October 28, 2019

Dear Partners and Friends,

The fund returned -4.3% net of all fees and expenses in the third quarter, bringing the year to date return to +14.0% net.[1] As of September 30, our top five positions were Clarus (CLAR), RCM Technologies (RCMT), two undisclosed holdings, and Atento (ATTO). Our top ten longs accounted for 81% of our long exposure, and our overall net exposure was 57%.

Clarus (CLAR)

Clarus was a primary contributing factor to our negative performance during the quarter, just as it has been a primary contributing factor to our favorable results over the last few years. It's our largest position, so no surprise that it moves the needle. While Clarus declined following last quarter's earnings release, (in which the company reiterated, but did not raise, its EBITDA guidance for the year), I believe the long-term drivers are intact and that value continues to build in the company's brands. The disappointment in the quarter surrounded the lack of upside in the company's Sierra Bullets segment, which continues to operate against a difficult industry backdrop. Eventually (and within our investment horizon), this segment should inflect back towards mid-cycle conditions (and perhaps beyond), but in the meantime it continues to take share and generate good cash flow while the industry bounces along the trough.

We have held Clarus as a core position for the past four years and have lived through similar mark-to-market drawdowns in the past ($7 to $5, $12 to $9). Armor Holdings, the prior public company run by Warren Kanders, the current chairman of Clarus Corp, experienced multiple drawdowns of over 30% (and one of over 60%) as the stock appreciated from $0.75 to $88 (a 100+ bagger) in 12 years. Long-term compounders will inevitably experience short-term declines. Maintaining conviction in the face of a 30-60% drawdown may be difficult, but it can prove extremely rewarding when warranted (and can lead to problems when unwarranted, so solid analysis and judgement are paramount).

Clarus continues to execute on its "buy and build" strategy. Several new under-the-radar initiatives have the potential to create very significant value relative to the current size of the company. Could a recent acquisition made for $375k grow to be worth tens or hundreds of millions of dollars in the next five years? I think it's possible, but it is not in anyone's model. 2020 looks to be a very exciting year for the company with respect to both growth and margins, yet many investors don't seem to have horizons that extend even that far. I believe risk-reward is asymmetrically skewed to the upside (limited risk of permanent capital loss with multi-bagger upside potential over three to five years).

RCM Technologies (RCMT)

RCM Technologies is a small and very far off the beaten path conglomerate, run by a sensible capital allocator with skin in the game (he and his partners own almost 25% of the company and have added materially to their position this year). The company is fairly small, with a market cap of less than $40mm, though it has over $200mm of annual sales. RCM has three main business lines: a fast-growing healthcare staffing segment (staffing nurses into schools and other institutions), an engineering segment (nuclear, aerospace, process solutions), and an IT Services segment (business process and IT outsourcing).

---

[1] Individual results may vary based on timing of investment and share class/fees. Please see important disclaimers on p 4.

On the surface, the company is trading for around 7-8x EBITDA, which may not appear to be particularly compelling at first glance. But the company has a few "hidden" assets and attributes.

First of all, I believe RCM has $20mm of excess working capital on its balance sheet, which if it can free up would put the valuation at closer to 5.5x EBITDA. Second, the profits that would accrue to an acquirer of this business would be vastly higher than what are currently being reported. If one makes the adjustments that an acquirer might make to the financial statements, the business would be trading for 2-2.5x EBITDA. That is more interesting.

On what I believe is a conservative sum-of-the-parts basis, the healthcare staffing business is worth at least $70mm (~8x look-through EBITDA or .8x sales), the engineering business is worth at least $45mm (0.5x sales), and the IT business is worth at least $10mm (0.3x sales). In other words, I think RCMT could be sold today for $8.50 per share (~190% upside).

My blue-sky scenario is over 11/sh (~270% upside). I believe the risk of permanent capital loss is limited by the cheap valuation, aligned management team, strong balance sheet, and solid profitability of the business.

The chairman and his investor group seem to agree with my assessment that the company is attractively valued. They own almost 25% of the company and purchased an additional 4.6% of the company in March for $3.92 per share (33% higher than recent trading prices). I believe that running the business is a not a hobby for them; they care about not only their ultimate return on investment, but also the IRR. Ultimately, this means that valuing RCMT as an acquirer might should turn out to be the right approach.

Undisclosed Position A

I mentioned this position last quarter, but will hold off on discussing it publically until next year. The company is very cheap, at least partly because it operates in an out-of-favor industry. Management is well-aligned, and they are buying back all of the shares that can (a quantity unfortunately limited by the scant trading volume).

The company generated over 20% of its market capitalization in free cash flow in 3Q alone. The normalized annual free cash flow yield is over 50%. Altogether, the company should generate close to 75% of its current market capitalization in free cash flow in just six quarters (2H 2019 and FY 2020). The company trades for less than 2.5x EBITDA and has less than one turn of leverage (which should fall to zero by the end of next year).

The company is small, illiquid, off the beaten path, cheap, winning contracts, taking share, operating well, gushing cash, and buying back stock. It has a good management team with high inside ownership. Situations like this remind me that our partnership's small size and aligned, patient capital base are true competitive advantages.

Undisclosed Position B

This position has elements of a special situation.

As these letters are posted online and are going out to a broad distribution list, I will continue to be diligent about the level of information that I disclose in them. I want to provide partners and interested readers with a good feel for my approach and strategy, while also not disadvantaging the partnership in any way.

In this case, I may seek to obtain more shares, or I may sell part or all of the position. I will provide further details about this position as warranted.

Atento

Atento is our extremely cheap Latin American business process outsourcing firm (the number one BPO in Brazil, Mexico, and Colombia). While dealing with the vicissitudes of currency swings and shaky governments, the company continues to improve its business, driving its mix towards higher value added revenue streams and cutting costs. While global peers trade at 8-12x EBITDA, ATTO trades at closer to 3x on a normalized basis. The free cash flow yield is very high, and the company is buying back stock (I believe two recent block trades comprising almost 3mm shares were purchased by the company).

Atento will host its first investor day this fall. We believe Bain, the controlling shareholder, has an incentive to sell the company or otherwise realize value in a reasonably short timeframe (by May 2020). I believe fair value is at least $8+/sh, if not something in the double digits.

Special Situations

The fund successfully participated in one special situation trade during 3Q, and I evaluated several others. While not all special situation trades will work out, they frequently offer highly asymmetric risk-reward characteristics with a short-term time horizon to completion. I like these trade set-ups and continue to work hard to source and evaluate them.

***

Conclusion

I am particularly excited about our portfolio right now. Several existing positions have pulled back to what I believe are very attractive levels, and I have found a handful of new ideas that I believe will be strong long-term performers. Given the risk-reward ratio and weighted average expected return profile of the portfolio, I am increasing our concentration in my top ideas, and adding gross exposure (though not portfolio leverage). I believe we are positioned to perform well regardless of what happens to the broad market indices.

Thank you for your continued trust and support.

Sincerely,

Dan Roller

Disclaimer

This document is not an offer to sell or a solicitation to buy any interests in any fund managed by Maran Capital Management, LLC ("MCM"). Any such offering will be made only in accordance with the Fund's Confidential Offering Memorandum (the "Offering Memorandum"). The Fund may not be eligible for sale in some states or countries, nor suitable for all types of investors.

Prior to investing, investors are strongly urged to review carefully the Offering Memorandum and related documents, including the risks described therein associated with investing in the Fund, to ask additional questions and discuss any prospective investment with their own advisers. Additional information will be provided upon request.

The statements of the investment objectives are statements of objectives only. They are not projections of expected performance nor guarantees of anticipated investment results. Actual performance and results may vary substantially from the stated objectives. Performance returns are estimated pending the year-end audit.

An investment in the Partnership involves a high degree of risk and is suitable only for sophisticated and accredited investors. Investors should be prepared to suffer losses of their entire investments. The Offering Memorandum contains brief descriptions of certain of the risks associated with investing in the Fund.

Certain information contained in this document constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target," "intend," "continue" or "believe," or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Partnership described herein may differ materially from those reflected or contemplated in such forward-looking statements.

This document and information contained herein reflects various assumptions, opinions, and projections of MCM which is subject to change at any time. MCM does not represent that any opinion or projection will be realized.

The analyses, conclusions, and opinions presented in this document are the views of MCM and not those of any third party. The analyses and conclusions of MCM contained in this document are based on publicly available information. MCM recognizes there may be public or non-public information available that could lead others, including the companies discussed herein, to disagree with MCM's analyses, conclusions, and opinions.

Funds managed by MCM may have an investment in the companies discussed in this document. It is possible that MCM may change its opinion regarding the companies at any time for any or no reason. MCM may buy, sell, sell short, cover, change the form of its investment, or completely exit from its investment in the companies at any time for any or no reason. MCM hereby disclaims any duty to provide updates or changes to the analyses contained herein including, without limitation, the manner or type of any MCM investment.

Prices for securities discussed are closing prices as of October 25, 2019 unless otherwise noted, and are not representative of the prices paid by the fund for those securities. Positions reflected in this letter do not represent all of the positions held, purchased, and/or sold, and may represent a small percentage of holdings and/or activity.

In 3Q 2019, the total return of the S&P 500 was 1.7%, and the total return of the Russell 2000 was -2.4%. YTD through 3Q, the total return of the S&P500 was 20.6%, and the total return of the Russell 2000 was 14.2%. The S&P 500 and Russell 2000 are indices of US equities. They are included for information purposes only and may not be representative of the type of investments made by the fund. The fund's investments differ materially from these indices. The fund is concentrated in a small number of positions while the indices are diversified. The fund return data provided is unaudited and subject to revision.

None of the information contained herein has been filed with the U.S. Securities and Exchange Commission, any securities administrator under any state securities laws, or any other U.S. or non-U.S. governmental or self-regulatory authority. No governmental authority has passed on the merits of this offering or the adequacy of the information contained herein. Any representation to the contrary is unlawful.