

Emerging Value Capital Management, LLC

152 West 57th Street
Floor 46
New York, NY, 10019
Tel1: 312-363-8599
Tel2: 212-277-5607
Fax: 212-974-1850

August 2009 letter to investors

Dear Partners and Shareholders,

Following is our eleventh monthly letter to investors. As always, I am happy to speak with partners (and potential new partners) so please do not hesitate to call me with any questions, thoughts or comments.

Fund Performance:

During August 2009, EVCM Fund returned an estimated +1.6% (net to investors). During this same time period, the S&P500 (SPY) returned approximately +3.7%, and the MSCI All Country World Index (ACWI) returned approximately +3.0%.

Since inception (10/15/2008), EVCM Fund returned an estimated +31.8% (net to investors). During this same time period, the S&P500 (SPY) returned approximately +2.6%, and the MSCI All Country World Index (ACWI) returned approximately +9.6%.

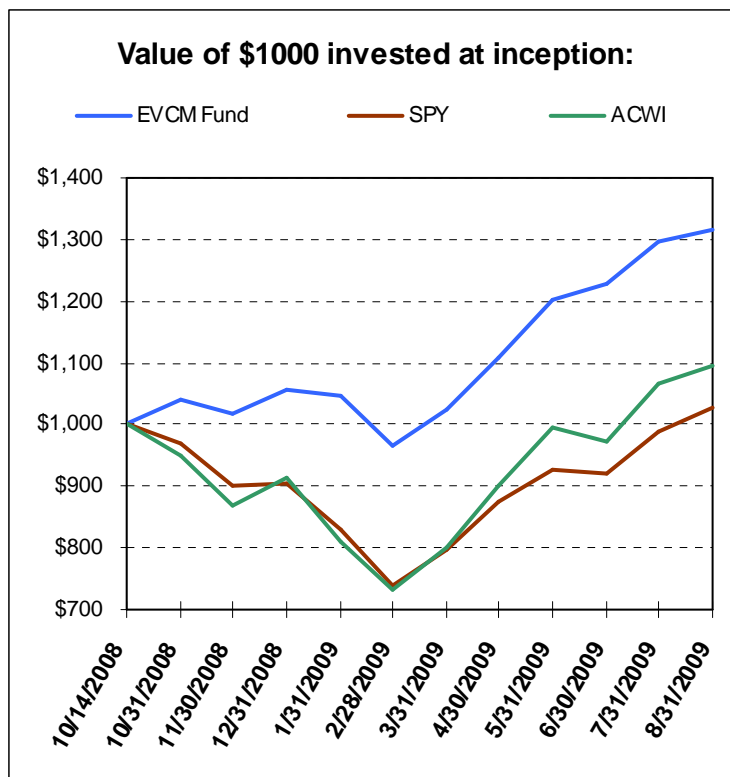
EVCM fund continued to lag the markets in August due to our defensive positioning. We remain very conservatively positioned with lots of cash and bonds, high quality stocks, a few shorts and hedges, and disciplined position sizes. When stock markets decline again (and sooner or later they will) our risk aversion should help protect our capital.

While it is very tempting to join the “bullish” party in the stock market, history has shown that markets often decline soon after the last of the bears has thrown in the towel and purchased lots of stocks. We are sticking to our discipline and only investing in a select group of compelling investment opportunities. If I have to choose between the risk of lagging the market and the risk of losing money – the choice is clear.

As before, I caution investors not to focus on monthly returns (monthly results are mostly random and should not be extrapolated). Rather, I hope you will evaluate my performance over a multi-year period.

	August 2009	2009 YTD	Since Inception (10/15/2008)
EVCM – Net to Investors	+1.6%	+24.83%	+31.8%
S&P500 (SPY)	+3.7%	+13.5%	+2.6%
MSCI All Country World Index (ACWI)	+3.0%	+19.9%	+9.6%

*Please note that individual investor net returns will vary due to the timing of one's investment. The results reported above are unaudited estimates and may be subject to change.



The Rodman & Renshaw Global Investment Conference:

Rodman & Renshaw, a New-York based investment bank, hosts their global investment conference every year in September. This conference brings together thousands of professional investors and over 500 small cap companies from various industries. It is a fantastic event and I try to attend every year in order to search for new investment opportunities and to meet with companies that I follow.

This year I met with several Chinese companies that I have been following for a while. The general consensus was that the Chinese economy continues to grow and will lead the recovery of the world economy. My main conclusion from these meetings was to continue to focus on investing in Chinese companies that sell to Chinese consumers – a growing, and potentially very large, market. Some of the companies I met with sell products and services to the Chinese government and/or to Chinese hospitals. While potentially very good investments, I decided not to invest in these companies because I cannot get a good grasp on how these types of contracts really work in China.

Last year (September 2008) the conference hotel was half empty. Investors, fund managers, and company management teams were all reeling from the global economic meltdown in progress. Many were busy working to save their businesses and capital and could not attend the conference. In hindsight, this proved to be a signal that it would soon be time to buy stocks. When everyone is depressed and no one wants to buy stocks – it's usually time to start buying.

This year (September 2009), the conference was over crowded. It was not even "standing room only". "Squeezing room only" would be a more accurate description. Many company presentation rooms were so overcrowded with attending investors that it was simply impossible to get in. Seats for lunch ran out quickly and many attendees had to settle for a "boxed lunch" instead. Only time will tell, but I suspect this massive over attendance is a strong "sell" signal. When everyone wants to buy stocks – it's probably time to start selling.

Risk / Reward levels in the market today and our large cash position:

After a sustained multi-month rally, the balance between risk and reward in today's market is far less favorable than it was in the beginning of 2009. Compelling investment ideas are both more difficult to find and less compelling than they were just six months ago. I do not know if the overall markets are cheap or expensive today, but I do know that many stocks are pricing in a fairly rosy recovery and that we could see significant declines if the economic recovery hits any bumps in the road.

To address this less favorable risk/ reward balance, I have just completed the following exercise which you may wish to perform as well. I carefully re-examined each holding in our portfolio and asked myself the following questions: "If we did not already own this investment, would we be willing to buy it right now at today's price and, if so, how big would we make the position in our portfolio?" If my conclusion was that we would not be willing to buy something at today's price then we should not own it at today's price. Tax considerations slightly complicate the analysis here. But tax issues alone should usually not keep you in a stock that you wouldn't own otherwise.

The end result of this exercise has been to slightly increase our (already large) cash position, which brings up the following questions:

Is holding cash a form of "market timing"? Wouldn't it be better to always be fully invested in the best opportunities that we can find?

"So ... I've been buying American stocks. This is my personal account I'm talking about, in which I previously owned nothing but United States government bonds".

-- Warren Buffett, "Buy American. I am.", The New York Times, October 17, 2008.

"While we don't like having excess cash, we like doing dumb things even less."

-- Warren Buffett

"Holding cash is a way of safely doing nothing until a compelling investment opportunity arises. Cash offers the virtues of positive yield, complete safety of principal, and full and instant liquidity."

-- Seth Klarman

As value investors, we do not try to time the market. Rather, we look to build a portfolio of individual investments that are both safe and cheap. If we cannot find enough high conviction ideas then we often hold some cash and bonds. To some, our holding of cash might look like market timing, but it is not. Market timing is a "top-down" macro-economic process in which the portfolio's market exposure is adjusted based on macro-economic forecasts. Value investing is a "bottom-up" investment selection process in which the portfolio's market exposure is a residual outcome of how many compelling investment opportunities we are able to find at any time.

For a long time, Warren Buffett held 100% US government bonds in his personal account not because he was timing the market, but (almost certainly) because he was having difficulty finding compelling investment opportunities.

Investment Analysis: G. Willi-Food International:

G. Willi-Food International (Nasdaq: WILC) is one of Israel's largest food importers with a focus on the Kosher and Health-Food segments. WILC designs, imports, manufactures, markets and distributes more than 1,000 food products. Products are sourced from 200+ suppliers throughout the world to more than 2,000 customers in Israel including all the major Israeli food retailers, wholesalers, and the Israeli defense forces.

Imported products include: canned vegetables, fruits, pickles, canned fish, bakery products, lemon juice, high-quality oils, dried fruit, nuts, pasta, halva, coffee creamer, snacks, dairy products, noodles, and more. The Company adds 40-60 new products to its offerings each year.

In many cases, Willi-Food works with global food manufacturers to re-engineer both the food contents and the production lines into a kosher end-product. This end product is then imported and distributed in Israel under the Willi-Food brand. All Willi-Food products are certified Kosher according to strict rabbinical authorities, which positions Willi-Food as a strong competitor in the lucrative kosher products market.



Although most of the Company's products are sold under its own brand, Willi-Food distributes a variety of items from world-leading manufacturers, such as Completa coffee whitener (Netherlands), Zanetti cheese (Italy), Breda butter (Netherlands), Nobleza Gaucha Yerba Mate tea (Argentina), Lurpak "spreadable" butter (Denmark) and Arla Foods dairy products (Denmark). In addition, Will-Food provides some products on a private label basis.

While 80% of revenue is from Israel, the company's activities extend beyond importing into the Israeli market. Willi-Food distributes its products in both the USA and Europe and is actively working on expanding its sales in these and other international markets.

The kosher food market is estimated to be over \$14B/ year in the USA alone. It is growing at 15% per year and is underserved with few branded kosher products. Among others, kosher products appeal to Jews, Muslims, and Health conscious consumers. Willi-Food is actively targeting this huge international market and any success here could dramatically increase the company's revenues and profits.

WILC is owned and managed by the Williger brothers who co-founded the company. They are conservative managers that have done a good job at slowly and steadily growing shareholder value. Under their management, revenue has grown from \$30M in 1999 to \$90M in 2009 while net income has grown from \$1.8M in 1999 to \$6M in 2009. I visited the company in Israel and I was favorably impressed by what I saw.

WILC's market cap is \$43M. The company has \$27M in cash and only \$4M of debt. Its enterprise value (EV) is therefore \$20M. Revenue for 2009 should be at least \$90M with \$6M of net income. The company has stated in its Q2-2009 results that it expects H2-2009 to be better than H1-2009. So we are paying 7X earnings (3X earnings net of cash) for a profitable, growing, recession resistant business with strong competitive advantages (brand, distribution, kosher know-how, global supplier network), a team of experienced and proven owner-managers, and with an attractive growth runway (global kosher food market).

Upcoming EVCM Presentation:

Ori Eyal will be speaking at the Complete Growth Investor conference in Las Vegas over the weekend of October 23-25. This event is put on by Tom Jacobs and his crew at CGI. For more information on the conference, we recommend surfing over to www.completegrowth.com and clicking on the "CGI Las Vegas" tab at the top of the page. Tom has generously offered to allow any readers of this letter to attend the conference for only \$99, (\$100 off the regular conference registration fee). Simply register at www.CompleteGrowth.com/lasvegas using the \$99 PayPal link.

Conclusions:

EVCM Fund remains conservatively positioned with capital preservation being our top priority. Our investment approach is "path independent". This means that we do not let the price we paid for an investment in the past influence our willingness to own that investment today. Rather, we only own investments that we would be willing to buy today at today's price. This disciplined approach has resulted in a fairly large current cash position for the fund. We are vigorously searching for and finding more compelling investment opportunities in which to deploy our cash.

At EVCM, we always remember that many of you (including myself) have a large part of your life savings invested in the fund. We strive to treat our partners and shareholders the way we would like to be treated were our positions reversed.

Please feel free to share this letter with prospective new partners and with other interested investors. Also, thank you for the referrals!

Sincerely Yours,
Ori Eyal
Portfolio Manager

Disclosure:

This document does not constitute an offer to sell or the solicitation of an offer to purchase any security or investment product. Any such offer or solicitation may only be made by means of delivery of an approved confidential offering memorandum. Past results are no guarantee of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. All investments involve risk including the loss of principal.

An investment in the Fund may be deemed speculative and is not intended as a complete investment program. It is designed only for sophisticated persons who are able to bear the risk of the substantial impairment or loss of their investment in the Fund. The Fund is designed for investors who do not require regular current income and who can accept a certain degree of risk in their investments. Prospective investors should carefully consider the risk factors specified in the Offering Memorandum before making a decision to invest in the Fund.