Dear Fellow Partners:

The Summers Value Fund LP ("the Fund") gained 14.7% net[1] in 2020, which compares against the Russell 2000 Index return of 18.4% and the Russell Microcap Index return of 19.3%. The Fund outperformed the indexes in the first half of the year during the pandemic related sell-off and lagged in the recovery period in the second half of the year. The Fund has generated a cumulative return of 22.7% net[1] since inception compared with the Russell 2000 Index return of 19.8% and the Russell Microcap Index return of 12.8% over the same period. We continue to believe that our value-based strategy focused on smaller-cap healthcare and consumer companies can deliver outperformance against the indexes over the long term. The Fund's correlation to the benchmarks since inception is below .4, which indicates a low correlation.

As we have written about previously, small and micro-cap stocks have lagged the performance of large-cap stocks over the past several years. The valuation disparity between the two groups reached historically high levels in 2020. Our sense is that this trend is beginning to change based on recent market moves in the smaller-cap indexes. For example, the Russell 2000 Index returned 18.3% in November, which marks its best monthly performance since at least 1981. The fourth quarter performance of small-cap stocks drove outperformance against large-cap stocks for the full year 2020 (Russell 2000 Index +18.4% versus S&P 500 Index +15.8%). The outperformance of small-cap stocks has continued into 2021 with the Russell 2000 Index up 7.5% year-to-date versus the S&P 500 Index return of .5%.

**Portfolio Commentary**

The biggest contributors to performance during the year included Bioanalytical Systems (BASI) and Providence Service Corp (now ModivCare). Both of these stocks were added to the portfolio in 2020 and continued to be top holdings at the end of the year although we have trimmed each position on recent strength. The biggest detractors for the year included Assertio Therapeutics (ASRT), Eagle Pharmaceuticals (EGRX) and Taro Pharmaceuticals (TARO). We continue to hold our shares in Eagle but have exited our positions in Assertio and Taro. Eagle is currently the smallest position in the Fund while we wait for signs of improvement in the business.

The Fund benefited from two long-term positions being acquired in the fourth quarter. In October, it was announced that Endo Pharmaceuticals (ENDP) would purchase Biospecifics (BSTC) for $88.50 per share in an all-cash transaction. We had held a position in Biospecifics since the Fund's inception. The deal price represented a premium of 44%, which translated into a total gain for the Fund of 79%. In November, Novo Nordisk announced the acquisition of Emisphere Technologies (EMIS) for $7.83 in an all-cash transaction. We began purchasing shares of Emisphere in February of 2019 based on our bullish expectations for the launch of Rybelsus in Type 2 Diabetes. The premium paid by Novo was 17% and the Fund managed to generate a gain of 5% on our average cost. We were disappointed in the price that was paid for Emisphere relative to our much higher estimation of the company's intrinsic value. We would expect the Fund to be a beneficiary of acquisition activity in the future although we cannot predict the timing of these events.

Our shorting activities were unprofitable in 2020 after generating gains in 2018 and 2019. The Fund currently holds no short positions after closing out our last short position in the fourth quarter. We are actively searching for new short ideas, but we do not feel pressure to always have short positions in the portfolio.

**New Position**

Bioanalytical Systems (BASI) - $170 million market cap:

Bioanalytical Systems, doing business as Inotiv, is a clinical research organization (CRO) based in West Lafayette, Indiana. The company was founded by Peter Kissinger, a former professor at Purdue University, in 1974. The company went public in 1997, but the stock declined for the next twenty years as the company struggled to grow and generate profits. In 2017, the company hired Bob Leasure, Jr., a turnaround expert, to reverse the company's fortunes. Since taking the CEO role, Mr. Leasure has changed the management team from top to bottom, made several tuck-in acquisitions to bolster the company's service offering and has re-positioned the company for future growth.

Bioanalytical Systems provides pre-clinical development services to the biotechnology, pharmaceutical and medical device industries. At a high level, the company assists its customers with new drug and device development before they enter the clinical setting. Its customer base primarily includes smaller biotech companies that lack the infrastructure and money to run pre-clinical studies in house. The CRO industry is benefitting from several key tailwinds including a secular trend of clients using outsourced development partners and a record amount of life sciences funding going toward the research and development (R&D) of new molecules and therapies. According to EvaluatePharma©, total R&D spending across the global pharmaceutical industry is expected to grow 3% annually and reach $223 billion by 2026.

We initially reached out to the company one year ago following a round of insider stock purchases, but our calls and emails to the CFO were not returned. We decided to pass on the opportunity, and the pandemic ensued shortly thereafter, which took our attention elsewhere. However, the insider buying trend continued up until August of last year. When the company announced that it would be presenting at an investor conference in September, we tuned in. The CFO who did not return our calls and emails was no longer at the company, so we reached out to the new CFO following the presentation. After an initial conversation, we liked what we were hearing. Thankfully, the stock had not appreciated since our first attempt to contact the company.

Bioanalytical Systems has invested heavily in deferred maintenance and capital equipment over the past few years spending roughly $13 million. The company now has over $15 million in revenue capacity that it can sell to its customers at high incremental margins. The recently released book-to-bill ratio of 1.48 implies strong growth in future periods and we are modeling sales greater than $70 million in FY21. We also believe the company will continue making tuck-in acquisitions as it has done since the new team changed the strategic direction three years ago. In short, the improvement in operating performance by the new management team is beginning to bear fruit.

The situation at Bioanalytical Systems checked a lot of boxes for us: significant insider buying, a new management team, a company that was not well known or covered by the investment community, a meaningful and growing sales base, and an industry with a number of powerful tailwinds. As such, we began to aggressively buy the stock in late September. We were able to establish a meaningful position (roughly 8% of the portfolio) with an average cost close to $5 per share. While the stock was a key contributor to our performance in the second half of 2020, it still trades at a sizeable discount (~50%) to industry peers on an enterprise value to sales basis. We expect this discount to be closed as management executes against the strategy or the company is acquired by a competitor.

**Position Updates**

*Electromed (ELMD) - $86 million market cap:*

Electromed is a medical device company that manufactures and sells the SmartVest. The SmartVest is a percussive therapy used to treat a variety of pulmonary diseases including bronchiectasis and cystic fibrosis. We have owned shares of Electromed since our launch, and it continues to be a prominent position in the portfolio. Like most companies, Electromed was negatively impacted by the COVID-19 pandemic in 2020. Sales have declined year-over-year in recent quarters driven primarily by reduced hospital system sales along with lower home care sales. However, the Medicare waiver implemented in 2020 has helped to sustain or improve patient access during this period, and the waiver was recently extended into April. Despite the pandemic pressures on the business, management has continued to generate profits and cash flow. As a result, we expect the company to end 2020 with roughly $13.5 million in cash (against zero debt), which represents 15% of the market cap.

Electromed has been spending heavily on R&D in recent quarters, which we fully support as the company positions itself for future growth. The company has historically spent between 1-2% of sales on R&D, but R&D spending has increased to 5-6% of sales in recent quarters. We expect to learn more about the next generation SmartVest product in the year ahead with an expected launch in the second half of 2021. The launch of a next generation SmartVest along with sales force expansion and the re-opening of pulmonology clinics should give the company the ability to grow revenues well over 10% exiting the pandemic period. Over the long term, we see a path to sustainable double-digit revenue growth propelled by high single digit market growth, share gains and deeper penetration into the bronchiectasis market.

We continue to see material upside in Electromed's shares. The stock screens as attractive relative to a peer group of small-cap medical device stocks. Electromed trades at 2.2x enterprise value to current year sales while a peer group of ten companies trades at a mean enterprise value to current year sales of 5.6x. Within the peer group, Electromed is one of the few companies that has consistently generated profits and positive cash flow, and it features one of the highest gross margins at 77%. Our discounted cash flow-based price target is $17.50 per share. We also believe the company represents an attractive takeout candidate at the current price.

*ModivCare (MODV) - $2.3 billion market cap:*

We initiated a position in ModivCare (formerly Providence Services Corp) in May after learning about the positive changes occurring at the company. ModivCare is the largest provider of non-emergency medical transportation (NEMT) services to patients nationwide with over 40% market share. Dan Greenleaf joined the company as CEO just over one year ago and has installed a new management team across the organization after years of poor management under the old regime. The new management team has implemented an attractive go-forward strategy and has already improved the company's operating performance. Additionally, management has proven to be skilled capital allocators having repurchased stock during the pandemic sell-off while also making several value-creating acquisitions.

Recently, the company has re-oriented itself as a social determinants of health (SDOH) company following the acquisition of Simplura Health, a home personal care provider. The company's mission is to break down the walls of inequality in the health care system by connecting lower income patients to physicians and in-home care providers. The company's mission also includes delivering food and meals to home-bound patients, and the suite of services offered could expand further in the future. We believe that the company is well positioned to grow profitably over the next several years as insurance providers (both commercial and government) include these benefits into their plan offerings.

Despite the recent run-up in the stock price, we see further upside in ModivCare over the next several years. The key drivers include growing market adoption of the company's service offering and a more streamlined and efficient business model as a result of technology upgrades coupled with additional acquisitions in the personal care industry. While 2021 could be a challenging year for earnings growth due to the benefits realized from the COVID-19 pandemic in 2020, we still believe the company can earn more than $10 per share annually over the next few years. The company's Matrix Medical ownership (43.6%) represents an additional value driver as recent acquisition multiples suggest that stake could be worth upwards of $400 million (pre-tax). We believe this value could be realized in 2021. Lastly, the company continues to be under-followed by Wall Street, which we expect to change in the future.

**Partnership Update**

The partnership ended 2020 at an all-time high level of assets under management (AUM). We remain committed to capping our AUM at an appropriate level, but we have not approached the threshold where our size would impede our return potential. Over 90% of the Fund's AUM is invested in the 5-year share class. Today more than ever, we view our long-term orientation as a significant competitive advantage. We are grateful to have attracted a group of limited partners who share that view.

We continued to pay for all Fund expenses (other than the stated management and incentive fee) out of the operating budget in 2020. These fees included the cost of fund accounting, tax, audit and legal. We are pleased to say that we have not charged a single penny to the fund for these fees since our inception. We will continue to pay for these expenses out of the operating budget in 2021.

My family remains the largest investor in the partnership. My wife and I have no outside equity accounts other than a small retirement fund that my wife holds. As the general partner, I am intently focused on compounding our capital at an attractive rate while keeping a close eye on the risks that we are taking.

**In Closing**

We would like to thank the limited partners who added to their accounts in the fourth quarter. We value your trust, and we will continue to work hard on your behalf. The 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

*[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 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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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.

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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.