Fellow Shareholders,

Do you ever have a nonsensical or unsatisfying conversation with someone where, at the end of it, you walk away saying to yourself, "I wish I had that 5 minutes of my life back?" That's the way I feel about the time I spent writing the last shareholder letter for Q4 2018; and, I should note, writing it took substantially longer than 5 minutes. In that letter, I spoke about the historic global market selloff that resulted in significant declines for every equity index in the United States. I wrote about interest rate fears, China trade war tensions, and the massive redemptions for both equity hedge funds and long-only funds. The S&P 500 was down 13.5% and the Russell Microcap Index declined by 22.2% in Q4 2018. It was a historically bad quarter. Then the calendar turned to 2019. In the blink of an eye, everything changed. It was as if the fairy godmother swooped down from the sky, headed to the Nasdaq and New York Stock Exchanges, spread pixie dust throughout the floors, and poof, the market was saved in Q1 2019. For the quarter, the Russell Microcap and S&P 500 indices rose 13.1% and 13.7%, respectively. Everything that was a headwind was now a tailwind. Everything that was bad was now good. Now, just three months later, am I supposed to write about how there are no longer any interest rate fears, China trade war tensions are gone for good, and the world is perfect? As Dana Carvey said in his famous George H.W. Bush impersonation, "Not gonna do it." There is a better chance I write about Game of Thrones (Arya Stark!), Tiger Woods (what a Masters!), or the NFL draft and my NY Giants (Daniel Jones?). If I make up the reasons why the market was up this quarter, there is a good chance by next quarter I'll have to write about the opposite. So again, not gonna do it!

We have always believed in a portion of the random walk hypothesis; that prices of securities in the stock market evolve according to a random walk and, thus, cannot be predicted. Those that are devout believers in the random walk theory believe that the market is efficient. The implication is that it is impossible to outperform the market other than by sheer chance, and thus, the best strategy available to investors is to invest in index funds. Clearly, I don't believe that. I think the market may be efficient this instant; but stock prices are very inefficient with a longer-term view. If two baseball hitters face the same exact pitch each and every time over the course of 100 at bats, they most likely will have different batting averages. Why is that? They have different skill levels. One batter may have better hand-eye coordination, better bat speed, or more power. It's the same for stock market investors. Some investors simply "see the ball" better than others. At 180, we seek a margin of safety in our investments by using rigid valuation measures to buy equities when we believe the price is significantly below its intrinsic value. You have heard me say the following, "We believe the price you pay is the most important factor in determining investment success in any one security." Random walk theorists don't take into consideration the significant time differences that active investors spend on researching companies. And in 180's case, efficient market believers don't factor for how "constructive activism" can improve investor returns. I don't think a stock market down 22% one quarter and then immediately up 13% the next quarter is a terribly effective proof statement for those efficient market believers. Fortunately, since the inception of 180, our focus on investing in publicly traded companies with our constructive activist approach has led to returns that look nothing like the market! This quarter, 180's public portfolio gross total return was 13.6%[1] versus the 13.1% for the Russell Microcap Index. Recall in Q4 2018, 180's public portfolio gross total return was -12.1% versus -22.2% for the Russell Microcap Index. Our one year and inception-to-date numbers are listed in the chart below.

[1] Past performance is not an indication or guarantee of future performance. Amounts gross unrealized and realized total returns compounded on a quarterly basis. 180 Degree Capital Corp. is an internally managed registered closed end fund and does not have an external manager that is paid fees based on assets and/or returns. 180 also has more than 50 percent of its investment portfolio in legacy privately held investments. Please see its filings with the SEC, including its 2018 Annual Report filed on Form N-CSR for information on its expenses and expense ratios.

Comparison of Public Portfolio Gross Total Return and Weighted Average Return to Market Indices

	Q4 2018 to Q1 2019	One Year	Q4 2016-Q1 2019
TURN Public Portfolio Gross Total Return	13.6%	24.9%	108.4%
TURN Public Portfolio Gross Weighted Average	14.4%	13.2%	48.3%
Russell Microcap Index	13.1%	(2.4%)	11.4%
Russell Microcap Value Index	10.4%	(3.3%)	8.6%
Russell 2000	14.6%	2.0%	16.8%
Russell 3000	14.0%	8.8%	30.9%
S&P 500	13.7%	9.5%	32.4%
Dow Jones Industrial Average	11.8%	10.0%	38.2%

We are going to spend the bulk of our time analyzing individual companies rather than dreaming up reasons why the market does what it does on a daily or quarterly basis. Rather than pontificating about the reasons the market goes down one quarter or up the next, I think our shareholders would find it far more interesting to just talk about what we are doing in the portfolio and how that is impacting our net asset value per share ("NAV").

NET ASSET VALUE PER SHARE

Our NAV increased this quarter from $2.64 to $2.76, or by 5%. Our Fund has three principal components to the variance in our NAV: our public portfolio, our private portfolio, and our expenses. For the quarter, our public portfolio companies increased our NAV by $0.14 while our private portfolio companies were flat. Operating expenses negatively impacted NAV by $0.02. While our public market performance was above average for the quarter, our NAV was muted versus the Russell Microcap Index because we started the quarter with just 40% of our assets in cash and liquid securities.

Comparison of 2017, 2018 and 2019 YTD

	2017	2018	2019 YTD
NAV Change	11.1%	1.5%	4.5%
Gross Weighted Average Public Company Value Change	55.3%	10.2%	14.4%
Gross Total Return of Public Company Investments	53.5%	19.5%	13.6%
Russell Microcap Index	13.2%	(13.0%)	13.1%

Public Portfolio

A little over two years ago, we embarked on a new strategy to invest in small public companies. Since then, we have added $0.60 to our NAV from our investments in public companies. Over that same period of time, we generated $0.07 of NAV growth from our private portfolio. 180's shareholders have clearly benefited from our strategy change. Let's dig into the sources of the net gains from our public portfolio in Q1 2019.

– Adesto Technologies Corporation (NASDAQ: IOTS) reported a solid Q4 2018, and its 2019 outlook was viewed favorably. The company held an analyst day in March in which they presented solid integration savings and cross-selling opportunities from its acquired assets. Recall that in 2018, IOTS acquired S3 Semiconductors, a mixed-signal ASIC company; and Echelon, a company focused on developing open-standard control networking platforms. These two deals have completely transformed IOTS from a specialty memory company into a leading provider of innovative, application-specific semiconductors and embedded systems that comprise the essential building blocks of Internet of Things ("IoT") edge devices. For the quarter, IOTS advanced 37.5% versus 21% for the Philadelphia Semiconductor Index, and increased our NAV by $0.06.

– TheStreet, Inc. (NASDAQ: TST) has been a successful investment for our shareholders. In conjunction with assisting the company in retiring its preferred stock at a significant discount, we joined TST's Board of Directors in November 2017. In the first half of 2018, TST sold its deposit and loan data collection subsidiary, RateWatch, to S&P Global for $33.5 million. In this last quarter, TST sold the rest of its institutional businesses, BoardEx and The Deal, to Euromoney Institutional Investor for approximately $87.3 million. On April 22, 2019, TST distributed $1.77 per share to its shareholders. We received approximately $8.3 million in this distribution. Our total cost basis for our TST investment was approximately $5.0 million. The market value for our remaining shares as of April 30, 2019, was approximately $3.3 million. 180 continues to own 8.8% of the company and controls 15.4% of the outstanding common stock when combined with the shares owned by the special purpose vehicle ("SPV") we raised and manage for this investment. We note that 180 received approximately $300,000, or $0.01 per share, in carried interest from the SPV following the distribution. This carried interest will be included in next quarter's NAV. Additionally, TST continues to look at strategic alternatives for its remaining consumer businesses. TST is a signature investment for how we define constructive activism. For the quarter, TST advanced 14.8% and increased our NAV by $0.05.

– Airgain, Inc. (NASDAQ: AIRG) is a provider of advanced antenna technologies used to enable high performance wireless networking across a broad range of devices and markets, including connected home, enterprise, automotive, and IoT. We bought the stock beginning in June 2018 following a CEO change and a new commitment to move quickly on product refresh cycles, while, at the same time, initiating operating expense reductions and focusing on profitable growth. AIRG reported a solid Q4 2018 and provided better than expected guidance for Q1 2019. Most recently, rollout expectations for new 5G wireless technology has shed a new light on AIRG as one of the few pure plays in the space. For the quarter, AIRG rose 29.5% and increased our NAV by $0.02.

– Synacor, Inc. (NASDAQ: SYNC) is a holding we have discussed extensively in our previous communications with shareholders. The big news for us this past quarter was our appointment to Synacor's Board of Directors in March 2019. In our opinion, the issue at SYNC isn't fundamental problems with its overall business; it is rather a management credibility issue resulting from the company historically and consistently over-promising and under-delivering. Approximately one-third of SYNC's revenues are recurring and fee-based from its email and Cloud ID businesses. Investors typically pay a minimum of 1x recurring revenues, and in many cases, significantly higher multiples if such revenues are coupled with high margins and growth rates. SYNC's management team has made considerable strides in improving its business. For instance, the company increased adjusted EBITDA from $2.3 million in 2017 to $8.5 million in 2018 and provided guidance of $10-12 million in adjusted EBITDA in 2019. Unfortunately, last August, AT&T (SYNC's largest individual customer), delivered notice to SYNC that it would not automatically renew an expiring contract and sought to initiate renewal negotiations on a potential new definitive agreement. While it is not certain how this will turn out, investors viewed this announcement as negative, with many assuming SYNC would lose the AT&T business in its entirety. As such, the stock has traded off 38% following the announcement. Going forward, if SYNC can resolve the AT&T contract renewal uncertainty and execute on its business, we think the stock has meaningful upside. In its recent quarterly call, SYNC announced it will move to segment reporting for its Q1 2019 earnings report. The company plans to report separately both revenue and profitability for its advertising and software businesses. This transparency will give investors an inside look at the financial performance of SYNC's high margin recurring software business, and perhaps will convince investors that SYNC's approximately $45 million enterprise value as of April 30, 2019, grossly undervalues the company, regardless of the outcome of the AT&T negotiations. We look forward to helping the company engineer a "180 Degree TURN" in its share price. For the quarter, SYNC was up 6.1% and increased our NAV by $0.005.

– Intermolecular, Inc. (NASDAQ: IMI) provides customers with a platform and multi-disciplinary development team for the research and development of advanced materials in the semiconductor, display, and glass and coatings industries. Coincident with the downturn of the semiconductor sector, in Q4 2018, we purchased approximately 1.4 million shares at an average cost of $0.94. At that valuation, the stock was trading at approximately 2x the cash on its balance sheet and an enterprise value of 0.67x revenues. IMI announced a slowdown in revenue for Q4 2018 due to the timing of certain program completions as well as a temporary delay in the scheduled commencement of a new program. IMI also announced a new program with a leading semiconductor manufacturer. We believe this new relationship, as well as improved operational efficiencies, will lead to a better 2019. We bought an additional 1.4 million shares in Q1 2019 at an average price of $1.13. For the quarter, IMI rose 13.9% and increased our NAV by $0.01.

– There wasn't anything meaningful for us to report on with Emcore Corporation (NASDAQ:EMKR) in Q1 2019. While we continue to think the stock is meaningfully undervalued, the company is in dire need of an investor-relations facelift. The company is a poster child for how not to do investor relations. While we like the business, the company is far too insular, doesn't do enough investor meetings, and has left its investor base apathetic with regards for the company's potential to create value in the future. For the quarter, EMKR sold off 13.1% and hurt our NAV by $0.01.

– In March 2019, Mersana Therapeutics, Inc. (NASDAQ:MRSN) closed a follow-on public offering of its common stock. MRSN stock currently trades at net cash per share; albeit like all biotech companies, it burns cash. In our view, the Board and Management of MRSN have done a terrible job of managing dilution for its common stock shareholders. For example, while they ultimately did the equity raise at $4 per share, the stock started at $15 per share when they were eligible to raise money beginning in September 2018. MRSN also halted one of its two clinical trials early in the quarter. The company spent significant time, money and effort to restart this clinical trial after it was put on partial clinical hold by the Federal Drug Administration following the possible link between the drug and a patient death. We are not questioning the ultimate decision that was made to halt the trial. What confounds us is the decision to spend shareholders' money to restart a trial and then cancel it less than six months later. While MRSN's timing for raising money and managing its resources have been extremely poor, our hope is at the end of the day, its science of discovering and developing a pipeline of antibody drug conjugates will offset its inability to "read" the stock market properly. For the quarter, MRSN increased our NAV by $0.01.

Finally, you will note that we have 3% of our net assets in miscellaneous common stocks. We are currently building these new positions, and at this time aren't prepared to disclose the identities of those companies.

Private Portfolio

For the quarter, our private portfolio was flat with the prior quarter. The main positive contributors to NAV were TARA Biosystems, Inc. (financing). EchoPixel, Inc. (positive fundamentals), and D-Wave Systems, Inc. (currency). Conversely, the main negative contributors to NAV were Produced Water Absorbents, Inc. (business fundamentals) and Petra Pharma Corporation (business fundamentals).

We continue to believe in the potential for our most mature companies to build value including, AgBiome, D-Wave Systems, and ORIG3N. There are other companies in the portfolio that also hold promise, however these companies are in early stages of development and the timelines and potential exit values for these companies are highly uncertain. We have often talked about our desire to shepherd actively our existing private portfolio to exits or explore opportunities to sell our positions in those companies at what we believe are reasonable valuations. We were able to sell our note in Genome Profiling, LLC, during the first quarter of 2019 for its value at year end. We will continue to seek out additional opportunities to monetize our private portfolio investments.

EXPENSES:

As we have noted, we have dramatically reduced our cost structure under our new strategy. In 2016, before our Fund's change in investment focus and management, our operating expenses, excluding stock-based compensation and interest on outstanding debt, averaged approximately $1.3 million per quarter. For Q1 2019, our operating expenses net of sublease income equaled approximately $730,000, roughly in line with our expenses for the same quarter a year ago.

TURN/NAV: SUM OF THE PARTS:

At the end of Q1 2019, TURN traded at 67% of its NAV. Our liquid assets, cash, and other assets net of liabilities were $1.14 per share. Our stock price was $1.86. If we received 100% credit for the value of these assets net of liabilities, the market is ascribing a value of $0.72 per share, or $22.4 million, to our private portfolio. Given our private assets are valued at approximately $50.1 million, the market is discounting the value of our private portfolio assets by 55% as of the end of Q1 2019.

As we grow our cash and liquid securities, the discount our stock trades to NAV should narrow. In September 2016, we had 19% of our cash and investments in cash and liquid securities less outstanding debt. At the beginning of our strategy in 2017, we had 27% of our cash and investments in cash and public companies. Today that number is 42%. We have made substantial progress in reinventing ourselves. Our balance sheet reflects just how far we have come. Personally speaking, over my tenure at 180, I have become the 4th largest shareholder in TURN, with substantially all of my ownership built through open market purchases. Collectively, the management team and Board of TURN purchased over 400,000 shares in the last five quarters. We are aligned with our shareholders.

We had another good quarter of public market investing. We outperformed in two entirely different markets. In Q4 2018, our public portfolio gross total return was -12.1% versus -22.2% for Russell Microcap Index. In Q1 2019, our public portfolio gross total return was 13.6% versus 13.1% for the Russell Microcap Index. The dislocation in Q4 2018 created buying opportunities of both old and new positions. While it might appear I was being slightly facetious about not wasting our time talking about the reasons for the complete reversal of the market between Q4 2018 and Q1 2019, I was actually dead serious. While we are keenly aware of everything going on in the macro world, we spend the majority of our time looking for individual companies that we believe have a chance to return 100% over a 3-year cycle. I often find the daily commentary around why the market was up or down to be nonsensical and useless. On the one hand, I care; but on the other, I know what matters for our shareholders is finding good companies that are trading at the right prices. In the last 12 months, IOTS has gone from $6.00 to $10.00 to $3.50 to $7.00 per share. Am I to believe this type of volatility supports that the market is efficient? It's not. I am confident in our ability to navigate through the often-choppy waters and create value for our shareholders with the overriding notion that the market is VERY inefficient for the companies we are investing in. For us, this inefficiency actually leads to increased opportunities.

One last thing. I have asked the fairy godmother to come to Madison Square Garden on May 14, 2019, and spread some of that pixie dust with the hope that the Knicks will have a chance to draft Zion Williamson. Yes, I love sports almost as much as I love stocks. As always, we thank you for your support.

Kevin Rendino
Chairman and Chief Executive Officer