

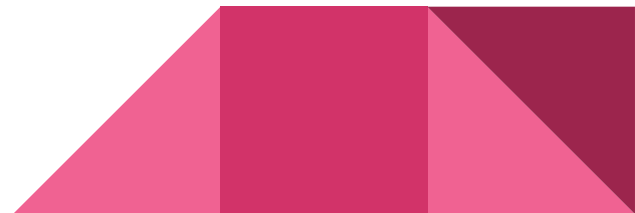


Distressed Debt 1 LP

When Performance Matters..

Disclaimer

Information in this presentation is provided for informational purposes only and is not offered as advice with respect to any particular security or related financial instrument. This information should not be used as a basis for making an investment decision and must not be treated as a substitute for seeking advice from a licensed professional. The suitability of a given investment for a particular investor depends on a number of factors, each of which should be considered carefully. Such factors include, but are not limited to, the risk associated with the investment, the nature of current market conditions, and the investor's objectives, personal needs, and specific circumstances. This is neither a solicitation to buy nor an offer to sell, but rather an informational overview of Distressed Debt investing and our Distressed Debt 1 Fund. This information should be reviewed by accredited investors only.



Fund Awards

Top Performing Hedge Fund, 2016 (Hedgeco.net)



Best U.S. Distressed Debt Hedge Fund, 2017 (AI)



* 2016 audit available upon request *

Fund Manager Awards

Best for Fiduciary Services, 2017 (AI)



A+ Rating with the Better Business Bureau (BBB)



Top Ranking Performance

According to [HedgeCo.net](https://www.hedgeco.net) (a database that tracks the performance of over 9000 Hedge Funds), Distressed Debt 1 LP was ranked as of April 4th, 2017 as:

2nd Highest Compound Annual Growth Rate (68.24%)

3rd in Year to Date Performance (22.91%)

4th Highest Annualized Sharpe Ratio (1.74)

5th for Best performance in the last 2 months (return of 4.25%)



Our Team - Over 50 Years of Combined, “Boots on the Ground” Investment Experience

Randy Durig

- ❖ CEO/Owner of Durig Capital, Inc., Portfolio Manager, (2001- Present)
- ❖ Graduated from Portland State University with a degree in Business Administration
- ❖ Senior VP, Charter Investment Group/Sutro & Co. (Currently known as RBC) (1990-2001)
- ❖ 30 years as a Licensed Investment Professional
- ❖ Owns, founded, and operates several businesses across a number of industries with extensive experience in operational turnarounds

Hugh Smithers

- ❖ Fund Administrator (2011- Present)
- ❖ St. Lawrence University
- ❖ Theology Degree
- ❖ FINRA Series 65 Licensed
- ❖ CEO, Precision Flooring Services (1985-2000)
- ❖ Sales Manager, Lithia Auto Group (2000-2005)
- ❖ Operations Manager, Beaverton Wood Floors (2009-2010)
- ❖ Many years of hands-on experience owning and operating businesses

Support Services & Staff

Auditing Firm: Ashland Partners

Prime Brokerage Firms: Interactive Brokers, TD Ameritrade

Legal Counsel: Justin Stark

General Partner: Durig Capital General Partner, Inc.



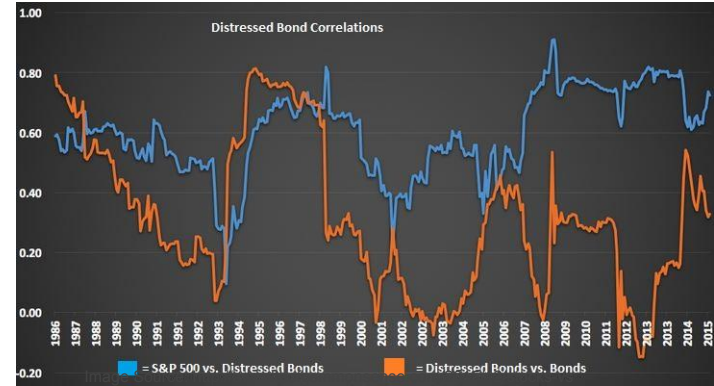
Distressed Debt - Overview

Why Distressed Debt?

- ❖ Numerous studies have shown that distressed debt as an asset class has consistently outperformed the S&P 500 by more than 4% annually for over 20 years
- ❖ We have continually surpassed the returns of the S&P 500 by much more than 4%

Distressed Debt is one of the lowest correlated asset classes to the S&P 500

- ❖ Our Distressed Debt 1 Fund has a current beta of -0.64
- ❖ Our current negative beta shows that historically, our fund has been negatively correlated with the S&P 500, providing heavily indexed individuals with alternative investment opportunities



Correlations of Private Equity Types

	S&P 500	RU2000	T-Bonds	High-Yield	Venture	Buyouts	Mezzanine	Distressed
S&P 500	1.00							
RU2000	0.83	1.00						
T-Bonds	-0.10	-0.16	1.00					
High-Yield	0.76	0.92	0.00	1.00				
Venture	0.39	0.29	-0.40	0.01	1.00			
Buyouts	0.79	0.65	-0.40	0.48	0.54	1.00		
Mezzanine	0.69	0.72	-0.26	0.54	0.69	0.72	1.00	
Distressed	0.65	0.87	-0.18	0.91	0.17	0.54	0.60	1.00

Image Source: CAIA Association, Mark J. P. Anson

Distressed Debt - Overview (continued..)

Rothschild built his fortune “Buying when there’s blood in the streets..”


- ❖ We like to buy as soon as the blood stops flowing and recovery is probable
- ❖ This positions us to acquire a security prior to any significant appreciation that may take place

The rougher the market, the increased depth and width of issues available to us


- ❖ Many mutual funds may be required to liquidate their positions in certain issues due to falling credit ratings or default risk. When this happens we begin to actively monitor the firm and assess whether these events are attributable to a Black Swan Event
- ❖ When several large mutual funds are liquidating all at once, we are able to take advantage of rapidly declining in value issues that we believe have initiated a real operational turnaround




Distressed Debt 1 LP - Fund Overview

- ❖ Founded in September of 2015, Distressed Debt 1 LP is a pooled investment vehicle that searches global bond markets for defaulted and/or deeply discounted debt instruments
 - ❖ DD1 LP focuses primarily on corporate bonds in the US and North America
 - ❖ Very specific investment criteria; less than one in a thousand bonds are selected for investment in the fund
 - ❖ CEO/Owner has about one-third ownership stake in the fund
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Goals


- ❖ Our primary goal is to provide consistently high returns on fixed income securities through our portfolio of distressed bonds
 - ❖ We focus acquisition on default rated or very discounted issues with improving fundamentals that often trade at a fraction of PAR value and hold them while they appreciate
 - ❖ A good strategy is to buy low and sell high. Our strategy is to buy even lower in an effort to increase returns for our partners. Many funds are mandated to liquidate their holdings when their bond positions fall below a certain credit threshold, so this is often when we begin to diligently track bonds that others are selling
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The Selection Process


1. We review the issuer's most recent quarter and year end financials as well as its relative performance within the industry, looking for significant operational improvements that may lessen their financial burden while we continue to monitor the situation
 2. If issuers show multiple signs of a turnaround (most do not make this hurdle), we heighten our following and due diligence
 3. In a more intensive review, we compare the debt load to the firm's revenues, income, gross profits, cash flow, cash on hand, asset valuations, etc.
 4. We then review its stock and the current news to see if we can identify a trend or a new business cycle that has the potential to create real operational improvements. We try to measure performance from the point of the change
 5. Finally, we take the idea to our team to see what additional risk(s) can be identified that were not previously considered
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The “Turnaround”

Through our investment experience we have identified five key elements present in nearly every business turnaround:

1. A new management team
 2. A company plan addressing the real issues
 3. Implementation & execution of a debt service and/or repurchasing plan
 4. Incremental revenue growth from new or improved product lines and/or marketing campaigns
 5. A significant reduction in costs, including management and personnel
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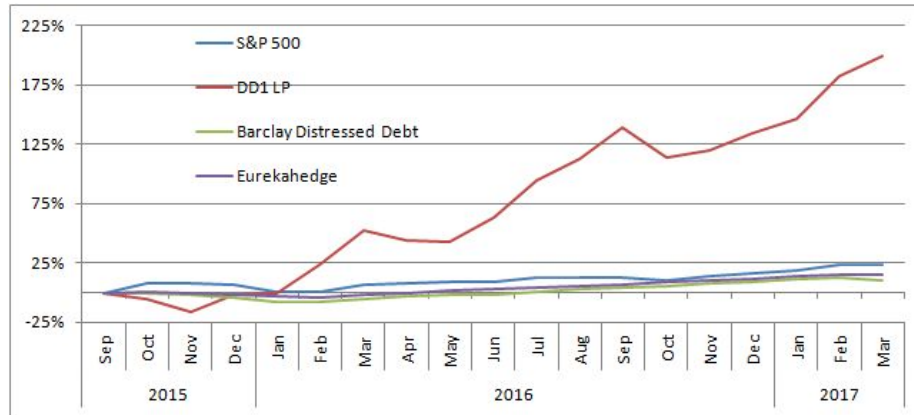
Strategy

- ❖ We search North American and global debt markets for securities that have defaulted or are priced at an extreme discount, due to a Black Swan Event or an inability to execute operationally, but may now be on the cusp of a turnaround
 - ❖ Typically, we look for issues trading below 25% of PAR value with improving business fundamentals, often targeting a full recovery
 - ❖ Once a specific issue has been marked for investment, we monitor the firm's activity, looking for improving fundamentals such as debt service and repurchase, improving coverage ratios, and positive free cash flows
 - ❖ When successful, our strategy allows us to not only recoup the initial cost of the bond, but earn a 4X profit plus coupon interest on a debt instrument that was abandoned by most debt-investors
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Performance

- ❖ Since its inception in 2015, Distressed Debt 1 LP has earned top rankings within the hedge fund industry
- ❖ We have consistently exceeded the returns provided by index funds such as the S&P 500, as well as the returns indicated by both the Barclay Distressed Securities Index and Eureka hedge Distressed Debt Hedge Fund Index

Comparative Performance - Cumulative Return



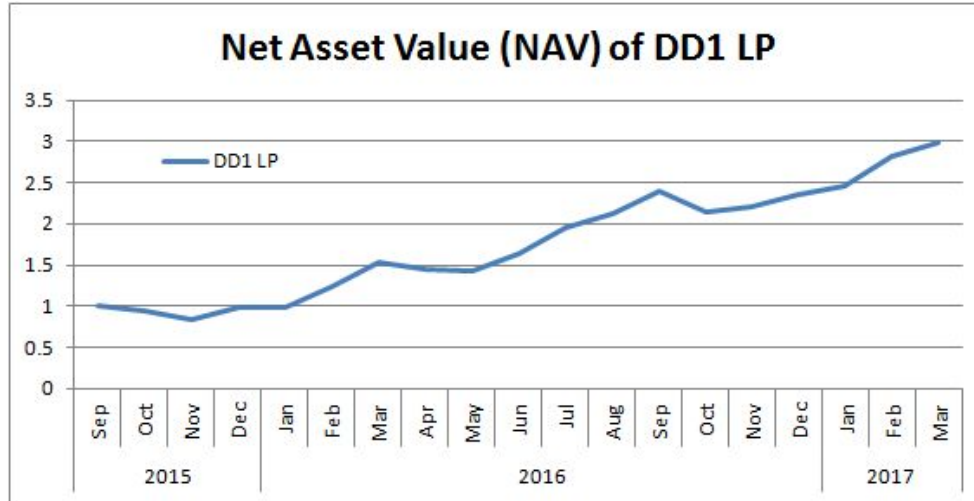
* 2016 audit available upon request *

Historical Performance - NAV Returns

Distressed Debt 1 LP - Historical NAV YTD Return (Inception- Present)


	DD1 LP Monthly Change of NAV (as a percentage)												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2015										-4.75%	-11.60%	16.30%	-2.07%
2016	1.73%	24.09%	23.65%	-5.44%	-0.88%	13.66%	19.56%	9.37%	12.12%	-10.27%	2.73%	6.56%	139.47%
2017	5.27%	14.44%	5.81%										27.47%

Net Asset Value (NAV) Growth of DD1



- ❖ Net Asset Value (NAV) has grown to approximately 2.989 since the fund's initial NAV of 1.00 in September of 2015

Summary

- ❖ Historical Performance of our Distressed Debt fund far exceeds that of large index funds like the S&P 500
 - ❖ Our fund is somewhat negatively correlated with the stock market with a beta of -0.64
 - ❖ Volatile industries or market conditions are what we excel in; the more “distressed” a firm or industry is, the greater our pool of securities to mark for monitoring and potential investment
 - ❖ We thrive where other funds may falter and be forced to liquidate positions due to falling credit ratings or debt requirements
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References

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