



Managing Member – Tim Eriksen      Eriksen Capital Management, LLC      567 Wildrose Cir., Lynden, WA 98264

December 05, 2014

Subject: Cedar Creek Partners November 2014 Unaudited Results

Dear Partner:

For the month of November, Cedar Creek Partners declined 1.5%, net of fees and expenses. Year to date the fund has risen 9.3%, net of fees and expenses.<sup>1</sup>

	Nov '14	Q4 '14	2014	Inception	Ave. Annual
<b>Cedar Creek</b>	<b>-1.5%</b>	<b>-3.4%</b>	<b>9.3%</b>	<b>322.4%</b>	<b>17.6%</b>
NASDAQ	3.5%	6.6%	14.7%	106.8%	8.5%
DJIA (DIA)	2.9%	5.1%	9.7%	101.8%	8.2%
S&P 500 (SPY)	2.7%	5.2%	13.8%	92.6%	7.7%
Russell 2000	0.1%	5.8%	2.0%	86.6%	7.3%

\* fund inception January 15, 2006. Index Returns as reported on Yahoo! Finance, Morningstar, Dow Jones and Russell.

Since the fund's performance diverged noticeably from the overall markets the last two months, some comments are in order. The fund was performing largely in line with the indices in November until the last few days when two of our holdings decided to hold their own Black Friday sale. Both were oil related. As you are probably aware, oil prices plummeted from over \$100 per barrel in the summer to under \$66 per barrel at the end of November. In November alone, the price declined by nearly \$15 per barrel, with over half of that decline coming in the last three trading days of the month.

The end result for the fund was that while the majority of its holdings were basically tracking with the overall market, Mart Resources (MMT.TO) and Awilco Drilling (AWLCF) took big hits. Mart is an oil exploration company with operations in Nigeria. Lower oil prices have a direct impact on revenues, margins, and expected future earnings.

Awilco Drilling owns two mid water semi submersible drill rigs that operate in the North Sea. Lower oil prices are expected to result in less overall demand for rigs which in turn will impact daily rental rates for rigs. One of Awilco's rigs is contracted through the end of 2017 at a rate of \$388,000 per day; however, the other rig will complete its current contract at the end of 2015. It is unlikely that the rig will rent for a rate similar to the \$385,000 daily rate it currently receives. The unknown is how much lower will rates go, and the market right now doesn't seem to like unknowns. The end result is that Awilco trades at about \$11.20 per share when we expect it to earn an aggregate of

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<sup>1</sup> While, no single index is directly comparable to Cedar Creek Partners, we believe that it is important to compare our performance to a passively managed approach. At the core of our investment philosophy is the belief that we can generate superior risk-adjusted returns by holding a more concentrated portfolio of under-valued securities, than an index holding a far greater number of securities. Index returns are calculated from information reported on Yahoo! Finance, Dow Jones, and Russell (see DISCLAIMER for more information).

nearly \$9 per share over the next three years (assuming the rig gets contracted at a day rate of \$240,000 per day). The problem is that near term news will likely continue to be negative.

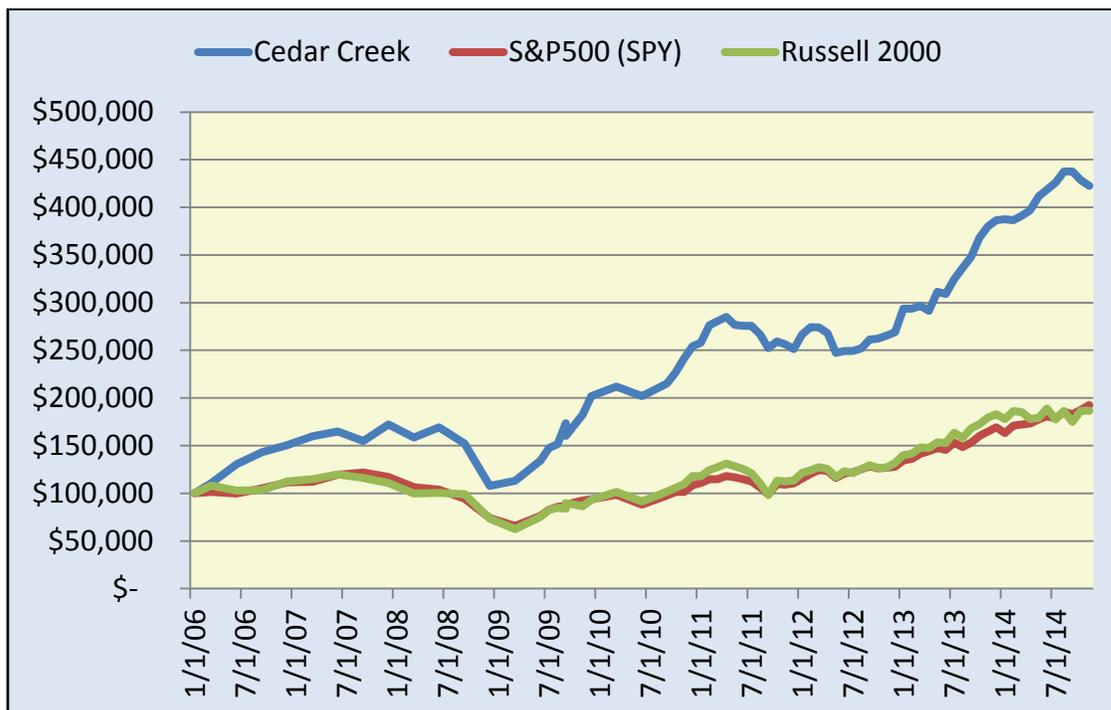
The end result of the sharp decline in oil was that Mart declined by 38% in November (from \$0.95 to \$0.59 per share), while Awilco declined by 10%, net of its dividend. We were actually adding to our position in Mart during the month because we believed much of the decline was temporary in nature – due to the delay in the startup of their new pipeline. While correct, it turns out we were a few weeks early, and missed the bottom.

After month end, Mart announced the startup of the new pipeline, which caused the stock to jump 33%, from \$0.60 to \$0.80 per share on December 3. Thus while the fund noticeably under performed in November, the opposite is true so far in December. We would caution that we expect both stocks to continue to be volatile.

In hindsight, we underestimated the oil price risk, and should have tried to hedge out most of it since it was a key component to the thesis being successful. Our thesis was based on rapidly rising production generating rapidly rising cash flows and net income, thus hedging would have been an appropriate way to strip out oil price risk, even though we had no idea whether oil prices were going to rise, fall, or stay the same.

### Fund Performance to date

\$100,000 invested in Cedar Creek at inception (January 15, 2006) would have grown to \$422,441, net of fees and expenses as of November 30, 2014, versus \$192,556 for the S&P 500 (SPY) and \$186,642 for the Russell 2000.



## **October and November Details**

Results over the last two months were helped substantially by Peerless Systems (PRLS), Teton Advisors (TETAA), and Mind CTI (MNDO). The largest detractors on a dollar basis were Mart Resources (MMT.TO, MAUXF) and Awilco Drilling (AWLCF) which we noted above, along with Conrad Industries (CNRD) which reported modestly disappointing Q3 results.

## **Cash Levels and Fund Repositioning**

The fund's cash levels, excluding short credits, finished November at 17.2%, up from the prior month. As I have said repeatedly cash levels are not determined by any prediction regarding the near term direction of the market, since we have none; rather, it is driven by the nature of our view on individual securities. We increased our weightings in a few positions, and eliminated Avangardco (AVGR.L), Hallador Energy (HNRG), Blucora (BCOR), and some minor positions that were no longer attractive.

## **Taxes**

As we get to this time of the year, many investors are beginning year-end tax planning. Our expectation is that all of the realized gains appearing on your statement will be long-term in nature. Currently, realized gains in 2014 are higher than reported results due to so much of last year's gains being unrealized. If you have any questions regarding your statements feel free to call or email me.

## **Room for New Members and/or Additional Funds**

We still have plenty of room for existing partners to increase their investment and for others to join. Please consider referring friends of yours who may be potential new investors. The basic requirements are 1) that each invests a minimum of \$100,000 and 2) that new members are accredited (high net worth) individuals. Subsequent investments must be for a minimum of \$10,000.

If this letter was passed on to you and you would like to be added to our monthly distribution list, please email me at the email address below. This will allow you to receive our updates on a regular basis. Should you have any questions regarding the fund, please don't hesitate to call or email.

Sincerely,



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## DISCLAIMERS

### Fund Performance

*The financial performance figures for 2014 presented in this report are un-audited estimates based on the best information available at the time of the letter, and are subject to subsequent revision by the Fund's auditors. Past performance may not be indicative of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. All investments involve risk including the loss of principal.*

*Net Return reflects the experience of an investor who came into the Fund on inception and did not add to or withdraw from the Fund through the end of the most recently reported period. The reported net return figures will therefore include the impact of high water marks in the cumulative return. Individual investor returns will vary depending upon the timing of their investment, the effects of additions and withdrawals from their capital account, and each individual's high water mark figure, if any.*

### Index Returns

*The S&P500 Index returns are reported using the S&P500 Depository Receipt Trust (SPDR) which trades under the ticker symbol SPY. Reinvested dividends are included in these figures. A spreadsheet showing the SPY performance versus the fund since inception is available upon request.*

*Nasdaq performance excludes dividends, which historically have been immaterial to the total return of that index. In recent years more technology stocks have begun paying dividends thus the inclusion of dividends would increase the reported figures.*

*Russell 2000 performance is from data reported on Russell's website, and includes reinvested dividends.*

*DJIA returns are reported using the SPDR Dow Jones Industrial Average which trades under the ticker symbol DIA. Reinvested dividends are included in these figures. A spreadsheet showing the DIA performance versus the fund since inception is available upon request.*

*While reported returns for SPY and DIA will likely be a few tenths of a percentage lower than the representative index annually, we believe they are a better reflection of what a non-institutional investor would earn following a passive investment approach.*

*Index returns are provided as a convenience to the reader only. The Fund's returns are likely to differ substantially from that of any index, and there can be no assurance that the Fund will achieve results that are superior to such indices.*

### Share Prices

*Share price figures for listed stocks are from Yahoo! Finance and unless specified otherwise are the closing price as of the previous month end. Share price figures for unlisted stocks are closing bid prices as reported on otcmarkets.com.*

### Forward Looking Statements

*This letter and the accompanying discussion include forward-looking statements. All statements that are not historical facts are forward-looking statements, including any statements that relate to future market conditions, results, operations, strategies or other future conditions or developments and any statements regarding objectives, opportunities, positioning or prospects. Forward-looking statements are necessarily based upon speculation, expectations, estimates and assumptions that are inherently unreliable and subject to significant business, economic and competitive uncertainties and contingencies. Forward-looking statements are not a promise or guaranty about future events.*