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Q1 - 2012 Letter to Investors

Dear Partners and Shareholders,

For Q1, 2012, EVCM Fund returned an estimated +11.8% (net to investors). During this same time period, the S&P500 returned approximately +12.6%, and the MSCI All Country World Index Net (ACWI) returned approximately +11.9%.

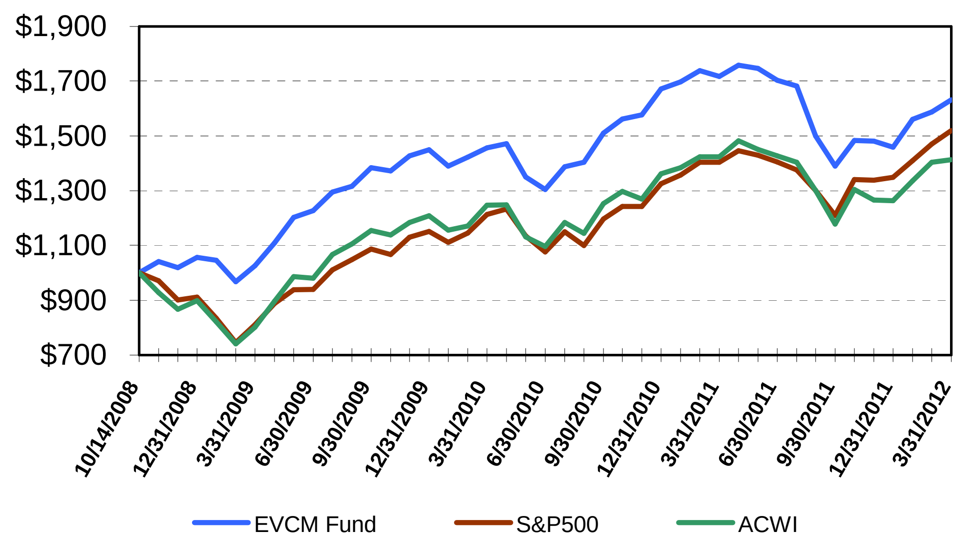
Fund Performance (Net to Investors):

		March 2012	Q1 2012		Since Inception (10/15/2008)
EVCM – Net to Investors		**+2.8%**	**+11.8%**		**+63.1%**
S&P500		**+3.3%**	**+12.6%**		**+51.9%**
MSCI All Country World Index Net		**+0.7%**	**+11.9%**		**+41.3%**

** The 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 +63.1% (net to investors). During this same time period, the S&P500 returned approximately +51.9%, and the MSCI All Country World Index Net (ACWI) returned approximately +41.3%.

Value of $1000 invested at inception:



"Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it" – Warren Buffett.

Q1-2012 Overview:
2012 started off strong with both US and global markets up significantly. EVCM fund was able to keep up with the markets despite our significant cash and short positions. Global markets and economies continued their slow economic recovery with no major adverse events.

Himax was our first "doubler" for 2012 and we have started trimming the position. We still expect several more "doublers" before 2012 is over. Pulse Seismic reported very strong 2011 results and a gigantic one time license sale. The stock is up significantly but we have not sold any shares since we think it still has much further to go. Otzar Hityashvuth, a new position, is the holding company for Bank Leumi (Israel's second biggest bank). At the low price we paid for Otzar, we were effectively buying Bank Leumi at under 0.4 X book value - a price that is "silly cheap". LG Household & Health, the Proctor &Gamble of Korea, continues to perform well. We own the preferred shares of LG H&H which trade for less than 25% of the common shares, yet are (arguably) worth as much as the common shares. If our LG H&H preferred share were to trade for just half the price of the common shares, that would give us over 100% return.

The discount between market prices and intrinsic business value for the companies in our portfolio remains high. Furthermore, the intrinsic value of our companies continues to grow, while we wait. We expect more positive catalyst for many of our investments during 2012 and remain very excited about our portfolio.

EVCM Fund Investments:
We have completed a careful and detailed review of all of our portfolio investments. We regularly conduct such reviews. For each investment position, we asked ourselves: "If we did not already own this stock, would we buy it today at today's price?". Simply stated, if we would not buy a stock at today's price, then we should not own that stock at today's price. Having completed our review, we are certain that we own a very cheap collection of global investments and that sooner or later stock markets will reflect the intrinsic business values of our companies.

We will devote the rest of this letter to a detailed review of some of our investment positions.

Monument Mining:
Monument Mining (MMY CN) owns and operates the low cost Selinsing gold mine in Malaysia. Currently producing over 40K ounces of gold per year, Monument is ramping up production to 80K ounces by end of 2012. The company has over $50M of net cash on its balance sheet (prior to its recent acquisition) and is generating an astonishing $40M of free-cash-flow every year. The company is very cheap, trading for about 2X free cash flow.

President and CEO Robert Baldock's operational skills are highly regarded in the Mining industry. For example, when Yukon Nevada Gold Corp ran into operational and environmental problems a few years ago, its investors (including famous Canadian resource investor Eric Sprott) called on Mr. Baldock to rescue the company.

Cheap, debt free, rapidly growing, and gushing free cash flow – Monument Mining is one of the most attractive junior mining stocks that we have ever encountered and is a rare exception in the usually speculative small cap mining space.

Monument Mining recently purchased 70% of the Mengapur gold project (also in Malaysia). While we were very unhappy about the proposed share dilution to finance this acquisition, we do think the Mengapur project itself is a very good acquisition for the company as long as it is not financed via stock issuance. As of today it appears the proposed stock issuance has either been cancelled or scaled down.

Assuming the company can ramp up production to 80K ounces of gold per year, it could generate $70M of free-cash flow in 2013. Assigning a conservative 8X multiple would get us to $480M in Enterprise Value. That is about 6X the current market cap of the company and still conservatively assigns zero value to the Mengapur gold project.

Microsoft:

Microsoft is the leading global software company. It is best known for its dominant franchises in operating systems and office software. It is also active in online search, game consoles, and server & tools. It has a solid balance sheet and generates significant free cash flows.

Microsoft faces some well publicized threats to its dominant franchises. These include tablet computers, non-windows based smart phones, software moving to the "cloud", and social networks. Despite all these threats, sales, profits, and cash flows at Microsoft have never been higher and they continue to grow. In some areas (gaming, servers, search engine, cloud computing) Microsoft is even gaining ground.

David Einhorn gave a very interesting presentation about Microsoft at the last Ira Sohn conference in NYC. In his presentation, Mr. Einhorn argued (and we agree) that Microsoft CEO Steve Ballmer should be replaced. We view Microsoft's (thankfully) failed attempt to buy Yahoo in 2010 and its (unfortunately) successful attempt to buy Skype last year as shameful wastes of shareholder capital.

With an enterprise value of ~$220B and Estimated 2012 Free Cash Flow of $25B, Microsoft currently trades for under 9X 2011E Free-Cash-Flow – a compellingly cheap price. As we expected, the market has begun to "re-discover" Microsoft in 2012. We started trimming our Microsoft position as the stock price has increased.

Dell:

Dell sells and services a wide selection of computers, servers, networking equipment, and printers. Customer segments include consumers, small and medium businesses, large enterprises, and governments. While the consumer division and its problems attract most of the media attention, it actually accounts for only about 5% of Dells operating income. The other segments are decent businesses and remain solidly profitable.

The company continues to successfully execute its strategy to give up low-margin business and focus on earnings growth rather than revenue growth. Michael Dell, the company CEO who returned in 2007, has purchased very large blocks of shares personally. In addition, Dell is aggressively buying back its own shares.

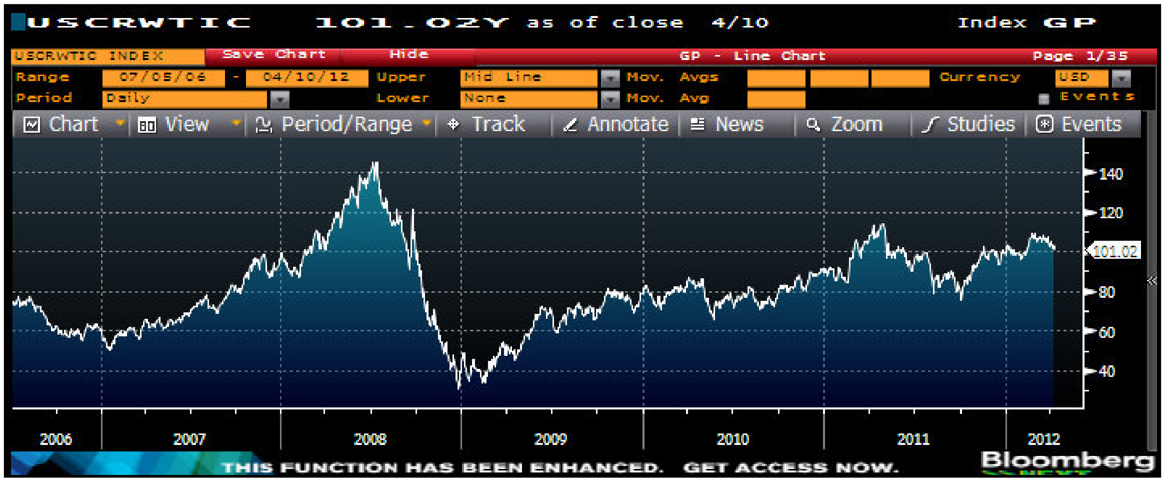
With an enterprise value of ~$22B and Estimated 2012 Free Cash Flow of $4B, Dell currently trades for under 6X 2011E Free-Cash-Flow – a compellingly cheap price. We expect Dell's stock to increase significantly when, sooner or later, the market re-discovers it. The company continues to generate strong free cash flows and increase its intrinsic value while we wait.

Short USO:

United States Oil Fund (USO) is an ETF that is supposed to track the price of a barrel of oil. In theory, it is an interesting financial product that allows investors to easily invest in (or bet against) the future price of oil. It is mostly owned by retail investors that view it as a proxy for owning oil.

Like many wall-street products, USO is a wolf in sheep's clothing. Because it uses future contracts to gain exposure to the price of oil, it suffers from "Roll Decay" which makes it consistently lose value over time. Simply put, it does not accurately track the price of oil and is all but certain to cause large losses over time to its investors. Given enough time, it will go to zero.

The following two charts, showing the price of oil and the price of USO provide a demonstration. Since July 2006 the price of oil (WTI) has increased from about $73.5 a barrel to about $101 per barrel – a 37% increase.



USCRWTIC 101.02Y as of close 4/10 Index GP

USCRWTIC INDEX

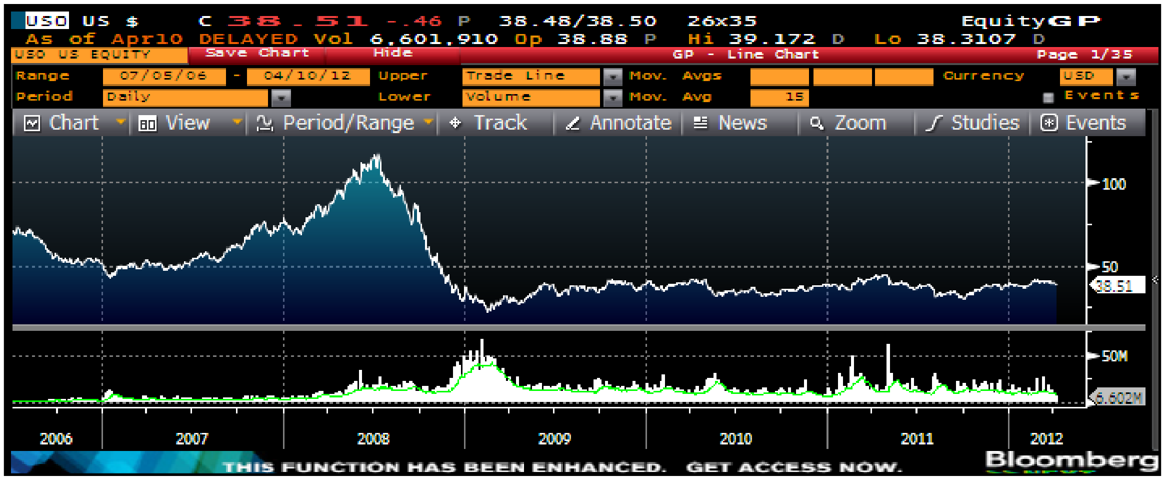
Range 07/05/06 - 04/10/12 Upper Mid Line Mov. Avgs Currency USD

Period Daily Lower None Mov. Avg

Save Chart
Hide
GP - Line Chart
Page 1/35
Events
Chart
View
Period/Range
Track
Annotate
News
Zoom
Studies
Events
140
120
101.02
80
60
40
2006
2007
2008
2009
2010
2011
2012
THIS FUNCTION HAS BEEN ENHANCED. GET ACCESS NOW.
Bloomberg

Oil Price – July 2006 to April 2012

As the chart below shows, since July 2006, the price of USO has declined from about $69.8 per share to about $38.5 per share – a 45% decline. So instead of earning 37%, investors in USO actually lost an astonishing 45%. Very clearly, USO did not track the price of oil and caused large loses to investors even tough the price of oil increased.



USO US $ C 38.51 -.46 P 38.48/38.50 26x35 Equity GP

As of Apr10 DELAYED Vol 6,601,910 Op 38.88 P Hi 39.172 D Lo 38.3107 D

USO US EQUITY

Range 07/05/06 - 04/10/12 Upper Trade Line Mov. Avgs Currency USD

Period Daily Lower Volume Mov. Avg 15

Save Chart
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Page 1/35
Events
Chart
View
Period/Range
Track
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News
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100
50
38.51
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6.602M
2006
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THIS FUNCTION HAS BEEN ENHANCED. GET ACCESS NOW.
Bloomberg

USO stock price – July 2006 to April 2012

To demonstrate that the underperformance of USO continues today, we note that since the beginning of 2011, USO has underperformed the price of oil (WTI) by almost 12%. EVCM fund is short USO, both directly and using options. We expect to make money on this short position. In addition, we like that our short USO position acts as a natural hedge to some of our investments in commodity producers.

British Petroleum:
British Petroleum (BP) was hurt badly in 2010 due to the oil spill in the Gulf of Mexico. Since then, BP has undergone several positive transformations. It has been selling non-core assets for high prices, and has a new CEO who seems capable and shareholder friendly. As we expected, the financial costs of the oil spill are proving bearable and will be spread over multiple years.

Yet BP remains cheap. We expect the company to generate well over $15B of free-cash-flow annually, even after recent asset sales. With a current market cap of $135B, this implies a free-cash-flow yield of over 11%. The company reinstated its quarterly dividend and now pays over 4% in annual dividends. Another interesting, altough imprecise, valuation metric for BP is that it trades for about $9 for each proved barrel of oil in its reserves. This is significantly cheaper than the other oil & gas majors.

Fannie Mae and Freddie Mac preferred shares:
We made a small investment in a basket of preferred shares of Fannie Mae and Freddie Mac. We were able to purchase these preferred shares for about 9 cents on the dollar. Fannie and Freddie are currently earning very large profits and remain critical players in the US housing markets. There is a good chance that they will eventually be allowed to resume paying dividends on their preferred shares which would result in about a 9X return on our investment.

We do recognize, however, that there is also a chance that Fannie and Freddie are ultimately shut down by the US government which would likely result in a total loss on their preferred shares. Therefore, we have kept this position size small (less than 1% of our assets).

Yukon Nevada Gold Corp:
Yukon Nevada (YNG) is a Canadian gold miner that ran into environmental, operational, and financial troubles a few years ago. Their main asset is the Jerritt Canyon property located in Yukon, Nevada. Jerritt Canyon has produced over 8M Oz of gold since 1981 until production was suspended in 2008. Previous company management did not adequately address environmental and operational issues and YNG came close to bankruptcy.

Luckily, YNG was rescued by a group of well regarded investors which recapitalized the company and brought in an excellent new management team. Environmental and operational issues were corrected and gold production has resumed.

YNG is currently expected to produce about 150K Oz of gold per year. They expect to ramp up production to 400K Oz of gold per year within about 3 years. Cash costs of production should be about $900 / Oz, so at current gold prices ($1600 / Oz) each Oz of production results in about $700 of cash flow. Assigning the company a reasonable valuation of $4000/ Oz of production (6 X pre-tax cash flows), gets us to a current company value of $600M (about $0.60 / share). If YNG can achieve its plans of producing 400K Oz of gold / year, the company could be worth $1.6B (about $1.60 / share).

We started buying the stock around $0.26 / share – a large discount to its intrinsic value. The stock ran up to $0.90 / share and we aggressively trimmed our position. YNG then encountered additional operational problems (mostly due to severe winter whether) which caused the stock to declined significantly and we have been buying again around current prices.

Molopo Energy:
Molopo Energy, an Australian Oil and Gas company, owns a portfolio of unconventional exploration and development projects located in Australia, Canada, USA and South Africa. Molopo has five major projects: tight oil exploration plays in the Bakken in Western Canada and

the Permian Basin in West Texas; a Coal Bed Methane project in Queensland, Australia; shale gas exploration acreage in Quebec in Eastern Canada and two gas projects in South Africa.

A group of activist shareholders completed a hostile takeover of the company last year and have appointed new management. Molopo Energy has about $120M of cash and no debt. It is difficult to estimate the exact value of its 5 project portfolio since there is a wide range of outcomes depending on drilling and development results. Conservatively, we think the projects are worth at least $150M (and probably much more). Net asset value is at least $270M which is about 70% higher than the current market cap.

Molopo is a rare exception in the usually speculative small cap natural resource space. It is cheap, well managed, debt free, share holder friendly, and offers lots of free "upside optionality". Near term catalysts include an upcoming sale of their Queensland CBM assets in Australia and continued positive drill results in the Permian Basin (West Texas).

Hilan Tech:

Hilan Tech LTD (Tel Aviv: HLTC) is Israel's leading payroll processing and HR service provider. US investors might think of it as the "ADP of Israel". The company provides an array of solutions for organizations: payroll, human resources, time & attendance and pension administration. Hilan Tech possesses the most advanced and comprehensive system of its kind in Israel, rendering services to 2000 organizations and companies, which together employ over 700,000 employees.

Payroll processing and HR services is the core business segment. It generates about 45% of company revenues and 80% of operating profits (based on 2011 numbers). It is a predictable, slow growth business which generates a lot of recurring free cash flow, requires minimal capital investments, is recession resistant, and provides a high return on capital invested.

Customers are very "sticky" since it would require a lot of time, effort, and expense to switch service providers. Moreover, the business model is extremely attractive - it is predictable, generates significant recurring free cash flows, requires minimal capital investments, is recession resistant, and provides a high return on capital invested.

The company's valuation is also attractive. In 2012 Hilan Tech could earn operating profits of 65M – 70M ILS and generate FCF of at least 55M ILS. With a current market cap of 460 million ILS and an enterprise value of 510 million ILS, the company currently trades for less than 10 x FCF, a low price for a high-quality cash flow generative business with low capital expenditure requirements and a dividend yield above 7%.

Prisa Group Share Class Arbitrage and long B shares position:

Prisa Group (promotora de informa) is a leading, but highly leveraged, Spanish media conglomerate. While the media operations in Spain are undergoing a turnaround, the company has about one third of its business in Latin America where results are very strong.

In 2010, Prisa Group merged with a US based SPAC named Liberty Acquisition Corp. This merger has resulted in two separate Prisa Group share classes being listed in the US (PRIS and PRIS/B). PRIS is an ADR representing 4 shares of PRS SM (promotora de informa). PRIS/B is a convertible security that converts mandatorily into at least 4 shares of PRS SM in about 3 years. If PRS SM trades for under 2 Euro when PRIS/B converts, we could get up to 5.33 share of PRS SM.

PRIS/B holders are also entitled to receive €0.70 of minimum dividends per annum, which are cumulative until mandatory conversion subject to the existence of distributable profits or a distribution reserve that was set up.

Holders of PRIS/B benefit from both dividends and strong downside protection. Despite the obvious superiority of BRIS/B over PRIS, the spread in the prices is now about 70 cents. A 70 cent spread is not remotely enough and does not even account for the extra dividend that PRIS/B will pay out. EVCM fund has bought PRIS/B shares and sold short PRIS shares. We expect that in time the spread between the two share classes will widen dramatically.

In addition to our share class arbitrage position, EVCM fund is also long the PRIS/B shares. We expect these shares to appreciate dramatically when Prisa Group's business turnaround succeeds. Due to the macro economic problems in Spain, the market ignored 3 pieces of good news regarding Prisa Group. First, we were happy to learn that Carlos Slim recently purchased shares of Prisa Group. Second, the company recently completed a renegotiation and extension of its extensive bank debt. Third, the controlling shareholders of Prisa Group exercised warrants to purchase 75M shares at a cost of 150M Euro – three times the current share price. While we wait, the mandatory dividend on the PRIS/B shares will yield over 20% per year. Yes, over 20% dividend yield per year - that is not a typo.

Pulse Seismic:

Pulse Seismic owns and licenses a database of 2D and 3D seismic data for the energy sector in western Canada. Seismic data is used by oil and natural gas exploration and development companies to identify portions of geological formations that have the potential to hold hydrocarbons. Seismic data never expires so it can be sold and resold for decades.

Pulse owns the second-largest licensable seismic data library in Canada, consisting of approximately 26,700 net square kilometres of 3D seismic and 340,000 net kilometres of 2D seismic. The library extensively covers the Western Canada Sedimentary Basin (WCSB), where most of Canada's oil and natural gas exploration and development occur.

Pulse's business results depend to a large extent on the level of capital spending by oil and natural gas companies on exploration activities. Therefore, a sustained increase or decrease in the price of natural gas or crude oil, which could have a material impact on exploration activities, could also materially affect the company's results.

While I do not expect natural gas prices to recover immediately, they are now at a level that makes further exploration and drilling uneconomic. Chesapeake recently announced that they will curtail future activities until natural gas prices recover. Sooner or later Natural Gas prices will revert to a more economic level at which point exploration and drilling activities will increase and Pulse's financial metrics will improve dramatically. I expect Pulse's stock price to, at least, double or triple when this happens.

Pulse made a fantastic opportunistic purchase of Divestco, a major competitor, in 2010 at the bottom of the cycle. Management told me they paid 1/8 of replacement value. They then terminated the Divestco employees and just kept the data library. Due to the depressed natural gas environment, we have not yet seen the benefit of this great acquisition, but it's important to note that Pulse more than doubled its FCF generation power with this acquisition.

Pulse currently pays a 1.25 cent quarterly dividend (5 cents / year). Management has said that the dividend will increase in the future. Pulse is also opportunistically buying back its stock. Given how cheap the stock is, I view this as a very good use of capital. Pulse is also slowly paying down its modest debt load, which was incurred during the Divesco acquisition.

I met with Pulse CEO Doug Cutts at the end of 2011. I felt he was a conservative and capable manager. He was not promotional at all and seemed focused on managing the business and carefully growing shareholder value.

Pulse's excellent economics are hidden by the very large non-cash depreciation charges that it must charge against its large data library. These result in Pulse reporting very weak GAAP earnings, while generating very strong free-cash-flows. With only 28 employees, Pulse generated 2011 revenues of 51.5M CAD and free cash flow of about 20M CAD. This represents a 13.7% FCF yield, a 40% FCF margin (FCF / revenue) and a 25% FCF return on equity (FCF / equity). Clearly all strong indications of an excellent business selling for a very cheap price.

What is truly amazing is that these 2011 results were achieved at a time when natural gas prices are at an extreme, multi-year, low. I believe that pulse is now operating at close to the bottom of the cycle. There are strong indications that Pulse could generate at least 40M – 60M of annual FCF at more favorable points of the business cycle. Which would probably result in the stock price at least doubling or more. As a "check" on this valuation estimate, I note that Pulse shareholders rejected a $3.3/ share buyout offer in 2007 (and this was before the Divestco acquisition which doubled the company value).

Pulse Seismic just announced a gigantic one time license sale. The stock price increased significantly but we have not sold any shares since we think it still has much further to go.

Berkshire Hathaway:

One of the safest investments that we own is Berkshire Hathaway (BH). It is the holding company managed by Warren Buffett since 1965. Berkshire Hathaway is comprised of 3 major "parts": 1) Insurance subsidiaries, 2) A collection of wholly owned businesses, and 3) A portfolio of stocks and bonds.

Valuing BH is fairly straightforward. Assigning a 10X multiple to the operating business earnings ($7K/share X 10) and adding in the current per share value of the securities portfolio ($100K/ share) gets us to about $170K value per share. This assigns no value to the expected growth in insurance float over time, to future underwriting profits, to the phenomenal team of business and money managers at Berkshire, and to the exceptional management and capital allocation abilities of Mr. Warren Buffett.

Currently trading at under $120K per share, BH shares are cheap with about 43% upside to current fair value. Importantly, we believe intrinsic value is growing at well over 10% per year. Mr. Buffett clearly agrees that Berkshire shares are cheap since he recently announced a share buyback program.

Conclusions:

"Mean reversion" is one of the most powerful rules in both business and investing. Our underperformance in 2011 set the stage for excellent results in 2012 (which we have started seeing in Q1), since the companies we own became that much cheaper. 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.

Having read the above summaries of our key holdings, we hope you will agree with our conclusion that it is only a question of time until the markets recognize the intrinsic business values of the companies we own.   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 we have no idea where stock markets will move in the short term, we feel confident that our investment portfolio will perform very well over the long run.

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

Sincerely Yours,
Ori Eyal
Portfolio Manager

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.