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November 2009 & December 2009 letter to investors

Dear Partners and Shareholders,

Following is our thirteenth letter to investors which will cover the months of November and December 2009. In it, I plan to review our performance and offer some thoughts on global value investing - one of the main tenets of EVCM's investment strategy. 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 November 2009, EVCM Fund returned an estimated +4.0% (net to investors). During this same time period, the S&P500 (SPY) returned approximately +6.2%, and the MSCI All Country World Index (ACWI) returned approximately +5.4%.

During December 2009, EVCM Fund returned an estimated +1.5% (net to investors). During this same time period, the S&P500 (SPY) returned approximately +1.4%, and the MSCI All Country World Index (ACWI) returned approximately +1.2%.

Since inception (10/15/2008), EVCM Fund returned an estimated +44.9% (net to investors). During this same time period, the S&P500 (SPY) returned approximately +11.6%, and the MSCI All Country World Index (ACWI) returned approximately +19.3%. This outperformance was achieved despite holding a 20% - 30% cash position since inception.

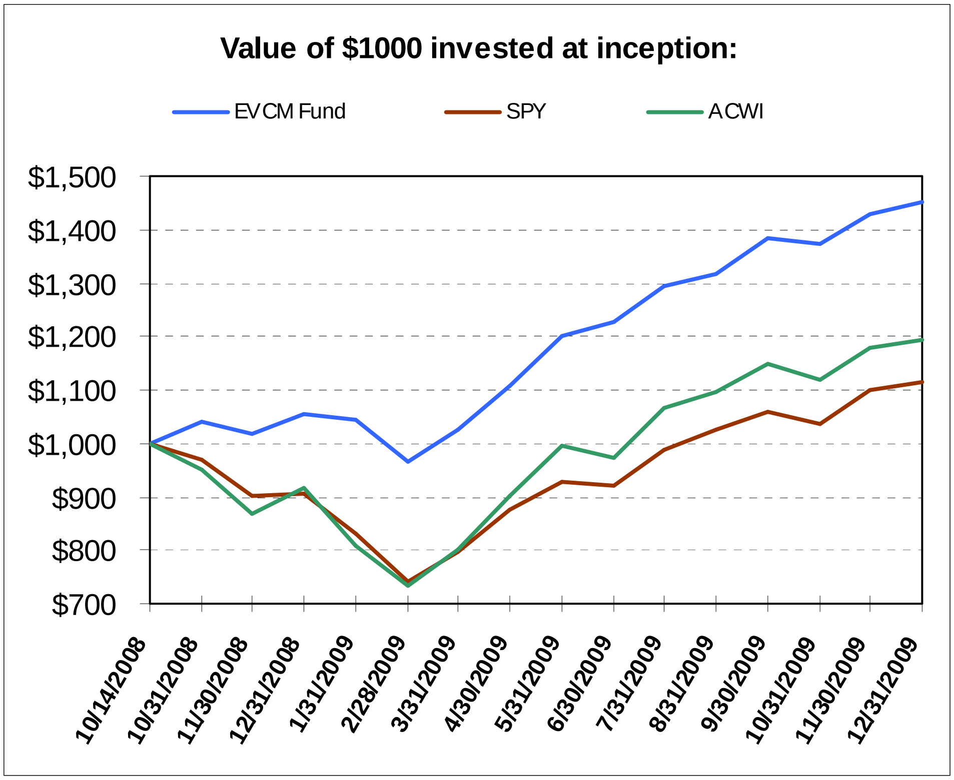
EVCM fund had good returns in November and December. Our biggest contribution came from our position in General Growth Properties which increased from $4 per share to $12 per share as the company progressed towards an exit from bankruptcy, restructured some debt, and became a possible acquisition target for Simon Properties Group.

We lagged slightly behind the markets in November as our conservative positioning, shorts, hedges, and large cash position held us back. Conservative investing is like insurance – it seems like a waste of money until something bad happens and then you are glad to have it. While we are likely to underperform in a strongly rising market, we expect our investment framework to significantly outperform over a full market cycle.

As always, 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 our funds performance over a multi-year period.

		Nov 2009	Dec 2009	Full Year 2009	Since Inception (10/15/2008)
EVCM – Net to Investors		+4.0%	+1.5%	+37.2%	+44.9%
S&P500 (SPY)		+6.2%	+1.4%	+23.5%	+11.6%
MSCI All Country World Index (ACWI)		+5.4%	+1.2%	+30.4%	+19.3%

*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.

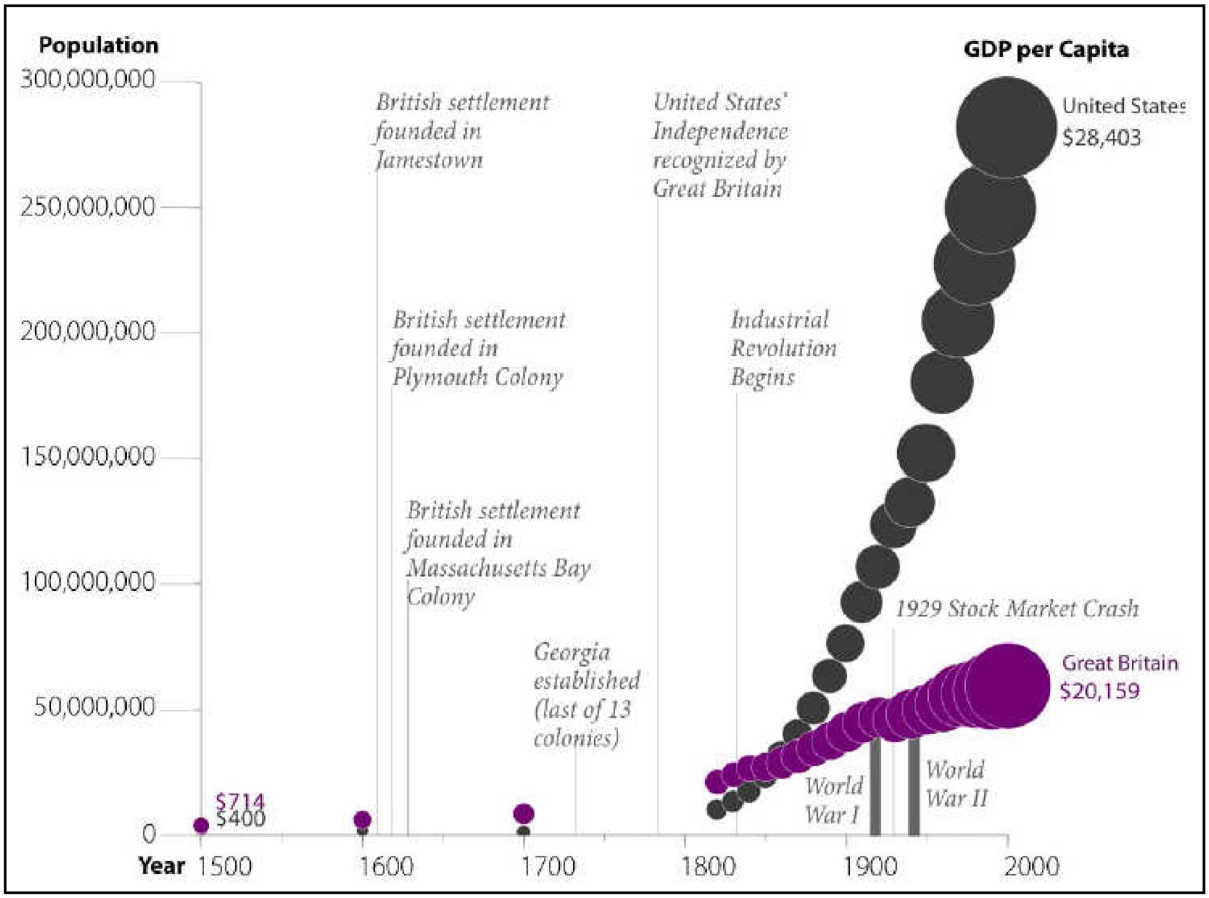


Global Value Investing:
One of the main tenets of our investment strategy is global value investing. We choose to invest in various countries based on where we find the best investment opportunities. There are a lot of misconceptions and myths about global investing, so it is important to carefully think through why we choose to invest globally, and to realistically determine what benefits we are likely to gain from global investing.

The investment field has divided the world (somewhat arbitrarily) into 3 groups:

- The USA.
- Other Developed Markets: Western Europe, Australia, Canada, Japan, etc.
- Emerging Markets: China, India, Russia, Brazil, Mexico, Israel, South Africa, etc.

In many ways, the US was in the past (and still is today) the best place to invest for the long term. Despite occasional setbacks, the US offers a capitalist market economy, strong investor protections, shareholder friendly management teams, good corporate governance, stable legal/ social/ governmental structures, economic freedom, good infrastructure, a productive work force, and a large and wealthy market place. As you can see from the graph below, the US has been the greatest wealth creation machine in the history of the world. Over the past century both the US population and the GDP per capita have grown rapidly. To use a simple analogy, we got many more slices of pie and each slice grew in size.



Source: *Aquamarine Capital Presentation.*

Compared to this favorable US investment environment, many other countries have crushed investors every few years via a series of currency crises, debt defaults, revolutions, hyperinflations, asset confiscations, etc. While the situation in many non US markets has certainly improved, we still feel the US remains one of the safest and best places to invest. It is no coincidence that in the 2008 economic crisis, capital "flight to safety" was directed towards US government bonds. When we invest outside the US, we look for investment opportunities that are so great that they more than compensate us for bearing additional geo-political and economic risks.

Benefits of Global Investing:

There are a few key benefits that we expect to gain from Global Investing:

- Currency diversification.
- Exposure to emerging markets consumers.
- Larger investment opportunity sets (more stocks and bonds to choose from).
- Less efficient asset prices (more mispriced assets to invest in).

Unlike stocks and bonds, currencies cannot all decline at the same time. By definition, currency prices fluctuate with respect to each other. We have written in past letters about the risks of a currency crisis. The Euro, the US Dollar, and the Japanese Yen all face severe problems which make it difficult to determine which developed market currency is "the worst". In general, we think that emerging market and commodity based currencies are likely to appreciate over time verses developed market currencies. Global investing allows us to diversify our exposures between developed market currencies and, when possible, to shift our exposure from developed to emerging market currencies. In the best of cases, we can find investments in emerging markets where we expect to make a strong return both from the asset itself and from the local currency appreciating over time.

The growth in the number and in the wealth of emerging market consumers is one of the most powerful secular investment themes of which we are aware. As the emerging markets population urbanizes, it rapidly embraces capitalism, creates wealth for itself, and increases its purchasing power. To profit from this trend we seek to invest in businesses that sell to emerging market consumers. In past letters we have highlighted a few companies that we own (or have owned) that cater to these consumers. Among these are: Plaza Centers, China Marine, Zhongpin, China Cast Education, Fuqi, Hilan Tech, Nestle and Philip Morris.

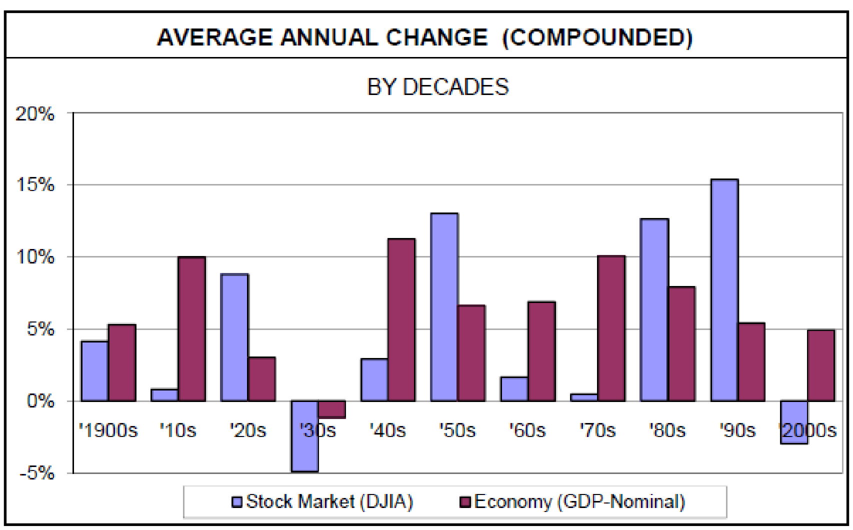
Global Investing Myths:

As mentioned above, there are a lot of misconceptions and myths about global investing. It is worth spending a few minutes reviewing a few of these.

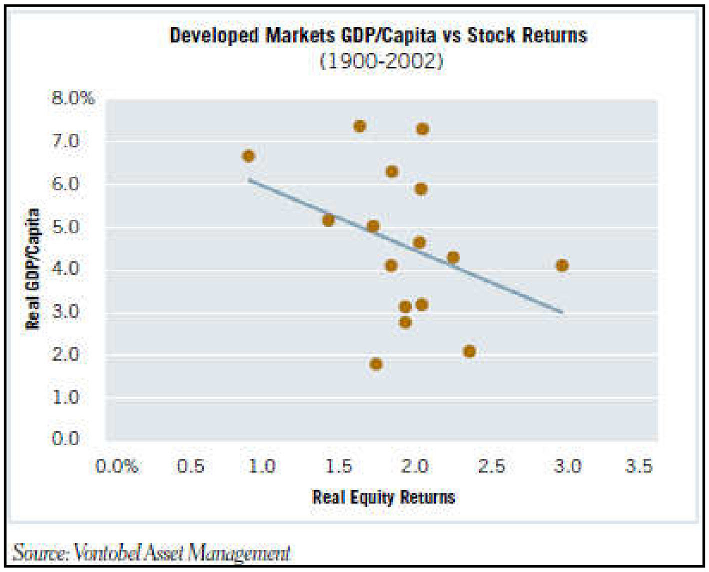
Investment diversification is often cited as a good reason to invest globally. Unfortunately, in bad times, the correlations between asset prices in different countries shoot up (everything declines together). Looking back at the meltdown of 2008, it is easy to see that diversifying by investing globally is not likely to protect us in difficult times. In other words, just when you need it the most (during market meltdowns) global diversification helps the least.

Go to any book store and you will find shelves of books advocating investing in emerging markets with alluring titles about China, India, and other developing countries. The main argument presented in these books is that emerging markets are going to experience rapid GDP growth and are therefore the best place to invest. The problem with this thesis is that numerous studies have shown that there is actually little correlation between GDP growth and stock market returns. Below are some charts which demonstrate this lack of correlation. If you would like further convincing then please Google: “GDP Growth and Stock Market Returns”.

Why doesn’t faster GDP growth always translate into higher stock market returns? The value created by GDP growth may accrue to new firms, existing firms may dilute shareholders with equity raises, value may get stolen or lost along the way due to poor corporate governance, asset purchase prices may be high, etc.



Source: *Crestmont Research (www.CrestmontResearch.com)*



Source: *http://cxoadvisory.com/blog/internal/blog1-08-09/*

By the way, this data also highlights the folly of trying to time the stock market based on short term macro-economic predictions. Even if you get the macro predictions correct, your predictions still give you little insight as to what the stock market will do.

Selecting Which Global Markets to Invest in:

We carefully weigh many qualitative and quantitative factors when choosing in which countries we wish to invest. It is of critical importance is that we invest in stable countries with regimes that respect foreign investors and the rule of law. We also prefer to invest in countries that have embraced capitalism and have relatively free markets. We think Australia, Canada, Mexico, Israel, Korea, Europe (West and East), Taiwan, Singapore, and Hong-Kong are fairly attractive investment destinations. Japan faces structural and cultural obstacles that make us reluctant to invest there.

We view the lumping of the BRIC (Brazil, Russia, India, and China) countries into a single group as misleading. We like China and Brazil. While not perfect, they are making progress towards a more capitalist economy and offer reasonable investor protections. On the other hand, we think Russia needs to improve its respect for the rule of law, and therefore are not likely to invest there. We have not invested in India even though it is a potentially attractive investment destination. This is mostly because India has erected regulatory barriers that make direct investment difficult and (unlike China) few Indian companies are traded on US exchanges.

Investment Updates:

In keeping with the topic of this letter, following are brief updates on some of our international investment positions:

Plaza Centers:

One of the first investments EVCM made is in Plaza Centers, an East-European shopping mall developer. Plaza Centers (PLAZ LN) is a leading developer of western style (mid to high end) retail centers (shopping and entertainment) in Central and Eastern Europe (CEE) - Romania, Poland, Czech Republic, Hungary, Serbia, Latvia, Bulgaria, and Greece. We first wrote about Plaza Centers in October 2008 at a time when “real-estate” and “Eastern Europe” were investment taboos. Since then Plaza Centers has raised capital via bond issuance and has continued its disciplined development of high end real-estate projects. The stock is up over 150% since we bought it yet it still trades significantly below book value (conservatively calculated using historical purchase prices). We think it could double from here over the next few years.

China Marine Food:

China Marine Food (CMFO) sells dried processed marine products (fish, squid, shrimp, eel, etc) in China under its Mingxiang (“peace of mind”) brand. We first wrote about CMFO in November 2008, and the stock is up over 150% since then. The company has significantly expanded its production capacity and has recently announced an acquisition of a branded "Hi-Power" algae-based soft drink maker. CMFO sells branded food products to Chinese consumers and will greatly benefit from the rising Chinese consumer purchasing power. It currently trades at about 9 times 2010 expected earnings. We think CMFO will experience rapid and profitable growth for the foreseeable future.

Harvest Natural Resources:

Harvest Natural Resources (HNR) is a “special situation” investment that we discussed in our February 2009 letter to investors. It is an oil and gas company that operates around the world. HNR’s main asset is located in Venezuela – a country that is a political and economic basket case. We think that HNR is so cheap that we are amply compensated for bearing the risks associated with this investment. HNR continues to develop its oil and gas properties around the world. It recently announced a large upward revision to its proven, probable, and possible oil & gas reserves in Venezuela. We estimate that HNR trades at about 20% of the net value its assets would get if they were located in a more stable country.

Nestle:

Nestle is the world's leading food manufacturer with operations in more than 70 countries and with products in coffee, bottled water, milk and dietetics, prepared dishes, pet food, chocolate & confectionery and pharmaceuticals. Its brands include: Nescafe, Nestea, Nespresso, Carnation, Coffee Mate, Hot Pockets, Lean Cuisine, Kit-Kat, Dreyer’s Ice Cream, Eddy’s Ice Cream, Gerber baby food, Purina, Dog Chow and Friskies dog food. In addition, Nestle itself is an umbrella brand signifying quality and great taste to consumers around the world. Nestle has excellent long term growth opportunities in emerging markets as the rising middle class shifts its discretionary spending to Nestlé’s brands.

We first wrote about Nestle in our May 2009 letter to investors. Since then the stock is up about 30%. Nestlé’s enterprise value (market cap + net debt) is about 200B Swiss Francs. Its 30% stake in L'Oreal and its 52% stake in Alcon are each worth over 20B Swiss Francs. So net of these assets, Nestlé’s enterprise value is about 160B Swiss Francs. This is about 15X this year’s expected free cash flow. We think Nestle is one of the world’s greatest businesses and is a safe way to invest in the growth of both developed and emerging market consumers.

Conclusions:
EVCM Fund has made global value investing a key part of our investment strategy. The main benefits of this decision are currency diversification and exposure to emerging market consumers. We are cognizant of the added geo-political and economic risks associated with investing in many countries and carefully weigh these risks against the expected benefits from each investment. After much research, analysis, and thought, we have determined which countries we feel reasonably comfortable investing in and which countries we prefer not to invest in at this time.

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 same 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.

Happy and successful 2010!

Sincerely Yours,
Ori Eyal
Portfolio Manager