

Dear Fellow Partners:

The Summers Value Fund LP (“the Fund”) returned -25.9% net in the first half of 2022. The small and micro-cap indexes returned -23.5% and -25.2%, respectively. Since inception, the Fund has annualized at 7.1% net against the benchmark returns of 2.1% and .8%, respectively. The first half of 2022 was one of the worst starts for the stock market in five decades. We performed slightly worse than the indexes, which was a disappointing result. The majority of our decline took place in the first quarter as we were too slow to react to the Fed’s decision to increase interest rates and shrink its balance sheet to cool the over-heated economy.

Portfolio Commentary

The biggest contributor in the period was Natus Medical (NTUS) followed by our short position in Oyster Point Pharmaceuticals (OYST). In April, it was announced that Natus would be acquired by private equity firm, Archimed, for \$33.50 per share. The deal was approved by shareholders in early July and should close in the third quarter. Our short position in Oyster Point paid off as the launch of Tyrvaya for dry eye disappointed lofty investor expectations. We covered our position in the second quarter below \$4 per share.

The biggest detractors during the first half of 2022 were Inotiv (NOTV) and Electromed (ELMD). The perception of a slowing R&D funding environment for small pharmaceutical and biotechnology companies weighed on Inotiv’s share price. While the funding environment certainly has become more difficult, Inotiv is highly diversified with over 3,000 clients including academic centers and other clinical research organizations (CRO). Pre-commercial clients only represent 20% of its sales mix. Additionally, Inotiv is a market share gainer in the CRO industry as it benefits from its intense focus on the customer experience. As such, we believe the company is positioned to weather the storm. We continue to own shares of Inotiv; however, we reduced the position size in the first quarter. Electromed’s share price declined as the company has struggled to generate profitable revenue growth over the past few years. The company has also been hurt by a pattern of turnover on the executive team. We believe that Electromed should balance its growth aspirations against shareholders’ desire for higher profit margins and a more compelling return on invested capital (ROIC) profile.

Our top five positions at the end of the second quarter included: UFP Technologies (UFPT), Utah Medical (UTMD), Electromed (ELMD), Landec (LNDC) and Natus Medical (NTUS). The Fund held eleven long positions in total along with two short positions.

The market environment in the first half of the year was about as difficult as we have seen in our 25 years of investing. Extreme risk taking on the part of investors led to pockets of severely over-valued stocks entering 2022. While the Fed pivot to increase interest rates and shrink its balance sheet popped the valuation bubble, investor sentiment has not declined to a point that makes us believe the bear market is near its end. With the yield curve inverted (signaling an elevated risk of recession), we believe that a conservative stance is warranted. The next stage of the bear market will most likely involve lower corporate earnings due to a more challenging business climate and reduced access to capital. We believe the companies in our portfolio can perform well given the mission critical nature of their products and services, pricing power, and strong balance sheets.

It is interesting to note that the current bear market is the third bear market in the four years since we launched the Fund. We experienced bear markets in 4Q18, 1Q20, and 2Q22. The equity markets are volatile, but the cadence of bear markets since our launch is more frequent than is historically normal (every 3-4 years). In fact, the micro-cap index (IWC) ended June virtually flat from when we launched over four years ago.

New Idea: Sharps Compliance (SMED) - \$57 million market cap

The market sell-off has created attractive opportunities to deploy capital. One such opportunity was Sharps Compliance (SMED), the second largest provider of medical waste disposal services in the United States. The stock declined from a high of \$17.50 in 2021 to a low of \$2.80 in June. The company was a COVID-19 beneficiary due to the high rate of vaccinations that took place but lagged after the pandemic subsided. We had followed Sharps for over a decade and developed a deep knowledge of the company over that time period. We never owned the stock until it recently traded below \$3.00 per share. We believed the stock was undervalued trading at .5x EV/Sales and 1.7x EV/Gross Profit. Sharps had net cash of \$23 million, which represented 40% of the market cap. The business had its ups and downs over the years, but it operated mostly profitable and did not require additional capital.

The catalyst that really piqued our interest was when the company named Pat Mulloy as CEO on April 4. Mr. Mulloy was a board member, and he was tapped to lead the company after it parted ways with long-time CEO, David Tusa. Mr. Mulloy had a successful track record in the long-term care industry where he led several companies before joining the Sharps board. We did a call with Mr. Mulloy in May and believed that the business would be operated at a higher level under the new leadership team. The sell-off in the stock price was exacerbated by its deletion from several indexes in June along with selling from the former CEO. Our relative valuation work compared Sharps to the industry leader, Stericycle (SRCL). This analysis indicated a target share price in the \$8-10 range.

We accumulated a ~1% position before it was announced on July 12 that the company would be acquired by a private equity firm, Aurora Capital Partners, for \$8.75 per share or a 207% premium. The deal is expected to close in the third quarter.

In Closing

I would like to thank those limited partners who added to their accounts during the second 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%	-0.9%	-0.4%	-2.3%							-25.9%	-23.5%	-25.2%	
													CUMULATIVE	32.2%	8.7%	3.5%
													ANNUALIZED	7.1%	2.1%	0.8%

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.