IBV CAPITAL

Dear Partners,

At the beginning of this year, the full potential of our long-standing investment thesis in Ascendant Group (AGL) came into focus. Following extensive restructuring efforts at its primary subsidiary, Bermuda Electric Light Company (BELCO), on January 28, 2019, the company initiated a strategic review of its options to surface shareholder value – AGL's shares were trading at $16.75 at the time of this announcement. This strategic review would ultimately lead AGL to conduct a comprehensive sale process.

On June 3rd, shareholders learned that AGL's sale process had concluded. After being in contact with over 60 interested parties and receiving comprehensive bids from many suitable buyers, AGL's board of directors accepted Algonquin Power and Utilities Corp.'s (AQN) offer to purchase the company for $36 per share – a 115% premium to the strategic review process announcement price.

This valuation confirmed our original intuition that AGL was a diamond in the rough. As you will find from past letters, to uncover this jewel, we used the full suite of value-enhancing tools at our disposal. Our uniquely versatile investment mandate allowed us to source AGL – despite it being well off the beaten path. We conducted exceptionally deep due-diligence, leveraging various internal and external resources, and used our owner/operator approach to convert this research into an actionable turnaround strategy. We collaborated with management and the board to execute on this robust plan. We harnessed our permanent flexible capital to build a material ownership stake in the company. Finally, we used our conviction, gained after years of accumulating intimate knowledge of the company's full potential, to comfortably concentrate our portfolio in AGL. Collectively, these activities ensured that AGL's value would sustainably increase above $5 per share, the price at which we made our first investment, and that our investors would noticeably benefit from this value creation.

While this is an exciting moment for us at IBV, work remains to be done. On August 9th, AGL shareholders will convene in Bermuda to vote on the transaction – and we will be there. Material support from the company's largest shareholders, including ourselves, has already been accounted for, and more is forthcoming.

Once AGL receives shareholder approval, the transaction will require the approval from Bermuda's Regulatory Authority, Minister of Home Affairs, Minister of Finance, and the Bermuda Monetary Authority. While each regulator's focus differs, we anticipate the common theme will be whether AQN is a suitable steward of Bermuda's electric utility.

We have viewed AQN through this lens to decipher the probability of the transaction receiving the necessary approvals – and we're pleased with the outlook. AQN's core competency in renewable energy closely aligns with Bermuda's long-term vision of reducing emissions created by electricity generation. Their demonstrated operational capabilities also provides us with confidence that rate payers will see a seamless transition and no impact on rates. As AGL represents a transformative international growth platform for AQN, they have also committed to investing in AGL's employees, offering to maintain a Bermuda headquarters, provide expansive international training and job opportunities, freeze all company-initiated job cuts, and focus on fostering local job growth. With AQN committing to a Bermuda-centric solution, we're confident this transaction will be in the best interests of all stakeholders. As a result, we look forward to the company gaining all the appropriate approvals and closing the transaction in the second half of 2019.

A Record Quarter

The market value of our IBV Capital Global Value Fund increased by 13.1% (net of fees) in the second quarter of 2019. The intrinsic value[1] of our portfolio decreased by 9.7% during the quarter. For comparative purposes, during the second quarter of 2019, the MSCI World Index advanced by 4%.[2]

In June, we recorded our highest returning month since our founding – confirmation that our return profile will be idiosyncratic in nature. This contributed to our three-year annualized return

[1] We would encourage all new readers to visit the "Our Liquid Conglomerate" section of our Q2-2016 investment letter to assist them in understanding the meaning and importance of our portfolio's intrinsic value.

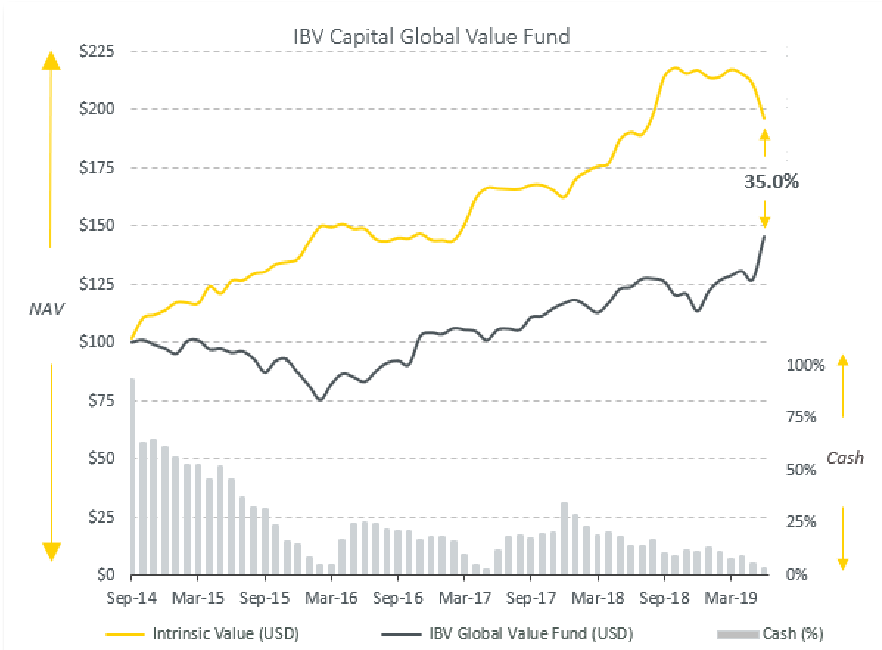
[2] "IBV Capital Global Value Fund" consists of USD$ IBV Capital Global Value Fund LP Class A unit returns, net of fees. Inception date of this class is September 1, 2014. "Portfolio Intrinsic Value" represents IBV's internally calculated intrinsic value for the cumulative securities within the IBV Capital Global Value Fund. "MSCI World Index" is based on the USD$ returns MSCI World Free NR Index. Full investment disclosures can be found on Page 8.

of 20.4% (net of fees) versus the MSCI's annualized return of 11.8% over the same period – testament to why we maintain a focus on generating returns over a long-time horizon.

AGL was responsible for much of our success in the second quarter. Following the AQN acquisition announcement, AGL's share price increased from $22 to $29.41 by month's end, materially below AQN's offer price, on limited volume. This type of trading activity is consistent with our experience on the Bermuda Stock Exchange and does not speak to the probability of the transaction being completed, as it may indicate in a more efficient North American market. Instead, for our investors, this means that the entire impact of AQN's purchase of AGL has not been realized in our year to date returns.

In addition to increasing the market value of our portfolio, the AGL transaction impacted our portfolio's instinsic value. When the offer to purchase the company at $36 per share was announced, we deemed this to be a material change in the underlying fundamentals of the company's value. Therefore, as we do with any material change to the fundamentals of a specific investment in our portfolio, we changed the intrinsic value of AGL to reflect this new reality. This meant marking AGL's intrinsic value to $36, down modestly from the expected figure we had internally arrived at. When we coupled this intrinsic value change with the weighting AGL enjoys in our portfolio, it had the impact of reducing our portfolio's entire intrinsic value.

As a result of these simultaneous and opposing dynamics, the gap between the intrinsic value of our portfolio – what we think our portfolio is worth – and the market value of our portfolio has narrowed to 35%.



The material increase in AGL's value, relative to our other investments, had the effect of abruptly increasing the weighting of AGL – and decreasing the weighting of our other investments. This is particularly true of our cash position, which fell to 3.5% as a result of the transaction and our investment in DaVita (DVA), among other names.

A Common Thread

We apply a consistent process to identifying and analyzing investment opportunities that exhibit the potential that Ascendant Group has realized for our investment partners. This process led us to two other investments, one we recently exited and another that we're disclosing for the first time.

In the first quarter of 2018, we disclosed our investment in Advanced Auto Parts (AAP). We uncovered AAP while conducting research on the aftermarket auto parts distribution business – an industry that surfaced after we combed through the battered brick-and-mortar retail space in 2017. A special thanks to Amazon for creating this fearful environment. What we discovered was that the auto-parts distribution industry enjoys great economics and sound underlying fundamentals – as a result of their physical network of stores, not despite them.

We also determined that the industry's four dominant companies – O'Reilly Auto Parts, NAPA Automotive Parts Association (owned by Genuine Parts Company), AutoZone, and Advanced Auto Parts – were performing at very different levels. Initially, we identified that AAP's financial and operational performance was underwhelming when compared to its peers. This was particularly the case when compared to industry leader O'Reilly Auto Parts.

Through our analysis, we developed an intuition that the underperformance was driven by the company's failure to fully integrate past acquisitions that had resulted in AAP growing to 5,100-plus corporate stores and 1,300 independently owned Carquest branded stores.

During a visit to Raleigh, North Carolina, which required four flights in one day (a personal record), we toured an AAP distribution center and met with senior management. There, our suspicions were confirmed that AAP's operations required considerable improvements. The visit also clarified for us that AAP was capable of righting the ship. While achieving O'Reilly Auto Parts' operational and financial metrics would be aspirational because of the structural differences between the two companies, a few levers could be pulled to make immediate and lasting improvements at AAP. However, our experience with AGL gave us an appreciation for how long a turnaround of this complexity might take – and that progress would not be linear.

Since making our initial investment, we've been pleased to see CEO Tom Greco make progress towards achievable goals, despite some initial missteps. Following a few positive progress updates, the market took note as well, and began pricing in an increasing probability that AAP would realize material improvements. After significant share price appreciation, we assessed that the market had fully factored in a successful turnaround of AAP, even though the turnaround was still in its infancy.

Remaining disciplined, we sold our position in AAP once the price reached the intrinsic value we ascribed to the company. Our portfolio was positively impacted by our investment in AAP, as we earned a 56.5% return in a 16-month period.

For the first time, we are disclosing our ownership in healthcare company Davita (DVA). DVA shares a common thread with AAP and AGL. It has a subsidiary – DaVita Kidney Care – that enjoys wonderful underlying fundamentals. However, this strength is being masked by challenges that can be solved internally. Similar to AAP and AGL, we've assessed that once these challenges are addressed, the true underlying value of the company will surface.

DVA's Kidney Care division is one of the largest providers of kidney care services in the U.S., serving 203,000 patients at 2,664 outpatient dialysis centers across the nation. DVA provides dialysis to patients with end-stage renal disease (ESRD) – also known as chronic kidney disease. For these chronically ill patients, a steady regiment of dialysis treatments – three to four times a week for the remainder of their lives – is the only effective way to replicate the function of their failed kidneys. Unfortunately, this treatment, or a kidney transplant, is necessary for an ESRD patient's survival.

While DVA provides a critical service to only a small group of patients, the rate of ESRD patient growth remains steady. This is in part due to the proliferation of the leading causes of ESRD: diabetes and high blood pressure. Until the causes of these ESRD triggers can be resolved, we anticipate this growth will continue.

Today, DVA and their similarly sized peer, Fresenius (FRE), control over 70% of the U.S. dialysis market. While this market share is impressive, in local or regional markets, where competition should really be assessed, DVA and FRE sometimes have even greater influence. Combined, this unusual level of market dominance for a critical healthcare provider grants these companies with unique leverage over commercial insurers, and occasionally public policy.

This influence has been utilized to secure higher treatment compensation from commercial insurers than DVA receives in reimbursements from patients covered by Medicare.[3] This is important because commercial insurers are responsible for paying for the first 33 months of a patient's treatment, whereas Medicare covers 80% of the costs for the remainder of the treatment. Naturally, this means that most of DVA's patients are being supported by Medicare or Medicaid – approximately 90% – and do not drive profitability as a result of their lower reimbursement rates. This leaves patients with commercial coverage generating nearly all of DVA's impressive cash flow producing abilities.

While the economics of DVA's Kidney Care business is attractive, the company's DaVita Medical Group (DMG) division has left much to be desired. DMG is a network of healthcare clinics and independent doctors in California, Nevada, and Florida. It was purchased for $4.4 billion in 2012 by DVA's extraordinary CEO, Kent Thiry. Since then, the division has produced generally poor results, which have overshadowed the strength of the Kidney Care division and increased leverage on the overall business to uncomfortable levels. When, in late 2017, UnitedHealth agreed to purchase DMG for $4.3 billion (revised down from $4.9 billion), our interest in DVA perked up.

The DMG transaction, following an extensive Federal Trade Commission review, has since closed. This has provided DVA with ample financial resources to deleverage their balance sheet and

[3] Depending on the circumstances of the patient, Medicaid may be the reimbursement provider.

continue the aggressive share repurchase program they have historically executed. With the strength of the Kidney Care business in full view and a management team with a strong capital allocation pedigree enjoying a more flexible balance sheet, we anticipate strong performance from DVA moving forward.

It Already Feels Like Home

It's official. We have moved our office to 401 Bay Street, Suite 1515. The team and I are really excited to be located in the financial core. We're already enjoying all the benefits associated with being PATH-connected and closer to Canada's financial center. We certainly look forward to hosting everyone at our new office once we're settled in.

Sincerely,

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