July 20, 2018

Dear Partners,

Petoskey Capital Fund, LP returned 3.1% net of all fees and expenses in its first four months since inception.[1] Going forward, we plan to write these update letters each calendar quarter. For this initial 4-month reporting period, the S&P 500's total return was 0.8%. We are off to a good start. These early results are in line with our long-term goals. Over a full market cycle, we want to exceed the S&P 500 while experiencing only about half the downside risk.

The Fund's 4-month performance was driven mainly by its long portfolio, although the short portfolio was also a positive contributor despite a slightly positive market. Throughout the 4-month reporting period, the Fund remained approximately 90%-100% long and 40%-50% short. Our net exposure (long minus short) remained close to our stated target of 50%. The one exception—which is barely worth mentioning but possibly of interest to partners curious about the "nuts and bolts" of running a hedge fund—pertains to times when new investor capital arrived in the Fund. When new money is committed to the Fund it arrives as cash, which dilutes the Fund's overall market exposure until that cash is put to work. As long as the capital inflows are not large compared to the companies we want to trade, we can accomplish this quickly and easily.

We may vary around our 50% net long target for strategic reasons from time to time, and we may deviate materially from it if we strongly believe that market conditions warrant. We do not currently see any unusual market conditions that tempt us to lean in or lean out very aggressively.

At the end of June, the Fund held 16 long positions and 12 short positions. Our largest long position represented 7.7% of capital, and our largest short position represented -4.8% of capital. At the end of the reporting period, the Fund's top 5 long positions were:

Company Name	Ticker	% of Capital
Air Lease Corp	AL	7.7%
IAC Interactive Corp*	IAC	7.2%

[1] Results are unaudited. Individual returns may vary based on fee structure and timing of investment. Refer to administrator statements for individual returns. Quoted returns assume a management fee of 1.5% and a performance fee of 15%. As of July 2018, all partners qualify for the reduced Founders Fee structure of 1% and 15%.

America's Car-Mart Inc.	CRMT	7.0%
Skyworks Solutions Inc.	SWKS	6.9%
KAR Auction Services Inc.	KAR	6.9%

*IAC and MTCH are offsetting components of an arbitrage trade.

The Fund's top 5 short positions were:

Company Name	Ticker	% of Capital
Match Group Inc*	MTCH	-4.8%
Rollins Inc	ROL	-4.2%
Cimpress NV	CMPR	-4.1%
Luxoft Holding Inc	LXFT	-4.1%
Aramark	ARMK	-3.9%

*See above

This level of concentration should be about typical according to Petoskey's strategy. If anything, our long portfolio is a little "under-concentrated" right now. We normally expect to have anywhere from 12-20 long positions and about the same number of short positions. Our short positions will generally be held at smaller weights. From time to time in the future, our biggest positions may occasionally represent much larger shares of fund capital, especially on the long side. When we see an opportunity that really excites us, we intend to take a big position. However, we did not end the quarter with any such "A++" opportunities in the portfolio. Such is the nature of rare opportunities. Most quarters won't feature any.

We want to spend some time discussing the quarter's largest detractors and contributors to give you a flavor of what worked and what didn't during the quarter. We want partners to know what drove the Fund's investment results, and we also want to provide a window into our thinking and our overall execution of the Fund's strategy.

Long America's Car-Mart

The Fund's largest contributor during the reporting period was a long position in America's Car-Mart (NASDAQ: CRMT). The stock increased 24% from our first purchase. We lowered our position weight somewhat as the stock price rose but remained long at the end of June. It appears in the list of top holdings above.

America's Car-Mart sells used cars through 140 dealerships in 11 states, mostly in the Southeast. It serves a niche market—customers with poor credit or no credit who lack access to traditional auto financing. This is a niche population of subprime and "below subprime" credit risks. The company finances its customers' purchases using its own balance sheet and collects its own receivables. In some ways, America's Car-Mart is almost like a bank that happens to sell used cars. Unlike a bank, it expects to experience high credit losses, which it budgets for in its selling prices and its financing terms.

The company's financial reporting is also a bit unusual. Like any lender, its profitability depends on estimates of future losses, and these estimates may be inaccurate. Quirky financial reporting may repel some potential investors, particularly if those quirks afford an opportunity for overaggressive accounting. At Provident, we have followed the company for many years as a long opportunity, and while the company's estimates are sometimes off the mark, they have been wrong in both directions—conservative and aggressive—and have never been wildly inaccurate. In the current economy, we think the company is likely to outperform its loss estimates. Management reduced loss estimates recently, a positive for investors, and we think more could follow.

In some ways CRMT is a straightforward company with a simple investment case. The company has historically grown its revenue about 6% to 7% per year and still has plenty of runway to add new stores, which it is currently doing at a steady, if only moderate, rate. Its balance sheet is sound, and its stock is cheap, currently trading at a forward P/E under 14 based on the midpoint of analysts' estimates. We think the company is likely to beat consensus estimates as well. A strong jobs market should create high-quality demand from people with poor credit histories who need a car to travel to a better job. Perhaps more importantly, a strong jobs market should improve the performance of old receivables that were booked when the economy was not as strong, allowing more customers to fulfill their contracts. We do note that over time a strong economy may also create offsetting headwinds as customers "graduate" from the service America's Car-Mart provides and get better deals in the mainstream auto finance market. Someday the economy will turn down again, and these natural offsets will all reverse. For the moment, however, we see many more tailwinds than headwinds, and we remain long the stock.

Some investors would probably scoff at America's Car-Mart because its customers too often default on their purchase contracts. Other investors might complain that the company's contract terms are unfairly expensive. Each of those complaints answers the other, however. We see a successful business that serves a crucial need. People need cars, all the more so when the job market is strong.

The stock has long traded at a low multiple. Management has responded to that low valuation by repurchasing its own stock voraciously. The share count has decreased by 33% since 2010, and it decreased by 9% during 2017 alone. If the valuation increases, management may decide to slow buybacks and open more stores. We think we can win either way.

Long Ulta Beauty

Ulta Beauty was another meaningful long contributor in the quarter. Prior to our purchase, the stock was down nearly a third from previous highs on concerns of slowing growth. We believed the selloff was overdone given the company's unique product assortment, loyal customer base, and expected growth prospects. The market responded favorably to the company's first quarter earnings announcement in March, which stoked hopes that growth should reaccelerate behind the reinvestment of tax savings. We like Ulta's unique positioning within the beauty market and the multiple avenues the company has for continued growth. These include new store locations, additional cosmetic product lines, and a growing eCommerce business. The Ultamate Rewards loyalty program has grown to nearly 29 million customers and provides valuable shopping insights for the company. We expect earnings to grow double-digits for several years as Ulta gains market share in the fragmented cosmetics retail market. Given the solid growth profile, a forward P/E multiple of just over 22x looks very reasonable.

Short Snap

Snap Incorporated (NYSE: SNAP) was one of the largest contributors to our short book performance during the period. We have been watching the firm for some time and have been less than impressed with its slowing new user growth and unsustainable cash burn rate that, if not reduced, will lead SNAP to run out of cash in about two years. The stock rose sharply after fourth quarter results beat market estimates, and we chose to initiate a short position as we viewed these results as unsustainable. We also saw SNAP's redesign of its flagship Snapchat application as a risk because we didn't believe that management fully understood how users would react to a radical application redesign.

Our concerns were justified, as first quarter results were poor. For the first time in its history, Snapchat lost users in the latter part of the quarter because of the redesign. Advertising price declines accelerated, as did the company's cash burn rate. Competition also got tougher as Facebook added user-generated Stories to its Instagram application while Twitter also added enhanced video support. We decided to take our gains but continue to follow the company as a short candidate, seeking another attractive entry point.

Short Jazz Pharmaceutics

Our biggest detractor was a short position in Jazz Pharmaceuticals (NASDAQ: JAZZ), which moved against us 23%. We maintained a fairly consistent 4% short position throughout the reporting period. We remain short at a position weight slightly under 4%.

We maintained three long positions in the biopharmaceutical sector during the quarter, and we shorted JAZZ partly to offset some of the resulting sector risk. However, we didn't just pick JAZZ at random to hedge sector exposure. We have a specific bone of contention with the company pertaining to high drug prices and "pay-to-delay" legal tactics that we consider unseemly, if not outright illegal. We think JAZZ is the absolute poster child for drug companies who exploit the healthcare system. The company relies heavily on a single drug, Xyrem for narcolepsy, which makes up approximately 80% of sales. Xyrem relies on relentless price increases to produce growth for JAZZ. Meanwhile, Xyrem's intellectual property looks precarious. The drug is based on a very old formula and is long overdue for loss of exclusivity. Generic entry would be devastating to JAZZ. The company has used every trick in the book to protect Xyrem's exclusivity, including tricks that could conceivably produce a response from regulators. One odious, though very common, trick is for the owner of the branded drug to concoct a pretense for challenging generic entry, then paying generics companies to honor that pretense. The healthcare system relies on generics companies to produce low-cost versions of branded drugs after key patents expire. When they buckle for a quick payout instead of performing this crucial function, the system doesn't work. We view pay-to-delay as anti-competitive and basically conspiratorial.

But this short position is more than a crusade. We still think it will earn money for us. Even if regulators fail to clamp down on abusive tactics, eventually a generic competitor will break through anyway. JAZZ is racing to innovate a new substitute for Xyrem with an improved safety profile and, crucially, a long runway of patent protection. The company hopes to move patients to a new drug before the dam breaks and Xyrem loses exclusivity. However, the new drug may not win approval. Even if it does, the "handoff" from Xyrem to the new drug may not be a smooth one. Between its precarious intellectual property and its uncertain future, JAZZ seems like an awful gamble to us, but the market is valuing it near all-time highs. A lot has to go right for the stock to justify its valuation. We are betting that something won't go right. We entered this short at an unfortunate time, but our thesis hasn't suffered any fatal injury yet.

Short Tesla

The timing of our Tesla short was not sublime. Timing a "story stock" is never easy, though we believe our initial timing won't ultimately matter that much. It is difficult to get involved with a name as divisive as Tesla, as a high level of emotion is present on both sides. Tesla has a huge fan base but is also a very popular name amongst short sellers. CEO Elon Musk's flair for showmanship only adds fuel to the debate. Companies with passionate fans and vehement detractors are often referred to as "battleground" stocks. We don't want to fill up the short portfolio with such names, but we are willing to pick a side in this case.

We strive for emotional detachment, focusing on the pertinent facts which we believe are in our favor and will play out over time. The stock moved against us as Musk stated at the annual shareholder meeting in June that Tesla was "quite likely" to hit its 5,000 per week Model 3 production target by the end of the month. To his credit, Tesla did just that. This may only be a Pyrrhic victory for the company, as it appears that Tesla pulled out all the stops and also cut corners to achieve this goal. This included setting up a tent for production and borrowing resources that otherwise would have gone toward production of Model S and Model X vehicles. Making cars is difficult, and we remain skeptical this "surge" production level for the Model 3 at the end of June approximates normalized run rate production. Meanwhile, competition in the electric vehicle space is intensifying and Tesla continues to burn cash. Despite Musk's insistence the company will not need to raise capital this year, we believe Tesla will need to return to the capital markets given insufficient Model 3 production in coming months.

Long Put Options

One unusual trade reduced the Fund's returns in the quarter. We risked a very small amount of capital—less than 0.15%—on put options which ultimately expired worthless. This was a high-potential, low-probability wager that simply didn't pay off. A company we are contemplating shorting displayed a sudden panic of volatility coinciding with the exit of its founder. We believe the company faces major regulatory risks to its business model, and we wondered whether the founder's exit might be a tip that the company's prospects were rapidly worsening. We decided to buy put options in case the stock completely unraveled over a short period of time. It didn't, and our wager didn't pay off. We continue to watch the company, and there is a high likelihood we may short it in the future. We are not currently short due to the possibility the company resolves its current troubles and goes on to succeed.

Options are not a major component of our strategy, and in truth we don't consider ourselves experts on them. We will probably only take a few such positions in a year. However, in this case we thought the options market was the right way to bet against a company that could go to zero (just not yet, apparently), while limiting our downside in a market that seems pretty accepting toward companies facing existential risks (see TSLA above). The Fund does not currently have any positions in options.

Conclusion

At the beginning of July, the Fund's total capital was $5.5 million and there were 11 limited partners, including the members of the General Partnership and employees of the

Petoskey CAPITAL

Investment Manager. We are proud to say that the number of partners is growing briskly into July.

In conclusion, Petoskey is off to a good start. The Fund will experience ups and downs in the future. We will have reporting periods in which we fail to beat our benchmark, and hopefully many more in which we exceed it. We extend our thanks to all our limited partners for your belief in this new venture, and we very much hope to reward your trust with strong investment results.

Sincerely,

Miles G. Putnam, CFA

Disclosures

Petoskey Capital Fund, LP (the "**Partnership**" or the "**Fund**") is a private investment fund available to accredited investors by invitation only. There is no secondary market for Partnership interests. Petoskey Capital LLC ("**Petoskey**") is a limited liability company with principal place of business in Novi, MI. The Partnership will not be registered as an investment company under the Investment Company Act of 1940, as amended. Provident Investment Management, Inc. (the "**Investment Manager**") is registered as an investment adviser with the Securities and Exchange Commission (the "**SEC**") under the Investment Advisers Act of 1940, as amended. Investments are not FDIC insured and may lose value.

The contents of this letter are confidential and should not be redistributed without the consent of Petoskey Capital LLC. All contents are for informational purposes only and should not be interpreted as an offer to buy or sell securities or interests in the Fund. Any offering will be made only according to the Fund's Private Offering Memorandum.

The General Partner will make available to any prospective limited partner the opportunity to ask questions of and to receive answers from the General Partner and/or its agents concerning the Partnership. Provision of information about the Partnership's or the Investment Manager's services does not constitute an offer to provide investment services. Petoskey, the Investment Manager, their principals, and their clients may hold positions, long or short, in such securities or commodity interests. All material in this presentation is believed to be accurate as of the date provided. However, neither Petoskey Capital LLC nor the Investment Manager makes any express warranty as to the completeness or accuracy of the information herein. The analysis, opinions, and conclusions contained in this letter are not verified by any third party. The Investment Manager or Petoskey may change its opinion at any time without notice.

Returns referenced herein are unaudited and may be subject to revision. Individual returns may vary based on fee structure and timing of investment. Comparisons to any benchmarks are for informational purposes only. The Fund's holdings, its strategy, its volatility and its returns will differ materially from any benchmarks. Statements referencing the Fund's goals or objectives are not expectations of future investment results.

The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits. Parties should independently investigate any investment strategy or manager. In making an investment decision, investors must rely upon their own examination of the Partnership, including the merits and risks involved.

Petoskey CAPITAL

Past performance is not necessarily indicative of future results. Investment in the Fund involves risks, including loss of principal. Please refer to the fund's Private Offering Memorandum for more information about risks associated with an investment in the Fund.