



Rangeley Capital Special Opportunities Fund, LP – September 2019

Dear Partner,

The Rangeley Capital Special Opportunities Fund (the “Partnership”) was up 1.7% net of fees and expenses in September 2019, bring its year to date return to up 21.7%. Since the fund’s inception (January 1, 2016), it has generated an annualized return of +9.6% net of all fees and expenses<sup>1</sup>.

**Fund Performance (Net of Fees)**

	MTD Sep 2019	YTD 2019	1 Year	3 Year <i>Annualized</i>	Since Inception <i>Annualized</i>
Special Opps Fund, LP <sup>1</sup>	1.7%	21.7%	-2.4%	7.5%	9.6%
Russell 2000 TR Index	2.1%	14.2%	-8.9%	8.2%	9.7%
HFRI Equity Hedge Index	0.4%	8.0%	-1.2%	4.8%	4.9%

We normally write about specific companies in the portfolio, but this month I wanted to zoom out a bit. Obviously, there’s lot of negative news flow in the air; we are constantly bombarded by predictions that impeachment / the trade war / an extremely progressive Democrat winning in 2020 / the failed WeWork IPO will cause a historic crash for equities.

Amidst this negative backdrop, what do I want to own? Since we started the fund, our portfolio companies have ranged somewhere between undervalued to extremely undervalued. They are generally recession resistant businesses with consistent cash flows and solid balance sheets. Their shares are cheap, and they use their cash flows to buy back their shares at a discount. They usually have a characteristic that makes them very difficult for markets to value or for systematic strategies to own. Lastly, regardless of how the equity markets perform, we expect their intrinsic value will be materially higher several years from now, and their shares prices should follow their intrinsic value higher over the long term.

That’s the long term, which is where we’re generally focused. But in the shorter term we see lots of positive news to generate returns for the portfolio. Some of our companies are on the verge of pursuing corporate maneuvers that should unlock significant value (for example, IAC is prepping to spin off their Match shares, which should dramatically shrink their conglomerate discount). Some of our companies are starting to see inbound strategic acquisition interest (for example, the WSJ reported Groupon had reached out to Yelp about a merger, which we believe would be hugely accretive and could result in a big premium for our YELP position). And some of our companies will likely benefit from struggles elsewhere in the economy (Aercap (AER), for example, could see demand for their aircraft increase as Boeing continues to struggle with problems from their 737 aircraft).

In addition, in the short term we have some liquidations / mergers / special situations wrapping up that will return a decent amount of cash to the portfolio. In general, these have delivered attractive returns with limited correlation to the market.

The bottom line is that we’re thrilled with the companies we own. We think we’re well positioned for a number of directions the macro picture could go from here. We haven’t relaxed our valuation standards to keep up with this market, and I believe we’re much better positioned over a full cycle because of it. I am excited for how our

<sup>1</sup> Performance returns, unless otherwise noted, reflect the returns of the Rangeley Capital Special Opportunities Fund, LP net of fees and expenses for the Long-Term Investor Series (Series B) with a 1% management fee and 20% incentive allocation. Performance returns are estimated pending the year-end audit.

companies are performing, and I have high expectations for what's to come for our portfolio. All of us here at Rangeley continue to appreciate your trust in us!

As always, we appreciate your continued investment in the Fund and confidence in our team. We welcome all the new investors for October 1st. Please don't hesitate to reach out to Rob Sterner, [rsterner@rangeleycapital.com](mailto:rsterner@rangeleycapital.com), or myself with any questions or if you'd like to make an additional investment. Also, if you know of other like-minded investors that may be interested in speaking to us about our research or the investment partnership, please let us know and we'd be happy to meet them.

Sincerely,

Andrew P. Walker, CFA

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