

**Second Quarter 2015 Letter**

Dear Investors,

S&P 500 had flat return in the second quarter of 2015 up 0.28%. Motiwala Capital accounts on an aggregate basis had a net return of +0.48%. Year to date S&P 500 is up 1.23% while our accounts returned -2.5%. Since inception, our annualized return has been 13.5% v/s 13% for S&P 500.

| <b>Year</b> | <b>S&amp;P 500</b> | <b>Motiwala Capital</b> |
|-------------|--------------------|-------------------------|
| 2015 YTD    | 1.23%              | -2.5%                   |
| 2014        | 13.7%              | 3.9%                    |
| 2013        | 31.9%              | 33.2%                   |
| 2012        | 16.0%              | 20.3%                   |
| 2011*       | -1.7%              | 4.9%                    |
| Cumulative  | 70.06%             | 72.99%                  |
| Annualized  | <b>13%</b>         | <b>13.5%</b>            |

\* Since March 4, 2011.

**Portfolio Composition**

Our portfolios are divided into two primary sections. The 'Generals' are undervalued equity investments. We own 19 positions, cumulatively equaling 68% of the portfolio. The rest of the portfolio is invested in special situations (short term investments with a specific event that can unlock value) and cash (25%). Our cash levels reduced from the prior quarter after adding to several existing positions and initiating one large position.

**Top 5 Positions**

| <b>Company name</b> | <b>% of portfolio</b> |
|---------------------|-----------------------|
| Hennessy Advisors   | 7.5%                  |
| Western Digital     | 7%                    |
| Qualcomm            | 5.5%                  |
| Mind CTI            | 5%                    |
| Viacom              | 4.5%                  |

**Portfolio Activity**

**Special Situations: Share tenders**

After a long time, there were several tender offers during the quarter and as a group there were nicely profitable contributing positively to performance.

#### Generals: New Positions:

I initiated one new position in the quarter. I bought back Hennessy Advisors (HNNA, formerly referred to as Microcap H) that was a big winner in 2014 and sold at the start of 2015. After our sale the stock price declined while business remained stable. HNNA is an asset manager providing investment advisory services to sixteen open-ended mutual funds called the Hennessy Funds. Asset Management is an excellent business characterized by high profit margins, low financial leverage, high ROE, miniscule capital expenditures, high free cash flow and recurring revenues. Hennessy has \$6.3 Billion in assets under management (AUM) across its funds. Hennessy's source of revenue is the investment advisory fees (0.4% - 1.2%) and shareholder service fees (0.1%) that it charges the mutual funds.

From March 2015, HNNA started charging shareholder service fee on ALL its funds. I estimated that this change would increase total revenues by 10% and net income by 18%. Meanwhile the stock declined from \$20 to \$19. I took the opportunity and made it our largest position.

HNNA just reported its Q3 earnings and the results were excellent. Year over year revenue increased by 36% and EPS increased by 60%. Sequentially revenue increased by 13% and profits increased by 27%, higher than my estimates. While the stock has appreciated 15% since purchase, it is still very attractive at 10x run-rate earnings while the market and comps are trading significantly higher. The biggest risk is a market correction that could reduce AUM via outflows.

#### Generals: Reduced positions:

We sold half of our large position in Visteon (equity and warrants) as the share price appreciated towards our target price. We further trimmed our position in Outerwall (OUTR) after a nice run.

#### Generals: Increased positions:

During the quarter, I added to several existing positions primarily on price declines. The positions added to were: Mind CTI, Qualcomm, Google, Western Digital, Seagate, Viacom, Oracle and International Housewares Retail.

Last few months have been very hectic. First there was the examination by the Texas State Securities Board. Then, my family welcomed our newborn daughter into this world on May 18, 2015. My two sons are overjoyed that they won't have to share their toys with her. I am thankful to my clients for the opportunity to manage a portion of their assets. Thank you for the referrals.

Sincerely,

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Past performance is no guarantee of future results. Motiwala Capital performance is computed on a before-tax time weighted return (TWR) basis and is net of all paid management fees and brokerage costs. Performance figures are unaudited and generated using our custodian's reporting functionality. Performance of individual accounts may vary depending on the timing of their investment, the effects of additions, and the impact of withdrawals from their account. 2011 performance is from the period March 4, 2011 to Dec 30, 2011. The same period was used for S&P 500 and Motiwala Capital.