

June 20, 2020

Dear Partners,

Lowell Capital Value Partners, L.P. (the “Partnership”) was (0.1%) in May 2020 vs. +4.8% for the S&P 500 with dividends reinvested (all returns shown are net to investors). For 2020 year-to-date, the Partnership was (13.2%) vs. (5.0%) for the S&P 500 with dividends reinvested. As of May 31, 2020, the Partnership had 21 long positions (representing about 59% of total capital) and 2 short positions (representing 2% of total capital). The Partnership had no leverage and a 42% cash position giving our portfolio a net long position of about 58%.

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.

Our area of focus, small cap value, has been heavily out of favor in recent years. 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. We believe the value of our investments will eventually be recognized and we are comfortable with this approach to investing.

Stock Market, Economy, and Mis-Priced Securities

The U.S. economy was growing at a modest pace, but the corona virus pandemic in mid-March hit both the economy and the stock market quite hard. We took a much more conservative position with the Partnership initially and have gradually redeployed capital into businesses which are under-valued and which we believe will have strong resiliency to the corona virus impact and the damage it will likely cause to the global economy. While markets have initially recovered quickly, we are not sure they are not ahead of the actual economy, both globally and in the United States. Other risks include continued trade battles between the U.S. and China and several 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. All this said, we believe the world may not be that different when the pandemic episode is behind us and it is almost impossible to time the bottom of the market, especially since the market is always trying to look out nine months to a year in the future.

Our primary objective is to find and invest in securities which are mis-priced, most frequently based on free cash flow generation. If we do good valuation work, we believe the market will eventually agree with us over time. There are several factors which exist today which can create opportunities for mis-priced securities. These would include the proliferation of index funds, increased market volatility, shortened time horizons, lack of research coverage, and smaller cap stocks which are less closely followed.

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. U.S. and global economies could 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 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 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 May 31, 2020 were as follows:

KBR Inc. (KBR)
UFP Technologies (UFPT)
Cambria Automotive (CAMB.L)
Dropbox (DBX)
Berkshire Hathaway (BRKB)
HCA Healthcare (HCA)
Issuer Direct (ISDR)
Calloway’s Nursery (CLWY)
McColl’s Retail (MCLS.L)
Lanxess (LXS.G)

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 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:

Transcontinental, Inc. (TCL-A.TO) is a leader in flexible packaging in North America, and Canada's largest printer. TCL-A is also the leading Canadian French-language educational publishing group. TCL-A engages in the flexible packaging business in Canada, the United States, Latin America, the United Kingdom, Australia, and New Zealand. It operates through three segments: Packaging, Printing, and Other. The Packaging segment engages in the extrusion, lamination, printing, and converting packaging solutions; and manufacturing flexible plastic and paper products. This segment serves dairy, coffee, meat and poultry, pet food, agriculture, beverage, and more. The Printing segment provides integrated services for retailers, such as pre-media services, flyer and in-store marketing product printing, and door-to-door distribution. Transcontinental, Inc. was founded in 1976 and is headquartered in Montreal, Canada.

TCL-A has about 84m total shares outstanding at C\$14.50 for a market cap of about C\$1.1b and a net debt position of about C\$950m at April 2020 for an enterprise value (EV) of about C\$2b. We expect TCL-A to generate adjusted EBITDA of C\$450m in 2020. We believe TCL-A is trading at about 4x adjusted EBITDA. We believe TCL-A can sustainably generate

C\$250m+ of FCF which would result 12% unleveraged FCF yield. In a world with sub 2% treasury rates and negative interest rates in various countries, we believe TCL-A's steady cash generation could be worth far more than current prices.

Importantly, TCL-A achieved a strong quarter for April 2020 with both Packaging and Printing segments showing resilient performance amid the corona pandemic. Packaging segment expects organic growth in H2 of 2020 and Printing segment is recovering with the reopening of Canada's economy. TCL-A's Print segment is a stronger business than the market is giving it credit for as its flyers are an essential tool for major retailers to drive sales. We expect Print segment to maintain profitability and cash flows as it consolidates its plant network in Canada (currently 16 plants, down from 38 plants in 2010). Management will aggressively consolidate printing plants as needed and has done this very skillfully.

We believe current TCL-A's valuation misprices the resiliency in both its Packaging and Print segments. Packaging companies trade at much higher multiples and as Packaging becomes a larger part of TCL-A we expect its multiple to move up accordingly.

TCL-A current pays an annual dividend of about C\$0.87 per share for a 7%+ dividend yield and we believe the dividend is likely sustainable based on TCL-A strong free cash flow generation and its improving balance sheet.

TCL-A has an improving balance sheet with net debt reduced from C\$1.4b after the Coveris acquisition in mid-2018 to about C\$950m at April 2020. We think TCL-A could achieve adjusted EBITDA of C\$500m+ by 2022 and trade for 6x adjusted EBITDA or C\$3b less C\$800m of net debt for a market cap of about C\$2.2b or C\$25 per share versus today's C\$14 per share price.

We think TCL-A could be attractive to a strategic or financial acquirer. Alternatively, TCL-A 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.

KBR, Inc. (KBR) provides professional services and technologies across the asset and program lifecycle within the government services and hydrocarbons industries worldwide. The company operates through three segments: Government Solution, Technology Solutions, and Energy Solutions. The Government Solutions segment offers life-cycle support solutions to defense, space, aviation, and other programs for military and other government agencies in the US, the UK, and Australia. The Technology Solutions segment provides proprietary technology solutions, catalysts, digital solutions and more for refining, petrochemicals, inorganic and specialty chemicals and more. The Energy Solutions segment offers engineering services, front-end consulting and feasibility studies, and maintenance services for onshore oil and gas. KBR, Inc. was founded in 1901 and is headquartered in Houston Texas.

KBR, Inc. operates in three segments. The Government Segment is 70% of the company's revenues as well as 70% of 2019 EBITDA. This segment includes professional services

spanning defense, space, and government. The Technology Services made up 6% of 2019 revenues and 17% of 2019 EBITDA. This segment includes front end services and solutions, technology licensing, engineering and design, plant automation services, etc. Lastly, the Energy Solutions made up 24% of 2019 revenues and 13% of 2019 EBITDA. This segment includes a variety of engineering and maintenance services.

KBR has transformed itself over the last five years from a volatile provider of energy related engineering and construction (E&C) services to a much more predictable, diversified provider of primarily government services. CEO Stuart Bradie, was hired in 2014 and has aggressively repositioned KBR over the last five years. The Government Services has grown from 10% of revenues in 2014 to 70% of revenues and EBITDA in 2019. The Energy Solutions revenue has dropped from about 85% of revenues in 2015 to 24% of revenues and just 13% of EBITDA in 2019. KBR guidance for 2020, post-corona virus, conservatively assumes zero contribution from its Energy Services segment.

One reason we like KBR is their 2020 earnings have a higher degree of visibility, which is a rarity in the current environment. In an environment where most companies are withdrawing guidance completely, KBR has an impressive level of visibility. KBR has a high rate of contract wins, 90% re-compete win rate in government services and 80% in energy services. 2020 and 2021 have a lower than typical number of re-competes for KBR, further lowering earnings risk. The largest re-compete is NASA Ames and has already been won by KBR. Almost 90% of KBR's 2020 guidance is covered by existing contracts in backlog. The new guidance range assumes that Energy Services make zero contribution for the full year to profitability. Management is confident that the Energy Services business should remain profitable.

We see several long-term tailwinds for US government contractors. The US government continues to move increasing amounts of non-core functionality to contractors. This is driven, in large part, by lower cost for outsourcing as the government can avoid the high pension and benefit expenses incurred by public employees. There are also additional tailwinds for large, globally diversified contractors like KBR. The average contract sizes have increased materially. The US government has moved away from the prior focus on small and minority owned business preferences which favors diversified providers like KBR. Also, the US government has moved away from historical focus on lowest-price-technically-available (LPTA) bid awards to "best value" model, which is more of a total cost of ownership-focused (TCO) approach. This has benefited large, multi-faceted organizations like KBR who have an enhanced ability to execute successfully on complex projects.

We believe KBR is mis-priced due to its legacy in the volatile Energy Solutions segment which today represents only a small part of KBR's value equation. We believe as KBR continue to execute its valuation will approach the much higher valuation multiples of other Government Service provider competitors.

We invested in KBR at about \$22 per share with about 142m shares outstanding for a market cap of \$3.1b. KBR has a strong balance sheet with net debt of about \$504m and \$500m LTM EBITDA. The Company has an untapped \$500m revolver.

We believe KBR's resilient business model could grow adjusted EBITDA to \$550m by 2022 and trade for 10x EBITDA as Government Services becomes an even larger part of the company, for an enterprise value of \$5.5b. KBR would have a market cap of about \$5b assuming net debt of \$504m for a share price of about \$35 per share. In addition, we think KBR could be attractive to a potential strategic or financial acquirer.

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 May 31, 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 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

The information contained in this investor letter, which is a quarterly publication circulated by Lowell Capital Value Management, LLC ("**Lowell**"), is for discussion purposes only designed to highlight various market and portfolio information. While Lowell believes all the information set forth in this letter is from reliable sources, no representation or warranty can be made with respect to its completeness. Any projections, market outlooks or estimates in this presentation are forward-looking statements and are based upon internal analysis and certain assumptions, which reflect the views of the Lowell and should not be construed to be indicative of actual events which will occur. As such, the information may change in the future should any of the economic or market conditions Lowell used to base its assumptions change.

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, markets and countries herein including, but not limited to, risk profile, liquidity, volatility, and asset composition.

Appendix

“So one way to create an attractive risk/reward situation is to limit downside risk severely by investing in situations that have a large margin of safety. The upside, while still difficult to quantify, will usually take care of itself. In other words, look down, not up, when making your initial investment decision. If you don't lose money, most of the remaining alternatives are good ones.”

- Joel Greenblatt, *You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits*

“If you just stick to buying good companies (ones that have a high return on capital) and to buying those companies only at bargain prices (at prices that give you a high earnings yield), you can end up systematically buying many of the good companies that crazy Mr. Market has decided to literally give away.”

- Joel Greenblatt, *The Little Book That Beats the Market*

“Graham figured that always using the margin of safety principle when deciding whether to purchase shares of a business from a crazy partner like Mr. Market was the secret to making safe and reliable investment profits.”

- Joel Greenblatt, *The Little Book That Still Beats the Market*

“Even after you learn where to look for new ideas, the notion that you can cover even one-tenth of these special corporate events is a pipe dream.”

- Joel Greenblatt, *You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits*

“Although over the short term, Mr. Market may set stock prices based on emotion, over the long term, it is the value of the company that becomes most important to Mr. Market.”

- Joel Greenblatt, *The Little Book That Beats the Market*

“Stock prices move around wildly over very short periods of time. This does not mean that the values of the underlying companies have changed very much during that same period. In effect, the stock market acts very much like a crazy guy named Mr. Market.”

- Joel Greenblatt, *The Little Book That Beats the Market*

“The strategy of putting all your eggs in one basket and watching that basket is less risky than you might think.”

- Joel Greenblatt, *You Can Be a Stock Market Genius: Uncover the Secret Hiding Places of Stock Market Profits*

“In short, companies that achieve a high return on capital are likely to have a special advantage of some kind. That special advantage keeps competitors from destroying the ability to earn above-average profits.”

- Joel Greenblatt, *The Little Book That Beats the Market*

“Somehow, when ownership interests are divided into shares that bounce around with Mr. Market's moods, individuals and professionals start to think about and measure risk in strange ways. When short-term thinking and overly complicated statistics get involved, owning many companies that you know very little about starts to sound safer than owning stakes in five to eight companies that have good businesses, predictable futures, and bargain prices.”

- Joel Greenblatt, The Little Book That Still Beats the Market

“Choosing individual stocks without any idea of what you’re looking for is like running through a dynamite factory with a burning match. You may live, but you’re still an idiot.”

- Joel Greenblatt, The Little Book That Beats the Market