

To: Culibrk Partnership Partners  
 From: Stefan Culibrk  
 Date: April 1, 2016

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Dear Partners,

The Partnership recorded a loss of 3.3% during 1.1.2016. – 31.3.2016.

	Return	S&P 500
Quarter	-3.3%	1.3%
Current year	-3.3%	1.3%
Since inception	26.5%	2.7%

Mark Twain quipped: “I’ve had a lot of worries in my life, most of which never happened.” That portrays market behavior in the beginning of 2016.

For us at the Partnership, crises are times for learning and reflection. We should use crises to solidify and stress test our process. This crisis was an expensive lesson that we should stick to our core competence. As long as we keep our investing to high quality business at reasonable prices, the poorhouse will be away.

Predicting macro data and broad market fluctuations is a waste of time. Best use of anyone’s time during a panic is to scour one’s watch-list in search for great companies that might be available at bargain prices.

We are often asked why is money invested with the Partnership better off than money invested with mega funds such as Fidelity, Vanguard or State Street. Mega funds surely have smarter, more numerous cadres, unlimited resources, industry contacts and decades of investing experience. How on Earth does a bunch of guys in Belgrade outperform them?

We think large funds are handicapped by their success. Here is why:

- 1) Sheer fund asset size dictates the choice of companies the fund can invest in
  - 2) Large companies are more efficiently priced as there are numerous sell-side and buy-side analysts covering them
  - 3) Tendency to make decisions based on an investment committee. Usually all members need to agree to pull the trigger. This leads to investing in popular companies. An old Wall Street saying: “No one got fired for buying IBM”
  - 4) Obsession over performance relative to the relevant index
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We are pleased with the current size of the Partnership assets. We think it is a significant competitive advantage.

As always, I remain at disposal for Q&A on the Partnership and our investments.

Culibrk Partnership  
Largest Gains and Loses  
For the Three Months ended March 31<sup>st</sup> 2016  
(% Contribution to the portfolio)

Largest Gains

Liberty Broadband (+1.47%)  
Fiat Chrysler (+1.44%)  
Interactive Brokers (+1.42%)  
Berkshire Hathaway (+1.35%)  
Outerwall (+0.01%)

Largest Losses

S&P 500 hedge (-8.75%)  
OPAP (-0.5%)  
Liberty Ventures (-0.37%)  
Barnes and Noble Edu. (0.12%)  
Amerco (-0.02%)

S&P 500 hedge

Oil price collapse threatened to take manufacturers and industrials into bankruptcy, banks to a portfolios of non-performing loans and the bond market to a halt, closing the doors for refinancing to even the best companies.

Our decision to protect the portfolio by selling S&P 500 ETF was rash, ill timed and poorly executed. Partnership had no substantial investments in the above-mentioned sectors. Partnership didn't plan for the hedge in time. It ended up buying the protection at an expensive price. In hedging, as in investing, it is important to pay an attractive price. We paid the hefty amount for the insurance. The insured case didn't happen.

Liberty Broadband

Partnership used the panic to add on the investment in Charter. We invested in Liberty Broadband, one of the two undervalued vehicles that give us exposure to Charter Communications. Liberty Broadband price dropped 14% in the first six weeks of the year. In the following six, it spiked 32%. Charter is set to complete the takeover of Time Warner Cable by the end of Q2 2016. Partnership invested 34% in Charter-related entities. For a more detailed analysis of Charter and related entities, please visit our website [www.culibrkpartnership.com](http://www.culibrkpartnership.com)

## Fiat Chrysler

Partnership jumped on the occasion to buy shares of Fiat Chrysler upon Ferrari spinoff. No doubt that car sales are tightly linked to the economic and credit cycle. Market panicked because of the potential recession in the US and Fiat Chrysler was brutally punished, with shares 35% lower than at the beginning of the year. We begged to differ. We agree that the US car sales are close to peak. We see lower than cycle-average sales in other large geographies such as Europe and LatAm that would compensate for US slowdown. The price we paid was attractive. Partnership invested 7% of the portfolio into Fiat Chrysler.