MountainWorks, LLC
info@mountainworksllc.com

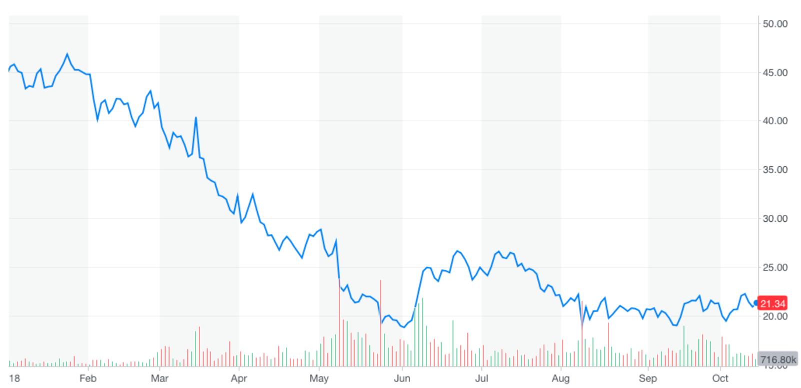
October 15th, 2018

2018 Return	July	August	September	Q3	2018	Return Since Inception
MountainWorks	-7.5%	-0.2%	-2.3%	-9.7%	-26.1%	34.4%
S&P 500				5.3%	6.5%	59.6%

Dear Member,

In the third quarter of 2018, MountainWorks lost 9.7% of its value, versus a 5.3% gain for the S&P 500, dividends reinvested (According to DQYDJ). Year to date, the Fund has lost 26.1% of its value versus a 6.5% loss for the S&P 500. I accept my faults in earnest, as the event-driven side of my investments have not panned out: most notably regarding Qualcomm's failed takeover of NXP Semiconductors, and Akorn Pharmaceutical's broken merger with Fresenius Kabi. The failed merger-arbitrage strategy is responsible for virtually all the losses in July and more than half the losses for the year; it has caused me to re-think my positions as 2018 begins to wind down (and the year-end could not come sooner).

Top 5 Positions - Camping World Holdings (CWH). Aside from the event-driven portion of the portfolio, the core positions I own have underperformed the S&P 500, adding insult to injury over the course of the year. At the current moment, the top position in the portfolio is none other than TV personality Marcus Lemonis' Camping World Holdings.



Although Camping World's stock is down 53% year to date, we were not exposed to the stock until July. Over the summer I began building a position, and now own several hundreds of shares at an average cost basis of about $22.50 The thesis on Camping World Holdings is four-fold. First, the fundamentals are very much intact; the company has grown its equity, revenues, and earnings with relative consistency over the past five years (the company only went public in October 2016). Second, there are a couple of key market participants that I am more than happy to have on my side…one being CEO Marcus Lemonis, and the other being Third Point Capital, managed by Mr. Dan Loeb. Third, the company is poised to gain market share in the RV industry. Fourth, short term surmountable challenges have created opportune entry points into the stock.

Marcus Lemonis - star of CNBC's *The Profit* - owns over 48% of the shares (and has a controlling stake). Furthermore, twice in the past year, Mr. Lemonis has bought shares in the open market, adding to his position. Given that Camping World is worth $1.8 billion dollars, and it *was* valued as high as $3.8 billion, Mr. Lemonis has seen his fortune decline by one billion dollars. I have a feeling he is not giving up without a fight, and I am willing to stand alongside him.

In their most recent 13-F filing, Dan Loeb's Third Point announced a new position in CWH: about 2.8 million shares at $24.98/share. While I don't rely on the hedge fund "sharks" for ideas and opportunities, it is nice to see that I am a small fish who was unknowingly attached to one of the Great Whites. Come next quarter, I'll be keeping a close eye on Third Point to see if they add or subtract to the position.

The third part of the thesis relies on CWH's RV market share as a whole. The RV industry has been growing at an annual rate of 12.6% since 2010, and despite analyst claims of a saturated market, Camping World operates in a very fragmented space that appeals to both baby boomers and millennials alike. With a 15% market share, there is opportunity for RV sales & turnover, retail growth at Camping World outlets, and room for expansion with the company's acquisition of discounted Gander Mountain.

Finally, the fourth point to the thesis represents an icing on the cake of sorts - why Camping World is an opportunity in the first place. The company experienced multiple growing pains last year: accounting problems with their financial reporting, acquiring and assimilating bankrupt Gander Mountain, and the "Trade War" with China. The confluence of events has sent CWH prices down over 50%, and for my part, I am whole-heartedly embracing the contrarian perspective.

BGC Partners, Inc. (BGCP). Management continues to report upbeat results with a continuous improvement in revenues that has become the norm for a great brokerage company. Unfortunately, it has also become standard for BGCP to be shunned by institutional investors and sell-side analysts. To wit, there are only 2 analysts that provide coverage on BGCP, and the institutional ownership stands at about 60% - not bad, but not quite the 70-80% figure for CME Group or Nasdaq. Similarly, the company has been under a "credit watch" from Moody's, as BGCP attempts to spinoff their commercial real estate business to shareholders: a key corporate event I have been awaiting for some time now. Along with management, I expect the spinoff to occur by the end of the year.

While we wait, BGCP has three specific parts to it's business: their interdealer brokerage, the ~85% stake in Newmark real estate business (NMRK), and their fully electronic trading platform (known as FENICS). I have valued BGCP using a sum-of-the-parts model, and by splitting up the business into its three parts, I obtain a relative value of about $18/share. Yet, my research is a small, unnoticed, and insignificant take on BGCP. Therefore, how and when the company reaches this valuation is anybody's guess.

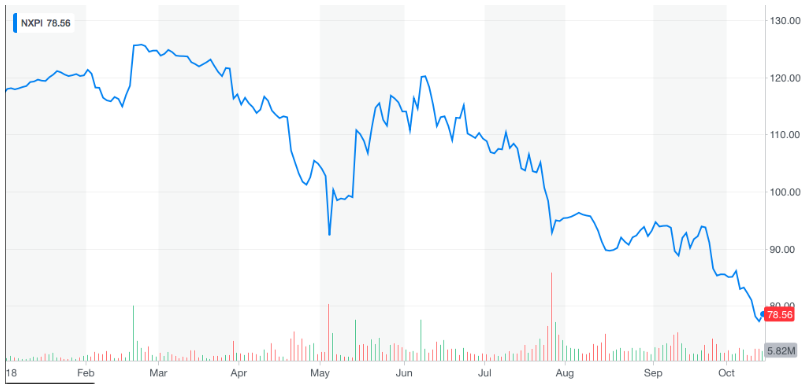
For now, I take solace in the notion that BGCP's interdealer brokerage is a "toll booth" of sorts. The company executes and clears trades in forex, treasuries, interest rate swaps, equities, and commodities alike. And, the more volatility that exists in the markets, the more trading that occurs, leading to more revenues from BGCP brokers. The Trade War, rising interest rates, and geopolitical uncertainty have added to the volatile market environment, and BGCP should be in a position to capitalize.

NXP Semiconductors (NXPI). The Chinese Ministry of Commerce (now known as the State Market Regulatory Administration, or SMRA) did not fully reject Qualcomm's $127.50/share takeover of NXPI, but it did not approve either, leaving the tie-up in eternal limbo. Eventually, each company agreed to terminate the merger. This resulted in NXP receiving a $2 billion break-up fee, but also sent prices crashing from ~$110 down to $90/share. This moment was the primary driving force behind the portfolio's losses from July 25th onward. I ended up selling all of the shares we had in NXPI in order to harvest tax losses. Since the break, I have began to rebuild the position, as I believe NXPI is currently undervalued.

The NXP thesis comes in three parts: The company's market-leading share of the semiconductor industry related to automobiles, the post-break deal fatigue hitting NXPI prices, and their fundamental return on equity.

NXP's shareholder equity has increased by ~11% per year over the past two years, 5% per year over the last three years, and 55% per year since 2013. These past figures indicate continued growth for the company. They are currently the largest semiconductor producer for the automobile industry in the world. Semiconductors are difficult to make, and because of the manufacturing process, the industry lends itself to repeat customers and a wide moat for NXPI. With customers like Bosch, Continental, Delphi, Lear, Valeo, Amazon, LG, Samsung, and others, NXP benefits from returning customers, who prefer consistency in the product. That should favor NXPI even as the investing cycle turns away from tech.

The deal-break, while it impacted our portfolio severely, created an imbalance between price and value. Combined with the Trade War (a recurring theme), NXPI has lost over 30% of its share price year to date, and now trades at prices not seen in over two years.



As it relates to our investment, some simple questions help filter out the white noise that is causing NXPI to trade at relatively low values: (1) If Qualcomm was willing to pay $127.50/share for NXPI, is the company fairly valued at less than $80? (2) Even though the Trade War is causing gyrations across entire markets, is it enough to slow down/halt/shudder the emerging "connected car" industry that NXPI is a major part of?

Admittedly, I am frustrated by the ebb and flow that has pressured NXPI prices. It is a major part of the portfolio unfortunately, at the time of the merger I sized the NXPI position inappropriately (too large). So while I have begun to rebuild the position, my own portfolio sizing error has cost us. Now, I am left to wait for NXP's upcoming reports, and trust the process (similar to Warren Buffett's valuation methodology) that drove me to NXPI in the first place.

Altaba (AABA). Altaba is a closed-end fund that was created when Yahoo! was acquired by Verizon. At the time, Yahoo Inc. owned a significant position in Alibaba (BABA), and when Verizon closed on Yahoo, Altaba was the "stub" leftover. It is designed to track former Yahoo's stake in Alibaba, and at the current time, it owns $80/share worth of Alibaba, yet trades at $62/share, representing a 22.6% discount. This discount is often referred to as a "discount to NAV", or net asset value. At present, I have shorted Alibaba in order to create the "stub" that is Altaba's discount.

Bitcoin Cash (BCH/USD). Since the beginning of the year, Bitcoin Cash (BCH/USD) has lost 72% of its value against the dollar. Just about all of the gains I captured last year from crypto went into Bitcoin Cash, but not all at the same price. I continue to increase our exposure to Bitcoin Cash, for two main reasons. First, we are witnessing the creation of a new asset class in which investors have barely scratched the surface, and second, Bitcoin Cash is both faster and cheaper than its Bitcoin counterpart.

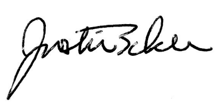
In the history of civilization, fiat money (that of sovereignties and empires) has performed terribly. There's no other way around it. Every monetary currency has lost value. The ancient Roman Aureus ceased to exist along with the Empire (save for its value in gold). Egyptian barter used no fiat at all, and still it became obsolete. In the modern day, inflation has crushed the buying power of the American Dollar. There has been one notable tender that has appreciated in value over time: gold. But even still, gold lacks the fungibility and has become simply a store of value with aesthetic design.

According to the St. Louis Federal Reserve, money has three functions: store of value, unit of account (it can be measured across various items to value goods and services), and medium of exchange. No currency fits the description of all three. For example, the U.S. dollar has unit of account and medium of exchange properties. However, it loses value over time due to inflation. Gold is both a store of value and a unit of account, but it is not viable as a medium of exchange (you wouldn't buy a car by dropping gold bars off at the dealership). Cryptocurrency - in our case Bitcoin Cash - has all three properties of sound money. It is a store of value in that there are a limited number of coins, it is a unit of account that can be used to purchase a coffee, a car, or even a boat, and it is a medium of exchange, capable of being transferred across the world in a matter of minutes (I have done this personally, at a cost of less than a penny).

This is the fundamental economic background that has me so excited about Bitcoin Cash. Furthermore, Bitcoin Cash has an increased block size, one that will continue to be upgraded this November and beyond. For the common person, it means that more transactions can be computed on the network without raising fees: something that Bitcoin suffers from. In other words, Bitcoin Cash may someday compete with Visa or MasterCard as a payment choice for all people around the world - *everywhere*. From where we stand today, I have continued to build the position and we are very much becoming a fund with significant diversification into cryptocurrency.

Summary. At this point, Members have a lot to digest, and unfortunately my performance does not match my enthusiasm for our investments (see the account statements for individual returns). But to them I say this: know that I am constantly working to get this Fund turned around. For sure, it is my first test as a professional investor, and one that I need to overcome in order to be successful not just in investing, but in the course of my life. Just about all of my personal wealth is invested in MountainWorks, and so the challenges we face are hitting us all hard. I am in the "trough" of the business cycle that surrounds the company I have founded. But joy cometh in the morning - I hope so - and I hope for your continued support and patience.

Best,



Justin Polce
Managing Member

The information contained in this message is not and should not be construed as investment advice, and does not purport to be and does not express any opinion as to the price at which the securities of any company may trade at any time. The information and opinions provided herein should not be taken as specific advice on the merits of any investment decision. Investors should make their own decisions regarding the prospects of any company discussed herein based on such investors' own review of publicly available information and should not rely on the information contained herein.