

Fellow Shareholders,

Creating long-term wealth centers around two key factors: 1. Making hay when the sun shines, and 2. Preserving capital during years where there is significant market duress. Over the course of the last two years, the United States stock market has given us two very different backdrops. As a matter of fact, the two years were an almost exact polar opposite of each other. In 2018, the Russell Microcap Index was down 13.0%. In 2017, the Russell Microcap Index was up 13.2%.

Our investment strategy is centered on providing value-added assistance through constructive activism to small public companies. To that end, over the course of the last two years, we have delivered a gross total return in our public holdings of 53.5% in 2017 and 19.5% in 2018.¹ Our public market investing gross total return would place us in the top decile in the comparable Lipper category for microcap focused funds. As you know, we inherited the 61% of our current net assets that are in private companies, and our returns for that category have been more muted versus our public holdings. After taking into consideration our private portfolio and our reduced expense structure, 180 Degree Capital Corp. ("180" or the "Fund") delivered an 11.1% growth in our net asset value per share ("NAV") in 2017 and 1.5% growth in 2018.

In 2017, we generated a nearly 4x gross total return in our public holdings versus the comparable indices. That was fun. 2018 was equally important. It was a lot less fun for sure, but almost more important. If you told me in the beginning of the year that the market would be down 13%, I would have signed on to our Fund's nearly 20% gross total return in our public holdings and a 1.5% gain in our NAV. In some ways, I may be more satisfied with our 2018 performance than I was in 2017. Now don't get me wrong, there were plenty of lessons to have been learned from 2018, and we gave back nearly 600 basis points of NAV in the fourth quarter. Interest rate fears, global trade tensions between the United States and China, and slowing global growth led to a market sell-off in the fourth quarter. The S&P 500 was down 13.5% in the quarter and the Russell Microcap Index declined by 22.2%. For the first time ever, the S&P 500 ended the year with a loss after being positive for the first three quarters. The December 9% decline in the S&P 500 was the second worst December ever and the worst since 1931, during the Great Depression. As always, selling begets selling begets selling. In the fourth quarter, according to HFR Global Hedge Fund Report, investors redeemed \$22.5 billion from hedge funds, while Lipper reported \$57 billion in redemptions from equity funds. These massive withdrawals exacerbated an already weakened market. In fact, despite legitimate macro concerns, the biggest surprise to market participants was the timing and suddenness in what is usually the strongest quarter of the year.

To be clear, we believe there are real concerns to be mindful of; the most worrisome for us being the dislocation of the technology supply chain resulting primarily from the continued trade war with China. But we believe the market overshot the concerns. We used the 20% correction and market dislocation to add to both current and new names, investing approximately 27% of our starting cash in the quarter. Additionally important for our success in 2019, is that in order to make money, you need to have money. We started 2019 with more cash and public holdings than we had starting in 2018.

NET ASSET VALUE PER SHARE

Our NAV decreased this quarter from \$2.81 to \$2.64, a 6.0% decrease. With this decrease in NAV, our year-to-date increase in NAV stands at 1.5% or \$0.04 per share. 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 reduced our NAV by \$0.16 while our private portfolio companies subtracted \$0.01. Operating expenses, exclusive of bonus accruals and net of income, negatively impacted NAV by \$0.02. We had a \$0.02 gain from a reversal of an accrual we established earlier in the year for a potential bonus pool in 2018. Remember what we have said in the past about compensation; if our shareholders benefit from achieving meaningful NAV growth, our management team will share in that reward, and if not, there will be no bonus for our management team. In the prior two quarters, we began to accrue for a potential bonus pool based on multiple metrics assessed by the Compensation Committee of our Board, including the strength in our NAV growth for the first three quarters. With most of the 2018 gains in NAV reversed in Q4, we recommended, and the Compensation Committee agreed, that there will be no bonus pool for 2018. As such, we reversed the accrual.

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.

Public Portfolio

Nearly two year ago, we embarked on a new strategy to invest in small public companies. Over the course of the last two years, we have added \$0.45 of NAV from our investments in public companies. Over that same period of time, we generated \$0.08 of NAV growth from our private portfolio. 180's shareholders have clearly benefited from our strategy change. That said, Q4 saw a pullback in the value of our public market holdings. Let's dig into the sources of this pullback:

- Adesto Technologies Corporation (NASDAQ: IOTS) had been on an uptrend through Q2 2018. As the stock reached a price that we believed made it fully valued, we sold 62% of our position during Q2 at an average price of \$8.81. As we mentioned in last quarter's letter, the company announced two separate acquisitions. In May of 2018, IOTS acquired S3 Semiconductors, a mixed-signal ASIC company. This acquisition materially increases the total addressable market for IOTS and provides additional geographies for IOTS's products in industrial Internet of Things ("IoT") applications. IOTS followed up that acquisition with the purchase of 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 IoT edge devices. Unfortunately, IOTS coupled these announcements with a disappointing Q2 2018 financial report followed by a \$40 million equity raise at \$6.00 per share. The fourth quarter saw significant deterioration in the entire semiconductor space due to excess inventory and concerns of a continued trade war with China. We have nearly doubled our position since exiting Q2 2018 at an average cost of \$5.21. We believe the inventory overhang will dissipate as 2019 unfolds and expect IOTS to achieve notable revenue and cost synergies from its recent two acquisitions. For the quarter, IOTS reduced our NAV by \$0.05.
- Mersana Therapeutics, Inc. (NASDAQ: MRSN) is biotech company that produces novel drug conjugates. It specializes in oncology agents for the treatment of tumors and cancer. As everyone knows, there is tremendous volatility for a biotech company that is currently in the middle of clinical trials. In Q3 2018, one patient in one of MRSN's trials died, possibly from side effects of the drug, and the stock collapsed to \$10 per share when the trial was put on partial clinical hold. Although MRSN announced that the U.S. Food and Drug Administration lifted the partial clinical hold, the stock continued its decline in Q4 2018. We note that the NASDAQ Biotechnology Index declined 21% in Q4 2018. Most early stage biotech companies either burn cash or are in need of raising cash to fund expensive clinical trials. During a bear market, like the one we saw in Q4 2018, investors flee from the speculative biotech sector. In the case of MRSN, there was no significant news during the quarter. For the quarter, MRSN reduced our NAV by \$0.05.
- TheStreet, Inc. (NASDAQ: TST) has been a successful investment for our shareholders. A year ago, we helped TST retire its preferred stock at a significant discount, and we joined the board of directors. 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 \$87.3 million. TST stated it plans to return a significant portion of the proceeds from these sales and its available cash in the form of a special distribution. Additionally, TST continues to look at strategic alternatives for its remaining consumer businesses. Since the announcement of our significant investment in the fall of 2017, the stock is up 100%. In the fourth quarter, the stock trended down with the overall market, only to rally significantly following the sale announcement. TST's year-end close of \$2.03 was less than the projected cash per share of \$2.14 to \$2.23. TST is our signature investment for how we define constructive activism. For the quarter, TST reduced our NAV by \$0.03.
- 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 following a CEO change and a new commitment to move quickly on not only product refresh cycles, but also on operating expense reductions and a focus on profitable growth. Unfortunately, this past quarter, AIRG came under pressure against the backdrop of very weak technology sector performance. Despite this pressure, the underlying secular uptrend of increased rollouts of technologies that enable high-speed wireless communications is gaining momentum and plays to the strengths of AIRG; that is, increasing speeds require high-quality, complex antennas. For the quarter, AIRG reduced our NAV by \$0.02.

- Emcore Corporation (NASDAQ: EMKR) is a provider of advanced mixed-signal optics products that provide the foundation for today's high-speed communication network infrastructures and leading-edge defense systems. EMKR had a myriad of recent revenue challenges in its CATV (community access television, or cable) business, including inventory corrections at one of its largest customers. Essentially, this customer over-ordered in 2017, and as a result, had a dramatic decline in its ordering pattern in 2018. It has been our view this inventory correction would dissipate by fiscal year 2018 fourth quarter (September 30) and EMKR's visibility to future revenues and growth would resume. That view proved accurate. At the same time, EMKR's state-of-the-art Fiber Optic Gyroscope ("FOG") products are designed for fast, accurate navigation and gyrocompassing, and low noise, line of sight stabilization. These FOG products are critical components of high-performance drones and other systems where highly accurate navigation is critical. Like AIRG and IOTS, EMKR suffered with the rest of the market and technology meltdown. With an enterprise value of less than 1x revenues and with approximately half the market capitalization of EMKR in cash, we believe the stock has a favorable risk-reward profile. For the quarter, EMKR reduced our NAV by \$0.01.
- Lantronix, Inc. (NASDAQ: LTRX) is a global provider of secure data access and management solutions for IoT assets. The IoT gateway market (75% of LTRX sales) is experiencing strong growth as businesses are becoming increasingly connected. Following years of declining revenues and net losses, a new management team took over in 2015 and embarked on a dramatic turnaround of the business. In its most recent earnings report, LTRX pointed to the expectation of nearly double-digit revenue growth in the upcoming quarters. We participated in a secondary offering in Q3 2018 that strengthened LTRX's balance sheet and gave it firepower to make strategic and accretive acquisitions. Unfortunately, like almost every other technology stock, and despite no negative company specific news, the stock sold off in Q4 2018. For the quarter, LTRX reduced our NAV by \$0.01.
- Synacor, Inc. (NASDAQ: SYNC) is a holding we have discussed extensively in our communications with shareholders. 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 40% 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, EBITDA is expected to increase from \$2.3 million in 2017 to \$7.7 million in 2018. 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. For the quarter, SYNC reduced our NAV by \$0.01.

New position

- 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, 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 also note that the sell-off in Q4 2018 was not 100% fundamentally driven. As we noted earlier in this letter, Q4 2018 forced liquidations exacerbated the decline in the overall stock market. In the particular case of IMI, we became aware that its fourth largest shareholder was liquidating its entire IMI holdings. We took advantage of this liquidation. For the quarter, IMI did not materially impact our NAV.

Deletion

- PDL BioPharma, Inc. (NASDAQ: PDLI) was a new holding last quarter. We sold our position in PDLI in Q4 2018 for a realized gain of 26.2% in a total holding period of less than 100 days. Our investment thesis centered on our expectation that PDLI's Board and management would use a meaningful portion of the its cash on hand to buy back stock. Subsequent to our investment, the company authorized a \$100 million stock repurchase program. As the stock moved directly to our short-term price target, we exited the position.

Private Portfolio

For the quarter, our private portfolio subtracted \$0.01 from our NAV. Positive contributors to NAV were HALE.life, which increased our NAV by \$0.01 due to a recent financing, and Black Silicon Holdings and EchoPixel, which increased by a \$0.01 each, against the backdrop of improved fundamentals respective to each company. Conversely, D-Wave Systems decreased by \$0.02 due to a weakening of the Canadian dollar and NGX Bio decreased by \$0.01 as business fundamentals worsened.

We continue to believe in the potential for our most mature companies to build value including, AgBiome, D-Wave Systems, ORIG3N, and Nanosys. 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 actively shepherd our existing private portfolio to exits or opportunities to sell our positions in those companies at what we believe are reasonable valuations. As a reminder, on July 5, 2018, we sold our entire position in HZO to undisclosed buyers for \$7 million, an 8% premium to its value as of March 31, 2018, but lower than our cost basis of \$9.1 million. This significant event both helped us de-risk our private portfolio while also giving us more cash to invest in our core strategy of investing in small public companies. We also note that in January 2019, we sold our convertible bridge note in Genome Profiling for \$230,000 realizing a 20% gain on the investment through payment of interest over our holding period.

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 \$1.3 million per quarter. For Q4 2018, our operating expenses excluding 2017 deferred bonus accruals equaled approximately \$587,000. Our total operating expenses excluding 2017-related bonus accruals declined approximately \$200,000 from \$3.1 million in 2017 to \$2.9 million in 2018. Including sub-lease income, our operating expenses net of such income declined \$300,000 year-over-year. We remain committed to treating every dollar of shareholder money with the utmost care and consideration.

In Q2 2018, given an assessment of individual and company-related metrics, the Compensation Committee determined that it was appropriate for us to accrue for the probable payment of a bonus to management at year-end. This expense accrual of \$0.017 per share, or approximately \$540,000, was derived using the same framework and considerations used to determine the bonus compensation in 2017. It also included the concept of the deferral of a meaningful portion of the bonus to future years to encourage and reward persistent performance. Given the decline in our NAV this quarter, management recommended, and our Compensation Committee agreed, that it was appropriate to reverse this accrual. As such, there will be no bonus pool for management in 2018. This reversal increased NAV by \$0.017 in the quarter.

TURN/NAV: SUM OF THE PARTS:

At the end of Q4 2018, TURN traded at 66% of its NAV. Our liquid assets, cash, and other assets net of liabilities were \$1.03 per share. Our stock price was \$1.75. 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 \$50.1 million, the market is discounting the value of our private portfolio assets by 55% as of the end of 2018 versus 40% as of the end of Q3 2018 and 36% as of the end of 2017.

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 40%. We want that trend to continue and accelerate. We have made substantial progress in reinventing ourselves. Our balance sheet reflects just how far we have come.

2018 was an event filled year. Our vision is to be known as a leader in small cap activist investing, with a relentless focus on achieving excellence in our investment performance. Our investment in Turtle Beach Corporation (NASDAQ: HEAR) in the second quarter of 2018 is the second time we have assisted a company in removing an overhang to its stock price. The result was the same: a significant shareholder value creation exercise for HEAR and its shareholders, and most importantly, for our Fund and our shareholders. Of course, our first major "active" investment was TST. We have achieved a 100% unrealized return over the last 13 months on our investment in TST; which is evidence of our ability to help a company increase shareholder value.

A picture tells a thousand words. Take a look at the next two tables.

Comparison of 2018 to 2017

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

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

	Q3 2018 to Q4 2018	One Year	Two Year
TURN Gross Total Return	(12.1%)	19.5%	83.4%
TURN Gross Weighted Average	(16.1%)	10.2%	43.1%
Russell Microcap Value Index	(19.5%)	(12.2%)	(1.7%)
Russell Microcap Index	(22.2%)	(13.0%)	(1.5%)
Russell 2000	(20.2%)	(11.0%)	2.0%
Russell 3000	(14.3%)	(5.2%)	14.8%
S&P 500	(13.5%)	(4.4%)	16.5%
Dow Jones Industrial Average	(11.3%)	(3.5%)	23.7%

Note: Past performance is not an indication or guarantee of future performance. Amounts above are gross unrealized and realized returns. 180 Degree Capital Corp. ("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 more than 50 percent of its investment portfolio in legacy privately held investments and these privately held investments generate expenses that would otherwise not be incurred by 180. Please see its filings with the SEC for information on its expenses and expense ratios. Total returns are calculated compounding quarterly, as applicable.

Our stock picking has been very good, and it has been very good in two entirely different markets (2017 and 2018). We have drastically reduced our expense base, raised money for two special purpose vehicles, and successfully exited two of our private portfolio companies, MRSN and HZO, through an IPO and a cash sale, respectively.

We were bitterly disappointed in how 2018 ended, but we take solace in the notion that we grew our net asset value over the entirety of 2018. We think from that perspective, we were an outlier, as not many funds were up last year. Being amongst the ones that were on the positive side of the ledger is a very positive outcome. The dislocation in Q4 2018 created buying opportunities of both old and new positions. While we don't know how long the current unwind of technology-related companies due to fears of a trade war with China will last, many stocks have now discounted the bad news. As we look at our portfolio, we have made a conscious decision to be long those companies that we believe will benefit from IoT growth. Many of those names have been hurt in recent months. We think the fundamental underpinnings and secular trends of the IoT market are sound. We also recognize the stock market and economic growth have been rising for 10 years. Simply put, there is less value today than there was, when the bull market started. But given the outright wipeout in Q4 2018, we are very optimistic about what we own as we start 2019.



Kevin Rendino
Chairman and Chief Executive Officer