Robotti & Company Advisors, LLC
60 East 42nd Street, Suite 3100
New York, NY 10165-0057
www.robotti.com

June 30, 2017

Dear Client,

Our first half year results for 2017 are modestly positive, and compare favorably to the Russell 2500 Value's return of 1.95%, but are definitely shy of the S&P 500's 9.34% gain. In the 2nd quarter this year, we retracted some of the gains we made earlier in the year. The last few months have been volatile, especially for one of our core sector investments – energy. Despite the market's vicissitudes, a number of important holdings had significant positive developments this quarter. A few we highlight below.

As we have said many times, investing is almost never a linear progression. This is especially true with recoveries. They often come in the form of two steps forward, one step back, three steps forward, two steps back… you get the idea. This is particularly true with energy given the market's heightened focus on commodity prices. Over 30 years we have found those steps backwards often provided opportunities to double-down on our conviction.

To illustrate this point, we can look back at two of our investments in the housing sector. Throughout 2013 investors became increasingly confident that a recovery in the domestic housing market was well underway as corroborated by significant growth in single family starts. The recovery took a breather, however, as starts dropped 4.9% in December 2013 and another 13.6% in January 2014. With investor confidence shaken, recovering shares of housing related stocks sank. Between March and October 2014 Builders FirstSource (NASD: BLDR) fell more than 45% and shares of Norbord (NYSE: OSB), and its predecessor company Ainsworth, dropped almost 40% between January and August. We took advantage of the markets overreaction and increased our investment in companies we knew well, which were experiencing dramatic recoveries while the markets continued to heavily discount them. Fast forward to the present and Builders FirstSource, which completed the $1.6 billion acquisition of ProBuild in 2015, has seen its share price increase more than 200%. Shares of Norbord, which closed a $760 million acquisition of Ainsworth in 2015, have increased by more than 90%.

We see a similar market response in the early stages of a recovery for many energy companies. Today, many of these companies are priced at the same level they were when oil was in the low $30s (while today's oil price currently trades in the mid $40s). More important than the price of oil however are the fundamental developments that are underway. Energy companies have been in the process of

restructuring, right sizing their balance sheets, and expanding their earnings potential. We are now beginning to see transformational acquisitions that characterize this point of the cycle – a trend we expect to accelerate. We believe that onshore oil and gas demonstrates just how quickly securities markets can change their mind from seeing no opportunities and high risk to suddenly realizing the risks are manageable and dissipating while the opportunities are substantial. Eventually the improvement of the fundamentals becomes too great for the market to ignore. We believe we are seeing the same thing happening in the offshore oil & gas industry today.

We are seeing these signs of fundamental improvement across the companies we own in the offshore industry. Subsea 7 is completing its second acquisition in recent months - providing yet another example of how its strong balance sheet enhances its ability to substantially improve long-term earnings power. On June 29th, the company announced the acquisition of certain assets at an extremely discounted valuation, as well as contracts and backlog which will position the company well in new geographic markets. We believe that Subsea will continue to be a consolidator in the industry, and will benefit from management's wise capital allocation decisions.

Meanwhile dramatic corporate events are underway with Tidewater and Atwood: a complete balance sheet restructuring implemented through a prepackaged bankruptcy plan, and a merger respectively. We believe these events will position each company well going forward.

Tidewater

Tidewater operates a fleet of marine service vessels for offshore energy projects. On May 12, 2017 Tidewater Inc. (NYSE:TDW) began the process of restructuring under bankruptcy protection. The company presented a prepackaged plan that will eliminate all $2 billion of its current debt. The emerging company will issue approximately $450 million of new debt, which will be largely offset by the $400 million in cash the company will retain. Of course the tradeoff is that the equity will be substantially diluted in the process. The emerging net-debt free company is expected to be cash flow positive at the bottom of a cycle with assets of $3 billion and a current implied valuation of less than 25% of book value.

This plan should allow the company to get out from under its debt and come out on the other side with a substantially improved balance sheet. Obviously, considerable risks remain and this investment has not worked out in the way we envisioned when we first bought shares. (Similarly we didn't envision BLDR shares trading down to $1.25, but we are sure glad that it did.) That being said, we knew this was a possibility, and due to the company's strong asset base, we felt comfortable that the pie would be large enough for both the debt and equity holders. The proposed plan provides current shareholders new equity,

which should have dramatic appreciation potential. Further, we believe that the emerging company's financial flexibility will allow it to capitalize on transformational opportunities that often emerge at this point of a cycle. Such opportunities provide optionality for substantial improvements in earnings power and further appreciation potential.

Atwood Ensco Merger

On May 30, 2017 Ensco plc (NYSE: ESV) and Atwood Oceanics, Inc. (NYSE: ATW) jointly announced they would merge in an all-stock transaction. For every share of Atwood we own, we will receive 1.6 shares of the new Ensco. As a refresher, Atwood is an offshore drilling contractor that has a fleet of 11 drilling units. Ensco operates in the same business and has a fleet of 52 drilling units. Both of these businesses operate globally and provide the most crucial piece of equipment necessary for E&P companies to drill both exploratory and developmental wells.

Atwood has premier assets that will immediately diversify and improve the asset base of the resulting company. Additionally, the deal is structured to alleviate Atwood's financial risk, leaving the combined company with a solid balance sheet – importantly with no significant debt maturities over the next 5 years. Obviously you cannot de-risk an investment for free which means the merger will also have the effect of taking some of the upside off the table. That being said, we believe that with premiere assets and a strong balance sheet the combined entity is still in a position to capture significant upside in a recovery that may be in its early stages. We have already seen the beginning of bidding and activity shows signs of recovery. That is exactly the right time to own the largest offshore drilling fleet of premium vessels, as we will once the merger is complete. We are also looking forward to meeting with the company in London this month to further discuss the business and the impending transaction.

Conclusion

We are excited by the fundamental developments in many of our portfolio companies. There are many industry developments which are providing excellent investment opportunities as recoveries take hold and earnings improve, yet valuations remain modest due to investor uncertainty. This is a very positive combination of factors that should drive the prices of our portfolio companies higher. We thank you for your continued belief in us as we continue to work towards providing outsized returns.

All the Best,

Bob Robotti

The above letter, dated June 30, 2017, is an update letter of Robotti & Company Advisors, LLC ("Robotti Advisors") with respect to separately managed account clients of Robotti Advisors. This letter should be read in conjunction with the following disclosure information:

This information is for illustration and discussion purposes only and is not intended to be a recommendation, or an offer to sell, or a solicitation of any offer to open a separate account managed by Robotti & Company Advisors, LLC, nor should it be construed or used as investment, tax, ERISA or legal advice. Any such offer or solicitation will be made only by means of delivery of a presentation, prospectus, account agreement, or other information relating to such investment and only to suitable investors in those jurisdictions where permitted by law.

Further, the contents of this letter should not be relied upon in substitution of the exercise of independent judgment. The information is furnished as of the date shown, and is subject to change and to updating without notice; no representation is made with respect to its accuracy, completeness or timeliness and may not be relied upon for the purposes of entering into any transaction. The information herein is not intended to be a complete performance presentation or analysis and is subject to change. None of Robotti & Company Advisors, LLC, as investment advisor to the accounts or products referred to herein, or any affiliate, manager, member, officer, employee or agent or representative thereof makes any representation or warranty with respect to the information provided herein.

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 (i.e. "In hindsight people often say, "I should have known better," and more often than not, they did."), (b) statements with the phrase "always", 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 change or for any other reason. Robotti & Company Advisors, LLC provides investment advisory services to clients other than the separately managed accounts, and results between clients may differ materially. Robotti & Company Advisors, LLC believes that such differences are attributable to different investment objectives and strategies between clients.

The information provided herein is confidential and proprietary and is, and will remain at all times, the property of Robotti & Company Advisors, LLC, as investment manager, and/or its affiliates. The information is being provided for informational purposes only. A copy of Robotti & Company Advisors, LLC's Form ADV, Part 2 is available upon request. Additional information about the Advisor is also available on the SEC's website at *www.adviserinfo.sec.gov*