ACADEMY
CAPITAL MANAGEMENT

February 9, 2022

Enclosed is your statement for the fourth quarter of 2021.

Our focus continues to be a diligent search for the best companies and the patience for their appropriate prices. In the larger context, we believe that the smooth sailing from easy money (monetary and fiscal) is behind us and are prepared for choppy seas ahead. We have never held a better group of portfolio companies. However, the dissonance of inflation sentiment, Federal Reserve tightening and a strong underlying economy will increase volatility. The conversations during 2022 are likely to gyrate between inflationary and recessionary fears, providing buying opportunities.

Our fourth quarter letter highlights companies that we have sold during the past year. Our preferred stock holding period is "forever"- or for as long as the underlying company is preserving or increasing its competitive advantage. Low turnover is a hallmark of our portfolios. Last year we sold the typical number of two companies. As we have discussed in prior letters, we have been reshaping our portfolios with more "irreplaceables" – those companies with enduring dominance. We look forward to a year in which *no* companies are sold.

In September, we sold our position in Liberty Global (LBTYK). As we said in an earlier quarterly letter, "London, England-based Liberty Global (LBTYK) is the largest international cable company, operating in 14 countries and led by John Malone." We outlined our thesis then: "We have been long term investors in cable, believing that its technology had competitive advantages due to its capital intensity and "right of way" complexity. Few investors want to risk "overbuild," duplicating cable structures. However, as its dominance for internet delivery increases, cable has an increased risk of price regulation. Overseas markets are much more competitive and complex. Even though we remain believers in cable, we would probably not venture overseas if it were not for the leadership of John Malone." Generally, our thesis has held true, and John Malone continues to impress. Yet, the past five-year investment divergence between John Malone's US-based Charter and his Europe-based Liberty was striking as Charter's price doubled and Liberty's was flat. This divergence seems caused by Europe's regulatory emphasis on forced competitive structures. As we tell clients repeatedly, "competition is bad for business." Since we had a gain of roughly 10%, we took our profit in search of better opportunities.

In October, we sold our position in Fleetcor (FLT). As we also said in an earlier letter introducing FLT, "Norcross, GA-based Fleetcor Technologies (FLT) is a provider of fleet cards and specialty payments to businesses." Basically, FLT delivers truck fleet buying power to fuel outlets in the same way as American Express delivers "high spenders" to retail outlets. We like that business model. We were able to start purchasing our positions at the end of 2015 and early 2016. Their operating results were excellent but FLT's business model increasingly did not fit our "digital" real estate model. Further, FLT has cyclicality and an acquisition-driven culture with diverse holdings. Since FLT's stock was expensive, we made the choice to sell in 2019, but after selling ½ of our position, COVID-19 hit, and the stock fell. When the stock recovered in 2021, we were pleased with a profit of over 100% but have removed the company from our list of desired companies.

Academy Capital Management