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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%
2018	29.8%	-4.6%
2019	64.5%	31.2%
2020	96.5%	18.3%
2021	3.9%	28.7%
Q1 2022	-26.7%	-4.6%
Q2 2022	-52.9%	-16.2%
YTD 2021	-65.5%	-20.0%
Cumulative return since inception	456.5%	211.3%
Annualized return since inception	19.3%	12.4%

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 losses on a mark to market basis net of all fees, expenses and performance allocations of 52.9% and 65.5% during the three and six months ended June 30, 2022, respectively. The broad market as represented by the SPY ETF declined 4.6% and 16.2% 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 456.5%; this represents a



19.3% compound annualized rate of return. The SPY ETF is up 211.3% including dividends during that period, representing a 12.4% compound annualized rate of return.

The Balance Sheet

We ended the quarter with seven stock positions on the long side of the balance sheet. Our long holdings total 100% of equity capital. Due to the decline in the market value of our other holdings, our investment in Hilton Grand Vacations common stock (NYSE: HGV) has become our largest single holding at ~35% of equity capital. Our other six holdings range in size from 3% to 20% of equity capital. Other than the aforementioned seven stocks, there are a few other small items on our balance sheet, but none are material.

Mark to Market Performance

In my first letter from October 2012, I noted that there was something contradictory about an investment partnership premised on the idea that market prices are wrong, measuring its gains and losses based on market pricing. This contradiction has been on full display these last nine months. While there is nothing fun at all about this episode, I do not believe that these mark to market losses in any way reflect permanent diminution of value of our holdings.

This belief hinges in no small part on the value of our investment in Carvana, which in turn depends on the company's ability to become large(er) and meaningfully profitable. In my last letter, I laid out how Carvana's sales were lower due to the combined impact of a weaker used vehicle market and Carvana's ongoing logistics system issues. I also laid out how Carvana's unit economics positioned the company to earn more than enough profit to support its debt load and eventually make substantial profits for owners.

Since that letter the company has shared more details about its operations and its plans to realize its profitability potential. These details, combined with my continued research into the business and industry, have helped me to further test and refine my thesis. My conclusion is that our investment is sound. Carvana's value proposition to consumers is incredible. Its unit economics work; and while this episode will put the company behind where it otherwise might have been, its long term potential is roughly unchanged.

On this basis, I've nearly doubled our holdings in Carvana since the start of the year. While it will take some time for Carvana to pivot from a posture of blitz scaling to one of profitable growth, I have little doubt they will succeed. Assuming I am right, these bargain purchases should allow us to exit this episode ahead.



I will continue to monitor this position and leave open the potential to change my mind and investment positioning if my assessment of the facts change.

Despite its larger size and bigger profile, Carvana has not been our only position to have significant mark to market losses this year. Cardlytics (NASDAQ: CDLX) has also contributed, with its nearly 80% mark to market decline since the start of the year and greater than 90% decline since its mark to market highs last year. I haven't written about our investment in Cardlytics previously. The next section describes our thesis and the current concerns.

Cardlytics¹

Cardlytics distributes card-linked offers through the bank channel. If your primary spending card is with a top bank such as Chase, Bank of America, Wells Fargo, Truist, or PNC, you have access to their content, which you might recognize as Chase Offers, BankAmerideals or Wells Fargo Rewards, etc. Cardlytics serves eight of the top ten banks representing roughly one in two card swipes in the United States. The company also serves leading fintech companies such as Betterment and Venmo and was just selected by Credit Karma to power the rewards for their new bank offering.

We own just under 15% of the company, which I initially acquired in early 2019.

From a consumer's perspective, card linked offers work in the consumer banking experience as follows: Step one, the consumer activates the offer by tapping it in the bank app or clicking it on the bank website on their desktop; Step two, the consumer uses the debit or credit card associated with the account to shop at the merchant during the offer period, typically an initial 45 days; Step three, the consumer is automatically credited with the cashback reward.

Consumers love Cardlytics's card-linked offers since they allow them to save money on the sorts of things they buy every day. During 2021, Cardlytics offers were made available to 171 million monthly active users (MAUs), who on average open their bank app 11 times per month. Of these users, 51 million unique MAUs activated 597 million offers and saved \$127 million dollars.

From an advertiser's perspective card linked offers in the bank channel powered by Cardlytics are powerful.

¹ Information reflected herein relating to the companies mentioned is attributable too either the applicable company, our channel checks, expert networks, SEC filings and/ or other sources we deemed credible.

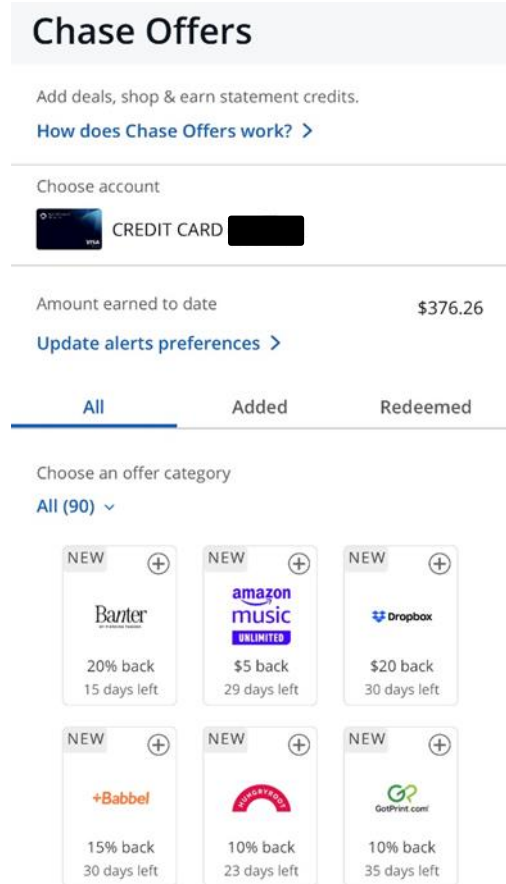
- 1) The offers are distributed in the brand-safe, fraud free, verified banking environment.
- 2) The offers are targeted based on each consumer’s actual spending. (Starbucks can target consumers who frequently shop in the café category, near to a Starbucks, but who infrequently shop at Starbucks).
- 3) The offer performance can be measured nearly perfectly with a randomized controlled trial methodology using actual consumer spending data.
- 4) The offers provide compelling returns to advertisers. Typically, advertisers garner \$4 - \$6 of incremental revenue per dollar spent in the channel. (To be clear, incremental spend means spending by the group exposed to the offer in excess of the spending by the control group, which is not exposed to the offer.)

From a bank’s perspective, Cardlytics brings substantial value. Most obviously, Cardlytics provides its bank partners with a revenue share. Banks get a little over half of what advertisers pay after giving affect for the consumer incentive.

More significantly, consumers who engage with Cardlytics card-linked offers spend more on their cards, revolve more on their cards, engage more with the bank’s app, and are less likely to churn. Collectively, these benefits to bank partners are multiple times more valuable than the revenue share.

Despite its obvious benefits, the Cardlytics ad channel has several significant limitations:

First, the ad units themselves, which are essentially only logos with a percent off written on them, do not provide any meaningful potential to create awareness or to communicate more complex offers. For simple offers from large, well-known advertisers (e.g., 5% off at McDonalds), this does not present an insurmountable issue to consumer use. However, complex offers or offers from less well-known advertisers are more problematic, since they cannot communicate the details of a more complicated offer or create excitement around a lesser-known advertiser.



The screenshot shows the 'Chase Offers' interface. At the top, it says 'Add deals, shop & earn statement credits.' and has a link 'How does Chase Offers work? >'. Below that is a 'Choose account' section showing a 'CREDIT CARD' with a masked number. The 'Amount earned to date' is \$376.26, with a link 'Update alerts preferences >'. There are three tabs: 'All' (selected), 'Added', and 'Redeemed'. Under 'Choose an offer category', it says 'All (90) v'. A grid of six offers is displayed, each with a 'NEW' badge and a '+' icon. The offers are: Barter (20% back, 15 days left), Amazon Music Unlimited (\$5 back, 29 days left), Dropbox (\$20 back, 30 days left), +Babbel (15% back, 30 days left), Superfoods (10% back, 23 days left), and GoPint.com (10% back, 35 days left).



Second, the offers in the Cardlytics channel can only be provided on a merchant-wide basis. They cannot be limited to specific categories or items (stock keeping units or SKUs). In part, this limitation is due to the simple ad units described above (where there is no way to describe a complex offer), but it also is because bank data only captures *where* someone shopped, not *what* they bought.

As a consequence of this limitation, advertisers with heterogenous margins such as mass merchants (e.g. Walmart), gas stations (e.g. Circle K), and hardware stores (e.g. Lowes) can only make limited use of the channel out of concern the offers will be used by consumers to purchase low margin items. Additionally, the inability to design offers around specific categories or SKUs prevents manufacturers (e.g. Campbell's or Black & Decker) from utilizing the channel. In some verticals such as grocery, this is a severe limitation, since in those channels, manufacturers collect most of the margin and provide most of the advertising/ discounting.

Third, Cardlytics is distributed through white glove enterprise sales, as opposed to through a self-service platform. This approach to distribution, while the simplest, prevents smaller and mid-sized advertisers and the ad agencies who serve them from using the channel.

Despite these limitations, over the last 14 years the Cardlytics Platform has grown into an advertising business that last year generated \$258 million of revenue and is growing in the 25-30% range. Using just this product and sales model, the company has runway with existing advertisers and high quality prospects to grow tenfold or more over time, and multiples larger still if/ when the company adds additional bank partners, and as consumers migrate toward digital banking.

Cardlytics has made significant investments to address the limitations in its channel, and thereby to significantly accelerate its growth and expand its market opportunity.

The company developed a new ad server that it is in the process of rolling out to the various bank partners. This new ad server replaces the original on premises or hosted ad server with a new, AWS-based solution. Once adopted, the new ad server should bring with it all the typical cost and flexibility benefits that typically accompany transitioning to a modern microservice, cloud-based architecture. In the case of Cardlytics, these benefits would likely be accentuated by reducing the company's reliance on its bank partners to make technology changes/ updates. In addition, the implementation of the new ad server should allow significant enhancements in the ad units and user interface, including searchable offers, offers organized by category and imagery.



The new ad server currently operates at US Bancorp. The company is working with its other bank partners to migrate them and expects to migrate banks, representing approximately 50% of its monthly active users, during 2022, with the bulk of the remainder migrating in 2023.

In addition to the new ad server for banks, the company has also developed a self-service platform for advertisers. A self-service platform is software tool that, when fully featured, can allow advertisers to design, test, implement, and monitor their campaigns without the assistance of Cardlytics's staff. Given its many features and the requirement that it be user friendly to gain adoption, the self-service platform is a challenging and time-consuming piece of software to engineer, requiring years of development, user feedback and iteration. Cardlytics regarding its self-service platform date back several years, and the software is beginning to reach maturity.

The self-service platform, especially when combined with enhanced ad units facilitated by the new ad server, should allow Cardlytics to expand its ad channel to serve small and medium sized advertisers whose logos are not immediately recognizable by consumers and who usually work through ad agencies or self-service. These small and medium sized advertisers collectively are a bigger opportunity than the large enterprise advertisers Cardlytics has historically served, and have historically been early and rapid adopters of new advertising channels.

On top of the benefits of the self-service platform and new ad server, the company has also laid the foundation to offer category and SKU-based offers with its acquisition of Bridg, a software company selling a customer data platform that Cardlytics acquired for \$350 million plus a multi-hundred million dollar earnout in 2021.

Bridg's business model works as follows: The company integrates into the point-of-sale systems of leading retailers and restaurants. As consumers transact with a given merchant, Bridg's software uses each customer's non personally identifiable payment information (first name, last name, first four card numbers, last four card numbers), other third-party data sets, the data from other Bridg clients, and artificial intelligence to probabilistically match each consumer to an email address. These email addresses can then be used as unique identifiers to longitudinally track customer behavior.

Using Bridg software, Bridg clients can then analyze their consumers' behavior at their establishment over time. For example, according to a former Bridg employee I spoke with,



Chipotle used Bridg to identify which menu items when purchased by consumers led to lower return rates and consequently, to fix its underperforming menu items. (The culprit was the queso). Bridg clients can also target groups of consumers with like attributes (e.g. the customers who never returned after eating the queso), using their email addresses as identifiers with advertising in digital marketing channels such as Facebook and of course now Cardlytics.

At the time it was acquired by Cardlytics, Bridg's probabilistic identity matching engine (the Bridg ID Bureau) was reportedly the best in the industry, and the company had a multiyear lead in this area. As Bridg's owner, Cardlytics extended and cemented that advantage by contributing its card spending data into the Bridg ID Bureau, thereby significantly enhancing Bridg's match rate. Thus, now, as a part of Cardlytics, Bridg benefits from an enduring unfair advantage over its competitors. (To be clear, this enhancement to Bridg does not expose any personally identifiable information from the banks to any anyone outside of Cardlytics.) As you would expect, the team at Bridg is busily working to use its advantaged position to win more clients.

As mentioned above, to function, Bridg must be integrated into the merchant's point of sale system. Getting these integrations is difficult as 1) the integrations require meaningful use of scarce technology resources from both Bridg and the merchant (Doing these integrations well is one of Bridg's core capabilities); and 2) point of sale data is jealously guarded by most merchants.

Despite the challenges and sensitivity, merchants see value in the ability to longitudinally monitor the behavior of their consumers, and Bridg has been steadily adding major merchants over time. As Bridg expands, it builds an ever-larger set of point-of-sale integrations into major merchants. Since Cardlytics owns Bridg, with a merchant's permission, once a merchant is connected, Cardlytics can use the Bridg integration to power category or SKU-specific offers in the Cardlytics channel.

It is hard to overstate how significantly the ability to offer category or SKU-based offers enhances the Cardlytics bank channel and business model. With category and/ or SKU specific



"Before we begin tonight's dream,
a word from our sponsor..."

offers, large retail segments including grocery, mass, big box hardware, and convenience, which have previously made limited use of the channel due to their low and/ or heterogenous margins, should be able to make significantly more use of the channel. The company can tap into the vast shopper marketing and advertising budgets of manufacturers at firms like Unilever and Procter & Gamble. Even existing advertisers such as Starbucks or Panera, who currently make substantial use of the channel, should be able to increase spending and tap new budgets by using Cardlytics to promote specific menu items. Unsurprisingly, banks are excited

about the potential of this new capability. An early test of SKU specific offers powered by Bridg for US Bancorp customers to buy Hershey's products at Rite Aid yielded positive results.

From our perspective, the combined benefits of the new ad server, the self-service platform and category and SKU specific offers powered by Bridg should substantially accelerate Cardlytics growth and enlarge its long-term market opportunity. These improvements also represent a suite of capabilities that are extremely difficult, if not impossible, for a bank or would-be competitor to duplicate.

While Cardlytics' potential is vast, its realization will take many years. Indeed, having been invested in Cardlytics for the past three years now, one lesson has been that everything takes longer than one would hope/ expect.

A major impediment to speed is bank approval processes. Every meaningful change to the platform requires that the partner banks agree. These agreements can require months or years of machinations within the bank bureaucracy. Often perfectly reasonable sounding ideas will not be approved or only approved after long delays.

Further slowing development is the relatively slow pace of change at the large enterprise advertisers who traditionally have been Cardlytics primary customers and whose advertising is



most sought after by big banks. Budgets only move so fast at Chipotle or Target, regardless of the quality of an advertising channel.

Despite these challenges, I believe that the prize for Cardlytics succeeding should be well worth the wait. With its vast reach and unique data, Cardlytics has the potential to act as both an advertising/ awareness engine and as an economy-wide discount targeting and pricing personalization engine. Given the many hundreds of billions “spent” on relatively untargeted discounts and markdowns, this opportunity gives Cardlytics the potential to be an extremely large company. Framed another way, it is possible to extrapolate from what existing advertisers can spend to arrive at a \$100 billion market (and growing) opportunity for Cardlytics in the US alone.

At maturity Cardlytics should be able to garner 15-20% net income margins (more if they are successful in reducing bank partner share over time). At 20x profits, these margins would make the business worth 3-4x revenue. At the stock’s all-time highs, any growth of the business past \$1bn per year of revenue represented upside. At today’s price, the business already trades for less than half of its current value at its long-term margins.

Given the attractiveness of card-linked offer programs to a bank, it would seem logical that banks manage such programs on their own, cutting Cardlytics out and keeping all the revenue. However, such a strategy presents issues for the banks.

First, Cardlytics undertakes meaningful and expensive efforts to facilitate the sale of card-linked offers to advertisers on behalf of banks. In 2021, after excluding the cost to deliver offers and acquisition purchase accounting, Cardlytics spent approximately \$170 million on the advertising platform. This year, that spending will likely top \$200 million. Much of this spend represents investments in the future capabilities and growth of the channel.

While a bank serving only its own needs might be able to operate its own ad network at a lower overall annual cost than Cardlytics, such savings would likely be modest. Sales expenses, for example, would need to be similar to achieve the same coverage of enterprise clients. Technology teams would also need to be similarly sized. Based on this observation, even Cardlytics largest bank partner, JP Morgan Chase, would need the channel to be severalfold larger for the benefits of cutting Cardlytics out of the economics to exceed the direct costs of doing so.



Compounding any potential insourcing strategy's problems is the fact that a lot of Cardlytics's efforts have cumulative value for the channel. A bank couldn't just start spending a couple hundred million dollars per year and replicate Cardlytics capabilities. It would take years to build the software, the sales force, the knowhow, and the advertiser relationships. While the first three of these would arguably be matters the bank could try to control, the last – advertiser relationships – would put the bank at the mercy of advertisers' timetables to run pilots and allocate budgets.

Further, a bank trying to go it alone would also encounter difficulty due to its reduced reach (the size of its audience). Advertisers value reach. They simply don't want to deal with the managerial time and effort to evaluate, test and manage smaller channels. For this reason, channels with less reach find it more difficult (often much more difficult) to compete for marketing executives' time, attention, and budget than larger channels. Obviously, on its own, even Cardlytics largest bank partner would still be a fraction of the size of Cardlytics, and this would almost certainly make its sales efforts meaningfully less efficient.

Given its reduced reach, less mature technology, and limited experience, a bank attempting to build its own ad network without Cardlytics would all but certainly find itself with less offer content on its system for many years, if not in perpetuity. This lost content would not only mean less revenue for the bank, but more importantly less of the secondary benefits (retention, cardholder spend, etc.) that come with a vibrant collection of offers. You'll recall that these secondary benefits are multiple times more valuable to a bank than its revenue share, so depending on just how much less productive a bank's stand-alone effort was, it is possible for a bank to end up behind, even without considering the direct costs of duplicating Cardlytics.

Given the facts above, it is not hard to see how the substantial costs of building and running a card-linked offer program, combined with the reduced benefits from a smaller, less vibrant program, serve as meaningful inducements to partner with and stay partnered with Cardlytics.

Perhaps unsurprisingly then, despite having partnerships with banks who represent half of all card swipes, Cardlytics has never involuntarily lost a bank partner. What's more, this impressive track record has been achieved without the significant enhancements made to the platform over the past few years. The self-service platform, essential to targeting small/ mid-sized advertisers, would be difficult, costly and time consuming to replicate. Bridg, essential to providing category or SKU-based offers, arguably cannot be duplicated at all.



While I have focused this discussion on why banks don't choose to insource their card-linked offer platforms, the same logic applies to would-be competitors. These competitors face all the issues that a bank attempting to run its own ad channel would face. In addition to these challenges, they would also need to convince banks to partner with them. This is no easy feat; banks are extremely reticent to share the transaction data that they share with Cardlytics with anyone and are deeply cautious with any relationship that touches their customers or impacts their technology. Even if a competitor could win a bank, the sales cycles are long, measured in years, not months.

By now, our investment thesis for Cardlytics should be crystalizing for you. First, Cardlytics is the clear winner in a naturally monopolistic business. Second, marketing through card-linked offers in the bank channel should grow to be a major advertising channel. Assuming we are right about these two hypotheses, our investment is destined to be incredibly profitable.

We initially invested in Cardlytics in early 2019 at a price of approximately \$14 per share. Since then, there have been significant ups and downs in the stock price, including a brief period in early 2021 when the stock traded above \$150 per share. At the start of this year, the stock traded at \$67 per share, and as of this writing it has fallen to \$13 per share.

The business' progress has been steadier. Revenue in 2018 was \$151 million. In 2022 revenue is anticipated to be approximately \$340 million, representing a 22% compounded annual growth rate. While this seems like a lot of progress (and it is), it is in fact less progress than I expected when I initially invested. In retrospect, the quality of the technology, the technology team, and the sales team were all lower than I had initially perceived. In addition, with the benefit of hindsight, I underestimated the difficulty inherent in getting enterprise advertisers to adopt new ad channels, building a self-service platform, and getting banks to do just about anything. The unique challenges related to the pandemic, which ended up costing the company advertisers such as Airbnb (they ended all promotion based marketing), also set the company back.

Despite the challenges, the company has progressed a long way. The overall talent level of the organization has materially increased. The technology stack has been significantly modernized, and (hopefully) most of the banks will be implementing the new ad server over the next eighteen months. Once the new ad server is in place, Cardlytics should be able to begin working with banks to improve the ad units, introduce category and SKU-specific offers into the channel, and broaden the number of offers from mid-market advertisers. As a result, the



company's rate of growth should accelerate, and the incremental margins earned on the growth should make the company materially profitable.

For the most part, the decline in Cardlytics stock price from the mid-60s at the start of the year to the mid twenty's at the end of Q2 could not be tied to any company-specific issues. Since the beginning of July, however, new concerns have arisen and the stock price has halved again to approximately \$13 per share, so let me address this latest development.

What happened was a company called Augeo sold a business called Figg to JP Morgan Chase. Figg is a very small competitor to Cardlytics. Figg provides card-linked offers for USAA and Fifth Third Bank, as well as some smaller banks. (Although I should caveat this statement with the disclaimer that competitive intelligence in this business can be uncertain.) Figg was also known to be courting Bank of America for their business and succeeded in getting Bank of America to place some offers they had sourced through a partner in the Bank Amerideals feed. (These offers were untargeted as Figg was not allowed access to any of Bank of America's transaction data.)

Some investors fear that JPM bought Figg as a foundation off which to build an internal card-linked offers program and to eventually leave Cardlytics. While I recognize the logic of this fear, and concern was my first reaction, as I've learned more, I've come to believe that is likely not the case.

First, Figg is tiny. LinkedIn shows it as having 72 employees (vs. approximately 600 for Cardlytics). Per my channel checks over time, Figg has never had any particularly remarkable capabilities and has a far less developed offering and smaller salesforce than Cardlytics.

It also sounds (with the same caveats to competitive intelligence) that JPM did not pay particularly much for Figg. The price tag was apparently below \$100 million. This is hardly the price one would expect for the foundation of their offers program and at such a price, the business plan to justify the acquisition need not include a plan to displace Cardlytics.

Moreover, according to Cardlytics' management, JPM has been telling Cardlytics that this acquisition is not intended as a vehicle to displace Cardlytics. Chase executives informed Cardlytics executives of the acquisition months before its consummation was disclosed by Augeo. Since sharing their intended acquisition, Chase executives have repeatedly reassured Cardlytics's executives that they are delighted with their relationship with Cardlytics and that the acquisition won't materially impact the partnership.



Far from using Figg as a vehicle to exit the relationship with Cardlytics, Chase claims that they are, in fact, investing more in the relationship through the acquisition. Chase claims that they purchased Figg to enhance the value of Cardlytics' offerings in the Chase ecosystem. Specifically, Chase claims they want to choose which Chase consumers get prioritized for offers using data and analytics that they never share with third parties (even Cardlytics) to power the targeting. (For example, two customers are eligible for a Panera, offer but one of them has been browsing the mortgage application site.)

Chase's logic makes sense and is in line with the cost of the acquisition and Figg's size and scale. In fact, assuming it is accurate, Chase's reason would make its acquisition of Figg a positive development for Cardlytics, as it would demonstrate Chase's willingness to invest in its partnership with Cardlytics and the card-linked offer channel.

But do we believe Chase's assurances? Normally, the answer is probably not. However, in the case of JPM, that isn't so clear.

According to a former executive of OnDeck, when Chase exited its partnership with OnDeck in 2019, the process was transparent. About six to nine months before terminating, executives from Chase told the CEO of OnDeck that they were going to run a review process and they might end the partnership. They ran the review, and at the end of the review, they ended the relationship. According to this executive, based on his experience partnering with Chase, if Chase is saying it is committed to the partnership with Cardlytics, this is probably the truth.

More importantly, Chase has continued to behave like a highly committed partner. The bank has continued the work of migrating to Cardlytics' new ad server. It would make no sense at all for Chase to devote its scarce tech resources to this significant project, were executives planning on exiting the relationship anytime in the foreseeable future.

To these points, I would add that Cardlytics' bank partners, including Chase, are reportedly excited about the potential inherent in Cardlytics' enhanced capabilities, most significantly, category and SKU-specific offers powered by Bridg. It would be surprising if they decided to exit the partnership just as these new, valuable, and extremely difficult to replicate capabilities were coming online.

Even if Chase isn't being entirely forthright about its potential uses for Figg, there are many logical use cases which fall far short of displacing Cardlytics. For example, Chase could also



conceivably use Figg to source a limited portfolio of offers, uniquely available Chase customers from Chase business clients through its business banking relationships, or Chase could create a tool to allow its small business banking relationships to provide offers exclusively to Chase customers. In either case, such a program, if successful, would add some unique, Chase-only, content to the offer program without impacting the Cardlytics relationship in the main.

Chase could also see Figg as a potential source of leverage when its arrangement with Cardlytics comes up for renewal in 2025. While this surely is a negative from Cardlytics' perspective, with its ever-expanding base of advertisers and enhanced capabilities, Cardlytics will not go into those negotiations without significant leverage of its own.

I view the odds that Chase leaves as the product of, the probability that 1) Chase intends to use Figg as a vehicle to exit or significantly curtail the Cardlytics relationship, and 2) the probability that such an effort would succeed. Given what Chase is telling Cardlytics, their behavior history with OnDeck, their continuing implementation of the new ad server, and the promise of Cardlytics' new capabilities, I believe the odds that Chase intends to end the partnership are low. Given the significant investments and inherent challenges in replicating Cardlytics' capabilities, I think the odds that such an effort would succeed are also low. Multiplied together, I think the odds Cardlytics loses Chase are very modest... but not-zero.

While losing Chase, which represents roughly a third of Cardlytics' monthly active users and a greater share of its cardholder spend, would undoubtedly be a significant setback, its immediate effects might not be as bad as they first seem.

First, most of Cardlytics' advertisers only spend a portion of what they could spend in their various campaigns given their budget constraints, as compared to the large size of the channel. This means that Cardlytics could continue to absorb most of their budgets by redirecting offers to the remaining banks, with identical performance for advertisers. Second, Chase has a favorable revenue share relative to other banks. Consequently, as offers would be redirected away from Chase, Cardlytics' gross profits on those offers would somewhat improve.

With these offsets, while losing Chase would set Cardlytics back, the company would still be in position to build a meaningful and profitable business, especially if they were to continue to attract additional banks and/ or re-win Chase in the future.

Nor would the loss of Chase presage a loss of other bank partners. Chase is Cardlytics' largest partner, and thus the one most able to leave (and then only by buying Cardlytics's only



competitor). Other banks would have less scale/ reach and no company like Figg to buy. The loss of Chase would also increase the density of offers on other banks, making it that much harder to displace Cardlytics.

There are also positives associated with Chase's acquisition of Figg to consider.

The acquisition removes the only competitor left to speak of. Last year's investor concern was that Bank of America, which experimented with some Figg-sourced offers, and had a contract that expired in December, would migrate to Figg. Obviously with Figg in JPM's hands, this concern is gone. Thus, while JPM could use Figg for leverage in future negotiations, other banks will likely be denied that option.

(In a coincidence of timing, the long-negotiated renewal with Bank of America was re-signed just days after the Figg acquisition was announced.)

Additionally, whether Chase intends to leave Cardlytics or not, Chase's acquisition should help Cardlytics to attract a few additional banks. USAA and Fifth Third presumably don't want to partner with a competitor. Adding them to the channel would further increase Cardlytics' reach and improve its blended revenue share.

In total, from an expected value perspective, this small portfolio of high likelihood but modest magnitude benefits may more than offset what I perceive as the low probability, albeit high severity, risk that Chase ultimately does leave the platform.

Stepping back, our hypothesis on Cardlytics is that the company has significant competitive advantages. It is possible that Chase may decide to test this hypothesis. I've dedicated the bulk of this letter to describing why I think Cardlytics will pass this test. Assuming this analysis proves correct, Cardlytics should have many years of significant growth and profitability into a very large opportunity. Only time will tell.

As always, thank you for your continued trust and support.

Administrative

The Partnership's Amended and Restated Confidential Offering Memorandum (the "Offering Memorandum") requires that I disclose whether my investments in Sosin Partners, LP and parallel funds represent over 50% of my liquid net worth. I am pleased to say they do. In fact,



they represent approximately 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 and parallel funds 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.

Other than raising capital to replace any redemptions and approximately \$30 million of capital additions per year, we will not be raising any incremental capital. Given this constraint and the number of people who have requested access, at present we cannot guarantee access before 2023.

That said, over time we do anticipate continuing to bring on additional partners to backfill any redemptions and are open to building those relationships well in advance of any potential subscription. Potential partners who understand and support our long term approach to investing 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 over a light blue horizontal line.

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.