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Q3 - 2012 Letter to Investors

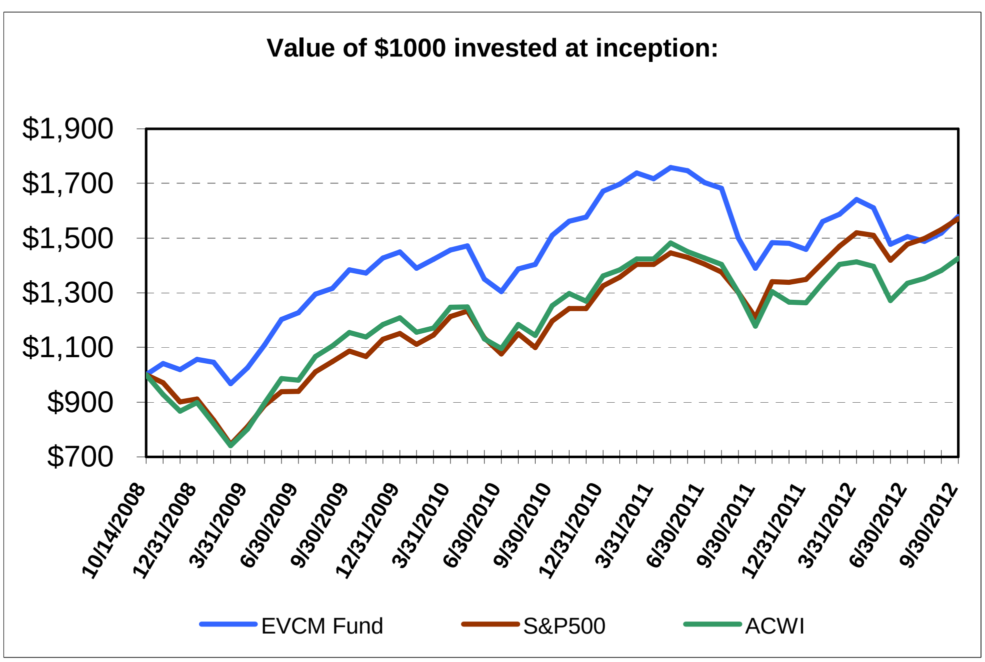
Dear Partners and Shareholders,

For the month of September 2012, EVCM fund returned an estimated +4.0% net to investors. Stock markets were up with the S&P500 up 2.6% and the ACWI up 3.2%.

Fund Performance (Net to Investors):					
		Sep 2012	**Q3 2012**		**Since Inception (10/15/2008)**
EVCM – Net to Investors		**+4.0%**	**+4.9%**		**+57.8%**
S&P500		**+2.6%**	**+6.4%**		**+57.1%**
MSCI All Country World Index Net		**+3.2%**	**+6.8%**		**+42.6%**

** 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 +57.8% (net to investors). During this same time period, the S&P500 returned approximately +57.1%, and the MSCI All Country World Index Net (ACWI) returned approximately +42.6%.



Overview:
The third quarter of 2012 was fairly uneventful. The markets rallied somewhat and despite our conservative positioning we were able to mostly participate in that rally.

In the past few months investors became very concerned over a possible pre-emptive strike by Israel against Iran's nuclear facilities. As a result, some stocks in the Israeli stock market became extraordinarily cheap. We were able to take advantage of this panic and invest (or increase our existing investment) in several Israeli companies including Hilan Tech, Nitsba Real Estate, Otzar Hityashvut, and Direct Insurance. We expect every one of these investments to at least double (or more). Please see below for more details on these investments.

We continue to follow our proven global value investing approach. An approach that has worked well for over a decade and will continue to work well in the future. Our portfolio companies continue to grow their intrinsic values and improve their business positioning. Therefore, a really good year for our portfolio cannot be far away and should once again place us way ahead of the markets. There should be positive catalyst for many of our investments over the next year and we remain very excited about our portfolio.

EVCM Fund Investments:
We have completed a careful and detailed review of all of our portfolio investments and will devote the rest of this letter to a detailed review of some of our investment positions.

Otzar Hityashvut:
Otzar Hityashvut is an Israeli holding company. Its main asset is a 5% stake in Bank Leumi which is Israel's second largest bank. Otzar, with no debt, trades for about 60% of its net asset value. Bank Leumi itself is very cheap, trading for about 70% of tangible book value. So roughly speaking, by buying Otzar, we are able to indirectly invest in Bank Leumi at about 42% of tangible book value.

At some point in the future Bank Leumi will trade at book value (or higher) and Otzar will trade at 80% of its net asset value (or higher). Such a scenario (which has happened many times in the past) will result in about 100% profit from current prices. We collect a nice dividend while we wait.

Nitsba Real Estate
Nitsba Real Estate which is a well managed REIT that owns top quality real-estate assets in Israel. In addition to commercial, residential, and office properties, Nitsba owns many of the main bus terminal centers in Israel. Central bus terminals are exceptionally high quality real estate assets. With the Israeli bus companies as their main tenants, non payment of rents is highly unlikely. Furthermore, retail shops operating in the bus terminals benefit from the large foot traffic of the many bus passengers. This dynamic enables Nitsba to charge retailers high rents.

Nitsba trades for less than half of its net asset value. We also like that the company is under levered and is able to redeploy its net rental income into high return development and expansion projects. We recently met with Nitsba management and convinced them to announce a share buy back program.

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 over the next year. The company is generating an astonishing $40M of free-cash-

flow every year and is very cheap, trading for about 2X free cash flow. Cheap, debt free, rapidly growing, and gushing free cash flow – Monument Mining is an attractive investment within 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 5X the current market cap of the company and still conservatively assigns zero value to the Mengapur gold project. If we get a little lucky and the Mengapur gold project works out roughly as well as management projects, then Monument could be the most profitable investment we have ever made.

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.

So far Dell has proven to be an unsuccessful investment for us (altough we still think it will work out ok). Declines in the PC and Accessories segment has been more rapid than we projected while the shift in business focus (towards higher margin enterprise solutions) is taking longer than expected. The company continues to successfully execute its strategy to give up low-margin business and focus on earnings growth rather than revenue growth. In addition, Dell is aggressively cutting costs and expects over $2B of cost reductions by 2015. The recent acquisition of Quest software for about $2.4B appears to be a reasonable way to deploy some of Dell's excess cash. Michael Dell, the company CEO who returned in 2007, has purchased very large blocks of shares personally in recent years at prices that are materially higher than today's stock price.

With an enterprise value of ~$15B (net of Quest acquisition cost) and Estimated 2013 Free Cash Flow of $3B, Dell currently trades for about 5X 2013E Free-Cash-Flow – a compellingly cheap price. We expect Dell's stock to increase significantly as their strategic shift progresses and the market re-discovers it. The company continues to generate strong free cash flows, increase its intrinsic value, and recently started paying a dividend to investors.

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 70M ILS and generate FCF of at least 55M ILS. With a current market cap of 450 million ILS and an enterprise value of 510 million ILS, the company trades for less than 10 x EV to FCF, a low price for a high-quality cash flow generative business with low capital expenditure requirements and a dividend yield of about 8%.

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 ($8K/share X 10) and adding in the current per share value of the securities portfolio ($105K/share) gets us to about $185K 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 about $134K per share, BH shares are cheap with about 38% upside to current fair value. Importantly, we believe intrinsic value is growing at about 10% per year. Furthermore, BH is levered to an economic recovery and a recovery in the US housing market (which we think has already begun). Intrinsic value continues to grow and it is only a question of time before market sentiment changes and the stock performs very well.

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.

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 recently increased its quarterly dividend to 2 cent (8 cents / year) which results in a 3.7% dividend yield. Pulse also continues to opportunistically buy 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.

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.

In the first quarter of 2012 Pulse Seismic announced a gigantic one time license sale. Given this sale, we now project that Pulse will generate 40M – 50M CAD of free cash flow in 2012. For reference, Pulse's market cap is 154M CAD which means Pulse is extraordinarily cheap.

What is truly amazing is that these 2011 and 2012 results are being 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 50M – 80M of annual FCF at more favorable points of the business cycle. Which would probably result in the stock price at least tripling 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).

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.

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.

Conclusions:
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.

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