ROBOTTI & COMPANY ADVISORS, LLC

Investment Securities

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Dear Client,

We want to reflect on this past quarter, our current positions and give you our thoughts on the future.

Performance Overview

	Value Equity Composite[1], Net	Benchmark[2]
Quarter 1 2013	4.48%	13.35%
COMPOUND ANNUAL GROWTH RATE (THROUGH YEAR END 2012)		
3 Year	11.56%	13.35%
5 Year	3.63%	4.16%
20 year Inception	13.04%	8.59%

Year to date, the Robotti Value Equity composite has returned 4.48%, versus the benchmark return of 13.35%. While we are disappointed by these results, as long term, value focused investors, we tend to not focus on the short term performance of our investments in the aggregate, but rather on the continued strong growth in the underlying businesses that make up the composite. The saying "Buy and Hold is Dead" continues to be entrenched in the investing vernacular, strengthening our self-perception as contrarians. We not only think that buy and hold is still alive, but also believe that it provides diligent investors a great opportunity. The inherent fluctuations in price associated with a buy and hold approach can drag down performance in the short term as we wait for the market to realize a holding's true intrinsic value. Over the past quarter, Energy and industrials, sectors in which we are heavily weighted, brought down our performance versus the benchmark. Within these sectors, two of our biggest holdings, Subsea 7 (OB:SUBC) and Stolt Nielsen (OB:SNI), both underperformed when measured against their respective sectors and the major indices. Their underperformance was a significant contributor to our overall performance due to their heavy weighting in the composite. Despite the performance drag in the quarter, we see them as catalysts for performance in the future, and remain strongly convinced in their fundamentals in light of our belief in the market's current mispricing of these

[1] The Value Equity Composite has been defined and created to include all fee paying, discretionary accounts with an initial size of $100,000 or more that are managed with an objective of capital appreciation through the purchase and sale of primarily equity securities that, at the time of purchase, are small to mid-cap and that have been selling for significantly less than their intrinsic value or those that may grow their intrinsic value at above average rates. This composite was created in December 2001. The Investment results of the Value Equity Composite are only for illustration purposes and it cannot be assumed that future results will reflect this past performance. Performance of this composite has been calculated using U.S. Dollars. These results were calculated based on reinvestment of dividends and other earnings. Individual account performance may vary.

[2] Inception through August 2011, benchmark was the Russell 2000 Index. September 2011 to present, benchmark is the Russell 2500 Value Index.

businesses. Within Stolt we continue to see growth in profitability in both its terminal and container businesses being obscured by ongoing weakness in its tanker business. Plans are in place for the continued growth of these two segments, evidenced by the year-end records of stable, profitable growth. We believe these positives are not reflected in the share price of Stolt. Compounding the opportunity, we believe the financial disappointments in the tanker business have led to a lack of reinvestment by the industry. This sets the stage for recovery. With concern to our largest position, Subsea 7, as we said last year the story continues to be one of realization deferred. At the end of the day, while our composite taken as a whole did not perform to the level of our benchmark, we remain confident in the long term opportunity that the market is presenting us today in our holdings.

Position Changes

During the first quarter of this year, we established an entry position in CPI Aerostructures (NYSEAMEX:CVU). CVU is contracted to produce structural parts for both military and commercial aircrafts. The company serves as a subcontractor for many of the big names in aerospace such as Boeing and Lockheed Martin. As CVU is a smaller company, it is able to take advantage of the new trend of subcontracting from the larger players by having lower overhead and fixed costs. We saw this as a good time to open a position in CVU. Today the company has a P/E ratio of 6.0 times trailing 12 month earnings[3]. The fear of the sequester's effect on new orders, the very public 787 Dreamliner problems, and general uneasiness about the aviation sector have all depressed the share price. Despite these concerns, we see CVU as well positioned to benefit from a backlog in commercial airlines, and feel somewhat protected on the government side due to the type of planes on which CVU works. An important part of our process is becoming more familiar with companies and their managements through holdings, and we are beginning this process here. Our entry experience and evaluation of management is positive.

During the quarter, we sold out our position in School Specialty (PINK:SCHSQ), a business which sells products and curriculum resources to the K-12 education market. We have known and followed the company for many years, and began to buy shares in 2010. Our initial thesis was that they were one of the leaders specializing in the K-12 education market and that their business model had strong cash flow characteristics which would enable the company to continue to de-lever and perhaps over time return to buying back stock and/or paying dividends. We saw their business performance deteriorate markedly over the ensuing quarters. The stock price reflected this deterioration. This was driven by an acute decline in school funding, particularly at the state and local levels. In early 2012, the company brought in new management. As investors, this is something we generally take note of as, in certain situations, a fresh set of eyes can make a world of difference. As part of their compensation agreements, some of the new management team bought shares in the open market, which to us was some indication of their confidence in being able to right the ship. These factors and the company's initiatives to stabilize and turnaround the business lead us to add to our position. Over our history of investing in special situations, turnarounds, cyclically depressed companies, etc., our conviction level has often been tested by price fluctuations that have provided opportunities to either recommit or sell out. When Builders FirstSource traded below $2.00 per share, we made the decision to recommit and add to our position

[3] Calculation based on CVU 2012 10-K and market price as of April 17th

(and we are sure glad we did). Unfortunately, in the case of School Specialty, as the company moved through 2012, the business continued to deteriorate rapidly, eventually leading to debt covenant breaches. We did not believe we would see the magnitude and length of decline in education spending that we saw during the period of this investment and decided to move on and allocate our capital to more attractive opportunities.

Leucadia-Jefferies Merger

The big news for us this quarter was the merger of Leucadia (NYSE:LUK) and Jefferies (NYSE:JEF), both significant holdings in the composite. We see the merger as a positive development for both parties. The combined entity gives Jefferies greater access to capital as Leucadia is very liquid, and diminishes viability concerns in the event of any significant market deterioration. The transaction also accelerates the use of the loss carry forward that Leucadia has, giving the combined company an advantageous tax position. With the retirement of Leucadia's Ian Cummings, who has been less involved in recent years, there is an added benefit in bringing Jefferies' Richard Handler in as the CEO and Brian Friedman as President. They have produced an impressive track record during their tenure at Jefferies. Although we do not traditionally invest in investment banks, we see Jefferies differently, partly due to their smaller size. We think that as markets head back to normalcy, they should be able to continue, and hopefully improve upon, their impressive past performance. Leucadia has historically traded very close to book, but in a normalized environment investment banks normally trade at a multiple, providing an opportunity for Leucadia to sell Jefferies at a premium down the road in a better investment banking environment. With the new entity still trading below book, albeit marginally so, we continue to be bullish on the new Leucadia. Pre-merger, the composite had a 3.6% position in Leucadia and a 2% position in Jefferies. Following the merger, we have rebalanced the position in the composite.

Thank You

As always, this is an exciting business. With a talented investment team, instincts, experience, and patience, we continue to guide our investments in to the future. We truly appreciate your support, patience and confidence in us.

All the Best,

Bo Robotti

Robert E. Robotti

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