

Fellow Shareholders,

A most of you know, I am an avid New York sports fan. I root for the Giants (I can't take the losing anymore-I'm numb), the Knicks (20 years of nothing, and did Kevin Durant and Kyrie Irving really go to the Nets and not the Knicks?), the Mets (they aren't the Yankees), and the Rangers (1994 was great, but one cup in 79 years?). I find myself regularly howling at the moon, crying for help and begging someone to make the losing stop. I pride myself on being a good father to my three kids. I often tell them that they don't deserve all the losing, and that it's not their fault. I didn't have a choice. I was my father's son, and I blindly rooted for the teams he rooted for. But I am giving my kids the freedom to choose a different path and not align themselves with years of unhappiness and frustration. Why be a Mets fan when you can just root for the Yankees? Life would be so much more pleasant. My kids haven't accepted my selfless offer, and that makes me happy. While I do question their blind allegiance, I don't question their inner resolve to stay the course through difficult times while maintaining true loyalty to their teams.

Enough about losing, let's talk about Charlie Sheen and "winning" (search for "Charlie Sheen" and "winning" if you don't know what I am referring to -- That was a bizarre time!). Fortunately for you, the shareholders of 180 Degree Capital ("180"), we are winning! In a quarter where the Russell Microcap Index declined 5.5%, 180's public portfolio increased 28.0% and we grew our net asset value per share ("NAV") by 8%, from \$2.82 to \$3.05. This is the first time since June 2015 that our NAV has been above \$3.00. Year to date, we have increased our NAV by 15.5% versus 7.9% for the Russell Microcap Index driven by our 58.6% increase in the gross total return of our public holdings. Our "TURN" has taken hold as our cash and liquid securities now represent nearly 50% of our overall asset base. At the end of September 2016, when our Board was beginning to contemplate the forthcoming transformation, cash and liquid securities were just 19% of our assets. We are truly remaking this company.

Let's remind ourselves what we said in our press release from March 2017 announcing our transformation:

"As many of you have read and seen over the last several years, the world of active investing has been under siege by the advent of exchange traded funds (ETFs) and index funds. Active funds have seen massive redemptions and fees have been compressed. We are taking 180 to a world that has not been thoroughly indexed and where we believe the potential return profile is much greater. Simply put, many micro-capitalization stocks are overlooked, orphaned, and, depending on the specific company, undervalued. With the appropriate investment process, discipline, and patience, we believe we can generate significant long-term capital appreciation for our shareholders. We are Graham and Dodd value investors centered on a belief that the price you pay for a business will ultimately determine investment success. As Seth Klarman said in the Margin of Safety, 'Value investing is the discipline of buying securities at a significant discount from their current underlying values and holding them until more of their value is realized. The element of a bargain is the key to the process.'"

We purposefully entered a world of microcap stocks that we felt lacked correlation to the wave of indexing that has sucked the alpha out of stock picking, and we did so with an activist bent to our

approach. Our ultimate goal is to constructively engage with existing management teams and boards to help unlock value. So, how have we done so far? Against the backdrop of the Russell Microcap Index advancing 6.2% from Q4 2016 to Q3 2019, we have achieved a 187.9% gross total return from our public investment stock picking. My regret is that we have not been able to access a greater portion of our balance sheet due to the illiquidity of our private portfolio. That said, while only being able to utilize 36% of our balance sheet on average, and inclusive of one-time restructuring charges, we have grown our NAV by approximately 5x the return of the Russell Microcap Index. During that time frame, our share price has risen 54%, or 8.7x the return of the Russell Microcap Index. 180 loves the lack of correlation to the rest of the investing world. What I do know is that we are 100% correlating to bottoms-up, active stock picking; an art that, no matter what the world will try to convince you of, if done right, can still create meaningful value. 180 has proven that point this quarter and over the tenure of our history.

NET ASSET VALUE PER SHARE

Our NAV increased this quarter from \$2.82 to \$3.05, or 8%. 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, including carried interest from TheStreet SPV Series - a Series of 180 Degree Capital Management, LLC ("TST SPV"), increased our NAV by \$0.34, while our private portfolio companies declined by \$0.05. Operating expenses, including an accrual for a potential bonus pool in 2019, decreased NAV by \$0.06. Our public market performance this quarter more than compensated for the decline in value of our private portfolio and enabled our growth in NAV in this quarter alone to exceed the year-to-date increase in the Russell Microcap Index.

	2017	2018	YTD Through Q3 2019
NAV Change	11.1%	1.5%	15.5%
Gross Total Return of Public Company Investments	53.5%	19.5%	58.6%
Russell Microcap Index	13.2%	(13.0%)	7.9%

Public Portfolio

Fortunately, since the inception of 180, our focus on investing in publicly traded companies with our constructive activist approach has generated significant returns. This quarter, 180's public portfolio gross total return was 28.0% versus the -5.5% for the Russell Microcap Index. Our Q3 2019, year-to-date, one year and inception-to-date performance is highlighted in the chart below¹:

¹Past performance is not an indication or guarantee of future performance. Amounts gross unrealized and realized total returns compounded on a quarterly basis. 180 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 approximately 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.

	Q3 2019	YTD 2019	One Year	Q4 2016-Q3 2019
TURN Public Portfolio Gross Total Return	28.0%	58.6%	37.9%	187.9%
Russell Microcap Index	(5.5%)	7.9%	(16.0%)	6.2%
Russell 2000	(2.4%)	14.2%	(8.9%)	16.4%
Russell 3000	1.2%	20.1%	2.9%	37.8%
S&P 500	1.7%	20.6%	4.2%	40.4%
Dow Jones Industrial Average	1.8%	17.5%	4.2%	45.3%

Almost three years ago, we embarked on a new strategy to invest in small public companies. Since then, we have added \$1.05 to our NAV from our investments in public companies. Over that same period, our private portfolio generated zero growth in NAV. 180's shareholders have clearly benefited from our strategy change. Let's dig into the significant sources of the net gains from our public portfolio in Q3 2019.

Sources of material increases in value:

- Quantum Corporation (OTC: QMCO) completed the restatement of its financial statements and is now up to date with all of its filings with the SEC. This milestone allowed the company to publicly discuss everything the new management team has been working on over the past two years to clean up the organization and set it up for future growth. It also enabled QMCO's management to communicate an important message: tape is not a melting ice cube. In fact, it is experiencing a resurgence due to the desire for hyperscale cloud computing providers to incorporate low-use, ultra-low-cost data storage options into their product offerings. Tape also has the advantage that data stored on it is impervious to hacking while not in use. The company announced expected EBITDA for its fiscal year 2020 of \$50-55 million, or a 55-70% increase from the prior year. Immediately following this announcement, the stock rallied from \$3.69 to \$5.00 and ended the quarter at \$5.70. Our average cost basis is \$2.62 per share. We sold approximately 10% of our position in the company during the quarter at an average price per share of \$5.53. For the quarter, QMCO increased our NAV by \$0.21.
- TheMaven, Inc. (OTC: MVEN) completed the acquisition of TheStreet, Inc. in August 2019, and the digital rights to Sports Illustrated just last month. MVEN continues to work on the integration of both acquisitions. On October 7, 2019, MVEN raised \$15 million in capital from existing and new investors in conjunction with conversion of \$5 million of its outstanding debt into preferred stock that will convert into common stock at \$0.70 per share. We invested \$1 million in this round of financing. Our initial investment in preferred stock purchased in June 2019 converts into common stock at \$0.50 per share. The increase in the conversion price per share is the basis for the increase in value of our position as of the end of this quarter. For the quarter, MVEN increased our NAV by \$0.09.
- PCTEL, Inc. (NASDAQ: PCTI) was one of our undisclosed portfolio holdings as of the prior quarter. We were introduced to the company at the same time we first looked into Airgain, Inc. (NASDAQ: AIRG). At that time, we decided to invest in AIRG, which turned out to be a good

decision as PCTI struggled amidst declining demand for its antennas and a down cycle for its wireless testing equipment. At the same time, PCTI made a number of management and operational changes as the stock declined from \$7 per share to below \$4 per share. We purchased approximately 450,000 shares at an average cost of \$4.52 per share at the end of Q2 2019 as a starting position. We planned to engage with PCTI's management to see if we could be helpful in its efforts to turn around the company's business results. In July 2019, PCTI reported a better than expected Q2, and it raised guidance for the year. The stock immediately increased 25% and continued its upward trend driven by increasing excitement around the need for testing equipment to optimize 5G wireless deployments. We sold our entire position at an average price per share of \$6.89 for a gain of \$1.1 million, or 56% over a 70-day holding period. For the quarter, PCTI increased our NAV by \$0.04.

- Adesto Technologies Corporation (NASDAQ: IOTS) reported a solid Q2 2019, and provided a strong outlook for the remainder of the year. Following this announcement, the stock rose from \$7.64 to over \$10.00. Throughout the quarter, we reduced our position in IOTS by approximately 76%, selling 623,879 shares at an average price per share of \$9.73. Subsequent to these sales, the company announced a convertible debt offering and its shares collapsed to \$8.56 as of the end of the quarter. For the quarter, IOTS increased our NAV by \$0.03.

Sources of material decreases in value:

- Mersana Therapeutics, Inc. (NASDAQ: MRSN) once again struggled. Last quarter, while MRSN reported data at the American Society of Clinical Oncology (ASCO) conference in June 2019, the data was not sufficient to draw conclusions of efficacy. This quarter MRSN announced that while it is moving ahead with dose expansion trials, it is also continuing to increase the dose concentration, hence prolonging an already longer-than-expected Phase 1 trial. With this announcement the stock plummeted from \$4.00 to \$1.58. While the stock has subsequently risen over 20% thus far in the fourth quarter, the enterprise value of the company remains substantially negative. MRSN burns cash every day, but its management states it has enough cash to fund operations through at least mid 2021. For the quarter, MRSN decreased our NAV by \$0.02. It should be noted the position represent just 0.5% of our net assets.
- Synacor, Inc. (NASDAQ: SYNC) is a holding we have discussed extensively in our previous communications with shareholders. While SYNC's second quarter report was generally better than expected, the loss of AT&T as a customer continued to be an overhang on the stock as investors had a difficult time forecasting what the company will look like without those revenues or associated expenses. For the quarter, the stock drifted lower closing down 10.3%. As you know, we joined SYNC's Board of Directors in March of this year. We are continuing to work hard with SYNC's management and Board to engineer a "180 Degree TURN" in its share price. For the quarter, SYNC decreased our NAV by \$0.01.
- Airgain, Inc. (NASDAQ: AIRG) followed up a difficult Q1 2019 report with another disappointing quarter and reduced its outlook for the remainder of the year, due primarily to slower than expected rollout of routers that use its antennas in the smart home market. Its CEO, Jim Sims, also decided to step back from day-to-day oversight of the company and promoted Jacob Suen to take over as CEO. We decided it was time to sell the remainder of our position

at an average sale price per share of \$11.66. In total, our investment in AIRG generated a net realized gain of \$1.1 million, but for the quarter, AIRG decreased our NAV by \$0.01.

Other notable positions:

- TheStreet, Inc. (NASDAQ: TST) was a highly successful investment for our shareholders and our participation is now over. On August 7, 2019, the sale of TST to MVEN closed and we received our pro rata share of the proceeds from the sale. We have the potential to receive another \$46,000 from the release of proceeds held in escrow from the sale of TST's institutional businesses to Euromoney Institutional Investor PLC earlier this year. The increase in value this quarter was primarily the result of us realizing approximately \$315,000 in carried interest from TST SPV. For the quarter, TST increased our NAV by \$0.02. For the entirety of our investment, we generated approximately \$7.2 million in profits on a \$5 million investment.

Private Portfolio

Now to the bad news. For the quarter, our private portfolio declined by approximately \$1.6 million or \$0.05 per share. HALE.life Corporation had the largest decrease in value (-\$0.04/share) due to business-related factors, followed by D-Wave Systems, Inc. (-\$0.02/share) due to the change in the market-adjustment factor based on a set of publicly traded comparable companies. The main positive contributor to NAV was AgBiome, LLC (+\$0.02/share) as a result of the updated market-adjustment factor based on public market comparable companies.

While we continue to believe there are companies in the portfolio that hold promise to build value, the timelines and potential exit values for these companies are highly uncertain. We have often talked about our desire to shepherd our existing private portfolio to exits or explore opportunities to sell our positions in those companies. Why is that? It's simple math. Since the beginning of 180 Degree Capital, we have added \$1.05 of NAV due to our public portfolio companies' performance while the private companies have not added any value to our NAV. The pace at which we are able to monetize investments has been disappointing. I am often asked the question "why aren't you selling your private portfolio faster." To be clear, our ability to force liquidity events is very limited given we don't own controlling stakes in the majority of our private holdings.

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 Q3 2019, our operating expenses net of sublease income equaled approximately \$700,000, which is about \$50,000 higher than our expenses for the same quarter a year ago due primarily to timing of a software license payment and year-over-year increases in outside compliance and auditing costs. Because we have achieved positive results year to date, in this quarter, the Compensation Committee of our Board of Directors voted to accrue \$1.15 million for potential bonuses in 2019 in addition to the \$292,000 accrued in the prior quarter. As a reminder, the bonus accrual includes the concept of deferring one-third of the full amount for payment in future years if individual and corporate performance is persistent. This accrual could

change materially depending on full-year performance. To show alignment with our shareholders, it is noteworthy to mention that I have invested 73% of my total 2016-2018 compensation into 180 stock through open-market purchases. On an after-tax basis, the number would be greater than 100%.

TURN/NAV: SUM OF THE PARTS:

At the end of Q3 2019, TURN traded at 70% of its NAV. Our liquid assets, cash, and other assets net of liabilities were \$1.47 per share. Our stock price was \$2.1368. If we received 100% credit for the value of these assets net of liabilities, the market is ascribing a value of approximately \$0.67 per share, or \$20.8 million, to our private portfolio. Given our private assets are valued at approximately \$49.3 million, the market is discounting the value of our private portfolio assets by 58% as of the end of Q3 2019.

As we grow our cash and liquid securities, the discount our stock trades to NAV should narrow. At the beginning of our strategy in 2017, we had 27% of our cash and investments in cash and public companies, and we were trading at a 41% discount to NAV. At the end of Q3 2019, we had 49.5% of our cash and investments in cash and public companies, and we traded at a 30% discount to NAV. We have made substantial progress in reinventing ourselves. Our balance sheet reflects just how far we have come. Collectively during the past quarter, the management team of TURN purchased over 90,000 shares in open market transactions. These purchases are in addition to the purchase of over 400,000 shares since the beginning of 2018. We are aligned with our shareholders, and we will continue to manage this business in the best interests of shareholders.

I woke up this morning depressed from yet another Giants loss to the Dallas Cowboys. This letter did wonders for me. I got to talk about 180's success, and for that, I am happy for all of us. Onwards.

As always, we thank you for your support.



Kevin Rendino
Chairman and Chief Executive Officer