

March 12, 2020

Dear Partners,

Lowell Capital Value Partners, L.P. (the “Partnership”) was (4.6%) in February 2020 vs. (8.3%) for the S&P 500 with dividends reinvested (all returns shown are net to investors). For 2020 year-to-date, the Partnership was (6.2%) vs. (8.3%) for the S&P 500 with dividends reinvested. As of February 28, 2020, the Partnership had 17 long positions (representing about 47% of total capital) and 3 short positions (representing 2% of total capital). The Partnership had no leverage and a 55% cash position giving our portfolio a net long position of about 45%.

Our focus is on increasing the capital accounts in the Partnership in a conservative and prudent manner by taking what we think are intelligent risks. We seek to carefully allocate our capital into investment opportunities where we believe we have an advantage and where we think the risk-reward ratio is asymmetrically in favor of the Partnership.

Our investment results have been achieved with an average net cash position of over 30%. The Partnership has avoided the use of leverage and, on the contrary, maintained a relatively significant net cash position, and we believe this has reduced the risk to its capital.

We are not happy with the Partnership’s results and we are working hard to improve them. We have an approach of investing in under-followed or misunderstood companies which generate strong cash flows and we think are under-valued. The market has not recognized these value-oriented stocks but seems more focused on fast growing technology stocks at high multiples which is not what we do. We believe our holdings are under-valued and will eventually be recognized. We plan to continue our approach to investing which has worked well over many years and with which we are comfortable. We believe the value of our investments will eventually be recognized and we are comfortable with this approach to investing.

Stock Market, Economy, and Market Volatility

The U.S. economy had been growing at a modest pace, but significant risks have recently emerged with the coronavirus outbreak and the sharp drop in oil prices. Other risks include continued trade battles between the U.S. and China and other countries and the large U.S. federal deficit funded at very low interest rates. There is also the build-up of corporate, mortgage, and other debts dependent on low interest rates which could lead to an adverse credit event.

Regarding recent market volatility, we are currently evaluating the impact of coronavirus and sharp oil price declines on the U.S. and global economies. In response, we have sharply reduced the risk profile of our investments and further built our net cash position as we evaluate how damaging these concurrent economic shocks will be to the global

economy. Our strategy has not changed - we continue to focus on highly cash generative business models with strong balance sheets and large free cash flow yields that are sustainable. We believe the long-term outlook for American businesses is still strong and interest rates remain low and unemployment is also currently low. It is quite possible for the U.S. and global economies to rebound strongly from the coronavirus and oil price declines but this remains to be seen. We continue to use our investment strategy that has worked over many years to purchase companies that we believe are undervalued based on their earnings, cash flow, and balance sheet characteristics. It is possible that this market volatility could ultimately drive investors back towards our value-oriented approach to investing but we cannot be sure of this. We will continue to take a “bond-like” approach to investing in equities with our strong focus on unleveraged free cash flow yields.

We believe the recent huge declines in the market indices could be an unwinding of an asset bubble in index funds and large cap stocks and eventually drive investors back towards our small-cap, value-oriented investments. Obviously, we are not sure this will happen but we have built our net cash position to potentially take advantage of this opportunity and protect downside of our investments as we evaluate how severe the impact of the coronavirus and the sharp declines in oil prices will be on the U.S. and global economies.

We believe most of the Partnership’s investments have near 10% or greater unleveraged free cash flow yields. While we have little confidence in our ability to forecast the stock market, we are more confident of the free cash flow yields that support our investments. We do a lot of work to try to maximize our confidence that these free cash flows are sustainable and reliable. This is what keeps us invested in carefully selected equities despite several consecutive years of positive stock market returns. We believe our large free cash flow yields provide a significant margin of safety for our investments, especially when compared to sub-2% risk-free yields on ten-year treasuries. Our focus with the Partnership is to find companies that can sustainably generate free cash flow over several years. We have found this to be the most reliable and conservative method to drive investment returns for the Partnership.

Good Businesses with Low Expectations

We are focused on investing in good businesses with low expectations (i.e., low valuations). For us, a “good” business is one that earns high returns on invested capital or where you don’t have to spend a lot of money to make a lot of money. We look at businesses where the total investment in tangible assets to run the business (i.e., net working capital plus the book value of property, plant, and equipment) are modest relative to the sustainable operating earnings or free cash flows. These businesses are not capital intensive. Businesses with high returns on invested capital tend to be strong generators of free cash flow. These are businesses that we like very much.

In terms of low expectations, our investments generally have valuations which are low and this helps reduce risk. The market does not expect much from the business in the future or is worried about current earnings or free cash flow sharply declining. These

may also be situations where a business is simply misunderstood or undiscovered. Our general experience is that if the business is able to exceed these low expectations or generate results that are less bad than expected, the stock price is likely to increase. Also, if expectations are low, when results are disappointing, the stock is likely to decline less than otherwise. We spend a lot of time studying these types of companies to try to get comfortable that their prospects are better than the market believes. Often specific businesses or industries get painted with a very broad brush and their valuations are driven down to what we find to be attractive levels. We think our focus on these out-of-favor companies and industries gives us an opportunity to earn better risk-adjusted returns than the general market.

Focus on Smaller Companies

We focus on smaller companies, searching for “low-risk, high-return” opportunities. We believe a few good ideas can drive the Partnership’s results. We believe the Partnership can generally achieve better risk-adjusted returns by uncovering a few small “gems” than by focusing on larger companies or macro issues which are much more widely covered. Our focus on smaller, less-followed companies represents a potential sustainable competitive advantage for the Partnership relative to larger investment funds that must focus on much larger companies. Our empirical investment experience validates this belief, as our most successful investment positions have consistently been smaller companies.

We are specifically looking for small companies that may appear risky on the surface but are less risky due to characteristics such as: (a) cash-rich, “Ft. Knox” type balance sheets, (b) consistent free cash flows; (c) unique niches or business models; (d) very low valuations with minimal expectations imbedded in the stock price; and (e) honest and intelligent management teams that are highly focused on driving shareholder value. Most small companies do not possess **any** of these characteristics. We focus most of our attention on a handful of companies that we believe possess almost **all** these characteristics.

Top Long and Short Positions

Our top long positions as of February 28, 2020 were as follows:

Tandy Leather Factory (TLF)
Cambria Automobiles (CAMB.L)
Terravest Industries (TVK.TO)
PFB Corporation (PFB.TO)
HCA Healthcare (HCA)
BBQ Holdings (BBQ)
Issuer Direct (ISDR)
Calloway’s Nursery (CLWY)
Saga Communications (SGA)
Transcontinental (TCL-A.TO)

We believe our long positions have strong competitive niches, large and sustainable free cash flow yields, low-risk balance sheets, recession earnings capability, shareholder-oriented management teams, and attractive risk-reward characteristics as investments. You will find that most of these companies are not household names and that is exactly as we have intended it. We are seeking to maximize our competitive advantage by investing in under-followed companies where we may have a greater opportunity to understand the company and the investment better than other investors.

We had 3 short positions as of February 28, 2020.

Position Sizes

The Partnership's investments are diversified across a wide range of businesses. Our goal is generally to have core position sizes in the 3% to 6% of total capital range and limit our exposure to any one specific investment to approximately 10% of capital or less. We think this helps limit our downside exposure to any one investment position while retaining substantial upside for those investment positions that work out as expected. Our investment positions are also diversified across several different industries.

Northern Exposure

We continue to seek out what we believe are attractive values for good businesses in Canada, our neighbor to the north. Canada has a population of about 35m or about 10% of the U.S. and we believe its economy remains in reasonable shape. Canada's debt to GDP is currently well below U.S. levels. Canadian banks avoided much of the real estate problems in the U.S. by maintaining more disciplined underwriting standards in making real estate loans. Canada is a natural resource-oriented economy with substantial oil and gas reserves. We will continue to carefully monitor the impact of oil price changes upon the Canadian economy.

Recent Investments

Our optimism regarding the future of the Partnership relates directly to our specific investment positions, which we believe are significantly mispriced relative to their intrinsic values. Certain of these are detailed below:

Tandy Leather Factory (TLF) is a leading retailer and wholesale distributor of a range of leather and leathercraft related items in North America and internationally. TLF offers leather, quality tools, hardware, small machines, and do-it-yourself kits. TLF operates 115 North American stores located in 42 states of the United States and 7 Canadian provinces; and 1 store located in Spain. It serves individual retail customers; and wholesale, manufacturer, and institutional groups, such as horse and tack shops, Western wear, and more.

Importantly, purchasers of leather and leather tools like to feel and see the products, which we believe gives TLF some insulation from online competition from Amazon and

others. TLF also has a capital light business model and has indicated in the past a two-year payback on new stores.

In 2019, TLF began implementing a more modernized accounting system during which management discovered issues regarding its inventory accounting, forcing the company to need to restate years of financials. TLF's stock dropped sharply when this was announced and has remained weak. After an extensive audit committee review, on October 18, 2019, TLF issued a press release indicating: (a) none of the accounting issues are expected to impact reported sales or cash for any periods, including prior periods; (b) operating cash flows for the year to date period ended June 30, 2019 were \$5.6m, with ending cash and treasury balances of \$20.3m at June 30, 2019; and (c) at September 30, 2019, cash and treasury balances increased an additional \$2.3m to \$22.6m and TLF had no debt. TLF appears to have generated very strong cash flows for year to date 2019. Further, Q4 is typically a strong cash flow quarter for TLF with the holiday season. We would not be surprised to see net cash further increase in Q4 of 2019.

TLF has about 9m total shares outstanding at \$4 for a market cap of about \$40m and a net cash position of about \$23m at September 2019 for an enterprise value (EV) of about \$20m. We expect TLF to generate total sales of about \$82m and adjusted EBITDA of \$7m+ for 2019. We believe TLF is trading at about 3x adjusted EBITDA for 2019. We believe TLF can sustainably generate \$5m+ of FCF which would result a 20%+ unleveraged FCF yield. In a world with sub 2% treasury rates and negative interest rates in various countries, we believe TLF's steady cash generation could be worth far more than current prices.

CEO Janet Carr joined TLF in late 2018 and has a strong operating background with senior positions at Caleres and Nine West. She is focused on improving inventory turns and has already reduced inventory significantly. She has also closed money-losing international stores. She is also seeking to reduce operating expenses. She has taken the wholesale business out of retail stores and based it in company headquarters in Ft. Worth, Texas.

TLF has a "Ft. Knox" balance sheet with close to \$23m in net cash or over 50% of the current market cap. Further, TLF is a highly cash-generative business. TLF has a high return on invested capital (ROIC) business model which requires limited capital expenditures and working capital investments. We expect its net cash position to increase significantly over the next few years and it could approach the entire market cap in two or three years out.

TLF has a strong and incentivized ownership group with lead shareholder Bandera Partners (led by Columbia value investing professor and author Jeff Gramm) owning over 30% of the company. There are several other activist shareholders involved as well. We expect this shareholder base to seek to aggressively drive shareholder value.

We think TLF could earn close to \$9m of adjusted EBITDA for fiscal 2021 and trade for 8x adjusted EBITDA plus \$30m of net cash by fiscal year end 2021 for a market cap of about \$100m or \$11 per share, over 100% above current prices.

We think TLF could be attractive to a strategic or financial acquirer. Alternatively, TLF could drive shareholder value through large share repurchase and/or a large special dividend program. We believe there are multiple levers to drive shareholder value over the next few years.

Cambria Automobiles (CAMB.L) operates as a retailer of new and used cars, commercial vehicles, and motorbikes in the United Kingdom. CAMB.L also provides maintenance and warranty repair services. CAMB.L has a unique strategy where they purchase sub-scale and underperforming auto dealerships and implement extensive processes and systems to improve operations. There are over 5,000 individual auto dealerships in the UK and their ownership is very fragmented. CAMB.L is currently comprised of 31 dealerships representing 46 franchises and 16 brands. Brands consist of Abarth, Alfa Romeo, Aston Martin, Dacia, Ford, Fiat, Honda, Jaguar, Land Rover, Nissan, and more.

There are three components to an auto dealer's business: new car sales, used car sales and aftermarket (parts and services). A dealership is a mini monopoly for a specific brand over an exclusive geographic area and they compete locally. We think this is a good business.

The aftermarket segment has the best economics and is the largest contributor to earnings, making up 40% of gross profits in a typical year. Aftermarket is also the highest margin portion of the business with gross margins in the 40% range. Further, aftermarket is also a highly resilient business, especially in the high luxury dealerships that CAMB.L has been focused on in recent years. After selling a car, franchise dealers retain approximately 80% of the aftermarket business. Although new automobile sales have stagnated in the U.K., the zero to five-year car dealerships are growing. We see this as likely driver for automobile aftermarket sales. Other growth drivers are: (a) it takes 4 to 5 years for newly opened or acquired dealerships to reach full potential in the aftermarket (and many of CAMB.L's dealerships are not mature) and (b) the increasing complexity of newer cars requires expensive and sophisticated equipment which many independent dealers or servicers can't afford. As a result, the barriers to entry for independent dealers and mechanics are growing and auto manufacturers favor the franchise dealers. Used car sales are the second largest contributor to gross profits and make up about 30% of gross profits in an average year and are also quite resilient.

CAMB.L has strong and consistent cash flows. Fiscal 2019 cash from operations were about 22m GBP. CAMB.L is a highly cash generative business, which is something we like to see in our investments. In fiscal 2019, CAMB.L invested almost 22m GBP of capital expenditures in new and upgraded dealerships and the impact of these large capital expenditures are not fully reflected in its earnings power.

CAMB.L has in recent years pursued a strategic refranchising effort includes a major move into high luxury dealerships with an upgraded portfolio and higher end brands that are more resilient and have higher margins than other brands (Rolls Royce, Bentley, Lamborghini, etc.). The Company achieved strong results in fiscal 2019 as adjusted EBITDA grew 28% in a difficult economic environment in the United Kingdom.

CAMB.L's shares currently trade at 60 pence per share with about 100m shares outstanding for a market cap of 60m GBP. We believe auto dealerships are high quality businesses. CAMB.L has a "Ft. Knox" balance sheet with net debt of about 4m GBP for an enterprise value of about 64m GBP.

CAMB.L's management team has a proven track record of success and a strong focus on driving shareholder value. CEO Mark Lavery founded the Company in 2006 to pursue a dealership roll-up strategy. Lavery owns 40% of the outstanding shares and has never sold any shares. We like to invest alongside these types of management teams who strongly focus on high returns on invested capital. The high ROIC business is reflected in that, starting in 2006, with less than 11m GBP in capital raised, CAMB.L has built a business that generated about 12m GBP in underlying operating profit in fiscal 2019.

CAMB.L's medium-term target is 1b GBP in sales with a 2% pre-tax margin which would result in 25m+ of adjusted EBITDA. If these targeted results were achieved, CAMB.L could eventually be worth almost 250m GBP or over 3 times its current market value.

Short Positions

We have sought to protect the Partnership's capital partially by maintaining small short positions (1% or less) on several companies with extremely high valuations and unsustainable business models. As of February 28, 2020 the Partnership had 3 short positions.

Concluding Thoughts

We think we own an excellent group of businesses with asymmetrical risk-reward characteristics biased in the Partnership's favor. We have long-term confidence in the North American economy and believe carefully selected equities remain one of the best ways to participate in their economic growth and protect one's purchasing power from inflation. We have tried to position the portfolio to achieve these objectives.

We focus on detailed research on individual investment opportunities with asymmetrical risk-reward characteristics in the Partnership's favor. We are keeping the Partnership's capital well-diversified in companies with "Ft. Knox" balance sheets. We are doing our best to balance well-publicized macro risks against our micro work on specific companies. A "Ft. Knox" balance sheet, both at the Partnership level and at our individual investments, helps us sleep better at night. Our first goal is always capital preservation, followed closely by prudent, intelligent growth of capital.

We believe that small cap stocks offer us excellent opportunities for attractive risk-adjusted returns. Most investors on Wall Street simply cannot focus on these smaller companies due to their small size. This should give the Partnership an advantage over time. There are greater opportunities to find a specific business or security which is

meaningfully mispriced before it becomes clear to other investors. We do a large amount of research on these individual positions to achieve a high conviction level which allows us to establish and remain committed to a larger position. We often have detailed discussions with the senior management of our investments to better understand these companies and their industries and thereby strive to increase our competitive advantage.

We are one of the largest investors in the Partnership and continue to have a significant investment. We will always maintain a large amount of capital in the Partnership and make sure our interests are closely aligned with our limited partners.

Our goal is to significantly outperform the major indices over a three- to five-year period while taking a conservative approach to risk and we continue to believe we can achieve this goal.

We remain cautiously optimistic on our investments due to our continued ability to find what we believe to be good businesses that are under-valued. We are doing our best to position the Partnership to earn attractive risk-adjusted returns in this environment. We truly appreciate your patience.

Please do not hesitate to call (310-426-2045) or email (jez@lowellcap.com) us with any questions. We appreciate your confidence in the Partnership and we will do our best to protect and conservatively grow the Partnership's capital over time.

Sincerely,

Jim Zimmerman

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