Emerging Value Capital Management, LLC

152 West 57th Street
Floor 32
New York, NY, 10019
Tel: 212-277-5617

July, 2018
Management Company Update

Dear Founding Partners,

Following is a detailed update on the progress that we have made at both Emerging Value Master Fund Ltd. (the "Fund"), at our management company, Emerging Value Capital Management LLC ("EVCM") and at our general partner company ("EVCM GP"). In this letter I will try to present all the information that you, as owners of EVCM and EVCM GP, should know.

Business history

Before presenting you with a detailed review of the financials, I would first like to provide a short review of EVCM's formation and capitalization. EVCM initially raised $800,000 in start-up capital from a group of founding partners in early 2008. In aggregate, the founding partners purchased a 33% interest in EVCM. Shortly thereafter, EVCM concluded a strategic transaction with Value Insight Partners ("VIP"), a value-focused fund-of-funds based in New York in which VIP agreed to invest $2 million in the Fund as well as to provide office space, operational support, and CFO services to EVCM for a two year period in return for a 10% ownership stake in EVCM. On January 1, 2011, we signed an additional agreement with VIP which was approved by all existing EVCM founding partners. VIP agreed to increase its investment in the Fund and to extend its office space and operational support agreement for an additional 38 months in return for effectively an additional 7% ownership stake in EVCM.

As a result of these financing arrangements, EVCM was able to launch the Fund in October of 2008 and grow it to about $15 million in assets. In addition, the capital raised at the management company level was sufficient to fund operations for the last 9+ years, and we remain well capitalized today.

Business structure

EVCM, our management company, is structured as a Delaware LLC. In order to minimize future taxes and to avoid UBT issues, we also set up our general partner entity, Emerging Value Capital GP LLC ("EVCM GP"), which is also a Delaware LLC. Please note that the ownership of EVCM GP is exactly the same as the ownership of EVCM. So, for example, if you own 2.5% of EVCM then you also own 2.5% of EVCM GP.

The Fund is domiciled in the British Virgin Islands for tax and regulatory purposes and has both an onshore feeder fund for investors in the United States and an offshore feeder fund for non-U.S. investors. The two feeder funds are pooled into one master portfolio for investment purposes.

EVCM serves as the investment advisor to the Fund. In addition, EVCM currently manages one managed account with about $1M invested in our Korea preference shares strategy. As such, the management fees and performance-based fees that we earn by managing the Fund and the managed account are currently our only source of revenue. The management fee is 1% of assets annually, calculated and paid on a monthly basis. EVCM GP is eligible to earn performance-based fees equal to 10% - 20% of profits in the Fund, to be calculated and paid at the end of each calendar year. This performance fee is subject to a high water mark.

As of July 2018 we have about $15M of AUM in the Fund and about $1M of AUM in the managed account. The largest investor in the Fund is VIP, which also owns a 17.2% interest in EVCM and EVCM GP.

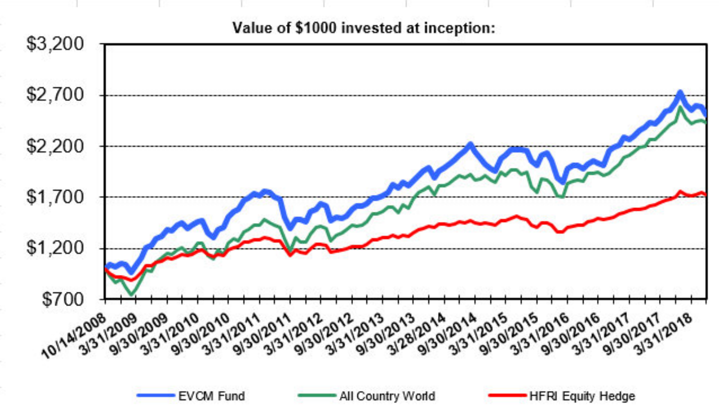
Emerging Value Capital Master Fund performance since inception

Through June 2018, the Fund has completed 116 months of operation since launching in October of 2008. In our history, we have navigated the Fund through several very different and challenging market environments. These include:

- The severe declines and panic at the end of 2008 and early 2009.
- The massive run-up in stocks in 2009 and early 2010.
- The return of choppy markets in mid to late 2010.
- The difficult 2011 where value stocks and international stocks fell out of favor.
- The fairly calm 2012 and 2013 where stock markets continued their steady recovery.
- The return of turbulence since 2014 where international stock markets suffered as multiple military conflicts around the world ignited and expanded.
- The collapse of commodity prices (particularly oil) and subsequent economic turmoil in commodity dependent countries (Brazil, Venezuela, Russia, Saudi Arabia, etc) in 2015.
- The deteriorating situation in Europe and the decision of the UK to leave the EU in early 2016 (Brexit).
- The surprise election of Mr. Trump to president of the United States and the ensuing bull market for stocks accompanied by low price volatility.
- The return of volatility in 2018.

The Fund’s performance is presented in the table below. As you can see, the Fund has compiled a solid performance record. Since inception, net of all expenses and fees, we have significantly outperformed the HFRI Equity Hedge Index and have moderately outperformed the All-Country-World-Index. This performance was achieved despite conservative investing, short positions, and cash holdings. In other words, our investors earned better returns while bearing something less than full market risk: exactly what a long-biased hedge fund is supposed to do. Going forward, I expect to continue to manage the Fund using our "global value investing framework" while focusing first and foremost on risk management and capital preservation.

FUND PERFORMANCE (Net to Investors)



Performance	EVCM Fund	All Country (ACWI)	HFRI Equity Hedge
June 2018	-3.0%	-0.5%	-0.9%
2018 YTD	-4.4%	-0.5%	1.0%
Since Inception	151.1%	143.7%	72.8%
2017	20.2%	24.0%	13.2%
2016	6.5%	7.9%	5.5%
2015	3.7%	-0.9%	-1.0%
2014	-0.3%	4.2%	1.8%
2013	21.3%	22.8%	14.3%
2012	12.1%	16.0%	7.4%
2011	-12.7%	1.8%	-8.4%
2010	15.2%	15.1%	10.5%
2009	37.2%	26.5%	24.6%
2008 (Oct 15- Dec)	5.6%	-8.9%	-8.4%
Compound ROR	9.9%	9.6%	5.8%

1) 2018 Results reported are unaudited estimates
2) Returns vary due to the timing of one's investment.
3) ACWI Index is the MSCI All Country World Index Net

MONTHLY PERFORMANCE (Net to Investors)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2018	3.7%	-4.1%	-2.4%	1.8%	-0.4%	-3.0%							-4.4%
2017	1.1%	3.4%	-0.7%	1.5%	2.1%	1.5%	2.0%	-0.3%	1.6%	3.0%	0.8%	2.8%	20.2%
2016	-7.6%	-2.3%	6.9%	1.9%	-0.3%	-1.5%	2.2%	1.8%	-1.5%	-1.0%	7.0%	1.6%	6.5%
2015	-1.2%	6.1%	1.7%	2.6%	0.1%	-0.2%	-0.5%	-4.4%	-2.1%	4.9%	0.7%	-3.6%	3.7%
2014	-4.5%	3.5%	1.6%	1.4%	2.4%	2.2%	1.7%	3.4%	-3.7%	-3.0%	-2.8%	-2.0%	-0.3%
2013	3.8%	-0.6%	1.3%	2.5%	4.3%	-1.7%	2.6%	-1.4%	2.4%	2.8%	2.1%	1.6%	21.3%
2012	6.9%	1.8%	3.4%	-1.9%	-8.4%	1.9%	-1.1%	2.0%	4.0%	2.3%	-0.2%	1.5%	12.1%
2011	1.5%	2.4%	-1.2%	2.4%	-0.8%	-2.5%	-1.2%	-10.8%	-7.4%	6.8%	-0.2%	-1.5%	-12.7%
2010	-4.1%	2.3%	2.4%	1.1%	-8.3%	-3.3%	6.4%	1.1%	7.6%	3.4%	1.0%	6.0%	15.2%
2009	-1.0%	-7.5%	6.0%	8.1%	8.5%	2.1%	5.5%	1.7%	5.1%	-0.8%	4.0%	1.6%	37.2%
2008	---	---	---	---	---	---	---	---	---	4.0%	-2.1%	3.7%	5.6%

Please note the returns for 2018 are unaudited estimates and subject to revision

I believe that the Fund currently owns an excellent portfolio of investments from around the world that trade at large discounts to their intrinsic business values. I further believe that most of the companies we own are high quality business. Therefore, I am cautiously optimistic that we will continue posting strong returns in the future.

Financial Overview

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Management Fees	2,159	34,115	68,199	102,168	103,094	124,340	144,131	145,751	140,232	141,280
Incentive Fees	12,021	188,410	160,771	0	183	326,345	2,020	73,104	148,565	402,306
Fees - Managed Accounts	0	0	0	0	0	0	24,497	0	0	0
Gross Fees	14,179	222,525	228,970	102,168	103,277	450,685	170,648	218,855	288,797	543,586
Reimb. for excess Fund expenses	-9,127	-35,448	-16,859	0	0	0	0	0	0	0
Net Fee Revenue	**5,053**	**187,078**	**212,111**	**102,168**	**103,277**	**450,685**	**170,648**	**218,855**	**288,797**	**543,586**
Total Expenses	178,141	174,829	213,611	232,803	184,103	187,853	267,802	231,687	211,811	231,706
Operating Profit (Loss)	**(173,088)**	**12,249**	**(1,500)**	**(129,635)**	**(80,826)**	**262,832**	**(97,154)**	**(12,832)**	**76,985**	**311,880**

The above table, which presents annual summary profit and loss for EVCM and EVCM GP combined since inception, shows that total management fees are now relatively stable at just over $140,000 per year. Incentive fees were earned in 2008, 2009, 2010, 2013, 2015, 2016 and 2017 but not in 2011, 2012, and 2014. We started 2018 above our high water mark and could earn additional incentive fees in 2018.

Our expenses in 2017 were around $232K which was slightly above our estimate of normalized annual operating costs of $220K per year. The increase in expenses in 2017 was mostly due to higher marketing expenses. Our biggest expense is compensation, which includes my base salary and that of our CFO Dave Reilly, who works on a discounted basis according to our arrangement with VIP. Additional expenses include office rent, Reuters, conferences, travel, research, legal fees, education, marketing fees, office supplies, taxes and other miscellaneous expenses. We run a tight ship at EVCM and attempt to keep our expenses to the minimum necessary. Please see the appendix for our full financial statements.

Cash distributions

At the start of 2014 we declared a cash distribution of $350,000. The distribution was mostly from our incentive fees in 2013. During 2017 EVCM GP declared a second cash distribution of $200,000 which was mostly from incentive fees earned in 2014, 2015 and 2016.

EVCM GP is now declaring our third cash distribution of $120,000 which is mostly from incentive fees earned in 2017. Please see the enclosed letter for further details.

It is my goal to grow the sustainable profitability of EVCM to the point that we can consistently pay annual cash distributions to partners. I expect that any cash profits generated in future years will be distributed to partners after satisfying our policy of keeping enough cash on hand to fund 24 months of expenses.

Update on the Korea Preferred Stock Strategy

As you know, the Fund has invested in a basket of about 20 Korean Preferred Stocks. Based on extensive research, I believe this opportunity is compelling from a risk/ reward perspective. In past years I wrote to you about our efforts to find investors interested in this specific strategy implemented either as a separate fund or as a managed account. Since I have already done the research and analysis necessary to construct the Korean Preferred Stock basket, I expect that this side strategy will require relatively little additional time and effort. To date we have located one investor who has invested $1M in the strategy via a managed account.

Goals for 2018 and onward

The most important near-term goal is to grow our AUM to the point where recurring management fees are sufficient to fully cover our management company expenses. To achieve this goal, we need to grow AUM to approximately $22 million.

We remain focused on:

- Continue earning good returns while protecting capital at the Fund.
- Expanding the investor base at the Fund.
- Growing our AUM to at least $22M.
- Establishing a distribution and marketing agreement with the right partner.
- Maintaining normalized annual expense level around $220K / year.
- Finding a seed investor and re-launching the EVCM Israel Value Fund.

We are now in the middle of the transition from the “start-up” phase to the “sustained profitability” phase. With every passing year we expand our investing track record, grow our AUM, and get closer to sustainable profitability.

Conclusions

It has been over nine years since we launched EVCM Fund. Despite some volatility our fund has earned excellent returns for our investors, outperforming both of our benchmarks, while exposing our investor's capital to less than full market risk, even after all fees and expenses.

The transition from small to medium sized fund is proving to be more difficult and to take longer than we initially expected. This is mainly because it has become difficult for small funds to find new investors. Many potential fund investors are fatigued from being bombarded with investment opportunities. Additionally, the bull market in US stocks since the great financial crisis of 2008 has created an environment where investing caution is not rewarded and capital is flowing mostly into index funds. Financial history teaches us that sooner or later the bull market will end. When that happens, our conservative and non-levered value investing approach should significantly outperform and we will attract new investors into the Fund.

I feel very fortunate to have enjoyed the assistance and support from a sophisticated and engaged group of business partners. Special thanks go to Rick Reiss, Lauren Frank, David Reilly, Guy Spier, Zeke Ashton, John Schwartz, David Kishenevsky, Adam Burman, Peter Boodell, Dan Anglin, Yoni Argaman and Shabetay Palatchi. Since inception, both EVCM and I have benefited enormously from your assistance, support, advice and occasional "tough love".

I remain 100% committed and energized on growing our business profitability so that we can consistently pay distributions to you, our founding partners. Please feel free to contact me at any time and for any reason.

Sincerely Yours,
Ori Eyal
Managing Partner
Emerging Value Capital Management
ori@emergingvaluefund.com

Appendix 1: EVCM Financial Statements:

Following are the unaudited financial statements for EVCM LLC and EVCM GP (combined). These financial statements were prepared by me (Ori Eyal) using QuickBooks Online. Please note that I am not a CPA. Therefore these statements are not 100% GAAP compliant. Specifically, I did not account for some of the smaller accrual items.

Regardless, I have reviewed these financial statements and I think that they present a fair and materially accurate picture of our economics.

Balance Sheet
As of December 31, 2017

ASSETS	
Checking – Citibank	2,846.64
Savings – Citibank	685.54
Checking – First Republic	82,901.80
Checking – GP Bank Account	20,877.45
Management Fees Receivable	141,280.28
Incentive Fees Receivable	402,306.00
Investment – EVCM Fund	8748.18
TOTAL ASSETS	**659,645.89**
LIABILITIES	
Credit Cards Payable	65.33
Payroll Payable	70,000
Marketing Expenses Payable	10,069.60
TOTAL LIABILITIES	**80,134.93**
EQUITY	**579,510.96**

Profit and Loss - accrual basis
January - December 2017

Income	
Management Fees	141,280
Incentive Fees	402,306
Total Revenue	**543,586**
Expenses	
Accounting Expense	2,719
Bank Charges	268
Dues & Subscriptions	11,117
Education & Training	935
Marketing	14,565
Office Expenses	1,064
Payroll Expenses	180,000
Taxes & Licenses	901
Travel	20,138
Total Expenses	**231,706**
Net Income	**311,880**

Appendix 2: EVCM LLC and EVCM GP Capitalization Table:

			# shares	% ownership	share class
Ori Eyal			1,600,000	55.200%	B
Aquamarine Capital Management (Guy Spier)			200,000	6.900%	A
Instanz US Holdings Corporation (JGL Investments - Australia)			200,000	6.900%	A
Peter Boodell			60,000	2.070%	A
Sabetay Palatchi			50,000	1.725%	A
Jehonatan Argaman			50,000	1.725%	A
Centaur Capital (Zeke Ashton)			48,000	1.656%	A
Covenant Investments (Robert H Alpert)			24,000	0.828%	A
Thomas J. Glennon			48,000	1.656%	A
Prince Henry Group (Dan Anglin)			48,000	1.656%	A
John L. Schwartz Trust			72,000	2.484%	A
VIP Capital Management (Fund of Funds)			498,550	17.2%	A
Total			2,962,962	100.000%	