

October 15, 2016

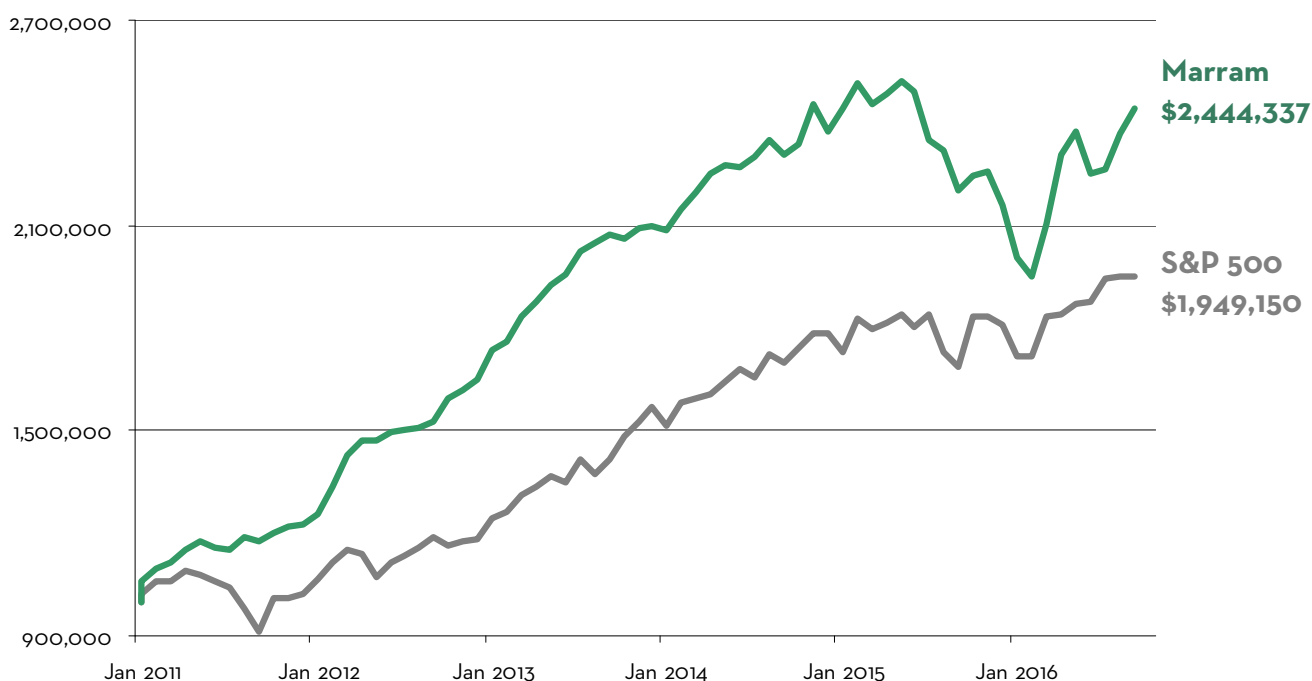
Dear Investors,

The Portfolio* returned +13.19% (net return) year-to-date ("YTD") through 9/30/2016.

During this same period, the S&P 500 returned +7.84%.

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 (Net Return, Inception to 9/30/2016)*



ABOUT MARRAM

OUR GOAL:	<ul style="list-style-type: none">• To compound (grow) capital over time for retirement and/or legacy
PHILOSOPHY:	<ul style="list-style-type: none">• Patient Opportunism
STRATEGY:	<ul style="list-style-type: none">• Buy cheap assets (when available)• Hold cash when there are no cheap assets• Hedge the portfolio when appropriate• Think opportunistically and creatively
IMPLEMENTATION METHOD:	<ul style="list-style-type: none">• Utilize any security or asset that offers superior risk-reward, with a preference for liquidity
RESULT:	<ul style="list-style-type: none">• Outsourced wealth compounding solution for investors whose primary goal is to grow money for retirement and/or legacy

PORTFOLIO RETURN ANALYSIS*

	3Q 2016	YTD 2016
Marram Portfolio* (Net Return)	8.6%	13.2%
S&P 500 Total Return	3.9%	7.8%
Number of winners (where we made \$)	25	25
Biggest \$ winner, as % of \$ P&L	18.2%	14.0%
Top 5 winners, as % of \$ P&L	50.4%	56.5%
Top 10 winners, as % of \$ P&L	80.4%	89.5%
Number of losers (where we lost \$)	4	10
Biggest \$ loser, as % of \$ P&L	-5.9%	-9.0%
Top 5 losers, as % of \$ P&L	-9.0%	-15.7%
Top 10 losers, as % of \$ P&L	-	-17.9%
Ratio of number of winners to losers ("Brag Ratio")	6.25x	2.50x
Ratio of \$ profit to \$ loss ("Profit Ratio")	12.06x	6.60x

We seek to maximize the "Profit Ratio" (how much \$ we make when we are right vs. wrong, and to keep it above 1.00 which means we have higher \$ profits than \$ losses), not the "Brag Ratio" (how often we are right vs. wrong).

The Master Limited Partnership "MLP" allocation we made at the beginning of this year continued their upward price trajectory, generating +44% and +83% of \$ P&L during the 3rd Quarter and YTD, respectively. It is too soon to claim victory (not until gains are realized). However, we are not yet willing to exit these positions because we believe there remains additional upside. Many of our MLP holdings are the General Partners of operating limited partnerships, that benefit exponentially (through Incentive Distribution Rights) when the limited partnerships return to growth-mode and generate incremental cash flows. The likelihood of this scenario occurring increases if interest rates remain at current historically low levels, enabling MLPs to finance the building of additional infrastructure projects at cheaper costs of capital financing[†].

Our basket of primary U.S.-based Large Cap Financials (+33% and -5% of \$ P&L during the 3rd Quarter and YTD, respectively) continue to generate very respectable economic profits despite numerous political and macroeconomic headwinds (lower net revenues due to low interest rates[†], higher capital ratios / less balance sheet leverage, and costs associated with greater regulatory scrutiny). We remain content owners of these businesses at current rates of return, and expect the European banks (Deutsche, Barclays, Credit Suisse, etc.) leaving the U.S. market to benefit our banks through greater pricing power and market share gains due to less competition, all of which will translate into higher revenue growth and increased profitability in future years.

[†] Through our allocation to MLPs and Large Cap Financials, we believe we have diversified our exposure to interest rates. MLPs benefit from low interest rates (through lower cost of financing capex projects, and greater investor demand for yield products), while Large Cap Financials benefit from higher interest rates (through higher net interest margins which is the difference between what they make on loans vs. what they pay on deposits). In this way, our Portfolio is interest rate agnostic. Additionally, we have plenty of dry powder cash available to take advantage of any dislocated opportunities that emerge if/when an interest regime change seizes other market participants unawares.

Two of our Special Situations/Event-Driven/Other positions also contributed meaningfully to performance:

- RCI Hospitality generated +18% and +14% of \$ P&L this quarter and YTD, respectively. In the last two years, RCI has grown book value per share by 26%. Yet, the share price remains unchanged and trades at 0.84x book value at quarter end. This valuation disconnect persists despite the business consistently generating ~\$15-20mm in annual free cash flow, equating to ~13-18% free cash flow yield given the current market cap of \$113mm. We remain content shareholders because RCI is benefiting from this valuation disconnect as it repurchases shares cheaply in the open market. We expect the pace of buybacks to increase in the years ahead, especially if the equity price remains so undervalued.
- Company X, a new position we initiated in June, generated +9% and +5% of \$ P&L this quarter & YTD, respectively. The Company is a ~\$25mm market cap, under-followed, and “left-for-dead” business (price history resembles what Peter Lynch calls “the echocardiogram of a rock”) with ~\$60mm cash and securities on the balance sheet. It’s a small position (currently ~2.5% NAV) but the upside potential makes this investment very special. The Company seems to agree with our assessment and has repurchased ~20% of the total shares outstanding in the last 6 months alone. This action will enhance future upside for remaining shareholders (of which management and insiders are 40%+) if/when the catalyst does occur (we expected sometime in 2018-2019). Stay-tuned for more on this in the coming years.

If we broke out the dividend income as a separate category, it would have accounted for ~5% of \$ P&L this quarter. We are now clipping ~2% dividend income each year thanks to the high dividend contribution from MLPs, and this figure is likely to increase in the coming years as MLPs generate higher distributable cash flow, and as Large Cap Financials boost dividend payouts. Interestingly we were not specifically seeking yield income, yet the yield income found us nonetheless through undervalued securities.

PORTFOLIO ALLOCATIONS

Below is the target portfolio allocation – what we believe to be the optimal allocation as of the writing of this letter. Investor separate accounts may differ from this allocation due to changes in asset prices, available opportunities to acquire/divest securities in the marketplace, margin & trading capabilities, tax considerations, etc. Over time, all investor separate accounts converge upon the target portfolio allocation.

- **Special Situations/Event-Driven/Other: 22% NAV**

Public securities undergoing spin-offs, recapitalizations, liquidations, 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. Because “catalysts” are business decisions/events which take time to implement, and market participants require time to process the implications of these decisions/events, the timeframes necessary for securities to move from our purchase price to where we believe they are truly worth can range from months to multiple years, making for attractive but lumpy expected returns.

- **Energy Infrastructure / Master Limited Partnerships (MLPs): 24.5% NAV**

Energy infrastructure companies with assets indispensable to the smooth function of modern society. Earlier this year, indiscriminant and forced-selling dynamics drove prices to extremely attractive levels, allowing us to compile a basket of MLP securities with average cost basis equating to ~11% NOI and ~19% Cash on Cash. We believe that as fear abates and reason prevails, these securities will return 2-3x our original purchase price (via dividends and price appreciation). In the interim, these MLPs generate cash dividends averaging ~10% per annum. Please see the 2016 1st Quarter Letter for our full MLP thesis.

- **Large-Cap Financials: 17% NAV**

Businesses essential to economic and societal function trading at ~8-10%+ earnings yield, many of which we own via in-the-money TARP warrants. Our notional exposure is ~30% NAV because the warrants provide non-recourse leverage at extremely cheap rates (<0.50% per year). Fearful investors fled this area post 2008-2009, 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 (higher revenue potential) and regulatory shaming abates (more capital returned to shareholders, lower legal expenses).

- **Public Capital Allocators: 12% NAV**

This new allocation category includes publicly traded capital allocators that practice patient opportunism (similar to our strategy and philosophy, see Page 2), possessing unique skills (e.g., Berkshire Hathaway's Warren Buffett) or circumstances (e.g., large amounts of Net Operating Losses "NOLs" to shield future profits from tax obligations thereby increasing value to shareholders) and have structures and incentives in place to promote long-term capital compounding and wealth creation for shareholders.

- **Cash: 24.5% 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

"Microeconomics is what we do, and macroeconomics is what we put up with."

-- Charlie Munger, Berkshire Hathaway 2016 Annual Meeting in Omaha

Quantitative Easing "QE" by central banks around the world is not just a theoretical concept or newspaper headline; it has very real-world implications. Eight years of QE has flooded the global economy and markets with vast supplies of money, all of which is seeking to purchase assets and securities, lifting prices, and making undervalued bargains scarce.

Such is the macro environment that we put up with today. However, microeconomics (evaluating business fundamentals, what we pay vs. what we get) remains our primary focus, and we are ever vigilant and disciplined in how we deploy capital: patiently seeking, carefully evaluating, and only striking when the opportunity is ripe (such as we did earlier this year with MLPs).

Bargains are scarce, but not impossible to find. We have been busy researching and planting new long-term investment seeds in the Public Capital Allocators segment. As we deploy additional capital and this allocation increases in size, we will provide more details in a future letter.

Some Historical Perspective

Last quarter, we sold our final small/micro-cap bank position. As long time investors will recall, Marram's first major investment was in a diversified basket of small/micro-cap banks and thrifts, an area of opportunity upon which we successfully (and lucratively) capitalized after the Financial Crisis.

In the following pages, we (re)present our historical small/micro-cap bank thesis in the exact format as our recent MLP thesis (please see our 2016 1st Quarter Letter). If you read the investment theses side by side, you'll noticed that although the small/micro-cap bank investment was initiated many years in the past, there are striking parallels with our recent investment in a diversified basket of MLPs. These parallels highlight the cyclical and repetitive nature of public securities markets, and how our patient opportunistic approach is poised to take advantage, repeatedly, in the past, present and future.

Why were Small/Micro-Cap Banks cheap? Who was selling to us?

A few factors created the perfect storm of indiscriminant panicked-selling by retail investors, precipitating steep price declines across the entire small/micro-cap bank sector, and few investors were able or willing to purchase the shares that flooded the marketplace.

Factor #1: The 2008-2009 Financial Crisis exposed the toxic consequences of loose lending practices and high balance sheet leverage of the banking sector. Bad loans increased, combined with high leverage, led to solvency issues and the failure of many banks. Speculation and fear of future bank failures spread.

- **Bad Loans** – in the years leading up to the Financial Crisis, many small/micro-cap banks blindly chased new business, loosened credit standards and made imprudent loans. In the years after the Financial Crisis, many borrowers had trouble servicing interest and/or repaying loans. Collateral values were lower than underwriting assumptions. This led to increased non-performing bad loans and write-offs.
- **High Balance Sheet Leverage** – in the years leading up to the Financial Crisis, many banks were allowed by regulators to have equity ratios as low as ~3%. This meant for every \$100 in assets, there was \$97 in liabilities, and only \$3 in equity – akin to 33x leverage! Merely \$3 of bad loans would render the entire balance sheet insolvent.

The combination of bad loans and high leverage had catastrophic consequences, leading to insolvency issues, bank failures, and speculation of future failures to come. Although these issues did not affect all banks equally (of the thousands of banks in the United States, not all made bad loan and leverage decisions), the bad players irrevocably tainted the reputation of the entire sector.

Factor #2: The shareholder base for small/micro-cap banks was fragmented, predominantly retail investors – wealthy citizens, doctors, lawyers, etc. – ill-equipped to analyze the implications of loan quality deterioration and balance sheet solvency, and therefore unprepared for the ferocity of price declines, which led to panicked-selling, begetting further price declines and more panicked-selling.

- In order to own greater than 9.9% of a bank holding company, there are significant legal and regulatory hurdles. Therefore most investors, even institutions, prefer to stay below that threshold to avoid administrative headaches. As a result, the shareholder bases of banks are naturally fragmented.
- While attempting to fill the investor roster, many small/micro-cap banks found willing wealthy candidates in the local community and pitched them on the merits of owning a local community bank. This led to a predominately retail shareholder base.

The shareholder bases of many small/micro-cap banks were composed of fragmented retail investors, who did not have specialized sector expertise or the ability to analyze bank balance sheets to determine the health of their investments. Faced with the events described in Factor #1, they abandoned their investments without understanding the actual state of affairs. This led to indiscriminant selling across the entire small/micro-cap bank sector, negatively impacting even the prices of healthy well-run banks – a classic example of the proverbial “baby out with the bathwater.”



Factor #3: The small/micro-cap banks were overlooked by new investors due to specialized industry knowledge requirements and their small size. Few investors were able or willing to soak up the supply of shares created by retail investors selling indiscriminately.

- Despite being publicly traded, many small/micro-cap banks did not have research coverage, or even regular SEC filings. In order to access company financial metrics to determine organizational health and valuation, investors had to directly access FDIC databases for such information. This restricted the type of new potential shareholders to those willing to dig through mountains of primary data, and knowledgeable about bank balance sheets and associated accounting.
- Investors with this level of specialized industry knowledge were usually affiliated with large institutions. They were uninterested in small/micro-cap banks (regardless of the outsized

returns available) because the 9.9% ownership threshold triggered legal and regulatory burdens, and made it difficult to deploy large sums of capital without incurring administrative headaches.

Given these two hurdles, there was no natural buyer to soak up the excess supply created by panicked selling, therefore prices continued their precipitous decline to ridiculous levels. [ENTER MARRAM - STAGE LEFT] Having both the industry knowledge and expertise, and undeterred by the small size of these banks, we encountered very little competition as we picked through the rubble for the jewels that others left behind, and benefited lucratively in the years that followed.

Risks & Mitigants

"I look for the type of guy in London who gets up at seven o'clock on Sunday morning when his kids are still in bed, and logs onto a poker site so that he can pick off the U.S. drunks coming home on Saturday night. I hired a guy like that. He usually clears 5 or 10 grand every Sunday morning before breakfast taking out the drunks playing poker because they're not very good at it, but their confidence has gone up a lot. That's the type of guy you want — someone who understands an edge."

-- Michael Platt, billionaire founder of BlueCrest Capital, on type of talent he prefers to hire

The loan quality and balance sheet solvency issues (described in Factor #1) posed legitimate risks to many small/micro-cap banks. To mitigate these risks, we scrutinized a large number of banks, pouring over large volumes of quantitative information on ~1,000+ publicly traded banks in the United States, seeking suitable investment candidates with the following attributes:

- Robust Balance Sheets with Low Leverage (Tier 1 Capital Ratio > 10%)
- Good Loan Portfolio Quality (little/no pre-2008 vintage loans collateralized by construction or empty land)
- Steady Regional Economies & Demographics (healthy regional economies have more credit-worthy borrowers and better collateral values)
- Profitable Earnings
- Rational Management Teams
- Cheap Valuation (Book Value < 1.0x)

We then stress tested each candidate with our own worst-case-scenario assumptions for loan losses and recoveries. Our analysis allowed us to compile a diversified basket of small/micro-cap banks that were healthy (did not lend irresponsibly and kept leverage low), well-run, and under-valued, offering extremely attractive upside return potential with very low probability of permanent impairment of capital.

Our risk management efforts did not simply end there. We believe that effective risk management stems not only from proper research analysis (e.g., evaluation of loan portfolio quality, leverage metrics, etc.) and cautious conservatism (e.g., stress testing worst case scenarios), but also from clear evaluation of edge. This is because public market investing is a zero-sum game, in many ways similar to the poker story described above in the Michael Platt quote.

Evaluation of edge means correctly understanding who and why someone is selling an asset or security, and determining whether the selling party has better reasons to sell than our reasons to buy.

This is why we sought to understand the dynamics of indiscriminant selling of small/micro-cap banks by retail investors (as discussed in Factor #2), and why we had so little competition while deploying capital (as discussed in Factor #3). We believed that we had correctly identified the parties selling small/micro-cap bank securities, and that our rationale for purchasing was stronger than their reasons for selling indiscriminately.

What did we own? How did they fare?

By diligently separating the wheat from the chaff, we were able to purchase a diversified basket of small/micro-cap banks at extremely attractive prices.

Number of Banks Reviewed:	Countless
Number of Stress Test Models Built:	167
Number of Investments:	64

The top 10 \$ winners accounted for 65% of total gains in this basket, and generated average 99% total return and 110% annualized return. All except two (which became merger targets soon after our purchase) were held for long-term capital gains.

History Repeating

*"The word is about, there's something evolving / Whatever may come, the world keeps revolving
They say the next big thing is here / That the revolution's near
But to me it seems quite clear / That it's all just a little bit of history repeating...
And I've seen it before / And I'll see it again
Yes I've seen it before / Just little bits of history repeating."*

-- "History Repeating" by Propellerheads (featuring Shirley Bassey)

There are many parallels between our small/micro-cap bank and our MLP thesis. These commonalities include:

- Fear-induced panicked selling from an identifiable source (mainly retail investors)
- Separation of wheat vs. chaff (through diligence and analysis of countless securities)
- Diversified basket approach
- Price recovery once fear fades and rationality returns to market participants (as of quarter-end, the positions in our MLP allocation has generated average 96% total return and 180% annualized return.

These parallels highlight the repetitive nature of public markets, which occurs because market prices are set by human buyers and sellers, with human psychological weaknesses and tendencies. Therefore, market prices are ultimately governed by human psychology, reflecting the collective psychological summation of all market participants. This same collective psychology that creates booms with unjustifiably high prices contributes inevitably to busts with irrationally low prices.

Our patient opportunism strategy works well because it exploits human psychological weakness and its repeated impact on securities prices in different areas, and over different cycles. Technology, fashion trends, etc. may change over market cycles, but human psychology – the product of tens of thousands of years of biological evolution – does not alter so quickly.

Therefore, if we remain patient – for worthwhile opportunities to emerge, and for rationality to return and prices recover – human psychology will invariably provide us with sets of lucrative opportunities, over and over again. The types of opportunity sets may differ (energy infrastructure vs. small/micro-cap banks), but the underlying rationale for our involvement will share common parallels because our dedication to patient opportunism remains ever-constant, serving as the blueprint to accomplish our goal to grow wealth over a long-term horizon.

Happy Holidays

The holiday season is almost upon us. As a thank you to all of our existing investors for your continued trust and support, for all minor custodial accounts (UTMAs & UGMAs only[‡]) affiliated with existing investors, we are waiving our management fees into perpetuity.

- If you would like to learn more, please email us or use [this link to schedule a time to discuss](#).
- If you would like to open an UTMA or UGMA account, please complete this [Investor Questionnaire](#).

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

[‡] Unfortunately we cannot manage 529 Plans, which have very limited investment options, incongruent with what we believe to be the optimal way to grow capital over long periods of time.

APPENDIX: HISTORICAL PERFORMANCE RETURNS (NET OF FEES)*

	2011	2011											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	22.31%	5.95%	3.23%	2.00%	3.45%	1.83%	-1.56%	-0.56%	3.35%	-0.83%	1.68%	1.64%	0.38%
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	2012											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	34.70%	2.96%	5.99%	6.88%	2.97%	0.37%	1.29%	0.43%	0.43%	1.29%	4.38%	1.47%	1.96%
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	2013											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	27.26%	5.22%	1.63%	4.22%	2.31%	2.61%	1.47%	3.43%	1.25%	1.14%	-0.62%	1.63%	0.21%
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	2014											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	13.33%	-0.58%	3.05%	2.11%	2.71%	0.98%	-0.24%	1.45%	1.94%	-1.58%	1.32%	4.95%	-3.26%
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	2015											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	-9.11%	2.66%	3.05%	-2.30%	1.28%	1.33%	-1.26%	-5.69%	-1.16%	-5.04%	1.80%	0.69%	-4.36%
S&P 500	1.38%	-3.00%	5.75%	-1.58%	0.96%	1.29%	-1.94%	2.10%	-6.03%	-2.47%	8.44%	0.30%	-1.58%
% Cash Exposure		16.21%	14.84%	14.86%	13.04%	14.78%	30.75%	31.10%	29.26%	31.14%	31.90%	30.39%	34.83%
	YTD	2016											
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	13.19%	-7.16%	-2.58%	7.59%	9.68%	2.98%	-5.16%	0.68%	4.43%	3.28%	-	-	-
S&P 500	7.84%	-4.96%	-0.13%	6.78%	0.39%	1.80%	0.26%	3.69%	0.14%	0.02%	-	-	-
% Cash Exposure		29.92%	22.77%	20.85%	20.02%	21.46%	23.00%	22.05%	21.63%	19.33%	-	-	-

* Unaudited, net return figure calculation assumes 2% per annum management fee, pro-rated and deducted monthly from performance of the portfolio manager's separate account which does not pay management or performance fees. This separate account most accurately reflects the long-term investment strategy of Marram Investment Management. Remaining separate accounts were purposefully omitted as they may deviate from the strategy due to fee structure, custodial & trading expenses, fund transfer & order timing, margin & trading capabilities, tax considerations, and other account restrictions. Returns for each separate account may differ. Please refer to your account statements for actual net return figure.

Returns presented for S&P 500 include dividend reinvestment. While the S&P 500 is a well-known and widely recognized index, the index has not been selected to represent an appropriate benchmark for Marram's investment strategy whose holdings, performance and volatility may differ significantly from the securities that comprise the index. Investors cannot invest directly in an index (although one can invest in an index fund designed to closely track such index).

Historical performance is not indicative of future results. An investment is speculative and involves a high degree of risk and possible loss of principal capital. All information presented herein is for informational purposes only. No investor or prospective investor should assume that any such discussion serves as the receipt of personalized advice from Marram. 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.

Specific companies or securities shown are meant to demonstrate Marram's investment style and the types of companies, industries and instruments in which we invest, and are not selected based on past performance. The analyses and conclusions include certain statements, assumptions, estimates and projections that reflect various assumptions by Marram concerning anticipated results that are inherently subject to significant economic, competitive, and other uncertainties and contingencies, and have been included solely for illustrative purposes. No representations, express or implied, are made as to the accuracy or completeness of such statements, assumptions, estimates or projections, or with respect to any other materials herein.