April 20, 2015

Dear Partner:

The Greenlight Capital funds (the "Partnerships") returned (1.7)%,[1] net of fees and expenses, in the first quarter of 2015.

The portfolio had an uneventful and unprofitable quarter. Though the broad market did little, we did even less. Our longs led by Apple (AAPL) and SunEdison (SUNE) outperformed the market, our shorts went against us by even more, and macro was also slightly negative.

AAPL shares advanced 13%, as the iPhone 6 has proved to be a blockbuster that drove the company to 30% revenue growth and 48% EPS growth in the December quarter. AAPL also announced the April launch of the Apple Watch, its first new product category in five years. While we have modest expectations for Apple Watch and don't expect AAPL to maintain this level of growth, the market expects even less, as it continues to value AAPL shares at a discounted valuation. We believe that AAPL is a superior company that merits a premium multiple.

SUNE shares rallied 23% during the quarter. At the analyst day in February, the company said that it would begin generating significant free cash flow sooner than the market had anticipated, and expected to exit 2016 at a run rate of $3 of cash EPS. The strong outlook was driven by rapid growth in dividends received from Terraform Power (TERP), the company's renewable energy-focused affiliate, and a consequent acceleration in the timing of incentive distribution rights which SUNE expects to receive as TERP's sponsor.

We had one significant loser during the quarter. Micron Technology (MU) shares declined 23%. Weak PC sales drove a shortfall in DRAM demand leading to lower prices and reduced earnings. Our thesis is that the consolidated DRAM industry will act more rationally in the face of slower demand, moderating future cyclical declines and leading to higher profitability through the cycle. The current downturn is the first opportunity to test this thinking: either the industry will overproduce, fight for share, and kill profitability, or it will respond sensibly to slower cyclical demand and merit an upward revaluation. While we are watching industry behavior very closely, we believe our thesis is intact.

Though it has been challenging to find worthy longs, we did make three new long investments during the quarter.

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

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AerCap Holdings (AER) is the largest publicly traded aircraft leasing company. Last year, it bought AIG's aircraft leasing business (ILFC) at a bargain price in an extremely accretive deal, taking AER's total fleet from around 300 planes to more than 1,300. The combined business will benefit from AER's lower tax rate and funding costs, as well as SG&A and operating efficiencies. The deal also provided AER with ILFC's attractively-priced order book of next-generation planes. We bought our position at an average price of $41.02, which is less than 8x this year's expected earnings. AER's management is well-incentivized, with senior executives receiving new restricted stock units in the ILFC deal, two-thirds of which will vest only after hitting performance targets. The company has been well managed and appears poised to grow earnings at a double-digit clip for the next several years. AER ended the quarter at $43.65.

Chicago Bridge & Iron Company (CBI) is an engineering and construction firm with a significant concentration in energy. CBI shares have fallen in sympathy with declining oil prices. We found them attractive at an average price of $42.93, which is less than 8x this year's expected earnings. While we believe that energy prices may very well stay lower for longer, which might eventually lead to a smaller market opportunity, CBI has a sizable backlog of projects that should support earnings for several years. We also believe that some market participants are overly concerned about costs associated with two nuclear facilities under construction that are likely to be completed late and over budget. While the delays and costs are real, we believe the market is vastly overestimating how much of those costs will be borne by CBI as opposed to its construction partner (Westinghouse) and consumers, who will see it in their energy bills. CBI shares ended the quarter at $49.26.

We decided to take another drive in General Motors (GM) and repurchased a fresh stake at $34.62 per share. We had held GM for about three years before selling it in early 2014, when we were disappointed with management's earnings guidance. 2015 should be a better year for GM: the company is a year closer to eliminating its losses in Europe; low gas prices should stimulate demand for its highly profitable SUV and light truck product lines; raw material costs are low; and we believe that the worst of the product recalls is behind them. Finally, GM has acknowledged it might not need quite so much cash lying around earning zero interest, and it will begin to buy back shares shortly. While GM also trades at less than 8x 2015 consensus estimates of $4.63 per share, we believe there is an excellent chance that GM can beat those expectations. GM shares closed the quarter at $37.50.

During the quarter, we reduced our net exposure from 30% to 14%. This move was driven both from the bottom-up and the top-down.

Bottom-up: Short candidates are easy to find, but as noted above, the opportunity set on the long side is quite constrained. Most of the investment theses we have reviewed over the past several months can at best be described as late-cycle opportunities, with valuations that often ignore historical economic sensitivity. The operating (and in some cases activist) execution needed to achieve target results has to be rated at Triple Lindy difficulty level.

Top-down: Valuations are on the high side and earnings are in a precarious spot. Last year's snow slowed the entire economy, setting up the first quarter to be the easiest comparison quarter of the year. It nonetheless hasn't turned out to be a good quarter (despite this year's snow confining itself mostly to New England). At year-end, first quarter earnings were supposed to grow about 5%, but now, they are expected to decline by a similar amount, and this doesn't even include GE's large, anticipated first-quarter charge as it exits most of GE Capital.

GE's staggering $16 billion after-tax charge will drain another 5-7% from the S&P 500 quarterly earnings. Given that GE is exiting these portfolios after several years of economic and valuation recoveries and *still* has to take an enormous loss, the gigacharge adds clarity to the multi-decade debate about the integrity of GE's reported results. That GE chose to exit and finally own up to its cumulative chicanery rather than face its first Fed-supervised stress test is one of the first real successes of Dodd-Frank.

Even if this quarter's S&P earnings will ultimately be somewhat better than -5% (excluding the GE charge) versus the first quarter of 2014 due to "lower and beat", this level of earnings degradation poses a risk to a market trading at a premium multiple of earnings assisted by record high margins. The full year S&P earnings outlook is even worse, as the comparisons become more challenging.

Some of these challenges are well known, including lower energy prices directly impacting that sector (along with many companies that have benefitted from the domestic boom in energy development), and a stronger dollar reducing the translated effect of foreign earnings. Less discussed is the productivity bust and its impact on peak margins. At the bottom of the cycle, firms cut labor faster than output. The higher productivity led to improving margins, earnings and stock prices. Now labor is being added faster than output, and with large companies like McDonalds, Walmart and Target announcing pay increases, unit labor costs are likely to increase further. All told, there is a good chance earnings will actually shrink this year. We think the market is too high if earnings have, in fact, peaked for the cycle, and we have reduced our net exposure by adding more shorts.

The bull case is that equities haven't yet reached bubble levels at a time when fixed income is behaving bubbly,[2] and that the Fed will support the market. As to the former, it may prove true. We don't like the proposition of betting on a bubble, though one may yet emerge (or, more clearly, a bubble might expand beyond the current small group of high flying stocks). As to the latter, despite all the attention paid to every utterance of any member of the FOMC, it is clear that the Fed isn't going to add further accommodation unless conditions deteriorate substantially. How fast it tightens should be less important than the fact that it will tighten.

With any call like this, there is a good chance we may be proven wrong, and our performance could suffer – especially compared to long-only indices. But this is our best thinking, and our philosophy is that if we are going have a bad result, it should be based on our best thinking being proven wrong.

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[2] Mario Draghi says he sees no sign of a bubble in the sovereign debt market, which raises the question: what does Mr. Draghi think a bubble in sovereign debt might look like that isn't already evident?

We have several portfolio exits to report. We sold the last piece of our successful Aetna investment, which generated a 44% IRR as market concerns about ObamaCare proved overblown and the company exceeded expectations. Amdocs was a small position that earned a 24% IRR. This was a cheap stock that became a less cheap stock. It could do better if it exited the cash hoarding business, but that doesn't seem to be management's game plan.

We exited a trio of losing shorts that fell victim to takeovers. We closed Safeway at a sizable loss (-31% IRR) as Albertsons/Cerberus closed its acquisition. We had hoped that Safeway's continued operating deterioration might sour the deal, but the buyer persisted and got its prize. It won't be profitable for us, but it will be entertaining to see how this turns out.

We closed a short in Freescale Semiconductor after it announced it would be sold to NXP Semiconductors. While this appears to be one company with an overvalued stock and troubling prospects buying another, we decided to exit with a -71% IRR and reassess the merits of the combined company.

Finally, we exited Lorillard (-25% IRR), which is being taken over by Reynolds American (RAI). Our thesis didn't work because it took too long for our catalyst to play out – namely the FDA regulation of menthol cigarettes. We still believe that the FDA is gearing up to do something major in this area, but because it anticipates an extremely aggressive industry response, it is moving slowly and deliberately. We have rolled our short into a fresh position in RAI.

Many of you may remember that in both 2003 and 2009 we conducted partner surveys on a number of topics related to the Partnerships. We found the results to be valuable, and have made a number of improvements over the years in response to your feedback. We have decided to conduct another survey this year so that we can hear your views and look for additional opportunities to improve. You should expect a call from an independent market research firm to schedule a twenty minute anonymous interview. We appreciate your willingness to spend your time on this. We intend to discuss the results at our next partner meeting.

At quarter-end, the largest disclosed long positions in the Partnerships were Apple, CONSOL Energy, gold, ISS A/S, Micron Technology and SunEdison. The Partnerships had an average exposure of 102% long and 88% short.

"Did it ever occur to you that there's no limit to how complicated things can get, on account of one thing always leading to another?"

– E.B. White

Best Regards,

Greenlight Capital

Greenlight Capital, Inc.

GREENLIGHT®

Unless otherwise noted, performance returns reflect the dollar-weighted average total returns, net of fees and expenses, for an IPO eligible partner for Greenlight Capital, L.P., Greenlight Capital Qualified, L.P., Greenlight Capital Offshore, Ltd., Greenlight Capital Offshore Qualified, Ltd., and the dollar interest returns of Greenlight Capital (Gold), L.P. and Greenlight Capital Offshore (Gold), Ltd. (collectively, the "Partnerships"). Each Partnership's returns are net of the standard 20% incentive allocation.

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 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, and derivatives on any of these instruments. Weightings, exposure, attribution and performance contribution information reflects estimates of the weighted average of 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. and are the result of classifications and assumptions made in the sole judgment of Greenlight.

Positions reflected in this letter do not represent all the positions held, purchased, or sold, and in the aggregate, the information may represent a small percentage of activity. The information presented is intended to provide insight into the noteworthy events, in the sole opinion of Greenlight, affecting the Partnerships.