Dear Fellow Partners:

The Summers Value Fund LP ("the Fund") generated a net[1] return of .11% during the first quarter of 2019, which lagged the S&P 500 Index return of 13.1% and the Russell 2000 Index return of 14.2%. The first quarter of 2019 was the best first quarter performance for the major indexes since the first quarter of 1998. For the month of March, the Fund returned -5.8% net[1] versus the S&P 500 Index return of 1.8% and the Russell 2000 Index return of -2.3%. Our performance during the month was negatively affected by a 22% sell-off in the shares of Scott's Liquid Gold (SLGD), the Fund's largest position, following the release of weak fourth-quarter results. The underperformance in March has left the Fund lagging the major indexes on a year-to-date basis. Since inception (10 months), the Fund has returned 3.8% net[1] , which is in line with the S&P 500 Index return of 3.6% but compares favorably to the Russell 2000 Index return of -6.6%. We believe the Fund remains well-positioned to generate attractive risk-adjusted returns over the long term driven by the compressed values and special situations that we hold in the portfolio today.

As we have emphasized since launch, the Fund is not managed to look like the major indexes and could deviate materially (positively or negatively) in any given period, including years. At the core of our investment philosophy, we believe that a concentrated portfolio of stocks will provide us with the best opportunity to outperform the major indexes over the long term. However, a concentrated strategy is typically more volatile than a diversified basket of stocks — or an index — and investors should be prepared to ride out periods of underperformance. We recommend that our limited partners focus on annual (or longer) periods of performance instead of monthly returns. The Fund's three and five-year lock-up periods are designed to encourage such behavior.

Portfolio Commentary

At the end of March, the portfolio consisted of 12 long positions and four short positions, within our investment parameters of up to 15 longs and five shorts. The portfolio consisted of 14 domestic securities and two foreign securities. The Fund ended March with 88% long exposure and 7.5% short exposure. The top five positions in the Fund represented 51% of the portfolio at the end of the period.

The Fund produced a small gain on the long side of the portfolio in the first quarter. The biggest contributor during the period was Eagle Pharmaceuticals (EGRX), a position that we have held since the Fund's launch. Shares of Eagle appreciated on the back of an FDA ruling in February that granted the company's largest product, Bendeka, orphan drug status through December 2022. The FDA decision will keep generics at bay until that time, which ensures a steady stream of near-term cash flows while the company works to bring new drugs to market. The biggest detractor during the period was Covetrus (CVET), a leading animal health distributor and technology company. We received shares of Covetrus in a spin-off transaction from Henry Schein (HSIC), and the shares subsequently declined as legacy Schein holders sold their shares. We are bullish on the long-term outlook for Covetrus and expect the company to benefit from attractive industry growth dynamics and a disruptive technology offering that is aligned with veterinarians, manufacturers and pet owners.

On the long side of our portfolio, our research efforts are focused on off-the-run companies and special situations where we can take advantage of market dislocations such as the indiscriminate selling, which often occurs after a corporate spin-off. In that vein, we established a position in Elanco (ELAN) in February during the Eli Lilly (LLY) share exchange period and received shares of Covetrus following the spin-off from Henry Schein, which also occurred in February. We have been adding to Covetrus on weakness since the spin-off, which we attribute to a re-organization of its shareholder base as a stand-alone company. We sold our Collegium Pharmaceuticals (COLL) position in early February and realized a loss because prescription trends did not meet our expectations to start the year after a weak end to 2018. Additionally, we don't believe that the opioid overhang on the stock will subside in the intermediate-term, which could continue to limit the multiple at which the stock trades. Collegium was the Fund's smallest position.

The Fund generated a small loss on the short side of the portfolio in the first quarter. Given the appreciation of the major indexes in the period, we are satisfied with this result. Performance in the quarter was driven by a sell-off in our largest short position, which remains unnamed at this point. Our other three short positions were detractors in the period. As a reminder, we only short stocks that we believe will decline in value over time. We do not engage in shorting activities to hedge the long side of our portfolio.

On the short side, we continue to focus our research efforts on specialty pharmaceutical companies that are mis-executing on new product launches. Our largest short position fits this profile and has the added baggage of material financial losses, an over-leveraged balance sheet and recent turnover in key senior management positions. As is typical in these situations, the stock is supported with buy ratings by sell-side analysts who are jockeying to underwrite the next round of financing. While it is uncomfortable being a contrarian, we do not share the same bright outlook for this company. We are monitoring the new product launch closely and reserve the right to change our opinion if the facts change. If our thesis proves correct, however, our valuation work implies 50%-plus downside from our average cost. We will be writing more about this position in a future letter.

Board Seat Request Accepted: Scott's Liquid Gold (SLGD)

We formally requested a board seat at Scott's Liquid Gold in November of last year after our original 13D filing. After several months of discussions, we are able to report that our board seat request was accepted. Our general partner was added to the proxy, and we expect to officially join the board next month. We look forward to working with the management team and the existing board of directors to create value for all shareholders.

In our view, Scott's remains a mis-priced equity with meaningful upside, but we acknowledge that the company's performance requires improvement if we are to realize a profit on our investment. As referenced earlier in the letter, Scott's had a difficult end to 2018, which was reported out in March. The company's results certainly did not meet our expectations and are proving to be more volatile than we realized based on the timing of skin care sales into the Chinese market. Additionally, the 7th Heaven face mask business is struggling against increased competition and challenging category growth. On the positive side, the company generated almost \$3 million of free cash flow in the year and ended 2018 with \$6.2 million of cash on the balance sheet against zero debt. We expect the company to unlock \$1 - \$2 million of working capital in 2019 through inventory optimization, which should contribute to another year of positive free cash flow. We believe that capital deployment could play an important role in value creation going forward. Overall, we remain bullish on Scott's, but recognize that recent sales trends have been underwhelming.

Business Quality vs. Cheapness: Elanco (ELAN)

We spend a lot of time thinking about the trade-off between business quality and cheapness. In a perfect world, we would prefer to buy great companies trading at meaningful discounts to our estimate of intrinsic value and own them for long periods of time. In today's environment, we find it very difficult to identify such situations. Many investors only want to own the best companies that can compound value at high rates of return over the long-term. In our opinion, this has led to a dearth of high-quality companies trading at attractive valuations.

The alternative to investing in the best companies regardless of price is to invest in companies that are statistically cheap based on traditional value-based metrics such as low price-to-book value or low price-to-sales. While these situations certainly exist in today's market, the trade-off is that these companies generally do not exhibit the hallmarks of quality as judged by a high gross margin (>50%), an attractive ROE (>15%) or a wide competitive moat. More commonly (especially in micro-cap situations), these companies have fragile business models evidenced by a reliance on a single product or customer, the threat of competitive disruption, a weak management team or a sub-optimal capital structure (i.e. too much debt). Since we prefer to invest with a margin of safety, we will always screen for cheap valuations and asset value first. But we do have the strategic and mental flexibility to add positions to the Fund, which may not appear straightforward from a value investor's standpoint.

For example, in February, we initiated a position in Elanco, a global animal health company with a $10 billion market cap. Elanco has a rich history in the animal health industry and was carved out of Eli Lilly via an initial public offering (IPO) in September of 2018. We did not participate in the IPO and deemed the shares to be too expensive when they started trading in the mid-$30s. Eli Lilly executed a share exchange in February to off-load the remainder of its Elanco ownership, which pressured the stock into the high $20s. We began building a position during this time, which we viewed as a transitory period of weakness. At our average cost of $29.25, the stock traded at 22x forward eps.

We consider Elanco to be a high-quality company operating in a fantastic industry, but it does not trade at a statistically cheap valuation. Our thesis on Elanco is that the company is under-earning relative to its closest publicly-traded peer, Zoetis (ZTS). Zoetis itself was a carve-out from Pfizer in 2013 and the stock has significantly outperformed the S&P 500 Index since that time (201% vs. 92%). We believe that Elanco can increase its operating margin over the next three to five years by at least 750 basis points. Our assessment is based on the opportunity for an improved business mix driven by new product launches in the companion animal business, manufacturing efficiencies and price increases. If we are correct, the company should grow earnings at a mid-to-high teens rate over our investment horizon, which underpins our $45 price target.

We have closely observed the animal health industry for over a decade and have come to appreciate the industry's attractive fundamentals including: the relatively inelastic demand profile for these products and services, the cash-pay nature of the business, the lack of intermediaries exhibiting formulary control and the lack of generic product adoption. For the sixth year in a row, we attended the Western Veterinary Conference in Las Vegas in February. We spoke to numerous companies including competitors, suppliers and other industry participants. Based on our ongoing due diligence and industry knowledge, combined with our belief that the company is materially under-earning versus peers, we view Elanco as an attractive long-term investment.

Activism from Within: Knight Therapeutics (GUD.CA)

Knight Therapeutics is a $1.05 billion pharmaceutical company based in Montreal, Canada. We have owned shares of the company since the Fund's inception. Knight was founded by Jonathan Goodman in 2014, and he has served as CEO since that time. We have known Mr. Goodman since his days at Paladin Labs, which he sold to Endo Pharmaceuticals (ENDP) for $2.0 billion in 2013. Unfortunately for Knight shareholders, the stock has not appreciated in over four years. This has left the stock trading at 1.0x book value and with $787 million of idle cash on the balance sheet (roughly 75% of the market cap). The business generated sales of $12.5 million in 2018, which is far below what we would have anticipated at this stage given Mr. Goodman's track record in the industry.

Meir Jakobsohn, one of Knight's board members and a large shareholder (7.3%), recently launched a proxy campaign to take control of the company. Mr. Jakobsohn is the founder and CEO of a private Israeli pharmaceutical company called Medison, in which Knight has a 28% ownership stake. Mr. Jakobsohn's frustration centers on the lack of progress growing the business at Knight since he took a large stake in the company over three years ago. He also contends that Mr. Goodman has a conflict of interest due to his passive ownership of Pharmascience, a private company that directly competes with Knight, which is owned by the Goodman family (25% by Mr. Goodman). Lastly, Mr. Jakobsohn has asserted that the current board of directors is not independent given its historical ties and allegiance to Mr. Goodman. We mostly agree with Mr. Jakobsohn on these points. The Knight management team has signed several product in-licensing deals in the recent past that have left us particularly puzzled. For example, in the cases of Probuphine and Mytesi, we believe these will be insignificant products ($1 - $10 million) in the U.S. market and have a much smaller sales opportunity in the Canadian market. We do not think it is worth management's time and effort to market products with this profile in Canada. Even more concerning is the fact that Mr. Goodman has refused to disgorge his ownership stake in Pharmascience. We were not aware that Pharmascience had evolved its business model to directly compete with Knight for in-licensing opportunities but found numerous instances where Pharmascience had in-licensed products for the Canadian market that likely would have been a perfect fit for Knight. Jonathan Goodman owns a greater stake in Pharmascience than he does in Knight, which creates an almost insurmountable conflict in our mind. Finally, we do not believe the current board has the independence required to ensure objective oversight on behalf of all shareholders. For instance, the chairman of the board has many business dealings with the Goodman family outside of Knight that directly benefit him and therefore impair his ability to be objective.

Mr. Jakobsohn has proposed a slate of well-qualified directors and is currently engaged in a heated proxy contest against the incumbent management team and board. We have spoken to both sides on the issues of concern and have made our thoughts known to each party. Unfortunately for shareholders, the stock continues to languish near the recent lows and below our estimate of net asset value. At this time, we haven't decided how we will vote. At the very least, we hope that the current management team and board will gain a sense of urgency to build a better Knight and improve corporate governance as a result of this process. The annual shareholder meeting is scheduled for May 7.

Partnership Update

The Fund exited the first quarter with 90% of its assets in the 5-year share class, which highlights the strength of our investor base. We continue to view our long-term orientation as one of our greatest competitive advantages.

The K-1s were sent out in March and the Fund's audited financials should be distributed to limited partners in the coming weeks. As previously shared, the general partner paid for all tax preparation and audit costs for 2018. We would like to thank our business partners, International Fund Management Corp. and Spicer Jeffries LLP, for completing these tasks in a timely manner.

My wife and I expect to make another meaningful contribution to the Fund on May 1. We remain the largest investors in the partnership.

In Closing

We would like to extend a warm welcome to the new limited partners who joined the partnership during the first quarter. The confidence that you have placed in us is truly humbling. Our strategy has ample capacity and we seek like-minded individuals to join the partnership. A referral from an existing limited partner is our preferred method of growth and is always appreciated. The first quarter underperformance has compressed value in the portfolio, which we expect to be recognized by the market over time. Interested parties can reach out to me directly at andy@summersvalue.com.

Sincerely,

Andrew Summers, CFA
Managing Partner

[1]Summers Value Fund LP net return is the unaudited, net return, based on a hypothetical investor who invested at fund inception and pays a management fee and incentive allocation applicable to Class A Interests (1% management fee; 20% incentive fee above a 6% annual cumulative hurdle rate). Net return is not necessarily indicative of any single investor's performance. An investor's return may vary from the results shown based on different fee structures and fund-level expenses. The performance information given is historic and should not be considered as an indication of future performance. Performance reflects the reinvestment of dividends and income.

Definitions:

Indexes: The performance of market indexes is being provided for the purpose of making general market data available as a point of reference only. These indexes are widely recognized by investors, followed by the investment industry and readily available to the investing public. The indexes do not reflect fees and expenses associated with the active management of portfolios. Furthermore, it should be noted that investors may not be able to invest directly in the indexes. The performance returns of the indexes were obtained from recognized statistical sources and include the reinvestment of earnings. Although Summers Value Partners LLC believes these sources to be reliable, it is not responsible for errors or omissions from these sources.

Standard & Poor's 500 Total Return Index (S&P 500): An index consisting of 500 stocks chosen for market size, liquidity and industry group representation, among other factors, the S&P 500 is designed to be a leading indicator of U.S. equities, and it is meant to reflect the risk/return characteristics of the large-cap universe.

Russell 2000 Index (R2K): An index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.

Enterprise Value (EV): Market Capitalization – Cash + Debt = EV

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Summers Value Partners LLC is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy, investment process, stock selection methodology and investor temperament. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security.

Prior to investing, investors should carefully review the offering memorandum and related documents, including the risks described therein associated with investing in the Fund. Potential investors are also encouraged to ask questions to Summers Value Partners LLC to ensure they understand many of the risks associated with investing. Additional information can be available upon request.