GLOBAL RETURN
ASSET MANAGEMENT, LLC

Re: Q1 2015 April 29, 2015

Dear Friends,

[redacted] More impressively, this was achieved while maintaining approximately 18% in cash, on average, throughout the quarter.[2] Also during the quarter, we exited three positions that together generated a 14% return and added four new positions.

[redacted]

I would like to welcome Global Return's newest clients. Thank you for entrusting your capital with us and we look forward to working with you in the years to come.

What follows is probably the shortest letter I have ever, or will ever, write; in it I discuss current valuations and provide a brief outline of our Q1 2015 activities.

Please contact me if you would like to discuss my investment or risk management strategies.

Respectfully,

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PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFORMANCE

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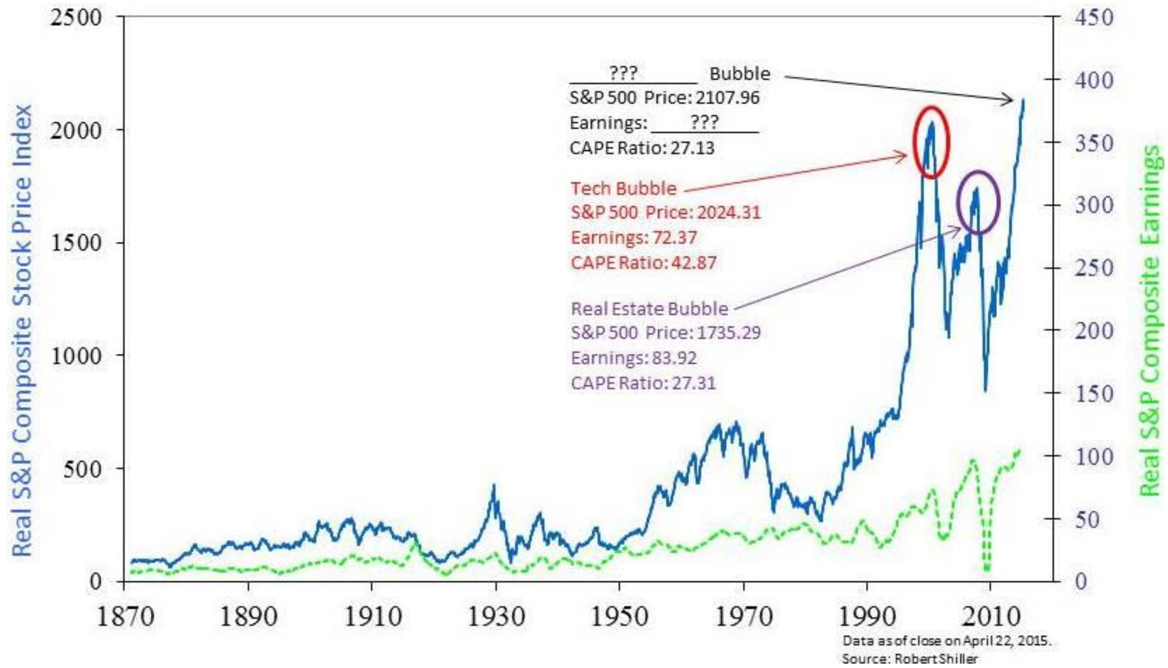
[1] Actual results. Non-levered. Net of management fee and expenses. All data as-of March 31, 2015. See Appendix A, Appendix B and Important Disclosures at end of document.
[2] Cash balance is a simple average across January, February and March.
[3] Monthly results adjusted to account for a cash inflow at the end of January.
[4] Source: S&P Dow Jones Indices. As-of March 31, 2015.

Current Valuations

"Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria."[5]



A picture is worth a 1,000 words, but I'll add a few more anyway. Revenue across the S&P 500 is expected to decline -3.5% in Q1 2015. This is a blended Revenue rate which includes companies that have reported with those that have yet to report.[6] As for Earnings, I don't put much stock (pun intended) into whole-market earnings because these figures are often manipulated. The most prevalent, yet often forgotten, public relations strategy on Wall Street is to lower earnings expectations and then beat them with financial engineering. Revenue is more difficult to fabricate though still possible.

On the day I began writing this letter, General Electric reported earnings. In 2014 the company reported $149 billion dollars of Revenue and $15 billion in Net Income. What are the odds that a company of this size actually beats EPS estimates by just one tiny little penny (like GE did this morning)?

Noteworthy in GE's latest earnings is a $14 billion charge against its finance operations (which includes their real estate division). Where did this loss come from? Haven't valuations dramatically increased over the last six years? Yes, they have; but because GE is selling this division it must now recognize its losses, which they've been hiding in their financial statements for years (GE didn't just lose $14 billion dollars last quarter…). This is precisely why it's not worth evaluating whole-market earnings data.

Back to the chart – despite all of the earnings engineering that occurs, you'll notice that the difference between today's CAPE Ratio and the Real Estate Bubble CAPE Ratio is a mere 0.65%.

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[5] Sir John Templeton.

[6] Source: FactSet. Earnings Insight, April 24, 2015.

The Rest of 2015

Though the overall market is expensive, there are a few opportunities. In Q1 2015, we initiated four new Value+Catalyst investments that we're very excited about; and it's difficult to get us excited – in 2014 we didn't make *any* Value+Catalyst investments. These positions have already performed beyond our expectations and we anticipate they'll add to our portfolio returns. Also noteworthy, two of our Core Value positions continue to grow revenues, increase product offerings and expand their market share. As such, we doubled the size of our investment in each position.

Global Return is fortunate because of the securities it owns and the amount of cash it has on-hand. Because of this, every time the market declines, Global Return should decline less. Alternatively, as the market rises, it will have to advance more than our holdings in order to catch-up. Therefore, we anticipate that the gap in returns between Global Return and the S&P 500 will continue expanding in our favor. Thanks to our cash position, we'll sit patiently until opportunities find us and, like described above, we'll seize them at prices we deem favorable.

Benchmarking

I've decided to use the S&P 500 as the benchmark for Global Return. There are several reasons that the S&P 500 is currently the best benchmark to use. First, like the S&P 500, Global Return offers investors exposure to multiple sectors within the U.S. and abroad.[7] Second, other possible benchmarks such-as the Russell 1000 and Russell 3000 have average market caps and median market caps that are substantially different from the holdings in Global Return. Finally, because the S&P 500 is a frequently cited index, communications will be more consistent.

Conclusion

As stock prices decline, my list of potential investments will grow longer and the sentiment of my letters will change to bullishness. I yearn for declining prices because this is when our cash is most productive – I can buy more stock with less money. It should not be ironic that declining prices offer reduced risk and increased returns, which, after all, is what every investor wants.

Please contact me if you would like to discuss my investment or risk management strategy.

Respectfully,

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[7] Source: FactSet Data. Approximately 35% of revenue for the S&P 500 is generated outside the United States.

Appendix A

[redacted]

Appendix B

[redacted]

Important Disclosures

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