

**Dhandho Holdings, L.P.**

***REPORT OF INDEPENDENT AUDITORS  
AND  
AUDITED FINANCIAL STATEMENTS***

December 31, 2017

**Dhandho Holdings, L.P.**  
**Index**  
**December 31, 2017**

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## **Report of Independent Auditors**

To the General Partner of Dhandho Holdings, L.P.

We have audited the accompanying financial statements of Dhandho Holdings, L.P. (the "Partnership"), which comprise the statement of assets, liabilities and partners' capital, including the condensed schedule of investments, as of December 31, 2017, and the related statements of operations, of changes in partners' capital, and of cash flows for the year then ended.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of the 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 the 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 material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Partnership'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 Partnership'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 financial statements referred to above present fairly, in all material respects, the financial position of Dhandho Holdings, L.P. as of December 31, 2017, and the results of its operations, changes in its partners' capital, and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "PricewaterhouseCoopers".

June 27, 2018

**Dhandho Holdings, L.P.**  
**Statement of Assets, Liabilities and Partners' Capital**  
**December 31, 2017**  
*(expressed in United States dollars)*

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	<u>2017</u>
<b>ASSETS</b>	
Cash	\$ 50,578
Due from broker	10,261
Investments, at fair value (cost \$104,077,480)	110,548,208
Interest and dividends receivable	31,505
Due from affiliates	17,825
Total assets	<u>\$ 110,658,377</u>
<b>LIABILITIES AND PARTNERS' CAPITAL</b>	
Due to affiliates	\$ 2,859
Accrued operating expenses	49,163
Distributions payable	55,731,942
Total liabilities	<u>55,783,964</u>
Partners' capital	
General partner	-
Limited partners	54,874,413
Total partners' capital	<u>54,874,413</u>
Total liabilities and partners' capital	<u>\$ 110,658,377</u>

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**  
**Statement of Operations**  
**Year ended December 31, 2017**  
*(expressed in United States dollars)*

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	<u>2017</u>
<b>Investment Income:</b>	
Dividends (net of withholding tax of \$12,765)	\$ 200,666
Interest income	118,085
Total Investment Income	<u>318,751</u>
<b>Expense:</b>	
Professional fees	66,740
Management fees	136,231
Administration fees	43,945
Total operating expenses	<u>246,916</u>
<b>Net Investment Income</b>	<b>71,835</b>
<b>Net realized and unrealized gain/(loss) on investments</b>	
Net realized (loss) from securities	(605,221)
Net realized (loss) on foreign currency transactions	(34,372)
Net change in unrealized appreciation on securities	14,852,074
Net realized (loss) on investment in other funds	(6,658,471)
Net change in unrealized appreciation on investment in other funds	5,664,804
Net realized and unrealized gain (loss) on investments	<u>13,218,814</u>
Net increase in partners' capital resulting from operations	<u>\$ 13,290,649</u>

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**  
**Statement of Changes in Partners' Capital**  
**Year Ended December 31, 2017**  
*(expressed in United States dollars)*

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	General Partner	Limited Partners	Total
<b>Balance January 1, 2017</b>	\$ -	\$ 97,319,907	\$ 97,319,907
Capital contributions		4,810,972	4,810,972
Capital withdrawals	-	(4,815,173)	(4,815,173)
Capital distributions		(55,731,942)	(55,731,942)
Increase in partners' capital resulting from operations	-	13,290,649	13,290,649
<b>Balance, December 31, 2017</b>	\$ -	\$ 54,874,413	\$ 54,874,413

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**  
*(expressed in United States dollars)*

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	<u>2017</u>
Cash Flows from Operating Activities	
Net increase in partners' equity resulting from operations	\$ 13,290,649
Adjustments to reconcile net increase in partners' equity resulting from operations to net cash provided by operating activities:	
Net realized loss from securities	605,221
Net change in unrealized appreciation on securities	(14,852,074)
Net realized loss on investment in other funds	6,658,471
Net change in unrealized appreciation on investment in other funds	(5,664,804)
Purchase of equity investments	(75,392,920)
Sale of equity investments	66,422,840
Purchase of investment in other private investments	(1,831,000)
Distribution from other private investments	10,796,065
Change in other assets and liabilities:	
Due from Broker	(10,261)
Dividends and interest receivable	(31,505)
Due from affiliates	(2,859)
Due to affiliates	2,859
Accrued operating and trading expenses	49,164
<b>Net cash provided by operating activities</b>	<u>39,846</u>
Cash Flows from Financing Activities	
Partner withdrawals paid	(4,201)
<b>Net cash used in financing activities</b>	<u>(4,201)</u>
<b>Net increase in cash</b>	35,645
Cash:	
Beginning of year	14,933
End of year	<u>\$ 50,578</u>

Supplemental information:

Non-cash operating activities not included herein consist of an in-specie distribution in securities from DHC to the Partnership. 40,252,282

Non-cash financial activities not included herein consist of partner contributions and withdrawals as a result of transfers between limited partners. Refer to notes 5 and 6 for further information. 4,810,972

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**  
**Condensed Schedule of Investments**  
**December 31, 2017**  
*(expressed in United States dollars)*

Number of Shares/Bonds		Value as a Percentage of Partners' Capital		Cost	Fair Value
	<b>Common Stocks</b>				
	<b>United States</b>				
	Financial Services	0.03%	\$	11,637	\$ 14,470
	Total United States	0.03%		11,637	14,470
	<b>India</b>				
	Building Materials	0.36%		69,074	194,981
	Basic Materials	0.86%		231,029	471,537
	Consumer Goods				
161,830	Bombay Burmah Trading Corporation Limited	7.85%		3,662,100	4,309,953
	Other	1.99%		763,681	1,093,276
	Pharmaceuticals				
94,107	Piramal Enterprises Limited	7.69%		3,663,087	4,220,861
	Real Estate Property Development	2.30%		500,053	1,262,046
	Total India	21.05%		8,889,024	11,552,654
	<b>Ireland</b>				
	Air Services				
118,347	Aercap Holdings NV	11.35%		4,995,597	6,226,236
	Total Ireland	11.35%		4,995,597	6,226,236
	<b>Netherlands</b>				
	Financials				
105,797	Exor N V	11.83%		4,864,757	6,491,704
	Total Netherlands	11.83%		4,864,757	6,491,704
	<b>United Kingdom</b>				
	Automotive				
1,179,476	Fiat Chrysler Automobiles N.V.	38.35%		11,537,676	21,041,852
	Total United Kingdom	38.35%		11,537,676	21,041,852
	Total Common Stocks	82.60%		30,298,691	45,326,916
	<b>Money Market Funds</b>				
	<b>United States</b>				
7,363,785	UBS Select Treasury Institutional Fund Ltd.	13.42%		7,363,785	7,363,785
	Total Money Market Funds	13.42%		7,363,785	7,363,785
	<b>Preferred Stocks</b>				
	<b>Canada</b>				
	Real Estate				
	Brookfield DTLA FD Office TR I Cum Ser A Preferred				
125,956	Cibi Par Value-25.00 USD 7.25%	6.61%		3,662,107	3,627,533
	Total Preferred Stocks	6.61%		3,662,107	3,627,533
	<b>Corporate Bonds</b>				
	<b>Canada</b>				
	Industrials				
6,042,000	Aimia Inc. Notes 5.6% , 5/17/19	8.78%		4,957,716	4,816,139
	Total Corporate Bonds	8.78%		4,957,716	4,816,139

The accompanying notes are an integral part of these financial statements.



**Dhandho Holdings, L.P.**  
**Condensed Schedule of Investments**  
**Year Ended December 31, 2017**  
*(expressed in United States dollars)*

Company Name	Investment	Value as a Percentage of Partners' Capital	Cost	Fair Value
<b>Private operating companies</b>				
Dhandho Holdings Corp.				
Corporation organized to make equity investments in privately and publicly held businesses. The Partnership owns 73.24% of Dhandho Holdings Corp.	Common Stock (732 units)	81.54%	\$ 53,629,340	\$ 44,746,817
Dhandho Funds, LLC				
Limited Liability Company engaged in investment advisory. The Partnership owns 73.24% of Dhandho Funds, LLC.	Member Units (73 units)	0.46%	-	250,281
Total private operating companies		82.00%	53,629,340	44,997,098
<b>Private equity funds</b>				
Tandem III, LP *		8.05%	4,165,841	4,416,737
Total investment, at fair value		201.46%	\$ 104,077,480	\$ 110,548,208

\* Objective of private equity fund: Primarily invest in securities of privately held companies building innovative technology businesses. Redemption terms: Voluntary redemptions are not permitted. The Fund will continue until March 8, 2023 unless extended by agreement of the partners or is terminated prior thereto under circumstances provided for in the LP Agreement dated January 7, 2015.

The accompanying notes are an integral part of these financial statements.

**Dhandho Holdings, L.P.**  
**Notes to Financial Statements**  
**December 31, 2017**  
*(expressed in United States dollars)*

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**1. ORGANIZATION**

Dhandho Holdings, L.P. (the "Partnership") is a limited partnership organized in December 2013, pursuant to the laws of the State of Delaware. The purpose of the Partnership is to make equity investments in privately and publicly held businesses. In February 2014, the Partnership had its first closing with total contributed capital of approximately \$112,165,000.

The affairs of the Partnership are managed by its general partner, Dhandho GP, LLC (the "General Partner"), a limited liability company organized under the laws of the State of California. The General Partner is a subsidiary of Dalal Street, LLC, an investment adviser registered with the U.S. Securities and Exchange Commission. Dalal Street, LLC and the General Partner are both controlled by Mohnish Pabrai, Managing Partner.

The Managing Partner, Mohnish Pabrai, holds an indirect interest in the Partnership through an Individual Retirement Account ("IRA") under the name of Ms. Harina Kapoor, Mr. Pabrai's spouse. Ms. Kapoor made a contribution of \$187,600 through the IRA, which is invested in Dhandho Holdings Offshore, Ltd. The latter is an offshore feeder fund company incorporated under the laws of the British Virgin Islands that made a capital contribution of \$37,250,866 to the Partnership. The General Partner holds Limited Partner interest of 7.15% through Dalal Street, LLC.

The General Partner has the overall responsibility for the management of the Partnership and provides portfolio management and administrative services. The General Partner will be paid a Management Fee, as described in note 6.

The Partnership owns 73.24% of the outstanding stock of Dhandho Holdings Corp ("DHC"), a corporation organized under the laws of the Commonwealth of Puerto Rico on October 31, 2014 for the purpose of investing in private and public enterprises. Shortly after its formation, the Partnership contributed \$111.3 million to DHC. Effective December 31, 2014, DHC acquired 100% of the outstanding common stock of Stonetrust Commercial Insurance Company and subsidiary (together, "Stonetrust") for approximately \$35 million and contributed an additional \$30 million to Stonetrust. Stonetrust is domiciled in the State of Nebraska and is engaged in providing workers compensation insurance.

On September 29, 2017, DHC entered into a Stock Purchase Agreement to sell Stonetrust for \$70.4 million. The sale closed on January 1, 2018. Under the terms of the Stock Purchase Agreement, DHC received a payment of \$40 million at the closing of the transaction and will receive \$15 million within 135 days of the closing out of which \$10.1 million was received in May of 2018. The final \$15.4 million (the "Holdback Payments") is paid out in payments over the course of four years as a warranty for future adverse development that may take place in the reserves at Stonetrust allocated to claims existing prior to closing. Interest will accrue on any payments not made when due. Assuming no adverse development, the Holdback Payments over the four years are paid \$2 million per year on the first three anniversary dates of closing, and then \$2 million plus the additional amount due to DHC on the fourth anniversary date.

**Dhandho Holdings, L.P.**  
**Notes to Financial Statements**  
**December 31, 2017**  
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The Limited Partnership Agreement (the "Agreement") provides for one class of Limited Partner Interest, which corresponds to the dollar amount of the Limited Partner's investment.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies of the Partnership, which conform to U.S. GAAP include the following:

**Basis of Presentation** - Management has evaluated the Partnership's structure, objectives and activities and has determined that the Partnership meets the characteristics of an investment company. As such, the Partnership's financial statements apply the guidance set forth in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 946, *Financial Services – Investment Companies*.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires the General Partner to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ significantly from those estimates.

**Cash and Cash Equivalents** - The Partnership considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

**Due From Broker** - The amount shown as a due from broker represents a receivable from brokers as of December 31, 2017. For the year ended December 31, 2017 due from broker is \$10,261.

**Due From Affiliate** – The amount shown as due from affiliate represents the amount paid by the Partnership in 2015 on behalf of Dhandho Holdings Qualified Purchaser, L.P. This amount was paid back to the Partnership in May of 2018.

**Security Valuation** - Investments listed on a national securities exchange are valued at their last sales price on the date of valuation on the primary exchange. In the event no such price is available for such date, then the last reported sale price within the last five-day period preceding the valuation date is utilized. If no such price is reported, then the security will be valued at the representative bid price at the close of business on the valuation date. Investments whose market quotations are not readily available are valued at fair value as determined in good faith under procedures established by the General Partner. Because of the inherent uncertainty of valuation, the estimate of fair value may differ from the values that would have been used had a ready market existed and the differences could be material. Money market funds are valued at net asset value per share, which approximates fair value. Notwithstanding the foregoing, if in the reasonable judgment of the Partnership, in its sole discretion, the listed price for any security held by the Partnership does not accurately reflect the value of such security, the Partnership may value such

**Dhandho Holdings, L.P.**  
**Notes to Financial Statements**  
**December 31, 2017**  
**(expressed in United States dollars)**

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security at a price which is greater or less than the quoted market price for such security.

Corporate bonds are traded on a principal-to-principal basis in the over-the-counter market between counterparties such as brokers and dealers in securities and other market makers. Such financial instruments are valued at fair value using current market quotations provided by brokers and dealers and/or external pricing sources, including independent external pricing sources. Valuation using external pricing sources involves the use of both observable and unobservable valuation inputs in accordance with the fair value hierarchy, as set forth in accordance with the Partnership's valuation policy and FASB Accounting Standard Codification 820 ("ASC 820"). Corporate bonds transactions are recorded on the trade date. Realized gains or losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of operations.

**Valuation of Investments** - The Partnership values its investments in DHC, Dhandho Funds, LLC ("DF") and Tandem Fund III, L.P. ("Tandem") at fair value as determined in good faith by the General Partner in accordance with ASC 820. Because of inherent uncertainty of valuations, estimated values may differ significantly from values that would have been used had a ready market for the investment existed, and the difference could be material.

**Security Transactions and Income and Expense Recognition** - Investment transactions are recorded on trade date. Income and expenses are recorded on the accrual basis and dividend income and capital gain distributions are recorded on the ex-dividend date net of foreign dividend withholding taxes. Realized gains and losses are recorded on the specific identification method.

**Foreign Currency Transactions** - Assets and liabilities denominated in foreign currencies are translated into U.S. dollar amounts at the year-end exchange rates. Purchases and sales of these assets and liabilities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Partnership does not isolate that portion of the results of operations resulting from changes in foreign exchange rates on investments from the fluctuations arising from changes in market prices of investments held.

**Income Taxes** - No provision is made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are not the responsibility of the Partnership. Each partner is required to report on his/her income tax return his/her proportionate share of the items of income and deduction of the Partnership.

The Partnership executes trades on the Indian exchange and, therefore, may be subject to taxes levied in that country. The investments in common stock traded on the Indian exchange are subject to short-term capital gains tax at 15% and no long-term capital gains tax. The Partnership intends to hold the Indian securities for the long-term. For countries with double taxation treaties, the treaty rate prevails only if it is more favorable than the standard rate. As of December 31, 2017, \$0 was accrued for these taxes.

**Dhandho Holdings, L.P.**  
**Notes to Financial Statements**  
**December 31, 2017**  
*(expressed in United States dollars)*

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On February 1, 2018, the Indian government proposed new tax legislation that seeks to impose a long-term capital gains tax of 10% on exchange traded equity instruments, effective April 1, 2018.

Management has continued to evaluate the application of Accounting Standards Codification (“ASC”) 740, “Income Taxes”, and has determined that no reserves for uncertain tax positions were required to have been recorded as a result of the adoption of ASC 740. Open tax years are those that are open for exam by taxing authorities. As of December 31, 2017, open tax years include the tax years ended December 31, 2014 through December 31, 2017. The Partnership is not aware of any examinations in progress. The Partnership has reviewed all open tax years and major jurisdictions and concluded that the adoption of these financial reporting rules resulted in no effect to the Partnership's financial position or results of operations. There is no tax liability resulting from unrecognized tax benefits relating to uncertain income tax positions taken or expected to be taken on the tax return for the fiscal year ended December 31, 2017. The Partnership is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefit will significantly change in the next twelve months.

**3. FAIR VALUE MEASUREMENT**

The Partnership has adapted financial reporting rules that establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under ASC 820 are as follows:

Level 1 Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access at the measurement date;

Level 2 Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active;

Level 3 Inputs that are unobservable

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the General Partner. The General Partner considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not

**Dhandho Holdings, L.P.**  
**Notes to Financial Statements**  
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***(expressed in United States dollars)***

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necessarily correspond to the General Partner's perceived risk of that instrument. Investments whose values are based on quoted market prices in active markets, and are therefore classified within level 1, include active listed equities, and certain money market securities. The General Partner does not adjust the quoted price for such instruments, even in situations where the Partnership holds a large position and a sale could reasonably impact the quoted price. Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs, are classified within level 2. These include investment-grade corporate bonds and less liquid listed equities. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The inputs used by the General Partner in estimating the value of the level 3 investment include the original transaction price, recent transactions in the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash. Level 3 investments may also be adjusted to reflect illiquidity and/or non-transferability, with the amount of such discount estimated by the General Partner in the absence of market information. The fair value measurement of level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the General Partner due to the lack of observable inputs may significantly impact the resulting fair value and therefore the Partnership's results of operations.

As permitted under U.S. GAAP, the General Partner uses, as a practical expedient, the net asset valuations provided by the underlying private investment company to value its investment in other funds when the net asset valuation of the investments are calculated in a manner consistent with U.S. GAAP for investment companies. However, if it is probable that the Partnership will sell an investment at an amount different from the net asset valuation or in other situations where the practical expedient is not available, the Partnership considers other factors in addition to the net asset valuation, such as features of the investment, including subscription and redemption rights, expected discounted cash flows, transactions in the secondary market, bids received from potential buyers, and overall market conditions in its determination of fair value.

During the year ended December 31, 2017, there were no such adjustments to fair value recorded. In accordance with ASU 2015-07, the Partnership's investment in other investment companies has not been categorized in the fair value hierarchy nor in a roll forward of investment activity.

**Dhandho Holdings, L.P.**  
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*(expressed in United States dollars)*

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The following table presents the financial instruments carried on the Statement of Assets, Liabilities and Partners' Capital by level:

	Assets at Fair Value as of December 31, 2017			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Common stock	\$ 45,326,916	\$ -	\$ -	\$ 45,326,916
Money market funds	7,363,785	-	-	7,363,785
Preferred stock	3,627,533	-	-	3,627,533
Corporate bonds	-	4,816,139	-	4,816,139
Private operating companies	-	-	44,997,098	44,997,098
Total investments	<u>\$ 56,318,234</u>	<u>\$ 4,816,139</u>	<u>\$ 44,997,098</u>	<u>\$ 106,131,471</u>

There were no transfers in and out of either Level 1, Level 2 or Level 3 as of or during the year ended December 31, 2017.

As of December 31, 2017, the Partnership owns 73.24% of the outstanding common stock of DHC with an estimated market value of approximately \$44.7 million. DHC is valued using the net asset value. This consists primarily of its investment in Stonetrust and cash. Stonetrust was sold with an effective date of January 1, 2018 for \$70.4 million. Under the terms of the Stock Purchase Agreement, DHC received a payment of \$40 million at the closing of the transaction and will receive \$15 million within 135 days of the closing out of which \$10.1 million was received in May of 2018. The final \$15.4 million (the "Holdback Payments") is paid out in payments over the course of four years as a warranty for future adverse development that may take place in the reserves at Stonetrust allocated to claims existing prior to closing. Interest will accrue on any payments not made when due. Assuming no adverse development, the Holdback Payments over the four years are paid \$2 million per year on the first three anniversary dates of closing, and then \$2 million plus the additional amount due to DHC on the fourth anniversary date. The General Partner valued the Holdback Payments at December 31, 2017 using discounted cash flows. Further discounts are added by the General Partner's assessment of the unfavorable return events. As a result of this valuation analysis, the fair value of the Partnership's investment in DHC was reduced.

As of December 31, 2017, the Partnership owns 73.24% of the outstanding members' units of DF with an estimated market value of approximately \$250,000. DF is a limited liability company organized under the laws of the state of Delaware and is the General Partner of other funds managed by Mohnish Pabrai. DF was valued by the General Partner at the price that would be received in a current sale, using expected discounted cash flows.

**Dhandho Holdings, L.P.**  
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At December 31, 2017, the Partnership's investment in the Tandem as measured at NAV as practical expedient was \$4,416,737.

The General Partner values the Partnership's Level 3 investments on a quarterly basis using the net asset valuation. The management of the General Partner reviews information about the underlying assets of the Level 3 investments and arrives at a consensus about their valuation.

The following table summarized the changes in assets presented at fair value using Level 3 inputs:

Level 3 Investments - December 31, 2017

	Balance at January 1, 2017	Purchases	Distributions-in- Kind	Realized Gain/Loss	Unrealized Gain/Loss	Balance at December 31, 2017
Common Stock of Dhandho Holdings Corp.	\$ 97,049,878	-	(51,048,347)	(6,658,471)	5,403,757	\$ 44,746,817
Dhandho Funds, LLC	240,130	-	-	-	10,151	250,281
Total	<u>\$ 97,290,008</u>	<u>\$ -</u>	<u>\$ (51,048,347)</u>	<u>\$ (6,658,471)</u>	<u>\$ 5,413,908</u>	<u>\$ 44,997,098</u>

The following table presents the qualitative unobservable inputs used to value Level 3 investments at December 31, 2017:

Level 3 Investments - December 31, 2017

	Fair Value	Valuation Technique	Unobservable Input	Range of inputs
Common Stock of Dhandho Holdings Corp.	\$ 44,746,817	Recent transactions Discounted cash flow	Discount rate Probability discount	10% 50%
Dhandho Funds, LLC	250,281	Discounted cash flow	Discount Rate Annual growth rate Annual performance rate	13.5% 10% - 15% 6% - 12%
Total	<u>\$ 44,997,098</u>			



**Dhandho Holdings, L.P.**  
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**4. Warrants**

Investments in warrant contracts are subject to additional risks that can result in a loss of all or part of an investment. The Fund may purchase warrants in the normal course of pursuing its investment objectives or may receive warrants from its portfolio companies upon an investment in the debt or equity of a portfolio company. The warrants provide the Partnership with exposure and potential gains upon equity appreciation of the portfolio company's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant has a limited life and expires on a certain date. As time to the expiration date of a warrant approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for the Partnership to lose its entire investment in a warrant.

**Impact of Warrants on the Statement of Statement of Operations**

The following table also identifies the net gain and loss amounts included in the statement of operations as realized loss on investments, categorized by primary underlying risk, for the year ended December 31, 2017:

<u>Primary underlying risk</u>	<u>Realized Loss</u>
<u>Equity price</u>	
Warrants	<u>\$ (267,537)</u>
<b>Total</b>	<u>\$ (267,537)</u>

The Partnership sold 117,800 warrants for the year ended December 31, 2017 and held none at December 31, 2017.

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**5. PARTNERS' CAPITAL**

**Subscriptions and Units** - All Limited Partners of the Partnership must be "accredited investors" as defined in the Investment Company Act of 1940. In exchange for each Partner's subscription to the Partnership, the Partnership issues Units, which represent an undivided proportionate interest in the assets and liabilities of the Partnership. Units were initially issued at \$10 on March 1, 2014 and are subsequently offered at Net Asset Value Per Unit. As of any valuation date, the Net Asset Value Per Unit is determined by dividing the Partners' Capital of the Partnership by the total number of Units outstanding.

**Withdrawals** - The Partnership does not permit redemptions by Limited Partners; however, Limited Partners may transfer their interests to other investors with the approval of the General Partner.

**Transfers** - Interests are not transferable without the consent of the General Partner.

**Distributions Payable** - The Partnership is currently closed to new investment. The Partnership does not permit redemptions by Limited Partners; however, Limited Partners may transfer their interests to other investors with the approval of the General Partner.

The General Partner may cause the Partnership to make distributions to the Limited Partners before the dissolution of the Partnership at such times and in such amounts as it determines in its sole discretion. The General Partner resolved on December 29, 2017 to distribute \$5.00/unit to all shareholders of record of the Partnership as of December 31, 2017. The amounts shown as distributions payable of \$55,731,942 represent the distribution payable as of December 31, 2017.

**Allocations of Profits and Losses** - Allocations of net increase/decrease in Partners' Capital to partners are made in accordance with the Limited Partnership Agreement (the "Agreement"), which calls for such allocations to be generally proportional to contributed capital. Net Profits, which includes net changes in unrealized appreciation or depreciation of investments and realized investment gains or losses and income and expense, are generally allocated at least annually and each time new Units are issued/redeemed, in proportion to the Units held at the beginning of such fiscal period. The allocation will be first, 100% to the Limited Partners until the allocation equals the aggregate of their respective capital contributions to the partnership. After this first condition is met, net increases in Partners' capital will be allocated 90% to the Limited Partners, pro rata in accordance with their respective capital contributions, and 10% to the General Partner, which is referred as the General Partner's "Carried Interest". The General Partner may determine when to distribute or to retain realized gains on investments.

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Units Summary

<b>Balance January 1, 2017</b>	11,146,447.21
Subscription of Units	-
Redemption of Units	(838.58)
Transfer in of Units	1,529,213.59
Transfer out of Units	(1,529,213.59)
<b>Balance, December 31, 2017</b>	<u>11,145,608.63</u>

**6. RELATED PARTY TRANSACTIONS**

The Partnership is a member of a group of affiliated companies and has transactions and relationships with members of the group. As of December 31, 2017, the Partnership due from (to) related parties was as follows:

	Due From	Due To	Net
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Dhandho Holdings Qualified Purchaser L.P.	\$ 17,825	-	\$ 17,825
Dhandho Holdings Corp.	-	(2,859)	(2,859)
Total due from related parties	<u>\$ 17,825</u>	<u>\$ (2,859)</u>	<u>\$ 14,966</u>

In January 2017, DHC distributed cash of \$9.7 million and other equity investments with a fair market value of \$33.6 million held on its books to the Partnership. In March 2017, DHC distributed its investment in Tandem with a book value of \$2.2 million to the Partnership. In April 2017, CoverageHQ Insurance I.I. Corporation, an indirect subsidiary of DHC that was subsequently dissolved in December 2017, distributed cash of \$1.1 million and other equity investments with a fair market value of \$4.3 million held on its books to the Partnership.

The General Partner charges a management fee in consideration for the services it provides to the Partnership and all normal overhead expenses of the General Partner. In general, the annual management fee is an amount set by the General Partner, not to exceed 1% of the aggregate amount of capital contributions of all Limited Partners. In 2017, management fees were charged by the General Partner indirectly to DHC for the first quarter and then directly to the Partnership starting second quarter. For the year ended December 31, 2017, \$136,231 of management fees was charged to the Partnership. As of December 31, 2017, a total of \$17,825 was due from affiliates.

As of December 31, 2017, the affiliates of the General Partner (including Dhandho Holdings Offshore Ltd.) held 42.18% of the Partnership's interest.

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On December 31, 2017, affiliates of the General Partner purchased interest from various Limited Partners in the amount of \$4,810,972 for \$5 per unit.

**7. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Partnership enters into contracts that contain a variety of representations and warranties and which provide general indemnifications. The Partnership's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Partnership that have not yet occurred. However, based on experience, the Partnership expects the risk of loss to be remote.

The Partnership's total commitments in Tandem is \$7,324,000 out of which \$2,563,400 is unfunded as of December 31, 2017.

**8. RISK**

The Partnership's investing activities expose it to various types of risks that are associated with the financial instruments and markets in which it invests. The significant types of financial risks to which the Partnership is exposed include, but are not limited to market risk, price risk/nature of investment, interest rate risk, liquidity risk, currency risk, emerging market risk, credit risk and other additional risks. Certain aspects of those risks are addressed below.

*Market Risk*

Market risk encompasses the potential for both losses and gains and includes price risk, and interest rate risk.

*Price Risk/Nature of Investment*

The Partnership's investments are long-term and highly illiquid and there is no assurance that the Partnership will achieve its investment objectives including targeted returns. Due to the illiquidity of the investments, valuation of the assets may be difficult, as there generally will be no established markets for these assets. As the Partnership's financial instruments are carried at fair value with fair value changes recognized in the Statement of Operations, all changes in market conditions will directly affect the net asset value of the Partnership.

The Partnership expects to invest in companies that have a potential to generate a stable cash flow. Insurance companies, in particular, carry certain risks specific to that industry which includes underwriting exposure and regulatory risks.

*Interest Rate Risk*

The Partnership and the Partnership's portfolio companies may invest in fixed income securities and/or debt. Any change to the interest rates relevant to particular securities may result in the inability to secure similar returns on the expiration of contracts or the sale of

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securities. In addition, changes to prevailing rates or changes in expectations of future rates may result in an increase or decrease in the value of the securities held. In general, if interest rates rise, the value of the fixed interest securities will decline. A decline in interest rates will in general have the opposite effect.

*Liquidity Risk*

The portfolio companies in which the Partnership expects to make investments will initially be privately held. As a result, there will be no readily available secondary market for the Partnership's interests in such portfolio companies, and those interests will be subject to legal restrictions on transfer. Therefore, there is no assurance that the Partnership will be able to realize liquidity for such investments in a timely manner, if at all. The Partnership faces liquidity risk from Dhandho Holdings Corp., Dhandho Funds, LLC and Tandem III, LP.

*Currency Risk*

The Partnership invests in assets and liabilities denominated in foreign currencies which are translated into U.S. dollar amounts at the year-end exchange rates. The value of these assets and liabilities are exposed to fluctuations in the foreign currencies as compared to the US dollar.

*Emerging Markets Risk*

Investments in securities and instruments traded in developing or emerging markets, or that provide exposure to these securities or markets, can involve additional risks relating to political, economic, or regulatory conditions not associated with investments in U.S. securities and instruments or investments in more developed international markets. For example, emerging markets may be subject to, among other risks, greater market volatility; lower trading volume and liquidity; greater social, political and economic uncertainty; governmental controls on foreign investments and limitations on repatriation of invested capital; lower disclosure, corporate governance, auditing and financial reporting standards; fewer protections of property rights; restrictions on the transfer of securities or currency; and settlement and trading practices that differ from U.S. markets and markets of more developed countries. Each of these factors may impact the ability of the Partnership to buy, sell or otherwise transfer securities, adversely affect the Partnership and cause the Partnership to decline in value.

*Credit Risk*

The Partnership and its portfolio companies may include the acquisition of debt securities. Investment portfolios with debt securities are subject to credit risk. Financial strength and solvency of an issuer are the primary factors influencing credit risk. In addition, lack or inadequacy of collateral or credit enhancement for a debt instrument may affect its credit risk. Credit risks may change over the life of an instrument. Securities that are rated by rating agencies are often reviewed and may be subject to downgrade, which generally results in a decline the market value of such security.

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**10. FINANCIAL HIGHLIGHTS**

The following financial ratios for the year ended December 31, 2017 have been computed based on the limited partners' capital of the Partnership:

**Selected per unit data**

Net asset value, beginning of year	\$	8.73
Income from investment operations <sup>(1)</sup>		
Net investment income		0.02
Net realized gain and net change in unrealized appreciation / (depreciation)		1.18
Investment management fee		(0.01)
Distribution made during the year		(5.00)
Net asset value, end of year	<u>\$</u>	<u>4.92</u>

**Total return**

Total return before performance allocation	13.66 %
Performance allocation	0.00
Total return after performance allocation	<u>13.66 %</u>

**Ratios to average limited partners' capital**

Operating Expenses	(0.24) %
Performance allocation	0.00
Total operating expenses and performance allocation	<u>(0.24) %</u>
Net investment income	<u>0.07 %</u>

(1) Calculated using the average number of shares outstanding during the year.

**11. SUBSEQUENT EVENTS**

The Partnership evaluated subsequent events through the date the financial statements were available to be issued June 27, 2018, and determined no events occurred that required further disclosures.

On January 1, 2018, affiliates of the General Partner purchased interest from various Limited Partners in the amount of \$4,319,910 for approximately \$5 per unit.