Sept 18, 2021

Dear Partners,

Lowell Capital Value Partners, L.P. (the "Partnership") was +1.0% in August 2021 vs.+3.0% for the S&P 500 with dividends reinvested (all returns shown are net to investors). For 2021 year-to-date, the Partnership was +27.4% vs. +21.6% for the S&P 500 with dividends reinvested. As of August 31, 2021, the Partnership had 24 long positions (representing about 86% of total capital) and 3 short positions (representing 2% of total capital). The Partnership had no leverage and a 16% cash position giving our portfolio a net long position of about 84%.

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%, although we have reduced our net cash position to about 15% in recent months based on the opportunity set of investments we have encountered. The Partnership has avoided the use of leverage and, on the contrary, maintained a significant net cash position, and we believe this has reduced the risk to its capital.

Our area of focus, small cap value, has been heavily out of favor in recent years but has performed strongly in recent months. We have an approach of investing in under-followed or misunderstood companies which generate strong cash flows, and we think are under-valued. We believe our holdings are significantly 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.

Stock Market, Economy, and The Basic Choices for Investors

The U.S. and global economies were growing at a modest pace, but the coronavirus pandemic struck in mid-March of 2020 and hit both economies and their stock markets quite hard. We took a more conservative position with the Partnership initially and gradually redeployed capital throughout 2020 into businesses which were under-valued and which we believed would have strong resiliency to or even benefit from the coronavirus impact. We carefully monitored commentary from businesses to help evaluate the risks going forward. Both economies and stock markets globally have recovered strongly thus far but risks certainly remain. These would include continued trade and global leadership battles between the U.S. and China, the large U.S. federal deficits funded at low interest rates, and the build-up of corporate, mortgage, and other debts dependent on low interest rates which could lead to an adverse credit event. Higher tax rates on corporations and capital gains could produce a significant reduction in economic activity and are a major risk. Another risk factor is inflation due to the large deficit spending by the U.S. government and the potential pent-up demand as consumers spend when the economy fully reopens. This could result in significantly higher interest rates than the markets expect. A pandemic outbreak of a variant form of Covid-19 such as the Delta variant could require businesses to close again, and this could be a significant risk.

On the positive side, the U.S. economy remains strong and continued low interest rates could put a huge tailwind behind stocks if they remain low. Ten-year treasury rates are the risk-free alternative to investing in equities and they are currently under 2%. Global investors have relied upon treasuries and other low-risk bonds to provide returns to support their investment strategies. The current low interest rates do not provide sufficient returns to hit their investment targets. This forces them to consider alternatives to treasuries and bonds. Stocks generate cash which is either paid out in dividends or retained in earnings but, ultimately, we believe the cash generated by companies finds its way to investors. Our "bond-like" approach to equities targets companies that are generating cash, even if it is not paid out currently to shareholders. If the cash builds up inside the company as earnings are retained, and is used for productive purposes, shareholders will ultimately realize this increased value.

Our primary objective is to find and invest in securities which are mis-priced, generally based on free cash flow generation. 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. 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.

We believe if inflation and interest rates move significantly higher, our cash-generative equity investments are a relatively good place to have capital. We believe most of our businesses could increase pricing to adjust for inflation and maintain or improve their profitability and cash flow generation. Their asset values have a good chance to increase with inflation to protect the Partnership's purchasing power. This is a far better alternative than most bonds which offer only a fixed return at low rates and would likely drop in value in response to higher market interest rates. There is a tremendous amount of capital in bonds globally and some portion of this could move into equities to preserve purchasing power of investment portfolios.

In Berkshire Hathaway's 2011 Annual Report, Warren Buffett included a section entitled "The Basic Choices for Investors and the One We Strongly Prefer" which talked about the three basic choices for investors. The first choice was "currency-based investments such as money-market funds, bonds, mortgages, bank deposits, and other instruments". He noted that these currency-based assets are thought of as "safe" but, in truth, they are the most dangerous of assets. He noted that these investments did not provide adequate returns to give investors a reasonable rate of return after taxes and inflation. He noted that, since 1965, when he started his Partnership, the purchasing power of the U.S. dollar had declined an incredible 86% due to the long-term impact of inflation. It took $7 in 2011 to buy what $1 would have purchased in 1965. Investors who believed they had their capital safely in cash and similar bond-like investments would have lost 86% of their purchasing power over this period.

The second choice was gold and similar investments which do not produce anything but are purchased in hopes that "someone else – will pay more for them in the future."

Buffett continued talking about gold in the following paragraph:

"Today the world's gold stock is about 170,000 metric tons. If all of this gold were melded together, it would form a cube of about 68 feet per side. (Picture it fitting comfortably within a baseball infield.) At $1,750 per ounce – gold's price as I write this – its value would be $9.6 trillion. Call this cube pile A. Let's now create a pile B costing an equal amount. For that, we could buy all U.S. cropland (400 million acres with output of about $200 billion annually), plus 16 Exxon Mobils (the world's most profitable company, one earning more than $40 billion annually). After these purchases, we would have about $1 trillion left over for walking-around money (no sense feeling strapped after this buying binge). Can you imagine an investor with $9.6 trillion selecting pile A over pile B?"

The third choice was stocks and real estate and other income producing investments. These investments produce goods and services which over time would help protect purchasing power. If these businesses have goods and services that people will want and need in the future, people will be willing to trade income from the fruits of their labors, in whatever currency may be in place at that time, for the needed goods and services. These important goods and services should be able to raise their prices over time to maintain their absolute value despite a depreciating currency. The critical factor is the importance and necessity of the underlying goods and services well into the future, as that is what will protect ones purchasing power over time. We agree strongly with this logic and that investment in productive businesses is the best protection for the Partnership's capital over time.

Buffett's ended this section with the following paragraph, which strongly resonates with us and our approach to investing:

"Our country's businesses will continue to efficiently deliver goods and services wanted by our citizens. Metaphorically, these commercial "cows" will live for centuries and give ever greater quantities of "milk" to boot. Their value will be determined not by the medium of exchange but rather by their capacity to deliver milk. Proceeds from the sale of the milk will compound for the owners of the cows, just as they did during the 20th century when the Dow increased from 66 to 11,497 (and paid loads of dividends as well). Berkshire's goal will be to increase its ownership of first-class businesses. Our first choice will be to own them in their entirety –but we will also be owners by way of holding sizable amounts of marketable stocks. I believe that over any extended period of time this category of investing will prove to be the runaway winner among the three we've examined. More important, it will be by far the safest."

Our best guess is that the large deficits that governments today are running will likely lead to depreciation in those currencies over time and dramatically reduce the purchasing power of cash or other “currency-based” investments. Investors best opportunity to maintain and increase their after-tax purchasing power over time is through productive assets such as real estate or businesses that provide essential goods and services that are likely to be in demand many years into the future. There has been a consistent depreciation of the purchasing power of the U.S. dollar over time and we see no reason this trend will stop.

We would note that the debt outstanding for the United States has increased sharply over the past decade, but this debt is in U.S. currency that the government can issue for repayment. Also, this debt backed by an increase in the underlying asset values of the country (e.g., how much have Facebook (FB), Google (GOOG), Tesla (TSLA), Apple (AAPL), Microsoft (MSFT), residential real estate, commercial real estate, etc. increased in value over the past several years?). The U.S. government is, in effect, a “partner” in these businesses, which have increased greatly in value in recent years, by its ability to tax them. While the debt of the United States has increased greatly, so have the assets which, ultimately, backstop this debt. We expect the government to continue to run deficits and this will likely depreciate its currency. The Partnership’s capital is best protected in strong businesses with essential goods and services over long periods of time. Given the current selection of investment alternatives available, we believe under-valued stocks are by the far the best option to grow our capital and protect and improve its purchasing power.

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 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 can 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 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 create 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 August 31, 2021, were as follows:

Calloway's Nursery (CLWY)
New Zealand Media & Entertainment (NZME.AX)
Kirkland's (KIRK)
Terravest Industries (TVK.TO)
Transcontinental Class A (TCL-A.TO)
Tilly's Class A (TLYS)
Celestica (CLS)
Insight Enterprises (NSIT)
Saga Communications (SGA)
UFP Technologies (UFPT)

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.

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 of 2008-9 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:

New Zealand Media and Entertainment (NZME.AX) operates as an integrated media and entertainment company in New Zealand. It offers its products through 39 print publications and 9 audio brands, 17 websites, and 19 real estate publications. Its principal brands include The New Zealand Herald, Newstalk ZB, ZM, Watch Me, nzherald.co.nz, and e-commerce platform Grab One. NZME owns the dominant daily newspaper (<u>The New Zealand Herald</u>) and digital news website (nzherald.co.nz) in New Zealand and the leading radio broadcasting company (with 40% market share), and the #2 digital real estate listing company (One Roof). NZME has three segments: Publishing, Audio, and One Roof. NZME is aggressively shifting its Publishing segment to a digital-first model, adopting a similar playbook successfully executed by the New York Times (NYT) over the past several years. It is also increasing its market share in radio broadcasting and in digital real estate advertising.

We were impressed with the resiliency of NZME's business model during a very difficult pandemic environment, and its aggressive cost reductions and cash generation in response to the pandemic. In 2020, despite the pandemic, adjusted EBITDA increased 3% to NZ$67m and NZME generated NZ$40m in free cash flow. Digital subscribers increased sharply, and management confirmed that digital (about $200 per year cost) and print subscriptions (about $1,000 per year cost) were equally profitable to NZME. We believe NZME provides unmatched access and connections to New Zealand's population of 5m people. We were also attracted to NZME's "Ft. Knox" balance sheet and highly cash-generative business model.

We originally invested in NZME at about NZ$0.65 per share in late 2020 with about 197m shares outstanding for a market cap of about NZ$128m. NZME had net debt of about NZ$55m for an enterprise value of about NZ$183m at investment. We expected NZME could generate adjusted EBITDA of close to NZ$70m for 2021 so we believed NZME was trading at less than 3x adjusted EBITDA when we invested. Further, NZME's highly cash-generative business model was rapidly reducing its net debt position. Net debt was about NZ$98m at year-end 2018 and had already been reduced to NZ$55m at mid-year 2020, despite the pandemic. We expected NZME would be debt-free by year-end 2021. NZME's business model was not capital intensive, with capital expenditures of about $10m per year (versus adjusted EBITDA of NZ$60m to $70m per year).

We believed NZME could sustainably generate NZ$40m of free cash flow per year versus an enterprise value at investment of NZ$183m and that NZME was trading at a free cash flow yield of 20% plus on an unleveraged basis. We believed NZME's Publishing segment could produce stable results over time as it transitioned to a digital business model, like the highly successful transition of the New York Times (NYT). NZME digital subscribers were growing rapidly and were equally profitable with print subscriptions.

NZME recently announced 6 mos. results for 2021 which were strong - NZME generated total revenues of NZ$173m versus NZ$157m in prior year and operating EBITDA of NZ$30m versus NZ$29m in prior year, which included NZ$8m of government support payments during the pandemic. For 6 mos. of 2021, NZME generated strong cash flow from operations of NZ$22m versus capital expenditures of NZ$3m and paid down NZ$15m of net debt. NZME's net debt was reduced to NZ$19m at 6/30/21, and we expect net debt to be close to zero by year end. NZME benefited from NZ$20m of permanent cost-base reductions implemented during the pandemic.

NZME also announced the sale of Grab One, a non-core asset, for NZ$17m, expected to close by October 2021. If the sale of Grab One closes, net debt will be close to zero. Further, we expect NZME to continue to generate strong cash flows in second half of 2021. We believe NZME will eventually undertake a significant dividend program to drive shareholder value. Additionally, NZME is focused on getting fair compensation from the global platform companies like Google (GOOG) and Facebook (FB) for displaying its proprietary journalistic content on their sites. The government of Australia recently drove improved compensation to news providers in that country for content used by these global technology platforms and significant payments are expected to Australian content providers. We expect New Zealand's government to adopt a similar stance, which could result in significant payments to NZME for its journalistic content.

We should note that New Zealand is currently in a strong lock-down mode as the government seeks to eliminate additional cases of Covid-19 or related viruses. NZME management is carefully monitoring this situation and has its capital allocation program on hold until the environment is completely stabilized. While we note the risks here, we also consider how strongly NZME performed during the pandemic and its further strengthened capital structure and cost structure. We expect the environment in New Zealand to eventually normalize.

We believe as NZME further pays down debt, increases dividends, drives growth through its digital subscription strategy for its Publishing segment, negotiates with global technology platform companies like Facebook (FB) and Google (GOOG), sells non-core assets like Grab One, and grows its revenues and adjusted EBITDA, the market could put a stronger multiple on its business. We believe NZME could reasonably generate adjusted EBITDA of NZ$75m in 2022 and trade at a 6x multiple for a market cap of about NZ$450m or NZ$2.25 per share, versus our entry price of about NZ$0.65 per share and the current market price of about NZ$0.95 per share. Further, NZME's dominant media and entertainment position in New Zealand could make it highly attractive to a strategic or financial buyer.

The Eastern Company (EML) is an undervalued manufacturer of highly customized solutions to industrial markets in the United States and internationally, focusing on industries that offer long term macroeconomic growth. EML has several characteristics we like including an excellent management team and board with a large ownership stake that is highly motivated to drive shareholder value, a record of strong sales growth, a highly cash-generative business model, a high ROIC business with limited capital requirements, and a long-term strategy to grow sales and EBITDA.

EML has an attractive valuation at 7x adjusted EBITDA and a high single digit free cash flow yield, based on normalized free cash flow. EML's current market cap is about $150m and net debt is about $70m for an enterprise value of $220m. EML has a long-term goal to create a $100 million EBITDA company through organic growth in their three main business lines and add-on acquisitions.

EML has three strong and scalable businesses including Big 3 Precision, Eberhard/Illinois Lock Company, and Velvac. Big 3 is a custom molding company with meaningful exposure to auto and consumer packaging. Eberhard/Illinois Lock Company is a leading manufacturer of latches and locks. This past year, Eberhard and Illinois Lock combined, and we believe there are significant expense synergies still to be realized. Velvac is predominantly a maker of mirrors and smart camera systems for RV's, trucks, and commercial vehicles. We believe that the focus on these three core businesses will translate into material sales, earnings, and cash flow growth.

EML serves many diversified markets including consumer and pharmaceutical packaging, returnable packaging, consumer discretionary, commercial vehicle and aftermarket accessories, and commercial vehicle classes 4-7 OEM, and class 8 OEM. EML is well positioned in markets that are growing over the next few years. Significant EML sales are tied to new vehicle launches. BofA estimates there will be 34 new vehicle launches in 2021, but that average annual new vehicle launches over 2022 to 2025 will grow over 50% to 60 launches per year, due largely to electric vehicle introduction and production. This could drive significant revenue growth for EML whose revenues are driven more by new vehicle launches rather than resultant unit sales. EML also plans to drive growth by expanding geographically and further diversifying end markets. EML is one of the few end-to-end players in the market for custom returnable packaging and they have long-standing relationships with the most demanding consumer goods and pharmaceutical customers.

EML is highly focused on generating cash and paying down debt and has a highly cash-generative business model.   Further, EML has a record of strong sales growth. Revenue growth has been a combination of organic growth as well as acquisitions. Net sales from continuing operations were up 55% in Q2 2021 to $61 million due to an increase in demand for truck accessories, automotive returnable packaging, blow mold tooling, and distribution products. EML's backlog grew to $89m in Q2 of 2021 versus $55m at year-end 2020. EML grew revenues 15% per year from 2016 to 2019 before Covid-19. Most organic growth has come from expansion into new markets and Velvac expansion into truck fleet programs. The Company's custom and niche manufacturing operations result in a business model with limited capital investment requirements. EML has been able to earn high returns on invested capital (ROIC) and generate substantial free cash flows.

We invested in EML shares at about $32 per share and EML shares currently trade at about $25 with about 6m shares outstanding for a market cap of about $150m. EML has a solid balance sheet with modest leverage at slightly over 2x LTM adjusted EBITDA and net debt of about $70m. EML has an enterprise value (EV) of about $220m. EML recently announced plans to sell its lower-margin Diversified Products segment assets, classified them as discontinued operations, and expects to realize about $25m in after-tax proceeds, which would reduce EML's enterprise value to about $200m versus our estimated $30m in run-rate adjusted EBITDA from continuing operations.

The sale of Diversified Products segment assets will enable EML to focus on its highest margin, highest growth, and highest ROIC businesses. We believe EML could grow adjusted EBITDA to about $40m by 2023 or 2024, given the solid growth profile of EML's end markets, and trade for 8x adjusted EBITDA, less net debt of about $30m for a market cap of about $300m. Based on 6m shares outstanding, this would result in a share price of about $50 per share, versus the current $25 per share price. Further, we think EML's solid, niche manufacturing businesses could be attractive to a strategic or financial purchaser, especially given the strong outlook in the end markets it serves.

Celestica Inc. (CLS) is an undervalued Canadian electronics contract manufacturer based in Toronto. CLS provides hardware platforms and supply chain solutions in North America, Europe, and Asia. The Company offers a range of product manufacturing and related supply chain services, including design and development, engineering, supply chain management, new product introduction, component sourcing, electronics manufacturing, and testing. It also provides enterprise-level data communications and information processing infrastructure products, capacitors, microprocessors, resistors, etc. The Company serves a range of industries, including aerospace and defense, industrial, energy, healthcare, capital equipment, and others.

Celestica builds strong, long-term relationships and solves complex technology challenges to help their customers realize greater value. CLS has a customer-centric approach as they partner with leading companies in numerous markets to deliver solutions for difficult challenges. CLS is a leader in high-reliability design, manufacturing, and supply chain solutions that bring global expertise at every stage of product development, from the drawing board to full-scale production and after-market services.

CLS has two segments including Advanced Technology Solutions (ATS) and Connectivity and Cloud Solutions (CCS). In 2021, we believe ATS will be about 40% of revenue and CCS will be about 60% of total revenue. The ATS segment includes aerospace and defense, industrial, health tech, and their capital equipment business. CCS consists of enterprise communications, telecommunications, servers, and storage businesses. CLS's Hardware Platform Solutions (HPS) is within the CCS segment.

CLS's shares currently trade at about $8.62 with about 127m shares outstanding for a market cap of about $1.1b. CLS has a "Ft. Knox" balance sheet today with net debt close to zero. The Company has a total enterprise value (EV) of about $1.1b. LTM EBITDA is about $314m. we expect free cash flow (FCF) for 2021 to be $100m or more. CLS is currently trading at about 3.5x EBITDA and a 10% unleveraged free cash flow yield.

We believe the market is underestimating the quality of CLS business despite its strong ROIC due to its low profit margins. We believe as CLS revenue continues to shift towards higher margin and longer lifecycle industrial verticals, its valuation multiples could increase. CLS is gradually shifting its business towards its higher margin ATS segment and HPS vertical. Further, CLS exited a low margin relationship with Cisco and the loss of these revenues has been obscuring CLS revenue growth at its core business segments.

CLS has a long-standing reputation in the aerospace and defense market and is one of the leading EMS providers for the vertical. The pandemic greatly disrupted the aerospace market. Despite this, CLS believes aerospace revenue has stabilized and will grow sequentially from here.

Electronic manufacturing services (EMS) businesses have tended to trade at low margins due to their low margins. However, most of their cost of goods sold are variable, with the majority of that being pass-through raw material costs, which is important in a rising cost environment. This has enabled CLS to consistently generate double-digit ROIC and strong cash flow despite low operating margins.

Further, there has been significant improvement in the EMS competitive environment over the past few years. Over the last few years, the EMS industry has placed a greater focus on margins and cash flow versus revenue growth, leading to a more disciplined pricing environment and, thus, higher ROIC's and margins.

We expect CLS to grow revenues in 2022 to $6b or more with adjusted EBITDA of $350m and adjusted EPS of $1.35 or more. We believe as CLS expands into its higher-margin and higher value-added segments and shows improved stability due to long-term, high value-added relationships with its customers, that CLS could trade for 6x adjusted EBITDA, which would result in a market cap of $2.1b with net debt of zero or a share price of about $16 per share, versus the current price of about $8.50 per share. Further, we believe CLS strong competitive niches could be attractive to a strategic or financial purchaser.

Short Positions

We have sought to protect the Partnership's capital by maintaining small short positions (1% or less) on several companies with extremely high valuations and unsustainable business models. As of August 31, 2021, the Partnership had 3 short positions. We continue to research several short position candidates.

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 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 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

MAY NOT HAVE ACCESS TO CAPITAL WHEN IT IS NEEDED. THERE IS NO SECONDARY MARKET FOR THE INTERESTS AND NONE IS EXPECTED TO DEVELOP. Potential investors should therefore carefully consider whether such trading is suitable for them in light of their financial condition.

Please note the securities identified and described are not representative of the entire portfolio. The investments discussed herein are for illustrative purposes only and it should not be assumed that such investments were or will be profitable or that the investments or recommendations Lowell makes in the future will be profitable or will equal the anticipated results discussed herein. Past performance is not necessarily indicative of future results.

The S&P 500 is referenced merely to show the general trend in the markets in the periods indicated and are not intended to imply that the underlying returns were comparable to the index either in composition or element of risk. There are significant differences between the Partnership and the S&P 500 including, but not limited to, risk profile, liquidity, volatility, and asset composition. References to the S&P 500 is for comparative purposes only. THE CHARACTERISTICS OF THE S&P 500 MAY BE MATERIALLY DIFFERENT FROM THAT OF LOWELL, AND THUS, LITTLE CORRELATION MAY EXISTS BETWEEN THE RETURN OF LOWELL AND THE S&P 500.