November 14, 2021

Dear Partners and Friends,

I hope this letter finds you well. Since launching Hunter Value Capital in 2018, I've reached out to current and potential investment clients on only a few occasions to prompt a discussion about investing for the first time, or about placing additional capital into our strategy. Today is a particularly compelling time to do so, and I wanted to update you with a few details of what we are doing at HVC.

Hunter Value Capital in a Nutshell:

- HVC manages an investment strategy targeted at the accredited investor who has a goal of outperforming the large cap stock indices with some portion of his/her capital.
- We manage a portfolio dominated by micro-cap stocks (companies less than 1/20th the size of the smallest S&P 500 companies) that have a reasonable chance of multiplying their per-share profits within several years.
- Our portfolio companies' stocks may outperform due to growth in profits, or simply from becoming discovered by the mainstream investment community.
- Our strategy is not for everyone, and we seek investors with a three to five-year time horizon in our strategy. Our investment philosophy is owning companies that are managed with a long-term focus, and we want our clients to think the same way.

Time Period	Hunter Value Capital, Net[1]	S&P 500 (SPXTR)	Russell 2000 (RUTTR)
2019 [2]	**8.5%**	**17.7%**	**7.7%**
1H 2020	25.1%	-3.1%	-13.0%
2H 2020	53.6%	22.2%	37.9%
2020	**92.1%**	**18.4%**	**20.0%**
YTD Oct 2021	25.9%	24.0%	17.2%
Since Inception:			
Annualized	**43.8%**	**22.9%**	**16.9%**
Cumulative Return	**162.5%**	**72.9%**	**51.4%**

As you may know, HVC's goal is to double the profits that our clients would otherwise get in an S&P 500 index fund over 15 years. So far, we've been able to achieve that during the past 2.5 years in operation. Since first placing capital with HVC in March 2019, our clients have surpassed a 160% total net return on their invested capital, compared to just over 70% for the S&P 500 index.

This occurred without the assistance of portfolio leverage, and in spite of the drag from the portion of the portfolio that holds a variety of defensive investments that we expect to help cushion the effects of a negative surprise like a market downturn or a spike in inflation.

[1] Returns for Hunter Value Capital ("HVC") reflect the composite for all client accounts managed and are net of asset management fees and brokerage costs. Returns are time-weighted and calculated on a monthly basis. Individual client returns may vary from portfolio returns due to various factors including individual restrictions on holdings, date of client account funding, fee schedule, and manager judgment of client risk tolerance affecting weight of certain securities. See additional disclosures at the end of this letter.
[2] HVC began managing client capital on March 6, 2019. Performance for both HVC and the market indices reflect performance beginning on that date.

We're pleased to have welcomed several new accredited investors in the past quarter. Our clients' capital is held in individual, segregated accounts, custodied by Interactive Brokers. HVC has discretionary authority to trade each account according to our strategy's model portfolio.

For investors who work in roles that are privy to nonpublic corporate information (such as bankers and lawyers), our status as a discretionary investment advisory enables many clients to satisfy the restrictions that their employers may have for holding individual stocks.

What do we own right now? Following are two examples.

Portfolio Company A

- A $270 million market cap manufacturer and distributor of wound care products for use by surgeons, physicians and clinicians in hospitals, clinics, and post-acute care settings. Revenues have been growing by mid-double digits for the past five years, quadrupling to $20 million during that time. An activist shareholder took control as CEO in 2019 and assembled a veteran team of sales leaders to expand geographic distribution from a handful of states to the entire US.
- The CEO also sits on the board of a home health care company that he invested in 20 years ago, took public, and helped grow by arranging dozens of acquisitions that led to a $5 billion market cap today. So he is a veteran leader with a proven track record of value creation, an intimate understanding of the health care industry, and significant personal capital at stake in expanding this wound care company in the second act of his career.
- The list of hospitals that have approved sales of the company's products has tripled to 900 over the past two years, and we expect sales to backfill that progress over the next few years as the company becomes the dominant player in the growing wound care niche of the healthcare industry.
- The company is launching a platform in 2021 to assist its clients with patients' wound care through data-driven, image-based diagnostics, workflow management, and telemedicine consultations. They are positioning themselves to capitalize on the overlap between the wound care and the teledermatology industries, which have a combined estimated addressable market of over $20-30 billion/year, growing at double digits. The company's pipeline of additional wound care products to be launched over the next two years will expand sales per salesperson, which will drive top-line growth as well as increase their foothold as the category leader for wound care products and consultative care.
- How should we think about the upside? Revenues have been growing at 30-40% per year on the back of their core surgical wound care gel/powder product. This product is not reimbursable by insurers, so there is no reimbursement risk for over 90% of their current revenues, which produce gross margins of nearly 90%.
- Within two years, core revenues should grow to nearly $50 million, and within three years should be over $70 million as they increase penetration among the 900 approved hospitals from only 30% today. At that point, we think a fair market value for the company would be at least 2-3 times today's price. Add to this the revenue from the pipeline of new wound care products and telemedicine services described above, and our estimates may prove to have been too conservative.

Portfolio Company B

- A $280 million market cap provider of online cognitive tests that are approved by regulators for use in biotech clinical trials.
- There are currently over a dozen FDA-regulated clinical trials in various stages using this company's test for therapies that address cognitive illnesses like dementia. Drug makers like Eli Lilly have contracted with this company for many years for all of their late-stage Alzheimer's therapy clinical trials. Not only does its reputation among drug makers increase through time as it is involved in additional trials, but the reliability and value of its database of patients' test responses increases.
- There are only a few competitors in this cognitive test niche because it is difficult for a new competitor to create a database that is sufficiently diverse to meet the needs of clinical trials that must standardize the data across various conditions (language or ethnicity of the patient, etc.).
- Operating margins are in the mid-teens, and revenue has been growing at 30-50% during the past 6 quarters, likely because the FDA's supportiveness of new treatments for Alzheimer's is increasing demand for clinical trials that use the company's tests. The company’s revenue growth is likely to continue for many years given the large and growing backlog of clinical trial contracts it has booked.
- Those are all sufficiently compelling reasons to own the company. However, the upside optionality that is not reflected in today's price is the partnership initiated in 2020 with a large pharmaceutical company to distribute the test on a global scale. Distinct from the existing clinical trial business, this version of the cognitive test is targeted at patients who will need to assess their risks of developing Alzheimer's as they age, in order to know whether they are candidates to take the new FDA-approved therapies on the market. Although anyone who is concerned about dementia is a potential consumer for this test, the company's target population is the 300 million people who are nearing age 60 in global developed countries.
- So what is this partnership worth? We don't need to know with precision. Reaching only 20% of that target market with a $35 test each year would generate annual royalties to the company of around $250 million. In that scenario, it's reasonable to assume at least a 500-700% increase in the company's valuation, with plenty of upside beyond that.
- Additionally, the chairman and CEO own a combined 16% of shares, which is the kind of alignment with shareholders that we love to see.

The Advantages of Comfort with Unpredictability

We believe that by being patient enough to not demand smooth, consistent returns, an investor can capture returns that most don't care to wait for.

Vacant land is often sold at auction for nearly free because an owner simply hasn't been able to pay for the property taxes on a parcel. Astute buyers often accumulate these cheap properties as a way to bet that the economic path of progress will shift in the direction of this land someday. In fact, by developing the land in ways that respond to the specific needs of adjacent communities (whether it is home, retail or offices that are undersupplied), owners can often actively shift the path of progress toward them.

Likewise, HVC’s portfolio is constructed as if the businesses represent in-the-money options. We study the business plans of various small companies coming across our desk, and assess the quality of the options that each holds. We think of the options within companies as milestones that may be crossed.

These milestones may take the form of a company achieving customer adoption of a product; finally reaching a scale that produces a profit; or simply crossing the tipping point of investors realizing that its high revenue growth is due to a growing addressable market for their products.

Irritatingly for most investors, the timing of these milestones tends to be uncertain, and human instinct is to abandon a stock if it does nothing exciting for a while. In many cases, this explains why the price of a stock is currently assigning no value to the possibility that the company will reach a significant business milestone that it's approaching.

The point is that, since the magnitude of these milestones can be large, and because over 70% of our capital is often concentrated in only 10 positions, HVC's portfolio tends to have long spans in which not much happens, followed by dramatic moves. Over multi-year periods, we expect those milestones to push our portfolio ahead of the broad markets. It won't occur like clockwork each year, but that's not required in order to achieve long-term, significant outperformance.

As an example, HVC has spent most of 2021 with less than a 5% return year-to-date. It wasn't until October that several of our larger positions performed well, for unrelated reasons. Against the backdrop of the S&P 500 index eclipsing a 10% return since April, HVC's underperformance for the better part of a year is a testament to the importance of being patient with a process that is sacrificing short-term comfort in service of a longer-term goal of meaningfully beating the indices.

What is HVC's Process?

Our mission is to help people retire earlier than if their liquid investments were invested in an S&P 500 index fund or in Berkshire Hathaway stock. We invest our clients in the same strategy where our personal capital is invested, so everything we do reflects a philosophy that we think will maximize our chance at doubling the profits of an S&P 500 fund held over 15 years.

How are we working toward that goal? Our investment process involves **bottoms-up, fundamental research** to identify mis-priced businesses. We conduct **interviews** with management teams and competitors, and analyze business models and financial statements. Our process involves:

- Talking to dozens of CEO's each quarter
- Reviewing dozens of companies per week
- Filtering the ideas through our network of professional investors
- Conducting due diligence among employees, competitors and customers

What are we searching for?

Major Components of HVC's Filter:

- Does the company pass a checklist of red flags for fraud? (research on management's previous activities, conflicts of interest, record of self-dealing, suspicious accounting, etc.)
- Is the company small enough today such that there is a major swath of investor capital sitting on the sidelines that is currently not permitted to invest in it, but is likely to do so if it grows larger?
- Does it have highly incentivized management who are aligned with investors through their ownership of shares?
- Does it pass a checklist for prudent risk-taking by management (indebtedness, concentrated suppliers/customers, etc.)?

- When we examine the business, are they working toward some milestones that, if they are reached, growth in profits could make a huge step function upward?
- Are those milestones independent of each other (various markets, various high-potential projects, etc.) and are there a lot of them?
- Is the market only expecting linear growth in profits, and not accounting for potentially parabolic growth?

What HVC does as an investor is similar to private business investing, but being publicly traded it is slightly more liquid, and places more trust in company management than if we were to have a control position.

Looking Ahead

We've observed a tendency in recent years for investors to expect poor market returns going forward. We are sympathetic to this view, because we believe that the global financial system has numerous fragile properties, and dramatic market crashes should be expected more frequently than models predict. Yet, whether the market has been doing extremely well (like the current year) or it's been doing poorly, a belief that "what goes up must come down" in the first case, or the fear of seeing red figures in our stock portfolios in the second case often keep investors out of the market altogether. Our perspective is that we should avoid making predictions about major economic events or their timing, as the history of the markets is merely a chronology of people regularly being surprised by what transpired.

Given that the S&P 500 has compounded at high single digits in excess of inflation since the late 1920's, through a depression, numerous recessions, energy crises, wars and severe post-war indebtedness, there is reason to believe that the stock market will continue to be a sound place to keep investing capital on a consistent basis.

Regardless of temporary market swings, there are significant long-term tailwinds supporting a strategy of owning small, highly-achieving companies. Companies that have achieved already, tend to continue to achieve. Their internal business results continue to surprise to the upside. In response, the large pools of investor capital in the market begin to take notice of such companies, driving up demand for their shares. These twin engines of positive business surprises and accelerating investor interest in the stock are more potent among tiny, growing companies. That is why HVC is focused on that space.

Thus, we can trust in the winds at our backs even when instinct tells us the market is not going to do well in the near term. Without question, our portfolio is sure to be affected by market pullbacks in the short term. But we don't own the market; we own individually chosen stocks that we believe will outperform the market within a number of years.

And at this moment, the valuations of the companies we hold are exceptionally attractive, relative to how much we expect their per-share earnings to grow over the next 3-5 years. Whether inflation or deflation prevails in the coming years, this is the portfolio we would prefer to hold over any other. Upcoming milestones at a number of our companies lead us to feel particularly confident in the price of the options that they represent right now.

Because of this, we encourage our clients, or those interested in learning more about our approach, to reach out and initiate a conversation about whether it's time to put long-term capital to work with us.

Sincerely,

Ian Hunter, CFA

HUNTER VALUE CAPITAL

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These materials shall not constitute an offer to sell or the solicitation of an offer to buy any interests in any fund or account managed by Hunter Value Capital, LLC ("Hunter Value Capital", "HVC") or any of its affiliates. We will not make such offer or solicitation prior to the delivery of a definitive Form ADV Part 2 and other materials relating to the matters herein. This document is intended for informational purposes. Investing in HVC's strategy is subject to high volatility and illiquidity and bears risk of loss of capital. HVC's strategy takes concentrated positions, regularly invests in micro-cap companies, and depending on client suitability can invest in call options, put options, warrants, securities which track the price of digital (or "crypto") securities, and other securities that cause the strategy to have greater risk of illiquidity and loss than many other investment alternatives that are available to investors. Micro-cap companies are described as having a market capitalization of less than $200 million. Call and put options and warrants are derivative securities that create leverage on an underlying reference security, and entail higher risk of volatility and loss than typical equity investments. Crypto securities represent a relatively young asset class that often have no underlying cash flows to support their value and are not suitable for the average investor's portfolio due to their high risk of loss. The strategies and policies presented in this document are subject to change without notice.

The fees and expenses charged in connection with investing in HVC's strategy may be higher than the fees and expenses of other investment alternatives and may offset profits. No assurance can be given that the investment objective will be achieved or that an investor will receive a return of all or part of his or her investment. Investment results may vary substantially over any given time period. HVC takes concentrated positions. Due to risks described in its Form ADV Part 2, an investment in HVC's strategy may only be suitable for certain investors.

The information in this material is only current as of the date indicated, and may be superseded by subsequent market events or for other reasons. We have compiled all information herein from sources we believe to be reliable but cannot guarantee their accuracy. Further, many of the statements and assertions contained herein reflect the belief of HVC, which belief may be based in whole or in part on such data and other information.

HVC is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. The analyses provided may include certain statements, assumptions, estimates and projections prepared with respect to, among other things, the historical and anticipated operating performance of the companies or the stock market. Such statements, assumptions, estimates, and projections reflect various assumptions by HVC concerning anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies and have included solely for illustrative purposes. Actual results may vary materially from the estimates and projected results contained herein, due to client fees and expenses as well as the unpredictable outcomes inherent in stock investing. Past performance is not indicative of future results. HVC disclaims any obligation to update this document.

Returns for HVC reflect the composite for all discretionary client accounts managed. HVC's policy for calculating its composite performance is available upon request. Composite returns are net of asset management fees and brokerage cost, and are calculated on a monthly basis. An account is excluded from calculation during months when cash is greater than 50% of the account value. Prior to 10/1/2020, returns were calculated on a daily basis and did not exclude accounts during periods when cash was above 50% of the account value. Performance figures reflect reinvestment of any dividends and other earnings and are gross of withholding taxes where applicable. Performance for periods of less than one year are not annualized. Market indices are presented to provide context for market conditions during the relevant periods, but are not comparable in risk and/or volatility to HVC's strategy. The market indices are more diversified than our strategy and may be more liquid and less volatile than HVC's portfolio due to the concentrated nature of our investments in low-liquidity securities. Investors cannot invest directly in any index. Composite performance is compared to that of an unmanaged index, which does not incur management fees, transaction costs, or other expenses associated with a managed account. Note that comparing the performance to a different index might have materially different results than those shown.

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