



Investment Securities

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July 18, 2016

Dear Client,

At the end of Q1 2016 the portfolio showed signs that it could revert downwards. As a result, during Q2 we were about 50% in cash. The Robotti Structured Value Composite (RSV) finished the quarter down -1.81% (net) and down -2.76% (net) year-to-date. The Russell 2500 Value, our benchmark and pool, was up 4.37% and 7.84% respectively over the same periods. We are disappointed with our performance through Q2. However, we understand that performance is not always linear, and that we will not outperform in every period.

At the end of Q2, the valuation and operating metrics of the RSV portfolio have shown indications of reverting upward. Accordingly, we were close to fully invested shortly after Q3 started. This change in allocation should allow the portfolio to capitalize on upward market movement. We are hopeful for positive performance in Q3 and will keep you updated.

Thank you for your continued trust and please reach out with any questions.

Sincerely,

A handwritten signature in dark ink, appearing to read "David A. Kaiser".

David A. Kaiser  
Portfolio Manager  
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