

Dear Fellow Partners:

The Summers Value Fund LP (“the Fund”) declined by 1.2% net¹ during the first nine months of 2020, outpacing the Russell 2000 Index return of -9.6% and the Russell Microcap Index return of -9.1%. In September, the Fund returned -2.3% net¹ relative to the Russell 2000 Index return of -3.5% and the Russell Microcap Index return of -3.6%. The Fund has generated a cumulative return of 7.0% net¹ since inception compared with the Russell 2000 Index return of -8.5% and the Russell Microcap Index return of -14.0% over the same period.

3Q20 Portfolio Commentary

Year-to-date, the biggest contributors to fund performance include Electromed (ELMD) and Emisphere (EMIS). Both of these stocks continued to be top holdings at the end of the quarter. After trimming our Electromed position over the summer, we added to the position on weakness in September. The biggest detractors year-to-date include Eagle Pharmaceuticals (EGRX) and Taro Pharmaceuticals (TARO). We continue to hold our shares in Eagle but exited our Taro position over the summer months. We believed that Taro’s business was in the process of stabilizing when we originally took our position but, we were proven wrong as the business missed our estimates and the pipeline contracted in the one year that we owned the stock.

Our shorting activities continue to be limited as we wait for better opportunities. The Fund has generated a small loss on the short side year-to-date.

Position Updates

Emisphere Technologies (EMIS):

Emisphere receives royalties on Rybelsus (oral semaglutide), which is approved and marketed globally by Novo Nordisk for Type 2 diabetes. Rybelsus is the first and only **oral** GLP-1 drug to be marketed to this patient population. The launch of Rybelsus continues to progress favorably aided by the recently initiated direct-to-consumer advertising campaign in the United States. As of the most recent week of prescription data, the drug was annualizing at \$400 million in sales. We believe that Rybelsus is positioned to reach at least \$10 billion in global sales, which will drive royalties to Emisphere of \$250-400 million annually along with significant milestone payments.

Novo Nordisk recently initiated pharmacokinetic studies evaluating higher doses of Rybelsus (25mg and 50mg). We believe these exploratory trials are the first step toward an eventual weight loss indication. Ozempic (injectable semaglutide) showed amazing weight loss benefits in the STEP trials at higher doses and will be filed for a weight loss indication this quarter. Based on the success of Ozempic in the STEP trials, we have a high degree of confidence that higher doses of Rybelsus could also be approved for a weight loss indication in the future. As it is estimated that 80 million adults are clinically obese in the United States, this new indication would represent a significant market opportunity.

Our price target on EMIS is \$20 per share based on the significant earnings potential associated with the Rybelsus royalty stream. We recently posted a presentation outlining the Emisphere opportunity on our website and it can be accessed [here](#).

Electromed (ELMD):

Electromed reported an acceptable second quarter result given the negative headwinds created by the COVID-19 pandemic. Second quarter revenue declined by 20% y/y, but the company generated a profit along with positive cash flow even after a one-time benefit from the CARES Act. Electromed ended the period with over \$10 million of cash on the balance sheet against zero debt. The long-term growth outlook for the company's SmartVest product remains unchanged, and we expect the company's performance to improve as the pandemic subsides.

We continue to see material upside in Electromed's shares. The stock screens as particularly attractive relative to a peer group of profitable, small-cap medical device stocks. Electromed trades at **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 **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. 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.

Providence Services Corp (PRSC):

We initiated a position in Providence Services Corporation in May after learning about the positive changes occurring at the company. Providence is the largest provider of non-emergency medical transportation (NEMT) services to patients nationwide with an over 40% market share. As a logistics platform, the business is asset light and lacks capital intensity. Providence also owns a minority interest in Matrix Medical, which we believe is worth roughly \$150 million and could be monetized in the near term.

Providence has a new management team led by CEO Dan Greenleaf. Mr. Greenleaf has a long track record of success in the healthcare services industry. We initiated our position on the thesis that Mr. Greenleaf and his new team were positioning the company for improved operating performance after a period of poor management. The company also featured a pristine balance sheet with no debt, a history of free cash flow generation and virtually no Wall Street coverage. We believe that Providence is worth \$150-175 per share and will appreciate on the back of improved operating performance combined with smart capital deployment.

Assertio Holdings (ASRT):

We bought shares of Assertio in the second quarter on the view that the company was poised for improved operating performance after a period of significant corporate change. The stock was inexpensive trading at less than 1x enterprise value to current year sales. We have rarely seen pharmaceutical companies not at risk of bankruptcy trading so cheaply.

In late September, the company was approached by a private company, Currax Pharmaceuticals, which communicated an interest in merging the two companies. Highbridge Capital Management is the owner of Currax Pharmaceuticals and also owns a stake in Assertio. The talks were disclosed in a 13-D filing made by Highbridge in early October. We believe that Assertio shares could be worth \$1.25 or better in an acquisition scenario. We have shared our views on the matter with Assertio management and we await further information.

In Closing

We currently have more ideas than we do capital. We added two new positions in the third quarter, and our idea funnel remains full. The portfolio contains more value today than at any point since our launch and we are optimistic about the portfolio's future return potential. We are patiently waiting for the market to recognize the imbedded value in the portfolio.

We would like to thank those limited partners who joined the partnership in the third quarter. We value your trust and will 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.

Please stay healthy and safe.

Sincerely,

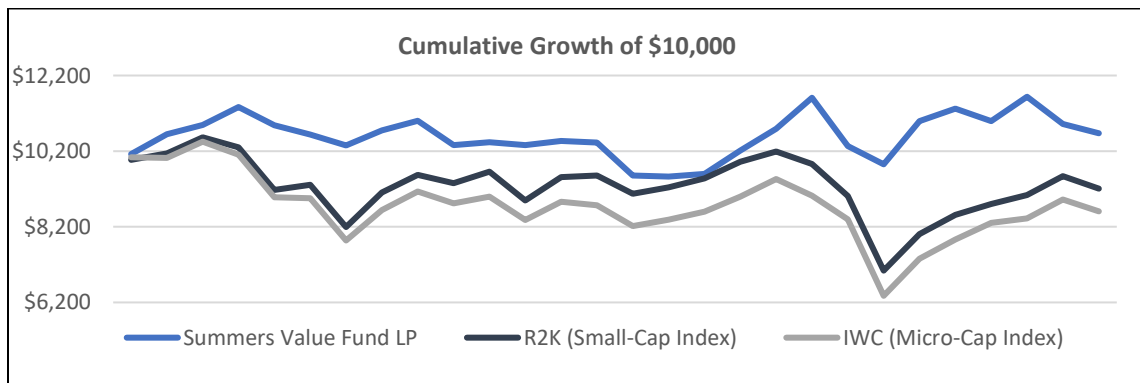


Andrew Summers, CFA
Managing Partner

MONTHLY FUND PERFORMANCE*													ANNUAL		
YEAR	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	FUND	IWM	IWC
2018						1.2%	5.2%	2.3%	4.4%	-4.3%	-2.2%	-2.7%	3.5%	-18.2%	-21.6%
2019	3.8%	2.4%	-5.9%	0.8%	-0.8%	1.1%	-0.4%	-8.4%	-0.3%	0.7%	6.5%	5.6%	4.6%	23.7%	20.7%
2020	7.6%	-11.0%	-4.7%	11.6%	3.0%	-2.9%	5.9%	-6.2%	-2.3%				-1.2%	-9.6%	-9.1%
* since June 4, 2018											CUMULATIVE	7.0%	-8.5%	-14.0%	
											ANNUALIZED	2.9%	-3.9%	-6.5%	

PORTFOLIO CHARACTERISTICS											
# Longs:	11	Long Exposure:	99.1%	Gross Exposure:	101.1%	US Exposure:	98.8%	Largest Long:	26.2%	Top 3:	64.4%
# Shorts:	1	Short Exposure:	2.0%	Net Exposure:	97.1%	Intl Exposure:	2.3%	Largest Short:	2.0%	Top 5:	80.2%

Trailing Period Returns	Summers Value Fund ¹	Russell 2000 Index	Russell Micro-Cap Index
3 Months	-2.9%	4.6%	3.7%
6 Months	8.4%	30.8%	35.0%
12 Months	12.0%	-1.0%	2.6%
Since Inception ²	7.0%	-8.5%	-14.0%



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.