KINSALECAPITAL MANAGEMENT

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Re: Kinsale Navigator Fund, Second Quarter, 2014

Dear Partners,

Hope all is well.

Kinsale Navigator Fund returned 1.23%[1] (after all fees and expenses) for the second quarter of 2014. Your individual return will depend on the timing of your investment.

Net Performance

	2014		
	Q2	**YTD***	**Since Inception***
Kinsale Navigator Fund	**1.23%**	**1.23%**	**1.23%**

**inception in April 2014*

Portfolio Composition

# of Positions	Top 5	Long	Short	Net Exposure
21	27.1%	62.7%	0.0%	62.7%

Geographic Breakdown

Americas	Asia	Australia	Europe
1.0%	**1.5%**	**9.9%**	**50.3%**

Gearoid and Seán asked us to outline, in our inaugural letter as manager of the Fund, the investment philosophy of Kinsale Navigator Fund. While we will report to you on a quarterly basis, we typically invest with a multi-year time horizon. We do not consider such short-term returns to be especially meaningful and we encourage you to evaluate Kinsale Navigator Fund's performance over the medium to long-term. This is all the more appropriate in the case of this very first letter, given the truncated period.

In addition, we don't believe that an Index comparison is particularly relevant in assessing our performance, since our focus is on accruing wealth over the long run, while seeking to minimise the risk of permanent losses, rather than beating a given benchmark over an arbitrary period of time. The profile of our portfolio may diverge materially from that of the Index's based on the opportunity set, and performance may diverge in the short-term. In our view, absolute, far more than relative performance, is what ultimately matters.

We may at times discuss what is happening in the market in a given quarter to provide some perspective on the current investment landscape, but we'll reiterate what a fools' game we think it is to invest guessing what the market's next infatuations may be. Future quarterly letters will also allow us opportunities to comment on specific investments. However, at this stage in the life of Kinsale Navigator Fund, our primary objective is to give you a good sense of who we are, how we think as investors, the selection process that we follow, and how we manage the portfolio, irrespective of market conditions.

Who we are

We are a team of long-term value investors, having helped build strong track records with well-known, like-minded investment teams in the United States. We spent most of the last ten years scouring markets to find investment opportunities across a wide range of sectors, researching and analysing hundreds of businesses, and building local intelligence networks in the process.

How we think as investors

Our approach is so-called "absolute," which means we seek genuine bargains rather than relatively attractive ones. Our starting point is not a fully-invested portfolio. We only are interested in making an investment when we are exposed to an asymmetric outcome weighed in our favour. We only will convert cash into a partial ownership of a business, if we are convinced we are buying a stake at a significant discount to our estimate of its intrinsic value, and when we believe the risk of potential losses is limited. In the absence of such opportunities, we will remain on the sidelines. We may at times hold significant amounts of cash if we cannot find enough opportunities.

With capital markets generally short-term minded and susceptible to herd-like behaviour, we find that our investment goals are best achieved by taking a long-term, and often contrarian approach. We consider ourselves owners of businesses. A successful business owner would not care about what happens in a particular quarter, and neither do we. In principle we would be happy to be invested in perpetuity under the right conditions, in practice we find that five years is a reasonable timeframe.

We insist that our investments meet all of the following criteria:

1. **High Quality** – businesses that have sustainable, superior fundamentals. These include high barriers to entry, low threat of product or service substitution, unique competitive advantages, leverage over customers as well as suppliers, and ultimately, pricing power. We believe that such businesses can deliver good, sustainable growth, generate industry leading margins, realise high levels of free cash flows, and earn attractive returns on capital.

2. **Strong Management** – shareholder-aligned management teams that we believe not only run operations well, but also allocate capital in a way that creates value over time. Frequently and preferably these managers are shareholders themselves who think and act as owners. We would expect them to allocate capital appropriately by comparing the relative returns of various investment opportunities and, in the absence of attractive options, consider returning capital to shareholders through dividends and/or share repurchases.

3. **Financial Strength** – companies that have well thought-out balance sheets, and good free cash flow profiles. Our view is that financial robustness enhances a business' ability to weather temporary disruptions or adverse economic circumstances, and puts it in a position to consistently gain strength through difficult times. Value destruction, on the other hand, is often the result of excessive leverage, particularly when combined with unforeseen events.

4. **Low Absolute Valuations** – an opportunity to invest with what we believe to be a significant margin of safety. This is how we expect to achieve excess returns in the long run. We recognise that we cannot always be right in our assessment of value, and demand a significant discount to our estimate of intrinsic value before investing. Buying into quality businesses which build value over time, coupled with a high margin of safety, helps mitigate the potential negative impact of unforeseen factors, and should allow the passage of time to work in our favour.

Given our stringent investment criteria, we need to look broadly across capitalisations, industries, and geographies to find compelling opportunities. While there are over ten thousand listed corporations, only a few combine all of our investment requirements at a given time, which leads us to a more concentrated portfolio. Concentration allows us, in turn, to spend a disproportionate amount of time getting to know the companies we find most attractive, helping to reduce the risk of mistake which might otherwise lead to capital loss. We only focus on our best ideas, and expect to be typically invested in no more than 25 to 35 stocks.

In short, we maintain a concentrated, disciplined approach to long-term value investing, whereby we focus on our best ideas, while attempting to weed out high risk, low quality, and expensive businesses. Our objective is to deliver above-average capital appreciation over the long-term, while minimising the risk of a permanent impairment of capital.

Our selection process

Over the years, we have identified hundreds of businesses throughout the world that we would like to own, but they often trade at prices that are too high for us to become shareholders. We consistently monitor these companies, while patiently awaiting a cheaper share price. We also continuously scour the world, speaking with hundreds of companies every year, in search of new opportunities.

In selecting companies, we take a bottom-up, research-driven approach. We eschew businesses that do not lend themselves to appraisal. We limit ourselves to countries with established rules of law and political systems that allow for transparent and unbiased enforcement of those laws. We're also cognizant of macro-economic factors, but centre our analyses, and select stocks on the underlying business fundamentals. To understand these fundamentals, we engage in extensive research.

We dedicate a lot of time travelling to visit investment prospects and meet with management teams or key employees to discuss operations, strategy, and capital allocation. We interview competitors, suppliers, customers, and other relevant third parties. We study how industries and companies evolve over time, and how adept management is at responding to, and taking advantage of changes to their businesses. We think prospectively, rather than looking only at the past to anticipate potential changes. Our research is an on-going process, and ultimately the companies we invest in are the ones we have followed for years, and have seen perform through good and bad times.

We also study a long history of annual reports, investor presentations, conference call transcripts, third-party research and other relevant publicly available materials for each targeted company, as well as the other industry participants (e.g. legal counsel in the inspection and certification business). Through this process, we seek to obtain an understanding of the value chain, market forces, and strategic dynamics. We use our research findings and analytical work to assess the normal economics of the business, and to estimate the present value of its future stream of cash flows.

We study the company's financial position, and how its balance sheet would hold up in challenging conditions. We look at leverage, debt structure, and free cash flow generation profile. We spend a lot of time asking ourselves what could go wrong and, if something did, what it might mean for the business and its value. To the extent possible, we make an assessment of that through our research. We then price the stock with those concerns in mind, rather than making arbitrary allocations between alternative scenarios. If we cannot price-in those concerns, we do not invest.

Portfolio management

Portfolio construction is the product of our research and valuation process. We only invest in those companies that meet all of our qualitative selection criteria and offer a sufficient margin of safety. We then allocate individual portfolio weightings according to their relative discount to our estimate of intrinsic value. This approach allows the ideas that we believe to have the greatest return prospect also to have a more significant impact on performance.

We continuously monitor each portfolio company to ensure that our original thesis remains intact and that the required upside is still there. We may sell a holding when its market price appreciates and approaches our estimate of value; when we find opportunities to reallocate capital to other investments with greater reward potential; or when the original investment thesis no longer holds. Despite the discomfort of taking a loss, it is preferable, in our view, to recognise a mistake early, rather than simply hoping for a better outcome.

In conclusion, our approach is to concentrate on a few well-researched positions. We want to be long-term owners of high quality, financially sound businesses, run by proven managers who build value over time for shareholders. We invest in these businesses only when we can buy their stocks at what we believe to be low prices on an absolute basis.

We adopted this approach because that is the only one that makes sense to us. Should the portfolio lag, we will feel the pain along with the Fund's shareholders. At times, we expect to experience poor relative performance in the short-run, but as patient, long-term investors we should ultimately be able to enjoy the benefit of superior capital appreciation. We firmly believe in our mantra, and are convinced of the importance of being earnest in investing, along with the consistency that should come from it. We always will remain true to our philosophy and process, whatever the market conditions.

A few words on market conditions

We are faced with a challenging market environment. We generally find earnings expectations to be high, and multiples to be artificially inflated by accommodative monetary policies around the world, which temporarily keep the cost of capital to abnormal lows. Valuations are rich, and in our view, risks are widely ignored or negated. As absolute investors we remain true to our approach, and find opportunities to be scarce. Our portfolio is concentrated on a small group of selected companies, and our cash exposure is currently well in excess of 30%.

While this means we could underperform relative to the market in the short-term, it's hard to see the merits of substantial capital deployment in this environment. In our view, the long-term benefits of sound investment discipline, and holding cash as a result, outpace the compounded benefits of limited incremental returns, as a correction is likely to ensue. This is without counting the risks of permanent losses, and the forsaken buy opportunities that would present themselves in a correction. We instead prefer to focus on preserving capital and the liquidity to snap-up true bargains in due course.

We generally are cautious of the current macro environment. We see some positive developments in the US, and encouraging signs of improvements in Europe. Structurally however, we are concerned with high levels of financial leverage, in particular sovereign debt, weak financial institutions, most notably in Europe, imbalances in developing countries, specifically in China, the likelihood of tax increases, the threat of rampant inflation driven by fiscal and monetary policies, and the continued rise in the size, scope, and cost of the government in many countries.

All of this gives us little confidence in the sustainability of current market conditions, and makes us excited about the investment opportunities that will follow. We see growing long-term prospects for our strategy as excesses mount in capital markets. We believe the portfolio is well-positioned to weather a downturn, and will have the liquidity to take advantage of a possible market disruption.

We look forward to serving your interests as shareholders of Kinsale Navigator Fund, and thank you all for your confidence.

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Respectfully submitted,

The Kinsale Navigator Fund Management Team

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June 30, 2014.

[1] *All performance figures represent actual performance for partners that made initial contributions at the inception date.*

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The data herein has been provided for informational purposes only and should not be construed as recommendations by the Fund, the investment manager, or the distributor. The views expressed herein, and any forward-looking statements are as of the date of this publication and are those of the portfolio management team. Future events or results may vary significantly from those expressed and are subject to change at any time in response to changing circumstances and industry developments. This information and data have been prepared from sources believed reliable, but the accuracy and completeness of the information cannot be guaranteed and is not a complete summary or statement of all available data.

Portfolio composition will change due to ongoing management of the Fund. References to individual securities are for informational purposes only and should not be construed as recommendations by the Fund, the investment manager, or the distributor. It should not be assumed that future investments will be profitable or will equal the performance of the security examples discussed. It should not be assumed that an investment in the securities listed was or will be profitable.

Throughout this Letter, detractors, and contributors to Fund performance noted are based on contribution to return for the periods noted. Contributors and detractors are calculated gross of investment management fees, transactions costs, and Fund operating expenses, which if included, would reduce the returns calculated. The information provided does not reflect all positions purchased, sold, or recommended by the investment manager during the quarter. It should not be assumed that recommendations made in the future will be profitable or will equal the performance of the securities listed. **Past performance is no guarantee, nor is it indicative, of future results, and there is no assurance that the Fund's investment objective will be achieved or that the strategies employed will be successful. As with any investment, there is always the potential for gain, as well as the possibility of loss.**

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A summary of investor rights associated with an investment in the Fund shall be available in English from kinsale-capital.com/disclosure/.

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Disclaimer

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Past performance does not predict future returns.