Dear Fellow Partners:

The Summers Value Fund LP ("the Fund") increased by 12.4% net[1] during the third quarter of 2018 which compared favorably to the S&P 500 return of 7.2% and the Russell 2000 return of 3.3%. For the month of September, the Fund increased by 4.4% net[1] versus the S&P 500 return of .4% and the Russell 2000 return of -2.5%. Since inception on June 4, the Fund has returned 13.8% net[1] which compares to the S&P 500 return of 6.6% and the Russell 2000 return of 2.9%. The Fund is not managed to look like the major indexes and could deviate materially (positively or negatively) in any given period, including years. With only four months under our belt, it is too soon to make any significant conclusions regarding our performance.

The biggest contributor during the third quarter was Electromed (ELMD) while the biggest detractor was Collegium Pharmaceuticals (COLL). Electromed was the beneficiary of a positive fiscal year financial update in September while Collegium suffered from a slowdown in prescription growth for the company's lead product, Xtampza ER. Importantly, the Fund generated positive returns on both the long and short side of the portfolio during the period. On the short side, performance was driven by a sharp sell-off in the shares of Optinose (OPTN), a position that we are unveiling for the first time.

At the end of September, the portfolio consisted of nine long positions and two short positions, well within our investment parameters of up to 15 longs and five shorts. The portfolio currently consists of 10 domestic securities and one Canadian security. We ended September with 99% gross exposure and 89% net exposure. The top five positions in the Fund represented 66% of the portfolio at the end of the period.

A Pipeline of Opportunities

We are currently evaluating a number of long and short opportunities for inclusion in the portfolio. Each of these opportunities falls squarely within our circle of competence, which includes the human health, animal health and consumer health industries. On the long side, our focus has been on special situations (spin-offs, carve-outs, etc.). The pipeline of special situations that we expect to occur over the next 12-18 months is quite robust at this time and several of these opportunities look attractive. In one case, we already own the parent company in advance of the new company spin-off, which should occur in the next few months. On the short side, we have been analyzing several new product launch situations where we believe the market may be overly optimistic regarding commercial expectations. Several of these short opportunities could become actionable in the near-term. Inactivity is usually in our best interest, but we will move decisively for the right opportunities.

Collegium Pharmaceuticals (COLL): Exercising Patience on Weakness

Collegium Pharmaceuticals (COLL) represents the largest unrealized loss in the portfolio, and in the interest of transparency, I would like to provide some brief comments on our thoughts regarding this position. We have added to Collegium only slightly on weakness, and it currently represents the smallest position in the fund — by a wide margin — as it has since we initiated the position in June. We bought Collegium on the thesis that the company's main product, Xtampza ER, was a vital part of the solution to America's opioid crisis, and that the market was not giving the company credit for a better-than-expected sales outlook. However, we committed a cardinal sin by overpaying for the stock when it was trading at a 52-week high (and near an all-time high). We vastly prefer to accumulate stocks that are trading at multi-year lows and carry below-average investor expectations. Collegium is also a reminder that we prefer to own companies that have a history of positive cash flow generation because cash flow creates optionality in periods of underperformance. Whereas the company has a reasonable and growing sales base, it is not profitable at this juncture. We do expect the company to become profitable in 2019, but in the meantime, we have been dealt a sizeable loss because we violated the margin of safety tenant of our process. Notwithstanding this setback, our intention is to keep the position size small as we wait for business performance to improve driven by increased market access for Xtampza ER.

Optinose (OPTN): Xhance Expectations Remain too High

The largest short position in the portfolio at the end of the third quarter was Optinose (OPTN). We have decided to unveil the name of the position at this time to provide greater clarity to our limited partners. The stock was a key contributor to performance in the third quarter and currently represents a material unrealized gain in the partnership. As a reminder, our goal on the short side is to generate positive absolute returns over the long term. We do not short stocks as a hedging mechanism to smooth our return profile because, in our experience, this activity is prohibitively expensive and time-consuming.

We have written extensively about Optinose in our monthly updates and will not re-hash the details in this letter. But our thesis on Optinose was simple: we believed that the launch of the company's only product, Xhance for nasal polyps, would materially underperform against bullish investor expectations. We performed extensive due diligence including physician interviews and payer (insurance) analysis before we entered the position. Combined with our internal modeling, we formed a decidedly negative view on the stock and began shorting it in early July when it was trading in the high $20s. We continue to believe that the stock is materially overvalued, and that there could be further downside as the fundamentals play out. We recently completed an additional round of physician interviews, which we believe confirmed our original view.

Biospecifics (BSTC): Long-Term Opportunity in Cellulite

Biospecifics (BSTC) is a $425 million biopharmaceutical company that was founded in 1957 and is headquartered in Lynbrook, New York. We have held Biospecifics shares in the Fund since inception. The company is unique in that it only has five full-time employees and its primary source of revenue consists of royalties from a drug called Xiaflex. We were attracted to the company because it has high insider ownership, requires very little capital to grow and has a history of free cash flow generation combined with a very strong balance sheet. Additionally, the stock has limited sell-side coverage and was trading near a three-year low when we entered the position.

Xiaflex is marketed by Endo Pharmaceuticals in the United States and Biospecifics receives a low double-digit royalty on sales and a small mark-up on the cost of manufacturing the drug. Xiaflex is currently approved as a treatment for Dupuytren's contracture and Peyronie's disease. We are modeling Xiaflex sales of over $250 million in 2018 representing a 20% y/y increase. Growth is primarily being driven from the Dupuytren's contracture indication due to a recent direct-to-consumer advertising campaign featuring pro golfer Tim Herron. We believe that peak annual sales from the two current indications could reach $350-450 million over the next few years.

Our thesis on Biospecifics hinges on the sales opportunity for a new indication in cellulite, a condition that affects up to 85% of post-pubertal females. When we established the position, we believed that the market was attributing little to no value for this large and untapped opportunity. Few treatment options exist today that provide a tangible benefit for this patient population. In a 375-person phase 2b study, which was released in November of 2016, Xiaflex showed a meaningful improvement in the treatment of cellulite. The clinical results were highly statistically significant on the primary endpoint, which was a two-point improvement in a physician and patient assessment of the appearance of cellulite. The drug was proven safe with the most common adverse events being injection site pain and bruising. The company's partner, Endo, commenced a phase 3 study in early 2018 that enrolled 840 women with moderate to severe cellulite. The primary endpoint in this study is the same as that used in the phase 2b study. Based on the positive phase 2b study, it is highly likely that the phase 3 study will also show a statistically significant benefit across the same endpoints and in essentially the same patient population. Endo expected to have results in early 2019 but will now release the data in 4Q18 due to faster-than-expected enrollment in the study. We believe the quick enrollment in the phase 3 study has positive implications for the drug's commercial potential if approved.

The overall injectable aesthetics market represents $3.5 billion in annual sales in the United States. Botox is the best-known brand in the injectable aesthetics market generating sales of roughly $1 billion annually. In the United States, the aesthetics market is large and growing because people care how they look, and they are willing to pay to look better. According to a recent investor presentation made by industry leader Allergan (AGN), the millennial generation has emerged as a key consumer of aesthetic therapies propelled by more buying power than baby boomers. We believe that the market is significant for an effective cellulite product with an annual peak sales potential of $300-500 million. And, unlike the two existing indications, cellulite would be a cash-pay market, which would argue for a higher multiple on the stock.

The company also has a meaningful pipeline of opportunities with Xiaflex beyond cellulite including adhesive capsulitis (phase 2), human lipomas (phase 2) and uterine fibroids (phase 1). With a composition of matter patent not expiring until 2028, Biospecifics has a long runway to pursue these new indications. Additionally, given the difficult manufacturing process associated with making the drug, the company may enjoy exclusivity well beyond the 2028 timeframe. Importantly, Endo pays for all clinical development costs for future indications.

As most of our limited partners know, we prefer to look down before we look up when we evaluate potential investment opportunities. In the case of Biospecifics, we modeled the company as having 27% of its market cap in cash (against zero debt) by year-end 2018 and 36% of the market cap in cash by year-end 2019 when the stock was trading in the low $40s. We viewed the company's balance sheet profile as creating material downside protection. We also viewed a 10% free cash flow yield to enterprise value as an attractive entry point. Factoring in these variables, we estimated that the stock had roughly 20% downside. In the scenario where the cellulite indication was approved by the FDA, we modeled 100%-plus upside in the stock price, creating attractive asymmetry in the return profile.

Lessons from a Hall of Fame Career: Steve Nash

I have played the game of basketball my entire life and continue to play regularly to this day. One of my favorite players of all time is Steve Nash. He played point guard for several teams during his career including the Dallas Mavericks, Phoenix Suns and Los Angeles Lakers. He was the consummate "floor general" and made the game look effortless. Steve was recently inducted into the Naismith Memorial Basketball Hall of Fame rewarding a career that included two league MVPs and eight all-star selections. Reflecting on his career at the recent Hall of Fame enshrinement ceremony, Steve had this to say:

> ***"Find something you love to do. Do it every day. Be obsessed. Balance can come later. Use your imagination. Put pen to paper. Declare your intentions. Set small goals. Knock them off. Set more goals. Gain momentum. Build confidence. Grow a deep belief. Outwork people. Play the long game. You don't have to be the chosen one." – Steve Nash, September 8, 2018***

Learning from success in any discipline, including basketball, is a priority for us. Steve highlighted many important lessons from his Hall of Fame career, and we believe that several of those lessons apply to how we operate our firm. Of course, our goal is not the Hall of Fame, but rather to compound our investors' capital at an attractive rate over the long term while assuming an acceptable level of risk.

Like Steve with basketball, we are obsessed with and passionate about investing. We eat, sleep and breath our portfolio almost to the detriment of thinking about anything else. We continue to study successful investors for clues on how to make our process better. We also study mistakes — including our own — to learn from them and hopefully avoid making them in the future. Investing is what we love to do, and we're always looking to improve.

Before we launched our firm in March, we had a clear idea of what we wanted to create: a resilient investment management firm built on a culture of ethics and excellence. We set realistic near-term goals in anticipation of growing them over time, and while we have achieved many of our original goals, we know that in the investment business, ***playing the long game*** is in our partners' best interest.

Our investment performance since launch has been steady, and we believe that business momentum should follow. Keeping the investment strategy simple has allowed us to focus on the small number of variables that matter to long-term performance. A well-vetted due diligence and security selection process gives us confidence that we can generate attractive returns for our limited partners over the long term. This deep belief in our process and strategy has been developed over a 20-year career of investing in healthcare and healthcare-related companies.

At the end of the third quarter, over 75% of the Fund's assets were invested in the Series A Interests, which carry a five-year lock-up. Our incredible investor base allows us to think beyond the traditional investment time horizon of one to two quarters. Instead, we think in terms of years and feel no pressure to make short-term decisions. We believe that the Fund's long-term orientation is one of our most important competitive advantages.

Steve Nash and his success are examples of what happens when you combine passion, perseverance and commitment --- ideals that we think about every day to strengthen our firm and increase our odds of success.

Operational Update

In September, we became a registered investment advisor in the state of Colorado. As such, we are now in a position to accept accredited investors and retirement assets including IRAs.

In Closing

I would like to extend a warm welcome to the new limited partners who joined the partnership during the third quarter. The confidence that you have placed in us is truly humbling. Our strategy has ample capacity and we seek like-minded individuals to join the partnership. A referral from an existing limited partner is our preferred method of growth and is always appreciated. Interested parties can reach out to me directly at andy@summersvalue.com.

Sincerely,

Andrew Summers, CFA
Managing Partner

[1]Summers Value Fund LP net return is the unaudited, net return, based on a hypothetical investor who invested at fund inception and pays a management fee and incentive allocation applicable to Class A Interests (1% management fee; 20% incentive fee above a 6% annual cumulative hurdle rate). Net return is not necessarily indicative of any single investor's performance. An investor's return may vary from the results shown based on different fee structures and fund-level expenses. The performance information given is historic and should not be considered as an indication of future performance. Performance reflects the reinvestment of dividends and income.

Definitions:

Indexes: The performance of market indexes is being provided for the purpose of making general market data available as a point of reference only. These indexes are widely recognized by investors, followed by the investment industry and readily available to the investing public. The indexes do not reflect fees and expenses associated with the active management of portfolios. Furthermore, it should be noted that investors may not be able to invest directly in the indexes. The performance returns of the indexes were obtained from recognized statistical sources and include the reinvestment of earnings. Although Summers Value Partners LLC believes these sources to be reliable, it is not responsible for errors or omissions from these sources.

Standard & Poor's 500 Total Return Index (S&P 500): An index consisting of 500 stocks chosen for market size, liquidity and industry group representation, among other factors, the S&P 500 is designed to be a leading indicator of U.S. equities, and it is meant to reflect the risk/return characteristics of the large-cap universe.

Russell 2000 Index (R2K): An index measuring the performance of approximately 2,000 small-cap companies in the Russell 3000 Index, which is made up of 3,000 of the biggest U.S. stocks. The Russell 2000 serves as a benchmark for small-cap stocks in the United States.

Disclaimer: