Pelican Bay Capital Management, LLC
2133 Mission Drive
Naples, FL 34109
239-738-0384

2019 First Quarter Investor Letter

April 5th, 2019

Dear Investors;

This quarter marks the first full quarter that Pelican Bay Capital Management has been open to new investors since our official launch to the investing public on January 1st. I am happy to report that the operating and trading divisions of the Firm are executing without any issues and the portfolios are functioning as expected and we are meeting our investment mandates and objectives. I want to thank our founding investors for their continued support and welcome our new investors to the firm.

Our quarterly results for each portfolio and the S&P 500 are in the table below.

Portfolio	Q1 Return
Concentrated Value	18.00%
Dynamic Income Allocation	11.24%
Phoneix Fund	9.20%
S&P 500	13.65%

The layout of this quarter's letter will again start with a general market commentary, followed by individual reviews and analysis of each of our portfolios including Concentrated Value, Dynamic Income Allocation, and the Phoenix Fund.

As always, if after finishing this letter you have any questions or believe I failed to address any topics in a depth that you believe it deserves, please don't hesitate to call me at 239-738-0384 or send me an e-mail at tyler@pelicanbaycap.com. I promise you a timely response and look forward to your correspondence.

Market Commentary

The market rebounded strongly in the first quarter with the S&P 500 generating a total return of 13.65%, representing the best result for any first quarter in the last 20 years. As I mentioned in our last quarterly letter, the almost bear market in the fourth quarter of 2018 seemed overdone and did indeed represent a good opportunity to allocate incremental cash to equities.

As I suspected, tax losses appear to have been the driver of much of the severe retrenchment in stocks that had underperformed in the first three quarters of 2018, as these companies snapped back almost instantly at the start of this quarter. Companies in cyclical industries like energy, industrial and consumer discretionary rebound the strongest.

However, some of the weakness we saw in distressed securities in Q4 persisted into the first quarter as these stocks experienced muted recoveries following their sharp selloffs in Q4. We saw this phenomenon in both equities and high yield credit. While many commentators have spoken about the sharp rebound in high-yield debt, it was primarily concentrated in BB and B rated junk bonds. While lower rated CCC bonds saw no recovery. Distressed equities associated with these lower rated bonds similarly saw little recover in their stock prices. In particular stocks priced for potential outcomes including bankruptcy or restructuring showed almost no recovery in the quarter.

This leads me to believe that the market hasn’t done a full 180-degree pivot yet and returned to its prior “risk-off mode” that we witnessed in the last few years of strong market returns. It has been more of a story about the market rebounding to a more stable state following the overdone selloff. Which leads me to believe there may be room for more positive equity returns over the next few quarters, but these potential gains will likely be muted compared to the spectacular returns we saw in Q1. I wouldn’t be surprised to see our distressed names begin to outperform as investors get complacent and adopt a more “risk off” mindset, while our higher quality companies slowly melt up. They should also finally start to outperform as the economy shows more positive signs and estimates of recession odds recede.

But to be clear there are several catalysts that could materialize over the next few quarters, both positive and negative. The most obvious of which would be an amicable solution to the US-China Trade War that puts an end to the current tariffs and puts in place some kind of intellectual property protection for US companies. While I have no insight into the odd of this outcome, I do know that both sides appear to be motivated to end the tariffs. I just hope that if Trump is successful, he doesn’t just roll onto a new tariff war with Europe thinking he has winning trade strategy, but this potential negative outcome wouldn’t surprise me.

I also think continued positive economic reports could prove that the Q4 and Q1 economic slowdowns were just temporary and not the start of a new recession. While I’m not an economist, we have recently received positive economic data on employment and other leading indicators, and I believe that in the near term an impending recession doesn't appear to be in the cards. However, should the incoming macro data begin to deteriorate further, particularly on the US employment front, I would worry about renewed recession fears being priced into the market, and a new slump in cyclical equities where we have an overweight exposure.

Separately, I believe there is a real risk of an oil price spike this summer which would be very negative for consumer sentiment; although simultaneously a breath of fresh air for energy stocks that have lagged the market after many fits and starts for the past 4 years. Based on US inventory data, the world appears to be undersupplied with oil despite the first quarter of the year traditionally being the slowest demand month as a higher percentage of refineries are in maintenance mode and vehicle mile traveled drops in the winter months. Most market commentators expected a large oil surplus to build in the first quarter, but they appeared to misjudge demand that was stronger than expected; OPEC cuts were more effective than anticipated; and decline rates in Non-OPEC Non-Shale (representing 2/3rds of global oil supply) have been overlooked or underestimated at best. When demand returns later this spring, the current undersupplied situation should become obvious to the rest of the market causing prices to rise, potentially substantially.

Higher oil prices would likely cause S&P margins to shrink and inflation to rise. To quantify the risk of the oil spike, I think the odds of $100 Brent by August are about 50/50, and oil prices of at least $70 or more for the summer period almost a certainty. The market is not pricing in this outcome into asset prices. US E&P's for example are pricing in around $50 oil, despite current prices in the $60's as I write this letter. Perhaps investors have simply been burned to many times the last few years, but elevated oil prices are real and will drive positive earnings at energy companies and higher costs (lower earnings) at energy intensive companies.

Lastly, the Federal Reserve could restart their upward march on interest rates. The pause in their rate rising regime was a big factor in the rebound in stock prices in Q1 as investors lowered their interest rate forecasts. If economic data continues to improve and inflation indicators rise (from an oil price spike for instance) they could resume raising rates; and right now, the market has higher odds by a factor of 2-1 that the Fed's next move will be a decrease. Another flip in interest rate direction would likely hurt markets. I was surprised by how fast higher rates hurt interest rate sensitive sectors like Utilities, Housing, and Autos in 2018; a repeat of that punishment would likely negatively impact our portfolios.

Turning to the long run, stocks in general continue to remain fairly priced with the potential to deliver mid-single digit returns from current prices. If we could take a time machine 10 years forward it wouldn't surprise me if we experienced returns in the 4-6% range for the S&P 500 over that period, much less than the 15% annualized we achieved over the last 10 years.

I think the opportunity to beat the index lies in owning value stocks that remain undervalued vs growth stocks, and securities with higher dividend yields, as income will make up a much larger portion of total returns from here. Our portfolios are positioned well for this long run outcome.

Concentrated Value

The Concentrated Value Portfolio had a very strong quarter returning 18.0%, recovering all the loses generated in Q4. The rebound was not surprising as the three primary factors that led to the Q4 decline largely reversed. First, oil prices rebounded with Brent Oil price rising 27% in the quarter. Our energy names were the largest contributor to the quarter's gain representing 5.78% of the quarterly return.

As I mentioned in the last quarterly letter, the selloff in oil prices was the result of the oil market appeared to be in a greater state of oversupply than reality. Oil observers began to reintroduce the word "glut" into their lexicon. As newer inventory and production data has become available it now appears that the oil market is actually undersupplied again. This reality should provide a nice tailwind that benefits our portfolio in the next few quarters as oil price appear poised to sustain or make further upward gains, while at the same time energy equities (particularly US E&Ps) seem to be pricing in oil at approximately $10 less than current spot prices. That gap will ultimately close if oil prices sustain their upward trajectory. The fund currently holds 17.25% of the portfolio in energy names, well in excess of the 6% exposure to Energy in the S&P 500.

Secondly, the Federal Reserve's reversal to their interest rate hike plans and concurrent drop in interest rates benefited our housing, auto and cyclical stocks in the quarter. In total, our Consumer Cyclical Stocks were the second largest contributor to this quarter's return, slightly trailing energy with a 5.69% contribution to our return.

Top 5 Contributors

Name	Absolute Return	Contribution to Portfolio
Floor N Décor	59.15%	3.01%
Devon Energy	40.37%	2.34%
Hess Corp	49.33%	1.81%
Lam Research	32.28%	1.60%
Gold Corp	17.84%	1.11%

Bottom 5 Contributors

Name	Absolute Return	Contribution to Portfolio
CVS	-16.83%	-0.77%
Gilead Sciences	5.09%	0.18%
Occidental Petroleum	8.85%	0.26%
Verizon	6.63%	0.27%
Celanese	10.18%	0.38%

Floor & Décor was our best performing stock in the quarter with a 59% return. Floor and Décor is a growing tile and wood flooring big box retailer with lots of room for store expansion across the US. They have built a better mousetrap for displaying and selling tile to DIY and professional remodeling contractors, and I believe they are taking share from Home Depot, Lowes, Tile Shop, and Lumber Liquidators. They offer a much larger selection of SKUs and in-stock inventory availability vs the peers. Despite the run-up in its share price, the stock remains undervalued and they continue to grow the value of the business each year through new store expansion. Toll Brothers also rebounded, and we trimmed on success as our position grew too large in the portfolio relative to other holdings given its potential return opportunity from its current stock price.

Thirdly, stocks that had performed badly in the first three quarters of the year were particularly hard hit as they became tax loss selling candidates as markets retreated in the 4th quarter. As the calendar drew to a close on 2018 and tax-loss selling ended these stocks rebounded nicely. Particular examples include: Royal Caribbean; Invesco; Oaktree Specialty; and Lam Research. Lam returned 32% in the quarter as they also benefited from investor's belief that the semi-capex cycle may be troughing.

There were no additions or subtractions to companies in the portfolio this quarter. This will be a common occurrence most quarters as our goal is to limit portfolio turnover through holding concentrated positions. The portfolio is currently at 20 names which is the upper limit to the number of stocks allowed in the portfolio.

However, we will have space for a new stock soon as Gold Corp is being acquired by Newmont Mining in a stock deal. We have begun trimming our exposure as the deal premium has closed and Newmont's stock appears fairly valued accounting for the synergies of the deal and gold prices near current levels. We have already cut our position in half. Gold Corp returned 17% this quarter after being our best performing stock last quarter.

We also added to some of our weakest performers such as CVS, Celanese, and Gilead. CVS was our only loser in the quarter, falling nearly 17%. The stock is now in the mid 50's and is trading for just 8x next year's depressed earnings estimates and offers an attractive 3.7% dividend yield. The market was disappointed with management's commentary about the ongoing integration efforts and lower than expected financial benefits associated with their recent acquisition of Aetna Health Insurance. The company is also struggling with weak drug pricing and wholesale rethinking of lucrative drug rebate programs. I believe the company will ultimately be able to find positive solutions to both issues. None the less, the market is pricing in a rapidly deteriorating business model which I believe is too pessimistic.

Lastly, I wanted to revisit the Investment Philosophy of the Concentrated Value Portfolio. We utilize a value investment strategy that seeks out companies for investment which the Portfolio Manager deems to be high quality companies as defined by possessing business operations with durable competitive advantages that allow for high returns and growing cash flows streams. We want these high-quality companies to also have solid balance sheets, preferably with a net cash position. We also prefer that their management teams make decisions with an emphasis on maximizing shareholder returns.

Once we find these high-quality companies we generally only invest in their stock if they trade at a steep discount to our estimate of their intrinsic value. This is necessary to provide our investors the opportunity to generate an above market return and protect capital. This discipline creates a wide margin of safety in the event an undesirable scenario plays out in the future. Pelican Bay Capital Management believes that identifying a significant difference between the daily market value of a security and the intrinsic value of that security is what defines an investment opportunity.

Dynamic Income Allocation

Once again, the Dynamic Income Allocation Portfolio (DIAP) did very well this quarter. After experiencing less then half the losses of the S&P 500 in Q4, the portfolio held its ground and realized a larger portion of the upside return the market generated this quarter. In Q1 the DIAP returned 11.24% vs 13.65% for the S&P 500 capturing 82% of the upside.

We like to compare the returns of the DIAP against the typical 60/40 stock/bond portfolio that is often recommended by Investment Advisors. We believe that exposure to additional asset classes beyond the typical 60/40 portfolio combined with a preference for income and the utilization of a tactical value overlay should produce superior investment returns with less risk.

We accomplished our goal this quarter as the DIAP generated a 11.24% return in Q1 resulting in 1.95% of alpha relative to the 9.29% return that would have been achieved by a 60/40 portfolio of stocks and bonds (the total returns of the SPY and AGG ETFs were 13.52% and 2.94% respectively in Q1).

Turning to our emphasis on income generation; the current yield on the DIAP as of April 5, 2019 is 5.1% annualized. The current investments have dividend yields ranging from 3.03% to 7.88%, compared to the S&P 500 dividend yield of 1.7% and 10-Year US treasury of 2.5%.

Ticker	Curent yield	Portfolio Yield
AMLP	7.88%	1.97%
PFF	5.88%	1.18%
VCIT	3.51%	0.53%
VYM	3.09%	0.46%
VNQ	3.92%	0.39%
VPU	3.03%	0.30%
SJNK	5.61%	0.28%
Total Portfolio		**5.11%**

There were no changes in the target weightings of the DIAP this quarter. The largest position continues to be Energy MLPs. While MLP's were our second-best performing asset class with a 17.1% return they remain undervalued. During the first quarter MLP's rebounded with energy prices, but as with traditional E&P's they still have not incorporated the improving fundamental outlook for further incremental oil and gas infrastructure needs and increasing distributions associated with this expansion. As we mentioned last quarter, given the shale explosion in Texas and increase need for Natural Gas infrastructure to supply ever-increasing demands, the underlying value of the MLP's should be increasing, regardless of the volatility of oil prices.

Ticker	Name	Target Weight	Absolute Return	Contribution to Portfolio
AMLP	ALERIAN MLP ETF	25.0%	17.05%	4.17%
PFF	ISHARES US PREFERRED STOCK	20.0%	7.79%	1.49%
VCIT	VANGUARD INT-TERM CORPORATE	15.0%	0.72%	0.20%
VYM	VANGUARD HIGH DVD YIELD ETF	15.0%	10.70%	1.51%
VNQ	VANGUARD REAL ESTATE ETF	10.0%	17.47%	1.68%
VPU	VANGUARD UTILITIES ETF	10.0%	10.84%	1.01%
SJNK	SPDR BBG BARC ST HIGH YIELD	5.0%	5.71%	0.25%

Our best performing asset class this quarter was REIT's which benefited from declining interest rates. As interest rates fall the value of real estate increases all else equal. Rent growth also held up well this quarter as employment and wages continued to expand.

Our other equity linked exposures including Utilities and High Dividend Paying Stocks slightly lagged the S&P 500's recovery, but still delivered with respectable 10% returns. Utility and high-dividend paying stocks saw less downside in the fourth quarter as investors sought out stable companies, and thus these stocks didn't have to bounce back as hard as other more depressed sectors of the stock market.

However, I should not that Utilities and REITs are starting to reflect more fair values and we may reduce our exposure if they continue to perform well.

Despite the hyped market commentary about the spectacular rebound in High Yield bonds, our position in the asset class returned just 5%. If junk bonds lag in the next quarter, we may add to our position as spreads vs treasuries are still elevated at 3.8% versus 3-3.5% for most of the last 2 years. A small increase in spreads above 4% could be possible if rates continue to fall or the economic environment deteriorates. If the spread moves back above 5.5% we will make the position much larger. As you recall from the Q4 letter, the high yield spread breached 5% at the end of the fourth quarter, but the spread quickly shrank back below 4% in a matter of days. We will be patient and wait for the right valuation opportunity to increase our exposure in this riskier asset class.

No other asset classes are currently in consideration to be added to the portfolio. Emerging Market Sovereign Bonds were becoming interesting but have similarly seen recoveries this quarter, once again rendering them uninteresting from a valuation perspective.

Overall, I feel satisfied with our current allocation if we elect to make no changes in our portfolio. Additionally, the quarterly rebalance will be immaterial as the portfolio didn't deviate too far from our targets as most asset classes performed positively in the quarter.

Lastly, I wanted to revisit the Investment Philosophy of the Dynamic Income Allocation Portfolio. The DIAP is designed to function as the core foundation of an investor's portfolio by operating with the dual mandate of generating the highest current income possible while preserving capital.

We attempt to achieve this dual mandate by only investing in asset classes that by themselves offer a current dividend yield that is greater than either the dividend yield of the S&P 500 or ten-year U.S. Treasures. In our view, elevated income can add stability to a portfolio and maximize the benefits of compounding through reinvestment.

We then construct a portfolio of these high-yielding asset classes with an emphasis on minimizing correlation of the overall portfolio and maximizing its diversification beyond the typical 60/40 stock/bond portfolio. We finally add a valuation overlay that we utilize across all our portfolios in which we allocate a larger position weighting to the most undervalued and attractive investment opportunities, while avoiding owning overpriced assets.

Phoenix Fund

Please note: The Phoenix Portfolio is only available to "Qualified Clients" pursuant to section 205(e) of the Investment Advisors Act of 1940 and section 418 of the Dodd-Frank Act.

The Phoenix Fund put up a respectable 9.2% this quarter, although I was partially disappointed with the performance. We saw a sharp bounce in the first two months of the quarter. In fact, the Portfolio was up 24% through February. Then as our companies began reporting earnings in March, investors were reminded of the risks associated with the current operating climates for many of our distressed companies and sold the stocks hard post earnings, often regardless if the company beat earnings or not.

Interesting we had several names deliver decent reports with a clear turnaround taking shape and the stocks still fell post earnings. We experienced this phenomenon with Hovnanian, Orion Marine, Gran Tierra Energy, ADT, Tile Shop, Lumber Liquidators, NN Inc, Turkcell, and GoGo Wireless. It was clearly not an isolated phenomenon. As these companies continue to engineer their turnarounds, I would expect investors to begin responding more favorable around future earnings results. Many of these names had rebounded by 20-30% in the quarter until their earnings reports.

I have noticed the phenomenon of selling regardless of earnings can sometimes occur during the first 2 quarters after the stock has initially fallen on bad news as investors are reintroduced to the reality of some of the difficult challenges facing these distressed companies, regardless if the headwinds are temporary in nature or not. Moving forward we will trim newer positions ahead of earnings if they experience rebounds of 20% or more to take advantage of this phenomenon.

However, I would like to point out that this phenomenon ultimately runs its course after 2-3 quarters as improved business conditions and outlooks ultimately begin to sway investors to adopt a more positive framework on the company's investment prospects. Our two largest winners this quarter were in this phase of recovery after being under pressure for 3 quarters or more.

Name	Absolute Return	Contribution to Portfolio
Diebold Nixdorf	346.89%	8.99%
Intrepid Potash	45.77%	1.50%
Denbury Resources	20.41%	0.95%
Caesar's Entertainment	27.98%	0.83%
Overseas Shipholding	23.61%	0.70%

Name	Absolute Return	Contribution to Portfolio
Cloud Peak	-52.25%	-1.26%
Maxar	-32.29%	-1.08%
Orion Marine	-29.83%	-1.06%
Francescas	-29.37%	-1.02%
Hovnanian	-20.22%	-0.71%

For Example, Diebold was finally able to convince investors that the liquidity squeeze from being forced to complete the acquisition of Wincor Nixdorf was finally behind them and simultaneously the market for ATM Installations rebounding after 2 years of declines. The stock jumped 350% from the Christmas bottom, quickly moving into fair value of $10-$15. We have sold down the majority of our position and still have a 1.5% stake. Diebold was responsible for almost all of our gains this quarter on net contributing 8.99% of or 9.20% total return.

Another strong performer was Intrepid Potash who was able to sell their lucrative water rights in New Mexico to desperate shale oil drillers who require water to frac their Permian wells. The sale happened at approximately 3-4x the estimates Wall Street Analysts were placing on these water rights. This difference representing approximately 30% of Intrepid's market capitalization at the time of the announcement. Interesting enough, the company announced the sale on a Friday, and no one picked it up. The stock lingered on Monday and Tuesday the following week despite the material change to the value of the company. We took advantage of this inefficiency and increased our position before others finally caught on Wednesday and the stock jumped 30% that day reflecting the sale. For those of you that believe that markets are efficient, I offer this is exhibit A.

Another observation contributing to our weaker results was that the more distressed names and penny stocks failed to participate in the market's rebound. It is very similar to the divergence in high yield debt where the BB and B rated securities rebounded while the junkier rated CCC bonds didn't move at all. Our CCC companies including Cloud Peak, Hovnanian, and Francesca saw no recovery this quarter.

Unfortunately, the market was right about Cloud Peak Energy, a coal miner in Wyoming, and they will likely file for bankruptcy on April 15th. I know that when we utilize our distressed equity investment strategy, we are going to experience some bankruptcies and Cloud Peak will be this portfolio's first. We unloaded the shares at the fire sale price of $0.19 per share after the firm skipped their interest payments on March 15th. Despite having cash on their balance sheet to persist for a few quarters, management decided to file as operational challenges that materialized in Q1 due to heavy rain flooding their coal mines would likely be too difficult to overcome. I invested our capital in Cloud Peak with the thesis that elevated coal prices currently available in Asia would drive enough profitability to keep the company afloat until a strategic buyer could execute a purchase, but it didn't play out that way.

Cloud Peak was by far our most speculative position and I don't see a similar outcome evolving for either Francesca or Hovnanian, which are similarly both priced for a potential bankruptcy outcome. Francesca has no debt and should be cash flow positive as they scale back their store growth plans. Conversely, Hovnanian (a national home builder) has lots of debt, but it is termed well, and they have dramatically reduced their leverage in the last year while reinvesting in growing their community count. They have since done a 1 for 25 stock split that will make the company investable again to institutional investors as the stock is now priced at $13 instead of $0.70. Their underlying business is improving, and the housing market is showing signs of recovery this spring after a very weak Q4 last year as mortgage rates had spiked on the Fed's tightening plans that have since reversed.

I would also like to highlight that we put the petal to the metal on deploying capital early in the quarter to take advantage of depressed valuations following the Q4 market drawdown. As a reminder we went pencil's down in early December and sat on our cash as the market appeared to be in a tax loss selling liquidation environment and I expected stock to only get cheaper. We began buying early in the quarter and drove cash from 25% down to under 10% at one point. We redeployed cash into some of the biggest losers from the tax loss selling environment. We also found lots of new names as several companies experienced hiccups during the quarter and were liquidated by institutional investors creating the opportunity for us to build a position. We initiated new positions in Atento; Eagle Bulk Shipping; GoGo Wireless; Maxar Technologies; Overseas Shipholding; and Transocean.

Atento is a Call Center Outsourcing company for Latin American Companies. The majority of their clients are in Brazil, but they also have significant operations in Mexico, Argentina, and Spain. As the Brazilian economy weakened in the last few quarters many stocks exposed to the country have collapsed (Arcos Dorados is another we have our eyes on). Atento had fallen from $13 to $4 per share. The underlying business has performed well through the market slowdown and our thesis is that investors will return to Brazilian stocks as the economy ultimately recovers and currency stops depreciating. I think the company is worth $8-10.

We also established an opening position in Eagle Bulk Shipping. The company is the owner of ocean cargo ships that are mostly mid-sized bulk cargo vessels. This market is less dependent on Iron Ore and Coal and has seen pricing stabilize in recent quarters with day rates moving up to the $13,000 per day range from sub $10,000 per day in 2018. Besides a recovering bulk shipping market, they are also one of only 2 ship owners in this segment that are adding CO2 scrubbers to their ships in anticipation of a spike in clean diesel prices when IMO 2020 low sulfur fuel regulations take effect in January of next year. This will give Eagle the opportunity to earn windfall profits for a few years post implementation of IMO 2020 as they will be able to use much cheaper fuel than competitors and will be able to pocket the difference. This event is on investor's radar screen, but it hasn't been priced into the stock yet. If mid-sized bulk shipping day-rates continue to improve with a strengthening global economy, and IMO 2020 has the positive impact on shipping fuel prices that I expect, Eagle's stock could move to $8 or even $10. We acquired our shares for just under $5.

GoGo Wireless provides Internet access to Commercial Airlines and Private Business Jets. They had a calamity of negative outcomes hurt the stock in 2018 which resulted in shares falling from $12 to as low as $3where we acquired our position. Some issues included the loss of American Airlines as a customer before a new technology upgrade was available. GoGo doesn't think they would have lost the American contract if the new systems were available to be installed at the time of the RFP. Now, GoGo is the only player with the new technology, and with it now available they have secured long term contracts with Delta and United. This new system initially had a problem with de-icing causing system failures last winter and they were forced to find a fix. This fix could have been costly, but they were able to find a low-cost upgrade that successfully solved the problem and there were no more de-icing issues this winter. Investors were worried they would have to replace the entire system at substantial losses. This didn't happen and the stock has started recovering. I think it can recover to the $8-$12 range as business continues to improve and Airlines see increased utilization of their in-flight internet service. GoGo had also issued new equity in Q3 to strengthen their balance sheet. Insiders bought most of the new shares which I see as a strong vote of confidence, but the existing investors didn't appreciate being diluted, and the stock fell.

Overseas Shipholding is a crude oil and refined product shipping company that moves crude and gasoline from Houston refineries to Florida. They also have a monopoly Lightering Offtake Business in the Delaware Bay. They have two underutilized boats that have begun moving shale crude oil from Texas to the Northeast refineries. As long as the Brent-WTI oil price spread remains above $7 they can operate this route at advantageous day-rates with little to no competition. This business opportunity just opened up as the Brent-WTI spread widened in the fall of 2018. I expect the spread will stay wide in 2019 and possibly longer. As this trade route remains available to exploit Overseas Shipholding can double their EBITDA by deploying 2 ships on this route at current spot market prices. If their valuation multiple didn't change the company would be worth $4 per share. We acquired our stake at $1.85 leaving plenty of upside and little downside. The market is starting to sniff this opportunity out and shares have already moved into the low $2's.

On a positive note we had one buyout this quarter as Gold Corp is being acquired by Newmont Mining. Gold Corp was one of our smaller positions as it only had 30-50% upside, but a nice win none the less. We sold our position for a 30% gain in the first week of April.

We also trimmed our position Kinross Gold as its strong performance in Q4 continued into Q1 and the position found itself at the top of our portfolio which was never my intention. So, we trimmed Kinross on success and took the position back to 3% as we are only playing for 30-40% more upside from the current price. Cumulatively, our gold mining investments have been very successful.

We could have another potential buyout in Q2 as Caesars Entertainment came under pressure from Carl Icahn (who built a 20% position in the company), who wants to sell the Casino Operator. I think Caesars could fetch $11-$13 in a transaction. There are two strategic buyers interested including El Dorado and a Private operator who is rumored to have already make a bid to the Caesars' board. We acquired our stake in Caesars at $8.30 prior to Mr. Icahn's activist engagement.

Unfortunately, our small trading ideas bucket generated a loss in Q1. We were betting on a takeout at GameStop that didn't play out. The private equity firms that were interested in buying GameStop couldn't secure debt financing at attractive enough interest rates to make the deal work and chose to abandon the deal. While we saw strong gains of 40% in our position before the sale fell apart, we ultimately lost 11% on the trade costing us -0.16% contribution to the return.

As a reminder we keep each of our trading positions at just 2% of the portfolio as they are typically more binary short-term events. We will participate in merger arbitrage and other macro influenced trades from time to time when we believe the odds of success are heavily in our favor to justify the position.

Lastly, I wanted to revisit the Investment Philosophy of the Phoenix Fund. The portfolio takes advantage of structural biases against institutional ownership of financially levered companies with low-stock prices. We seek companies that have had their stock prices fall 70% or more in the last two years and are priced below $10 dollars per share. This outcome typically leads to forced selling from their institutional shareholders, creating the opportunity to make outstanding investments for less constrained investors.

Generally, these companies are under distress from poor performance caused by what we believe are temporary factors. These companies generally have elevated levels of debt, and any prolonged period of business stress could cause stockholders to endure substantial losses. The Phoenix Fund is a high-risk high-return investment strategy. Please see the Risk of Loss Section of Part 2A of Form ADV referenced below.

* * * * * * *

In closing, I would like to again thank our investors for their continued support during the launch of Pelican Bay Capital Management. We are very happy with the overall results for our first full quarter of operations. We are very much looking forward to the future and achieving your investing goals with integrity and discipline.

Warm regards,

Tyler Hardt, CFA

For more information please see Part 2A of our Form ADV available on the SEC's website at www.adviserinfo.sec.gov. You may also request a copy from Pelican Bay Capital Management by e-mailing us at info@pelicanbaycap.com.

Additional information about Pelican Bay Capital Management, LLC also is available on the SEC's website at www.adviserinfo.sec.gov.