



Thursday September 9, 2016

Dear Partners,

August 31, 2016 marked the four-year anniversary of the launch of The Amvona Fund, LP (TAF). The following is a summary of the returns during that time:

Return Summary (48 Months)	TAF, LP	S&P 500 TR
Total Return	109.10%	68.13%
Compounded Annualized ROR	20.25%	13.87%
Average Annual ROR	24.08%	11.49%

For a more detail break down of the fund's return by year click [here](#)

During the first 48 months the fund delivered a compounded annualized rate of return of 20.25% and an average annual rate of return of 24.08% net of all fees and expenses¹. This significantly outperformed the S&P 500 Total Returns Index which includes the reinvestment of dividends.

Importantly, one of the fund's largest commitments, Geospace Technologies, Inc. has not yet had the anticipated catalyzing event that management believes will add significant value. Management is pleased, however, with the overall rate of return of the portfolio while expecting substantially higher returns from the Geospace Technologies investment in the future.

¹ A fund's performance as reported by the funds administrator reflects "the investment results of a single contribution at the inception of the fund with no subsequent additions or withdrawals." However, few investors fit this description, as many arrive after the fund's inception and may make additional contributions or partial withdrawals over extended periods of time. There are a number of reasons that an investor's performance will not necessarily match fund performance over time.



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Strategic Advice

The Amvona Fund's four-year mark also saw the establishment of a board of advisors for the general partner. Advisors are chosen to provide independent insights and ideas to the development of a governance framework that will enable management to achieve high quality sustainable growth².

So it is with great pleasure that it is announced that the noted American economist and investment manager Warren Mosler³ has joined the board of advisors of Lemelson Capital Management. In the coming weeks, management hopes to add at least one additional board member.

To read more about Warren Mosler and the board of advisors at Lemelson Capital Management click [here](#)

A Look at the Industry four years later

On March 17, 2016 the Financial Times reported⁴ that more hedge funds closed their doors in 2015 than at any time since the financial crisis with 979 funds closing. According to the article, redemptions in January 2016 were the highest since January 2009.

“Unnerved by jerky markets, hedge fund clients became fearful of risk and less patient with poor returns in the second half of the year, according to Kenneth Heinz, HFR's president, who said many started asking for their money back from lagging funds”

HEDGE FUND CLOSURES RETURN TO CRISIS HIGHS - FINANCIAL TIMES, MARCH 17, 2016

In the four years through August 31, 2016 management has had the privilege of having fourteen families⁵ join the fund representing 23 investors as partners. Also there were no redemptions during the recent periods of extraordinary volatility within the fund with some existing partners making additional

² Advisors are not involved in any way in the selection of investments. Investment decisions are made solely by + Emmanuel Lemelson

³ Disclosure: An affiliate of Mr. Mosler is currently a limited partner in The Amvona fund, LP.

⁴ Hedge Fund closures return to crisis highs, Financial Times, March 17, 2016 - [Link](#)

⁵ A number of prospective investors were also turned away.



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contributions to the fund and one new partner investing in the fund. Management is humbled by this show of support and honored to have been given the opportunity to generate the subsequent returns.

Reviewing a few of the changes to the Portfolio in Q3 2016

Geospace Technologies (NASDAQ: GEOS)

Management has not reduced its 1,142,000 share position in Geospace Technologies, Inc, which represents approximately 9.4⁶ percent of the float. Management intends to retain its position in the firm in anticipation of receipt of significant future orders⁷.

Western Digital (NASDAQ: WDC)

Between July 25 and July 26, 2016 Management liquidated 75,097 shares of Western Digital⁸. Management had acquired the shares on behalf of the partnership between January 21 and February 16, 2016⁹ for a cost of \$3,065,670, or an average price per share of \$40.82. The shares were sold for \$3,947,790, or an average price per share of \$52.57. During the time the share were held, the fund collected \$75,098 in dividends and \$39,512 in other short-term capital gains related to the commitment for an overall gain of \$996,730, a 32.5% increase in a period of approximately five months.

Management has researched and analyzed Western Digital¹⁰ for over six years and believes that despite the significant increase in share price, the company remains under-valued. However, the short-term gains were taken in Q3 2016, because management also believes that it will take time for Western Digital to assimilate the SanDisk acquisition into their operations and that during this time, there is significant risk that the price of the stock will decline. Companies with high debt loads, such as Western Digital, are often more exposed to market volatility.

⁶ Approximately 8.6% of the total shares outstanding.

⁷ Geospace Technologies 2017 fiscal year begins October 1, 2016

⁸ Management kept one share for the fund.

⁹ 111 of these shares were purchased late in 2015.

¹⁰ See The Amvona Fund, LP 2012 Annual Report - [Link](#)



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Domino's Pizza (NYSE: DPZ)

In the H1, 2016 letter management indicated that it was anticipating an increase in the fund's short stake in Domino's Pizza¹¹. Q3 2016 presented just such an opportunity and management increased its short position in the company significantly. As of the writing of this letter, Management has sold short a total of 35,570 shares (valued at \$5,007,590) at an average price per share of \$140.78, an increase in the dollar value of the short position of approximately 163% since the July 13, 2016 H1 letter was issued.

As evidenced by the significant increase in the positional size, and despite a well-intentioned and competent leadership team at the company, management is very confident in its short position in Dominos.

A Post-Mortem of the 2015 Skechers (NYSE: SKX) Short

On June 5, 2015 Management announces on the media outlet Benzinga, that the firm is short shares of Skechers, saying of the stock price *"the wheels have come off"* Management continues, *"this company is still probably worth... maybe \$60 per share"* (\$20 adjusted for 3:1 split). Skechers shares closed that day at \$36.59 on a split adjusted basis or \$109.77 pre-split.

For a transcript of some of Management's June 5, 2015 Skechers commentary click [here](#)

On June 6, 2015 Benzinga publishes an article entitled "This mega-hedge fund manager is short Skechers," and quotes management as saying there would be *"a steep decline in value."*

To read the full Benzinga article click [here](#)

On August 5, 2015 Shares of Skechers closed at a split-adjusted price of \$53.43 (\$160.29 pre-split).

On August 12, 2015 Management appeared on Benzinga again discussing the fund's short stake in Skechers saying *"I think they'll have a precipitous fall"* (18 min. 30 sec. mark) and explains that Lemelson Capital Management had continued to short the company. Shares close at a split-adjusted price of \$49.65 (\$148.95 pre-split)

To listen to the full interview, click [here](#)

¹¹ At the time management had sold short 14,370 shares of the company at an average price of \$132.42 or a total value of \$1,902,926.



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On September 25, 2015 Management again appears on Benzinga Pre-Market prep-show discussing Skechers saying of the firm *“it’s radically over-priced”* and indicates that Lemelson Capital had increased its short position and that the firms *“average short price is around \$132”* (\$44 on a split adjusted basis). Management also states that the firm would *“keep shorting”* the shares.

To listen to the full interview, click [here](#)

On October 23, 2015 Shares of Skechers plunge from \$46.19 per share to \$31.64 per share, a drop of 31.5% in one day. Benzinga publishes an article entitled *“Lemelson: Skechers still a short after losing a third of its share value”*. The article states, *“Shares of Skechers USA plunged more than 30 percent after the company’s third-quarter top and bottom line fell short of expectations,”* and quotes management as *“valuing the stock in a range of \$13-\$20 per share,”*

To read the full article click [here](#)

On July 22, 2016 Shares of Skechers fall 22.3% from \$32.18 to \$24.99 per share.

On August 2, 2016 approximately one year after Lemelson says Skechers shares will *“...have a precipitous fall,”* and approximately nine months after Lemelson values the shares in a range between \$13 - \$20 per share, shares of Skechers close at \$22.88, a decline of \$30.55 or 57.2% from the August 5, 2015 closing price.

As in prior years, a much more comprehensive discussion of The Fund’s activities and operations will be included in the 2016 annual report.

+ Emmanuel Lemelson

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The specific securities identified and described in this letter do not represent all of the securities purchased, sold, or recommended for the Fund. The audience should not assume that investments in these securities identified and discussed will continue to be profitable. The Fund currently owns numerous other securities in various other industries and sectors unrelated to these securities. The purchase of these securities only will not create a diversified portfolio. In addition, such securities are subject to losses as an investor may lose money investing in such securities. It also should not be assumed that any recommendations made by Lemelson Capital Management, LLC, a Massachusetts limited liability company (the “General Partner”), in the future will be profitable or will equal the performance of the securities described in this letter. **Past performance is not indicative of future results.**

The performance and volatility of the S&P 500 Total Return Index (the “Index”) may be materially different from the performance attained by a specific investor in the Fund. In addition, the Fund invests in a different mix of securities and sectors than the Index, which may cause the difference in performance between the Fund and the Index. You cannot invest directly in an index.



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