



Robotti & Company Advisors, LLC
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July 26th, 2017

Dear Client,

For the second quarter of 2017, the Robotti Structured Value Composite (“RSV”) was up 1.98%¹ versus the benchmark and selection pool, the Russell 2500 Value, which had a total return of 0.32%.

	RSV, net¹	Russell 2500 Value
Q2 2017	1.98%	0.32%
YTD	2.31%	1.95%

Value has lagged this year behind the non-value indices. The data, as seen in the below table, also indicates that larger companies are performing better than smaller companies. The RSV is 95.39% invested in small-caps² and mid-caps³. The breakdown at the end of Q2 2017 was 68.72% small-caps and 26.67% mid-caps, with 4.61% in a cash equivalent money fund.

	S&P 500	Russell 2000	Russell 2500	Russell 2000 Growth	Russell 2500 Growth
YTD	9.34%	4.34%	5.97%	9.97%	10.64%

We select stocks for the RSV exclusively from the Russell 2500 Value. Although, stock selection is important, it does not help when the Russell 2500 Value lags and value is less in favor. Our stock selection looks for discounted companies and we rely primarily on mean reversion for gains. When the wind is not in the sails of value, we do not expect to excel; however, the valuation of the portfolio (for example, price to earnings and price to book) is still discounted, and the operating metrics (such as return on equity) remain stronger in the RSV than that of the benchmark. Therefore, the valuation of the RSV should be favorable to revert upwards to that of the benchmark.

Since the valuation of the RSV is favorable for positive mean reversion, we are near fully invested for Q3. We should note, that we are not market timers and cannot predict what the market will do in the future. If value stocks continue to lag, and/or the market performs negatively, having a less expensive valuation than the Russell 2500 Value should minimize the downside. Additionally, owning a portfolio that has potential to revert upwards gives us confidence that if the market better performs and value stocks gain steam, we should be profitable.

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

Sincerely,

David A. Kaiser
Portfolio Manager
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¹ Performance results of the Composite are unaudited, have been calculated using U.S. dollars and are net of fees. These results were calculated based on reinvestment of dividends and other earnings. Individual account performance will vary.

² Companies with market capitalizations under \$2 billion.

³ Companies with market capitalizations between \$2 billion and \$7 billion.

The above letter, dated July 26, 2017 is the quarterly update letter of Robotti & Company Advisors, LLC (“Robotti Advisors”) with respect to separately managed account clients of Robotti Advisors that are invested in the Robotti Structured Value composite. This letter should be read in conjunction with the following disclosure information:

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In addition, certain information has been obtained from third party sources and, although believed to be reliable, the information has not been independently verified and its accuracy or completeness cannot be guaranteed. Any investment is subject to risks that include, among others, the risk of adverse or unanticipated market developments, issuer default, and risk of illiquidity. Past performance is not indicative of future results. If interested, please contact us for additional information about our performance related data.

The attached material was provided to investors in a specific Robotti Advisors vehicle at a specific past point of time, advice that may no longer be current or timely. References to past specific holdings of that specific vehicle and matters of related historic fact must be seen in context (as would have been apparent to investors in that vehicle) and are not intended to refer directly or indirectly to specific past recommendations of Robotti Advisors (other than as an indication of language sometimes found in the newsletters). Any reference to a past specific holding or outcome is not intended as representative. None the less, for individuals actively interested in investing in such vehicle, a list of recommendations made by Robotti Advisors with regard to the vehicle in question will be made available on request.

Note: certain statements on the attached material, including but not limited” to (a) statements of things that “are well known” to be the case, (b) statements with the phrase “every single time”, and (c) certain similar statements, are not intended to represent absolute literal fact, but rather represent certain colloquialisms/mannerisms expressed by select market participants (but not necessarily individuals associated with Robotti Advisors).

Opinions contained in this letter reflect the judgment as of the day and time of the publication and are subject to change without notice and may no longer represent its current opinion or advice due to market fluctuations.