GREENLIGHT

May 2, 2016

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned 3.0%,[1] net of fees and expenses, in the first quarter of 2016.

It has been a while since we've had a profitable quarter to report. Though we would like to make it a habit, trying to manage for quarterly results is really not our philosophy. We think one of our advantages is the ability to be more patient than others, especially as investment horizons appear to be getting shorter.

It was a strange quarter. The S&P 500 spent the first half of the quarter going straight down. Then in the spirit of "never mind", it turned on a dime, recovering all of the loss and then some. Continuing the game of *lower and beat*, most companies beat low-balled fourth quarter estimates and many further lowered targets for 2016. In 2015, the S&P 500 companies collectively earned $117, which was 6% less than expected at the beginning of the year.

Yet each quarter when companies reported, earnings were about 3% higher than expected, with roughly two-thirds of the companies exceeding estimates. Impressively, there were 32 companies in the S&P 500 that earned less last year than was expected at the beginning of the year, and reduced expectations for 2016, while somehow managing to report positive surprises every quarter in 2015.

2016 looks to be more of the same. Since the beginning of the year, bottom-up consensus estimates for S&P 500 earnings have fallen from $126 to $120. Companies are again poised to succeed at clearing a continually falling bar.

We had several significant winners during the quarter:

- CONSOL Energy (CNX) bounced from $7.90 to $11.29. We have a long way to go to recover our losses and earn a profit on this position, but we continue to believe that last year's stock collapse was far worse than the fundamentals warranted. This quarter the company announced additional successful drilling results, improved its cash flow profile, and de-levered by selling its met coal assets.

- Michael Kors Holdings (KORS) advanced from $40.06 to $56.96. For the third quarter in a row the company has exceeded expectations, and in this case the bar is rising with

[1] Source: Greenlight Capital. Please refer to information contained in the disclosures at the end of the letter.

consensus fiscal year 2016 estimates now up to $4.40 per share. Our thesis that KORS is not a fad but rather a good brand that had suffered a growth hiccup is playing out.

- The “bubble basket” of shorts declined about 13% as several companies within the basket disappointed and de-rated and the market shifted emphasis away from momentum stocks for part of the quarter.

- Gold advanced from $1,061 to $1,233 per ounce for a number of reasons. Foreign central banks implemented even more aggressive, and in our view, counter-productive monetary policies. Also, the U.S. Federal Reserve reduced its forecast for future rate hikes in response to a variety of fears/rationalizations including foreign exchange rates, corporate credit spreads, and equity market volatility. Notably, the Fed’s “data dependency” doesn’t appear to relate to employment, which continues to improve, or core inflation, which is now running above its 2% target. We believe the increasingly adventurous monetary policy is bullish for gold.

We had two significant losers during the quarter:

- Resona Holdings (Japan: 8308) fell from ¥591 to ¥402 in response to the Bank of Japan implementing a negative interest rate policy. This will be a headwind for all Japanese financials. Nonetheless, we believe Resona has overshot to the downside. The shares presently trade at 0.6x book value and less than 6x expected earnings. This seems too low for a bank earning a double-digit ROE without significant credit or capital issues.

- SunEdison (SUNE) collapsed from $5.09 to $0.54. In January we negotiated with the company to add an independent director to the board. Unfortunately, and to our surprise, the patient was already in terminal condition. Obviously, we underestimated the fragility of the situation.

We established a few new medium-sized longs during the quarter:

We re-initiated positions in American Capital Agency (AGNC) and Hatteras Financial (HTS) after previously investing in both companies in early 2014. AGNC and HTS are REITs focused on single-family residential agency mortgage-backed securities. Agency mortgages are a highly liquid, five trillion dollar market with excellent price transparency and essentially no credit risk. Both stocks fell over fears of potential Fed rate hikes and concerns over external manager incentives. We purchased AGNC at an average price of $17.41 or 0.77x December 2015 book value and a 13.8% dividend yield, and HTS at an average price of $12.34 or 0.64x December 2015 book value and a 14.6% dividend yield. We think the book values already reflect the bond market’s rate hike expectations, and both companies can grow book value per share through buybacks funded by principal repayments and selling securities. AGNC shares ended the quarter at $18.63 and HTS ended the quarter at $14.30.

We initiated a position in PVH Corp. (PVH), the global apparel company. PVH shares fell from a high of $128 in late 2014 to below $70 in January 2016 as investors grew concerned about a weak 2015 holiday season and foreign exchange headwinds. We purchased PVH at an average price of $75.65 or about 11x 2016 earnings estimates. PVH has substantial margin opportunities in its three key business segments. The Calvin Klein business in Europe is experiencing significant sales growth. Cost reductions continue at Heritage, PVH's multi-brand wholesale segment. In addition, the company announced the purchase of the outstanding interests of its joint venture for Tommy Hilfiger in China. Integrating the business will allow for greater breadth of product lines and direct retail sales instead of current franchise operations. This year could also benefit from normal winter weather. PVH shares ended the quarter at $99.06.

We purchased Yelp (YELP) at an average price of $21.16. YELP is a dominant search and review website for local businesses with roughly 200 million unique monthly visitors and the 21st most popular mobile app in the U.S. The stock has suffered due to missed expectations and anxiety about an upcoming negative documentary.

YELP is adding more transaction-based revenue, gradually relocating its salesforce to lower-cost cities, and providing more reporting tools to its customers to better illustrate the robust ROI of dollars spent with YELP. If the company executes its current plan, by 2019 it will double revenues and earn $300 million of EBITDA at a 35% margin. A peer group EBITDA multiple would imply a $55 stock price. Alternatively, YELP could pare back and operate only in its top 20 markets – using a similar EBITDA multiple, we estimate 30% upside in this "downside" scenario. We also believe that the company has strategic value and that it has been approached by multiple potential acquirers. Should YELP's board ever decide to auction the company, a bidding war could emerge. Finally, we've reviewed the criticisms raised in the trailer to the documentary and we are comfortable that they won't have a negative impact on our investment thesis. YELP shares ended the quarter at $19.88. We rate them five stars.

We also added a new macro position in natural gas through the purchase of 2017 and 2018 calendar strips at an average price of $2.71 and $2.84 per MMBtu, respectively. Natural gas prices are not high enough to justify drilling in all but the very best locations. The industry has responded by dramatically reducing drilling activity. As existing wells deplete, supplies should fall. The high cost of liquefying and transporting natural gas limits competition to North American sources. Current inventories are high following a period of over-drilling and a record warm winter. However, the excess inventory is only a couple percent of annual production, which has already begun to decline. Normal weather combined with lower production could lead to a shortage within a year. The 2017 and 2018 strips ended the quarter at $2.77 and $2.87, respectively.

We recently read the Pioneer Natural Resources (PXD) annual Form 10-K. We are amazed at how little conversation it has provoked. Rarely have we seen a company where management's investor presentations are so disconnected from the company's SEC filings.

As a reminder, David gave a presentation about PXD at the Sohn Investment Conference last year, which can be found on our website (https://www.greenlightcapital.com/926698.pdf). Since then, PXD has been touting its drilling productivity to investors in presentations of its own, indicating that its wells are tracking toward 1 million or more barrels of oil equivalent

(BOE) at a cost of $8 million per well. In contrast, here's what the company reported to the SEC in its 10-K:

Net horizontal wells completed:	190
Total capital spend:	$2.7 billion[2]
Extensions and discoveries:	125 million[3]
BOE per horizontal well:	660,000
Cost per well:	$14 million[4]

Though management believes its reserve booking is conservative, history has proven otherwise. In 2015, the company wrote down 17% of its proved developed reserves. Despite this necessary downward revision in its SEC filing, that sobriety has yet to be reflected in its presentations. Investor decks advertising wells that produce 52% more oil at a cost per well that's 43% lower suggest that the data is cherry-picked. It is also misleading.

At year end, PXD's carrying value in the Permian was $8.7 billion using a long-term oil forecast of $52.82 per barrel based on the forward strip. According to the 10-K, a $5-$10 reduction in oil price would impair the Permian, triggering a charge of $5-$7 billion, which would be the majority of the company's stated equity.

Additionally, the SEC requires companies to provide their own "standardized measure of discounted cash flows", which is a self-administered DCF of existing reserves. In the last year, PXD's standardized measure fell from $7.8 billion to just $3.2 billion. In the 2014 calculation of its standardized measure, PXD assumed it would have profits on which it would need to pay taxes. In 2015, the company assumes no taxes.[5] With $10 billion invested in oil properties to create just $3.2 billion of reserve value, it's easy to understand why taxes may not be in PXD's future. In other words, the company has shifted from assuming a return on capital to settling for a partial return of capital. The presentations certainly make for easier reading than the 10-K, which may explain PXD's $23 billion market value. We remain short.

We closed several notable positions during the quarter:

We exited Chicago Bridge & Iron with a small loss, as we were disappointed with the financial impact of resolving cost over-runs at two nuclear projects and we were concerned about the long-term earnings power of the LNG and petrochemicals units. Similarly, we exited our investment in SNC-Lavalin Group with a small gain as we became concerned about the prospects for its engineering and construction business.

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[2] Includes the carried interest subsidy from its joint venture partner Sinochem, which will be used up this year, and excludes vertical wells. Management contends that hundreds of millions of dollars of capex should be ignored because its value will be realized over many years. We believe that all the capital spending should be counted, as the company continually needs to invest in infrastructure to support its assets.

[3] "Extensions and discoveries" reflect proved reserve additions from current year drilling. This excludes revisions to prior estimates, which are mostly driven by changing commodity prices.

[4] PXD explained to us that it drilled 40 vertical wells with 5 million barrels of proved reserves. The figures above are adjusted to eliminate these.

[5] For reference, this is using the SEC input value of $50.11 per barrel for oil and $2.59 per mcfe for natural gas.

We sold Delta Lloyd after many years at about a break-even result including dividends. Ultimately, the company became a victim of very low or even negative European bond yields that threatened the basic economics of its long-term retirement business.

We exited our remaining investment in the Greek banks at almost a complete loss. Greek Prime Minister Alexis Tsipras took the country to the brink of an exit from the Euro last summer. That meant new stress tests, which resulted in new dilution and nearly nothing for existing equity holders.

We sold ON Semiconductor at a small gain, as we believe its proposed acquisition of Fairchild Semiconductor is a suboptimal use of shareholders' funds and contrary to management's self-help strategy that interested us in the first place.

We covered an unsuccessful multi-year short in the Daily Mail and General Trust. The company's failure to achieve forecasts was overwhelmed by our poor timing. We entered near the bottom of the cycle because we were concerned that newspapers might not have a long-term future. In contrast, we covered JC Penney at a profit after re-shorting it in 2014. On this one, we are 2 for 2.

The "bubble basket" is not a constant basket. We change the components as prices and circumstances dictate, and sometimes a position gets upsized enough to make it a regular-sized short. During the quarter we covered five positions in the basket. Two of them, Mobileye and Veeva Systems, were also positions outside of the bubble basket. We made a good return in all five.

Finally, JAB Holding Company went through with the acquisition of Keurig Green Mountain. Our second go around with the name proved to be a modest loss. We won't miss watching this company any more. We have a pretty good idea of what happens when someone pays 13x EBITDA for a business with declining sales and a deteriorating competitive position.

As we announced at the annual Partners' Dinner, we promoted John Charecky to Partner. John began his career at Greenlight over 10 years ago as a controller, and after a few years, he moved to the trading team. When we opened our office in London in 2008, John and his wife Laura moved there and learned to speak British. We missed him so much that we brought him home a year later. John is an invaluable part of our firm. He was our fourth employee with the initials JC (the others were no longer at Greenlight when he joined) and as we predicted when we first wrote about hiring him back in 2004, he broke the JC jinx. Congratulations John!

We welcomed Jason Lewis to the Greenlight Partner Relations team in April. Jason began his career at BlackRock where he was a product manager for many of the firm's original hedge fund and alternative strategies before heading BlackRock's fixed income hedge fund platform, including its flagship Obsidian Fund. In 2008, Jason became a founding employee and Head of Business Development and Investor Relations at Eisenstat Capital Management (formerly Dabroes), a Europe-focused equity hedge fund. In 2015, Jason joined Anandar Capital Management, an event-driven hedge fund, as a partner. We've known Jason for many years and we're excited to have him join our team. We are nearly tapped out of Cornell alumni. Welcome Jason!

We've had a bit of a baby naming arms (and legs) race so far this year. It started when Josh, our field research analyst, and his wife Erin had their third daughter Clara Clementine ("CC") Hittman in January. Then in February, not to be outdone, our London office manager Kim Thompson and her partner Richard Cutler had their second child Elise Primrose McQueen Cutler. Finally, one week later, Alexandra, a research analyst partner, and her husband Tim had their third child, Katherine Gray Jenkins. Congrats to the families on the new additions and cool names.

At quarter-end, the largest disclosed long positions in the Partnerships were Apple, CONSOL Energy, General Motors, gold and Time Warner. The Partnerships had an average exposure of 99% long and 79% short.

"The reason I don't have a plan is because
if I have a plan I'm limited to today's options."

– Sheryl Sandberg

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

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Performance returns are estimated pending the year-end audit. Past performance is not indicative of future results. Actual returns may differ from the returns presented. Each partner will receive individual statements showing returns from the Partnerships' administrator. Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

All exposure information is calculated on a delta adjusted basis and excludes credit default swaps, interest rate swaps, sovereign debt, currencies, commodities, volatility indexes and baskets, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of such figures for investments by Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., Greenlight Capital (Gold), L.P., and Greenlight Capital Offshore (Gold), Ltd. (excluding the gold backing held by the gold interests) and are the result of classifications and assumptions made in the sole judgment of Greenlight.

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