



## BISON INTERESTS LLC

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Dear Bison Investors,

August 17<sup>th</sup>, 2018

For the month of July, Bison was up 1.72%, net.

As we prepare to circulate this note, there is significant commodity price volatility and the stock prices of the companies in the Bison portfolio, and across the entire sector, are reacting to this volatility. It is in times like right now that we find the greatest comfort in owning companies that are run by successful management teams, with low decline rates, stable production, a high probability of producing what they expect to produce, and healthy balance sheets.

While we firmly believe these moments in the public oil & gas space present buying opportunities (especially as a value investor), the energy weighting in the S&P 500 is at a 13-year low at just below 6%.

With the credit market remaining wide open for oil and gas companies, numerous transactions continue to take place at extraordinarily high prices.

The per acre prices and multiples of where companies have recently transacted points to the attractiveness of the Bison portfolio and we very much like being owners of the companies we're invested in.

A recent shift in the Bison portfolio includes exiting a position in a company with unconventional assets that traded up on catalysts we anticipated and we're now redeploying that capital into a company with conventional assets, yet with a similar complexion in terms of near term catalysts in play.

This company trades at a discount to their Proved Developed Producing Reserves and is run by a highly thought of CEO with a track record of success.

The cash flows of this company are obscured by a non-fundamental event- hedges. This type of scenario is appealing to us. It's non-permanent.

Hedges can be best understood as a one-time gain or loss. In the case of this company, they're getting artificially punished because they're being valued on a multiple basis based on lower earnings than they'd get on a normalized basis because of their hedges. We're looking past what is happening this year from an optical, unadjusted cash flow basis and what will happen going forward as their hedges unwind.

Historically, after every other oil & gas crash, oil & gas equities revert back to the mean and outperform the broader market over a three and five-year term. In Bison, owning well run companies at a material discount to their fundamental value bodes well for our investors going forward.

We are grateful for your trust and confidence in us and thankful to have you as an investor. Please reach out to us directly if you have any questions or if there's something you'd like to discuss further.

Make It Count,  
Carter Higley

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