
BOXWOOD

CAPITAL MANAGEMENT, LLC

Dear Investor Members and Friends,

I am proud to announce the successful launch of The Jensen Opportunity Fund. And this is our first quarterly investor update. Our discussion in some quarters will contain specific trades, positions, and opportunities. But, given the long term nature of our fund, there will be times of low trading activity, with little to report on in that aspect. Thus, a more general market commentary may be more appropriate during those quarters.

As you may know, the Managing Member's contribution came by way of FB stock. Currently the Managing Member holds the most partnership interest. So, until the fund takes more subscriptions, and to the extent those additional funds aren't diversified away from FB, there is a concentration risk within the fund if not managed appropriately. Mitigating this risk was investment objective number one.

The average weighted entrance price for investors on the FB position was \$78.97. Long term holdings in FB will have a natural volatility of 15% or so. We felt anything below the minus 15% threshold (\$67.12) should be hedged. Therefore, as FB made a sizable jump from \$78 to an all-time high of \$86, we bought so called January 2017 – \$67.5 – put protection. Generally, as the price of the underlying asset rises, the price to buy insurance protection on the underlying asset decreases. So, buying the protection when FB was at an all-time high, we feel we paid a good price. Also, we feel comfortable with 40% of the position protected almost 2 years out. But, never satisfied, we will continue to monitor and evaluate cheap insurance options for the remainder of the position with no protection.

As part of the strategy to both protect the remaining unhedged shares and in order to generate income from that portion of our holdings to offset the cost of the insurance, we sold the option for others to buy a portion of that position at a predetermined price. Unfortunately, due to the obligations under the contract we had some of our position "called away" at \$82. Although the sale generated, on average, an annual return of over 45%, it was our intention to generate income and have the option expire, and not called away. Lesson learned number one. I anticipate the continuation of this approach, just at higher strike prices.

The fund is up about 8% since inception.

Expect an email from the fund administrator within a week or so.

Thanks for entrusting me,

Todd.

