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

Dear Partners,

The Partnership recorded a gain of 30.8% during 1.1.2015. – 31.12.2015.

	Return	S&P 500
Quarter	5.3%	7.0%
Current year	30.8%	1.4%
Since inception	30.8%	1.4%

The advantage over the S&P 500 attained in 2015 will rarely be repeated.
Don't think the S&P 500 is an unworthy opponent. Between 2005 and 2015, just 18% of US mutual funds managed to beat the index.[1] I find a 10% annual lead over the S&P 500 a great success. It will enable investors to earn 10-20% annually over time.

The table below demonstrates the potency of superior returns over time. A great investor does in 10 years what an average does over 30.
Values are for an investment of $100,000.

	5%	10%	15%	20%
10 years	162,889	259,374	404,556	619,174
20 years	265,330	672,750	1,636,654	3,833,760
30 years	432,194	1,744,940	6,621,177	23,737,631

Partnership invests in high quality, undervalued companies run by competent managers. We have no wish to interfere with the operations. We are happy to let them do their job. We think that such investments will bring returns superior to the S&P 500 over time. Keep in mind that, in the midst of a panic, even the well-run, cheap companies crash in price. An investor is not right if the majority tells him he is right. He is right if his reasoning, facts and hypothesis are right.

[1] Source: 2015 SPIVA Scorecard/S&P Dow Jones Indices

When Partnership outperforms the S&P 500 by a wide margin, it will usually be in a year where we invested in special situations. Those returns are mostly uncorrelated to the market as a whole. When the S&P 500 is on a tear, our special situations will appear slow moving. They will bring results inferior to the index. Returns we will generate from special situations depend on company-specific actions rather than the movement of the market as a whole.

Culibrk Partnership
Largest Gains and Loses
For the Three Months ended December 31st 2015
(% Contribution to the portfolio)

Largest Gains	Largest Losses
Interactive Brokers (+1.99%)	Barnes and Noble Edu. (-0.67%)
Markel Corp. (+1.42%)	Gamehost (-0.22%)
Liberty Ventures (+0.77%)	OPAP (-0.06%)
Geospace Tech. (+0.69%)	Liberty Broadband (-0.05%)
Fiat Chrysler (+0.63%)	Amerco (-0.01%)

Interactive Brokers

We expect to be among the owners of Interactive Brokers (IB) over the years to come. IB is an electronic brokerage based in the US. A Hungarian immigrant Thomas Peterffy founded it in 1977.

It has two major sources of revenue: commissions and interest. Commissions are tied to the size and frequency of the transactions across the exchanges and products, such as options, futures and stocks. Interest income comes from three sources: margin lending, stock borrow and deposits. With rates set to rise over time, IB's interest income will grow.
IB is effectively a software company. No economists and 30-odd sales people are covering 60bn$+ in client assets.

The number of customers is growing 15% per year. They are voting with their feet for the cheapest and most honest (IB doesn't sell order flow) broker on the street. Market opportunity is still vast, as Thomas Peterffy notes that they tapped 6% of their total addressable market.

Interactive Brokers will enhance shareholder wealth as higher interest rates, more clients join and the market goes through an inevitable period of higher volatility.

Markel Corp.

We invested in Markel at the inception of the Partnership. The thesis hasn't changed. Markel continues growth through efficient and disciplined underwriting. Combined ratio was 88% in the third quarter.

During the Q3 conference call with Tom Gayner, he revealed that he keeps a significant part of the premiums in cash. He thinks there is real value in the optionality of cash holdings. We agree.

Liberty Ventures

Liberty Ventures is a significant part of Partnership's assets. It will frequently be featured in the largest gains and losses section.

Please note that our Q3 note contains a more detailed thesis on Charter Communications, the underlying asset that Liberty Ventures owns.

Culibrk Partnership
Largest Gains and Loses
For the Twelve Months ended December 31st 2015
(% Contribution to the portfolio)

Largest Gains	Largest Losses
Alliant Techsystems (+8.63%)	Posco (-2.42%)
Interactive Brokers (+5.22%)	Civeo Corp. (-0.85%)
Halyk Bank (+4.78%)	Barnes and Noble Edu. (-0.7%)
Markel Corp. (+4.25%)	Knowles Corp. (-0.28%)
China Cord Blood (+3.65%)	Gamehost (-0.22%)

Alliant Techsystems

Alliant Techsystems and Orbital Sciences formed a defense giant Orbital ATK through a Reverse Morris Trust transaction. The transaction allowed Alliant Techsystems to spin off business unit Vista Outdoor prior to the merger. Vista Outdoor is a leading maker of outdoor equipment and sports rifles. We invested in Vista Outdoor at an exceptionally attractive price. Within weeks, the market agreed with us. Alliant Techsystems/Vista Outdoors contributed 8.63% to the gain of the portfolio. Partnership sold the entire stake.

Interactive Brokers

Brief panic in the wake of CHF strengthening in January allowed us to invest in Interactive Brokers at an attractive price of 26$. IB ticks all the boxes for us. The founder Thomas Peterffy and the team of several hundred software engineers have been building infrastructure and automation for decades. Industry experts we spoke to claim that IB's technology is several years ahead of competitors. We don't think of it as technology. It is more an infrastructure. Automated operations lead to low overhead costs, which lead to exceptional margins. Users are happy and coming in droves – annualized growth rate has been 18% over the past five years. Total client equity is 67bn$. The beauty of the business is low capital intensity. IB barely needs any capital to grow. We sold some shares at $44. The price reached current fair value. We are patiently waiting for another chance at lower prices.

Halyk Bank

Halyk is a dominant Kazakh retail bank. We invested in Halyk in March at an attractive price. Discount to the book value of 35%, exceptional returns on capital and high growth proved to be too good to be true. We were further charmed by a shareholder-friendly dividend policy and seemingly solid balance sheet.

We encourage you to have a look at the Q1 letter. We couldn't have been more wrong. Conversations with the management revealed significant government influence. Credit growth is a social piece instrument. We prefer profitable growth.

Leverage is infinitely more important and complex at a financial institution than a plain manufacturing company. For starters, the ratio is always higher in the financial sector. Small changes in the value of the assets bring big changes to the value of the equity.
To use our favorite storyteller Aesop's allegory, we like management that acts as ants, not as grasshoppers. The extent of maneuver bank management can do is staggering.

In the case of Halyk, current provisions for non-performing loans were sufficient only to cover losses on non-performing loans from the prior crisis. It was foolish to assume any recovery on NPLs older than five years. Halyk kept paying out dividends instead of provisioning for the coming cycle.
As soon as we noticed lack of independence and sound judgment by the management, we sold our shares.