

Dear Fellow Partners:

The Summers Value Fund LP (“the Fund”) returned -23.1% net in the first quarter of 2022, which made it the Fund’s worst quarter of performance since inception. The small and micro-cap indexes returned -7.5% and -7.7%, respectively. The biggest detractor during the quarter, by a wide margin, was our largest position, Inotiv (NOTV). At one point in the quarter, the stock declined 65% from its peak reached last November. We continue to own shares of Inotiv, but we have reduced the position size. The biggest contributor in the quarter was Natus Medical (NTUS) followed by our short position in Oyster Point Pharmaceuticals (OYST).

We were more active than usual in the first quarter. Stock multiples broadly compressed given negative macro headlines and the expectation for rising rates. However, in many cases, business fundamentals have not changed or have improved. We added three new positions, including Natus Medical and two others that we will write about in the future. We also exited our position in American Outdoor Brands (AOUT). We originally believed that the company represented a classic spin-off situation trading at an attractive valuation with an un-levered balance sheet. However, over the course of our nine months of ownership, we lost confidence in the management team following a series of guidance misses and questionable decision-making.

Inflation is all over the headlines and interest rates are quickly rising in anticipation of fed rate hikes to curb the trend. We believe the best way to combat inflation is to own great businesses with high margins and pricing power. Holding cash in the bank may feel good in the moment but purchasing power will be lost over time. Real assets also tend to perform well in periods of high inflation. Most of our portfolio companies have significant real estate holdings, which can create value while hedging against onerous rent increases. For example, Utah Medical (UTMD) divulged in its recently filed 10-K that it owns real estate worth over \$25 million. Electromed (ELMD) owns all of its real estate in Minnesota while UFP Technologies (UFPT) and Inotiv (NOTV) own most of their facilities around the United States.

Dividends have largely gone out of fashion over the past decade as investors chased growth above all else. We believe that dividends will play an important role in the total return opportunity in the stock market for the foreseeable future. While we do not screen for dividend paying companies, the portfolio today holds more dividend payers and has the highest dividend yield than at any point since our inception. Several of our portfolio companies have raised their dividends this year while two of our holdings have a track record of paying special dividends at the end of each year in addition to the regular dividend.

Existing Position: Landec (LNDC) - \$310 Million Market Cap

We have held a position in Landec (LNDC) for the past year. We sent out a stock presentation in March, which can be accessed [here](#). Landec is undergoing significant change, and we believe the stock holds tremendous value. We expect that value to be unlocked as the company sheds its remaining food segments to focus on its contract development and manufacturing business, Lifecore Biomedical. Lifecore is benefitting from powerful secular trends including more injectable drugs being developed by small biotechnology and pharmaceutical companies and a greater preponderance of those companies to outsource manufacturing. We believe that Lifecore’s niche of manufacturing highly viscous injectable drugs positions it well for the long-term. Our two-year price target on Landec is \$23, which represents over 100% upside from the current price.

New Position: Natus Medical (NTUS) - \$1.2 billion Market Cap

In our January update, I wrote: “Our reaction to the sell-off has been mostly business as usual. We had a small cash position entering January, so we continued to look for attractive opportunities to deploy capital. I am happy to say that we identified two new ideas that we are excited about, and we began buying shares in each company during the month (and into February). We trimmed a few of our lower conviction positions to give us more buying power. We look forward to sharing details about these new positions after we have completed our purchases.”

One of the new positions that we added in the quarter was Natus Medical. I have known Natus for twenty years and was invested in the company in the early 2000s when it was purely an infant hearing and screening company. Natus has evolved over time through a series of acquisitions to become a broad provider of screening and monitoring solutions with a focus on the body’s five senses. We purchased Natus after the company announced a CEO change in December. Tom Sullivan, formerly a board member, stepped into the role after a long period of share price underperformance. The opportunity checked many important boxes: a stock that had gone nowhere for a long period of time (in this case, thirteen years), a management change to a proven value creator, a completely unlevered balance sheet and a history of free cash flow generation. The stock was trading at a free cash flow yield of over 9% at the time of our first purchase. We felt that the stock offered us a margin of safety with meaningful upside if the company’s performance improved under the new leadership of Tom Sullivan. We accumulated most of our position between \$22-23 per share.

In March, the company held a call and management outlined a new path forward, which included selling its low growth businesses and focusing on a new go-to-market strategy. The new business plan was intended to simplify the business and increase the company’s growth and margin profile. Management also laid out plans to deploy capital into acquisitions in adjacent categories. We believed, that if properly executed, the new strategy could unlock significant shareholder value. On April 18, the company announced (link [here](#)) that it was being acquired by a private equity firm at a price of \$33.50 per share, which represented a 30% premium to the last closing price. The company has 30 days to solicit additional bids, but we are assured at least \$33.50 per share in the deal.

In Closing

I would like to thank those limited partners who added to their accounts during the first quarter. I am incredibly grateful to have such an amazing group of limited partners invested in the fund today. I am truly honored to invest your family’s capital alongside mine. Our strategy continues to have ample capacity, and we seek like-minded individuals to join the partnership. Interested parties can reach out to me directly at andy@summersvalue.com.

Sincerely,



Andrew Summers, CFA
Managing Partner

YEAR	MONTHLY FUND PERFORMANCE												ANNUAL			
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND	IWM	IWC	
2018						1.2%	5.4%	2.3%	4.4%	-4.3%	-2.2%	-2.8%	3.5%	-17.4%	-21.5%	
2019	3.8%	2.4%	-5.9%	0.8%	-0.8%	1.1%	-0.4%	-8.4%	0.0%	0.7%	6.5%	5.6%	4.6%	25.4%	22.5%	
2020	7.7%	-11.1%	-4.7%	11.6%	3.0%	-2.9%	5.9%	-6.2%	-2.3%	-1.7%	9.7%	7.7%	14.7%	19.9%	20.7%	
2021	8.1%	2.8%	5.7%	2.0%	4.2%	6.9%	-1.4%	5.7%	-4.4%	14.3%	0.3%	-5.8%	43.4%	14.6%	18.9%	
2022	-11.9%	-9.3%	-3.8%										-23.1%	-7.5%	-7.7%	
													CUMULATIVE	37.0%	31.4%	27.8%
													ANNUALIZED	8.6%	7.4%	6.6%

¹Summers 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 B Interests (1.25% 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.

Russell 2000 Index: 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.

Russell Micro-Cap Index: An index measuring the performance of 1393 small-cap and micro-cap stocks that captures the smallest 1000 companies in the Russell 2000 plus 393 smaller U.S. – based listed stocks. The broad index represents the smallest tradable securities that still meet exchange listing requirements, so OTC stocks and pink sheet securities are excluded.

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

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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.