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Q3 - 2014 Letter to Investors

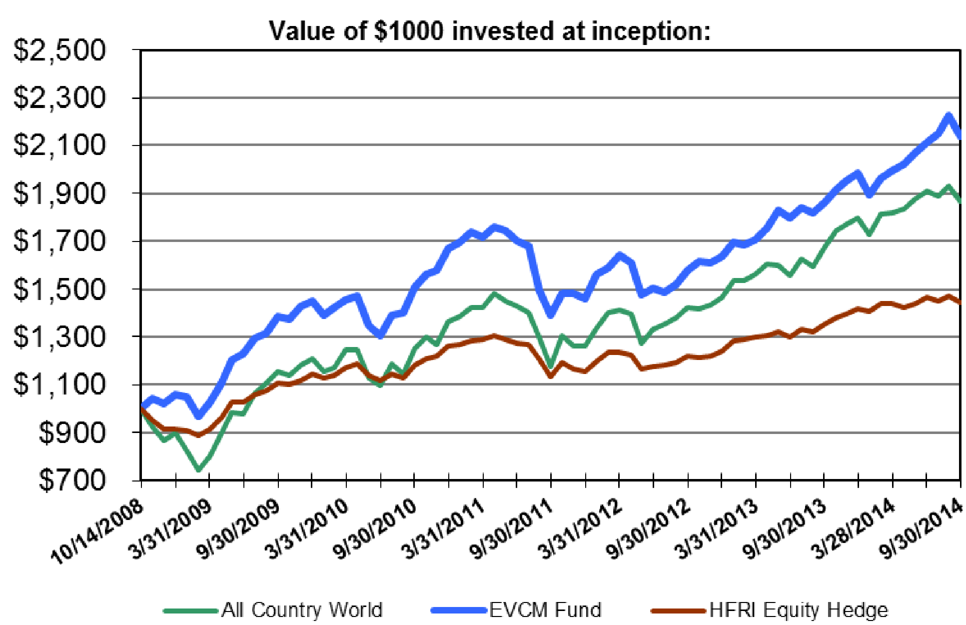
Dear Partners and Shareholders,

For the third quarter of 2014, EVCM fund returned an estimated +1.2% net to investors. Stock markets declined with the ACWI down -2.3% and the HFRI Equity Hedge Index down -1.4%.

Fund Performance (Net to Investors):			
	Q3 - 2014	2014 YTD	Since Inception (10/15/2008)
EVCM Fund – Net to Investors	**+1.2%**	**+7.9%**	**+114.1%**
MSCI All Country World Index Net	**-2.3%**	**+3.7%**	**+86.7%**
HFRI Equity Hedge Index	**-1.4%**	**+1.9%**	**+44.5%**

** 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 +114.1% (net to investors). During this same time period, the HFRI Equity Hedge Index returned approximately +44.5%, and the MSCI All Country World Index Net (ACWI) returned approximately +86.7%.



Overview:

EVCM Fund performed reasonably well in Q3 and outpaced its two main benchmarks. While the recent market sell-off in the last few weeks has caused us some pain, it has created compelling buying opportunities, particularly in large cap international stocks. We welcome the opportunity to deploy our remaining capital into cheap stocks and expect it will magnify our returns in the long run. We are now close to fully invested, and find ourselves with more investment ideas than capital.

As a rough indication of the cheapness of our portfolio, we have divided our investment positions into two groups: "Compounders" and "Potential Doublers". The former are excellent businesses with the potential to compound value at high rates (20%+ per year). The later are extremely cheap business that have the potential to re-rate to much higher valuations (possibly double) through growth and multiple expansion if our investment theses play out over the next few years.

Specific examples of Compounders and Potential Doublers include:

Compounders	Potential Doublers
Berkshire Hathaway	Iras Investments
British Petroleum	Energold Drilling
Basket of US Financials	Sberbank
Howard Hughes Corp	Samsung Electronics
Hilan Tech	Posco Steel
	GSE Preferred Stocks
	Horsehead Holdings
	Golf & Co
	Basket of Korean Preferred Stocks

About 65% of our long portfolio is invested the "potential doublers" category – which is an indication of its cheapness and high return potential over the next few years. Interestingly, three "potential doublers" are Israeli companies – Isras Invetments, Israel Discount Bank and Golf & Co. As you may remember, we discussed the Israeli stock market in our second quarter letter. Specifically, we wrote about how it was holding up despite the conflict in Gaza and that we were carefully watching a select group of Israeli stocks that we wanted to purchase if their price declined. Not long after we made these comments, the Israeli market declined. We used this opportunity to add to each of these positions at what we consider bargain prices. If our respective investment thesis for each of these companies plays out then all three have the potential to double in price over the next few years. We have profiled IDB and Golf &Co. in earlier letters, and we plan to give a more detailed explanation of our thesis on Isras Investments in one of our next letters.

Fund Exposure Levels:

Our high level of gross and net exposures (106% and 90% 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 19% 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	25.4%	1.2%	38.4%	12.1%	0.0%	21.2%
Short	6.6%	0.0%	0.0%	0.0%	0.0%	1.2%
Gross	32.0%	1.2%	38.4%	12.1%	0.0%	22.4%
Net	18.8%	1.2%	38.4%	12.1%	0.0%	19.9%

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	31.4%	19.9%	47.0%
Short	4.9%	1.0%	1.9%
Gross	36.3%	20.9%	48.9%
Net	26.5%	18.9%	45.1%

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).

<u>Performance Contributors and Detractors in Q3:</u>
Main contributors to performance in the third quarter include: Berkshire Hathaway, Golf & Co, the Basket of Korean Preferred Stocks, and our short book.

- Berkshire Hathaway's business (and stock price) continued to perform well as the company benefits from the economic recovery in the US. We sold half of our Berkshire position as the discount to fair value diminished and we needed the cash to purchase other, cheaper stocks.

- Golf & Co's stock price increased when management unveiled a strategic plan to increase shareholder value. The company will refocus and revamp its core brands and leverage its economies of scale to make bolt on acquisitions. We think the stock is a double if the strategic plan succeeds and has little downside if it fails.

- Our basket of Korean Preferred stocks performed very well up until mid-September. As the current sell-off began, foreign investors withdrew capital from the space, which led to sharp declines in September and October. Further exacerbating the declines was an inexplicable decision by Hyundai Motor Company (and its related companies) to spend about $10B to buy a parcel of land worth only $3B. So far management has not provided any plausible explanation for this decision and it has received widespread criticism both locally and internationally. These types of unpredictable value destroying behaviors are precisely the reason we chose to take a basket approach to our investment in Korean Preferred Stocks. We still see tremendous upside in our basket and it remains our largest investment position.

- Our short book performed well as our two largest short positions (TNA and USO) both declined sharply in the recent sell-off. TNA, is a triple levered ETF that magnifies the movements of small cap US stocks. It continuously loses value due to multiple factors including futures contract roll decay, management fees, and volatility. USO is an ETF that tracks the price of oil (WTI). It consistently underperforms due to roll decay and management fees. The recent decline in oil prices has also caused USO to fall sharply.

Main detractors from performance in the third quarter include: Sberbank, British Petroleum, General Motors and Energold Drilling.

- Sberbank of Russia declined as the conflict in the Ukraine and the new economic sanctions on Russia provided an endless stream of negative news headlines. So far we have not seen any significant impact on the banks business and its profitability remains very high (19% ROE). Sberbank is extremely cheap at 0.7 X 2015 Book Value.

- British Petroleum is one of the cheapest major integrated oil companies. It declined further in Q3 mostly due to the global weakness in oil prices. While weak oil prices are certainly a head-wind, we think they are already priced in at the current stock price. BP recently announced a dividend increase (now 6% yield) and a CAPEX decrease, which we think are the correct responses to low oil prices.

- General Motors stock declined as the number of recalled cars continuously increased. We think the financial impact of these recalls will be limited (about $3.5bn + $1bn fine) and will ultimately result in a better and more transparent GM. General Motors could earn $5 per share next year which could warrant a $50 stock price (verses $31 right now).

- Energold Drilling continued to report poor results as global drilling, particularly by non-majors, remains depressed. We think the company will survive the downturn and could double or triple when (sooner or later) the economic cycle turns and global drilling demand returns in full force.

<u>Select EVCM Fund Investment:</u>

Samsung Electronics

Samsung Electronics (SMSN LI), South Korea’s largest company, is an electronics and consumer good powerhouse. The company’s leading products include: High end smartphones, low end smartphones, DRAM, NAND, chipsets, displays, digital cameras, television sets, tablets, laptops, networking equipment, and home appliances.

Samsung is best known for its smartphones (high and low end) which account for about 45% of its revenues. In this segment, Samsung has about 30% market share thanks to its strategy to create separate product lines powered by the Google Android operating system for the high end and low end segments. The worldwide smartphone market is projected to continue growing at double digit rates for the foreseeable future. Even if Samsung stops gaining market share, the growth of the entire market should provide ample growth for Samsung.

Thanks to its size, Samsung enjoys low manufacturing costs (economies of scale) and high bargaining power with suppliers. To put its size in perspective, Samsung sell over twice as many smartphones as Apple. Samsung gains additional competitive advantages from its vertical integration, with internal production of many of its own chipsets, memory circuits, and displays.

Samsung’s capital management and shareholder policies have not always been optimal. We believe things are changing for the better at Samsung under the leadership of new chairman Jay Lee. He is working to unravel and simplify Samsung’s complex corporate structure. Listings of

Samsung SDS (Samsung's IT solutions subsidiary) and Samsung Everland (an amusement park subsidiary) are positive first steps in this direction. Samsung is on schedule in its strategic plan to reach $400B of revenue by 2020.

Samsung's smartphone business does face some threats. Apple is a fierce and highly capable competitor on the high end smart phone segment, while cheap Chinese smartphone manufacturers have been pressuring margins at the low end. We believe Samsung is capable of coping with these competitive threats (which have been around for years) and that its current price more than discounts these risks.

Using conservative assumptions, we value Samsung Home Appliance, Samsung Display, and Samsung Semiconductor at $100B (8X Operating profit). We value Samsung's IT & Mobile business at $144B (8X operating profit of $18B). We then add $60B for other non-core assets (including cash net of debt). We estimated the combined fair value of Samsung Electronics at approximately $304M. We can currently purchase this leading global business for about $160B, giving us a substantial margin of safety and large upside if this discount to the sum of the parts closes even partially.

<u>Concluding Remarks:</u>

I am increasing my personal investment into EVCM fund and will be adding capital at the end of October. I can think of no better place to invest my long term savings. If you were considering adding capital to your EVCM account, now may be an opportunistic time to do so.

Thank you, our investors and shareholders, for your trust and support of EVCM fund. We continue to work tirelessly to protect and grow your capital. Please don't hesitate to call with any questions, thoughts or comments. We are always happy to speak with partners and potential new partners.

Sincerely Yours,
Ori Eyal
Managing Partner