GreenWood Investors LLC

45 Rockefeller Plaza, Suite 2000
New York, NY 10111
(212) 920-4207

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Dear GreenWood Investor:

What is the purpose of active management? It's not merely the identification of sound investments, which we believe the vast majority of our industry is focused on. The identification process must also be properly executed upon. We've dedicated substantial sums of time over the past few years to improving our execution ability. We're very focused on not only improving this execution, but also eliminating opportunity costs as much as humanly possible. There will come a day when our current investments and Southern Europe are no longer attractive relative to other opportunities in the world. But this constant process of change is the reason we whistle on our way into work, and is not only our purpose, but our delight.

We live in an inherently unpredictable world, quantum physicists have already confirmed the lack of predictability of any process which has more than one factor exerting influence upon it. Accordingly, we've incorporated findings from quantum mechanics in order to ensure our range of outcomes is skewed very favorably. Yet a skewed risk-adjusted return is not sufficient for a successful investment, the security must have attributes, which quantum mechanics would call preconditions, in order to lead to an increased likelihood of success. Last quarter, we discussed our newest lens in the expectations vs. reality roadmap, which helped us properly execute this quarter.

The new point we'd like to assert today is that the purpose of this exercise is to continuously offer a portfolio that renewably becomes an attractive and actionable investment opportunity in that very moment. Our growing pipeline of institutional investors frequently takes a wait and see approach to an investment in the portfolio, and we respect this tremendously simply because we use the same process for stock investments. But our goal is to ensure that every month we've rebalanced our opportunity set such that our portfolio is attractive, timely and executable, in that very moment. If you didn't own anything today, would you be re-creating your exact portfolio as it is? While many would be silent in response to this question, our answer is an emphatic yes.

Exhibit 1: GreenWood's Composite Performance[1] vs. MSCI ACWI All Cap (Net)

	Traditional	Global Micro	MSCI	Traditional Correlation
8/1/08-12/31/08	-10.9%		-33.9%	88.6%
2009	155.3%		36.6%	77.7%
2010	28.5%		14.5%	27.3%
2011	-1.0%		-8.0%	68.9%
2012	-5.6%		16.4%	38.9%
2013	14.2%	18.0%	23.6%	70.5%
2014	0.1%	2.1%	3.8%	32.3%
2015	11.2%	11.9%	-2.2%	87.2%
2016	**-3.2%**	**-1.4%**	**8.4%**	**87.1%**
Cumulative	236.7%	32.9%	50.6%	
Annual Compounded Rate	15.5%	7.4%	5.0%	

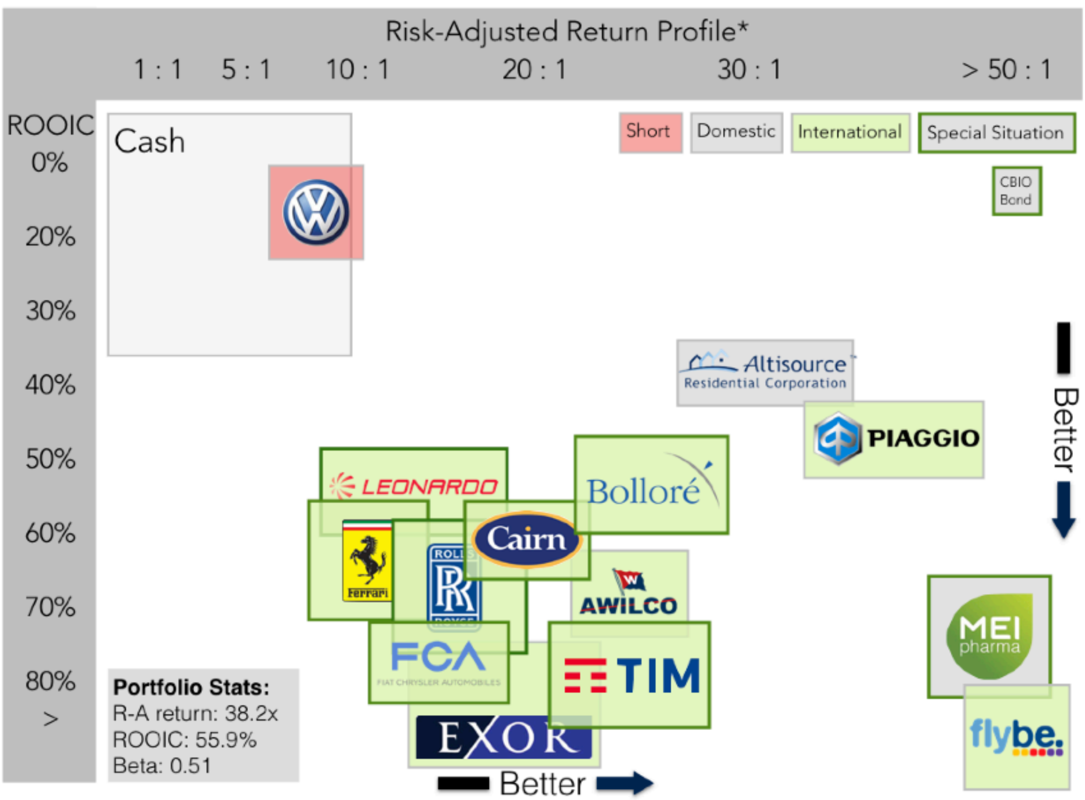
We had a strong finish to an otherwise yawning year, and just as we discussed in our third quarter letter, our sentiment vs. reality roadmap proved very helpful in positioning ourselves for the political fireworks experienced in the quarter. While the results of the Italian referendum were the "worst case," scenario, markets had overshot ahead of the election, and most stocks in the country continued to rally through the end of the year. As we stated in a recent

[1] Represents GreenWood's Traditional & Global Micro Composites. Performance prior to January 2011 represent the returns generated by the manager prior to founding GreenWood Investors, using the same strategy. GreenWood Investors LLC claims compliance with the Global Investment Performance Standards (GIPS®) and a GIPS-compliant presentation is available on our website (click here for access). **Past performance is no guarantee of future results.**

post, "Spring is Coming," for southern European countries that will see electoral stability and the passage of pro-market reforms. These economies are poised to continue their recovery, all while these markets remain the cheapest and most despised in the world. The mass exodus of capital has abated, and has even switched to positive equity fund flows in a couple recent weeks. Accordingly, we think we are setup well for the year ahead.

In fact, while it was a decent second half for us, we've added new positions and rebalanced our portfolio such that the risk-adjusted return profile of our portfolio, at 38.2x, is substantially better than when we began the second half of 2016 at 27.2x. We've always focused on taking advantage of market gyrations and continuously repositioned ourselves favorably throughout the year, yet our trading activity has not increased. Our portfolio turnover has actually decreased from the long-term average of 34.5% to 25.4% last year. This means our average holding period has gone from three to nearly four years. This reduction in activity is all attributed to more expensive and less opportunistic traditional special situations in the United States. As we elaborated in a recent interview with the Manual of Ideas, we were forced to move our attention abroad as the US economic cycle has been above average, margins remain above average, and valuations flirt with all-time high levels.

Exhibit 2: GreenWood Model Portfolio Composition[2] as of 12/31/16



*Risk-Adjusted Return profile represents GreenWood's approximate estimate of fair value versus downside risks as of the date listed above.

While we are quite clearly the opposite of "traders," we embrace this constant management as not only good business, but a reason for being. It is our purpose. The "value investing," community has given a bad name to anything that isn't a "buy and hold," strategy. This is partially led by Warren Buffett, whose undesirable tax structuring has trapped him in assets that have a low cost basis and a very large tax bill upon the sale. There are a few managers in Europe that we have chosen to invest with, who do not share this structuring problem. Our newest addition to the portfolio, Bolloré SA, has outperformed Buffett handily over the past two decades, and that's even

[2] Each account's balance may vary due to differences in strategy, account sizes and rounding of positions, as well as inclusion or exclusion of certain "illiquid" securities and currency hedges. Non-Margin and retirement accounts may not hold short positions in securities, and will thus be excluded from the portfolio. New accounts will not conform to the model account in cases where securities no longer fit GreenWood's initial investment criteria.

after the market has punished Bolloré's stock over the past two years. EXOR NV, still our largest position, and one to which we've even added in early 2017, has been able to join Bolloré in monetizing over-valued assets and reinvesting the proceeds into more attractive endeavors. This strategy, particularly when executed in a tax efficient manner, as these two companies have done, will almost certainly outperform a "buy and hold," strategy that is so often espoused.

Just as the best performing companies do not manage their business for quarterly earnings results, and many leaders don't even give profit guidance, they also do not sit still. One can think of no company profiled in *The Outsiders*, including Berkshire Hathaway, that has actually sat still and not continuously evaluated their own businesses against other opportunities available. As we highlighted in our manifesto we published last month, our industry has been facing an identity crisis as more capital has migrated towards robots who by definition are unable to make decisions based on common sense. The firms that can best financially engineer their quarterly reports are enjoying very high valuations and continued robotic support. In short, robots are taking over the mantle of "buy and hold." We should all let them, as it's a truly underwhelming strategy.

Maintaining our portfolio attributes at such attractive levels will undoubtedly be impossible to do at all times going forward. Yet we believe no other goal will better serve our investors than to continuously strive to maintain a timely and right portfolio. As our portfolio has continued its very positive momentum from the second half of last year, this is our primary aim.

Thank you all for giving us the opportunity to serve this engaging and most useful purpose.

Annuit cœptis,

Steven Wood, CFA