MountainWorks, LLC
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2019 Return	April	May	June	Q2	Annual Return	Return Since Inception
MountainWorks	4.9%	-16.9%	12.8%	-1.6%	25.9%	-5.1%
S&P 500				3.0%	15.1%	65.9%

Dear Member,

In the second quarter of 2019, MountainWorks returned a 1.6% loss on investment, versus a 3% gain for the S&P 500, dividends reinvested (according to DQYDJ). Since inception, the Fund has lost 5.1% of its value, against a 65.9% return from the S&P 500. Regarding the portfolio, not much has changed in the second quarter of 2019. We have been in-and-out of some short positions as well as a few Merger-Arbitrage positions: Directors have been well informed on these topics via the monthly updates. Yet, in terms of the motivations behind MountainWorks, everything is different from last year. And so, I present to you a letter about reaching out to others, reversing inverted assumptions, and re-engineering thought.

Reaching out. Our first escapade delves into the Fund's largest holding: Camping World. It has been a little over one year since I first bought CWH (375 days, to be exact) at $24.25/share, and since then, the business has not performed well. Two years ago the company earned profits of $456 million before interest and taxes. Last year, that number retreated to $198 million, despite a 12% increase in revenues over a twelve-month span. Even though the business metrics have shown decline, I will contend that my purchases have been at prices that were (and still are) below intrinsic value. These prices are listed in the table, along with purchase date, and percentage of the Fund's portfolio. It gives a snapshot of both how the investment has progressed (not well so far) and my preferences for portfolio allocation:

Date	Price Per Share	Approximate % of the Portfolio
7/5/18	$24.25	2.8%
7/13/18	$26.70	6.2%
7/30/18	$21.91	11%
8/6/18	$21.57	16.3%
8/20/18	$22.50	22.4%
10/23/18	$20.80	29.1%
10/29/18	$17.50	26.6%

11/14/18	$17.95	30.2%
11/19/18	$18.00	40.6%
12/24/18	$15.00	53.3%
12/24/18	$16.00	63.4%
5/20/19	$13.00	51.4%
End of 2019 Q2 (no purchase)	$12.00	42%

The table reveals some intricate conclusions. First, CWH's drop has been precipitous - down over 50% in one year. Second, did I buy too much? Third, did I buy too fast? Clearly, Camping World's price has gone down, while the percentage of the portfolio has gone up, and I am stuck in the middle with more questions than answers. The only reason why our position now stands at 42% of the assets is because our other investments have performed better. Still, I am left with questions on (a) intrinsic value and (b) portfolio allocation. Incidentally, they are two of my favorite investment topics.

Regarding the former, intrinsic value is a bit of a guessing game. I could have five different conversations with five different analysts, and each one of them would give me a different price target for Camping World. You might say that intrinsic value is a number never written down. You can't reach out and grab it. It's a unicorn, a fabled creature. Warren Buffett has a more concrete definition, but nevertheless it remains somewhat of a miscreant in the world of stock picking:

> *We define intrinsic value as the discounted value of the cash that can be taken out of a business during its remaining life. Anyone calculating intrinsic value necessarily comes up with a highly subjective figure that will change both as estimates of future cash flows are revised and as interest rates move. Despite its fuzziness, however, intrinsic value is all-important and is the only logical way to evaluate the relative attractiveness of investments and businesses. (Berkshire Hathaway 1994 Letter to Shareholders)*

Well there you have it. Intrinsic value is something you must always use, but takes no rigid form. It is boundless. I can reach out for it, but never hold it in my hand.

How can I be sure that Camping World trades below its intrinsic value? Well, I can't be certain, but I can rely on two of my lessons from last year:

Lesson 4: Have a system & investment process in place, one that builds fundamental analysis from the ground-up
Lesson 6: Chasing losses is the result of the "break-even effect", in which people can make poor decisions based on mental accounting that might seem logical at the time

I have an investment process that I believe is sound and a "logical way to evaluate the relative attractiveness of investments". Yet, I continue to question the validity of my Camping World allocation.

I have to keep the "break-even effect" in mind, and be sure that I am not, as they say, "chasing the money".

Once again, I'm left with more questions than answers. But perhaps that is as it should be. No doubt I am reaching for greatness, and the higher I reach the more questions are left unanswered. When it comes to lofty aspirations, Ralph Waldo Emerson said,

The great man is he who in the midst of a crowd keeps with perfect sweetness the independence of solitude

For sure, I must have some measure of solitude in my resolve to maintain Camping World as my largest position. To put it plainly, I'm probably the only manager out there willing to put 40% of the portfolio into one security.

That brings me to the second point: Portfolio Allocation. Since I'm asking a lot of questions, I'll pose another: How much money should I put into the investment? It is one of my absolute love-to-hate questions that hits upon diversification and optimization. I love the question because it's difficult & challenging, with no easy answer. I hate the question because it leads to so many more questions. It's like walking into a spider web.

Suppose that you had $100 to invest. There are thousands of companies out there, which are all doing the same thing: asking for you to buy in. Which do you choose? Is there a good story? Do you put all of your 100 eggs into a single basket, like a Netflix or an Amazon? Or do you purchase fifty different stocks and diversify with the crowd? Can you show solidarity and buy into only two or three companies? If you do, how do you know they are good businesses? To give you a little insight into how I'm thinking, those questions are the investment spider web that I'm walking into with Camping World.

At this point, and using the table above as evidence, you might be able to tell that I personally subscribe to the "two or three company" category. As far as diversification goes, I am the living antithesis. While it is an unusual approach, I take solace in the fact that I am not alone. Charlie Munger, with his Daily Journal Corporation, his Costco investment, and his Berkshire Hathaway stock, owns very few investments:

"The idea of diversification makes sense to a point if you don't know what you're doing and you want the standard result and not be embarrassed, why of course you can widely diverse. Nobody's entitled to a lot of money for recognizing that because it's a truism, it's like knowing that two plus two equals four." (The Daily Journal Corporation Meeting)

In other words, diversification is (often) the answer to the question of portfolio allocation. It is easy (and not challenging) while at the same time simplistic (with no multi-pronged questions). Moreover, diversification gives rise to "narrow framing", a behavior problem presented in Dr. Richard Thaler's *Misbehaving*. Money managers would much rather ride a wave of diversification, and accept market returns, than "risk more" by investing in one or two companies.

"Worldly wisdom teaches that it is better for reputation to fail conventionally than to succeed unconventionally." - John Maynard Keynes

Let me give you a small example. Back to the $100 we have to invest. Suppose that money manager "A" puts $2 in fifty different companies, and at the end of the year she has $110 (a 10% return). Then, another money manager "B" puts $25 in four companies, and has $125 at the end of the year (a 25% return). Which one would you choose?

Now, let's reverse the returns. At the end of the year, money manager "A" has $90 (a 10% loss), and money manager "B" has $75 (a 25% loss). Who would you rather be with? If you have strictly a present-bias, then by all means you want the diversification and manager A's 10% loss. Sounds like a common sense, rational choice.

Finally, take your decision, and scale it to millions of different people, all thinking the same way, with billions of hard-earned dollars on the line. If no one picks manager "B", wouldn't he then lose his job? And if he were afraid to lose his job, why would he risk it trying to earn a few more percentage points of return than his fellow manager? Wouldn't he prefer to just pick fifty different stocks, rather than only four? This is the essence of narrow framing, and why diversification, market returns, and efficient market hypothesis are such welcome ideas in the crowds of mediocrity.

However, my problem, as it relates to Camping World Holdings, is that the investment after one year has not been successful. Keynes had it right, but he didn't think about the other side of worldly wisdom: what if someone *fails unconventionally in the face of those who succeed conventionally*? At this point, I am failing unconventionally.

This letter is supposed to be about reaching out, so I will tell you what I am doing with Camping World Holdings that is hopefully unconventional. Marcus Lemonis - the CEO and largest shareholder - has been increasing his stake in the company, purchasing shares in the open market several times over the past year. Similarly, David Abrams (of Abrams Capital Management, a hedge fund based in Boston, MA) has established a solid position and owns over 13% of the outstanding shares.

I have reached out to both Mr. Lemonis (by ways of Camping World Investor Relations) and Mr. Abrams, and written a letter to both parties, in an effort to improve our situation, and enhance our collective Camping World value. Even though I am but a small fish in a pond the size of an ocean, I hope to garner support for two corporate directives at Camping World: a share buyback authorization and a focus on increasing the retained earnings on the balance sheet. So far, CWH head of investor relations John Rouleau has replied to me and he will pass my letter on to fellow management.

And so, I am reaching out to you, to deliver a message of unconventional thinking. I believe that Camping World Holdings trades at a discount to its intrinsic value. Furthermore, I do not subscribe to modern theory of diversification in a portfolio of assets. This combination of - dare I say, radical thought - leads me to take perhaps unconventional approaches, ones that require more questions than

I have answers. But isn't that the way it should be, as it relates to critical thinking, behavioral economics, and high investment aspirations?

I have only discussed one of the themes I intended upon: that of reaching out to others. Later on, I hope to explore reversing inverted assumptions, and re-engineering thought. These are the parts of MountainWorks that make up my story - Camping World is just one chapter.

Recently, I had the opportunity to visit the U.S. Capitol, the Library of Congress, and the National Archives; some of the same hallowed halls that housed the greatest minds of our time. In that same vein, let me leave you with a quote from Thomas Jefferson, which captures the kind of inspiration I am looking for. It is the same message that is inscribed at the Jefferson Memorial. Let it be a guide toward unconventional achievement.

"I have sworn upon the alter of God eternal hostility against every form of tyranny over the mind of man."

Yours,

Justin Polce
Managing Member

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