next page we have recreated these charts using available data from January 1928 through December 2016, for 1,068 monthly observations, 356 quarterly observations, and 89 annual observations. The same patterns continue to exist when we include the additional data from the past two decades.

Something I find interesting, Bernstein alluded to it as well, is how the normality of the distribution increases directly with the length of the time period being observed. (i.e. the annual returns distribution looks more normal than the quarterly distribution which in turn looks more normal than the monthly distribution.) The chart of the quarterly changes has slight bulges at the edges with the bulges on the chart

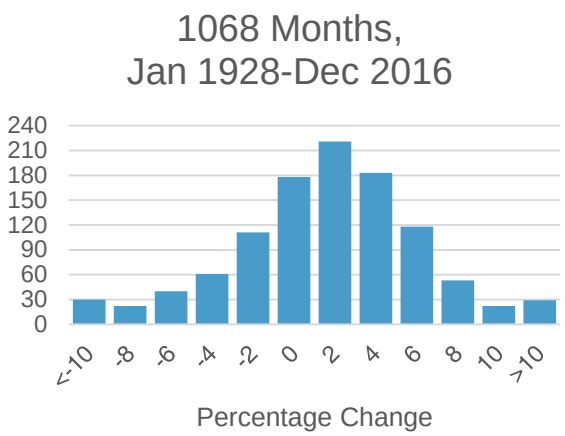
of the monthly changes being even bigger. A normal curve would not have these bulges because events in the distant tails should happen extremely infrequently. In statistics these are referred to as fat tails.

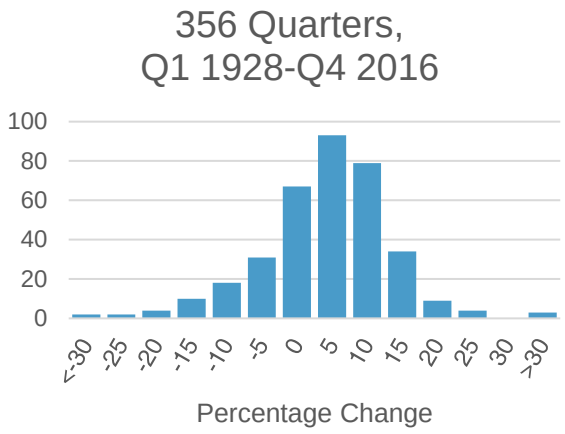
I think a couple of conclusions can be drawn from this data:

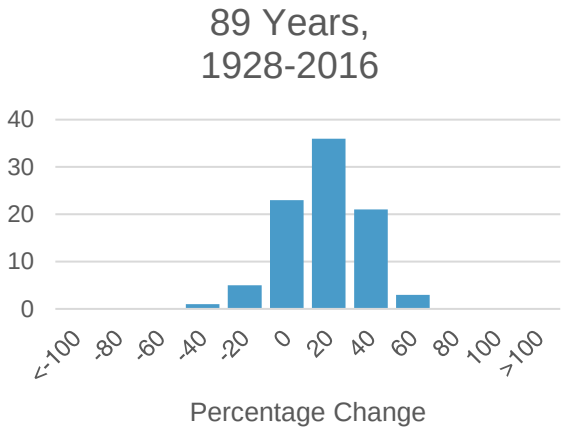
1. Financial markets hold to EMH the longer the observed period. Markets are more efficient in the long-term than they are in the short term. So most of the time markets are priced appropriately but in the short term price can become extremely dislocated from value. This is the view we hold at BCC.

2. Financial markets, which are shaped by humans (unlike observations about people such as life expectancies), have a tendency to go to emotion-driven extremes of behavior, resulting in "fatter" tails. Theoretically assuming that future events in financial markets will be normally distributed is a tidy view making modeling them easier, but empirically it becomes a mess, if not a disaster.

Bernstein goes on to say, "Now if we look closer at the fat tails we see that there are 33 of the 840 monthly observations that are more than two standard deviations away from the monthly average of +0.6% or worse than -11% and greater than 12.2%. 21 of these are to the downside, or 64%. Chance would put this at 16 or 17 to the downside. A market with a built-in long-term upward trend should have even fewer disasters than 16 or 17 observations. At the extremes, the market is not a random walk. At the extremes, the market is more likely to destroy fortunes than to create them." Wow - scary stuff! But, the opportunities that these extremes create is what BCC lives for!





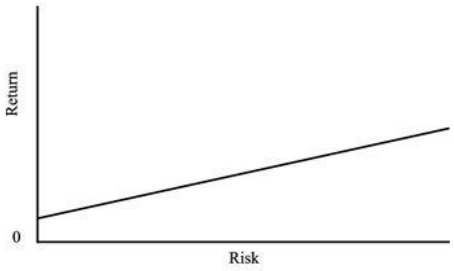


Risk

As an investor, one must not only pay attention to the return produced from a particular investment but also the risk taken to achieve that return. Outcome alone does not prove a decision right or wrong. Determining the amount of risk taken to achieve a particular return is just as important, if not more so, when judging one's investment skill. In other words, you must get a good idea of risk-adjusted return.

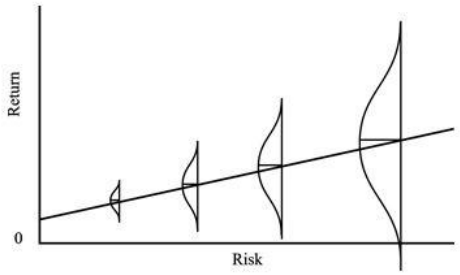
The most widely held view of risk comes from Modern Portfolio Theory (MPT). MPT, or mean-variance analysis, is a mathematical framework for assembling a portfolio of assets such that the expected return is maximized for a given level of risk, defined as variance or how far a set of random numbers are spread out

from their mean (remember our normal distribution curve from above). This relationship between risk and return is graphically represented by the Capital Asset Pricing Model (CAPM) (shown to the right) which has become standard in the investment community. This simple illustration shows the capital market line sloped upward to the right showing the positive relationship between risk and return. Thus assets with higher expected returns should also have higher levels of risk.



In *The Most Important Thing* Howard Marks points out the deceptiveness of this graph because it communicates the positive connection between risk and return but fails to suggest the uncertainty involved. If riskier investments reliably produced higher returns, they wouldn't be riskier! He then offers an alternative which I have put below.

This illustration accounts for the uncertainty of outcomes. Thus the probability distribution of returns is wider as one moves up the capital market line. Marks points out that, "When priced fairly, riskier investments should entail: higher expected returns, the possibility of lower returns and in some cases the possibility of losses." His graph is meant to suggest both the positive relationship between risk and expected return and the fact that uncertainty about the return (and the possibility of loss) increases as risk increases.

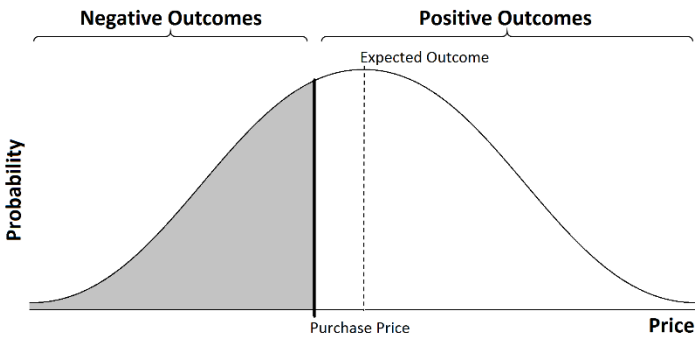


Marks' illustration of the relationship between risk and return makes more sense to us. However, it still is just an alteration to the CAPM with variance, more commonly referred to as volatility, as the proxy for risk.

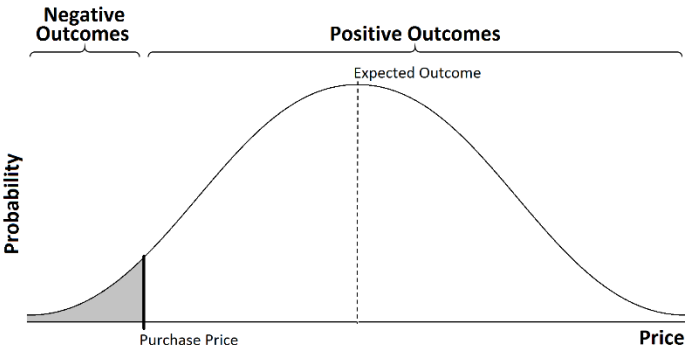
We do not hold to this definition of risk. When we make an investment we are concerned with losing money, not the price moving around a lot. Thus, we define risk as the likelihood of long-term capital impairment. Volatility should be considered in relation to holding period, not as a definition of risk. The shorter the holding period, the less volatility one should be willing to take on, and vice versa. Otherwise, one could be forced to sell at an inopportune time, and their capital could be impaired. So, volatility combined with a short holding period does make an asset risky when using our definition of risk, but volatility alone does not. Remember our discussion above on EMH; returns are smoother over the long term and less so over the short term. At BCC we are willing to hold investments long-term (3+ years), and therefore volatility does not concern us. It is our belief that a manager's performance should be judged on a rolling 3 to 5 year period. Picking a period any shorter would allow chance as opposed to investment skill to distort results. If your time horizon is any shorter than mentioned above you should not be in this partnership.

On the next page I have included two graphs that illustrate how we view the riskiness of any particular asset. Both graphs show a distribution of potential outcomes for a given investment. Each outcome represents a potential future price for the asset being purchased. The height of the curve represents the likelihood (probability) of each outcome, with the expected outcome (the most likely) being represented by the dashed center line. The dark line represents the purchase price, and is therefore the breakeven point for the investment.

The first graph represents an asset that is fairly priced and is thus selling at our view of intrinsic value. The expected outcome is positive (greater than the purchase price) and, under this scenario, represents an appropriate return for the type of asset, given its risk characteristics. While there is also potential for higher than expected returns to the right of the expected outcome, these prospects are offset by the potential for negative outcomes (shown in the shaded section to the left of the breakeven point).



If the same asset becomes mispriced and sells at a significant discount to intrinsic value then the outcomes become asymmetric to the positive side, as is shown in the second graph. When purchasing at a much lower price the breakeven point is now lower, and a larger majority of the outcomes are positive. Also, the shaded area to the left is smaller, meaning that likelihood of loss is now lower. The increase in positive outcomes combined with the decrease in negative outcomes causes the risk/reward profile to change drastically. This is an asymmetric opportunity. The universe of potential outcomes has remained the same; what has changed is the purchase price, which determines whether those outcomes will generate positive or negative returns on the investment and to what magnitude.



Comparing the MPT graphs with the ones above, how does each illustrate the relationship between risk and reward? MPT says that the relationship between risk and reward is positively correlated. This is the exact opposite of how we view the relationship. Buying a dollar bill for 50 cents is riskier than buying a dollar bill for 25 cents, but the expectation of reward is greater in the latter case. The greater the potential for reward in our portfolio, the less risk there is. Thus, risk and reward are negatively correlated.

A recent example: This past year, Bonanza Creek Energy's two issues of unsecured bonds, with a combined face amount of $800 million, traded down to about 20 cents on the dollar. The only thing in front of the bonds in the capital structure was a small bank line of $80 million. At the time, the three main assets that the company held could have been sold to any of a handful of buyers for no less than $1.4 billion. So for a $160 million investment ($800 million in face multiplied by 20 cents on the dollar) you could have been guaranteed by a company with $1.32 billion in net assets ($1.4 billion in assets less the $80 million bank line).

Now, if these bonds had declined even further to 10 cents on the dollar, giving someone a purchase price of $80 million instead of $160 million, MPT would have concluded the investment was now riskier because the price had declined further making them more volatile compared to other assets. This is truly crazy. In what world is it riskier to buy $800 million worth of bonds, guaranteed by a company with $1.32 billion of net assets for $80 million as opposed to $160 million? Sure, you do need to know something about valuing a business or its assets, and yes, making sure management is trustworthy is important. But these things are not rocket science. If you ask me, there is essentially no risk in buying $800 million worth of bonds guaranteed by a company with $1.32 billion in net assets for $160 million, let alone $80 million.

On January 4, 2017 the company filed for chapter 11 bankruptcy, and subsequently the bonds are now trading at 94 cents on the dollar. The initial plan of reorganization outlined that the unsecured bond holders would receive around 97.8% of the company after the new money rights offering was complete. The bondholders' most likely eventual recovery will be over par. As it turns out, a patient holder of these assets would have done quite well.

Bottom line - Our view is that risk arises from paying too much for something, not the price being volatile. A volatile asset can have an extremely low amount of risk and a non-volatile asset can have a great deal of risk. As for the latter, just ask anyone who owned mortgage bonds in 2007 and 2008.

So, why is volatility so widely accepted as a proxy for risk? I think that academia settled on this definition for the following two reasons:

1. Convenience – They needed a number to put into their models that is objective and could be determined from historical data and extrapolated in the future. Volatility meets these criteria.

2. Linear Causality – People naturally think in linear positive progression (a positive correlation between two variables), and they desire results that follow this pattern. If you increase the input of one variable you should receive a result in the other one as well. For example, people generally think if they spend more time studying that their GPA will be better, or if they increase their education level that their income level will increase proportionately. It is the rare few who realize that reality does not always work this way. These few know that there is often a tipping point where things change and the outcome that follows is exponential as opposed to linear. Those who persevere receive the rewards. However, like a bestseller, things are often widely adopted not because they are true but because it is what people want to hear.

Measuring a manager's risk-adjusted performance and comparing that performance across alternative investments is a tough job. MPT offers a simplistic way to do this but one must recognize its limitations. I offer no better solutions for this dilemma. The best that can be done is to truly try and understand a manager's investment philosophy and process. Simply looking at measures of risk (such as the Sharpe Ratio or beta) is not enough, and the preservation of capital is too important to rely on such figures that may not accurately judge the risk characteristics of a particular asset. It is our belief that if a financial advisor mentions volatility as a proxy for risk then one should raise their eyebrows and wait for qualification; if this same person preaches it as orthodoxy one should turn and run.

Our Method of Operation

I hope that the discussion of EMH and risk have been helpful in shedding some light on how we view financial markets and investing. However, I feel we may now have two camps of partners: one who found the above discussion mildly interesting and another who wish I would stop writing and get back to work. At the risk of being too long-winded, I also believe it is important to include a brief discussion on our view of the investment cycle and our investment categories. (If this seems unbearable you may want to skip down to the section entitled "Interpretation of 2016," and those wishing to get their masters in EMH and risk can refer to the references at the end of this letter.)

Investment Cycle

We break the investment cycle in to two separate periods: Needle in a Haystack and Tide-in/Tide-Out.

Needle in a Haystack

This period is characterized by most securities being fairly priced or overpriced. The tide is in. Buyers are numerous and sellers scarce; therefore opportunity is limited. We sift through lots of investment ideas to find a few decent opportunities. We sell more securities than we buy, and our cash reserves begin to build. Success in this environment is an act of the intellect and will; it comes from being patient and maintaining the discipline to demand an adequate margin of safety. In essence, we choose to stand on the sidelines when everyone else is on the dance floor. We seek to find good absolute return investments and hold cash in the absence of such opportunities. This allows us to be in a position of strength when bargains present themselves. Most ideas are sourced from special situations (discussed in more detail below).

Tide-in/Tide-Out

A "tide-out" period is created by some event which causes price destruction, and markets become significantly dislocated. Sellers are plentiful and highly motivated, while potential buyers are scarce. It is characterized by distressed selling, illiquid securities, huge redemptions and an excess of paranoia and fear. We aim to take liquidity and exchange it for mispriced securities. Deploying cash or being a liquidity provider during a crisis can be quite profitable. Our marks may be negative in the short term as we add to our portfolio while prices are dropping, but when markets turn, we expect multiple years of strong profitability. Investing in these times is more an act of temperament than intellect. It takes conviction to step in and buy when price has been considerably discounted to value. However, we very much welcome the volatility these events bring because of the opportunities they create. Examples would include the 1997 Asian Financial Crises, the aftermath of the 2000 Internet Bubble, the 2008 Financial Crisis, the 2015 Commodities Collapse, etc. These extremes, which seem to happen every 3-7 years, are what I was referring to when referencing short term market inefficiency earlier in this letter.

This view on the investment cycle should not be confused with market timing. Market timing is focused solely on price not value. We claim to know nothing about where price will be next week, next month let alone next year; your guess is as good as ours. All we aim to do is buy assets for less than they are worth, knowing that over the long-term markets tend to correct themselves and value will be realized.

Investment Categories

The allocation of capital within the fund usually falls into one of four categories. I have included a brief description of each below:

General Value

These would consist of securities that we believe to be generally undervalued compared to our estimate of intrinsic value. We are looking for good buys not necessarily good assets and in our experience it is usually hard to find good assets at bargain prices. If we can get both then great, but if the price is not right we are not involved. These mis-valuations usually arise from one if not several of the following: being misunderstood, they lack glamour or market sponsorship, complexity, drawdowns in the overall market, etc. We believe as investor preferences shift, the allocation within our portfolio should also shift towards these areas that offer the most value. These issues don't necessarily have a defined holding period or an immediate catalyst. However, given enough time, our observation is that price will converge to value, and these issues should provide us with a decent margin of performance over the general market. These securities will most likely be favorable to performance in a rising market and be unfavorable in a declining market, although we would expect them to hold up better than the overall market when the overall market is declining.

Special Situations

These are investments that have a timetable. They usually arise from corporate activity or business/industry specific stress. These include but are not limited to the following: sales, mergers, liquidations, tenders,

restructurings, distressed debt, spin-offs, recapitalizations, bankruptcies, etc. Opportunity often arises in these situations because they are often overlooked, misunderstood and in general don't fit into most investment manager charters. Often times the absolute profit on these activities are small but when annualized can achieve respectable returns. Since these situations are generally related to a specific business or sector the returns are unrelated to the direction of the overall market. So in declining markets, this should give us somewhat of an edge, but in quickly rising markets they could prove to be a drag on performance. Also, due to the short nature of these transactions the tax consequences will not be as favorable as general value investments which often have longer holding periods.

Active Trading

This category consists of short term trading done only by myself within BCC. These strategies were developed during my time as a proprietary trader. They are extremely short term in nature, mostly intra-day, and require little permanent capital. Think of these trades as inventory that comes in and then goes out mid-quarter before ever hitting the books. It racks up incremental profit without additional required capital. This strategy is a small portion of what we do but pays handsomely for the time involved. It is not correlated to the market and actually is somewhat inversely correlated since the best environments to be a trader is usually one that is experiencing adversity.

Hedging

These would consist of anything used to offset our exposure to the general market. These include derivatives, stocks held short, or holding cash, with holding cash being our most preferred option. We believe there are times to make money and times to do nothing. Holding cash in the absence of opportunities is how we handle this, especially in a low interest rate environment like we are currently in where the opportunity cost of holding cash is extremely low.

We do not target a certain allocation to each of these categories at any given time. The division of the portfolio largely depends on availability. Availability largely depends on price. However, in general, we have noticed that portfolio weighting within each category loosely follows the table below:

		Our View on Market Valuation		
		Low	Fair	High
Investment Categories	General Value	↑	↓	↓↓
	Special Situations	↓	↑	↑↑
	Trading	↑	~*	~*
	Hedging/Cash	↓	↑	↑↑

*More a function of volatility than Market Valuation

Interpretation of 2016

The majority of gains in 2016 came from investments in energy credit. At the end of 2015 and the beginning of 2016, the enthusiasm that the energy sector experienced in years past came to a grinding halt. The perception of these assets became so toxic among the investment community that portfolio managers were not willing to hold them at any price. Price destruction had become so bad that Goldman Sachs sent the following note to clients in January 2016:

> "[High-Yield Exploration & Production Bonds] are pricing in more losses than anything ever experienced, even in the [CCC-rated] space. HY E&P spreads are implying a cumulative loss rate of 86%, assuming a buy and hold strategy on the current universe. This means an investor would still break even if 86% of the current HY E&P portfolio were wiped out. For context, data from Moody's show that since 1985, the worst cohort of Caa-rated firms experienced a five-year cumulative default rate of 71%."

As Howard Marks has said, "Trees don't grow to the sky and few things go to zero." In late January and early February of 2016 many bond index funds were forced to sell assets because of credit downgrades from the ratings agencies. Most bonds within the E&P space began trading on estimated recovery in bankruptcy rather than yield. Within the energy, materials, and industrials sectors, the tide had clearly gone out.

Around this time we put pen to paper and discovered that many of these credit opportunities were pricing in minimal recovery for assets, much less than the assets could bring at current liquidation prices, let alone these businesses remaining going concerns. We found that the "fulcrum" securities (the claim within the capital structure that lies between the classes of claims that would receive full recovery in bankruptcy and those that would receive nothing) offered the best risk/reward profiles. Many of these offered "heads I win, tails I win" situations. These special situations would work themselves out in one of two ways: (1) the company surviving and the bonds we purchased for 20-40 cents on the dollar going to par with us clipping coupons while we waited, or (2) the company restructured with the fulcrum class receiving the lion's share of the equity. In looking at all the potential outcomes, the likelihood (probability) of each outcome where one would lose money was extremely low and the magnitude (amount) if a negative outcome occurred was nil. (See Bonanza example on page 5.)

In summary, the investment thesis over the past two years was predicated on the following:

1. Momentary price inefficiencies caused by extreme negative sentiment
2. Tide-Out event caused by distressed sellers
3. Opportunities that provided asymmetrical risk/reward profiles

The thesis was then executed using various special/work-out situations. So were we "lucky idiots?" That is for you to decide. Our job is to bear risk for profit. In late 2015 and early 2016 we gladly traded our liquidity to forced sellers in exchange for what we believed to be mispriced securities, and it is our belief that we were grossly overpaid for the risk we actually bore.

A Prediction - Performance in 2016 will not be repeated in 2017. This past year should be viewed like receiving a royal straight flush when playing poker. After extracting the most you can out of your adversaries you lay your hand down and collect your winnings but you remember that you must not count on making a living from such good fortune alone. We were lucky to have been dealt such a good hand this past year, and although a skillful eye was required to take advantage of it, we do not expect to receive such wonderful hands on a regular basis. However, I am not depressed. The current portfolio still offers many compelling opportunities and our ideas are still running well ahead of capital. As of this writing the composition of the portfolio is as follows:

Portfolio Composition
as of January, 24th 2017

Asset	Percentage of Portfolio
Performing Debt	29.2%
Non Performing Debt	13.1%
Preferred Equities	30.2%
Common Equities	23.2%
Equity Hedges	4.3%

Miscellaneous

At year end Laurel and I had 72% of our net worth invested in the Partnership. The rest consists of legacy public securities that we have held for the last few years. When appropriate these assets will be sold and enter the partnership. Our roughly 49% ownership in privately held Textbook Solutions, Inc. (which I have no intentions of ever selling) has over 90% of its equity held as an investment in the partnership.

Kevin, like Cortez, has also burned the boats. He and Tracy have over 90% of their liquid net worth in the partnership with the rest of it consisting of their roughly 49% ownership in Textbook Solutions, Inc., which, as mentioned above, has the majority of its equity invested in the partnership. We cannot guarantee performance but we can guarantee that we will all share a common destiny.

In the middle of the year we brought on Norman Furley to handle Investor Relations, Business Development, and Recruiting. I know…he will be busy. I have known Norman for over 10 years and can assure you he is a great addition to the BCC team. If you haven't already, grab a breakfast, lunch, or coffee with him; you're in for a treat. Welcome Norman!

In the next few months you should receive the following:

- A K-1 form from Spicer Jeffries for your 2016 federal income tax return (This is the only thing you should need for tax purposes.)
- An audit from Spicer Jeffries of Baines Creek Partners, LP
- A year-end statement of your investment in Baines Creek from Piedmont Fund Services

Within this letter I have tried to cover points which I felt might be of interest and disclose as much of our philosophy as may be passed along without talking of the individual securities that we are still operating in. If this discussion does not help you, then drop it. Just as you do not need to understand systematic theology to be a Christian, you do not need to understand EMH and MPT to be a value investor. The judgement that a skillful value investor uses to determine a worthy investment is primarily based on two things: (1) Being able to estimate the dependability and stability of an asset's value and (2) The relationship between price and value. Nothing more is required. If you have any questions please feel free to reach out to Norman, Kevin or myself.

Cordially,

Brian Williams

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Disclaimers

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Fund performance is independently calculated by our third-party fund accounting and administration service, Piedmont Fund Services, and audited by Spicer Jeffries LLP. 2016 performance is pending the year-end audit. Past performance is not indicative of future results.

Unless otherwise noted, Partnership Results are calculated by taking the gross profit and loss before management fees and incentive allocation accrual divided by beginning capital balance plus any contribution effective at the beginning of the period. Limited Partners' Results are calculated by taking net income after management fee and incentive allocation accrual divided by beginning capital balance plus any contribution effective at the beginning of the period. The net return is calculated based on the Fund as a whole, including the General Partner's portion. Individual investor's performance may be varied based on the timing of contribution and any side letter agreement. Cumulative Results are calculated based on time-weighted return.

Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

Positions reflected in this letter do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Baines Creek, affecting the partnership.

THIS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY INTERESTS IN ANY FUND MANAGED BY BAINES CREEK OR ANY OF ITS AFFILIATES. SUCH OFFER MAY ONLY BE MADE TO A QUALIFIED OFFEREE BY MEANS OF A CONFIDENTIAL PRIVATE PLACEMENT MEMORANDUM TOGETHER WITH THE LIMITED PARTNERSHIP AGREEMENT AND SUBSCRIPTION AGREEMENT.