GLOBAL RETURN
ASSET MANAGEMENT, LLC

July 21, 2016

Re: Q2 2016 Quarterly Update

Dear Friends,

Year-to-date, after fees and expenses, we generated a [redacted] and have nearly 20% of assets in Cash.[1]

Performance Results (%)	2016 YTD	Q2	Q1
[redacted]			

In terms of buy and sell activity, Q2 was one of our most active quarters:

New positions	4
Exited positions	6
Positions increased	2
Total positions	26 stocks and 2 hedge
Cash balance	19.60%

This first section of this letter discusses how we improve our performance. I then highlight a shift in our capital allocation strategy and end with a description of our ideal investment.

I'd like to welcome our newest clients, thank you for trusting us with your capital. Your money is next to my and my wife's money – I couldn't be more motivated to perform.

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

Respectfully,

Elliot Trexler

PAST PERFORMANCE DOES NOT GUARANTEE FUTURE PERFROMANCE

1. All data as of June 30, 2016. Actual Results. Non-levered. Net of management and performance fees of 1.5% and 15%, respectfully, and expenses. See Appendix A for more information and Appendix B for important disclosures.
2. Is the compounded annual growth rate since inception. Net of management and performance fees of 1.5% and 15%, respectfully, and expenses.
3. Is the return since the inception date of January 1, 2013. Net of management and performance fees of 1.5% and 15%, respectfully, and expenses.

Pursuing Progress

I'm from a small town in Indiana. When I was growing-up my town had a population of only 5,000 people, no stoplights and was surrounded by cornfields. Rarely did anything exciting happen. But in 1998, Peyton Manning changed all of that when he joined the Indianapolis Colts.

This was a big deal for Indianapolis, Peyton's every move was chronicled by the media. True to my value investing disposition, most of what the media reported went in one ear and out the other, but one thing I did hear – and enthusiastically related to – was that Peyton studied his performance.

Peyton was a fanatic student who watched countless tapes of his practices, his games and the games of his opponents. His goal was to learn from his mistakes to improve his performance:

> "If you ever feel like that's not important — like, 'Hey, I don't need to watch last season; I know what we did; I know what I did wrong' — no, you don't know," Manning said. "You need to watch it. Watch the bad plays. It's not fun to watch bad plays, to sit there and say, 'That's a bad decision' and 'That's a really bad decision' and 'Horrible read.' . . . No matter how old you are, you need to go into that prepared to be constructively criticized and learn how to grow out of the mistakes every year."[4]

Though it occasionally feels like a curse, like Peyton I've been blessed with the same fanaticism of always trying to improve my performance. At Global Return we seek to improve our performance by regularly evaluating our investment process *and* our returns. It's easy to forget, but our investment process is what produces our returns, it's the roadmap that leads us to the stocks we buy. For example, Peyton didn't just evaluate his touchdown plays, he evaluated his entire process (i.e. the previous plays) that got him to the touchdown play.

Improving Our Performance

"It's not what you look at that matters, it's what you see." – Thoreau

Thoreau was right. I'd like to look at our performance and rest satisfaction that I've beaten my peer group, but that isn't what I see. A humbling evaluation offered a different conclusion.

While evaluating our portfolio I learned that our top 15 positions (based on capital invested) significantly outperformed the portfolio's aggregate return. This is upsetting. What it reveals is that we owned the right stocks but didn't allocate sufficient capital to them. And who wouldn't want a higher portfolio return?

[4] *"Peyton Manning's offseason ritual",* Legwold, Jeff. ESPN.go.com, July 17, 2014.

But knowing this was only the first step. Next, I needed to identify the weakness in our process that allowed this to happen and then create a solution to remedy it.

Two weaknesses hindering our performance were identified: 1) I've maintained too many positions and 2) I haven't allocated enough capital to our best risk/reward positions.

Why did I allow this to happen? Because I was "diversifying" our capital among many holdings. Buffett once said that, "Diversification is protection against ignorance." This statement shouldn't be taken out of context; what Buffett is saying is that it's better to know a few companies very well instead of knowing a little about many companies.

So what's the solution? I've increased the amount of capital that can be allocated to our top 15 positions. I'll also consider adding to existing positions before buying new ones – if a stock was good enough to buy and is still good enough to own, then maybe I should add capital to it.

Finding stocks that meet our standards and offers the risk/reward ratio we seek is a difficult task. Part of what makes this difficult is that these opportunities are few in number. So when I find these opportunities, I should be backing-up a dump truck, not reaching for a wheel barrow.

Our Ideal Investment

I'm comfortable loading-up the truck on these opportunities because of their characteristics. These businesses are simple and easy to understand, they have durable competitive advantages, strong financials, minimal leverage, aren't subject to fierce competition and are unlikely to experience disruptive changes.

For example, one of our largest holdings is a company that manufactures water meters – those little boxes affixed to the side of a house or in the basement of a large residential building that tabulate how much water you use and then notifies the utility company how much to bill you.

This seemingly boring company is our ideal investment, and here's why. Let's start with the premise of their business model – people need water and municipalities want to bill people for using that water. I can't fathom anything that would disrupt this business model. Can you? Perhaps you might ask: Could a competitor offer a better meter? To this I have several responses, our company: 1) offers more variety of meters than any of its competitors, 2) has developed the most advanced metering technology available, 3) already dominates over 30% of the nation-wide market, and 4) has established significant long-term contracts and relationships with their clients since being founded in 1905.

Moving on, because the company has a simple business model, it's easy to understand and value, it has strong financials, possesses enormous competitive strengths and is market dominant. Characteristics like these will stand the test of time, these are the kind of rare opportunities I should load-up the dump truck with.

Conclusion

I have no prognosis for what the market will do during the second half of 2016. The fundamentals of our economy are exhibiting both positive and negative characteristics. I'll continue pushing aside headline news and maintain my focus on buying high-quality companies.

At the organizational level, I'm very happy with Global Return's progress. We've hired several people and continue interviewing for other positions. Thank you to everyone who has referred prospective employees; please keep sending your brightest friends to us, we intend to continue hiring only within our circle of relationships.

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

Respectfully,

Elliot Trexler
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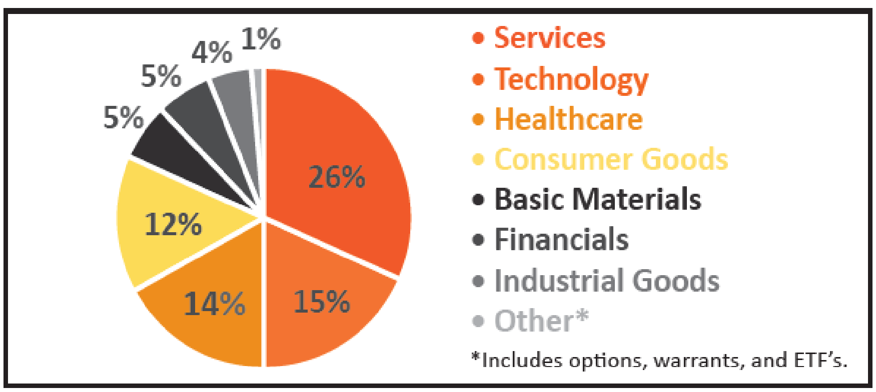
Appendix A

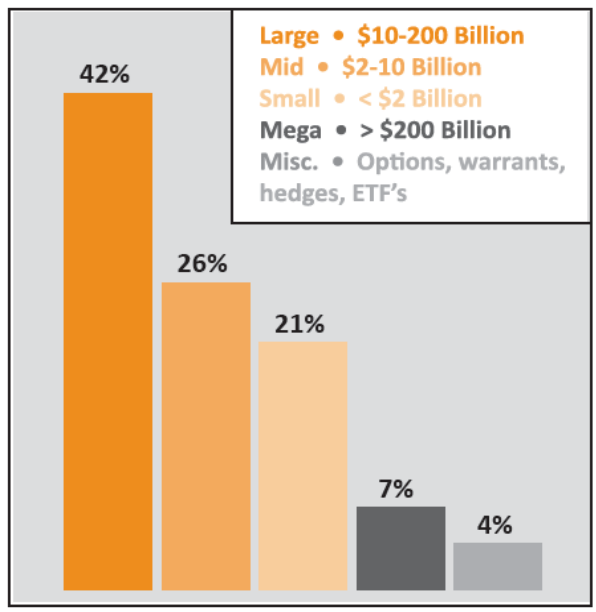
UNAUDITED MONTHLY RETURNS AND CASH BALANCE

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013													
2014													
2015													
2016													
CAGR[5]													
ITD[6]													
Avg. CB[7]													

WEIGHTING BY SECTOR



WEIGHTING BY MARKET CAP



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[5] Is the compounded annual growth rate since inception. Net of management and performance fees of 1.5% and 15%, respectfully, and expenses.
[6] Is the return since inception on January 1, 2013. Net of management and performance fees of 1.5% and 15%, respectfully, and expenses.
[7] Is the average cash balance since inception.

Appendix B

IMPORTANT DISCLOSURES

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