To: Culibrk Partnership Partners
From: Stefan Culibrk
Date: January 4, 2017

Dear Partners,

The Partnership recorded a gain of 14.8% during 1.1.2016. – 31.12.2016.

| | Return | S&P 500 |
|---|---|---|
| Quarter | 1.9% | 3.8% |
| Current year | 14.8% | 11.9% |
| Since inception | 50.2% | 13.5% |

Main Street and Wall Street share a fancy for certainty. Industries have been built around expert reports that promise to give us a glimpse of the future. In the ancient days, we looked for clues in the patterns of sheep guts, beans and stars. Today's forecasters of politics and markets often look like cousins of sheep gut fortunetellers. There has always been a job for those who claim to know the future.

At Culibrk Partnership, we like to invest in times of uncertainty. It is then that companies are mispriced the most. When we pay a sizeable discount to fair value, we have many ways of being right. Margin of safety on the price paid is the ultimate risk management tool. We play when the deck is stacked in our favor.

Partnership doesn't invest if the investment's success depends on a certain political outcome. Still, those outcomes shouldn't be ignored. Majority of Partnership's assets is invested in the United States, and I wanted to comment on seismic shifts on the political front.

We are seeing a tremendous difference between president-elect Trump and Trump on the campaign trail. Post election, Trump struck a reconciliatory tone and filled his cabinet with top-notch executives, such as Rex Tillerson (Exxon Mobil CEO, secretary of state) and Wilbur Ross (prominent investor, secretary of commerce). The cabinet has 83 years of relevant business experience (highest for any President of the United States) and 55 years of government experience (second lowest on record), for the second highest cumulative number of years of experience.

Cabinet that supports tax reforms and infrastructure spending has a chance to spur growth. Inflation expectations already jumped. Our investments are well positioned to benefit from such an environment. But rest assured they don't depend on it.

Culibrk Partnership
Largest Gains and Loses
For the Three Months ended December 31st 2016
(% Contribution to the portfolio)

| Largest Gains | Largest Losses |
|---|---|
| PICO Holdings (+2.82%) | LiLAC (-2.67%) |
| Liberty Ventures (+1.96%) | Emergent Capital (-2.34%) |
| FIAT (+1.53%) | Sports Direct (-0.49%) |
| CIT Group (+1.52%) | MEI Pharma (-0.2%) |
| Mongolian Mining Corp (+1.36%) | Cimpress (-0.17%) |

PICO Holdings

PICO's board executed on corporate governance and business initiatives. CEO, John Hart, was fired on October 13th, triggering a "leave without a good reason" clause in his employment agreement. Mr. Hart stands to collect 10m$ from this graceful exit. This is a substantial sum for a company whose book value is less than 300m$. Activist investors, who monitored the process of corporate governance change, compared the firing with an alternative. If PICO was successful in selling water rights portfolio for our estimate of 518m$, the CEO would bank a bonus according to a set formula that would bring him 70m$.

Mr. Hart was subsequently removed from the board of both PICO Holdings and UCP, Inc. (house builder in which PICO owns a majority stake). Max Webb, a long-time CFO, assumed the CEO and Chairman roles. Board changes didn't end there, as PICO announced that all board members would stand for reelection each year. This is a welcome change that will move the board into more competent hands. It incentives will be aligned with those of the shareholders. Mr. Marino and Mr. Brownstein announced they would not stand for re-election in 2017.

PICO sold a small portion of its water assets portfolio, 50,000 long-term storage credits in Arizona, for 12.5m$ (250$/credit). Adjusting the whole portfolio to the 250$/credit price would value it at 102m$, a 143% premium to book value.

We expect PICO to continue liquidating its water assets portfolio and to proceed on finding strategic alternatives for its stake in UCP, Inc. We expect that the board will use the proceeds to return capital to shareholders via buybacks and special dividends.

LiLAC

Liberty Global acquired Cable and Wireless Communications in a 5bn$ deal in May 2016. Subsequently, LiLAC, Liberty Global's portfolio of Latin American cable assets, was separated from Liberty Global into an independent entity, in which Liberty Global shareholders remained owners. John Malone intends on using LiLAC as a vehicle to pursue vertical integration across Latin America in order to realize similar synergies to those he successfully found in Europe.

A series of earnings misses, index-related selling and poor management communication caused LiLAC to end 2016 -51%. Although integration of Cable and Wireless is a challenging task, we think the market is overestimating chances of a failed integration. Management communication on the Q3 call didn't help instill confidence. Analysts were left wondering about synergies and adjustments to accounting standards (Cable and Wireless and Liberty Global used different accounting standards).

We think uncertainty over synergies clouds sound judgment. Management team is solid and well aligned with investors. They have a strong track record of execution, especially when it comes to vertical integration. More tellingly, after a 27% stock price crash in November, management was first to buy stock at $20 per share.

Emergent Capital

Emergent Capital is effectively a portfolio of life insurance policies. Policies were bought from individuals that needed to monetize their life insurance, but weren't satisfied with the rate their insurer offered them. Effectively, Emergent keeps the exposure (to the individual's life), keeps on paying premiums until the person dies and then collects the payment from the insurer, as any insured person would.

Emergent Capital came to our attention when it announced it is exploring "strategic alternatives" on August 1st 2016. Bulldog Investors CEO Phil Goldstein, who runs Emergent Capital and is one of its largest shareholders, laid out a case that Emergent Capital is undervalued and that it would be worth much more to a large strategic acquirer that already has a portfolio of life insurance policies. The cost of running Emergent Capital as a separate company is unnecessary. The timing of premium payments and deaths is draining Emergent Capital's liquidity.

We invested because the portfolio of life insurance policies Emergent Capital owns is drastically undervalued in comparison to the market value. We certainly don't have expertise in valuing life insurance policies. But we think that a 16.5% discount rate Emergent Capital is using for discounting its assets is high. This means its book value is artificially low. When we realized we could buy a piece of Emergent Capital at a discount to its book value, we jumped on the opportunity.

Culibrk Partnership
Largest Gains and Loses
For the Twelve Months ended December 31st 2016
(% Contribution to the portfolio)

| Largest Gains | Largest Losses |
|---|---|
| Liberty Ventures (+8.61%) | S&P hedge (-9.23%) |
| Leidos Holdings (+4.18%) | Sports Direct (-3.14%) |
| Mongolian Mining Co. (+3.99%) | LiLAC (-2.67%) |
| PICO Holdings (+3.9%) | Emergent Capital (-2.45%) |
| FIAT (+2.16%) | Geospace Tech. (-0.24%) |

Liberty Ventures

Liberty Ventures primary asset are shares of Liberty Broadband and Charter Communications. By investing in Liberty Ventures, we are effectively investing in Charter at a discount (33% at the year end). We expect this discount to narrow over time and eventually Liberty Ventures to be merged into Charter.

We happily observe that the biggest risk to our investment thesis in Charter, regulation of high-speed internet, is off the table under Trump administration.

Another major risk was fiber proliferation. Three companies with big pockets, Verizon, AT&T and Google, have all stopped their glamorously announced fiber rollout activities. This shows how the strength of Charter's competitive advantage. We suspect that some of the three might eventually pursue an acquisition of Charter.

Successful integration of Time Warner Cable assets, growth in the number of customers and a moderate increase in average revenue per user will drive Charter's cash flow generation for the years to come, enriching shareholders along the way.

These developments led to a sharp rise in Charter share price. While we still think it is undervalued and we hold it as our biggest position, we trimmed some to have firepower to step in at lower prices.

S&P hedge

Earlier this year, Oil price collapse threatened to take manufacturers and industrials to the brink. This would affect banks and their loan portfolios, forcing the banks to take write-downs. Bond market would come to a halt, closing the doors for refinancing to even the best of 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.

We ended up buying the protection at an expensive price. In hedging, as in investing, it is important to pay an attractive price.

Leidos Holdings

Leidos and Lockheed Martin's IT unit merged during August, creating a defense industry giant. Lockheed Martin shareholders had an offer to exchange their shares for the shares of post-merger Leidos at a 10% premium. Partnership bought Lockheed Martin shares and within two weeks realized a positive contribution to portfolio of 4.18%. Similar special situations will be available to the Partnership in the future. Their contribution to the portfolio will decline as value of each account within the Partnership grows.