January 21, 2020

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned 13.8%[1] in 2019 compared to 31.5% for the S&P 500 index. Since its inception in May 1996, Greenlight Capital, L.P. has returned 1,592% cumulatively or 12.7% annualized, both net of fees and expenses. Greenlight's investors have earned $4.5 billion, net of fees and expenses, since inception.

For the year, our long portfolio contributed 37.4%, our short portfolio lost 20.1% and macro added 1.5% to the returns before fees. All told, our longs went up slightly more than the market while our shorts went up slightly less than the market. Even so, the result feels a bit disappointing because at September 30 we seemed on track to have an excellent year, rather than just a decent year.

There was a brief period in September when the environment was favorable for us. WeWork failed in its IPO attempt and subsequently some high-profile money-losing companies saw their share prices cut. Growth stocks in general underperformed. There were musings that value investing was ready to rebound. But that dynamic reversed in the fourth quarter and by year-end, growth stocks had outperformed value stocks for the year by 15% (40% vs 25%).[2] In the fourth quarter, our longs went up less than the market and our shorts went up more than the market; we underperformed on both sides by similar amounts. Tighter corporate credit spreads drove a small loss in macro during the quarter.

We tend to take comfort in low multiples and we are generally skeptical of high multiples – a framework that is a hallmark of a disciplined value orientation. Until recent years, value investing has tended to outperform growth investing. But over the last three years, growth has knocked the stuffing out of value (106% vs. 17%) – enough so that the long-term outperformance of value stocks has now reversed.

Against this backdrop, many of our longs – including some that contributed positively to 2019's result – are just as cheap today as they were at the beginning of 2019. Likewise, many of our shorts are more expensive today than they were a year ago. The gap between how we perceive the operating business fundamentals of our investments and their market valuations has never been wider.

Thus, we begin 2020 with a portfolio that continues to be concentrated in our best ideas. We currently have 96% of capital in our top 10 longs and 47% of capital in our top 10 shorts.

[1] Source: Greenlight Capital. Please refer to information contained in the disclosures at the end of the letter.
[2] Using the Russell 1000 Pure Growth Total Return and Russell 1000 Pure Value Total Return indices as proxies.

2 Grand Central Tower • 140 East 45th Street, 24th Floor • New York, NY 10017
Phone: 212-973-1900 • Fax 212-973-9219 • www.greenlightcapital.com

We discuss our 10 largest positions below (in alphabetical order).[3] For names that appeared on last year's list, we emphasize the 2019 developments:

AerCap (AER) – Long
7.6x P/E on 2019 estimates, 86% of book value

AER leases new and mid-life airplanes to airlines globally. AER's 99%+ utilization rate and 7.5- year average remaining lease term support a high degree of earnings visibility. Additionally, the company is well-managed and a strong capital allocator. Since we invested in the company in 2014, AER has disposed of about 500 planes to improve its fleet age, technology mix and customer concentration, while generating strong gains-on-sale consistent with its conservative carrying values. During this period, the company has de-levered, bought back 42% of its shares outstanding and grown book value per share annually by 15%. The shares recovered from a 2018 sell-off and gained 55% in 2019.

In September and November, two smaller peers with inferior platforms and returns on equity agreed to be acquired for 111% and 117% of book value. The suspension of Boeing 737 MAX deliveries since March 2019 and the subsequent recent production halt has reduced global narrow-body deliveries by 50% and structurally strengthened the demand for (and the value of) AER's airplanes on a multi-year basis. For the last few years, technical overhangs have increased the volatility of AER stock and generally harmed the shares. We believe these issues have been fully resolved and the company is poised for strong economic and equity performance in 2020.

Assured Guaranty (AGO) – Short
Current valuation is not relevant because we don't believe the accounting

AGO is a financial guarantor. In addition to insuring many large, long-term issuances in Chicago, Illinois and New Jersey that may prove problematic, AGO is already responsible for billions of dollars of defaulted Puerto Rico debt. We believe AGO has set aside inadequate loss reserves for its Puerto Rico exposure compared to what bond markets and our analysis suggest will be sizable losses. This year the Financial Oversight & Management Board for Puerto Rico, which has been empowered to set fiscal policy and propose a plan of adjustment for the Commonwealth, proposed a plan (subject to further negotiation and litigation) that would impart losses consistent with our analysis. Were AGO to own up to the probable losses, we believe it would become apparent to market participants that the shares are overvalued. This may also prompt insurance regulators to require AGO to cease releasing capital to fund its aggressive share buyback and instead retain capital to protect the bond investors who rely on AGO's insurance. As is, AGO is presently spending far in excess of its net income on share repurchases and dividends. In 2020, we expect that gap to widen further, if the buyback persists. Earlier in this investment, we hedged part of our risk by

[3] We have omitted an undisclosed short. Also of note is that Tesla is not included. While we maintain a negative view of the company, our Tesla exposure, which has been mostly expressed through put options, was not large enough to qualify for this list at December 31, 2019. One difference between a short cash equity position and a long put option strategy is that in the put strategy, when the stock price moves against us, our exposure becomes smaller.

buying Puerto Rico general obligation bonds at low levels. In 2019, we sold the bonds at a profit, which mitigated part of our exposure to AGO's 30% advance in 2019.

Altice Europe (Netherlands: ATC) – Long
6x EV/EBITDA on 2020 estimates and 17% free cash flow yield in 2021

ATC is a telecom company whose largest operation is in France. We purchased the shares as a "leveraged stub" in 2018 at a time when the capital structure (with over €30 billion of debt and only €2.5 billion of market capitalization) implied substantial bankruptcy risk. However, we believed the capital structure was durable and the company would seek to de-lever. In 2019, ATC divested assets at attractive valuations, refinanced a significant amount of debt at lower rates, and grew EBITDA by 10%. We expect ATC to continue to further improve its capital position by refinancing high cost debt. Once net debt/EBITDA falls to 4.25x, we anticipate share repurchases will resume and the equity to further re-rate. In 2019, ATC stock appreciated by 238%, making it the best performer in the STOXX Europe 600 index.

Brighthouse Financial (BHF) – Long
4.0x P/E on 2020 consensus adjusted earnings, 31% of book value

This remains one of the most perplexing investments we have ever made. Although the shares "recovered" 29% in 2019, the underlying value of the business also improved, so much so that the shares are arguably cheaper now than they were a year ago.

BHF's main business is variable annuities. Customers deposit funds into segregated accounts, which are then invested in equity and fixed income funds, and pay BHF fees in exchange for minimum performance guarantees. The biggest risk BHF takes (and must hedge) is that equity markets underperform and the company has to make good on these minimum guarantees. When markets do poorly, policies can become "upside down," meaning the guaranteed policy benefits exceed the value of the assets in the separate accounts. Policies written with assumptions that are too optimistic cause trouble for variable annuity writers, as was the case from 1998 to 2011 when the S&P 500 index was essentially unchanged.

In 2019, the S&P 500 returned 31.5%, bringing its return since 2011 to 203%, or almost 15% annualized. Separate account returns have been vastly exceeding the underwriting assumptions, making it very unlikely that many variable annuity policies are presently upside down. We posit, if the policies are performing this well, why should the business have *any* discount to book value?

In nearly every analyst report (1 buy, 9 holds, 4 sells), potential investors are given stern reminders that BHF is "sensitive" to equity markets. Analysts seem to be ignoring (or in a couple cases underplaying) that this sensitivity goes both ways. Since none of the analysts have delved into what happens to BHF in a strong stock market, it's no surprise that they don't recommend the stock.

BHF's annual report provides certain sensitivities showing intermediate-term cash flows from the variable annuities segment based on hypothetical capital markets scenarios. We estimate that the 31.5% gain for the S&P 500 incrementally added at least $2 billion to BHF's distributable cash flow over the next four years. BHF's entire market capitalization is only $4.2 billion. The company will release new sensitivity tables next month.

In 2018, the company announced that it would return $1.5 billion to shareholders by the end of 2021. At that time, management was clear that its targets were sensitive (in both directions) to capital markets. As a result, we believe there is an excellent chance BHF will exceed its capital return targets. Even at current levels, the company is buying back stock at a rate of over 1% of the company *each* month. Given the discount to book value, the buyback alone is causing book value per share to grow by 10% per year, in addition to the company's earnings.

The bears' latest bugaboo is that around 2022, BHF will be subject to a change in accounting, which could lead to a "sizable" non-cash charge and reduction of book value. We note that the shares already trade at only 31% of book value and that any write-down would actually have a *positive* impact on future earnings. We estimate that every $10 per share write-down will improve annual earnings by $0.65 per share. By our estimates, even with a $3 billion charge, book value per share is likely to grow at a double digit rate over the next 5 years and adjusted earnings per share is likely to grow even faster than book value per share.

BHF shares could double from here and still be absurdly cheap.

Chemours (CC) – Long
5.7x P/E on 2020 estimates

CC makes titanium dioxide (TiO_2) and refrigerants. Both businesses came under pressure in 2019. TiO_2 suffered from cyclical excess supply and customer destocking, and CC lost market share by demanding inflexible contract terms from customers. Refrigerants suffered from smuggled product into Europe, in response to rising prices as Europe phases out environmentally-damaging refrigerants. The company also has liability related to PFOA, a so-called forever chemical that DuPont (CC's former parent) used to manufacture Teflon. Recently, there was a feature film, "Dark Waters," which tells the story of pollution and various misdeeds at DuPont's Washington Works plant in West Virginia. Due to a combination of cyclically-challenged business conditions and concern over legal risk, CC shares have fallen approximately 70% from their late 2017 highs.

We believe CC's results are set to improve. The TiO_2 cycle is turning more favorable as the destocking has run its course and CC is poised to retake lost share. Refrigerants should improve in 2021 as European fluorinated gas legislation mandates a further phase-out of older refrigerants, raising demand for the new-generation refrigerants where CC holds valuable intellectual property.

Finally, we think the legal liability concerns are vastly overstated. DuPont curtailed PFOA emissions in 2004 and has been remediating its sites (which are now part of CC) ever since.

Further, CC settled health claims related to the Washington Works plant in 2017. There is market concern that Congress may pass legislation or the EPA may pass rules to address forever chemicals in a way that creates substantial new liabilities for CC. However, we believe that most of the legitimate remaining concern is about a sister chemical called PFOS that is used in firefighting foam. While this is a real concern for the largest PFOS manufacturer, 3M, neither DuPont nor CC ever made or sold it (though they did sell a non-toxic ingredient that was used in firefighting foam). We don't believe CC has material liability for PFOS. However, every time there is a headline about regulating forever chemicals, the story invariably lumps PFOA with PFOS and CC gets dragged through the mud along with 3M.

Analysts currently expect CC to earn \$3.20 and \$3.99 per share in 2020 and 2021, respectively. If our view of the improving cycle plays out, we believe those estimates should be exceeded by a very large margin.

Credit Short – Macro

We have short positions in indices that track U.S. corporate investment grade and high-yield credit. Credit spreads are at cyclical tights even though (a) the economy appears to be decelerating, (b) we are far along in the economic cycle, (c) corporate debt has exploded, and (d) rating agencies have been complacent by allowing debt/EBITDA ratios to expand without downgrading the underlying credits. At current spreads, we believe that the risk/reward in corporate credit is asymmetric and unfavorable. This short also provides a de facto macro hedge to some of our cyclical or credit-sensitive longs including BHF, CC and GM.

General Motors (GM) – Long
5.8x P/E on 2020 estimates, 4.2% dividend yield

We have owned GM for a number of years and our investment has underperformed the market (our return to date has been 10.6%, annualized). Every year the shares seemed cheap on an earnings basis, but cash flow ultimately came up short for one reason or another. An unprofitable region or two was sold or restructured, investments were made in new technologies, plants and product lines required capital investment, GM Financial required capital to grow, and pension plans were funded. All of these steps have led to a stronger company that can better face future economic and business challenges. However, the net result of so many cash needs is that while earnings have been good, cash flow has lagged.

Management recognizes this disconnect, and in early 2019, the company emphasized that cash flow must better match earnings. As we looked at the company's forecast, we saw no more regions requiring expensive restructuring, and the above-normal capital and strategic investments appeared to be paid for. As such, we believed that by late 2019 the cash flow would again be significant enough to allow GM to recommence its share repurchase program. We half-asked and half-joked, what would cause cash to come up short in 2019? We couldn't think of anything. And then a six-week-long strike hit that caused GM to miss its earnings forecast and come up woefully short on free cash flow – again.

And yet, we believe 2020 is the year where it all finally comes together for GM. The full-size pickup truck and SUV platforms have been fully updated. Channel inventory is low and dealers need to rebuild supply that was reduced during the strike. The restructuring is complete. China sales appear likely to stabilize and ultimately recover. GM Financial is performing well and is over-capitalized and poised to start distributing 100% of earnings. While consensus estimates are for $6.36 per share in earnings in 2020, we believe earnings could surpass $7.00 in 2020 and finally – yes, finally – cash flow should also approach that level. As such, GM should begin repurchasing shares at a healthy clip, providing a tailwind for future EPS growth.

Not included in any of this is GM Cruise, which is still targeting a commercial launch of autonomous vehicles. We doubt the market has any optimism about GM Cruise, despite a $19 billion valuation in a May 2019 investment round. The recognition of GM Cruise as a source of material value is an additional way for investors to re-rate GM shares.

Gold – Long

U.S. total public debt to GDP is over 100%. With unemployment at record lows, the U.S. is running an almost $1 trillion annual deficit. The bipartisan consensus is that deficits don't matter – it implies we can always print our way out of trouble. Meanwhile, although the Federal Reserve Bank's balance sheet is very large and interest rates are already low, the Fed has cut interest rates and begun expanding its balance sheet again. All told, we can count on aggressive fiscal and monetary policies in both good times and bad. Gold continues to be a hedge in our portfolio against adverse outcomes related to those policies.

Green Brick Partners (GRBK) – Long
9.5x P/E on 2020 estimates

GRBK is a diversified homebuilding and land development company. The company operates in growing markets in Atlanta, GA; Colorado Springs, CO; Dallas, TX; Houston, TX; and Vero Beach, FL. GRBK has more than tripled its revenue since going public in 2014, while maintaining industry-leading high margins and low debt-to-capital. It has achieved this via organic growth, accretive acquisitions, launching its internal brand (Trophy Signature Homes), starting title and mortgage subsidiaries, and reducing its costs through national account contracts available to it as a function of GRBK's scale. Management is disciplined and resourceful. GRBK rebounded from a brief slowdown in late 2018 and the company executed better than planned, leading to a 59% share price increase in 2019.[4]

Netflix (NFLX) – Short
59x P/E on 2020 GAAP estimates, which we believe dramatically overstate the business economics

We have been negative on NFLX's earnings prospects for a long time, and we used the late-2019 bounce in the shares to make it a more substantial investment. For years, NFLX has

[4] David Einhorn is the Chairman of the Board.

been an open-ended growth story, where the value of a subscription was considered to be underpriced and bulls could dream about future subscriber totals in the context of the global population. The market celebrated NFLX as the king of a perceived “winner-take-all” (or “winner-take-most”) global market for streaming video-on-demand (VOD).

We believe this narrative is finally coming to an end. NFLX is no longer the only value-priced streaming VOD provider. There are now a half-dozen subscription services and in the coming year there will be additional credible entrants with deep content libraries. Not every customer will choose to subscribe to all services, and on the margin, substitution will occur. We believe that new competitors have already hurt NFLX in the U.S. Following an unexpected Q2 subscriber loss and in response to management’s apparent optimism, analysts *raised* estimates for U.S. growth; as recently as September, consensus expected NFLX to add 1.5 million new customers in the fourth quarter. Instead, in October, the company guided to just 600,000. Still, Wall Street cheered the lowered guidance because it was deemed to be “conservative.” In fact, the CEO ended the conference call by saying he looked forward to “blowing away” the guidance.

It appears to us that new subscriptions are slowing and cancellations are accelerating. Competition is denting the NFLX domestic story, just as the platform loses its two most popular shows, *Friends* (in 2020) and *The Office* (in 2021), forcing management to spend aggressively to create and market binge-and-forget Netflix Originals[5] and stand-up comedy specials, which lack staying power. In response, management has decided to stop disclosing U.S. margins and subscriber totals beginning in 2020.

International subscriptions will continue to grow, but those customers are far less valuable than domestic subscribers, in large part because the revenue per user is lower in international developed markets and much lower in developing markets. Even so, international subscriber growth is now decelerating as well. As NFLX has to compete for subscribers to maintain user growth, the pricing-power narrative should increasingly come undone.

In what appears to be a desperate attempt to achieve international subscriber growth headlines, the company recently launched sub-$4 per month mobile-only plans in Thailand, Malaysia and Vietnam, and in December NFLX began offering up to 50% annual subscription discounts in India. Obviously, the marginal economics on these new subs are… marginal.

To the extent the market sees the NFLX growth story as “busted,” there is a lot of downside to the shares. At present, NFLX burns several billion dollars a year in cash and has accumulated a heavy debt load, even before considering future content commitments. Of course, NFLX could service the debt and de-lever by raising equity – but doing so would be a cold admission that the party is over. We doubt management will rush to do that.

We added two medium-sized new equity longs in the fourth quarter:

[5] Among the shows NFLX counts as “Originals” are many for which NFLX doesn’t own global rights.

DXC Technology (DXC) is an IT services company created in 2017 through the combination of Computer Sciences Corporation and the Enterprise Services division of Hewlett Packard Enterprise. After a difficult post-merger period that resulted in substantial lost business, DXC brought on a new CEO with previous experience managing a successful turnaround of a similar operation. Subsequently, the company has announced a new strategy to refocus on DXC's core business and leverage it with clients. DXC also lowered earnings expectations through 2022. The company has begun the process of divesting ancillary businesses totaling about 25% of revenue, with the proceeds targeted to pay down debt and buy back over one-third of shares outstanding over the next 10 quarters. We believe many of the challenges at the company are self-inflicted and can be fixed. Our field research reveals early signs that improvement is underway, and at our average purchase price of $36.54 (7x the reduced current year consensus earnings) we think little of that is priced in. DXC ended the quarter at $37.59.

Software AG (Germany: SOW) is a middleware and Internet of Things integration software company. Under new leadership, the company is transforming its business towards a subscription model from its volatile, legacy licensing model. We entered SOW at €31.05 per share, representing 2.3x revenue, a deep discount to comparable companies. We believe the multiple will improve, as SOW shifts to more predictable subscription based recurring revenue in 2020. SOW ended the quarter at €31.10.

After six and a half years, we exited our investment in Voya Financial. The position, which had many similarities to BHF, generated a compounded return of 21.7% for the Partnerships. Management executed a successful business repositioning and bought back 53% of its shares outstanding. With the shares trading at a premium to book value and a double digit P/E multiple, we exited to focus our capital on BHF.

We covered an unsuccessful small short in Lam Research. We had expected earnings to disappoint in response to oversupply in semiconductor memory. However, the company won enough new business in China to negate our thesis.

We also sold our small positions in Dillard's and Siltronic AG. Both appreciated and we sold after relatively short holding periods.

We have several staff-related items to announce.

Jason Lewis was promoted to Director of Partner Relations. He's an all-around amazing guy and you should get to know him if you don't already. As the editor of this letter, he not only approved this message, but he also wrote it. Awkward. Congratulations, Jason!

Dan McCluskey was promoted to Controller. He will now be on the hunt for a new office nickname as "Youngblood" no longer feels appropriate. Congratulations, Dan!

Christmas came early for the other half of the Partner Relations team as Regan and her husband Alex welcomed their son, John Alexander Guzinski, on December 4. Congratulations to Regan, Alex and proud big sister Edie!

After 15 years at Greenlight, Alexandra Jenkins has decided to retire to spend more time with her family. We thank her for her many years of hard work and positive contributions and wish her well in the future!

At quarter-end, the largest disclosed long positions in the Partnerships were AerCap, Brighthouse Financial, General Motors, gold and Green Brick Partners. The Partnerships had an average exposure of 127% long and 63% short.

"Normal is nothing more than a cycle on a washing machine."

– Whoopi Goldberg

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

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Positions reflected in this letter do not represent all the positions held, purchased or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Greenlight, affecting the Partnerships. The book value of AerCap and Brighthouse Financial are Greenlight estimates as of December 31, 2019. Altice Europe's enterprise value and free cash flow are Greenlight estimates. General Motors' dividend yield is based on the year-end stock price.

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