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CORDOBA FUND

a first class, value-oriented investment firm

We invest in good companies - through their stocks - and hold them for long periods of time. Our fund operates mainly on the premise that the stock market can be exploited in the long term by a patient and intelligent investor. Since the stock price of a business cannot be viewed independently of the underlying value of the core business, the stock price sometimes reflects the emotions of the market - manifested by greed, envy, and fear - rather than the underlying cash-generation ability, earning power, and long term competitive advantage of a business. In our view, a patient and intelligent investor can take advantage of these bargain prices in the market until the market realizes and corrects its folly.

The future is uncertain and in no way can we predict the daily movements of the market. Our yardstick is the S&P 500 index. Although we might not be able to beat the S&P 500 every year, our goal is to do as well when the market does well and better than average during bad years. It takes years for markets to realize their folly and for businesses to turnaround from temporary economic downturns, cyclical market situations, or extreme and unusual circumstances such as what we recently experienced during the Financial Crisis of 2008; or in 2000 during the dot com bubble. Ten years is optimal, but three is a minimum. This gives the term "Patience is a virtue" a new meaning.

Our Approach is to research companies within the \$300 million to \$2 billion range in market capitalization, we do see the U.S. equities market as our hunting ground and will keep an opportunistic eye for companies with market capitalization beyond the \$2 billion range only in special situations. Most of the time, we meet our prospective companies after a spate of bad news in the marketplace. We use our research to understand whether the bad news affecting the company is a temporary glitch in operations and management, or

a permanent decline of business fundamentals and industry – think Polaroid and Kodak. In special situations where companies are either going through spinoffs, or partial spinoffs, we research to see if there is a reduction of complexity, or potential unlocking of value.

This approach will seem unconventional and uncomfortable to many as we will be going against the crowd most of the time. During mid to late 2008, we saw opportunity when the crowd saw havoc. Our strategy is to stay with our investment mission and allow you, our shareholders and partners, to understand how we define success and where the finish line is.

When it comes to handling risk, no one says it better than Howard Marks – “Thus the key prerequisites for risk control include humility, lack of hubris, and knowing what you don’t know.” - We will not take unnecessary risks by short-selling, nor will we engage in trading on margin. We will always have a reserve so that rather than selling our positions during lean years - where we under-perform and probably experience drops of 30%, 40% or even 50% of net-worth causing panic and chaos among most people - which we experienced during the Financial Crisis of 2008 - our reaction and behavior will be similar to shopping when goods go on-sale, we buy a whole lot more.

Our compensation structure is as such that investors receive 6% interest on their money from the fund and 50% of profits above this threshold. If there is a loss, our fund takes 25% of that loss.

“Many shall be restored that now are fallen, and many shall fall that are now in honor”
--Horace