Dear Partners,

Our performance this quarter was unremarkable, and we're more or less flat (on a gross basis) year-to-date. Our cash balance at quarter end was in the neighborhood of ~10 – 11%, and we actually dipped into the single-digits at one point during the quarter due to multiple opportunities to deploy capital at exceptional rates of expected return.

	YTD 2017	Since Inception on 2016-01-11 (Annualized)	Since Inception on 2016-01-11 (Cumulative)
Askeladden Capital Partners (Gross)	~ – 0%	~ + 35%	~ + 69%
Askeladden Capital Partners (Net)	~ – 1%	~ + 31%	~ + 58%
S&P 1000 Total Return Index	~ + 9%	~ + 24%	~ + 43%
ACP Net +/- To SP1000 TR	~ – 10%	~ + 7%	~ + 15%

DISCLAIMER: Data is estimated, unaudited, and provided for directional color only. Past performance is not a predictor of future results. We do not expect our future returns to approximate our historical returns. Amounts may differ due to rounding. Please consult your monthly statements from Fund Associates LLC or audited annual financials from Spicer Jeffries LLP for actual returns. Decimal points have been excluded so as not to convey a level of precision that these estimates are not intended to convey. Net returns are calculated assuming a hypothetical investor paid the standard fee structure of a 1.5% annual management fee and 30% of the outperformance, if any, vs. the S&P 1000 Total Return index, which was chosen because it has historically outperformed the Russell 2000 and most accurately represents our typical investment universe of small and mid-capitalization U.S. equities (i.e., those with a market cap of $10 billion or less). We may invest outside this universe (for example, in U.S. large caps or international small caps.) Individual investors' returns may differ from those presented here due to their date of entry into the fund or their specific fee structure (for example, accredited but non-qualified clients may not, by law, be charged a performance allocation, so they are typically charged a higher, flat management fee). Results are presented only for Askeladden Capital Partners LP and not for any of the separately managed accounts which Askeladden Capital Management LLC (the investment advisor to Askeladden Capital Partners LP) also oversees. While separately managed accouts are generally allocated very similarly to the fund, SMA clients' performance may differ based on factors such as: timing of account opening, tax considerations, specific client instructions, and manager discretion; therefore, SMA clients should consult their Interactive Brokers statements for specific performance information for their account. This is not an offering of securities or solicitation thereof; any offering of securities would only be made to accredited investors via a Private Placement Memorandum under Rule 506(c) of Regulation D, and any prospective partners who did not have a pre-existing relationship with Askeladden as of 1/18/2017 would be required to verify their accredited status with relevant documentation. This requirement does not apply to separately managed accounts. Any docuemnts prepared prior to 2017-01-18 were not intended for public distribution and should be read accordingly. Askeladden Capital Partners, and SMAs that mirror its strategy, should be considered high-risk investments suitable for only a small portion of an investor's overall portfolio, as they involve the risk of loss, including total loss. Specific risk factors are enumerated in our Form ADV.

Playing the long game, Volume 17 of 4,289.

"The long view picks at the lock of mediocrity." - Sam Hinkie

Originally, this section was, in the theme of NFL season, going to be an extended metaphor about pass protection, hot routes, and blitzes… but then I realized I'd sort of done that before, and also that I didn't have anything particularly interesting to metaphorize *about.* (A sign of bad writing is when you very eloquently say nothing of substance.) I expect the year-end letter will be a much better platform; until then, I'll be brief.

To introduce my uncharacteristically un-verbose thoughts: you've heard of investors making sports metaphors and quoting sports greats… but have you ever heard of a sportsperson quoting Seth Klarman and Charlie Munger? No? Well then, meet Sam Hinkie, former General Manager of the NBA's Philadelphia 76ers. I don't even *like* basketball,[i] and if I did like basketball I *certainly* wouldn't be rooting for Philly.[ii] Nonetheless, I quite like Sam Hinkie, a former Bain guy who ended up in sports management.[iii] A year and a half ago, Hinkie wrote this spectacular letter concisely and insightfully summarizing a lot of the challenges and opportunities that long-termism presents.[iv] Go read it!

- Hinkie cites the Buffett maxim about the utility of having opponents who've been taught that it's useless to try. Like most pithy aphorisms, I think there are 2+ layers of understanding: the casual, first-level "oh yeah, that makes sense," then, later, a more nuanced "Eureka!" moment when the cumulative weight of sufficient experience and internalization smacks you in the face. Eureka of the quarter/year:[v] many people go through life playing by *someone else's rules.* Parental authority, formal education, and workplace politics generally incentivize people to optimize their lives around pre-ordained – often suboptimal – dimensions.

- If there's one thing I've always been good at (… much to my parents' chagrin[vi]), it was differentiating between things that "needed to be done" and things that actually result in positive utility.

- In investment management, incentives both external (marketing) and internal (career/comp) create agency problems that alter investment process. To start, institutional LPs' capacity requirements and preference for "infrastructure" bias the industry toward larger operations unable to pursue non-scalable opportunities. The imperative of having an *investable* strategy usually leads to either narrow specialization or a constant hunt for immediately actionable investment candidates. Both approaches have benefits and limitations. Sector expertise can lead to deeper insights… but also myopia. Meanwhile, generalists are less dependent on a narrow opportunity set, but usually (at least if they're working for someone else and comped on an annual PnL) don't have the latitude to spend time learning about (and periodically revisiting) companies with no near-term investment prospects unless they fall under the "great company" label (and these companies rarely, if ever, get cheap enough to buy.) Simultaneously, ad-hoc generalists often face a boom/bust phenomenon – when valuations are high and opportunities are scarce, there's little of interest to work on other than the dregs that aren't worth working on anyway; when something happens and correlations go to 1, then all of a sudden *everything* looks cheap but, of course, there are only so many hours in a day.

- The pressure to prove you're doing something results in many analysts' workflow being divorced from what actually drives long-term returns. For example, there is a nearly industry-wide preference for *precision/comprehensiveness*. Longer isn't always better: data scientist Luke Schiefelbein recently analyzed SumZero's 10,000 research writeups submitted since 2008. Above-average wordcount underperformed below-average wordcount. But try telling your boss that when he asks for a three-sheet model…

- Given our avoidance of internal agency problems (one-man shop) and my stubborn refusal to modify investment process for marketability, I take a different approach: while I do occasionally dive into a potentially-actionable idea-du-jour, my research process primarily centers around building a watchlist of interesting companies that A) are high enough quality to merit investment at a certain valuation, and B) are not so spectacular/well-known that they are unlikely to ever reach that certain valuation. In other words, while I'm not looking at 52-week-lows, I typically don't work on Costco et al either. Names on the watchlist are revisited periodically, or immediately upon the valuation declining to an interesting level. The typical focus is on understanding the *really critical* issues *really deeply* and letting the rest take care of itself.

- Certainly, in any given short-term, this may cause us to occasionally miss an actionable ad-hoc opportunity or two. However, the long-term benefit is that following intriguing companies for years regardless of their valuations leads to a substantially more nuanced understanding (i.e. leaves us less prone to mistakes or oversights), and builds pattern-recognition capabilities that can be applied in wholly different industries. Particularly for our concentrated approach requiring only a handful of solid ideas per year, we don't need a very high percentage of our watchlist to be actionable at any given time… so this seems to give us the best shot of having the *best* portfolio possible. It's already paid off to the tune of roughly half our exposure (not counting names that were in the portfolio on Day 1, which would take the count even higher.) [vii]

- During Q3, we added the 100th name to our watchlist, and target reaching ~300 over the next 5 years. This comprises only part of our work, and perhaps not even the most important part… that to follow in Q4.[viii]

Westward on!
Samir

[ii] This *may* have something to do with the fact that I've spent the entirety of my life in the 20th percentile for height for my age cohort; basketball was, therefore, not exactly my sport. … oh let's be honest, *nothing* was my sport – but basketball was even less my sport than other sports and hence one of my least favorite.

[ii] I *am* a Cowboys fan, for crying out loud! For all the good that's done me over the past two decades.

[iii] So far I'm 2/2 on Bain guys being brilliant; fellow emerging manager Aaron Bigbee of Amplity Capital Partners is one of the most structured thinkers I know. I don't actually know Sam Hinkie personally, but he also seems very structured and analytical. Must be something in the water at the Bain offices… and no, don't give me any of that mental models nonsense about correlation/causation or sample size. :P

[iv] If the link doesn't work, here's the URL: http://www.espn.com/pdf/2016/0406/nba_hinkie_redact.pdf

[v] In case you were wondering, I was, in fact, wearing Levi's 511s when I had my Eureka moment. Archimedes would be disappointed. My neighbors, on the other hand, are probably relieved.

[vi] Notable things that did not create positive utility for pint-sized Samir included making my bed, edging the lawn, folding my socks, and attending social functions that I did not enjoy but instead positively loathed. In case you were wondering if my perspective has changed on any of the aforementioned… well, that would be a no. Time is too valuable to waste on things that aren't useful or enjoyable. Reading about Hinkie (and other people of that caliber) often results in a bout of Thiel-esque skepticism: maybe I shouldn't be worrying if I'm too ruthless and selfish with my time… maybe I should be worrying that I'm not ruthless and selfish enough.

[vii] To mime Jeff Bezos for a second, it's still always Day One in a Very Big Way around here. There's an inherent tension between the stability required to perfect a process and the iteration required to avoid stasis and eventual irrelevance; I'm not an expert, but one would imagine the key would seem to be setting the threshold for wholesale changes high enough that you can get work done, while always experimenting with tweaks around the edges and exposing yourself to new points of view. At this point I sound like a startup cliché so I'm going to stop.

[viii] And also, depending on how many times (and how successfully) I beat myself over the head with a Dale Carnegie book, a bit of an anecdotal extension to the SumZero story that totally violates the "praise specifically, criticize generally" rule…