

December 9th, 2015

Dear clients and friends,

Re: Flash Boys by Michael Lewis

Please accept this book as a gift from Lewin Capital Management in the spirit of the season. I first read this book when it was released in 2014 and last month was lucky enough to attend a dinner event with the author. While I often comment on principles of investing, Flash Boys provides an interesting look at another aspect of the investment business, the world of trading.

Lewis is interested in exposing the unethical aspects of high frequency trading (HFT). HFT refers to computerized trading using proprietary algorithms which has the potential to front-run stock-market participants. Some argue that HFT increases liquidity in the market, but my guess is that anyone who thinks there is a benefit doesn't understand what is really happening. This is because none of the so called "added liquidity" is for the benefit of a natural buyer or seller – all of it is predatory and acts to increase the costs for real investors.

It is a complex topic and understanding the nuances is a career in itself, yet Lewis is such a fantastic writer that he manages to entertain while he unravels the complexity. He also puts a human face on it by introducing some characters who are trying to increase fairness in the market. I hope you enjoy this book and I wish the best of the season to you and your family.

Sincerely,

Dan