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Full Year - 2014 Letter to Investors

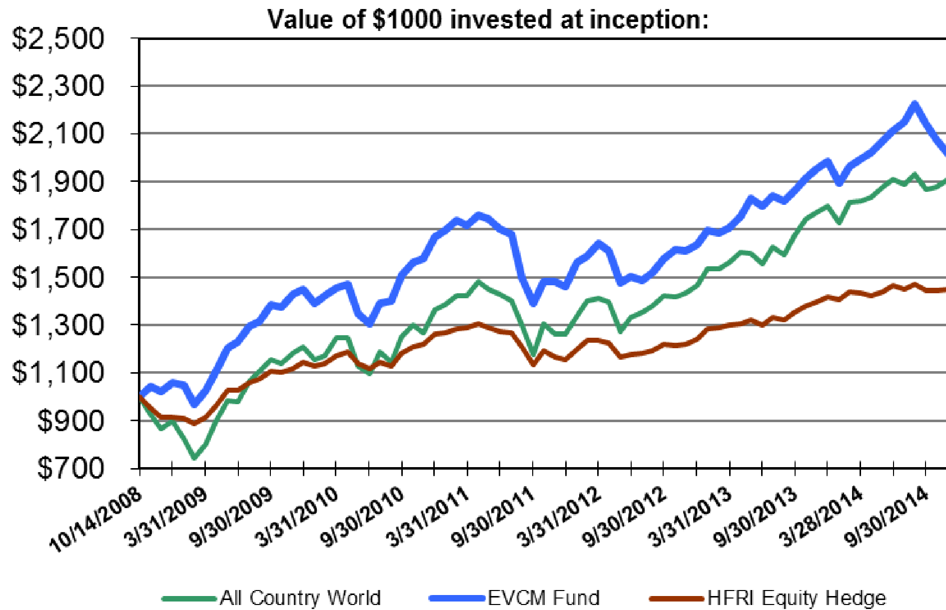
Dear Partners and Shareholders,

For 2014, EVCM Fund declined an estimated -0.4% (net to investors). Stock markets were up with the ACWI up +4.2% and the HFRI Equity Hedge Index up +2.3%.

Fund Performance (Net to Investors):			
	Q4 - 2014	FY 2014	Since Inception (10/15/2008)
EVCM Fund – Net to Investors	**-7.7%**	**-0.4%**	**+97.7%**
MSCI All Country World Index Net	**+0.4%**	**+4.2%**	**+87.4%**
HFRI Equity Hedge Index	**+0.4%**	**+2.3%**	**+45.0%**

** The 2014 results reported are unaudited estimates and may be subject to change.*
** Individual investor net returns will vary due to the timing of one's investment.*

Since inception (10/15/2008), EVCM Fund returned an estimated +97.7% (net to investors). During this same time period, the MSCI All Country World Index Net (ACWI) returned approximately +87.4%, and the HFRI Equity Hedge Index returned approximately +45.0%.



2014 Overview:
2014 started off as a direct continuation of 2013 with both the US and global markets posting strong returns and EVCM Fund performing well. It all reversed in September, as multiple negative geopolitical events shook the markets and led to a capital flight to safety into the US Dollar and US equities. Events of particular note were the Russian invasion of Ukraine, the Israel-Hamas war in the Gaza strip, the slowdown of the Chinese and European economies, the emergence of ISIS and Boko Haram as massive terrorist organizations aspiring to statehood, the new US military campaigns in Iraq and Syria, and the collapse of the price of oil.

EVCM Fund, with about 60% net exposure to non-US stocks in September suffered a double blow as both global stock prices and global currencies declined simultaneously. As a result of this double blow, we gave back our entire positive return and ended the year slightly negative. This is not the first time that EVCM Fund has suffered from such capital flight to safety and we know from past experience that these capital flows eventually should reverse. The good news is that most of our investments continue to generate strong free cash flows, widen their economic moats, pay dividends, buy back cheap shares, and grow their values while we wait.

While EVCM Fund has performed well since inception, we are dissatisfied by our poor results in 2014 and are determined to do better. Our fee structure aligns our incentives so that we don't make any money unless you make money - which is exactly as it should be. We continue to follow our disciplined global value investing process that has worked over many years and we are certain that we own an exceptionally attractive portfolio of investments from around the world. We have no idea where stock markets will move in the short term, yet we feel confident that our investment portfolio will perform very well over the long run.

Why we invest globally:
Given the beating we took in 2014 from many of our non-US investments, you may ask: Why even bother to invest globally? In fact, since the financial crisis of 2008, the US economy and US stocks have clearly outperformed global markets. Would we not be better off just investing all of our capital in the US?

Despite recent underperformance from global investing, there are still multiple reasons to continue investing globally. Capital markets are mean reverting and today's winners are destined to be tomorrow's laggards. In fact, prior to the financial crisis of 2008 we faced the opposite sentiment. Emerging markets were outperforming developed markets and the BRIC (Brazil, Russia, India and China) countries were widely regarded as the best places to invest. Some investors were saying that it's best to invest mostly outside the US.

The following are the eight main reasons that we choose to invest globally:

- Global markets present a larger investment opportunity set.
- Foreign assets often cheaper than U.S. assets.
- Increased global diversification and reduced correlation among our positons.
- In many areas, emerging markets are following the path of developed markets. This allows better industry level forecasting.
- More rapid economic growth.
- Foreign capital markets are less competitive than U.S. capital markets.
- Currency appreciation and diversification (can be a benefit as well as a hindrance).
- The rising consumer middle class in emerging markets allows us to bet on secular growth in industries that benefit.

Some of our more skeptical and hardnosed partners might look at the list of reasons above and say those are all just stories. If there are such good reasons to invest globally then why have global markets lagged for the last few years?

We think the following chart says it all. Despite higher volatility and recent underperformance, the Emerging Markets Index returned more than double the S&P500 since 1999.

Emerging Market Index: +489%
S&P500: +220%

Top 10 Long Positions:

Company	As % NAV
Korea Preferred Stocks Basket	22.6%
US Financials Basket	14.3%
LG H&H	4.2%
General Motors	3.4%
Horsehead Holdings	3.2%
Samsung Electronics	3.2%
Golf & Co	3.1%
Discount Bank	3.0%
Posco Steel	3.0%
Isras	2.8%
Total	62.7%

Top 4 Short Positions:

Company	As % NAV
TNA	7.4%
CAT	1.3%
CRM	0.9%
USO	0.3%
Total	9.9%

Fund Exposure Levels:
Our high level of gross and net exposures (108% and 88% respectively) reflect the large number of compelling bargains we are finding in global stock markets – particularly in South Korea and Israel. A more detailed breakdown of our exposure by geography illustrates how we are globally diversified with only 33% net exposure to the US. Our largest geographic exposure is in Asia via our basket of Korean Preferred Stocks.

Fund exposure by Geography:

	US	Europe	Asia	ME/Africa	LatAm	Global
Long	41.2%	1.1%	34.6%	9.0%	0.0%	12.1%
Short	8.6%	0.0%	0.0%	0.0%	0.0%	1.3%
Gross	49.7%	1.1%	34.6%	9.0%	0.0%	13.5%
Net	32.6%	1.1%	34.6%	9.0%	0.0%	10.8%

Our portfolio is also diversified by market cap. Almost half of our net exposure (45%) is to large cap stocks since, in general, we think large cap companies are currently both cheaper than small cap companies and are better positioned to compete in global markets.

Fund exposure by market cap:

	Small	Mid	Large
Long	28.2%	23.2%	46.6%
Short	7.4%	0.3%	2.2%
Gross	35.6%	23.6%	48.8%
Net	20.8%	22.9%	44.4%

Our stock selection process is bottoms-up, without any pre-determined allocations to specific geographies, countries, industries, or market-caps. It is therefore gratifying to see that our bottom up stock selection process results in a well-diversified portfolio across multiple factors (geography, market cap, industry and investment thesis).

Our top contributors in 2014:

Basket of Korean preferred stocks (22.6% of NAV)
Our basket of Korean Preferred stocks was our top contributor for the second year in a row. It performed extremely well up until mid-September and then gave back some of its gains for the rest of the year. The declines were across the board which indicates that they had more to do with the capital flight out of Korea than with company specific issues.

Our core thesis for the Korean Preferred stocks is that they are roughly equivalent to Korean common stocks (less voting rights) and should therefore trade at only a small price discount. Many Korean companies are overcapitalized are should gradually increase their dividends over the next few years. Since the preferred shares are legally entitled to a higher absolute dividend than the common shares, this serves as a strong catalyst. Additional catalysts are preferred share buybacks, and the gradual improvement in Korean corporate governance.

The preferred shares in our basket currently trade at extremely high price discounts of 45% - 60% compared to their respective common stocks. We have made a few minor adjustments to our basket and still see tremendous upside. It remains our largest investment position.

Basket of large cap US financials including TARP warrants (14.3% of NAV)
Our basket of large cap US banks and insurance companies performed well in 2014 as they continued their slow recovery from the 2008 finical crisis and benefited from the growth in the US economy. The specific details for each bank and insurance company that we own are different, yet the underlying thesis is mostly the same. The large cap financials in the US were all severely hurt in the financial crisis of 2008. Since then they have been working to repair their businesses, reduce risks, simplify operations, and restructure bad loans. The banks and insurance companies have undergone intense regulatory scrutiny and are on a trajectory towards continued recovery. We think that the probability of another banking meltdown at this point in the cycle is low.

Furthermore, the banks are direct beneficiaries of the ongoing economic recovery in general and the recovery in the real estate markets in particular. The US financials are still under earning relative to their normalized earnings power and still trade below where they should once they have fully recovered. In some cases we have chosen to invest in the US financials via their long term TARP warrants. These warrants were initially issued to the government in return for bailout capital in 2008. In some cases the warrants have very attractive terms and offer a better risk-reward balance than the common stocks.

Short USO (0.3% of NAV)
United States Oil Fund (USO) is an ETF that is supposed to track the price of a barrel of oil. Because it uses future contracts to gain exposure to the price of oil, USO suffers from “roll decay” which makes it consistently lose value over time. Our short position in USO worked out very well towards the end of 2014 as the price of oil fell sharply. We closed out most of the position at a nice profit. We think the price of oil will remain depressed for the foreseeable future and we will re-establish our short position should the price of oil temporarily spike back upwards.

Samsung Electronics (3.2% of NAV)
We invested in Samsung Electronics at the point of maximal pessimism and made a quick profit when markets realized that smart phone sales and margins would not decline as much as initially feared. Samsung is a complex conglomerate with many moving parts and is difficult to fully analyze and follow. Most investors seem focused on Samsung’s smart-phone business while paying little attention to its many other highly valuable business segments (DRAM, NAND, chipsets, displays, digital cameras, television sets, tablets, laptops, networking equipment and home appliances).

We agree that the smart-phone business is facing some difficult head-winds as both Apple and Chinese phone manufacturers ramp up their competitive offerings. However, we think that at the current cheap stock price we are paying a fair price for the non-smart phone businesses and essentially getting the smart-phones business for free. Samsung has created tremendous shareholder value over the years and we think it will continue to do so for the foreseeable future.

Howard Hughes Corp (1.2% of NAV)
Combining unique and hugely valuable trophy development assets with an excellent and highly incentivized management team, all this under the supervision of super-investor Bill Ackman, HHC is arguably the worlds “best” real-estate company. As in previous years, HHC continued to make strong progress developing its assets into income producing properties. The stock fell towards the end of the year due to concerns that HHC might have indirect exposure to the falling price of oil since it has assets in Texas. Fortunately, we trimmed our position mid-year when the price was higher which led to HHC still being one of our top contributors for 2014.

Our top detractors in 2014:

Sberbank of Russia (1.3% of NAV)
Sberbank is by far the largest and most profitable bank in Russia. It is well managed and has been able to generate 20% annual returns on equity. Sberbank is listed on the London stock exchange and has been singled out as the poster child for the new, more capitalist and shareholder-friendly Russia. We invested in Sberbank at prices below book value prior to Russia's invasion of Ukraine. Our timing on this investment could not have been worse. Russia invaded Ukraine and re-ignited the cold war with the west. Economic sanction combined with the falling oil price then drove the Russian economy into recession.

Even with the Russian economy slowing down severely, Sberbank should still earn about 10% returns on equity which is a testament to its high business quality. The stock price of Sberbank has collapsed such that it is now extraordinarily cheap. We think the risk-reward for Sberbank is compelling, but recognize that Sberbank could go to zero either due to a complete collapse of the Russian economy or due to confiscation by the Russian government. Currently 1.4% of our portfolio, we are neither selling nor buying.

Blucora (0.8% of NAV)
Blucora (BCOR) has 3 main business likes: Tax Act (low cost online tax filing), online search engine marketing and e-commerce. New and stricter rules by Google and Yahoo regarding their search engine partners combined with disappointing business results led to a steep stock price decline. We made a nice return on BCOR in 2013 and then gave it all back in 2014. The business could turn around in 2015, however, we lost conviction in the company and have sold most of our investment.

General Motors (3.4% of NAV)
General Motors is a bargain hiding in plain sight. Its stock declined in 2014 as the number of recalled cars and its restructuring costs continuously increased and provided limitless negative headlines. We think the financial impact of these recalls will be limited (about $3.5bn + $1bn fine) and is already resulting in a better and more transparent GM. Since the actual business operations of GM are performing very well, we must conclude that the stock decline is due to negative sentiment over the recalls. In our opinion it makes no sense that GM lost about $10B of market value when the financial damage from the recalls is less than half that amount.

GM continues to generate strong profitability and cash flows in both the US and China and should even be slightly profitable in Europe this year. The company recently gave a positive outlook for 2015 which included 10% margins in the US. We were a little disappointed that the board voted to not increase the dividend and we would like to see a significant dividend increase (25%+) sometime this year. With strong margins, GM could earn $5 per share next year (excluding any additional restructuring costs) which could warrant a $50 stock price (verses $33.4 right now). We are excited about the market finally seeing a profitable, cash generating GM with the burden of its past mistakes in the rear-view mirror.

Golf & Co (3.1% of NAV)
Golf & Co ("Golf") is a leading group of retail chain stores located in Israel, all under the umbrella brand "Golf". The stores fall into two main retail categories: fashion clothing and home accessories. Golf has 281 stores today across all its sub-brands. Sub-brands include Golf Kids & Baby (kids clothing), Intima (lady undergarments), Polgat (men's suits), Max Moretti (lady shoes, purses and accessories), Blue Bird (surf wear), Golf & Co (home accessories), and others.

As the largest retail chain in Israel, Golf enjoys multiple competitive advantages including: a strong and well recognized brand, excellent mall based locations and economies of scale in

operations, advertising and purchasing. The Golf brand is generally associated with good value for money, but is not necessarily the most fashionable or cutting edge.

Golf's revenues and profits in 2014 declined due to the extended war in the Gaza strip (most people don't go shopping when missiles are falling from the sky). As a result 2014 results are fairly weak. Assuming no further conflict in 2015, and some success in Golf's strategic expansion plans, 2015 could be a much stronger year for Golf.

Fannie Mae/ Freddie Mac Preferred Shares (0.6% of NAV)

We lost about 1% of our assets as our GSE preferred stocks declined due to an unfavorable court ruling. During the financial crisis of 2008 the US government chose not to fully privatize the GSE's and instead allowed them to remain public companies with common and preferred stocks freely traded. Investors have argued that for the government to now confiscate these companies from shareholders after it has been more than fully paid back on its crisis-era financing is unconstitutional. We expect the recent court ruling, which essentially claims that stocks have value even if the underlying company is worthless to be reversed by higher courts. However, even if the current ruling is not reversed, there are other lawsuits based on different legal theories that are proceeding simultaneously which could also result in a win for GSE shareholders.

Beyond the legal issues, allowing the GSE preferred shares to resume their dividend payments is a win-win situation for all involved. Many of the preferred shareholders are community banks, which were encouraged (some would say tricked) by the US treasury to purchase them. Allowing the preferred shares to resume their dividends would effectively recapitalize these community banks. At this time, there is presently no viable alternative for Fannie Mae and Freddie Mac. Winding them down would effectively eliminate the fixed rate 30-year mortgage which would disrupt the housing market recovery and make it significantly more difficult for Americans to become homeowners. We believe that is precisely the reason that the government has kept the GSE's in legal limbo. Winding them down would be terrible for housing and fully nationalizing them would add trillions (yes, trillions) to the national debt. The state of limbo, however, cannot last forever and recapitalizing the GSE's is likely the best course of action for all involved. There is a reasonable chance that, after discarding all other options, the US government will realize that.

Betting on legal outcomes, even when one believes he is legally and morally correct, is far from a sure thing. Ultimately, our investment in the GSE preferred shares is a question of risk-reward. The upside for the GSE preferred shares (10x our money) is about 10 times the downside (going to zero). So even if we thought the odds of winning in court were only 20% (we think they are much higher), it is still a statistically good bet to make as long as we size it correctly.

<u>Concluding Remarks:</u>

While I am disappointed in our 2014 results, they are an inevitable occurrence when practicing long-term, contrarian value investing. Since EVCM Fund invests globally, yet reports only in US dollars, it gets hit whenever there is a flight to safety into US assets and the US dollar. From past experience, we know that such capital flows eventually reverse.

I continue to work tirelessly to protect and grow our capital and am determined to report better returns in the future. Recently I added capital to my personal investment account with EVCM Fund. As the manager of the fund, I eat large doses of my own cooking and only make money when you make money.

Our investment portfolio is full of compelling investment ideas from around the world. These trade at large discounts to their intrinsic business values. I feel confident that most of our companies are in excellent shape, will realize their potential, and will perform well over the long run.

Thank you, our investors and shareholders, for your continued trust and support of EVCM Fund. Please don't hesitate to call with any questions, thoughts or comments.

Happy, healthy, successful and prosperous 2015!

Sincerely Yours,
Ori Eyal
Managing Partner

Disclosure:
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An investment in the Fund may be deemed speculative and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the risk of the substantial impairment or loss of their investment in the Fund. The Fund is designed for investors who do not require regular current income and who can accept a certain degree of risk in their investments. Prospective investors should carefully consider the risk factors specified in the Offering Memorandum before making a decision to invest in the Fund.