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Clifford Sosin
CAS Investment Partners, LLC
8 Wright Street, 1st Floor
Westport, CT 06880

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%
Q1 2017	1.6%	5.9%
Q2 2017	17.6%	3.1%
Q3 2017	3.9%	4.4%
Q4 2017	5.8%	6.8%
2017	31.2%	21.7%
Cumulative return since inception	270.1%	104.1%
Annualized return since inception	28.4%	14.6%

See disclaimer regarding comparison to indicies 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 performance summary, Sosin Partners, LP reported gains on a mark to market basis net of all fees, expenses, and performance allocations of 5.8% and 31.2% during the three and twelve months ended December 31, 2017, respectively. The broad market as represented by the SPY ETF was up 6.8% and 21.7% including dividends during those periods.

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 270.1%; this represents a 28.4% compound annualized rate of return. The SPY ETF is up 104.1% including dividends



during that period representing a 14.6% compound annualized rate of return.

The Balance Sheet

We ended the quarter with eight stock positions on the long side of the balance sheet, totaling 109% of equity capital. Two of our holdings are direct competitors, so it would be appropriate for you to think of us as having seven positions on the long side of the balance sheet. Our largest holding, representing 25% of equity capital, is our investment in World Acceptance Corporation. Our other holdings range in size from 8% of equity capital to 20% of equity capital. We also have a short position in the portfolio at 2% of equity capital. No other positions are material individually or collectively.

Volatility

The way we invest lends itself to volatility in the market value of our holdings. However, as I described in my last letter, this attribute is not a bug, it is a feature since the volatility deters others from copying our investment approach and the resulting reduced competition allows us to find bargains and thus to profit over time. That said, given that returns to date have been good and we have yet to experience any significant drawdowns, it is worth spending a few minutes contemplating the bad times, which are inevitable.

The table below shows the investing performance (gross returns – i.e. before fees or performance allocations) of an idol of mine over a fourteen year period. Take a moment to go through this track record year by year. Try to imagine living through this investment.

Year	Investor		S&P 500	
	Annual	Cumulative	Annual	Cumulative
1	30.1%	130.1%	-8.8%	91.2%
2	71.7%	223.4%	22.6%	111.8%
3	49.7%	334.4%	16.4%	130.2%
4	8.4%	362.5%	12.4%	146.3%
5	12.4%	407.4%	-10.0%	131.7%
6	56.2%	636.4%	23.8%	163.1%
7	40.4%	893.5%	10.8%	180.7%
8	28.3%	1146.4%	-8.2%	165.8%
9	-0.1%	1145.3%	3.6%	171.7%
10	25.4%	1436.2%	14.2%	196.1%
11	8.3%	1555.4%	18.8%	232.9%
12	-31.9%	1059.2%	-14.3%	199.6%
13	-31.5%	725.6%	-25.9%	147.9%
14	73.2%	1256.7%	37.6%	203.5%
Annual	19.8%	1256.7%	5.2%	203.5%



- Note that this investor underperformed the market in years 11, 12 and 13. That is three years in a row!
- Note that in years 12 and 13 this investor's returns were negative 31.9% and negative 31.5% respectively. Thus, an investor with \$1,000 in his account at the start of year twelve had only \$446 left in the account by end of year thirteen.
- Notice that during the five years from year 9 through the end of year 14, this investor was only up only 9.7%, while the market was up 18.5%. Also, this performance is before fees and performance allocations. Limited partners did even worse.

Imagine that these were your results. What would be your opinion of this manager? Would you continue to believe in this individual or would you redeem?

For most people, it looks like this manager has lost his/ her way or possibly was nothing more than lucky for the first nine years. However, this track record belongs to none other than Charlie Munger and runs from 1962 to 1975. At the end of 1975, he shut down his investment partnership and went on to become vice chairman of Berkshire Hathaway, where returns have been more than adequate.

While Munger's volatility is a bit greater than average, the simple fact is that any long term focused, concentrated, value based investor will inevitably have significant drawdowns and long spells of underperformance.

In fact, this idea can be taken to its logical extreme. Imagine a prescient investor who knew the best stocks to buy over the next five years but knew nothing about the path those stocks would take along the way. Such an investor would be a perfect long term investor. How would he/ she perform, how significant would his/ her drawdowns be?

Wes Gray recently wrote a wonderful blog^{1,2} imagining just such an investor and analyzing his/ her performance using historical stock price data. Here is how he summarized the results. "Our bottom line result is that perfect foresight has great returns, but gut-wrenching drawdowns. In other words, an active manager who was clairvoyant, and knew ahead of time exactly which stocks were going to be long-term winners and long-term losers, would likely get fired many times over if they were managing other people's money."

¹ <https://alphaarchitect.com/2016/02/02/even-god-would-get-fired-as-an-active-investor/>

² Those of you who saw our earliest marketing materials from 2012 and 2013 may recall that we had a similar analysis to Wes Gray's with similar findings. However Mr. Gray's is more recent and more complete so we are using his.



As Gray shows in his blog, while an investor with perfect foresight and a five year time horizon would compound at an eye popping 29% (20% better than the market), the results would come in anything but a straight line. The table below shows the drawdowns that such an investor would have experienced:

Drawdown Rank	Drawdown	Date of Prior Peak	Date of Low	Date of Recovery	Peak to Low (days)	Low to Recovery (days)	Peak to Peak (days)
1	-75.9%	8/30/1929	5/31/1932	6/30/1933	1,005	395	1,400
2	-40.8%	5/31/2008	2/28/2009	3/31/2010	273	396	669
3	-39.5%	8/31/2000	9/30/2001	9/30/2003	395	730	1,125
4	-38.5%	2/27/1937	3/31/1938	12/31/1938	397	275	672
5	-30.8%	12/31/1973	9/30/1974	4/30/1975	273	212	485
6	-27.7%	8/31/1987	11/30/1987	1/31/1989	91	428	519
7	-26.9%	5/31/1946	11/30/1946	4/30/1948	183	517	700
8	-24.6%	11/30/1980	9/30/1981	8/31/1982	304	335	639
9	-21.5%	2/28/1962	6/30/1962	1/31/1963	122	215	337
10	-20.1%	3/31/1934	7/31/1934	4/30/1935	122	273	395

Even ignoring the 76% drawdown in the Great Depression, this theoretical ideal investor would have experienced four drawdowns of 25-40% in the thirty years spanning 1980-2010. That is roughly one drawdown every 7.5 years! What's more, this idealized investor makes no mistakes and has a highly diversified portfolio consisting of the best 50 stocks out of the largest 500 stocks. More concentration, smaller stocks and a few mistakes would undoubtedly increase the frequency and severity of drawdowns.

The simple fact is that substantial drawdowns are a fact of life if you invest long enough. My goal is for our Partnership to last a very long time. As such, big drawdowns are inevitable (although I can't predict when they will occur). That we haven't had a big drawdown yet is merely a consequence of luck and our Partnership's limited life to date.

So what does one do with this realization? The answer: be prepared.

To be clear, being prepared does not mean avoiding potentially volatile or cyclical investments, holding cash in lieu of making compelling purchases, or any other effort to sidestep price volatility. Over time, steps taken to avoid occasional drawdowns end up being extremely costly to long term compounding. Instead, preparation is about building a personal life and maintaining an organization which will facilitate equanimity and rational choices in the face of



market price declines. It comes down to creating a headspace where good long term choices will come naturally, even when stocks are crashing.

At CAS, we try to create this environment in a number of ways. Financially, our Partnership avoids excess leverage, we keep the management company's operating expenses low, and I keep my living costs low relative to my wealth and income. Thus, as asset prices fall, we can avoid being governed by the near term

necessities of bills or margin calls and instead focus on the long term opportunities presented to us.

Psychologically, we mentally rehearse maintaining a rational and long term disposition in all our thinking and use public pre-commitment devices (such as this letter) to tie our future selves to a rational course of behavior.

Institutionally, we seek to attract Limited Partners who are themselves dedicated to being rational through a drawdown, and we encourage them to use lockups and other tools as a way of ensuring that they actually behave that way.

"You can argue that if you're not willing to react with equanimity to a market price decline of 50% two or three times a century you're not fit to be a common shareholder, and you deserve the mediocre result you're going to get compared to the people who do have the temperament, who can be more philosophical about these market fluctuations." – Charlie Munger

If we are successful, substantial volatility in stock prices will ultimately prove a boon to our Partnership. To be clear, we will see substantial mark to market price declines. However, hopefully, we (and the companies in which we are invested) will be able to use the dislocations to make some bargain purchases. In the end, to paraphrase Kipling, if we can keep our heads when all about [us] are losing theirs, we'll emerge from the drawdown far better off than we would be if one had never occurred.

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; and
- 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', is written in a cursive style.

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.

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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.

Statements made herein that are not attributed to a third party source reflect the views, beliefs and opinions of CAS Investment Partners LLC and should not be taken as factual statements.