Olesen Capital Management LLC
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Dear Partners:

In the second quarter, the fund generated a return of -0.2%. The following table shows our historical returns after fees alongside those of global equity markets since the fund's inception.

	Olesen Value Fund L.P. (After Fees)	MSCI All-Country World Index *
Inception through Dec 2009 (13 months)	58.7%	40.8%
2010	20.2%	12.3%
2011	-7.6%	-7.2%
2012	28.5%	16.1%
2013	23.1%	26.5%
2014 YTD	1.1%	5.5%
Cumulative since inception	182%	127%
Annualized since inception	20.4%	15.9%

Contents

Portfolio Updates

- *Sold DHT Holdings at 74% Gain Over One-Year Period*

  During April and early May, we sold our investment in DHT Holdings, locking in a 74% profit in just over one year. This is a shipping company headquartered in Norway that transports crude oil for customers around the world in its fleet of 10 oil tankers. I bought the stock at a price that was over **40% below liquidation value—and even cheaper compared to my estimate of the going concern value** (based on my discounted cash flow valuation), which was also a lot cheaper than its competitors. In addition, the company's balance sheet was stronger than most other shipping companies. In my opinion, the low stock price was mostly due to its small size/liquidity and lack of attention from the investment community.

  Stock Surges Dramatically After Equity Offering
  Following a large, low-priced equity offering to finance further vessel acquisitions (which destroyed shareholder value), the stock price actually increased dramatically, perhaps due to increased awareness, liquidity, as well as a temporary upsurge in industry profitability. At the same time, I reduced my estimate of intrinsic value a little, mostly because of the equity offering and my growing concerns about Chinese oil demand. As our shares reached their one-year holding period, I sold them, which will result in the lower tax rate for long-term (> 1 year) capital gains for those of the fund's investors who are taxable in the U.S.

- *Accumulating Small, Well-Positioned European Company at 10x Trailing P/E*

  During the second quarter, we began accumulating shares in a small European company with an excellent position in the industry it operates in, which is consistently generating high margins and returns on capital. The stock trades at approx. 10x adjusted trailing earnings, which I think is too low for this above-average business. **The true earnings have been obscured by non-cash write-downs and poor performance in a non-core business segment.** I think this segment will be **divested or curtailed**, which should cause the market to better appreciate the value of the business and lead to a **higher stock price**. As we are still accumulating this investment, we have to keep its identity confidential for now.

- *Sold Bank of America at 97% Gain*

  We also sold our shares in Bank of America, which I first bought in late August 2011 at $7.87/share. At this price, the stock traded at a nearly **40% discount to tangible book value**, even though the company had already taken very large write-downs for legal liabilities and loan loss provisions relating to the financial crisis that appeared to be getting close in magnitude to the likely ultimate losses the bank would incur in this regard, and the bank's overall capitalization appeared to be adequate. In addition, trends in credit losses, real estate prices and economic conditions in the United States had already stabilized or begun to improve following the financial crisis in 2008-2009. Moreover, the company had just received an investment from Warren Buffett's Berkshire Hathaway.

  The company had performed very poorly during the financial crisis in 2008-2009, to a large extent due to its acquisition of Countrywide Financial Corp., which was a mortgage lender that employed very lax underwriting standards during the real estate boom in the United States. In August 2011 when I bought the stock, the bank had recently reached a settlement with the trustee for most of the faltered mortgage-backed securities it and Countrywide had issued and taken a very large write-down for legal costs. The market, however, was concerned about additional exposures, and during the general market panic that was caused by the European debt crisis as well as the downgrade by Standard & Poors of the U.S. government's credit rating, **the stock became especially unpopular**.

This was basically a mediocre but improving company available at an exceptional price due to the extreme investor pessimism. We made a 97% gain on our initial investment in the stock (27% annualized return). After taking into account subsequent purchases and sales of the stock, and furthermore after adjusting the returns to approximately reflect the impact of this investment on the fund's time-weighted returns, not cash flow-weighted returns, (i.e., adjusting for the capital contributions and withdrawals that occurred in the fund during the holding period of the investment), we earned a 28% adjusted IRR on this investment, compared to 23% for U.S. stocks and 19% for global stocks over the same time period. At our sale price, which was 12% above tangible book value, I think the stock was only moderately undervalued.

- *Captured a Favorable, Highly Asymmetric Capital Structure Arbitrage Opportunity*

The fund undertook a so-called **capital structure arbitrage** during the quarter, which involves buying a security and selling short a different security issued by the same company. In this case, my analysis indicates that the gain on the short position will most likely fully offset the loss on the long position in the event the company becomes financially distressed. If the company survives, I think the gain on the long position could be many times greater than the loss on the short position. Given this **highly favorable, asymmetric risk-reward profile**, I think this is a very attractive position. Due to the difficulty of borrowing the securities for the short position, I cannot share the name of this company with you until after we have exited the position.

- *Sold Sysco, Earned 18% Adj. IRR*

Near the end of the second quarter, we sold our entire investment in Sysco Corporation, which is the largest foodservice distributor in the U.S., providing an extremely wide range of food and related products to restaurants, schools, hospitals and other foodservice establishments. The company focuses mostly on small, independent restaurants, which are more lucrative for Sysco than large restaurant chains but probably also more challenging to serve. In addition, Sysco benefits from economies of scale, has generally been well-run, and has gained market share in almost every year since its IPO in 1970. It has much higher margins and return on capital than its competitors. The company operates in a stable, slow-growing industry and has a strong balance sheet.

When I first bought the stock 3 ½ years ago, it was trading around 14x trailing earnings. While this is not an especially low P/E multiple, I thought earnings would increase because of the inevitable eventual deceleration in food price inflation, improving economic conditions (especially employment), and a very ambitious operational efficiency improvement initiative. However, earnings have been disappointing in general, which appears to be mostly due to lacking results of the operational initiative, more competitive industry conditions, and possibly also subpar execution in general by management. Over time, I have become more concerned about competition, for example from warehouse clubs. I also think investors' expectations of benefits from a pending merger with US Foods are likely too high. When we recently sold our remaining shares, the stock was trading at 17.6x adjusted trailing earnings, which is probably about the same as the intrinsic value of the stock, given that earnings may still benefit a little bit from the above-mentioned factors as well as a merger with US Foods.

Sysco has a very predictable business and I think my estimate of the company's intrinsic value is fairly reliable. However, like virtually all publicly traded companies, the stock price fluctuates to an extent that cannot be rationally justified by changes in the company's circumstances. For example, in the last year, Sysco's stock price has fluctuated within a 33% range, which I think is significantly higher than any reasonable estimate of the changes in the intrinsic value of this stable, predictable business. Over the last 3 ½ years, I have increased and decreased our investment in the stock opportunistically a number of times to take advantage of the sometimes unjustified price fluctuations. From the first time we bought the stock until the recent sale, the stock has gone up at a 12% annualized rate of return, compared to 14% for U.S. large cap stocks and 10% for global stocks (all returns include dividends). However, because of the timing of our various purchases and sales of the stock, we have generated an 18% adjusted IRR on our investment, compared to 13% for U.S. large cap stocks and 9% for global stocks over the same time period. These IRRs are adjusted in the same way as was described in the section on Bank of America above.

- *Invested in Large Out-of-Favor Company at 8x P/E, But I Think Long-Term Prospects are Good*

  Towards the end of the quarter, we made a new investment in a large, diversified company with a good balance sheet that is trading at approx. **8x P/E** based on adjusted trailing earnings. I think the factors that have caused the stock to be **out of favor** are **largely unjustified** and will likely **subside over the next approx. 2-3 years**, which should lead to a very good return on our investment. Unlike most large companies that trade at such a low P/E ratio, I think the long-term prospects for this company are actually fairly good.

- *Continued Accumulating Illiquid Stock; Rebalanced Four Other Existing Positions*

  In addition to the above portfolio adjustments, during the second quarter we also continued accumulating a very illiquid stock that I have discussed in a previous quarterly letter. We also sold a portion of another investment when the market price briefly increased, then bought a little after it later declined. We also modestly increased the amount invested in three other existing investments during the quarter when their stock prices were temporarily low. As I have discussed in past letters, there are many attractive opportunities to increase or decrease the size of one's investments when fluctuations in the market price cause the difference between price and value to change.

Jag Sriram Joins Olesen Value Fund

During May, Jag Sriram started working for the fund's management company as a Senior Vice President. Jag grew up in India where he graduated from university with a degree in engineering. Thereafter he worked for 8 years with Maersk Data, the IT subsidiary of the conglomerate A.P. Møller-Maersk, where he ended up launching a new subsidiary in the United States. 11 years ago, Jag obtained an MBA in finance from New York University's Stern School of Business and made a transition to the financial sector. After his MBA, he worked in fixed income at Bank of America and Standard & Poors, and he also earned the CFA charter. Thereafter, he joined the private equity firm Patriarch Partners where he oversaw a group of portfolio companies and managed a high yield bond portfolio.

More important than his educational and professional background, I know first-hand from the four years I have known Jag that he has been very passionate about value investing for many years, has great analytical skills and a strong work ethic. He will primarily work as an investment analyst, researching and analyzing potential investments, which will help identify more and better investments for our portfolio, which will directly improve our investment results. In addition, Jag will be responsible for most of the fund's administrative work, such as liaising with the administrator, auditor, legal counsel, etc. I'm confident that Jag will have a positive impact on the fund's performance and development, and I look forward to this very exciting next chapter in the fund's life.

We recently moved to new offices at 60 W. Broad Street in Bethlehem, Pennsylvania. I sincerely hope that you will come and visit us here soon.

Our Currently Large Cash Balance

In response to a few questions from some of you, I would like to discuss the fund's cash balance, which has been unusually high for a long time.

The fund's primary investment objective is to generate substantial capital appreciation in **absolute** terms (i.e., not just relative to an index) over the **long run**, with minimal risk of a large, **permanent loss of capital** (i.e., a loss that is not just a temporary fluctuation).

At the same time, I also want to significantly outperform the broader equity markets over long periods of time (though not necessarily in the short term). While it is definitely imperative that we outperform the markets over long periods of time (or else the fund's very existence would not be justified), this objective is secondary to generating attractive returns in absolute terms and avoiding permanent loss of capital, which I think should be any investor's primary concern. In the long run, I am also confident that we will outperform the markets if we focus on our primary objective (as has indeed been the case so far).

In order to achieve these objectives, we employ a bottom-up approach to investing, which means we evaluate each individual investment on its own merits, and we only buy when the market price is below our estimate of the investment's intrinsic value by a meaningful amount (and we sell when the market price is no longer below our estimated intrinsic value). Consequently, we don't utilize top-down target percentages for how much of the portfolio to put in a given sector, how much to put in a certain category of investments, how much cash to hold, etc. However, in a sense, our target cash balance is zero, because we of course always seek to utilize (all of) our capital in a manner that generates attractive returns with limited risk (but we will not invest in something that is not really attractive just for the sake of having a zero cash balance, cf. our bottom-up approach discussed above).

Over the last few quarters, most financial markets have appreciated so much and so uniformly that investments that are attractively priced in absolute terms have been few and far between. In this environment, a number of our investments appreciated to the point where I thought they were trading at or near their fair values. Consequently, I sold these investments, because I generally do not think it is worth holding concentrated positions in securities that are not significantly undervalued. Likewise, the rather uniformly pricey financial markets have offered relatively few new attractive investment opportunities in which to deploy our capital, so it has taken longer than usual to find new investments. As you are probably aware, we have always invested a portion of our capital in obscure or unusual investments that are overlooked or misunderstood by the market, which includes many small publicly traded companies. As the markets have risen, I have increasingly focused on these kinds of investment opportunities, and the percentage of the portfolio that is invested in them is increasing substantially. There is a vast universe of thousands of small publicly traded companies in the world, many of which are perfectly sound businesses that could potentially be good investments at the right price. Despite the generally expensive stock markets at the current time, I think there are still a lot of undervalued securities in the realm of small publicly traded companies globally. This is partly because there are so many of them to begin with and partly because a lot of them receive little attention from the investment community. Lately, we have been very successful in finding good investment opportunities like these. However, most of these securities are so illiquid that it can take weeks or months for us to deploy the desired amount of capital without pushing up the market price, and this is causing a major delay in the deployment of our cash balance. A little over half of our current cash balance is already "ear-marked" for illiquid investments that we are currently in the process of accumulating, but it will take a few months before we finish this buying process. We could definitely buy these securities faster, but in most cases it is clearly economically rational to buy them more slowly and thereby not push up the price we are paying (the main exception to this is when we expect the stock price to go up a lot in the near term). In addition, I am optimistic about deploying the rest of our cash balance over the next few months, because we are currently looking at some potentially very attractive investment opportunities (all of them are small publicly traded non-U.S. companies). Finally, the world is a volatile and unpredictable place, not least financial markets, and I am sure there will be events that lead to market dislocations and hence profitable opportunities for us, whether it is conflict in Ukraine, unrest in the Middle East, a typical pull-back in U.S. stock prices, a major slowdown in China's economy, a big decline in commodity prices, less accommodative monetary policy, or something entirely different. Even if such an event does not happen for a very long time, we will not have a cash balance permanently, because it is really only a matter of time before we will find enough attractive investments for the portfolio. Historically, we have always had a cash balance very close to zero, except for the current episode and a short time in the fall of 2010 when the markets had also run up a lot, and **I expect the fund will also have close to zero cash for most of its future existence**.

I think that failure to maintain discipline in a heated financial market is a common cause of disappointing investment results. I would prefer to learn this the easy way and not the hard way. Ultimately, I think the key to staying disciplined (neither being too eager nor overly cautious) is to always evaluate investment opportunities in relation to our primary investment objective (generate substantial capital appreciation in absolute terms over the long run, while minimizing the risk of a large, permanent loss of capital). In other words, my job is both to grow *and* protect our capital. This has the unfortunate side-effect that once in a while, some of our capital will not be deployed but instead will be in cash. However, I view this as a natural consequence of a rational investment philosophy. For example, The Baupost Group, which is run by the legendary value investor Seth Klarman, who has one of the very best long-term investment track records of all time, has often had a very large percentage of its portfolio in cash, similar in magnitude to our current cash level, but still generated superior results. I aim to do the same, and I ask for your patience with respect to the deployment of our unusually high cash balance. Please don't ever hesitate to call or email me if you have any questions or comments in this (or any other) regard.

Obtained Excess SIPC Insurance Against Remote But Potentially Catastrophic Risk

During the second quarter, we obtained a so-called excess SIPC insurance policy through the Lloyd's of London insurance market, which will protect us in the extremely unlikely event that the custodian for almost all of our assets, Interactive Brokers, loses the securities or cash in our account due to embezzlement, theft or other misappropriation and at the same time is unable to make us whole due to its own concomitant bankruptcy.

In my opinion, it is a flaw in our financial system that, as a practical matter, securities must be held through a nominee (a brokerage firm) in order to be easily and readily tradable. This exposes investors to the fundamentally unnecessary risk that their brokerage firm loses or simply takes the securities or cash in the investor's account. Imagine that you had to own your personal residence via a nominee, and if the nominee transferred the ownership of your house to someone else without your permission and was not able to compensate you financially, you would simply lose your house and be forced to move out (without receiving any compensation for your property, and you would still have to pay off any debts on the house)! This is the state of affairs in the United States securities markets and, I believe, in most or all other countries. From time to time, very small brokerage firms go out of business and it turns out they had "borrowed" some of the securities in their customers' accounts or otherwise failed to maintain control or possession of their customers' property. However, a few very large firms have also experienced similar problems in recent years, namely Refco, Lehman Brothers, Peregrine Financial and MF Global. In three of these cases, the customers have received back all of their securities and cash, although only after a long delay. Still, these cases are a reminder that seemingly strong and reputable brokerage firms may not always provide the safety that investors need.

In order to protect investors against this risk, brokerage firms in the U.S. must participate in a government-mandated insurance program that is administered by the Securities Investor Protection Corporation (SIPC), which is similar to the FDIC's insurance program for bank deposits. However, the SIPC insurance only covers losses up to $500,000 for securities (and $250,000 for cash) per customer, which of course is not nearly enough for us, since we have approx. $30 mil. in assets. For marketing purposes, most brokerage firms purchase so-called excess SIPC insurance for the benefit of their customers in the private insurance market, which provides additional coverage above the SIPC limits. However, while the per-customer limit for such an excess SIPC insurance policy is usually fairly high, the aggregate limit for all customers of the brokerage firm is usually not nearly high enough to provide comfortable protection for customers. Therefore, I decided to obtain a quote for an excess SIPC insurance policy that would specifically protect the fund against this remote but potentially catastrophic risk.

The brokerage firm that holds almost all of our assets, Interactive Brokers, is publicly traded and a review of its financial statements indicates the firm is actually very well capitalized. I also don't have any concerns about the firms operational practices or the management's integrity. Therefore, I think the risk is very, very low. Still, the loss could potentially be devastating to us because we have almost all our assets with one brokerage firm. While I regard the excess SIPC insurance as having negative "expected value" in a statistical sense, the cost is very low in relation to the size of the fund's assets and expected investment returns (unfortunately, the terms of the policy do not allow me to disclose the cost). If we renew the policy at the same cost for several years, **the cumulative cost will only amount to a very small fraction of our investment returns** over that time period, but we will be able to sleep better having greatly reduced this potentially catastrophic risk.

Audit for 2013 Completed by Grant Thornton; Conclusion

Grant Thornton completed the audit of the fund's results for 2013. As expected, there were no problems with our accounts and Grant Thornton rendered an unqualified audit opinion. A copy of the audited financial statements is available upon request to existing investors and to serious potential investors.

Please don't hesitate to call or email me with any questions, comments or concerns. Also feel free to visit the web site www.OlesenValueFund.com, which has additional information about the fund, including previous quarterly letters. Let me know if you need the password to the web site, which is required by SEC regulations.

Sincerely,

Christian Olesen, CFA
President
Olesen Capital Management LLC, general partner of Olesen Value Fund L.P.

Notes:

The above-mentioned returns for the fund are stated for a hypothetical investor who invested at the inception of the partnership and has not made any subsequent contributions or withdrawals, after the 1.75% annual management fee and 20% performance allocation have been subtracted (and after taking into account any high watermark that may apply). The returns reported on your statement from our accountant may differ from these due to the timing of your contributions and withdrawals and any high watermark that may apply.

* The version of the MSCI All-Country World Index that is referred to in the table on page 1 includes dividends and is expressed in local currency terms. It is the broadest equity index available, including large, mid, small and micro-cap stocks in developed, emerging and "frontier" markets. U.S. equities make up a little less than half of the value of the index. The fund's portfolio does not attempt to mirror the index in any way at all; the index returns are only provided in order to show the return on equities generally (before subtraction of the fees and expenses that would have been incurred by replicating the index) during the fund's existence.