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| Performance Summary | | |
|--|---------------------|---------------|
| | Sosin Partners, LP* | SPY** |
| 2012*** | 14.0% | -1.5% |
| 2013 | 66.6% | 32.3% |
| 2014 | 6.3% | 13.5% |
| 2015 | 14.5% | 1.3% |
| 2016 | 22.0% | 12.0% |
| 2017 | 31.2% | 21.7% |
| Q1 2018 | 23.6% | -1.0% |
| YTD 2018 | 23.6% | -1.0% |
| Cumulative return since inception | 357.1% | 102.1% |
| Annualized return since inception | 32.0% | 13.7% |

See disclaimer regarding comparison to indices at the end of this letter.
** Performance net of 2% management fee and 20% performance allocation.*
*** Includes dividends reinvested.*
**** Sosin Partners LP launched 10/9/2012; performance for both the fund and SPY shown from that date.*

To My Partners:

As shown in the table above, Sosin Partners, LP reported gains on a mark to market basis net of all fees, expenses and performance allocations of 23.6% during the three months ended March 31, 2018. The broad market as represented by the SPY ETF was down 1.0% including dividends during the period.

Since its inception on October 9, 2012, Sosin Partners, LP has reported gains on a mark to market basis net of all fees, expenses and performance allocations of 357.1%; this represents a 32.0% compound annualized rate of return. The SPY ETF is up 102.1% including dividends during that period, representing a 13.7% compound annualized rate of return.

The Balance Sheet

We ended the quarter with six stock positions of any significance on the long side of the balance sheet. Our long holdings total 108% of equity capital. As previously discussed, our largest position at 26% of equity remains World Acceptance Corporation common stock. There are a few other small items on our balance sheet but none are material.

Cheap Doesn't Mean Cheap

When asked to succinctly describe CAS Investment Partners, I usually say something like "CAS Investment Partners is a long term, concentrated, *value focused* investment manager." Clear as that sounds to me, what people often hear is "CAS Investment Partners is a long term, concentrated, *low multiple focused* investment manager," which is wrong.

We are a "value focused" investment manager not a "low multiple focused" investment manager. But wait ... aren't those two things the same? The answer is no, but the confusion is understandable.

Value investing in securities markets as we know it today traces its roots to Benjamin Graham and his book *Security Analysis*. Graham's fundamental insight was really just a derivation of basic corporate law. Namely that "*every corporate security may best be viewed, in the first instance, as an ownership interest in, or a claim against, a specific business enterprise.*"



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From this deep rooted truth, Graham reasoned that an investor should judge an investment in a security representing a minority interest in a company almost exactly as a business person would judge an investment to acquire an entire company (the only salient difference being the element of control). Just like a business person buying a whole company, an investor buying a part of a company (even a very small part consisting of a single share) should therefore concern him or



herself with the profits that the enterprise will generate over time, the risks that something unfortunate may befall the enterprise, and the price that one must pay for the venture.

Thus far, our definition of “value investing” and Graham’s are identical. As I’ve mentioned in the past, “Spend a day in our office and you will realize quickly that all of our efforts are dedicated to answering one question and one question only: if we make this investment and own it forever (or at least a very long time) what will our returns be?” We (Graham and CAS) both study stocks by studying the businesses which underlie them.

So if the “what” of value investing is *the process of investing in securities for less than they are worth based on the future cash generation of the underlying business*, Graham, then, moves on to the “how” of value investing, i.e., how to find and evaluate different potential investments. It is here where the concept of “low multiples” is introduced.

Graham’s idea was simplicity itself: Why not just limit yourself to investing in businesses that have a long history of profitability, where you can buy them for less than their book value? Later practitioners (famously Buffet) extended Graham’s ideas to include buying above average businesses with long histories of steady growth and high returns on capital at average or below average prices.

Why not indeed! Such a method provides a wonderful mix of downside protection, due to the value or quality of the assets, and upside, due to the ongoing profits / dividends of the enterprise and the eventual re-valuation of the stock.

This “low multiple” approach to investing relies fundamentally on the view that past is prolog. The company’s past profits presage future profits, and the past cost of acquiring/ building its assets presage their future value.

Why does low multiple investing work?

Given how competitive securities markets are, it seems a little surprising that picking stocks based on “cheapness” would work over so many years. Yet the academic research suggests that it has. Plenty of theories exist as to why, my favorite being the approach’s emphasis on the quantitative over the qualitative.

Analysts following a low multiple guided approach are taught to ignore or at least to meaningfully underweight qualitative considerations in favor of quantitative considerations. Academic psychologists have long identified a phenomenon called “base rate neglect,” where humans tend to meaningfully overweight colorful qualitative evidence at the expense of less colorful quantitative evidence. By emphasizing the quantitative, analysts are probably better weighting the evidence at hand.



Of course the past is not always prolog. Technological change can drive thriving businesses to ruin, and once critical assets can become relics. Thus, unsurprisingly, not every investment purchased using this mean reversionist, low multiple approach works (more able practitioners try to identify these pitfalls and avoid them). However, this method of investing did work (and likely will work) over time on average.

As Graham and later Buffet's approach to investing spread and had success, many observers began to conflate the *what* of Grahams idea with the *how* of Graham's approach. Academics authored papers about "value" stock selection techniques, by which they really meant "low multiple" stock selection techniques. Asset managers got in the game, introducing various mutual funds and other products based on "value," i.e. "low multiple" approaches. Graham's more basic insight that security selection should focus on the profits of the underlying business was gradually lost, and the term "value" investing gradually came to mean "low multiple" investing to many.

We've never equated "low multiple" investing with "value" investing. To be clear, I am a big fan of quantitatively cheap investments. In fact, most of our investments were (and are) attractive to us in no small part for their long history of profits, growth, high returns on capital and low multiples.

That said, finding long established quantitatively cheap investments a la Graham is one way but not the only way to find undervalued businesses. Another way to find profitable investments is to study and invest in newer businesses with (hopefully) very bright futures (relative to the price).

For these newer businesses, the past is not prolog and they come with a significantly more risk than long established businesses. Three such risks stand out. First, whereas the competitors to old, established companies have had plenty of time to mount waves of attacks thereby, testing the incumbent's business model/ economic advantages, newer companies often have yet to be tested. Analysts studying newer companies need to guess how these companies will withstand these assaults, and guessing wrong can be perilous (as investors in GoPro and Blue Apron learned the hard way). Second, newer companies often emerge in areas of the economy and society where rapid technological change is occurring. It is this very change which, in many circumstances, opens up the new competitive niche that the new company is exploiting. However, investing in areas of rapid change is risky, since the next innovation could make you obsolete. Third, newer companies, due to their newness have not had decades to build up



assets and advantages on which an investor can fall back. If the company's business model proves unworkable, transient, or is competed away, investors in the new company likely face substantial losses.

To make these matters worse, an analyst studying a new company often has less data to review than an analyst studying an older company. More judgements must be made qualitatively. These judgements are both less certain and more subject to the various cognitive biases that come with our evolved brains.

Despite these hazards, we do invest in newer, faster growing businesses where I think that the risk/ reward is favorable in spite of the issues above. With our next 13F filing, you will see that we added a new position (~20% of equity) which is definitely not a "low multiple" stock, but which we think is a value investment nonetheless.

Administrative

The Partnership's Amended and Restated Confidential Offering Memorandum (the "Offering Memorandum") requires that I disclose whether my investment in Sosin Partners, LP represents over 50% of my liquid net worth. I am pleased to say it does. In fact, it represents over 90% of my entire net worth. My family and I are invested right alongside you.

In addition, the Offering Memorandum requires that I disclose whether I have any other significant income generating activities. I do not. The management of the Partnership is my sole occupation and source of income.

Conclusion

I am excited for the prospects of our Partnership. While I expect our short term results will be volatile, I believe that profits over time will be worth the volatility.

You'll recall that we endeavor to benefit from a virtuous cycle wherein:

- 1) our investors trust us and allow us the space necessary to focus on long term investment performance,
- 2) this long term focus allows us to make better investment decisions unclouded by short term considerations,
- 3) better long term investment decisions, in turn, (hopefully) allow us to produce better long term returns, thus earning our investors' trust and restarting the cycle.



With this in mind, we continue to look for additional partners who understand and support our approach to investing. The wrong partners, partners who focus on short term performance, will not be welcome. Prospective investors should review the Amended and Restated Confidential Offering Memorandum for more information.

I appreciate your continued trust in me. As always, feel free to call or drop by the office if you'd like to chat.

Sincerely,

A handwritten signature in black ink, appearing to read 'Cliff Sosin'.

Clifford Sosin

CAS Investment Partners, LLC

The information contained in this report is intended for informational purposes only and is qualified in its entirety by the more detailed information contained in the Sosin Partners, LP offering memorandum (the "Offering Memorandum"). This report is not an offer to sell or a solicitation of an offer to purchase any investment product, which can only be made by the Offering Memorandum. An investment in the Partnership involves significant investment considerations and risks which are described in the Offering Memorandum.

The material presented herein, which is provided for the exclusive use of the person who has been authorized to receive it, is for your private information. CAS Investment Partners, LLC is soliciting no action based upon it. It is based upon information which we consider reliable, but neither CAS Investment Partners LLC nor any of its managers or employees represents that it is accurate or complete, and it should not be relied upon as such.

Performance information presented herein is historic and should not be taken as any indication of future performance. Among other things, growth of assets under management of CAS Investment Partners LLC may



adversely affect its investment performance. Also, future investments will be made under different economic conditions and may be made in different securities using different investment strategies.

The comparison of the Partnership's performance to a single market index is imperfect because the Partnership's portfolio may include the use of margin trading and other leverage and is not as diversified as the Standard and Poor's 500 Index or other indices. Due to the differences between the partnership's investment strategy and the methodology used to compute most indices, we caution potential investors that no indices are directly comparable to the results of the Partnership.