

July 27, 2015

Dear Investor,

During the second quarter, we continued the solid performance from the first quarter. Based on our positive bottom-up view of several companies, we increased our net exposure during the quarter and had one of the stronger quarters of the Fund on a relative and absolute basis.

### Performance Summary<sup>1</sup> as of June 30, 2015

	QTD	YTD	LTM	ITD
Gross Performance	5.3%	9.4%	10.3%	41.5%
Net Performance	4.4%	7.7%	7.7%	28.0%
Russell 2000	0.1%	4.1%	5.1%	51.0%
NASDAQ Composite	1.8%	5.3%	13.1%	61.3%
Portfolio Exposure	76.8%	70.5%	62.2%	70.3%

### Portfolio Commentary

Our core investment themes continue to be a focus on quality companies, data intensive businesses and significant insider ownership. As our process and analysis improved, we increased our array of investments to increase geographic and industry diversity.

During the first quarter, we increased our exposure to non-U.S. stocks. During the second quarter, we continued this effort and also began to further diversify our exposure from tech into other sectors. By increasing our exposure beyond the tech sector, we believe we can reduce the correlation within our portfolio while also identifying companies in more traditional sectors where data intensive businesses and cultures are even less common and therefore more differentiated. Significant areas of investment for Lavien include the healthcare and transportation sectors, and we expect to maintain a focus on expanding the sectors in which we invest.

<sup>1</sup> Performance illustrated for Lavien Partners LP (the "Fund") is for Class F interests invested at the beginning of the Fund and is net of all fees and expenses, including a 1.0% management fee and 10.0% incentive allocation. Performance results for April 2012 through July 2013 are calculated pro forma for long-only. The Fund discontinued short investing on August 1, 2013 and officially converted to long-only effective January 15, 2014. Portfolio exposure is calculated based on daily weighted average.

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Primarily as a result of the identification of specific new investment opportunities rather than a macro call on the market, the Fund's overall market exposure increased from 69.4% at the end of March to 82.8% at the end of June. We ended the quarter with 22 positions, having eliminated three and added four. We continue to seek to hold a reasonably concentrated portfolio, and a number of our positions are fairly modest and reflect relatively small, new positions or larger positions that we have reduced as a result of appreciation in value. As we continue to refine our process, we expect the concentration of the portfolio in our highest conviction ideas to increase.

### **Position Commentary**

The quarter tested our discipline and conviction. Over the course of the last several quarters, we had identified and taken significant positions in several NASDAQ listed companies that operated solely in China. These companies operate in the healthcare, hotel and education sectors, and each has significant strategic advantages that we believe are sustainable. During the first half of the year, each of these stocks increased significantly in value, and, consistent with our approach, we reduced our exposure as incremental returns diminished. When the price of these stocks later fell significantly, we again repurchased shares, and the prices have subsequently stabilized at levels that we believe will generate attractive long term returns. While we do not strive to be active traders, we do believe that our familiarity with our portfolio and certain companies on our watch list will allow us to take advantage periodically of market volatility, and we will reduce risk if we see a dramatic rise in values in a short period that we do not believe is justified by the underlying company fundamentals.

### **Market Commentary**

We continue to be sanguine regarding the prospects for the U.S. economy. Notwithstanding the lack of robust growth in the U.S., the economy appears unlikely to stagnate or shrink over the medium term. The Federal Reserve therefore seems unlikely to raise rates quickly and we expect many of our companies to benefit from long term secular growth trends due to demographic and consumption shifts. We expect the U.S. to continue to be our largest area of investment.

In Europe, the evolution of the situation in Greece from an existential question on the Euro to a more mundane question of financial competence and execution would seem to have reduced the uncertainty and risk associated with Europe. While many market analysts have highlighted Europe as an investment play, we have had a difficult time finding companies that fit our three primary criteria at compelling values. Finally, while we are wary of conditions in China and other emerging markets, we believe macroeconomic conditions will be sufficient to allow us to continue to find interesting opportunities in these areas.

### **Firm Developments**

As previously mentioned, we have undergone the process of selecting a new prime broker. We have successfully completed the transition from Jefferies to Concept Capital Markets, with Pershing as the custodian. Additionally, we have retained Pepper Hamilton as our new legal counsel due to departures at our prior firm.

We are pleased to announce the launch of Lavien's new website ([www.laviengroup.com](http://www.laviengroup.com)). General fund performance, quarterly reports and certain legal documentation will be made available in the client portal section, which requires a password. Please contact Susan Yee if you would like access to this section of the website.

Finally, in July we hired our first full time analyst dedicated exclusively to Lavien. We are pleased to be expanding our team and believe that our process and results will benefit.

As always, we thank you for your support and look forward to speaking in person.

Regards,

*Michael*