January 24, 2019

Dear Gator Financial Partner:

We are providing you with Gator Financial Partners, LLC's (the "Fund" or "GFP") Q4 2018 investor letter. This letter reviews the Fund's investment performance for the 4th quarter of 2018, updates our investment thesis on GSE preferred securities, and discusses the Fund's current net exposure and positioning by sub-sector.

Review of Q4 2018 Performance

For the 4th quarter of 2018, we lagged the Financials sector benchmark and the overall market. The Fund declined 20.57%. Fannie Mae preferred stock, Syncora, Federated Investors, and OFG Bancorp were top contributors to performance. The largest detractors were Zions Bancorp (stock and warrants), SunTrust, KKR, and Credit Suisse.

	Q4 2018	2018	Total Return Since Inception[1]	Annualized Return Since Gator's Inception[1]
Gator Financial Partners, LLC[2]	-20.57%	-16.02%	592.16%	20.23%
S&P 500 Total Return Index[3]	-13.52%	-4.38%	145.35%	8.92%
S&P 1500 Financials Index[3]	-13.36%	-13.03%	87.89%	6.19%

Source: Gator Capital Management & Bloomberg

The Fund's portfolio had a rough end to 2018. Gator Financial Partners was down 14% in December 2018, while the Financials sector was down 11%. Regional banks were down 16%. Insurance stocks were only down 8%, but our portfolio was more focused on banks and capital markets firms.

We had anticipated a good December because a number of our stocks were already down from their September highs or were flat for the year. We thought that investors would buy shares in anticipation of a strong 2019. After the initial sell-off, we expected a bounce mid-month with the end of the traditional tax-loss selling season, but investors didn't react well to the Fed press conference after raising the Fed Funds rate. As you know, the market sold-off into Christmas Eve. We felt that many of our stocks were too cheap to sell at that point, and we didn't want to miss a potential rebound.

Even with the recent rebound in the stock market, we believe our holdings remain very inexpensive. Here are some examples of the price-to-earnings multiples based on 2019 estimates: SunTrust at 10x

---

[1] The Fund's inception date was July 1, 2008.

[2] Performance presented assumes reinvestment of dividends, is net of fees, brokerage and other commissions, and other expenses an investor in the Fund would have paid. Past performance is not indicative of future results. Please see General Disclaimer on page 7.

[3] Performance presented assumes reinvestment of dividends. No fees or other expenses have been deducted.

Gator Capital Management
100 S. Ashley Drive, Suite 895 | Tampa, FL 33602
Phone: (813) 282-7870 | Fax: (813) 425-9168

www.gatorcapital.com

earnings, Credit Suisse at 8x, and Barclays, Capital One & Ally at 7x. We believe the market is on better footing now that tax-loss selling for 2018 is over. Federal Reserve Chairman Powell spoke at a conference on January 4th to clarify his view of potential policy actions the Fed could take in 2019, which we believe better communicates the Fed's policy position.

Through Thursday, January 24th, we estimate that the Fund is up 17% for 2019, so we have recovered all of December's decline. Earnings season has gone well for the banks. We expect the management teams for the companies whose stocks we own will continue to confirm our positive view through the rest of earnings season.

While economic growth may slow in 2019, we are far from recession territory. We think the market is pricing in a recession for many of the stocks in our portfolio. Our portfolio remains largely the same as it did entering December. We believe that we will generate our returns through stock picking and not by avoiding periodic downdrafts in the market.

Update on GSE Preferred Investment Thesis

We have held a position in the preferred stock of the Government Sponsored Enterprises (GSEs) almost since the Fund's inception. The GSEs are Fannie Mae and Freddie Mac, which buy mortgages from banks and package them into mortgage-backed securities (MBS). Fannie and Freddie earn a fee for guaranteeing the credit of the mortgage underlying the MBS they issue.

We last wrote about our position in the GSE preferreds in detail in February 2015. There are several recent developments regarding this position, so we thought this would be a good time for us to review our current thoughts on the GSEs.

We believe we are at an inflection point in the GSE investment story. We believe the FHFA will move to have the companies exit Conservatorship in 2019. In this scenario, we believe there will be a recapitalization of both Fannie Mae and Freddie Mac. We think our preferred stock position will either get converted to common shares or will be refinanced. Here are the reasons why we believe the timing is right for the companies to exit Conservatorship this year.

1. New regulatory head appointed – The Trump administration has appointed Mark Calabria to be the next Director of the Federal Housing Finance Agency (FHFA). Calabria was a senior staff member for Sen. Shelby when Shelby was the Chairman of the Senate Banking Committee. In 2008, Shelby's Banking Committee wrote The Housing and Economic Recovery Act of 2008 (HERA), which outlined the terms of Conservatorship.

   In 2015, Calabria wrote a paper titled "The Conservatorships of Fannie Mae and Freddie Mac: Actions Violate HERA and Established Insolvency Principles." In this paper, Calabria outlines how the FHFA was not following precedent set by the FDIC of how the government should treat financial institutions in Conservatorship. Calabria will go through a confirmation process in the Senate during 2019, which may take six months. Once confirmed, we believe Calabria will not continue the current path of Conservatorship for Fannie and Freddie. In the meantime, an interim FHFA Director, Joseph Otting, has been designated by President Trump.

2. Interim regulatory head made positive comments about potential Conservatorship exit– Several times over the last few weeks, Otting has stated that a goal is to have the GSEs exit Conservatorship. As recently as last Friday, January 18th, the FHFA put out a statement saying, "He mentioned, as he previously has, that Treasury and the White House are expected to release a plan for housing that will include details about reform and will likely include a recommendation for ending Fannie Mae and Freddie Mac conservatorships."[4]

3. Treasury Secretary has long been in favor of the GSEs exiting Conservatorship – Soon after the 2016 election, Treasury Secretary Mnuchin made statements to several media outlets stating his desire to have the GSEs exit Conservatorship.[5] We believe Mnuchin's stance on having the GSEs exit Conservatorship remains unchanged. Mnuchin has had a long history of working with the GSEs. He ran the mortgage trading desk at Goldman Sachs, and he also purchased and recapitalized a large mortgage bank, IndyMac, from the FDIC.

4. Old political foes have retired from Congress – With the new Congress installed in January after the Mid-Term election in November 2018, two long-time political opponents of the GSEs have retired. Rep. Jeb Hensarling retired from Congress. Hensarling had been Chairman of the House Financial Services Committee. Sen. Bob Corker retired as Senator from Tennessee and a member of the Senate Banking Committee. Both of these legislators had a negative view of the GSEs that pre-dated the Financial Crisis of 2008. As new members of Congress replace these old foes, they will bring fresh perspectives on housing policy.

5. The FHFA has already effectively reformed Fannie and Freddie – Before 2008, critics of the GSEs identified several issues with the GSE business model. All of these issues have been addressed by the regulator during the 10 ½ years of conservatorship, so there is no need for Congress to pass legislation to "reform" the GSEs.
    a. On-balance sheet portfolio – Fannie Mae's on-balance sheet mortgage portfolio has declined from a peak above $790 billion to its current $185 billion. This more than 75% decline reduces the refinancing risk of Fannie Mae's debt. Because Fannie Mae funds itself in the securities markets, critics had pointed to the risk that, if the capital markets were shut, Fannie Mae may have a liquidity problem and may not be able to roll over its debt.
    b. Capital levels – The FHFA is in the process of creating new capital requirements that will raise the capital requirements of the GSEs.
    c. Executive compensation – In 2014, the FHFA published a regulation that limited the compensation of GSE executives. As a shareholder, we favored this regulation because the GSE executives of 1996 to 2004 became greedy and paid themselves too much.

---

[4] https://www.marketwatch.com/story/fhfa-acting-director-discussing-plan-to-take-fannie-and-freddie-out-of-conservatorship-2019-01-18

[5] https://www.housingwire.com/articles/38635-trump-treasury-pick-fannie-mae-and-freddie-mac-will-be-privatized

Their excessive compensation helped to ruin the franchise by provoking political enemies on Capitol Hill who were envious.

d. Credit risk – The GSEs have massively reduced the amount of credit risk they retain.
    i. They have raised their guaranty fees from 13 bps pre-crisis to 40-50 bps. These additional fees will offset any credit losses before capital levels start eroding.
    ii. The GSEs have narrowed their "credit box" of acceptable risk. They have eliminated no-doc lending and significantly curtailed "layered risk." The layered risk is when a single mortgage has multiple characteristics that stand-alone would be high risk(e.g., adjustable rate mortgage, a borrower with a low credit score, a high loan-to-value ratio, limited or no documentation).
    iii. Most importantly, the GSEs have been buying credit protection in the capital markets by selling credit risk transfer securities to hedge funds, mortgage REITs, and mortgage insurance companies. The cost of buying this credit protection is less than the guaranty fees the companies are charging, so the GSEs are earning a low-risk profit from their guaranty businesses.

6. The narrative behind Conservatorship has been debunked – We have long held that putting Fannie and Freddie into Conservatorship was the first of several policy errors that Paulson, Geithner, and Bernanke made in September 2008 that greatly exacerbated the Financial Crisis. They followed up their GSE gaffe by letting Lehman declare bankruptcy, giving WaMu to JP Morgan, and selling Wachovia to Wells Fargo after leaving Citigroup at the altar. Not to mention the extreme favoritism Paulson showed Goldman Sachs by bailing out AIG and giving Goldman and Morgan Stanley bank charters over a weekend.

    Paulson's move to put the GSEs in Conservatorship was a political act that used the housing market weakness as an excuse to attempt to give the secondary mortgage market to the "too big to fail" banks. At the time, the GSEs were both investment grade rated as well-capitalized. Once in Conservatorship, the Treasury forced the GSEs to take huge accounting losses to put up loss reserves for coming credit weakness. The paper losses never materialized and had to be reversed in future years, but they served their political purpose and made it appear as though the GSEs were in a much weaker financial position than they were.

    This narrative had been debunked in recent years through articulate writing from Tim Howard[6] and Bruce Berkowitz[7]. Even Chairwoman Maxine Waters, Chair of the House Financial Services Committee understands this was a false narrative, "Contrary to Republican claims, Fannie Mae and Freddie Mac did not cause the financial crisis. The Financial Crisis Inquiry Commission and others have made that clear. The financial crisis was driven by predatory lending, the private market packaging those toxic, risky loans into securities and then selling those securities to unsuspecting investors. Fannie and Freddie did not drive those actions, but the events that transpired during the crisis made clear the need for their reform."[8]

[6] https://howardonmortgagefinance.com/2016/02/23/the-takeover-and-the-terms/
[7] https://www.cnbc.com/video/2013/09/04/fannie-and-freddie-future.html
[8] https://financialservices.house.gov/news/documentsingle.aspx?DocumentID=401718

7. GSEs exiting Conservatorship will be good for the housing market – The housing market, as it relates to housing starts and transaction volume, has not fully recovered to pre-Financial Crisis levels. We believe this is because credit has been too tight. Under Conservatorship, the GSEs have been overly restrictive on their credit policies to prevent any credit losses. After exiting Conservatorship, we think the companies will make reasonable changes at the edges of their credit policy to help improve access to mortgage credit.

As a next step for the GSEs, we expect the FHFA will release a plan in the 1st Quarter for the GSEs to exit Conservatorship. We believe the second step will be for a 4th Amendment to the Treasury agreement with the GSEs that will allow the GSEs to retain capital. Other components of the plan will probably include a preferred for equity swap and an initial public offering ("IPO"). The FHFA may also institute a reinsurance fee on the GSEs for a catastrophic guaranty.

Portfolio Analysis

Largest Positions
Below are the Fund's five largest common equity long and short positions. All data is as of December 31, 2018.

Long	Short
Syncora Holdings	Northwest Bancshares, Inc.
Zions Bancorporation (stock & warrants)	Community Bank System
Ambac Financial Group	Hamilton Lane
SunTrust Bank	CVB Financial
KKR & Co. Inc.	First Republic Bank

From this list, we excluded ETFs and fixed income instruments such as preferred stock.

Sub-sector Weightings
Below is a table showing the Fund's positioning within the Financials sector[9] as of December 31st:

[9] "Financials sector" is defined as companies included in the Global Industry Classification System ("GICS") sectors 40 and 60, which contains financial and real estate companies.

	Long	Short	Net
Alt Asset Managers	16.28%	0.00%	16.28%
Capital Markets	3.45%	-0.95%	2.50%
Banks (large)	37.02%	-6.08%	30.95%
Banks (small)	7.18%	-4.45%	2.73%
P&C Insurance	5.66%	0.00%	5.66%
Life Insurance	0.00%	0.00%	0.00%
Non-bank Lenders	30.39%	-0.72%	29.67%
Processors	0.00%	0.00%	0.00%
Real Estate	3.47%	0.00%	3.47%
Exchanges	0.00%	0.00%	0.00%
Index Hedges	0.00%	-23.22%	-23.22%
Non-Financials	0.00%	0.00%	0.00%
Total	103.45%	-35.41%	68.04%

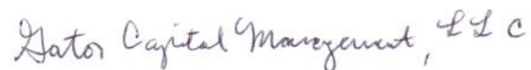
The Fund's gross exposure is 103.45%, and its net exposure is 68.04%. From this table, we exclude fixed income instruments such as preferred stock. Preferred stock positions account for an additional 7.5% of the portfolio.

Conclusion

Thank you for entrusting us with a portion of your wealth. On a personal level, Derek Pilecki, the Fund's Portfolio Manager, continues to have more than 80% of his liquid net worth invested in the Fund.

As always, we are available by phone whenever you want to discuss the Fund or investing in general.

Sincerely,



Gator Capital Management, LLC

Gator Capital Management, LLC prepared this letter. ALPS Alternative Investment Services, LLC, our administrator, is responsible for the distribution of this information and not its content.

General Disclaimer

By accepting this investment letter, you agree that you will not divulge any information contained herein to any other party. This letter and its contents are confidential and proprietary information of the Fund, and any reproduction of this information, in whole or in part, without the prior written consent of the Fund is prohibited.

The information contained in this letter reflects the opinions and projections of Gator Capital Management, LLC (the "General Partner") and its affiliates as of the date of publication, which are subject to change without notice at any time subsequent to the date of issue. All information provided is for informational purposes only and should not be deemed as investment advice or a recommendation to purchase or sell any specific security.

All performance results are based on the net asset value of the Fund. Net performance results are presented net of management fees, brokerage commissions, administrative expenses, and accrued performance allocation, as indicated, and include the reinvestment of all dividends, interest, and capital gains. The performance results represent Fund-level returns, and are not an estimate of any specific investor's actual performance, which may be materially different from such performance depending on numerous factors.

The market indices appearing in this letter have been selected for purposes of comparing the performance of an investment in the Fund with certain well-known equity benchmarks. The statistical data regarding the indices has been obtained from Bloomberg and the returns are calculated assuming all dividends are reinvested. The indices are not subject to any of the fees or expenses to which the funds are subject and may involve significantly less risk than the Fund. The Fund is not restricted to investing in those securities which comprise these indices, its performance may or may not correlate to these indices, and it should not be considered a proxy for these indices. The S&P 500 Total Return Index is a market cap weighted index of 500 widely held stocks often used as a proxy for the overall U.S. equity market. The S&P 1500 Financials Index is a market cap weighted index of financial stocks within the S&P 1500 Super Composite Index we used as a proxy for the Financials sector of the U.S. equity market. An investment cannot be made directly in either index. The Fund consists of securities which vary significantly from those in the benchmark indices listed above. Accordingly, comparing results shown to those of such indices may be of limited use.

Statements herein that reflect projections or expectations of future financial or economic performance of the Fund are forward-looking statements. Such "forward-looking" statements are based on various assumptions, which assumptions may not prove to be correct. Accordingly, there can be no assurance that such assumptions and statements will accurately predict future events or the Fund's actual performance. No representation or warranty can be given that the estimates, opinions or assumptions made herein will prove to be accurate. Any projections and forward-looking statements included herein should be considered speculative and are qualified in their entirety by the information and risks disclosed in the Fund's Private Placement Memorandum. Actual results for any period may or may not approximate such forward-looking statements. You are advised to consult with your own independent tax and business advisors concerning the validity and reasonableness of any factual, accounting and tax assumptions. No representations or warranties whatsoever are made by the Fund, the General Partner, or any other person or entity as to the future profitability of the Fund or the results of making an investment in the Fund. Past performance is not a guarantee of future results.

The funds described herein are unregistered private investment funds commonly called "hedge funds" (each, a "Private Fund"). Private Funds, depending upon their investment objectives and strategies, may invest and trade in a variety of different markets, strategies and instruments (including securities, non-securities and derivatives) and are NOT subject to the same regulatory requirements as mutual funds, including requirements to provide certain periodic and standardized pricing and valuation information to investors. There are substantial risks in investing in a Private Fund (which also are applicable to the underlying Private Funds, if any, in which a Private Fund may invest). Prospective investors should note that:

- A Private Fund represents a speculative investment and involves a high degree of risk. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment in a Private Fund. An investor could lose all or a substantial portion of his/her/its investment.
- An investment in a Private Fund is not suitable for all investors and should be discretionary capital set aside strictly for speculative purposes. Only qualified eligible investors may invest in a Private Fund.
- A Private Fund's prospectus or offering documents are not reviewed or approved by federal or state regulators and its privately placed interests are not federally, or state registered.
- An investment in a Private Fund may be illiquid and there are significant restrictions on transferring or redeeming interests in a Private Fund. There is no recognized secondary market for an investor's interest in a Private Fund and none is expected to develop. Substantial redemptions within a limited period of time could adversely affect the Private Fund.
- Certain portfolio assets of a Private Fund may be illiquid and without a readily ascertainable market value. The manager's/advisor's involvement in the valuation process creates a potential conflict of interest. Instances of mispriced portfolios, due to fraud or negligence, have occurred in the industry.
- A Private Fund may have little or no operating history or performance and may use performance information which may not reflect actual trading of the Private Fund and should be reviewed carefully. Investors should not place undue reliance on hypothetical, pro forma or predecessor performance.
- A Private Fund may trade in commodity interests, derivatives and futures, both for hedging and speculative purposes, and may execute a substantial portion of trades on foreign exchanges, all of which could result in a substantial risk of loss. Commodities, derivatives and futures prices may be highly volatile, may be difficult to accurately predict, carry specialized risks and can increase the risk of loss.
- A Private Fund's manager/advisor has total trading authority over a Private Fund. The death or disability of a key person, or their departure, may have a material adverse effect on a Private Fund.
- A Private Fund may use a single manager/advisor or employ a single strategy, which could mean a lack of diversification and higher risk. Alternatively, a Private Fund and its managers/advisors may rely on the trading expertise and experience of third-party managers or advisors, the identity of which may not be disclosed to investors, which may trade in a variety of different instruments and markets.
- A Private Fund may involve a complex tax structure, which should be reviewed carefully, and may involve structures or strategies that may cause delays in important financial and tax information being sent to investors.
- A Private Fund's fees and expenses, which may be substantial regardless of any positive return, will offset such Private Fund's trading profits. If a Private Fund's investments are not successful or are

not sufficiently successful, these payments and expenses may, over a period of time, significantly reduce or deplete the net asset value of the Private Fund.

- A Private Fund and its managers/advisors and their affiliates may be subject to various potential and actual conflicts of interest.
- A Private Fund may employ investment techniques or measures aimed to reduce the risk of loss which may not be successful or fully successful.
- A Private Fund may employ leverage, including involving derivatives. Leverage presents specialized risks. The more leverage used, the more likely a substantial change in value may occur, either up or down.

The above summary is not a complete list of the risks, tax considerations and other important disclosures involved in investing in a Private Fund and is subject to the more complete disclosures in such Private Fund's offering documents, which must be reviewed carefully prior to making an investment.

Oakpoint Solutions, LLC, member FINRA, SIPC