



Tallgrass Capital

January 1, 2015

# Objectives

- Strong long-term absolute and relative performance
- Capital Preservation
- Maintain a hedged portfolio
- Minimize/defer taxes



# Fund Description

- Traditional definition of “hedge” fund: long and short securities (primarily equities)
- Same strategy since inception
- Quarterly openings for capital additions/withdrawals
- Mr. Warning has substantial capital invested



# Our Philosophy

- We exercise minimal leverage
- We are not commodity traders
- We are not momentum investors
- We focus on macro issues, but are not market timers



# Performance

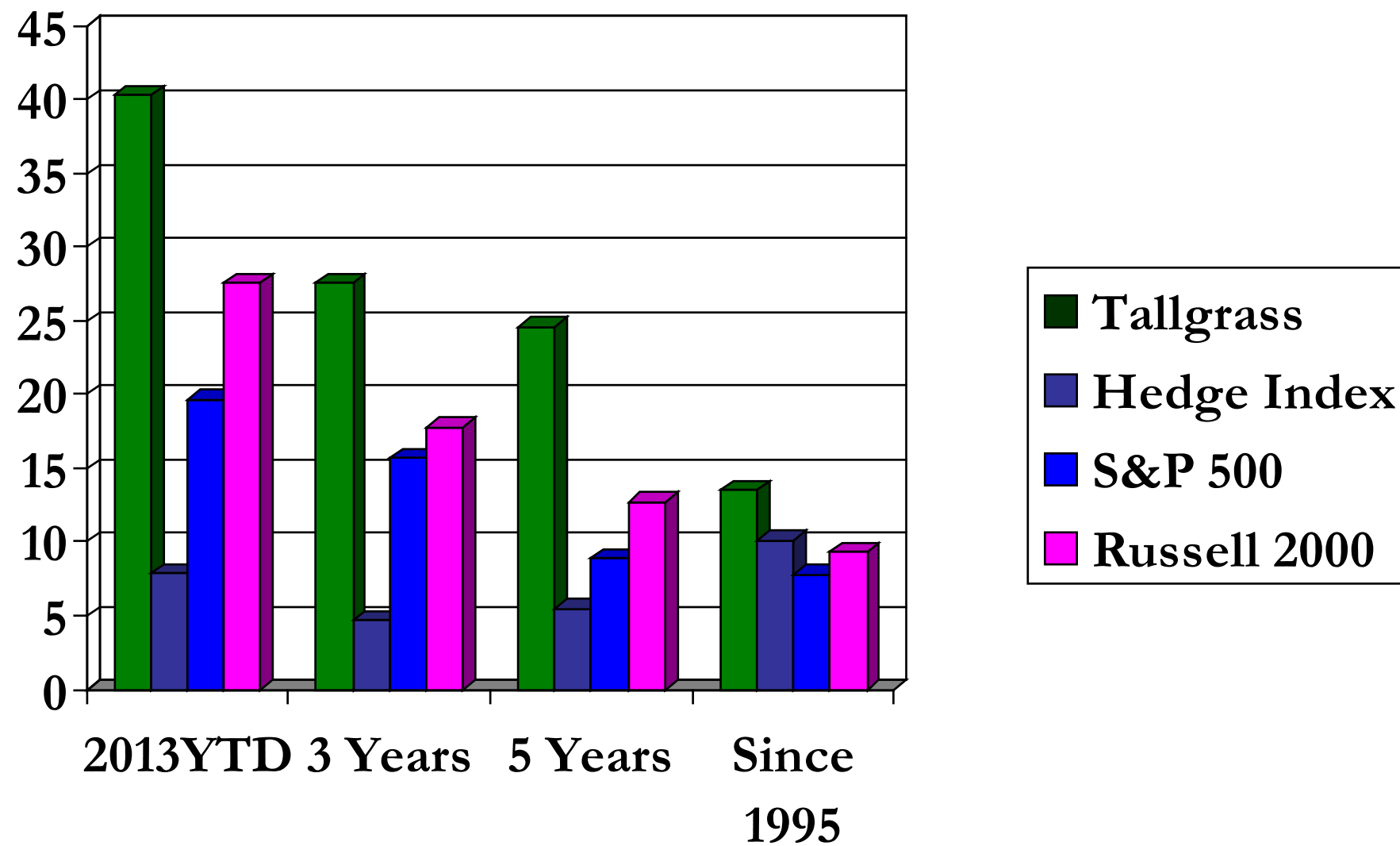
- Tallgrass Capital was formed in 1995.
- Since inception, Tallgrass Capital has returned 13.5% annually to investors, net of all fees.
- An initial \$100,000 investment would be worth the following as of March 31, 2014:

Tallgrass Capital (net)	\$1,036,500
DJ/CS Long/Short Hedge Index	\$ 590,850
S&P 500 (w/dividends)	\$ 462,400
Russell 2000 (w/dividends)	\$ 520,225



# Performance

## Compounded Annual Returns (%)



# Strategy

- Value orientation: cash flows, free cash flows, hidden assets
- Target smaller companies largely ignored by Wall Street
- “Bargains” - contrarian style, misunderstood companies
  - unrecognized/mispriced growth opportunities
  - spin-offs: structural vs. fundamental selling pressure on a stock
  - bankruptcy/reorganizations where bondholders receive most of the equity shares
  - restructuring opportunities
  - deep value “net-nets”
- Control Risk
- Fundamental, research intensive analysis
- Long-term investor with low turnover



# Portfolio Composition

- Largest single long position under 15%
- We tend to be 40-75% net long
- Largest single short position under 10%
- Top five long positions approx 30-45% of total longs





# Chris J. Warning, CFA

Founder of Tallgrass Capital in 1995

- **Prior Experience**

- Grant Partners LP, an investment partnership
- First National Bank of Chicago Trust Department
- Commonwealth Edison Pension Fund

- **Education**

- M.B.A. Finance and Statistics from the University of Chicago, 1984
- B.A. in Economics and Mathematics from Augustana College, 1982
- Chartered Financial Analyst Designation (CFA) in 1987



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# Third Party Professionals

- Prime Broker: BNP Paribas
- Administrator: O'Malley and Kwit, LLC
- Audit Firm: McGladrey
- Legal Counsel: Ulmer and Berne, LLP



# Risks

- We tend to be concentrated
- There is greater short term volatility
- We use little, if any, leverage
- Investors have ability to withdraw quarterly
- Fund is highly dependent on Chris Warning\*

\*Plan in place to liquidate if necessary

