

First Quarter 2014 Letter

Dear Investors,

2014 has started off in stark contrast to 2013 with increased volatility, global concerns and muted stock market performance. The S&P 500 index was up about ~1.8% in the first quarter and our performance was in line. Despite the strong run up in US equity markets since 2009, we have been able to find attractive investments. We will highlight a few of the recent purchases in this letter. The performance information is shown in the table below:

Year	S&P 500	Motiwala Capital
2011*	-1.7%	4.9%
2012	16.0%	20.3%
2013	31.9%	33.2%
Q1 2014	1.8%	1.7%

See important notes at the end of the letter for more information.

Portfolio Composition

Our portfolios are divided into two categories. The 'Generals' are generally undervalued equity investments that fit the value framework. The rest of the portfolio is invested in special situations (short term investments with specific events to unlock value) or cash. The average cash balance at the end of March was 10%. The top 10 positions add up to 50% of the portfolio.

We have 19 Generals in our portfolio. This makes up ~70% of the portfolio. The rest of the portfolio is currently in special situations (~20%) and cash (~10%).

Portfolio Characteristics

Weighted average P/E = 12.4 (P/E is based on 12-month trailing earnings)

Portfolio dividend yield = 2.3%

Weighted average Market Cap = \$68.5 billion

Portfolio P/V = 0.85

Top 6 Positions (some clients will not have all the positions and in the same weights)

Company name (Ticker)	% of portfolio
Conrad Industries(CNRD)	7%
Visteon (VC)	5.5%
Hess (HES)	5.4%
National Oilwell Varco (NOV)	5.2%
Vodafone (VOD)	5%
Prosafe (PRSEY)	4.6%

Portfolio Activity

Special Situations:

We participated in three new special situations in the quarter all of which were share tenders. The tenders were mildly profitable overall. We closed out the Cooper Tire (CTB) merger arb position. This was bought as a special situation and it did not warrant a position in the 'Generals' book.

We continue to hold Hess Corp (HES) and Visteon Corp (VC) as these situations continue to play out and value is being recognized by the market.

Generals:

Portfolio exits: We sold out of six positions including an unnamed microcap in the quarter. Despite varying business outcomes in these companies, we exited with good gains and lost a small amount on the unnamed microcap.

Western Digital (WDC): We sold our remaining shares of Western Digital which was one of our first positions purchased in 2011. Share price appreciated almost 200% since the original purchase. We did not hold the entire position for this superb run, trimmed at various price points but this was an extremely satisfying investment outcome.

Kohls (KSS): We sold the entire position in Kohls for a 21% total return over our 14 month ownership period. The department store company has reported continued soft business results. EPS has been flat despite large buybacks.

Vivendi (VIVHY): We sold the entire position in Vivendi as the share price appreciated to our estimate of intrinsic value. Vivendi has executed on its promise of selling non-core business units to unlock value. We gladly took the 28% gain since purchase over a short six month period.

Big Lots (BIG): Big Lots was another position purchased at the inception of Motiwala Capital in 2011. The stock performed well at purchase but since March 2012 has had ups and downs as business has had mixed results and its Canadian acquisition has cost the company money and management time. With the new CEO announcing exit of the Canadian operations and promising a turnaround, the stock moved up sharply from multi year lows. We were happy to finally exit for a small gain.

Mind CTI (MNDO): We sold our position in Mind CTI, the tiny telecom billing software company. Accounts that had this position for two years had a 43% total return. We will be keeping an eye on this company and if an attractive purchase price presents itself, we will not hesitate to buy shares back.

Generals: New Positions: We purchased six new positions in the quarter including two micro caps one of which is listed in Canada.

North Atlantic Drilling (NADL) is a leading offshore harsh environment drilling company. NADL has a fleet of seven harsh environment units in operation and two new builds under construction. NADL recently listed its shares in the US having already been listed in Norway. The entire offshoring drilling industry has been out of favor recently due to potential cuts in capex spending by the oil majors. NADL's revenue depends on the utilization of its fleet and the daily rate earned by each rig in operation. What sets NADL apart from the other rig companies is the fact that their rigs are certified to operate in harsh environments. There are much fewer rigs worldwide that meet this criterion. NADL traded at a P/E of 8 with a 10% dividend yield which is covered by free cash flow. NADL's revenue and earnings should increase as the two newbuilds start operations in 2014 and 2015.

Blucora (BCOR) formerly known as InfoSpace owns a portfolio of Internet businesses. The Search segment provides search services via Google, Yahoo, Bing and Yandex to its customers such as ISPs. It also runs a few of its own websites such as WebCrawler.com. BCOR has heavy dependence on Google for its legacy search business. With a view to diversify its business, BCOR acquired Tax Act, the online tax preparation software and Monoprice, an online electronics and accessories retailer. BCOR has about \$600m of carry forward tax assets (NOLs) to shield cash taxes and has no net debt. BCOR generates solid free cash flow and trades for an attractive valuation. The stock has been out of favor on a recent short report and renewal of its Google contract (without the mobile search distribution)

Outerwall (OUTR) formerly known as Coinstar has two core businesses: the legacy coin counting Coinstar kiosks and RedBox DVD rental kiosks. OUTR has generated solid cash flows over the last several years. OUTR was investing in several new concepts and they were losing money. Under the influence of an activist investor, OUTR cut several of these experiments and decided to focus on the core cash cows and one new concept called ecoATM. ecoATM kiosks accept used cell phones/ tablets and offer a cash amount to customers. OUTR intends to grow this business and RedBox in Canada. OUTR recently repurchased 20% of shares via a tender offer. OUTR has guided to a FCF of \$200m-\$240m for 2014 and enterprise value is about \$2.2 billion. OUTR trades for an attractive valuation and has heavy short interest. OUTR seems like our earlier investment in GameStop.

CTC Media (CTCM) We have seen a few occasions of high pessimism in the last few years from the Japanese earthquake, Tsunami and Nuclear reactor crisis to the European crisis and Asian spring. So, when Russian stocks cratered on Russian invasion and annexation of Crimea, I was looking for some ideas. I found CTCM. CTC Media is an independent media company in Russia and listed on the Nasdaq. CTCM operates three free-to-air television networks which feature primarily family and women oriented entertainment. At purchase, CTCM stock was down 35% from its 2013 end peak and sported an 8% dividend yield. CTCM has a solid balance sheet and produces attractive free cash flows. CTCM was purchased for 10%+ FCF yield. When Russia moves out of the front page news, I hope the stock would be higher.

Generals: Reduced positions: We reduced our position in Amcon distributing (DIT) slightly on the back of a decent run-up in the share price despite modest business performance.

Generals: Increased positions: During the quarter we increased our positions in Franklin Resources (BEN), Prosafe (PRSEY), Tesco Plc (TSCDY) and Vodafone (VOD) on share price weakness while we continue to like these businesses. Tesco has been struggling and is in turnaround mode. However, we like the valuation and 5% dividend yield.

Investor Presentation: We had an investor meeting on March 23, 2014 in Dallas (presentation: <http://tinyurl.com/oh8xzk5>) and have upcoming presentations in San Francisco (May 3) and Mountain View (May 4). We recently migrated our website to a new platform and have added several help pages to assist in common broker related tasks. (<http://tinyurl.com/pw6eccn>)

A common question: Several investors have asked me if the US equity market has peaked and if this is a good time to invest. My answers go along the lines of "I cannot time the market. I do not invest in the entire market or index, I invest in individual businesses that I estimate to be attractive based on their fundamentals and absolute valuations. At most times, some businesses are out of favor. I am also in favor of investing regularly and for the long haul." From our recent purchases, you can see that we are still finding values. The positions we continue to hold are still attractive. We have a strict sell discipline and sell once our valuation based targets have been reached. If there is a bubble, it is likely in certain sectors of the market such as cloud computing, social media, bio tech, 3D printing and so on. We do not own a single stock in that space. And we do not consider ourselves to be smart enough to short them either.

Business: Motiwala Capital completed three years and our assets under management crossed \$4million. I am grateful to everyone who has entrusted me with their capital and appreciate all the referrals. Please contact me if you are interested in our managed account services.

Sincerely,

Adib Motiwala

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Portfolio Manager
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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. 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 14, 2011 to Dec 31, 2011. The same period was used for S&P 500 and Motiwala Capital.