THE AMVONA FUND, L.P.

2013 Annual Report

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2013 ANNUAL REPORT

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BUSINESS ACTIVITIES

The Amvona Fund, L.P., was organized as a Delaware limited partnership on July 24, 2012 to operate as a private investment partnership. The Partnership's investment objective in general is to achieve better than average returns by investing in common stocks of fundamentally sound companies that are run by superior managers and are selling at a substantial discount to "intrinsic value[1]."

Lemelson Capital Management, LLC, a Massachusetts limited liability company, serves as the general partner of the Partnership. Under the Partnership's Limited Partnership Agreement, the General Partner is responsible for the management of the Partnership. + Emmanuel Lemelson is the Investment Manager of the General Partner.

All capital allocation decisions are made for The Amvona Fund, L.P. by + Emmanuel Lemelson.

[1] Intrinsic value, unlike price, is often defined as an estimate of a company's value today based on a number of qualitative and quantitative factors, including the discounted value (at a risk free rate) of the free cash flow the enterprise is likely to generate over its remaining life. On a per share basis, "intrinsic value" can and often does vary wildly from quoted prices in the open market, a phenomenon usually exacerbated in the near term.

THE AMVONA FUND, L.P. PERFORMANCE VS. THE S&P 500

Period	Gross Return (1)	Net Return* (2)	S & P 500** (3)	Relative Results (1) - (3)	Relative Results (2) - (3)
2012 (Sept - Dec)…………………	26.91%	19.30%	2.20%	24.72%	17.10%
2013……………………………………	89.25%	61.39%	32.39%	56.86%	29.00%
Compounded Annual Gain…..	93.04%	63.46%	25.46%	67.58%	38.00%
Overall Gain…………………………	140.18%	92.54%	35.30%	104.88%	57.24%

***Notes**: "Compounded Annual Gain" replaces the former "Annualized Compounded Return". The two while similar are not the same. Annualized Compounded Return had some use as a guide to limited partners when the partnership had not yet reached one full year of operation. The calculation was a way of looking at what monthly and quarterly results would approximately amount to in one year's time. The new calculation is an indicator used to determine what the average annual gain (including the effects of compounding) that results in the "Overall Gain"[2], or a deconstruction of the compounded effect of the "Overall Gain" back to an average annual figure[3]. Since the partnership is more than one year old, but has not yet been in existence for multiple years, the formula takes into account the fraction of the second year[4]. The purpose is to reveal the relationship between average annual results and the compounded overall gain through time.*

**The performance data represents the performance of The Amvona Fund LP (the "Fund"). The results reflect the deduction of: (i) a quarterly asset management fee of 0.25%, payable in advance; (ii) a quarterly performance allocation of 25%, subject to a high-water mark and a 6% annualized hurdle rate; and (ii) all other transaction fees and expenses incurred by investors in the Fund. During the time period shown, the Fund used only those investment strategies disclosed in the Fund's Private Placement Memorandum, and there were no material market or economic conditions that affected the results portrayed. Results are compared to the S&P 500 for informational purposes only. The Fund's investment program does not mirror the S&P 500 and the volatility of the Fund's investment program may be materially different from the volatility of the S&P 500. The performance figures include the reinvestment of any dividends and other earnings, as appropriate. Past performance is not necessarily indicative of future results. All investments involve risk, including the potential loss of principal.*

***Represents the S & P 500 Total Returns Index which includes dividends.*

[2] Since inception

[3] Thus providing a clear look at management's average annual performance.

[4] For example, the present figure of 93.04% is the compounded annual gain of one year and 1/3 of one year (In January 2014 it will be one year and 5/12 of one year, until multiple years of data are available), which when compounded is equivalent to an overall gain of 140.18%.

THE AMVONA FUND, L.P.

To the Limited Partners of the Amvona Fund, L.P.:

Performance

The fund as a whole had net income of $5,244,187 in 2013 and $6,197,267 since inception.

In the twelve months ended December 31st 2013, The Amvona Fund, L.P. gross gain was 89.25% (or 61.39% net of all fees and expenses) – figures that outperformed the benchmark S & P 500 Total Returns Index (which includes dividends) by 56.86%[5].

Since inception (16 months) the fund has returned 140.18% gross and 92.54% net of all fees and expenses. On a gross basis, the fund outperformed the benchmark during this time by 104.88%[6].

The compound annual gain[7] at Dec. 31st, 2013 was 93.04% (or 63.46% net of all fees and expenses). The compound annual gain for the S & P 500 during the same time frame was 25.46%.

The Bad News

- The above performance figures continue to be inadequate in time. It will be a minimum of several years before a satisfactory judgment can be made regarding managements effectiveness as long term results ultimately have little relation to short term market prices[8].

- It is not likely that returns such as those achieved in 2013 will be repeated in future years.

- In the history of capital allocation few mistake could have been as simple and severe as the one made by management at the end of January 2013.

  By the end of October 2012, just the second month of operations, The Amvona Fund, LP held 186,760 shares of Western Digital Corp. purchased at a cost of $7,172,760. By

[5] The fund outperformed the benchmark by 29% on a net basis during 2013. The gross basis is used above as a barometer of the fund's performance vs. the benchmark as the vast majority of expenses are attributable to management's performance allocation. If "Alpha" is viewed as the managers ability vs. the benchmark than the gross figure ought to be used.
[6] The fund outperformed the benchmark by 57.24% on a net basis since inception.
[7] The compound annual gain is an important measure for determining the rate at which the fund is compounding on an annual basis, since even a slight delta over the benchmark will have an outsized effect on long-term compounded results.
[8] For example had the current quarter ended just a month later, the results would have been substantially different. The fact that the market has constantly risen for the last five years cannot be over-looked.

January 24th, 2013 (less than three months later) all of the shares had been sold for $8,879,524.07 or a profit of $1,706,763.87, an average inception to date rate of return for the limited partners of more than 52% in about 3 months.

One year later on January 23rd, 2014 the shares of Western Digital Corp. closed at $87.05. Had the shares been held just twelve month longer, the effective sale price would have been $16,257,458, some $7,377,933 more than the earlier January 2013 sale price, and a total return of $9,084,697[9] on starting equity of just $2,750,000.

At first glance, the error may appear as an ordinary one that any manager could have made in the course of allocating capital, however this impression would be false. Between September 2010[10] and October 2012, eleven critical essays[11] were published on the Amvona site as well as third party financial news and analysis sites such as SeekingAlpha and GuruFocus outlining a clear math behind the intrinsic value of shares of Western Digital Corp. which were for several years dramatically undervalued[12]. Indeed, before launching the fund, individual accounts overseen by management were "loaded up" with the shares.

As if extensive research and analysis on the rational for such a purchase wasn't enough, management went as far as to discuss the (prospective) commitment with the Limited Partners[13], although such a step was wholly unnecessary[14]. During these conversations, It was clearly stated to the Limited Partners that the plan was to hold the shares for "*at least a year*"[15], and that there was a firm conviction that the price would likely "*reach over $80*" in about that time.

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[9] This figure does not account for the 4 dividend payments totaling $186,760 the fund would have received during the same time.

[10] On December 2nd, 2011 the article "Hard Drives, Floods, Monasteries and Investment Returns" was published and stated the following:

> *„We don't mean to scandalize the readers - but our $67 per share appraisal of the WDC's business on a day when shares were selling in the 25's had much less to do with Crystal balls than with deductive reasoning."*

[11] Additional references and remarks were provided in two other related essays.

[12] In one example published on July 26th, 2012, the article "Update: Western Digital Discusses Q4 2012 Results", not only pinpoints quarterly earnings within one penny of actual (and at a wide delta from consensus), but also opens by providing reasoning why the shares may be *"worth as much as $120"* to long term value investors.

[13] The Limited Partners were quick to agree with the wisdom of the investment. Such atypical action would not have been taken without first notifying the Limited Partners.

[14] The PPM makes clear the General Partner has broad discretion to act without seeking the approval of the limited partners.

[15] The shares had been purchased and sold at very favorable prices several times between 2010 and 2012 for investors' accounts. It seemed clear to management at the time that the shares could not remain so drastically undervalued for much longer.

It is within the above context that the decision to sell the entire holdings of Western Digital Corp. on January 24th, 2013 must be considered.

There are two reason to sell a stock:

a) It is clearly over-valued.
b) The capital can be re-allocated to a superior opportunity

On January 24th, 2013 neither condition had been met. Beginning on January 25th, 2013, the partnerships' (albeit newly enlarged) capital, for the most part, would sit idle in a JP Morgan custody account for nearly two months.

The fact is, such investment ideas, coupled with near complete certainty are rare. If the fund is able to compound at just 20% per annum (a fraction of the current rate of return) for the next twenty years, this particular fiasco (and not that it is the only one) will have cost the partners of The Amvona Fund, LP $282,852,279

There are many colorful and creative ways to rationalize errors in judgment, but in the end they are all just excuses.

Some Good News

There is what might otherwise be considered some "good news" as well.

- Since inception the fund has achieved better than average results and outperformed the benchmark index[16].

- The number of partners in the Fund grew from four at year end 2012 to fourteen with twenty-one separate capital accounts at year end 2013.

- At year end 2013 Assets Under Management (AUM) had grown to ~ 12.1 M, an increase in fund size of about 4 ½ fold since inception.

- In May 2013 Morningstar ranked The Amvona Fund in the top 1% of Its' peer group. In both July and October the fund topped Barron's list[17] of best performing funds.

- In January of 2014 the fund received its first (included below) independent audit spanning the first sixteen months of operations since inception.

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[16] Outperforming the benchmark index by even a relatively modest margin has a powerful effect on long term gains. See also p 31-32 for more on this calculus.
[17] See the "Market Lab" sections in the August and November editions of Barron's.

Expenses and profitability: A brief discussion

The expense ratio[18] of the fund has continued to increase since inception as illustrated below:

Expense Ratio (Dec. 2013)

Current Total Expense	$ 26,274
Current Beg. Net Asset Value	$ 11,771,907
Current Period	0.22%
Average YTD	0.13%
Average ITD	0.14%

In the December period alone the monthly expenses totaled $26,274.47, an increase of about 57% (as a ratio of net assets at the beginning of the period), over the average inception to date figure. The primary driver of this is the increase is interest expense[19] as can be seen below.

Operating expenses for the twelve months ended 2013 were as follows

EXPENSES

Interest expense..	$	63,349
Dividend expense..	$	0
Management fee	$	11,635
Organization and offering costs charged	$	2,751
Operating expense..	$	56,148
Total expenses..	**$**	**133,885**

Every effort is made to keep fund expenses at an absolute minimum, as it seems insincere to look for value in securities, but overpay for services.

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[18] In this case the expense ratio is calculated by dividing the monthly expenses, less management and performance fees, by the NAV value at the beginning of the period. The reason the management and performance fees are excluded from the calculation is because they are variable and instituted by management itself. The remaining values are a more accurate gauge of management's ability to control costs.

[19] The fund has continued to utilize leverage, although it is important to note that the December 2013 figure includes interest accruals for both the November and December periods.

Despite such efforts the operating expenses of the fund were higher than expected in 2013 at $4,679 per month on average vs. $3,992[20] per month on average in 2012[21].

Performance results are shown against the benchmark S&P 500 Total Returns Index which calculates the return of the S&P 500 with dividends. Benchmarking is important because if the fund cannot outperform the benchmark[22] management has no way to justify its work.

Profitability is effected by three things:

a) Return on assets
b) Cost of liabilities
c) The use of leverage

Leverage is a liability which enlarges (productive) assets over existing equity. In 2013, the funds' average loan balance was $4,845,096[23] the cost of the additional liability was on average 1.0046%.

A "two-pronged" approach

In general terms, management is likely to make both long and short term commitments in the future. As it has already been said, truly great investment ideas occur only occasionally. When extraordinary businesses go on sale, they often represent the ideal circumstance for a long term holding, not only because such events are infrequent[24], but also because at the moment a security is sold at a gain, the related tax ceases to be deferred, and thus net returns to the partner as well as the size of the remaining asset available to produce yield in the future[25] are both meaningfully diminished. Therefore the company which can continue to produce at a rate higher than average over a long period of time, is indeed the "*pearl of great price*", for it is only issues of this variety which permit the indefinite deferral of the tax on the gain.

Stated in another way, if the investee is able to enlarge its equity on an ongoing basis at or above average rates of return, it is difficult to rationalize selling, *even if* the issue has become *fairly* valued. That is to say it is better to avoid the impairment the tax liability will cause so

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[20] See the Statement of Operations on p. 22
[21] Both O&O and operating costs, as with all expenses are divided on a pro-rata basis amongst the partners.
[22] However, this must be thought of over a multi-year horizon.
[23] There were 44 days the fund was in a net positive cash position with an average balance of $4,542,045 - when these days are excluded the average daily liability was $6,830,838.
[24] The chances of the price of a first-rate concern falling *significantly* below its real or intrinsic value, is very low.
[25] Equity ownership in a company can produce in three ways a) simple price appreciation b) the payment of dividends and c) as an asset against which leverage can be utilized.

long as the commitment indicates prospects for a consistently positive future. Of course in the interim, the tax liability is real, even if unrealized. Nevertheless, so long as the gain remains *unrealized*, the related tax liability is not only deferred, but can also be carried in perpetuity at zero percent interest, and entirely without covenants[26]. Over time these zero-cost, covenant-free liabilities begin to look a lot like assets.

By way of example, the interest expense on such a liability would have been a full 1.0046% less than the rate paid in 2013. The savings may at first seem trivial, but consider the same compounding affect applied in the Western Digital example[27] above at a marginal tax rate of say 35% on the realized 2013 gain of $2,342,955 and the resulting $913,753 tax liability. At an average rate of return of 20% over the next twenty years, the payment of the liability in today's dollars would harm future returns by $35,031,096.

Without question it is these long term investments, buttressed by this *liability-asset*[28] that have the potential to generate *real* wealth over the long run. However, given the funds continued small size[29], not acting on near-term mis-pricings in issues of secondary quality is also hard to justify, for it seems that greatness in investment philosophy may be indistinguishable from cognitive *flexibility*[30].

That having been said, there continues to be from time to time opportunities in somewhat less than first-rate concerns which can be purchased and usually sold in less than one year's time[31], and it is precisely these occasions which establish a need for a second "prong".

Further to this point, the following are the fund's short term realized gains in 2013 grouped by sector:

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[26] What other creditor can be found that is willing to advance capital on such terms? In stark contrast to this, not only do margin loans carry an interest rate above zero, they also include covenants which allow the lender to essentially change equity requirements, that is to say the terms of the agreement, unilaterally – such an arrangement is hardly a "partnership".
[27] The negative consequences of the premature sale were two-fold: the loss of future price appreciation as outlined in the beginning of the letter, but also the immediate incursion of a significant short term tax liability.
[28] For the superior company purchased using leverage, time causes the related liability to increasingly decay in relation to the asset.
[29] There is a significant number of smaller issues that the fund can allocate a significant percentage of its capital to that will sufficiently "*move the needle*" – such opportunities, by virtue of size are not open to larger funds.
[30] In contrast to formulaic or mechanical investment policy.
[31] Thus incurring the worst tax penalty of all – the "short-term" capital gains tax.

Realized Gain & Loss Summary

The Amvona Fund, LP Jan. 2nd, 2013 - Dec. 31st, 2013

	Cost*	Txn* Amount	Short Term Realized	ROI
US DOLLAR				
Long				
Not Classified	(20,087.00)	25,600.00	5,513.00	27.45
Telecommunications	(201,478.45)	211,890.79	10,412.34	5.17
Retail	(131,137.17)	145,975.05	14,837.88	11.31
Oil & Gas	(38,354.14)	38,988.54	634.40	1.65
Insurance	(159,727.35)	163,014.79	3,287.44	2.06
Household Products/Wares	(350,131.85)	395,778.27	45,646.42	13.04
Diversified Finan Serv	(10,005.00)	11,138.75	1,133.75	11.33
Computers	(13,095,785.88)	14,874,227.91	1,778,442.03	13.58
Commercial Services	(1,120,595.52)	1,603,643.84	483,048.32	43.11
TOTAL US DOLLAR	(15,127,302.36)	17,470,257.94	2,342,955.58	15.49
GRAND TOTAL			**2,342,955.58**	**15.49**

To illustrate more specifically what is meant by "*short term*" the same information grouped by days held is provided below:

Realized Gain & Loss Summary

The Amvona Fund, LP Jan. 2nd, 2013 - Dec. 31st, 2013

	Cost*	Txn* Amount	Short Term Realized	ROI
US DOLLAR				
Long				
Held Less than 10 Days	(6,366,703.05)	6,450,369.14	83,666.09	1.31
Held Between 10 and 30 Days	(330,443.94)	361,792.16	31,348.22	9.49
Held Between 30 and 60 Days	(292,829.64)	317,927.40	25,097.76	8.57
Held Between 60 and 90 Days	(212,775.00)	298,248.53	85,473.53	40.17
Held Between 90 and 180 Days	(7,924,550.73)	10,041,920.71	2,117,369.98	26.72
TOTAL US DOLLAR	(15,127,302.36)	17,470,257.94	2,342,955.58	15.49
GRAND TOTAL			**2,342,955.58**	**15.49**

Other Divestitures

Although already discussed in the Q2 2013 interim report, the following two divestitures are worth including again in the following discussion which also consist of a bit more detail about the rationale both before and after the shares were sold[32].

On April 9th, 2013 The Amvona Fund, L.P. liquidated its holdings in American Greetings Corp. (AM) for $396,111[33]. This brought to a close an investment thesis that held that the company would eventually be taken private by the Weiss Family at a substantially higher price than the fund had paid. The details of the research, presented in several articles beginning in January 2012[34] can be found on Amvona by clicking on the following link. Although the shares were bought and sold multiple times[35] since then, the Amvona article Update: American Greetings Corp. and the Triple "W" recounts the returns realized most recently, and specifically for The Amvona Fund, L.P. partners in Q2 2013. As the article indicates, the average annualized rate of return on the investment was some 425% vs. 12.6% for the S & P 500 during the same time frame[36].

The following is the related transaction data:

Fig. 1
AM Transactions Q2 2013

Txn Date	Pur Date	Symbol	Settle Cur*	Shares/ Face Value	Unit* Cost	Cost*	Closing* Price	Txn* Amount	Short Term Realized	Total Realized	ROI
04/09/13	03/11/13	AM	USD	(2,000)	(16.1000)	(32,200.00)	18.3300	36,629.18	4,429.18	4,429.18	13.76
04/09/13	03/28/13	AM	USD	(2,000)	(16.0750)	(32,150.00)	18.3300	36,629.17	4,479.17	4,479.17	13.93
04/09/13	03/13/13	AM	USD	(5,000)	(16.0274)	(80,137.00)	18.3300	91,572.95	11,435.95	11,435.95	14.27
04/09/13	02/28/13	AM	USD	(12,305)	(16.3021)	(200,597.35)	18.3300	225,361.02	24,763.67	24,763.67	12.34
04/09/13	02/25/13	AM	USD	(305)	(16.5492)	(5,047.50)	18.3300	5,585.95	538.45	538.45	10.67
						(350,131.85)		395,778.27	45,646.42	45,646.42	

Although the rate of return was satisfactory in the case of the AM investment, it must be concluded that management, in acquiring the shares at a "measured" pace, let down[37] the limited partners. When such certitude exists concerning a significant price-value disparity,

[32] The following two examples are not the only two realized gains taken in 2013.
[33] The purchase cost totaled $350,132. It was the intention of management to acquire significantly more shares in the company, however the buying was done at a "measured" pace, as it was believed that the acquisition, if it were to materialize would not be announced until the fall of 2013.
[34] Initial purchases of the shares which were made before the inception of the fund, far exceeded the present $350,132 value, and were purchased mostly under $13 per share.
[35] The compounded results for the investments made in AM were at least adequate, as the timing of both the purchases and sales were favorable.
[36] Tables and figures for the AM investments, as well as the calculation of average annualized yields are outlined in the article.
[37] Although on a percentage basis the return was satisfactory, the transaction only produced $45,646 in Gross profit for the fund, given the smallish $350,131 in capital that had been allocated to the investment by the time the go-private offer was announced. Although it could also be added that this return required only about two weeks to generate.

particularly in light of a special situation[38], the buying ought to be liberal and quick, as David Mahoney[39] once said "*There comes a moment when you have to stop revving up the car and shove it into gear*".

A different take on "For Profit Education"

On January 15th, 2013, after following the "for profit" education sector for some years, the fund began to acquire a stake in an obscure and little known company called Bridgepoint Education (BPI). By late January the stake had grown to a mighty $9,943.40[40]. Aware of the continued and extraordinary miscalculation on the part of the market regarding the company's future prospects, by March the purchasing had begun in earnest, and by early April, the fund held 79,700[41] shares at a cost of $789,038 which represented 11.9% of the fund's AUM. Had Bridgepoint's operating history been longer, the size of the stake would have been significantly larger[42].

The price of the shares had been negatively affected for the following reasons:

1. It was believed that company's accreditation was at risk.
2. The firm's larger rivals, especially University of Phoenix were garnering tremendous negative press that was largely deserved, but had no implications (other than a temporary swoon in share price) on the issue - in other words, Bridgepoint was "going down with the [for profit education] ship".
3. It was believed that the government would stop funding certain types of student loans which were fundamental to the for profit education industry.

It became clear to management very early, that Bridgepoint was never actually at risk of losing its accreditation, since in a worse-case scenario, all the company might have to do to comply with their existing accreditation was move their administrative offices[43] – this of course was not exactly what the financial media was reporting.

Further, some of the firm's larger competitors had been ethically challenged and were struggling to improve their business models in the midst of very tough talk by government

[38] In this case, the special situation was really a type of arbitrage on the founding family taking the company private. Even if the offer had failed, the margin of safety given the company's tangible assets, as illustrated in the earlier Amvona articles, ought to have been reason enough to act on a large scale, and to act much more quickly, although liquidity issues did impair somewhat the speed at which purchases could be made.

[39] David Mahoney – Corporate Mogul, Neuroscience advocate and former president of the Good Humor Corporation.

[40] Cost basis

[41] This amounted to about 1/3 of the daily volume traded in the shares.

[42] Typically investments would only be made in companies with at least 10 years of publicly available financial statements. In this sense, the BPI commitment represented a departure from the typical acquisition criteria.

[43] This was only if the schools voluntary application to the Western Association of Schools and Colleges (WASC) failed.

officials regarding the ongoing funding for student loans for the "for profit" education sector – without which no for profit school could survive. However, in making the decision to purchase shares it became overwhelmingly clear that although the government made many threats, the US actually needed "for profit" education for non-traditional students, whose ranks were constantly growing. If the "for profit" education sector were permitted to die sans funding for student loans, what would fill "the void"?

In the end, it was a simple study of the company's Facebook page that "sealed the deal" because not even one negative comment from a student could be found. Indeed the feedback from both current and past students was overwhelmingly positive. So it was reasoned that if a very large student body was happy, and felt they had been provided a good value for what they spent, then how in the world could an accreditation committee, or the government "pull the plug?" The company was doing exactly what they were getting paid to do, and by all accounts doing an extraordinary job of it.

On Wednesday July 10th, 2013 SeekingAlpha reported the following:

> *"Bridgepoint Education (BPI) soars 26% AH as Ashford University gets initial accreditation from WASC whose visiting team noted that the institution "has been fundamentally transformed and [the] culture has … shift[ed] from a market driven approach to an institution committed to student retention and success."*
>
> *Seeking Alpha Market Currents*

While the market waited patiently that summer for the accreditation committee's report, everything that needed to be known was already freely available on Facebook.

On July 11th, 2013 – the day after the report was released, the entire position was liquidated. The following table shows the results[44].

[44] On an annualized basis, the return is equivalent to something in the neighborhood of more than 240%.

Fig. 2
BPI Transactions Q2-Q3 2013

Txn Date	Pur Date	Symbol	Settle Cur*	Shares/ Face Value	Unit* Cost	Cost*	Closing* Price	Txn* Amount	Short Term Realized	Total Realized	ROI
07/11/13	02/28/13	BPI	USD	(300)	(10.1900)	(3,057.00)	15.8564	4,752.34	1,695.34	1,695.34	55.46
07/11/13	04/05/13	BPI	USD	(2,000)	(9.6950)	(19,390.00)	15.8564	31,682.25	12,292.25	12,292.25	63.39
07/11/13	02/25/13	BPI	USD	(3,500)	(10.4036)	(36,412.60)	15.8564	55,443.93	19,031.33	19,031.33	52.27
07/11/13	03/12/13	BPI	USD	(1,000)	(9.8850)	(9,885.00)	15.8564	15,841.12	5,956.12	5,956.12	60.25
07/11/13	03/04/13	BPI	USD	(23,465)	(9.9304)	(233,016.84)	15.8564	371,711.98	138,695.14	138,695.14	59.52
07/11/13	01/17/13	BPI	USD	(485)	(10.1509)	(4,923.20)	15.8564	7,682.95	2,759.75	2,759.75	56.06
07/11/13	01/15/13	BPI	USD	(485)	(10.3509)	(5,020.20)	15.8564	7,682.95	2,662.75	2,662.75	53.04
07/11/13	03/06/13	BPI	USD	(4,725)	(9.5250)	(45,005.63)	15.8564	74,849.31	29,843.68	29,843.68	66.31
07/11/13	04/02/13	BPI	USD	(23,040)	(9.8750)	(227,520.00)	15.8564	364,979.50	137,459.50	137,459.50	60.42
07/11/13	03/05/13	BPI	USD	(15,000)	(9.7595)	(146,392.50)	15.8564	237,616.86	91,224.36	91,224.36	62.31
07/11/13	03/14/13	BPI	USD	(3,000)	(10.3880)	(31,164.00)	15.8564	47,523.37	16,359.37	16,359.37	52.49
07/11/13	02/26/13	BPI	USD	(1,700)	(10.1744)	(17,296.48)	15.8564	26,929.91	9,633.43	9,633.43	55.70
07/11/13	03/26/13	BPI	USD	(1,000)	(9.9550)	(9,955.00)	15.8564	15,841.12	5,886.12	5,886.12	59.13
						(789,038.45)		1,262,537.59	473,499.14	473,499.14	

In summary, a commitment of $789,038 achieved a gain for the Amvona Fund partners of $473,499 (or 60.01%) in matter of just months. Between January 17th, 2013 and July 11th, 2013 the S & P 500 returned about 13%[45].

That having been said, a short time later on October 30th, 2013 the share price would reach $20.33, or roughly 28% higher than the sale price. As with the case with Western Digital, a high short term return, coupled with a lack of conviction about the long-term prospects for the company clouded judgment regarding simple rational criteria for selling a stock, as even at $15.86 per share the company was still not fairly valued, and there was no other issues available that represented a superior opportunity.

American Greetings however was the greater of the two sins, as management believed there was zero possibility of the Weiss family not consummating their offer, so there was no impetus to sell right after the announcement. Indeed the Weiss family ultimately concluded the transaction at a considerably higher price than initially announced.

"This is a question too difficult for a mathematician. It should be asked of a philosopher"
— Albert Einstein

(When asked about completing his income tax form)

[45] Although the comparison in this instance is not exactly equitable to the fund, for the majority of the BPI shares were purchased much later than January.

The sale of the stake in both American Greetings and Bridgepoint Education, came at a high cost to the partners as short term capital gains are taxed as ordinary income[46]. For residence of Massachusetts, the experience may be particularly unpleasant as the state rate on short term gains is 12%, a figure considerably higher than ordinary income tax rates.

Such a penalty can seriously impair long term performance, particularly in light of the prospective future value of the tax-depleted capital as illustrated above. However in the case of special situations such as Bridgepoint or American Greetings, there is little benefit to leaving the capital invested when the long term outlook[47] is only modest following an event which suddenly unlocks previously unrecognized value. Even with an exaggerated tax rate, at high enough yields, the compounding effect of relatively short cycles is often still superior to the greater tax rate[48], even if every partner were to be a resident of Massachusetts[49].

Further the above two examples are typical of the special situations sought by the fund, given its small size, and ability to make meaningful returns from otherwise minor amounts[50]. Such concerns while opportunities for better than average returns, would be unlikely to “move the needle” for larger funds, and thus limit the potential pool of competing capital.

In this sense, although contrary to management’s firm beliefs regarding the long term benefits of deferring tax liabilities[51] indefinitely[52], the fund has and continues to engage in high yield short term special situations.

Taking a bite out of Apple

The largest commitment made in 2013 was in Apple. By early March 2013 it became clear that an outsized disparity existed between what the mainstream media was reporting and what the company was actually saying and doing.

The possible psychology behind the swift deterioration in the share price starting in the autumn of 2012 was discussed in the brief essay “Apple’s Crime and Punishment”[53]. About eight days

[46] The benefits to the investor, if considered in “decades” of the substantially lower long term capital gains tax rate cannot be overstated.
[47] These investments were not made based on long term prospects for the company’s but rather specific errors on the part of market regarding the calculus of the intrinsic value.
[48] This is because the enlarged capital is available to be redeployed, an affect that is amplified by the use of margin.
[49] There is some comfort in the fact that a substantial part of most of the current limited partners’ capital is presently shielded from an immediate tax penalty via tax deferred retirement accounts.
[50] Indeed accumulating the shares in both AM and BPI was challenging given the illiquidity of both issues.
[51] A deferred tax liability, as seen above, can be made to function as an asset. So long as the security is held, the tax liability becomes a sort of loan from the government that is interest free, non-recourse, bares no covenants and has no terminus.
[52] In the long term, dividends and share buy-back can play an especially important role in this regard.
[53] Within the first few hours of publication, the article had received about 10,000 page views on SeekingAlpha.

after publishing the article, and with a little further consideration, the buying began in earnest. By early July the fund held 25,500 shares of the tech. giant.

Reasoning consisted chiefly of the following:

1. It was expected that the company would return a large amount of capital to shareholders[54].
2. The Market was largely failing to properly understand and value the "services" side of the business which was robust and growing.
3. The chorus of voices at the time that insisted Apple was "no longer innovating" seemed to lack sufficient evidence[55] to support their claims.
4. The emotional attachment and loyalty customers felt about the products and the brand was and continues to be unparalleled, creating an unusually wide "moat" around the business.
5. The extremely strong balance sheet and in particular the enormous and growing cash position had no parallel in concerns of such size and quality.
6. When subtracting cash from the effective purchase price, especially on a per share basis[56], the metrics could only be described as "extremely promising" given the "first-rate" nature of the business.

The fund owned a small number of shares that were eventually sold[57] prior to making the long-term commitment. Sometime later, a few well-known and vocal investors would announce substantial positions in the company[58].

Below are the details of the latter purchases made for the fund.

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[54] This of course did occur with the company's announcement of a 100 B return of capital to shareholders, with the majority in the form of share buy-backs.

[55] For example, pundits complained about the lack of a new product category, but in fact the company was more or less on the same timeline for new product categories that had been on for much of the last decade.

[56] A calculation which was particularly important given the imminent share repurchase that would both reduce shares outstanding, and the related dividend payments the company would be making while increasing pro-rata ownership.

[57] The fund realized $71,520.81 in short-term gains from the initial investment that is not reflected in the Working Appraisal.

[58] In particular David Einhorn and Carl Icahn both of whom appear to have purchased shares at a higher average purchase prices than The Amvona Fund, LP.

Working Appraisal

The Amvona Fund, LP **Date: Dec 31, 2013**

Reporting Currency: USD

Lot	Purchase Date	Days to Long Term	Pct	Symbol	Shares	Unit Cost	Total Cost	Market Value	Unrealized Gain/Loss	Pct Market Value	ROI
AAPL			**APPLE INC**				Price:	561.0200	Lot Count: 12		
4	03/06/13	65	0.392		100	425.8100	42,581.00	56,102.00	13,521.00	0.463	31.754
5	03/20/13	79	34.510		8,800	452.0550	3,978,084.00	4,936,976.00	958,892.00	40.737	24.104
6	03/28/13	87	8.627		2,200	447.9700	985,534.00	1,234,244.00	248,710.00	10.184	25.236
7	04/01/13	91	17.255		4,400	433.2775	1,906,421.00	2,468,488.00	562,067.00	20.369	29.483
8	04/04/13	94	8.627		2,200	427.2300	939,906.00	1,234,244.00	294,338.00	10.184	31.316
9	04/15/13	105	0.392		100	420.0150	42,001.50	56,102.00	14,100.50	0.463	33.571
11	06/07/13	158	8.627		2,200	434.2900	955,438.00	1,234,244.00	278,806.00	10.184	29.181
12	06/13/13	164	4.314		1,100	429.8650	472,851.50	617,122.00	144,270.50	5.092	30.511
13	06/14/13	165	4.314		1,100	429.0150	471,916.50	617,122.00	145,205.50	5.092	30.769
14	06/19/13	170	4.314		1,100	423.6650	466,031.50	617,122.00	151,090.50	5.092	32.421
15	06/20/13	171	4.314		1,100	416.8650	458,551.50	617,122.00	158,570.50	5.092	34.581
16	07/02/13	183	4.314		1,100	415.6532	457,218.52	617,122.00	159,903.48	5.092	34.973
12				AAPL	25,500	438.2955	11,176,535.02	14,306,010.00	3,129,474.98	118.044	28.000

In addition to the $3,129,475 in unrealized gains, the fund received $209,840 in dividend payments from Apple in 2013.

Looking Ahead

Investors should not expect *2013-like* results in the future. Rather partners can expect (perhaps prolonged) periods of time when the fund underperforms the benchmark. In 2013 this certainly was the circumstance in more than one instance and it has already proven to be the case again in 2014[59]. This is because the guiding principles of the fund place it in an absolute minority. It is expected that a large number of other market participants, indeed a majority, will be buying when the fund is selling and selling when the fund is buying – and it is this majority that moves markets.

Notwithstanding the aforementioned, it seems likely that if taken in multi-year cycles (vs. individual quarters or years) the fund will continue to outperform the benchmark index in rising

[59] As of the writing of this letter the fund will significantly under-performed the benchmark S & P 500 total returns index for the January 2014 period.

or declining markets[60]. If the fund outperforms by even a few points, it is expected that the results, in the long term will be satisfactory to the partners[61].

Looking back

It is hard not to point out just how unique the business of allocating capital can be. In the first sixteen months, expenses for operating the fund total $151,130 plus $12,128 paid to management before the performance allocation which is purely variable and subject to both a hurdle and high watermark. From this outlay, the fund generated $6,513,942.

Looking back, the events leading up to the establishment and later growth of the fund seem a bit implausible as it was not necessarily the objective of management to bring it into existence given the motivation behind the study of securities lay squarely in teaching.

That having been said, things could hardly have gone smoother with much credit due to the limited partners for their complete confidence and support, not to mention, in the case of one, the insistence that the fund be formed and move forward. Discussions regarding proposed strategy and investment ideas, such as those reviewed above, were always met with universal confidence in management that remained unshaken even when performance temporarily swooned[62]. In addition to this some truly outstanding people have been available to management at the funds broker Wells Fargo, Cott Law Group as well as the administrator Liccar & Co. to these individuals many thanks is also due.

Executing on behalf of the partners will continue with unqualified focus and dedication.

January 2014

+ Emmanuel Lemelson

+ Emmanuel Lemelson
Investment Manager
Lemelson Capital Management, LLC

[60] In this case if considered in 3-5 year cycles.
[61] For more on the reasoning behind this point see p. 31-32
[62] In October 2012, only one month after launching, the fund had lost more than 18% of its value. Nearly the same thing occurred in June of 2013 when the funds' assets lost more than 17.5% of their value in just four weeks. In both instances, management relayed exactly what was happening to the partners and indicated it would be a good idea to increase commitments to the fund. In both cases the partners responded with additional subscriptions.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The General Partner of The Amvona Fund, L.P. is responsible for establishing and maintaining adequate internal control over financial reporting. The compilation of financial statements including Net Asset Values (NAV) is handled by the fund administrator Liccar and Co., a licensed independent public accounting firm which specializes exclusively in the securities / futures industry. Liccar handles the administration of over 6 billion in assets.

Management carefully reviews and examines the work being performed by Liccar & Co. on behalf of the fund. With the participation of the administrator, the general partner conducts ongoing evaluations of the effectiveness of the Company's internal control over financial reporting.

Lemelson Capital Management, LLC
January 31st, 2014

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INDEPENDENT AUDITORS' REPORT

To the Partners of The Amvona Fund, LP

We have audited the accompanying financial statements of The Amvona Fund, LP (the "Company"), which comprise the statement of financial condition and condensed schedule of investments as of December 31, 2013, and the related statements of operations, and changes in partners' capital for the period August 24, 2012 (Inception) through December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying statement of financial condition, condensed schedule of investments and statements of operations and partners' capital present fairly, in all material respects, the financial position of The Amvona Fund, LP as of December 31, 2013, and the results of its operations for the period August 24, 2012 (Inception) through December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

Michael Coglianese

Bloomingdale, IL
January 15, 2014

The Amvona Fund, LP

STATEMENT OF FINANCIAL CONDITION

December 31, 2013

Assets		
Investment in securities, at fair value (cost $20,156,202)	$	23,826,961
Dividends and interest receivable		358
Receivable from related party		27,550
Organization costs, net		12,656
Total assets	$	23,867,525
Liabilities and partners' capital		
Liabilities		
Due to broker	$	11,707,922
Dividends and interest payable		9,847
Due to related party		15,813
Accrued operating expenses		31,690
Total liabilities		11,765,272
Partners' capital		
General partner		3,868,581
Limited partners		8,233,672
Partners' capital		12,102,253
Total liabilities and partners' capital	$	23,867,525

The Amvona Fund, LP

STATEMENT OF OPERATIONS

August 24, 2012 (Inception) through December 31, 2013	
Revenue:	
Realized and unrealized gain or (loss) on investments	
Net realized gain (loss) from securities	$ 2,526,288
Net change in unrealized appreciation or depreciation from securities	3,670,759
Net realized and unrealized gain (loss) on investments	6,197,047
Investment income	
Dividend income	316,895
Total revenue	6,513,942
Expenses:	
Interest and dividends	74,410
Management fee	12,128
Organization and offering costs	4,603
Operating expenses	72,117
Total expenses	163,258
Net income before General Partner allocation	6,350,684
Performance allocation to the General Partner (Note 3)	1,126,497
Net income (loss)	$ 5,224,187

The Amvona Fund, LP

STATEMENT OF CHANGES IN PARTNERS' CAPITAL

August 24, 2012 (Inception) through December 31, 2013

	General Partner	Limited Partners	Total
Capital contributions	$ 1,015,430	$ 4,736,139	$ 5,751,569
Capital withdrawals	-	-	-
Allocation of net income			
Pro rata allocation	1,726,654	4,624,030	6,350,684
Reallocation to General Partner	1,126,497	(1,126,497)	-
	2,853,151	3,497,533	6,350,684
Partners' capital, end of period	$ 3,868,581	$ 8,233,672	$ 12,102,253

The Amvona Fund, LP

CONDENSED SCHEDULE OF INVESTMENTS

December 31, 2013

	Number of Shares	Percentage of Partners' Capital	Fair Value
Investments in securities, at fair value			
Common Stocks			
United States			
Technology			
Apple Inc	25,500	118.2 %	$ 14,306,010
Kulicke & Soffa Ind	222,988	24.5	2,965,740
Other		4.9	591,059
Financials			
Ezcorp Inc	262,391	25.3	3,067,351
Other		0.6	70,440
Energy			
Holly Frontier Corp	33,024	13.6	1,640,962
Other		7.0	849,032
Total United States common stock (cost $19,838,646)		194.1	23,490,594
Argentina (cost $5,013)		0.1	6,686
Bermuda (cost $48,475)		0.5	58,756
Brazil (cost $16,276)		0.1	15,760
Hong Kong (cost $72,107)		0.7	81,069
Peru (cost $170,689)		1.4	167,167
Switzerland (cost $4,996)		0.1	6,929
Total investments in securities, at fair value (cost $20,156,202)		196.9 %	$ 23,826,961

1. Nature of operations and summary of significant accounting policies

Nature of Operations

The Amvona Fund, LP (the "Partnership"), a Delaware limited partnership, commenced operations on August 24, 2012, investment activity began in September 2012. The Partnership was organized for the purpose of trading and investing in securities. The Partnership is managed by Lemelson Capital Management, LLC (the “General Partner”) and Emmanuel Lemelson (the “Investment Manager”). Refer to the Partnership’s offering memorandum for more information.

Basis of Presentation

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) as detailed in the Financial Accounting Standards Board’s Accounting Standards Codification (“ASC”).

Fair Value - Definition and Hierarchy

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Partnership uses various valuation approaches. ASC 820, “Fair Value Measurements and Disclosures”, establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Partnership. Unobservable inputs reflect the Partnership’s assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

> *Level 1* - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.
>
> *Level 2* - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.
>
> *Level 3* - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Partnership in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure

Fair Value - Definition and Hierarchy (continued)

purposes, the level in the fair value hierarchy within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Partnership's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Partnership uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy.

All of the Partnership's investments are classified as Level 1 as of December 31, 2013.

Valuation Techniques

Investments in Securities and Securities Sold Short

The Partnership values investments in securities and securities sold short that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Many cash and over-the-counter ("OTC") contracts have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Partnership's valuation policies do not require that fair value always be a predetermined point in the bid-ask range. The Partnership's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "asked" price if sold short.

To the extent these securities are actively traded and valuation adjustments are not applied, they are categorized in Level 1 of the fair value hierarchy. Securities traded on inactive markets or valued by reference to similar instruments are generally categorized in Level 2 of the fair value hierarchy.

Investment Transactions and Related Investment Income

Investment transactions are accounted for on a trade-date basis. Realized gains and losses from sale of investments are computed as proceeds from the sale less the cost basis of the security and any related expenses. Unrealized gains and losses are recognized in the statement of operations. Dividends are recorded on the ex-dividend date.

Income Taxes

The Partnership does not record a provision for income taxes because the partners report their share of the Partnership's income or loss on their income tax returns. The financial statements reflect the Partnership's transactions without adjustment, if any, required for income tax purposes.

The Partnership is required to determine whether its tax positions are more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. De-recognition of a tax benefit previously recognized results in the Partnership recording a tax liability that reduces ending partners' capital. Based on its analysis, the Partnership has determined that it has not incurred any liability for unrecognized tax benefits as of December 31, 2013. However, the Partnership's conclusions may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, regulations and interpretations thereof.

The Partnership files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. Generally, the Partnership may be subject to income tax examinations by major taxing authorities since inception.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Partnership's management to make estimates and assumptions that affect the amounts disclosed in the financial statements. Actual results could differ from those estimates.

Organization Costs

Organization costs are stated net of accumulated amortization. Management has elected to capitalize organization costs of approximately $17,000 and amortize them on a straight-line method over 60 months. Management believes this method to be more equitable to the limited partners than the method prescribed under GAAP, which requires organization costs to be expensed as incurred, resulting in the original partners bearing all such costs.

Statement of Cash Flows

The Partnership has elected not to provide a statement of cash flows as permitted by ASC 230 "Statement of Cash Flows".

2. Due to broker

Amounts due to broker represent margin borrowings that are collateralized by certain marketable securities.

In the normal course of business, substantially all of the Partnership's securities transactions, money balances and security positions are transacted with the Partnership's broker, Wells Fargo Prime Services, LLC. The Partnership is subject to credit risk to the extent any broker with which it conducts business is unable to fulfill contractual obligations on its behalf. The Partnership's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

3. Partners' capital

In accordance with the limited partnership agreement (the "Agreement"), profits and losses of the Partnership are allocated to partners according to their respective interests in the Partnership. Generally 25% of the net profits allocated to the limited partners is reallocated to the General Partner provided such profits exceed an annualized rate of return equal to 6% of each Partner's beginning Capital Account balance for such quarter (the "Hurdle Rate"); further provided, however, that such Performance Allocation shall be subject to a loss carry-forward provision, also known as a "High Water Mark".

Limited partners have redemption rights which contain certain restrictions with respect to rights of withdrawal from the Partnership as specified in the Agreement.

4. Related party transactions

The Partnership pays the General Partner a management fee, calculated and payable quarterly in advance, equal to 0.25% (1% per annum) of the beginning Capital Account balance of each Limited Partner for such quarter including, for this purpose, such Limited Partner's interest in all Side Pocket Investments.

Certain limited partners are affiliated with the General Partner. The aggregate value of the affiliated limited partners' share of partners' capital at December 31, 2013 is approximately $284,000.

As provided for in the limited partnership agreement, certain limited partners may have special management fee arrangements, performance arrangements, or redemption rights.

Due from related party represents amounts paid by the Partnership related to the organization of an off-shore feeder fund.

Due to related party represents amounts paid by the General Partner on behalf of the Partnership.

5. Financial highlights

Financial highlights for the period August 24, 2012 through December 31, 2012, for the year ended December 31, 2013 and for the period August 24, 2012 through December 31, 2013 (inception to date) are as follows:

	2012	2013	Inception to date
Total return - all partners	26.2 %	87.6 %	
Financial highlights - Limited Partners with associated fees			
Return before reallocation to General Partner	26.2 %	87.5 %	
Reallocation to General Partner	6.9	26.1	
Return after reallocation to General Partner	19.3 %	61.4 %	92.5 %

Total return is for the Partnership as a whole. Additional financial highlights reported are for the limited partners who are subject to all Partnership fees (management fees and performance allocation). An individual limited partner's return and ratios may vary based on participation in new issues, private investments, different performance and/or management fee arrangements, and the timing of capital transactions.

6. Subsequent events

Subsequent events have been evaluated through January 15, 2014. From January 1, 2014 through January 15, 2014, the Partnership accepted additional capital contributions of approximately $7,600.

ON PARTNERSHIP

There is no way to know or guarantee the future results of The Amvona Fund. However there are three important points that are worth pointing out:

a) The work of the fund will be conducted with total focus and discipline to ensure that securities are found and purchased at a price that is significantly lower than the issues real or intrinsic value.

b) Above all else, principle will be shielded from loss[63] by committing capital only where a large margin of safety exists.

c) The General Partner will maintain a significant investment in the fund. Whether results are positive or negative in the future, the General Partner will share fully in the experience of the Limited Partners[64].

More on Management

Although the general partner exercises complete discretion over the partnerships' capital allocation decisions, the structure of the fund remains a partnership.

It is clear to management that the limited partners have entrusted in many cases a significant part, if not a majority, of their family's net worth to management. The seriousness of this fact is not lost on management, who considers the bond a sacred act of trust. Not to be outdone, management's pro-rata ownership in the partnership has remained significant despite the continuous growth in Assets Under Management (AUM) that took place during 2013, that is to say, management's commitment in absolute numbers has grown considerably[65].

It is hoped that the individual investors will view the partnership as a conduit for owning securities that could be otherwise purchased directly in the open market, and that the purpose for doing this through the partnership is the entrustment of the work of securities selection to competent management.

Nonetheless, the ownership of securities, even if through a conduit, is best viewed as true ownership in a business enterprise, rather than merely a "bet" on an electronic ticker symbol whose price vacillates from moment to moment. Just as capital is allocated by management

[63] The reference in this case is to permanent capital impairment, not loss as a result of a quoted price in the open market at a given moment in time.
[64] At Dec 31st, 2013 the General Partner, and related parties investment in the fund total $4,136,850.75 or 34.2% of the funds' total Net Asset Value.
[65] In part this has occurred because the general partner's performance allocation has been reinvested in the general partners' capital account without exception.

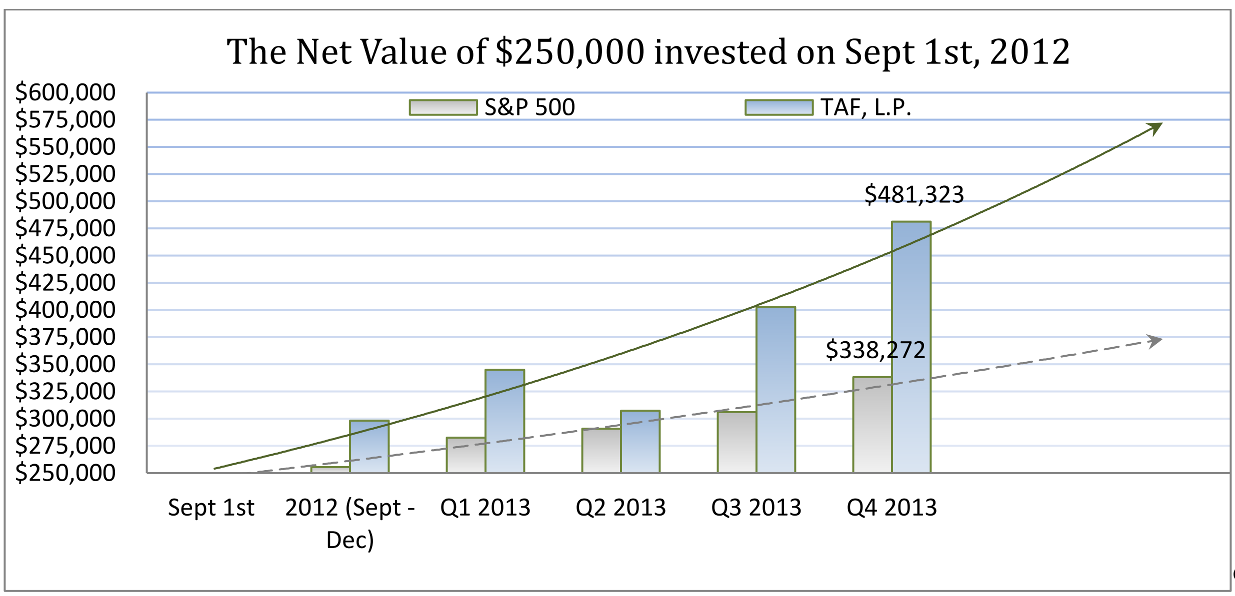
with the belief that long term commitments are the most fruitful, it is hoped that the limited partners will maintain the same conviction in relation to management.

ON COMPOUNDING

The greatest engine of growth is compound interest. This may be a surprising fact, because it is rarely spoken of in industry circles. How is it possible that such a simple and powerful principle is so often passed over? There is hypothesis comprised of 3 parts:

a) Consistency is elusive. If this is the case, even when taken in multi-year cycles, compounding will take place just as soon as pigs fly.
b) Results are often sub-par. Indeed in most instances less than the rate of return required to keep pace with both taxes and inflation[66], in which case compounding has nominal to negative effects.
c) The concept of compounding does not comport with the industry's "*mythology*", that one must take greater risk to achieve greater returns.

This last point is of particular significance not just because it is categorically false, but also because it is subtle in nature. This folklore is comprehensively expounded throughout "*investment businesses*"[67], because it is a panacea for the problem of accountability. If one is asked "*is preserving principle important*?" and "*are better than average rates of return desirable*?" Who will answer "no" to either question? The genius of the investment business is the suggestion of a dichotomy. In most cases, the prospective investor never comes around[68] to asking "*why must one exclude the other*". Because the myth is so ubiquitous he feels uncomfortable contemplating the question even in his private thoughts.



[69]

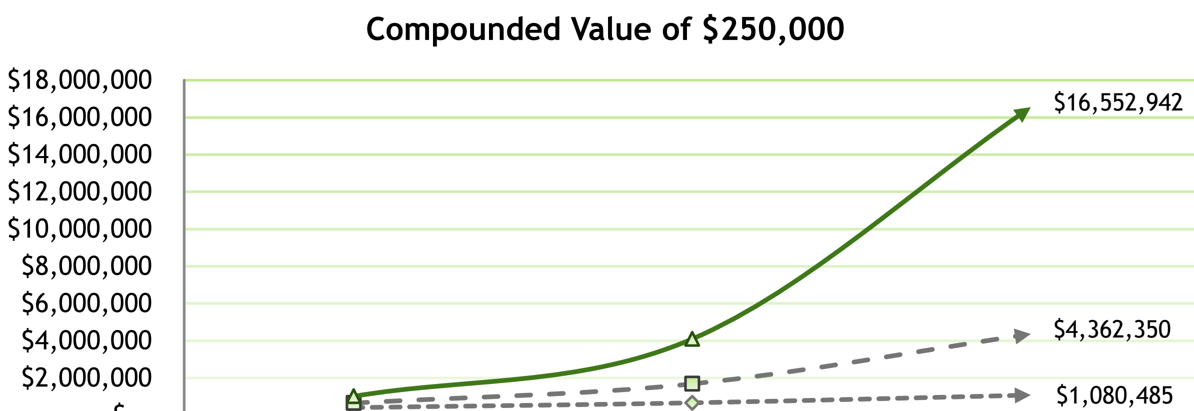
[66] In a sense, both are a tax; one visible, the other much less so.
[67] One who runs an "Investment Business" should not be confused with a true "Investor", though the etymology is the same, they are very different personalities. The former is primarily interested in the building and marketing of a business which will collect fees while the other considers rates of return.
[68] This is often because the would-be investor is consumed with their own work and thinks of the business of allocating capital as esoteric and difficult to understand.
[69] Figures are for The Amvona Fund, LP and are net of all fees and expenses.

The objective of the fund, after preservation of principle, must be the outperformance of the benchmark index. As stated above, if such a nominal feat is not achievable when taken in multi-year cycles[70], it would be difficult to justify doing anything more enterprising than simply buying an index fund.

Generally speaking the equities markets over the last 30 years have produced higher average returns in total than other asset classes.

For example the total price return of the S&P 500 between January 1984 and January 2014, when adjusted for inflation is 380.57% or 5.37% on an annual basis. If dividends were reinvested the total price return over the same period is 885% or 7.92% per year[71]. Because of the compounding effect of reinvestment, the delta in the two figures is substantial. In other words, a modest aggregate increase in return of only 2.55% per year, over 30 years equated to an overall increase in gain of 504.43%[72]. The increased return from reinvestment, if viewed on an annual basis, is wholly unimpressive, although the increased yield at the end of the period is nothing short of remarkable.

Therefore it is logical that if The Amvona Fund can outperform the benchmark index by even a few points when taken in 3 to 5 year cycles, the compounded results in the long run should be agreeable. The chart below illustrates the long-term effects of 5% increases in yield over different times frames.



	10 YRS	20 YRS	30 YRS
5%	$407,223	$663,324	$1,080,485
10%	$648,435	$1,681,874	$4,362,350
15%	$1,011,389	$4,091,634	$16,552,942

[70] For example a 3 year cycle would be comprised of the following time frames 2012-2015, 2013-2016 etc.

[71] The returns in the index over those years would in reality be somewhat less to an investor (outside of the assets being held entirely in tax-deferred retirement plans), because aside from inflation, capital gains tax on realized gains would have to be paid – this reality is not reflected in the calculation.

[72] S&P 500 Dividends Reinvested Price Calculator (With Inflation Adjustment) - http://dqydj.net/sp-500-return-calculator/ - data provided by Robert Shiller - http://www.econ.yale.edu/~shiller/data.htm

THE AMVONA FUND, L.P.

LEMELSON CAPITAL MANAGEMENT, LLC
General Partner
The Amvona Fund, L.P.

+ Emmanuel Lemelson
Investment Manager
Lemelson Capital Management, LLC

Availability of Reports and Investor Information

The lemelsoncapital.com site has been updated and redesigned to allow for pdf downloads of *Annual and Interim* reports as well as all fund related documents including the following:

- Updated investor presentation
- Monthly Tear Sheets
- Private Placement Memorandum
- Limited Partnership Agreement
- Subscription Booklet and additional Subscriptions Booklets

The latest versions of the above are available by registering for an account on the site.

Investment theses including rationale for some investments made between 2010 and 2013 and other information about the investment philosophy employed by the fund can be found at the "Finding Alpha" category of Amvona.

Information on readership and influence can be found at the "About Us" page.