December 1, 2017

Stonebridge Value Capital (SVC) is an investment management company founded and managed by me - Brian Binder - that takes a long-term value-investing approach to the purchase of securities. I know that good investment ideas are hard to come by, especially when you factor in that a good investment to me consists of a high-quality business selling at a deep discount compared to its underlying – intrinsic - value. When I can find these types of opportunities, they provide us with protection against permanent capital loss and above-average long-term prospective returns. I must be patient to let these ideas develop, disciplined to wait for the right price, and prepared to invest our capital in meaningful ways when the opportunities present themselves.

This letter is meant to provide a brief, summarized description of the investment principles that form the foundation for my approach to investing. You should read this in conjunction with other correspondence that I've sent to potential and current investors, including my Letter to Prospective Investors dated December 7, 2016.

Before I provide you with my investment principles, it's appropriate to list several of my beliefs that go against conventional wisdom.

SVC Beliefs

1. Markets are not always efficient and sometimes extremely inefficient, i.e., price is not reflective of value.
2. Price volatility does not equal risk for the long-term investor.
3. Investors are not rational beings. More often than not, they are quite irrational and driven by their emotions.
4. You can earn an above-average return while taking below-average risk.
5. Heavy diversification does not lead to lower risk. It typically leads to closet indexing.

The above beliefs drive my investment approach and provide the basis for my investment principles.

SVC Investment Principles

1. My first priority is to protect our capital from permanent loss by buying high-quality businesses at prices well below what they're worth.
2. My second priority is to earn an above-average compound return on our capital over any five-year period. While I prefer a five-year measuring period, a minimum of three years is required to minimize the role of luck involved in the results.
3. Purchasing a stock means that you are purchasing a partial stake in the underlying business. The results for a long-term investor will largely be determined by the results of the underlying business. Having a business perspective when purchasing and owning stocks helps remove the daily noise of market commentators and price fluctuations and allows me to focus on what is most important to a long-term business owner.
4. I align my interests with my investors' interests through (1) having a fee structure that rewards me only when my investors do well and (2) having the majority of my immediate family's net worth invested alongside my investors' capital. I eat my own cooking.
5. Risk is the likelihood that a business we own will decline in value and/or when we pay too much for a business at the outset. General finance theory defines risk as price volatility, or beta, meaning that the more the price of a stock moves, the riskier it is. While price volatility can lead to short-term, unrealized losses for a long-term investor, it does not equal risk.

6. Short-term, unrealized losses provide us with opportunities to invest in the businesses I like at even better prices.
7. I don't invest in stocks with the intention of getting out at a certain price. If the businesses we own continue to increase in value and aren't selling at prices well above what I believe they're worth, I have no intention to sell.
8. I do not try to time markets or forecast the future.
9. I'm flexible in the amount of cash we have sitting idle, i.e., not invested in businesses. It is solely dependent on the quantity of good investments available to us. However, when general price levels in the market are relatively high, good ideas are harder to come by and our cash level will most likely be higher. When general price levels are low, good ideas are more readily available at prices I like and more of our capital will most likely be deployed.
10. Independent thinking is critical to sustained outperformance, but it's not enough on its own. I also must be correct. Following the crowd will lead to average performance at best and independent, but incorrect, thinking will lead to below-average performance.
11. I always want to be investing from a position of strength. That means using little to no debt and having cash available to invest when great opportunities are available.
12. My ideal portfolio consists of 10 to 20 stocks, with the majority of our capital invested in my top three to five ideas.

Returns

Year	**SVC Return Before Fees**	**SVC Return After Fees**	**S&P 500 Return (including Dividends)**	**SVC Before Fees Vs. S&P 500**	**SVC After Fees Vs. S&P 500**
2017 *	27.4%	20.2%	17.5%	9.9%	2.7%
CAGR	**27.4%**	**20.2%**	**17.5%**		
Overall Return	**27.4%**	**20.2%**	**17.5%**	**9.9%**	**2.7%**

* 12 months ending June 30, 2017. Results are unaudited.

Should you have any questions regarding the above material, please do not hesitate to reach out to me.

Respectfully,

Brian Binder
Stonebridge Value Capital

Disclaimer

This is not an offer to open a managed account with Stonebridge Value Capital, LLC ("SVC"). Any such account will only be opened for qualified investors by means of an investment management agreement in those jurisdictions where permitted by law.

The fees and expenses charged in connection with a managed account may be higher than the fees and expenses of other investment alternatives and may offset profits. No assurance can be given that the investment objectives described herein will be achieved or that an investor will receive a profitable return on his or her investment. Investment results may vary substantially over any given time period.

The performance data represents the composite performance of separate accounts managed by SVC. The results reflect the deduction of: (i) a quarterly asset management fee of 0.25%, charged in arrears; (ii) a quarterly incentive allocation of 25% of any increase in an account's net assets in excess of a quarterly rate of return of 1.25%, subject to a high-water mark; and (iii) transaction fees and other expenses incurred by each account. During the time period shown, there were no material market or economic conditions that affected the results portrayed. Results are compared to the performance of the S&P 500 for informational purposes only; SVC's investment program does not mirror the S&P 500 and may experience materially different volatility. The performance figures include the reinvestment of any dividends and other earnings, as appropriate. Past performance is not necessarily indicative of future results. All investments involve risk, including the loss of principal.