MARRAM
INVESTMENT MANAGEMENT

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January 17, 2020

Dear Investors,

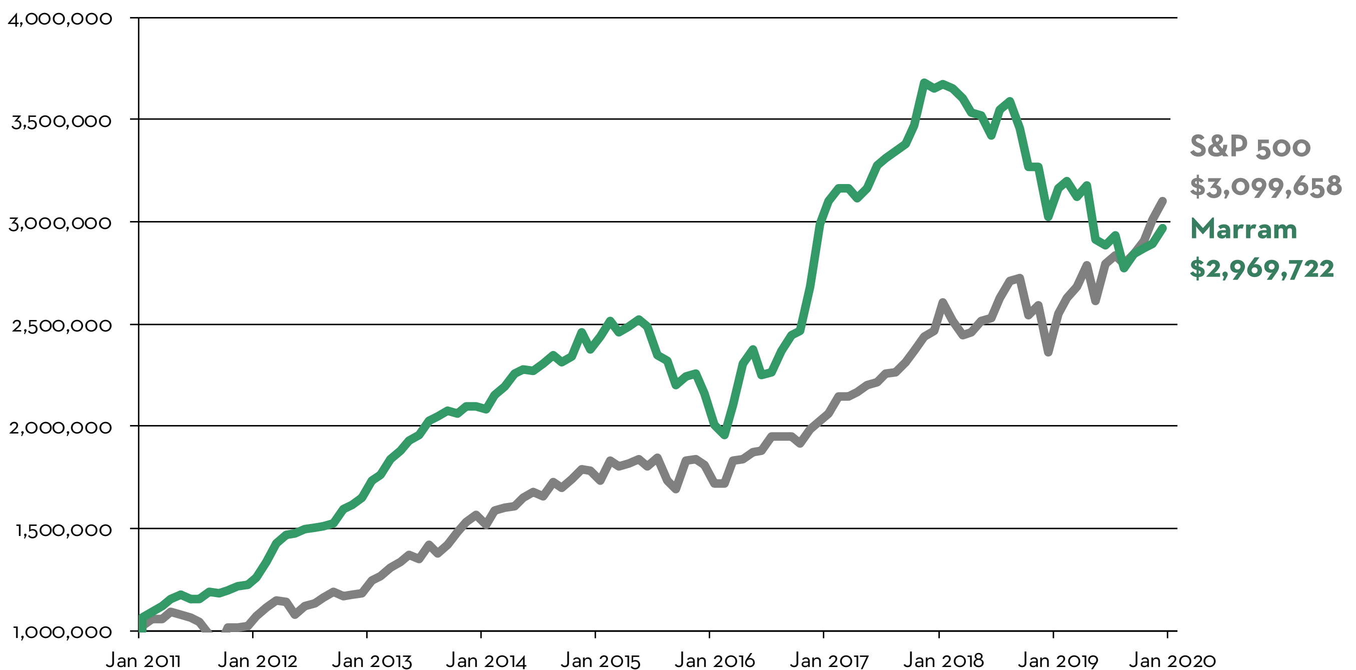
The Portfolio* returned -1.7% (net) in 2019.

During this same period, the S&P 500 returned +31.5%.

Since inception, Marram has generated +197.0% cumulative return and +12.9% annualized return, net of fees, versus +210.0% and +13.4% for the S&P 500, respectively.

For monthly details, see Historical Performance Returns* at the end of this letter. Also, please refer to your separate account statement for exact account return figures.

$1,000,000 Investment in Marram vs. S&P 500 (Net Return, Inception to 12/31/2019)*



ABOUT MARRAM

Marram is an outsourced long-term investment solution focused on growing wealth for retirement or legacy purposes. We began as a service for a small circle of friends and family. Our investor friendly fee structure (lower than most hedge funds), terms (separate accounts, no lock-up), and high standards of care and excellence, reflect those origins. Our portfolio manager has the majority of her family's liquid net worth invested in the same strategy – we eat our own cooking – ensuring that we shepherd your investment with the utmost care, as we would our own.

OUR GOAL:	• To compound (grow) capital over time
PHILOSOPHY:	• Patient Opportunism
STRATEGY:	• Buy cheap assets (when available) • Hold cash when there are no cheap assets • Hedge the portfolio when appropriate • Think opportunistically and creatively
IMPLEMENTATION METHOD:	• Utilize any security or asset that offers superior risk reward, with a preference for liquidity
RESULT:	• Outsourced wealth compounding solution for investors whose primary goal is to grow money over time

PORTFOLIO ALLOCATIONS

Below is the target portfolio allocation – the optimal allocation as of the writing of this letter. Investor separate accounts may differ from this allocation due to changes in asset prices, availability 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.

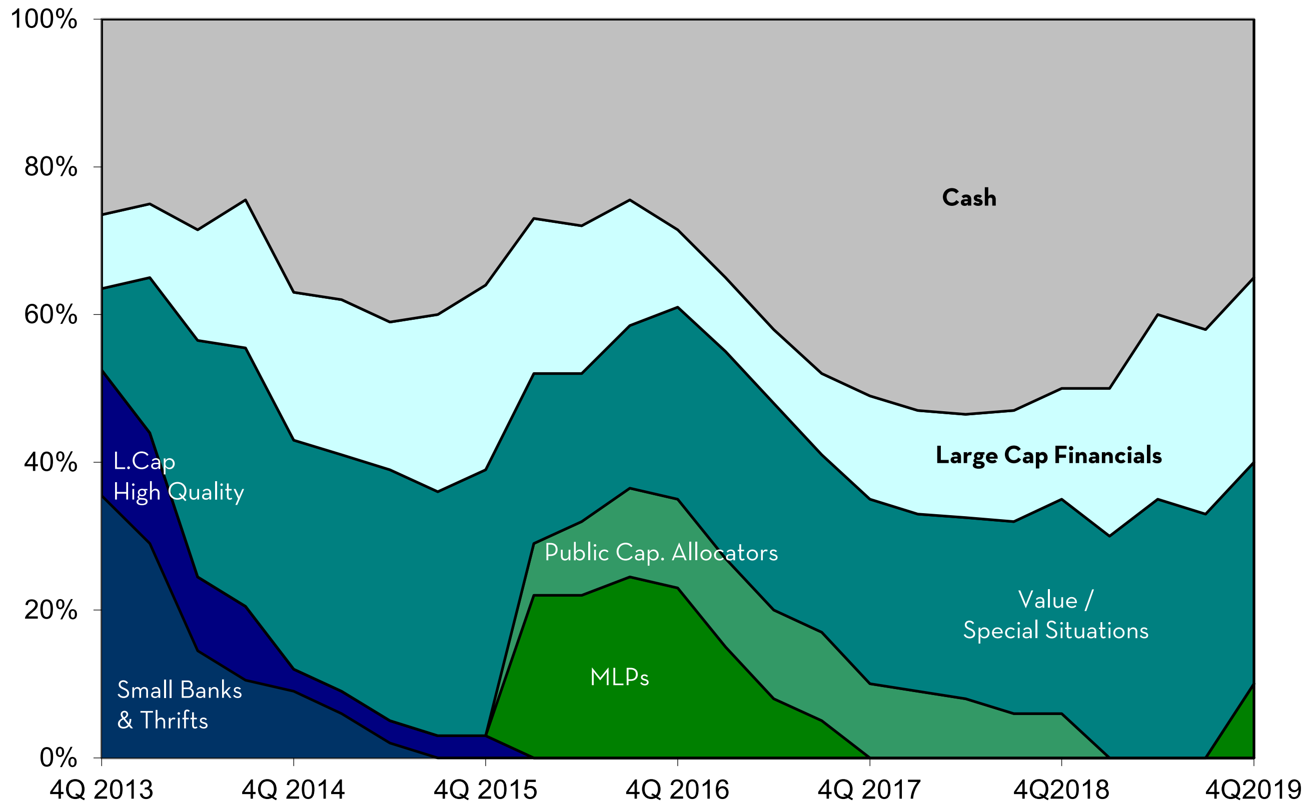
- **Value / Special Situations: 30% NAV**
  Public securities undergoing spin-offs, recapitalizations, restructurings, liquidations, etc. The share price performance of securities in this category are often not correlated with general market activity, but instead tied to the unique circumstance(s) embedded in each position. Because circumstances such as business strategy decisions take time to implement, and market participants require time to process the implications of these decisions, 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.

- **Large-Cap Financials: 25% NAV**
  Businesses essential to economic and societal function producing ~10-15%+ earnings yield. 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 have and will continue to benefit from implementation of automation technology (lower costs, higher operating leverage), and abatement of regulatory shaming (more capital returned to shareholders, and lower legal compliance expenses).

- **Energy Infrastructure / Master Limited Partnerships (MLPs): 10% NAV**
  Energy infrastructure companies with assets indispensable to the smooth function of modern society. Shareholder turnover, forced selling and uncertainty related to the long-term demand of oil and gas have driven prices to extremely attractive levels, allowing us to compile a diversified basket of MLP securities with average cost basis equating to 17.6% Cash on Cash. Over time, we believe these securities will return 2-4x or more our original purchase price (via dividends and price appreciation). In the interim, we will receive cash dividends averaging 11.4% per annum.

- **Cash & Cash Equivalents: 35% NAV**
  This category will fluctuate depending on attractive investment opportunities available in the marketplace. If suitable opportunities and bargains cannot be found, we are comfortable holding the present or even greater levels of cash. On the lower bound, cash now provides ~1.5% return per year with minimal downside risk, while on the upper bound, cash encompasses the positive return potential of all future opportunities that will emerge.

Historical Target Portfolio Allocation %:



PORTFOLIO RETURN* ANALYSIS & FUTURE POSITIONING

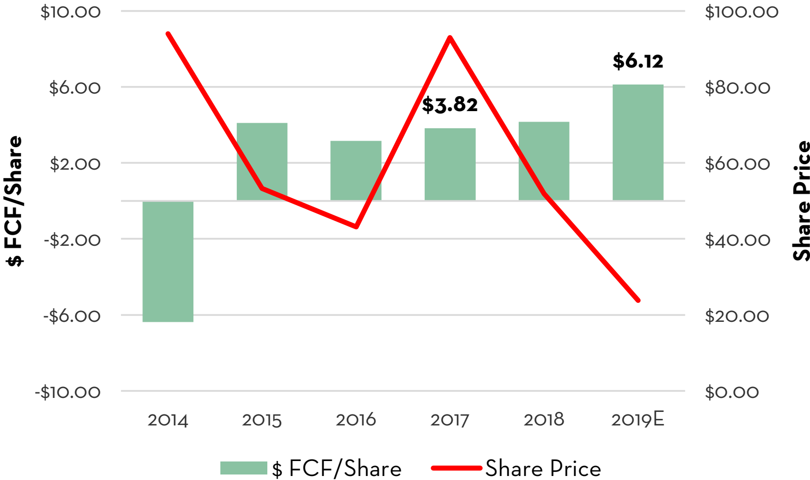
	1Q 2019	2Q 2019	3Q 2019	4Q 2019	Full Year 2019
Marram Portfolio* (Net Return)	**3.3%**	**-7.6%**	**-1.6%**	**4.6%**	**-1.7%**
S&P 500 Total Return	13.6%	4.3%	1.7%	9.1%	31.5%
Number of winners (where we made $)	14	11	7	20	19
Biggest $ winner, as % of $ P&L	19.3%	14.9%	210.0%	20.7%	799.8%
Top 5 winners, as % of $ P&L	78.1%	32.4%	241.8%	72.0%	2857.2%
Top 10 winners, as % of $ P&L	114.0%	43.1%	250.2%	98.6%	3864.6%
Number of losers (where we lost $)	6	9	10	5	9
Biggest $ loser, as % of $ P&L	-15.2%	-54.7%	-178.6%	-5.2%	-2157.8%
Top 5 losers, as % of $ P&L	-21.1%	-135.5%	-323.7%	-19.0%	-3835.9%
Top 10 losers, as % of $ P&L	-21.6%	-143.5%	-350.2%	-19.0%	-4219.4%
Ratio of number of winners to losers ("Brag Ratio")	2.33x	1.22x	0.70x	4.00x	2.11x
Ratio of $ profit to $ loss ("Profit Ratio")	**5.63x**	**0.30x**	**0.71x**	**6.26x**	**1.02x**

The Portfolio* returned +4.6% (net) vs. +9.1% for the S&P 500 during the 4th Quarter of 2019. For the full year 2019, it returned -1.7% (net) vs. +31.5% for the S&P 500.

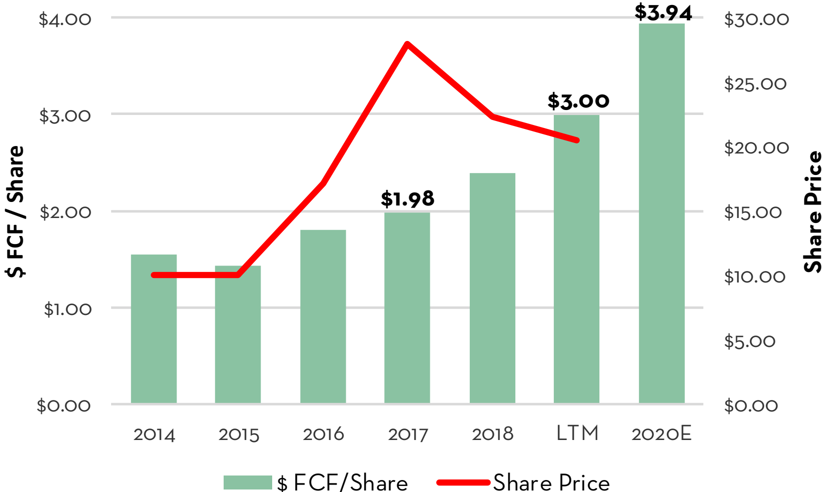
Strange as this may sound, 2018-2019 were exceptional years for the Marram portfolio. The profit and cash flow per share metrics of nearly all our investments continue to increase, reaching record levels, with more growth ahead (at faster rates than most large tech companies). For a few of our micro/small-cap investments, the market has not yet rewarded this fundamental progress with correspondingly higher share prices. In fact, quite the opposite has occurred. Over the past 2 years, the temporary price declines of these few micro/small-cap investments, comprising of only a fraction of our total portfolio, have eclipsed the achievements of our entire portfolio.

To illustrate, between 2017-2019:

- AINC's free cash flow "FCF" per share increased 60% (from $3.82 to $6.12). During this same period, the share price declined 74%. AINC was responsible for 69% of our total $ loss from 2018-2019, and currently trades at ~26% FCF yield.



- RICK's FCF per share increased 52% (from $1.98 to $3.00). During this same period, the share price declined 27%. RICK announced a month ago that 2020 FCF per share will increase to ~$3.94, another 32% growth year-over-year. The stock price is unchanged since that announcement. RICK was responsible for 11% of our total $ loss from 2018-2019, and currently trades at ~21% FCF yield.



Our investments remain undervalued and are more profitable than ever. Yet the market, in the short-term of the past 2 years, has refused to give credit via correspondingly higher share prices for certain investments, which in turn, has temporarily impacted our performance. We believe current circumstances will only pave the way to stellar performance in future periods. Public markets can be inefficient in the short-term, but rarely so in the long-term because share prices ultimately track profit and cash flow metrics.

For years, we have written about the importance of discipline and patience to the wealth compounding process, especially when investing in public markets. To renounce these concepts today would cement temporary volatility into permanent loss. Only with disciplined selectivity (focused on balance sheet strength, profitability, and undervaluation) and long-term patience (to wait for other market participants to come to their senses), can investors successfully exploit short-term undervalued opportunities and transform them into long-term outsized gains.

During the 4th Quarter, we have been busy on many fronts. We eliminated a few non-core positions and harvested tax losses before year-end. More importantly, we are excited to announce the purchase of a basket of Master Limited Partnership ("MLP") securities at extremely attractive prices that will contribute meaningfully to future portfolio returns.

Master Limited Partnerships ("MLPs") – Revisited

In late November, public markets offered us a highly compelling investment opportunity in MLPs. As patient opportunists with cash ready, we pounced, deploying 10% of NAV into a diversified basket of 6 MLPs. Should pricing decline further, we stand ready to commit additional capital. Our swift implementation was facilitated by familiarity with the sector given our previous MLP research and investment efforts in 2016, which generated 2.1x cost basis and 66% IRR on average for each position over 18 months.

Why are MLPs cheap (again)?

In a Wall Street version of Groundhog Day, our thesis this time around is eerily similar to our thesis three years ago, precipitated by déjà vu circumstances, such as low natural gas commodity prices, year-end tax loss harvesting, and closed-end fund margin call forced-selling. We have included a reprint of the 2016 thesis at the end of this letter (please see Appendix A). In addition to the reasons outlined in our 2016 thesis, there are two more reasons for why MLPs are bargains once again.

Reason #1. The MLP asset class is experiencing shareholder base turnover for reasons unrelated to business operating fundamentals, resulting in more sellers than buyers, driving prices lower.

The traditional MLP retail shareholder base is dying, quite literally.
MLPs first became popular with wealthy retail investors in the 1980-1990s. Fast forward to 2020, these original shareholders who were then 30-50 years old, are now 60-90 years old, and reaching the ends of their natural lifespans. Their heirs are selling inherited MLPs for liquidity needs, or to purchase more mainstream investments (in lieu of environmentally unfriendly oil and gas pipelines with complex K-1 tax filing requirements).

Legacy of Betrayal & Tainted Reputation.
In the years leading up to 2016, many MLPs were living beyond their cash flow means. On the day of reckoning (the creditors expressed concerns), many MLPs cut distributions to repay debt and fund capex commitments. Some did so after repeatedly promising retail investors that they would not cut distributions. Sadly, many retail investors depended upon these MLP distributions for income, sold shares at a loss to find yield elsewhere, vowing never to return. This act of betrayal tainted the reputation of the entire MLP sector, which remains in place today.

Failure to court new incremental institutional buyers to replace exiting retail investors.
MLPs have been unsuccessful in courting new shareholders to replace the exiting retail shareholder base for various reasons:

- The quirky MLP tax structure, although favorable, also comes with added compliance burdens stemming from annual Form K-1s. The back offices of many passive ETFs and active mutual funds have resisted the additional workload; office politics stands in the way of rational investment decisions.
- Regulated Investment Companies (RICs) such as ETFs, mutual funds, etc. can only own up to 25% of their NAV in MLPs.
- Many institutional entities are under pressure to follow Environmental, Social, & Governance ("ESG") guidelines when allocating capital. Oil and gas pipelines, by their very nature, are ESG-challenged given the role they play in the global fossil fuel supply chain.

The circumstances described above have resulted in more sellers than buyers, but for reasons unrelated to operating fundamentals. We believe this is a short-term market inefficiency that will disappear in the long-term because MLPs are highly cash flow generative with attractive tax attributes. Money is money. If public markets fail to recognize the value of these assets, private equity and sovereign infrastructure portfolios will gladly own them. We have already seen a rising number of MLP acquisitions by private equity buyers in 2019.

<u>Reason #2. Rise of renewable energy threatens long-term viability of oil and gas demand, and in turn, the cash flow profile of traditional oil and gas infrastructure assets.</u>

In the United States and globally, energy resources (e.g., natural gas necessary for electricity production, crude oil for gasoline and diesel production, etc.) necessary for societies to function smoothly are often produced in regions far away from populated consumption centers. MLPs own the physical logistical infrastructure (pipelines, storage terminals, etc.) required to transport different types of energy resources across long physical distances. Additionally, in the last few years, the U.S. has become a global exporter of oil and gas to other countries because domestic oil and gas production now exceeds domestic consumption. As a result, U.S.-based MLPs now play an increasingly greater role in the global energy infrastructure supply chain.

The overhanging storm cloud is the growing consensus amongst investors that renewable energy (solar, wind, etc.) and other technologies (battery storage, electric vehicles) will <u>eventually</u> displace fossil fuel demand globally, thus rendering obsolete the physical pipelines and infrastructure currently used to transport crude oil and natural gas. No doubt renewable energy sources are growing quickly, but ask any expert when displacement of fossil fuels will fully take place (Is it 5 years? 10 years? 20 years? Or 50 years?), and you'll likely receive no definitive answer. There is no

definitive answer because renewable energy technology, and its rollout, is still undergoing testing and development[1]. Nevertheless, the uncertainty of potential future displacement of fossil fuels by renewable energy is the final reason why MLPs have failed to court incremental buyers.

We have been aware of this risk for some time. In our 2017 2nd Quarter Letter, we cited renewables as the reason for selling our MLPs at sky high valuations of ~20x cash flow:

> *"There are numerous technological advances occurring simultaneously in the fields of crude oil, natural gas, and solar energy, that have the potential to greatly shift consumer trends and competitive dynamics, and may render certain stalwart pipelines obsolete sooner than many investors anticipate. Despite these change clouds looming on the horizon, many investors are willing to pay 20x or higher multiples (akin to ~20 years before one recoups his/her cost based on current visible cash flows). We are happily selling our MLPs to those market participants with rosier outlooks willing to pay top dollar."*

Just as we cited high valuation of 20x cash flow as our reason for selling back then, current low valuations of 5-6x cash flow lend us conviction to buy MLP securities once again for the portfolio. We believe the risk of renewable energy displacing fossil fuels is already factored into today's low prices.

What do we own? What did we pay? What will we get?

We have assembled a basket of 6 MLPs totaling 10% of NAV. The average implied valuation for this basket (at cost) is 8.6% NOI, 17.6% Cash on Cash, and 11.4% Distribution Yield.

	Asset Type	Portf. % NAV	Divd.* %	NOI* %	Cash on* Cash %
1	Crude Oil – Gathering, Processing, Pipelines, and Storage	1.6%	8.0%	7.9%	13.7%
2	Crude Oil – Gathering, Processing, Pipelines, and Storage	2.0%	11.0%	8.8%	15.4%
3	Natural Gas – Gathering, Processing, Pipelines, and Storage	2.6%	13.7%	10.1%	27.6%
4	Natural Gas – Gathering, Processing, Pipelines, and Storage	0.6%	18.9%	9.4%	18.3%
5	Diversified Across All Types & Basins	1.1%	6.6%	7.6%	11.2%
6	Diversified Across All Types & Basins	2.5%	10.4%	7.7%	19.4%
	Total or Average:	**10.2%**	**11.4%**	**8.6%**	**17.6%**

**Dividend, NOI, and Cash on Cash % calculated at cost*
NOI % = (Cash Flow Operations - Maintenance Capex) / Enterprise Value
Cash on Cash % = (Cash Flow Operations - Maintenance Capex) / Market Cap

We own a diversified basket of infrastructure assets ranging from long-haul pipelines, gathering pipelines, processing facilities, storage terminals, ports, etc. Through these 6 positions, we own nearly every type of energy logistical infrastructure asset in the United States and beyond. Most of these companies are well-capitalized investment grade credits.

[1] Even countries leading the charge are not as green as one may think. For example, Germany, which some cite as a global leader in the transition to renewable energy, estimates it will not ween itself off coal (let alone natural gas) until 2038. It also has some of highest electricity prices in Europe. Wall Street Journal. *German Shift From Coal Spurs Fresh Pain.* January 16, 2020. https://www.wsj.com/articles/german-shift-from-coal-spurs-fresh-pain-11579196959?mod=hp_listb_pos1

Our exposures are sufficiently diversified such that as long as (1) society continues to require crude oil & natural gas as energy resources, and (2) oil & gas production remains far away from population centers therefore requiring logistical infrastructure for transport, we believe these MLPs securities will continue to generate ample cash flows, much of which is returned to us every quarter via cash distributions.

Because we paid such low prices for our MLP securities, we will receive on average ~11.4% of our cost basis back in cash distributions annually. This cash in hand is a powerful protector against loss by lowering our capital at risk with each quarterly distribution received. In the (unlikely) scenario that renewable energy completely displaces traditional fossil fuels in the next 8.8 years, then our Maximum $ Loss = ($ Cost Basis – $ Distributions Received).

The low prices we paid for our MLPs also enhances future return possibilities. If it takes longer for renewable energy to displaced traditional fossil fuels, say 20-50 years, then we stand to net a windfall of 2-4x or more our original cost basis. This return asymmetry is highly attractive, and we believe our new MLP investments will contribute meaningfully to future portfolio performance.

This letter serves 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. Thank you for your continued trust.

Yours very truly,

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APPENDIX A: 2016 MASTER LIMITED PARTNERSHIP THESIS

What are Master Limited Partnerships (MLPs)?

- In the United States, as well as across the globe, energy resources (e.g., natural gas necessary for electricity production, crude oil for gasoline and diesel production, ammonia for fertilizer production, propane for summer barbecues, etc.) necessary for civilization and societies to function smoothly are often produced in regions (rural Oklahoma, Texas, North Dakota, etc.) far away from populated consumption centers (major cities, coastal refineries, etc.). Physical logistical infrastructure is therefore required to facilitate the transportation of different types of energy resources across long physical distances.
- MLPs own these logistical infrastructure assets, which vary widely by type, such as long-haul pipelines, storage tanks, gathering pipelines at the gas/oilfield wellheads, processing facilities to prep the product for uniformity before transportation, etc. This diversity means that oil and gas price volatility has differing directional and degree of magnitude impact on different MLPs, depending on the type(s) and location of asset(s) owned. Utilization of these infrastructure assets by customers are governed by contractual lease terms, very much like real estate assets with rent-paying tenants.[2]
- In the 1980s, to encourage energy infrastructure capital investment, the U.S. government established tax codes allowing owners of energy infrastructure assets to receive favorable tax treatment. The special tax attributes of MLPs led to dysfunctional ownership dynamics (as we will explain later on) which exacerbated MLP security price declines in recent months, just as it did in 2008-2009.

Why are MLPs cheap? Who is selling to us?

A few factors occurred simultaneously to create the perfect storm of indiscriminate panicked and forced-selling (our favorite words in the English language), precipitating steep price declines across the entire MLP sector.

<u>Factor #1: In the last 18 months, both crude oil and natural gas prices declined more than 30%, negatively impacting the business operations of some MLPs. Fear and speculation of future dividend cuts, suspensions and bankruptcy risk spread quickly.</u>

- Tenant Credit Quality – as oil and gas prices declined, many E&P companies, who produce the products transported by MLPs, are facing increased financial strains. As owners of energy real estate assets, MLPs are sensitive to the financial health of their customers (i.e., tenants) and ability to honor lease contracts (i.e., pay rents on time).
- Lower Asset Utilization – lower oil and gas prices also led to lower volumes produced in geographic regions with inferior cost economics. Lower production volumes mean lower gathering & processing and transportation volumes, thus lower asset utilization rates (i.e., low occupancy) in certain types of assets and locations, translating to lower revenues.

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[2] The exceptions to this description are the Exploration & Production (E&P) MLPs because their assets are not infrastructure-esque in nature and are in essence no different from C-Corp E&P companies. We do not own any E&P MLPs.

These issues do not affect all MLPs equally. The impact varies depending on type(s) and location of asset(s) owned. When a few highly impacted MLPs cut/suspended dividend payouts in order to service debt and meet future capital expenditure commitments, fear spread as market participants speculated on other candidates likely to cut/suspend dividends, or at risk for bankruptcy.

<u>Factor #2: The predominant shareholders for MLPs are retail investors, drawn by attractive yield income and tax attributes. They were ill-equipped to analyze the implications of crude oil and natural gas price declines on each MLP and unprepared for the ferocity of MLP security price declines, which led to panicked-selling.</u>

- Dividends from MLPs are often classified as tax-advantaged return of capital (not ordinary income), which reduces tax obligations today (by decreasing an investor's cost basis, the difference recaptured upon sale). If MLP shares are passed onto heirs or donated to charity, a step-up in basis occurs and no tax (on historical capital gains or dividends) is ever incurred.
- In order to maintain their tax-advantaged status, MLPs must dividend to their investors a high percentage of their operating cash flow after certain capital expenditures.

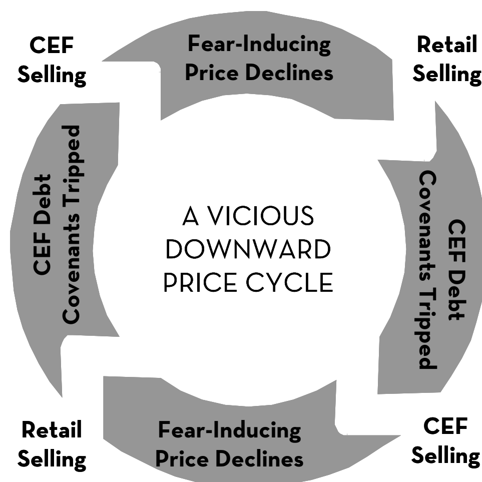
These tax attributes seduced a great number of income-seeking retail investors into purchasing MLP securities. However, this demographic was ill-equipped to analyze the implications of declining oil and gas prices on the underlying health and operations of MLP securities (see Factor #1). As fear and speculation spread, steep declines in the Alerian MLP Index, combined with negative headlines spelling doom and gloom for all MLPs, led to indiscriminate panicked-selling by retail investors.

<u>Factor #3: MLP tax attributes gave rise to an inefficient ownership structure through Closed End Funds (CEFs) built upon retail money and the utilization of significant leverage, contributing to indiscriminate forced-selling.</u>

- MLPs issue partnership K-1s to their investors at each calendar year end. Some investors choose to own MLPs through publicly traded CEFs to shield them from the administrative burden of K-1s. The CEFs gladly provided this service in return for a 2-5% per annum expense and management fee.
- The MLP CEFs all utilized leverage (borrowed funds). For example, when a CEF receives $100 from an investor, the CEF would borrow another $30-50 to purchase in total $130-150 worth of MLP securities in the public market. This leverage boosted CEF returns when MLP security prices appreciated, but as the Alerian MLP Index declined 56%, this leverage triggered a sequence of forced-selling that wrecked chaos on the prices of MLP securities.

As MLP prices declined, many MLP CEFs tripped their debt covenants (similar to margin calls). Faced with little choice, CEFs were forced to sell their MLP securities to raise cash to repay debt and comply with covenant requirements (meet margin calls). This pushed MLP security prices lower, and the resultant price declines induced incremental fear in retail investors (see Factor #2), who continued to sell their MLP holdings. This pushed prices down yet again, triggering additional waves of CEF covenant tripping, which led to more CEF forced-selling to repay debt, and on and

on it went…This vicious downward cycle (see illustration below) drove MLP security prices to extremely attractive levels, thereby providing us with the opportunity to swoop up the bargains.



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 tenant credit quality and asset utilization issues (described in Factor #1) pose legitimate risks to some MLP business operations. To mitigate, we scrutinized a large number of MLPs – analyzing balance sheet strength, asset type and location, customer exposure, and stress testing cash flow decline scenarios and valuations. This analysis allowed us to compile a diversified basket of 11 MLP securities (see next page for more information) that we believe, on a consolidated basis, will weather the current commodity price storm with very low probability of permanent impairment of capital while offering extremely attractive upside return potential.

Our risk management efforts did not simply end here. We believe that effective risk management stems not only from proper research analysis (e.g., evaluation of individual MLP balance sheets, assets, etc.) and cautious conservatism (e.g., stress testing of cash flows scenarios and valuations), 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/or why someone is selling an asset/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 indiscriminate panicked and forced-selling of MLP securities by retail investors and CEFs (as discussed in Factor #2 and #3). We believe

that we have correctly identified the parties selling MLP securities, and that our rationale for purchasing is stronger than their reasons for selling.

What do we own? What did we pay? What will we get?

We have assembled a basket of 11 MLPs totaling 22% of NAV. The average implied valuation for this basket (at cost) is ~11% NOI, ~19% Cash on Cash, and ~13% dividend yield.

	Asset Type	Portf. % Nav	Divd.* %	NOI* %	Cash on* Cash %
1	Shipping – Tanker, LNG, etc.	7.0%	3.1%	Net-Net (1)	
2	Coal – Logistics & Blending	2.5%	0.0%	Net-Net (1)	
3	Refined Products – Pipelines and Storage	2.5%	14.3%	14.1%	14.7%
4	Crude Oil – Gathering, Processing, Pipelines, and Storage	2.5%	12.7%	12.1%	13.6%
5	Natural Gas – Gathering, Processing, Pipelines, and Storage	1.5%	10.8%	11.4%	11.4%
6	Natural Gas – Gathering, Processing, Pipelines, and Storage	1.0%	9.4%	10.1%	12.3%
7	Natural Gas – Gathering, Processing, Pipelines, and Storage	1.3%	16.5%	9.5%	25.7%
8	Natural Gas – Gathering, Processing, Pipelines, and Storage	0.7%	18.3%	10.0%	20.0%
9	Natural Gas – Gathering, Processing, Pipelines, and Storage	0.6%	16.8%	12.0%	16.4%
10	Oil & Gas Services - Compression	1.4%	15.0%	14.9%	21.8%
11	Diversified	1.0%	21.8%	7.6%	38.1%
	Total or Average:	**22.0%**	**12.6%**	**11.3%**	**19.3%**

**Dividend, NOI, and Cash on Cash % calculated at cost*
NOI % = (Cash Flow Operations - Maintenance Capex) / Enterprise Value
Cash on Cash % = (Cash Flow Operations - Maintenance Capex) / Market Cap
(1) Net-Net means Balance Sheet Liquidation Value >= Market Cap, therefore we receive any incremental cash flows for free

In our opinion, these are extremely attractive valuations for operating businesses that have:

- High barriers to entry because they own large-scale physical infrastructure assets that are difficult to replicate
- Medium to long-term contractual revenues and cash flows with customers (many of whom are multi-national investment grade credits)
- Tax-advantaged pass-through structures allowing dividends to be categorized as return of capital rather than ordinary income

Through these 11 positions, we own nearly every type of energy logistical infrastructure asset in the United States and beyond. We have sufficiently diversified our exposures so that as long as (1) society continues to require energy resources of any kind, and (2) energy resource production remains far away from population centers therefore requiring logistical infrastructure for transport, we believe our MLP allocation will return 2-3x our original cost basis (via dividends and price appreciation) in a few years time.

MLP security prices have already rebounded from the low depths of January and February (our initial purchase), but remain undervalued because there are few natural buyers to absorb the onslaught of supply from retail and CEF panicked/forced-selling. The tax attributes which make MLPs so

attractive to many, also prevent certain institutions from owning them. For example, mutual funds, the bedrock of equity institutional ownership, can only own up to 25% of their NAV in MLPs due to regulatory constraints.

We believe this excess supply will be absorbed in time either by (1) new investors, like us, tempted by the attractive pricing and expected returns and/or (2) returning retail and CEF inflows as people realize that not all MLPs are doomed for dividend cuts or suspensions, and certainly not bankruptcy. As fear recedes and reason returns to market participant behavior, we believe we will be well-rewarded by our present MLP allocation in future years. While we wait, we will collect sizable cash dividends from our MLPs, which pay on average ~13% yield annually.

APPENDIX B: HISTORICAL PERFORMANCE RETURNS (NET OF FEES)*

	2011	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Marram	**22.3%**	5.9%	3.2%	2.0%	3.4%	1.8%	-1.6%	-0.6%	3.4%	-0.8%	1.7%	1.6%	0.4%
S&P 500	**2.1%**	2.4%	3.4%	0.0%	3.0%	-1.1%	-1.7%	-2.0%	-5.4%	-7.0%	10.9%	-0.2%	1.0%
Portfolio Cash %		*7.5%*	*11.9%*	*13.5%*	*15.4%*	*13.5%*	*30.6%*	*23.1%*	*21.9%*	*12.2%*	*11.8%*	*10.5%*	*7.9%*
	2012	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**34.7%**	3.0%	6.0%	6.9%	3.0%	0.4%	1.3%	0.4%	0.4%	1.3%	4.4%	1.5%	2.0%
S&P 500	**16.0%**	4.5%	4.3%	3.3%	-0.6%	-6.0%	4.1%	1.4%	2.3%	2.6%	-1.8%	0.6%	0.9%
Portfolio Cash %		*9.7%*	*8.4%*	*11.2%*	*7.6%*	*10.6%*	*8.8%*	*16.4%*	*27.0%*	*22.7%*	*27.1%*	*25.3%*	*21.9%*
	2013	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**27.3%**	5.2%	1.6%	4.2%	2.3%	2.6%	1.5%	3.4%	1.2%	1.1%	-0.6%	1.6%	0.2%
S&P 500	**32.4%**	5.2%	1.4%	3.8%	1.9%	2.3%	-1.3%	5.1%	-2.9%	3.1%	4.6%	3.0%	2.5%
Portfolio Cash %		*19.4%*	*17.6%*	*19.5%*	*17.4%*	*22.8%*	*16.8%*	*10.5%*	*6.8%*	*4.6%*	*4.9%*	*6.3%*	*9.0%*
	2014	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**13.3%**	-0.6%	3.1%	2.1%	2.7%	1.0%	-0.2%	1.5%	1.9%	-1.6%	1.3%	4.9%	-3.3%
S&P 500	**13.7%**	-3.5%	4.6%	0.8%	0.7%	2.3%	2.1%	-1.4%	4.0%	-1.4%	2.4%	2.7%	-0.3%
Portfolio Cash %		*7.9%*	*5.1%*	*9.4%*	*15.1%*	*15.1%*	*14.5%*	*20.0%*	*19.7%*	*18.4%*	*17.3%*	*11.1%*	*16.0%*
	2015	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**-9.1%**	2.7%	3.1%	-2.3%	1.3%	1.3%	-1.3%	-5.7%	-1.2%	-5.0%	1.8%	0.7%	-4.4%
S&P 500	**1.4%**	-3.0%	5.7%	-1.6%	1.0%	1.3%	-1.9%	2.1%	-6.0%	-2.5%	8.4%	0.3%	-1.6%
Portfolio Cash %		*16.2%*	*14.8%*	*14.9%*	*13.0%*	*14.8%*	*30.7%*	*31.1%*	*29.3%*	*31.1%*	*31.9%*	*30.4%*	*34.8%*
	2016	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**38.5%**	-7.2%	-2.6%	7.6%	9.7%	3.0%	-5.2%	0.7%	4.4%	3.3%	0.9%	8.8%	11.5%
S&P 500	**12.0%**	-5.0%	-0.1%	6.8%	0.4%	1.8%	0.3%	3.7%	0.1%	0.0%	-1.8%	3.7%	2.0%
Portfolio Cash %		*29.9%*	*22.8%*	*20.8%*	*20.0%*	*21.5%*	*23.0%*	*22.1%*	*21.6%*	*19.3%*	*20.8%*	*18.8%*	*20.6%*
	2017	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**22.1%**	3.6%	2.1%	-0.1%	-1.5%	1.6%	3.5%	1.1%	1.0%	1.1%	2.6%	6.0%	-0.7%
S&P 500	**21.8%**	1.9%	4.0%	0.1%	1.0%	1.4%	0.6%	2.1%	0.3%	2.1%	2.3%	3.1%	1.1%
Portfolio Cash %		*21.2%*	*27.4%*	*30.3%*	*31.6%*	*34.7%*	*38.8%*	*39.1%*	*42.5%*	*45.6%*	*44.3%*	*42.3%*	*42.6%*
	2018	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**-17.3%**	0.5%	-0.7%	-1.2%	-1.9%	-0.4%	-2.9%	3.8%	1.1%	-3.7%	-5.4%	0.1%	-7.6%
S&P 500	**-4.4%**	5.7%	-3.7%	-2.5%	0.4%	2.4%	0.6%	3.7%	3.3%	0.6%	-6.8%	2.0%	-9.0%
Portfolio Cash %		*48.5%*	*48.7%*	*48.5%*	*48.3%*	*49.0%*	*50.7%*	*48.7%*	*48.2%*	*50.1%*	*53.4%*	*49.7%*	*51.4%*
	YTD	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
Marram	**-1.7%**	4.7%	1.1%	-2.4%	1.8%	-8.5%	-0.8%	1.6%	-5.5%	2.4%	1.2%	0.7%	2.6%
S&P 500	**31.5%**	8.0%	3.2%	1.9%	4.0%	-6.4%	7.0%	1.4%	-1.6%	1.9%	2.2%	3.6%	3.0%
Portfolio Cash %		*49.2%*	*49.4%*	*49.7%*	*48.8%*	*51.1%*	*50.5%*	*42.8%*	*43.5%*	*42.5%*	*43.4%*	*38.6%*	*37.0%*

* 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.

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