MARRAM
INVESTMENT MANAGEMENT

11672 Rochester Ave, Ste 304
Los Angeles, CA 90025
www.marramllc.com
626.367.1212

April 15, 2015

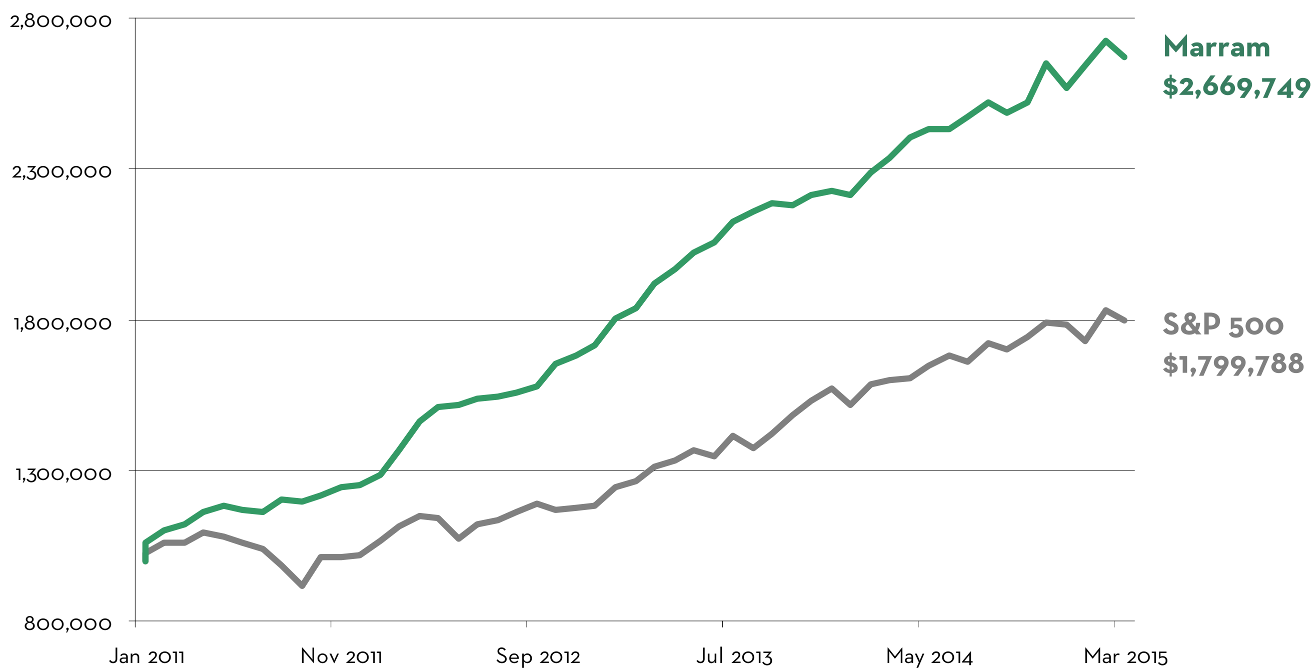
Dear Investors,

The Portfolio* appreciated +3.88% (gross return) year-to-date 2015 (through 3/31/15).

During this same period, the S&P 500 returned +0.95%.

For monthly details, see Historical Performance Returns at the end of this letter. Please refer to your account statement for net return figure.

$1,000,000 Investment in Marram* vs. S&P 500 (Inception to 3/31/2015)



QUARTERLY LETTER SECTIONS

- **Marram's Five Pillars** – constant reminder of "why" and "how" we invest capital
- **Portfolio Return Analysis** – analysis of performance returns for the quarter
- **Portfolio Allocations** – breakdown of our current capital allocation
- **Portfolio Future Positioning** – glimpse into our current thoughts on markets, asset prices, and/or how we are positioning the portfolio to maximize future compounding

MARRAM'S FIVE PILLARS

INVESTMENT GOAL:	• To Compound (Grow) Capital Over Time
INVESTMENT STRATEGY:	• Opportunistic Capital Allocation – employing patient opportunism, which entails the following philosophy…
INVESTMENT PHILOSOPHY:	• Buy cheap assets (when available) • Hold cash where there are no cheap assets • Hedge the portfolio when appropriate • Think creatively and opportunistically
IMPLEMENTATION:	• Security Agnostic – utilize vehicles, assets, & securities that best fit our needs (such as ETFs, equities, debt, derivatives, etc.), offer superior risk-reward, and if all else equal, lowest expense ratio & greatest liquidity
RESULT:	• Absolute Returns • Wealth Compounding Solution

PORTFOLIO RETURN ANALYSIS

	1st Quarter 2015
Marram Portfolio* (Gross Return)	**3.9%**
S&P 500 Total Return	1.0%
Number of winners (where we made $)	10
Biggest $ winner, as % of $ P&L	87.0%
Top 5 winners, as % of $ P&L	130.1%
Top 10 winners, as % of $ P&L	153.3%
Number of loser (where we lost $)	10
Biggest $ loser, as % of $ P&L	-22.7%
Top 5 loser, as % of $ P&L	-45.9%
Top 10 loser, as % of $ P&L	-53.3%
Ratio of number of winners to losers ("Brag Ratio")	1.00x
Ratio of $ profit to $ loss ("Profit Ratio")	**2.88x**

We seek to maximize the "Profit Ratio" (how much $ we make when we are right vs. wrong), not the "Brag Ratio" (how often we are right vs. wrong). This is because it is possible to make $ profits by being "right" less than 50% of the time (by upsizing your winners), just as it is possible to lose $ capital by being "right" more than 50% of the time (by upsizing your losers). We are here to maximize $ profits over time, not boast about how often we are right.

This quarter's statistics perfectly demonstrate our rationale for focusing on the "Profit Ratio." Although we had the same number of winner as losers, we still achieved $ profits because we upsized a Special Situations/Event-Driven position which appreciated significantly during the 1st quarter.

This position was featured as the Case Study in our 2014 4th Quarter Letter, in which we described it as "an apt example of a security with high expected return and low likelihood of [long-term] downside volatility, but a fair amount of potential [short-term] downside volatility, made much more apparent by its large sizing within the portfolio…"

True to form, the position introduced volatility into the portfolio – its price moving +54% in Jan, -5% in Feb, and -14% in Mar. Despite the short-term volatility, the position contributed significantly to portfolio performance (87% of this quarter's $ P&L).

PORTFOLIO ALLOCATIONS

Below is the target portfolio allocation – what we believe to be the optimal allocation for the capital that we manage – as of the writing of this letter. Investor accounts may differ from this allocation due to changes in asset prices, available opportunities to acquire/divest securities in the marketplace, and tax considerations.

- Special Situations/Event-Driven: 32% NAV
  Public securities undergoing spin-offs, recapitalizations, liquidations, certain debt instruments, etc. The share price performance of securities in this category are often not correlated with general market activity, but instead tied to the unique catalyst(s) embedded in each position.

- Large-Cap Financials: 21% NAV
  Businesses with dominant market share trading at ~8-15% earnings yield. Fearful investors fled this area during and after 2008, and prices are still recovering. These businesses were the survivors, gaining market share, with profit margins that will greatly benefit if/when interest rates rise, and regulatory shaming abates. These securities are very liquid so we can convert this allocation to cash at anytime and redeploy into opportunities when markets reverse.

- Small/Micro-Cap Thrifts (with Catalyst): 4.5% NAV
  Healthy thrifts generating 3-8% ROE, all are well-capitalized. We only purchase the ones trading at or below ~0.70x book value, and where activist investors are pressuring management to (1) cut costs, (2) buyback shares, (3) pay dividends, or (4) sell the business – providing catalysts for value realization. This is a "revolving" basket for which we buy thrifts that fit the above criteria, and sell them when they approach fair value (~0.9x book value)

- Small/Micro-Cap Banks (without Catalyst): 1.5% NAV
  Healthy banks trading below book value with 3-8% ROE that are well-capitalized and growing loans, assets, and equity bases via reinvestment of earnings (compounding). Last year, we decided to decrease this allocation as risk/reward has shifted, and outlined our rationale in the 2014 1st Quarter Letter

- Large-Cap High Quality: 3% NAV
  Businesses with robust competitive advantages trading at ~5-10% earnings yield. These securities are very liquid so we can convert this allocation to cash at anytime and redeploy into opportunities when markets reverse. We recently decreased this allocation as risk/reward has shifted.

- Cash: 38% NAV
  This category will fluctuate depending on opportunities available in the marketplace. If suitable opportunities cannot be found, we are comfortable holding the present or perhaps even greater levels of cash

PORTFOLIO FUTURE POSITIONING

Long-time investors and dedicated readers of our letters will have noticed that the Special Situations / Event-Driven allocation has increased significantly over the last year from 11% of NAV at 12/31/14 to 32% of NAV at 3/31/15.

This allocation is comprised mainly of four securities, linked to three operating businesses. As described in the previous section, the "share price performance of securities in this category are often not correlated with general market activity, but instead tied to the unique catalyst(s) embedded in each position."

Public market investors sometime forget that there are businesses behind traded securities. "Catalysts" are simply decisions and actions made by individuals involved with these businesses (such as management, board of directors, activist investors, etc). Business decisions and actions often require time to implement. It also takes time for other market participants to process the implications of these decisions and actions.

The expected timeframe necessary for the effects of embedded catalysts to manifest range from months to multiple years. Time is a key requirement for assets/securities to move from our purchase prices to where we believe they are truly worth. This is why we are focused on long-term performance returns over a period of multiple years.

Portfolio Management Enhancements

As we wait for catalysts to manifest, we occupy ourselves with other endeavors meant to enhance portfolio returns, such as seeking new ideas and focusing on portfolio management. On the portfolio management front, over the last few quarters, we have been especially engrossed by position structuring and ways to enhance our existing ideas.

One initiative involves the use of attractively-priced long-dated warrants. Warrants are essentially call options issued by the company, rather than written by market participants. In certain instances (not always), the prudent use of attractively-priced long-dated warrants will allow investors to reduce the risk of a position (by reducing the total $ capital at risk) without reducing the potential $ profits.

One of our equity positions (trading at $5.50/share; we believe it is worth $10-12+/share in 5+ years) has in-the-money 8.5-year warrants expiring in 2023. Although it is not easy to source these warrants (market supply is sporadic), we are nonetheless attempting to convert our exposure from straight equity into the warrants. The math below outlines our rationale behind this decision:

Door #1: Straight Equity
- Purchase the equity position today directly in the open market for $5.50/share
- Price of exposure through Equity = **$5.50/share**

Door #2: Long-Dated Warrants

- Purchase the warrant for $2.00/share today, which gives us the right, but not the obligation, to exercise and purchase the equity in 8.5 years for $5.00/share
- Price of Warrant = $2.00 (today)
- Strike of Warrant = $5.00 (in 8.5 years)
- Price of exposure through Warrant = **$7.00/share**

Although Door #2 seemingly costs $1.50 more than Door #1, it provides two crucial benefits:

1. **Downside Protection Due to Less $ Capital At Risk**
   The initial $ capital outlay for Door #2 is lower ($2.00 vs. $5.50), which limits the maximum possible loss to the initial cost of the warrant ($2.00) vs. the entire cost of the equity ($5.50). This is because the warrants provide <u>the right, but not the obligation</u> to purchase the equity. If the price of the equity drops to $0, via Door #2 we would choose not to exercise our right and lose only $2.00/share, whereas we would lose $5.50 via Door #1

2. **Same Economic Interest in Underlying Business + Higher % Return Potential**
   One warrant allows us to purchase one share of equity, thereby preserving the same economic interest in the underlying business. However, the initial $ capital outlay for Door #2 is lower ($2.00 vs. $5.50), which means the % total return is potentially far higher. If the equity is worth $10-12 in 5 years (which we believe is highly probable), the total return for Door #1 is 1.8-2.2x ($10-12 ÷ $5.50) vs. Door #2 is 2.5-3.5x ($5-7, the difference between $10-12 minus $5 strike price, ÷ $2.00)

You're probably thinking: this is financial voodoo! How is it possible to obtain greater % return yet less downside exposure? The answer: cheap fixed-rate non-recourse leverage.

> Implied Cost of Leverage = $1.50/share (difference in cost between Door #2 vs. #1)
> Amount of Implied Leverage (Warrant Strike Price) = $5.00
> Length of Leverage Term (Warrant Years Until Expiration) = 8.5 years
> Implied Annualized Cost of Leverage = ~3.5%

Since we don't have to decide whether or not to purchase the equity for $5.00 until 8.5 years from today, this is akin to someone lending us $5.00 for 8.5 years until we have to make that decision (and remember, we have no obligation to purchase). The cost of this leverage is why Door #2 costs $1.50 more than Door #1. Spreading that $1.50 over 8.5 years equates to an annual fixed interest rate of ~3.5% ($1.50 divided by $5.00 divided by 8.5).

In effect, the warrant provides non-recourse long-dated leverage at a low fixed rate for 8.5 years. At that point in time, we would then choose whether or not to exercise our right to purchase the underlying equity at $5 per share (pay back the loan). But we don't have to pay back the loan (we have the right, not the obligation). Additionally, our decision whether or not to pay back the loan would not impact any other positions within our portfolio, hence why this loan is "non-recourse."

Unlike margin loans, this leverage is fixed, non-recourse to other positions in the portfolio, and contains no covenants. Try going to a local bank or security custodian and asking for this deal, they would think you delusional. Yet, sometimes in the public markets, such delusions periodically exist.

Patient Opportunism

No new positions were added to the portfolio this quarter. We remain patient opportunists seeking cheap assets/securities. What does this mean and why are we so focused on patient opportunism? Borrowing words from an old quarterly letter:

> "Future performance returns are a function of purchase price – the higher the purchase price, the lower the likelihood of future performance returns. A bond does not increase coupon payments because investors are hungrier for yield in a low rate environment. A stock does not generate more profits because people pay higher prices for its shares. The economic return potential of assets do not change simply because market participants become less fearful and are now willing to pay more for assets they weren't willing to touch a few years ago – and hoping won't make it so…
>
> Which brings us back to how your capital is invested. **Patient opportunism is the basis of our approach to capital allocation. This is why our investment philosophy entails buying cheap assets when they're available, holding cash when there are no cheap assets, hedging the portfolio when appropriate, and thinking creatively and opportunistically.**"

With the above in mind, we leave you with this poem as food for thought:

A Drumlin Woodchuck
By Robert Frost

One thing has a shelving bank,
Another a rotting plank,
To give it cozier skies
And make up for its lack of size.

My own strategic retreat
Is where two rocks almost meet,
And still more secure and snug,
A two-door burrow I dug.

With those in mind at my back
I can sit forth exposed to attack
As one who shrewdly pretends
That he and the world are friends.

All we who prefer to live
Have a little whistle we give,
And flash, at the least alarm
We dive down under the farm.

We allow some time for guile
And don't come out for a while
Either to eat or drink.
We take occasion to think.

And if after the hunt goes past
And the double-barreled blast
(Like war and pestilence
And the loss of common sense),

If I can with confidence say
That still for another day,
Or even another year,
I will be there for you, my dear,

It will be because, though small
As measured against the All,
I have been so instinctively thorough
About my crevice and burrow.

These letters serve as a general medium through which we communicate with our investors. For any account specific questions, or anything else that's on your mind that you'd like to discuss, please do not hesitate to contact us directly.

Yours very truly,

Vivian Y. Chen, CFA
Portfolio Manager
Marram Investment Management LLC

APPENDIX: HISTORICAL PERFORMANCE RETURNS*

	2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**24.74%**	6.11%	3.39%	2.16%	3.62%	2.00%	-1.40%	-0.39%	3.52%	-0.66%	1.84%	1.81%	0.55%
S&P 500	**2.11%**	2.37%	3.43%	0.04%	2.96%	-1.13%	-1.67%	-2.03%	-5.43%	-7.03%	10.93%	-0.22%	1.02%
% Cash Exposure		*7.47%*	*11.92%*	*13.46%*	*15.42%*	*13.54%*	*30.64%*	*23.14%*	*21.93%*	*12.17%*	*11.78%*	*10.51%*	*7.95%*

	2012	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**37.35%**	3.12%	6.15%	7.05%	3.14%	0.54%	1.45%	0.59%	0.60%	1.46%	4.55%	1.63%	2.13%
S&P 500	**16.00%**	4.48%	4.32%	3.29%	-0.63%	-6.01%	4.12%	1.39%	2.25%	2.58%	-1.85%	0.58%	0.91%
% Cash Exposure		*9.69%*	*8.43%*	*11.20%*	*7.58%*	*10.57%*	*8.83%*	*16.43%*	*26.99%*	*22.73%*	*27.11%*	*25.32%*	*21.86%*

	2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**29.77%**	5.38%	1.80%	4.38%	2.48%	2.78%	1.63%	3.60%	1.42%	1.30%	-0.45%	1.80%	0.38%
S&P 500	**32.39%**	5.18%	1.36%	3.75%	1.93%	2.34%	-1.34%	5.09%	-2.90%	3.14%	4.60%	3.05%	2.53%
% Cash Exposure		*19.45%*	*17.58%*	*19.53%*	*17.45%*	*22.78%*	*16.78%*	*10.50%*	*6.81%*	*4.61%*	*4.87%*	*6.31%*	*9.02%*

	2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**15.60%**	-0.41%	3.22%	2.27%	2.88%	1.14%	-0.07%	1.62%	2.11%	-1.41%	1.49%	5.11%	-3.09%
S&P 500	**13.69%**	-3.46%	4.57%	0.84%	0.74%	2.35%	2.07%	-1.38%	4.00%	-1.40%	2.44%	2.69%	-0.25%
% Cash Exposure		*7.88%*	*5.10%*	*9.45%*	*15.11%*	*15.07%*	*14.45%*	*19.95%*	*19.75%*	*18.36%*	*17.31%*	*11.06%*	*15.97%*

	2015 YTD	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**3.88%**	2.83%	3.22%	-2.13%	-	-	-	-	-	-	-	-	-
S&P 500	**0.95%**	-3.00%	5.75%	-1.58%	-	-	-	-	-	-	-	-	-
% Cash Exposure		*16.21%*	*14.84%*	*14.86%*	-	-	-	-	-	-	-	-	-

** Unaudited, gross return figure, before fees. Performance is derived from the portfolio manager's separate account which does not pay management or performance fees. Returns for each separate account will differ due to fee structure, trading expenses, fund transfer timing, order timing, tax considerations, and other account restrictions. Please refer to your account statements for net return figure. Returns presented for S&P 500 include dividend reinvestment.*

Disclaimer: An investment is speculative and involves a high degree of risk. Past performance return is not a guarantee for future returns. Investors are urged to consult a professional advisor regarding the possible economic, tax, legal or other consequences of entering into any investments or transactions described herein.