To: Culibrk Partnership Partners
From: Stefan Culibrk
Date: April 1, 2015

Dear Partners,

The Partnership recorded a gain of 16.4% during 1.1.2015. – 31.3.2015.

	Return	S&P 500
Quarter	16.4%	1.0%
Current year	16.4%	1.0%
Since inception	16.4%	1.0%

Since the dawn of mankind, an individual that resisted conventional wisdom and defied the tribe acted irrationally. Tribe support was vital. An independent thinker would be eaten by a lion or would simply starve to death. The evolution favored herd mentality. Those were the genes that survived.

In the stock market, what counts are facts and reasoning. Cheers of folks with important sounding titles are not a shortcut for thinking.
We rarely find a situation that satisfies our investment criteria. It is even more rare to find one where we can understand the moving parts better than the other market participants. Once we do, our course of actions is obvious. Over a long run, the market always rewards rational, independent thinking.

Capitalism teaches us that high risk brings high reward. We agree with the hypothesis, if we are playing roulette (we never do). In roulette, betting on a lucky number 8 is risky, because the chances are one in 37. If successful, the payoff is relatively large, 36x. When investing, the hypothesis is far from being the universal truth. Consider an example of a residential building with 20 flats. An investor bought it for $1,000,000 and rents it for $50,000 per year. Shortly after the purchase and moving in of the happy tenants, you learn that the owner is eager to sell. He urgently needs liquidity. He is asking for $300,000. The price is down 70%. Does the price drop make this investment more risky? Did the price volatility affect the quality of the building? Is this investment more risky if we pay $300,000 or $1,000,000? A bargain price paid means low risk and high rewards.

During the quarter we jumped on an attractive opportunity we believe carried low risk and high reward. Partnership ended the quarter with 13% in cash.
My personal wealth is invested in the Partnership and my interests remain tightly aligned with those of the Partners.

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

Largest Gains	Largest Losses
Alliant Techsystems (+8.63%)	Posco (-1.34%)
Halyk Bank (+4.77%)	Civeo (-0.85%)
Markel Corp. (+2.07%)	Knowles Corp. (-0.46%)
China Cord Blood (+1.34%)	Geospace Tech. (-0.11%)
FRP (+1.01%)	

Three largest contributors to the portfolio:

Alliant Techsystems

In April 2014 Alliant Techsystems and Orbital Sciences agreed to a merger that would form Orbital ATK. Prior to the merger, Alliant Techsystems was to spin off Vista Outdoor, an outdoors equipment maker. In October 2014 rocket Antares, made by Orbital Sciences, spectacularly exploded. Orbital Sciences shares followed suit, declining 20%. Alliant Techsystems followed the crash, as the market voted that Alliant Techsystems is worth less, since its future is shared with Orbital Sciences. Orbital ATK valuation is a mystery to us, as rockets are far from our circle of competence. The market forgot about Vista Outdoor. Implied price for Vista Outdoor plummeted as a collateral damage. What does an intrinsic value of an outdoors equipment maker have to do with rocket failures? We thought so. Value didn't budge. In January we bought a significant stake in Vista Outdoor for 50% of our conservative valuation. We effectively bought a dollar for 50c. After a rapid share rise of 60%, Partnership sold the entire investment, realizing a gain on the whole portfolio of 8.63%.

Halyk Bank

Partnership took a stake in Halyk Bank, a dominant Kazakh retail bank. Halyk has all the traits we admire:

1) Low cost deposits, as it is seen as a safe haven in Kazakhstan
2) Attractive ROE of 24%
3) Incentivized and politically appropriate management
4) Friendly dividend policy with a payout ratio of 15-50%

5) Profitable credit growth
6) Conservative NPL accounting
7) Excess capital
8) Undervalued relative to book value and earnings power

We think that Halyk a dramatic discount to conservative book value is not warranted, even with the oil prices at $50/bl. We are buying at a price that spells a prolonged recession in Kazakhstan. We think fair value is $12/share. We bought shares for $5.25.

Markel Corp.

Markel is a specialty insurer in the United States. Led by some of the smartest and most humble managers in the industry, we think Markel might be a long-term compounder.

Typically, companies sell products and collect the receipts soon after the sale closes. Insurers have working capital cycle the other way around. They collect the premiums today and pay claims over time. If an insurer is able to underwrite policies at no cost, i.e. cost of claims and operating expenses equals the premium received, the insurer is effectively investing the premiums for free of charge. In the insurance lingo, combined ratio is at 100% and the cost of float is 0. In comparison to our deal in the Partnership, insurers keep all the investing profits for themselves.

Company-wide culture is crucial in all financial companies. Markel has most of the employees incentivized towards the long term. This prevents unprofitable premium growth when the insurance market is underpricing risks in order to grow investment income. Capital allocation can make or break an insurer. Tom Gayner, in charge of investing at Markel, is one of the most thoughtful investors we came across.

We think Markel will keep on compounding its book value at double digit numbers for years to come.