2020 ANNUAL REPORT

Peterson Investment Fund I

Peterson Capital Management, LLC

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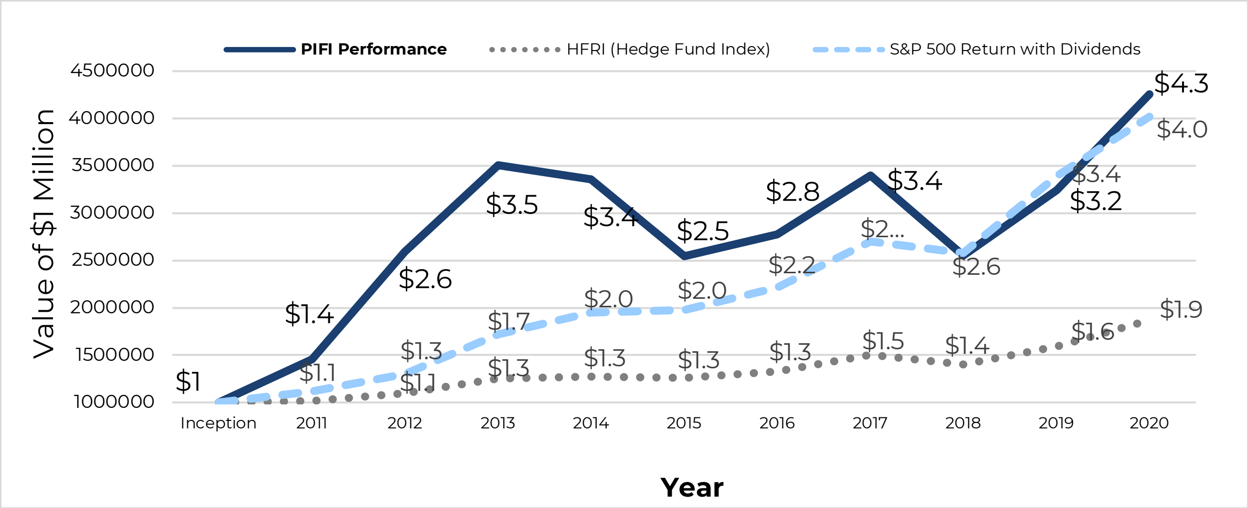
ANNUAL RETURNS TO PARTNERS

PIFI FUND PERFORMANCE VS. THE S&P 500

Period	PIFI Return[1]	S&P 500 Return with Dividends	HFRI (Hedge Fund Index)
2011[2]	45.2%	11.8%	1.86%
2012	78.5%	16.0%	7.41%
2013	35.4%	32.49%	14.28%
2014	(4.4%)	13.7%	1.81%
2015	(24.2%)	1.4%	(0.97%)
2016	9.1%	12.0%	5.47%
2017	22.4%	21.8%	13.16%
2018	(24.9%)	(4.4%)	(7.06%)
2019	27.2%	31.49%	13.5%
2020	31.2%	18.4%	17.14%
Cumulative	325%	302%	87%
Annualized	16.9%	16.2%	7.4%



[1] PIFI gross returns are represented in this performance chart before expenses and fees. Limited Partner net performance is provided on your Yulish statement and may be different for partners who joined the fund at different times.

[2] Fund inception date was October 1, 2011.

Dear Partner,

INVESTMENT RESULTS

A $1 million investment in Peterson Investment Fund I (PIFI) at inception on October 1, 2011 grew to over $4.2 million on December 31, 2020. This amounts to a cumulative return of 325% in just over nine years.

PIFI grew by 40% during the fourth quarter of 2020 and delivered a 31.23% return in 2020. In comparison, the S&P 500 completed the year up 18.4%. PIFI has generated annualized returns of 16.9% since inception.

This table presents a summary of our performance since inception and is just beginning to illustrate the underappreciated power of long-term compounding. We remain doggedly committed to our mission of providing a world-class capital appreciation vehicle that builds enormous wealth for our long-term partners.

Time Horizon	Annualized	Cumulative
1 Year	31%	31%
3 Years	8%	25%
5 Years	11%	67%
Since Inception (9.25 Years)	17%	325%

Despite the explosive growth of the S&P 500 over the past decade, with some apparent levels of excess, the price of our portfolio remains far below its intrinsic value. In other words, our portfolio's value continues to grow rapidly, while market prices are not keeping up. Despite price growth, the gap between price and intrinsic value has widened. As this gap closes, we expect our portfolio prices to rise considerably in the months and years ahead. The fund remains very concentrated, holding only our absolute best ideas with asymmetric expectations (an abundance of upside potential coupled with limited downside risk) for future performance.

Our philosophy is not designed to eliminate volatility, but rather, to minimize the risks of a permanent loss of capital. For some, any level of volatility is too difficult to handle. However, our concentrated investment approach allows us to remain focused on reaching the best outcomes, without being weighed down by lower performing positions that might offer diversification but lower returns. We remain focused on obtaining strong downside protection by paying far less than fundamental business value. Over the long-term, this approach will continue to produce successful results for our partners.

Finally, our portfolio remains uncorrelated with the S&P 500, including a global set of businesses, some private exposure, and our structured value practices. Our portfolio companies are extraordinary businesses. While market prices may fluctuate, the businesses we own will continue to thrive when the US and global markets trade up, down or sideways.

RESULTS COMMENTARY

Peterson Investment Fund I, LP is a concentrated long-term, value-based hedge fund. Our objective is to compound capital at a rate that outperforms the S&P 500, including dividends, over the long run.

We are pleased to report another year of significant returns to partners and to outpace the formidable and rapidly increasing S&P 500 index. This year presented extraordinary challenges, including a devastating pandemic, a recession, social unrest, and political uncertainty. Millions of people were confined to their homes, many suffering unimaginable hardships. Most Americans have never experienced this level of extreme uncertainty.

This is the third crisis I have been investing through, professionally. During the dot com collapse and September 11 attacks, I was writing financial plans for clients of what is now Ameriprise. During the 2008 financial crisis, I was five years into a consulting career on Wall Street and was working with Goldman Sachs in London.

Amid the 2020 pandemic, similar to the previous two recessions and consistent with the past two and half centuries of American history, opportunities were available for those bold enough to take action. Wealth during these times is in some cases destroyed but, in most cases, it is transferred. It shifts from the impatient to the patient, from the unprepared to the prepared, and from the many to the few.

Many investors rationally understand to buy when others are fearful, yet it is often difficult to execute on this simple philosophy. In 2020, the VIX, commonly known as the fear index, broke its historical record, exploding from 12 to over 80 – reflecting a moment of unprecedented fear.

Those who took decisive action at critical moments were rewarded. As explained in subsequent sections, policymakers paved the way for rising prices, but fear is a deeply embedded human condition that is difficult to quantify. Since one is unlikely to escape such a subconscious emotional state, great fortitude is required to execute in the face of perceived danger.

"Be greedy when others are fearful and be fearful when others are greedy" is a well-known quip from Warren Buffett. But this simple statement demands immense discipline and courage to implement.

Phil Fisher reminded us many years ago, “Don’t be afraid of buying on a war scare” and Howard Marks wrote in April 2020, “It’s not easy to buy when the news is terrible, prices are collapsing and it’s impossible to have an idea where the bottom lies. But doing so should be the investor’s greatest aspiration.” These investors offer the same lessons for success from different perspectives. What one *should* do is not always easy *to* do, and that is why it is so rewarding.

On March 25, at the bottom of the market, we provided our first mid-quarter memo to LPs in nine years titled, “Fasten Your Safety Belt.” It urged partners to rationally appreciate the significance of the opportunities available. That memo is reprinted on the following page.

In Q2 we wrote to partners, “This historical moment will be recognized as one of the rarest and most remarkable opportunities to buy equity in our lifetime. When the dust settles, our future selves will most certainly look back at the prices of today with envy. I strongly encourage you not to miss this opportunity. This is an exciting moment to be a value investor and our capability for wealth creation is substantial.” We then began our upward trajectory, gaining over 75% during the second half of 2020, lifting returns from -29% during the first half to +31% by year-end.

A multi-disciplinary understanding of business, economics, psychology and history were aiding forces driving our successful year. Coupled with decades of experience, we were able to act confidently. We took decisive action in April to not only position our portfolio well for the year ahead, but to increase the quality of our portfolio for the decade ahead. The subsequent sections describe how we were able to obtain this successful outcome and why this is only the beginning of many promising years.

Peterson Capital Management, LLC

RE: Fasten Your Safety Belt

March 25, 2020

Dear Limited Partner,

In the face of the COVID-19 pandemic and the millions of people severely impacted around the world, I sincerely hope you and your loved ones are safe and well.

This note is written to address the current market conditions and the enormous potential of our portfolio in the coming quarters. This historical moment is one of the rarest and best opportunities to buy equity in our lives. With volatility peaks combined with new deep value opportunities, this is by far the greatest opportunity we have had since the inception of the fund in 2011, 2012 and 2013 when returns were extraordinary. We can put $10-$20 million to work in outstanding opportunities at these levels.

Over the past few weeks the S&P 500 and Dow Jones have fallen around 30% with the DJIA reaching a 37% decline at the fastest pace in history. At the same time, volatility, often measured by the VIX, has exploded from below 10 to 85, also its highest peak in history.

Prices of our holdings have also moved considerably, falling around 30% including our short puts that swing wildly during times of volatility. The prices of these contracts are comprised of the intrinsic value as well as factors such as time and volatility. As our contracts approach expiration, or if volatility declines sooner, these contracts will snap back in a radical fashion toward their intrinsic value.

For example, our hedge which essentially includes combinations of one long put and two short puts have all risen in price with volatility. This causes our long puts to gain while the short puts temporarily suffer. Yet, the short puts are likely to expire with prices of zero giving us a significant lift. This is how our hedge is designed.

Our short puts require us to purchase the S&P 500 only if its price (currently ~2450) is below 1900 at year end, below 2200 - 2250 at 2021 year end, or below 2400 in December 2022. The recent dramatic increase in put prices amounts to a negative 13% within our portfolio. This means, if the S&P 500 finishes above these levels, as history and fundamentals strongly suggest, we will see a 13% portfolio increase from these puts not including gains from our portfolio investments.

Further, we have some very safe puts and calls affiliated with our Berkshire exposure. Share prices dropped with the general sell off from $230 to $180 with value today greater than $250. Our calls allow us the right to purchase Berkshire in June 2022 at a price of $170. Our puts may have us pay a net purchase price of $210 also in June 2022.

As this market moves from a general panic to rewarding strong balance sheets, Berkshire is likely to see tremendous price expansion. Consider for example, the current Berkshire market cap is under $450 billion while they hold $130b in cash, $200b in public equity, and 90 subsidiaries like Net Jets and Burlington Northern Railroad worth in excess of $200b more. As described in our annual letter, per share value of Berkshire B-shares are likely to reach $700 this decade and still be growing. As the price of Berkshire returns to the conservative intrinsic value of $210-$250, these puts will provide further portfolio gains of between 17%-27%.

These two situations alone create a 30-40% upside return in the near term and do not include many other promising aspects of our portfolio. Although portfolio price fluctuations have been extreme, often moving by more than 10% daily, we are not shy of price volatility around high quality opportunities.

Right now, prices of specific quality firms have plummeted to irrational levels and volatility is breaking all time records – this combination will not exist for long. This extreme, causes people to pay us enormous fees (sometimes 50% of the stock price) for the commitment to purchase their long term stock at already extraordinarily low prices. Just last week, we received a $18 premium to purchase Berkshire shares for $165 this September. The annualized return from this incredibly safe opportunity is 24.5%. When either prices rise or volatility goes away these opportunities will vanish.

Finally, I will share that we have no direct exposure to the travel and leisure or oil industries, however we do have exposure to the financial and auto industries. While we expect that travel and leisure and oil may suffer permanent impairments, financials and autos are incredibly cheap, will recover well, and reach new highs as we gain comfort and data around the current medical crisis throughout this year. With interest rates at zero, and while in the middle of a very serious crisis, we have a generational opportunity to sell puts and buy equities.

If you have the ability, I strongly encourage you to double up or cost average at these prices and put capital to work in the fund. You will capture the snap back of our portfolio and we will take advantage of new situations. This opportunity will not last long.

Our quarterly open window for new capital closes next Tuesday, March 31. The ride will be bumpy but our capability for wealth creation right now is substantial. Given the state of the chaotic world we live in, there are many distractions, and I don't want you to miss this.

Our hearts go out to you and your loved ones during this very difficult period in history. Please let me know if you have any questions. If you plan to add capital, please e-sign the single page attached and our wire instructions are below.

Warmly,

Matthew Peterson, CFA

PORTFOLIO COMMENTARY

We remain focused on compounding wealth over the long-term by applying our deep, value-based principles and our business owner mindset. Our winning formula includes focusing on the best business models, best management teams, and best value opportunities in the modern economy. Our willingness to concentrate the portfolio among a few exceptional holdings provides an advantage toward our objective of outperforming the S&P over the long run.

Over the last decade, the S&P has compounded at an extraordinary 16% annualized rate. However, Wharton Professor Jeremy Siegal has described in his book, *Stocks for the Long Run,* that, over 200 years, with much consistency over a decade or two, the compound rate of the S&P 500 is approximately 6.8% after inflation. Passive investing in an index fund is unlikely to sustain the heightened level of growth from the past decade.

We are not correlated with the S&P 500, but use this benchmark because it is the best alternative to our fund for most partners. Each year the S&P 500 outperforms about 80% of professionals and a much higher percentage of retail investors. Over multiple years, far fewer professional funds can continue to maintain this outperformance.

Our mentality is that of a business owner and we are passive advocates for the firms in which we invest. This approach is distinctly different from the short-term speculative transactions pursued by many. PIFI's investment paradigm involves buying securities when shares are underpriced, based on fundamental analysis. The PIFI investment objectives include capital preservation, long-term capital appreciation over the benchmark (S&P 500), and limitation of downside risk.

Using a method we have termed 'structured value,' the fund combines value investing principles with long-term equity anticipation securities (LEAPS), warrants and other products to obtain better prices when purchasing or selling securities. This is a departure from using these products for short-term trading, and it is an approach that allows us to provide a strong performance advantage to our partners.

Our portfolio includes impressive businesses that are growing in value faster than the stock market can sustain over the long-term. This bodes well for our portfolio performance relative to the S&P 500. Only a small number of these opportunities exist, which is why success requires a strict level of concentration. We have no use for the 20th best opportunity.

Today, over one-third of our portfolio is comprised of three rapidly compounding firms: Daily Journal Corporation, Berkshire Hathaway, and Dhandho Holdings. Our portfolio gains result from several distinct factors, including equity appreciation, dividends, and profits derived from structured products.

Conventional thinkers may question the PIFI portfolio because of its unique attributes, including the unconventional level of concentration. Indeed, one-third of the portfolio is comprised of a micro-cap multi-asset government SaaS business, a mega-cap conglomerate, and an ownership stake in a private India-focused nano-cap hedge fund. Yet, the high-quality compounding nature of these businesses may allow us to own and profit from them for a decade or longer.

Our unmistakable concentration would be questioned by anyone who still believes in the efficient market hypothesis. However, independent thinkers will recognize that the unique nature of our portfolio is precisely what will allow its outperformance over the market.

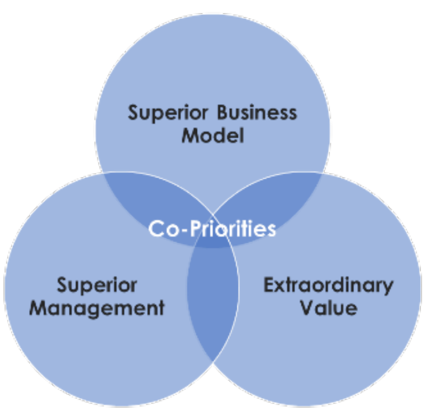
While concentrating our portfolio leaves us susceptible to uneven short-term results, it is a key ingredient to yielding long-term returns that outperform the benchmark. Value investing remains the surest way of obtaining exceptional results.

The time horizon among some US investors is becoming shorter than ever before. Discount online brokers like Robinhood, Public and others offer zero-fee fractional shares and are aiding the adoption of high-frequency trading on Main Street. This is unlikely to have profitable or productive benefits for most investors or society. Passive investing has also gained favor with the proliferation of index funds, partly because of the unusually high returns experienced in recent years. However, in a zero-sum game, day traders often give up their gains to long-term investors and index investors are likely to match the ultimate trend of 6.8% plus inflation.

Our portfolio is made up of high-quality businesses trading at price discounts compared to their growing intrinsic value. We hold 15 positions across six sectors (communication services, consumer discretionary, financial, health care, real estate, and technology). Our companies are headquartered in four nations (United States, Canada, China, and Turkey), and they serve customers across the globe.

Our framework prioritizes opportunities with excellent business models, superior management quality, and extraordinary value. Further, the companies will perform very well in the years to come making any possibility of a long-term permanent loss in capital extraordinarily small. This asymmetry in risk-reward is rare.

This simple co-priorities framework illustrates why such conviction is warranted. It is hard to go wrong when we get this right:



Superior business models deliver more cash flow to be allocated by management. Thus, a primary skill required by high quality management is strong capital allocation capability.

Management must choose from internal investments, external acquisitions, dividends, debt repayment or share buybacks. Optimizing cash flow allocation decisions will have a profound impact that creates value for the firm. Many CEOs and executive teams fail at this task because rising professionally at a firm does not typically require success in capital allocation.

Our core holdings include teams that exhibit a high level of integrity, act rationally and display owner mindsets (typically through large ownership). We seek out firms focused on invariant strategies, such as deferred gratification, trust, and win-win. Despite the proven success of these methods and the likely failure of management focused on the inverse, Charlie Munger has exclaimed they simply, “can’t teach the old tricks to the new dogs.”

The stock market is a pari-mutuel market system where buying stocks pushes up prices, which will alter the risk-return profile and odds. Given that markets are mostly efficient, well-known business models and top management tend to cost top dollar. This causes us to look in unusual corners for firms with hidden value. When we find a high-quality firm with exceptional management at a cheap price, we will be aggressive.

This is a period of incredible opportunity and remains a unique period for both existing partners and those committing new capital to the fund.

Over the past several years, we incorporated a multi-year portfolio hedge. The following section describes profits from our 2020 hedge, followed by updates on three core compounding holdings. Despite a climate of volatile market prices, we expect these three positions to deliver significant gains well into the future.

Portfolio Hedge:

For years, we have provided details on the complex multi-year dynamic hedge constructed within our fund. In 2020 the hedge delivered a 5.5x or 550% return on the 2% position in our portfolio. This created more than a 10% gain for our entire portfolio. This growth occurred during the second half of the year, based on July asset values, as our contracts approached year end expiration. While the results were remarkable, the nature of this crisis, particularly its quick rebound, required us to take decisive action at the depths of the market meltdown.

Our hedge included a multi-year series of put combinations. Over the past three years, when volatility and prices were hitting record lows, we purchased slightly out of the money puts, while selling twice as many far out of the money puts to pay for some of the transactions. These contracts lasted approximately three years each and details on constructing this position are available in past annual letters.

In our 2019 annual report, we explained, “Our hedge will cause an approximate 1% annual loss during a flat or rising market, but will provide gains on our entire portfolio of perhaps 10% or more during a prolonged recession or market downturn of 20-30% or more.” This is precisely what happened – with one important detail: The enormous level of consumer-focused stimulus and prolonged zero interest rates were pushing markets up with great force. During Q2 we, fortunately, recognized that this had the potential to destroy our gains before contract expiration.

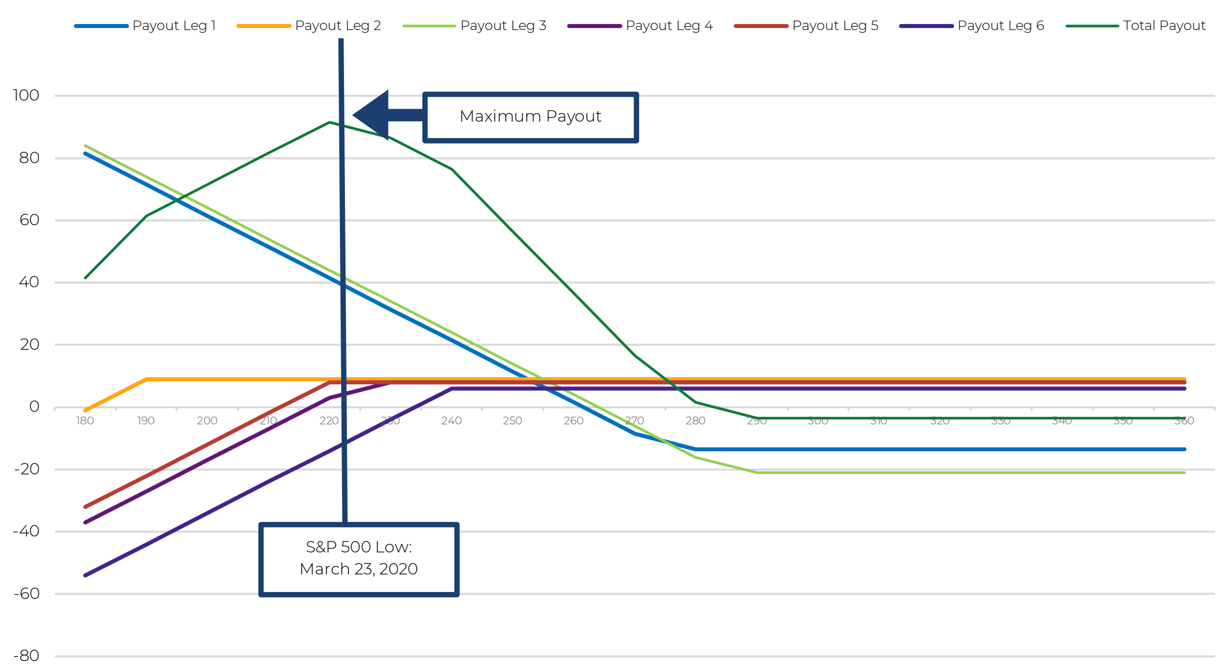
In a rational mindset, while analyzing historical crises, holding the contracts until expiration to capture gains seemed appropriate. This is, however, not always viable. We experienced such a rapid rebound that shrewd actions were needed to capture our gains and repurpose some longer-term exposure into shorter duration contracts.

The chart below illustrates our Index-based hedge going into March 2020.

UNDERVALUED PORTFOLIO HEDGE DETAIL PER CONTRACT

		Strike	Put/Call	Net Price
Leg 1: Dec 20	Buy	275	P	13.5
Leg 2: Dec 20	Sell	190	P	9
Leg 3: Dec 21	Buy	285	P	21
Leg 4: Dec 21	Sell	225	P	8
Leg 5: Dec 21	Sell	220	P	8
Leg 6: Dec 22	Sell	240	P	6
Trade Cost				3.5

UNDERVALUED PUT SPREAD HEDGE PAYOUT



Our strategy included two purchased puts that would increase in price if the S&P 500 fell below 2,850 and 2,750, and we wrote (sold) four additional puts much further down that would also increase in price as markets fell. Importantly, the set of four puts would likely expire at zero, allowing us to keep the cash earned from selling these puts. If purchases were required, these far out-of-the money puts offered considerable value. Our commitment was to purchase the index only at highly attractive prices like 1,900 in December 2020. For reference, the S&P traded above 3,700, nearly twice our committed price at expiration.

In April, the unpredictable state of the world was alarming. As a result of volatility, put premiums had risen to such record-breaking levels that the portfolio value of our purchased puts reached their maximum height. Further, if left through expiration in Dec 2020, 2021 and 2022, the puts we purchased would decline in price.

Ex-ante, our thesis of declining put prices was further justified as it appeared that the coordinated stimulus measures would cause stock market prices to rebound. Between rising markets and a decline in the VIX, our profitable hedge threatened to lose its intended value. Fortunately, as prices began a rapid rise, we were already considering the situation and had the foresight to act very quickly.

The challenge we found was that closing out only the profitable contracts left us considerably vulnerable to the downside for several years until the puts we wrote expired. However, inaction was not an option. Any delay would have our hedge moving against our fund performance in the coming months and all the benefits of our purchased puts would be lost.

Instead of leaving us exposed to all 500 firms in the S&P, we carefully designed a basket of a dozen firms with solid financials where we could repurpose this exposure with confidence. Specifically, we sought holdings with strong balance sheets, lots of cash, a long-term profitable enterprise and some big volatility spikes.

The firms included in our new basket included: BERY, BLDR, DIS, DXC, IRM, JPM, LSXMA, MKL, SBUX, SRG, VAIC, WFC.

This shift allowed us to unwind purchased puts at a large profit, while unwinding the four puts we wrote at a momentary loss. We then recaptured the forgone premiums by repurposing our exposure to a portfolio of strong firms with even higher momentary local volatility and shorter contract durations. These transactions reduced our total downside exposure, reduced the duration to expiration (2.75 years declined to 9 months) and increased the IRR or gains from the hedge.

Our newly constructed exposure required only nine months to capture our gains. As discussed in past letters, as the crash occurred, the hedge did not minimize our volatility. Our hedge was not designed to provide immediate gains, but to deliver them as our contracts expired. Within three quarters, contracts expired, and these gains had arrived.

The most difficult decision was choosing the right moment to unwind our profitable puts. We are not traders and have argued for years against timing the markets. Yet, suddenly, and by our design, we needed to time some crucial decisions.

Through a combination of factors including experience, analysis and fortuity, our actions proved to be successful. And lessons were learned. If a hedge like this becomes appropriate again, instead of selling two long-dated far out of the money contracts, we will repeatedly sell shorter duration far out of the money puts to increase our flexibility to take profits at the proper time.

Speaking with Ed Thorp on this topic would greatly aid our future decision making in this space.

Daily Journal Corporation (Nasdaq: DJCO)

Daily Journal Corporation remains a long-term Fisher compounder in our portfolio. DJCO employs one of the most successful boards in corporate history, including Charlie Munger, Peter Kaufman, Jerry Salzman and Mary Conlin. These outstanding leaders have transformed an old newspaper company into one of the most remarkable business models today, a capital-light, high-margin, SaaS enterprise.

DJCO consists of three components, 1. Ten legal newspapers. 2. A $255 million equity portfolio, including $45 million in cash and office real estate (net of margin and deferred tax). 3. Journal Technologies (JTI), a government software as a service (SaaS) technology solution.

JTI is the future of DJCO and operates as a SaaS subsidiary, providing case management systems to courthouses and other government agencies around the world. After ascribing no value to the newspaper business and removing the portfolio of assets, we deduce a JTI market price of $200 million. This subsidiary has $35 million in understated revenue today that vastly underestimates the reality of the business.

While we thoroughly evaluate the financial statements, DJCO is a rare situation where the map is not the terrain. As Board member Peter Kaufman has shared, “where there is mystery, there is margin.” This business has been kept secret for many years and off financial statement value is significant at JTI. Board Chairman Charlie Munger confirmed in 2017, “You can’t look at our financial statements and make very good judgments about what’s going to happen.”

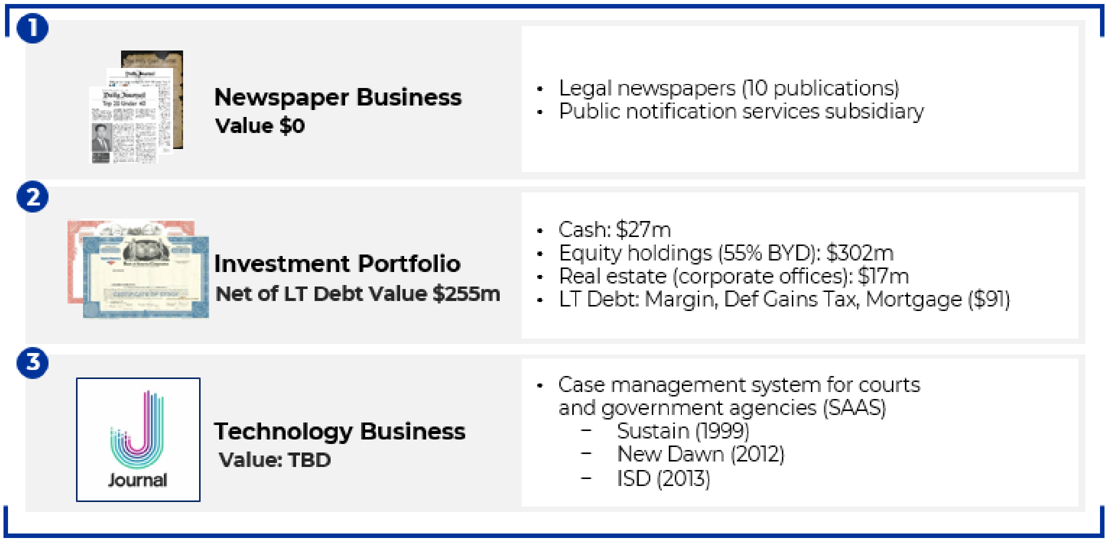
We have studied this firm closely for over a decade. The reason the financial statements misrepresent reality is that courthouses, counties, and international governments are in contract to pay JTI tens of millions in consulting, license and implementation fees in the future for multi-year software implementations taking place today. These payments are not received or recorded until software go-live. Thus, much of this revenue is absent from current financial statements.

A delayed billing approach allows the customer to obtain a higher IRR and allows JTI to win more contracts from the lengthy and bureaucratic RFP process. Charlie Munger recently wrote, “I am very optimistic about the eventual success of the Company’s software business, but I expect this to take considerable time.” We have determined the average implementation of this complex software, including RFP, to take between four and seven years.

Further disguising the enormous success of this firm are the hidden revenue drivers that arrive only after the eSuite software implementation is complete. A few of these include additional licenses, annual price increases, ePay-it and eFile-it revenue, and the JTI cloud hosting services. Our expectations are for slow financial statement revenue growth over the next 24 months, as JTI transitions from its legacy JustWare solution to the browser-based eSuites platform.

Increased eSuite go-lives might offset most of the expected $5-$8m in revenue declines following the sunsetting of JustWare in June 2021. Still, JTI revenue growth rates will appear artificially low for at least two years. Significant revenue expansion can occur in 2023 and 2024. We may be a bit early, but we are not wrong, and prices can rise before revenue arrives.

Core Components of DJCO Corp



Due to the increase in the value of the DJCO internal equity portfolio, the market price for the JTI subsidiary has actually become cheaper. There are some risks involved, including software development challenges like scope creep and technical debt, yet these do not offset the asymmetric risk-reward potential. The equity portfolio over the next 5 years is likely to grow larger than the current market capitalization of the entire firm. Should JTI fail and become completely worthless, which is not a possibility, we will still not lose capital.

As a SaaS business, once critical mass is achieved, the software will generate strong margins and deliver a very consistent government revenue stream that will remain largely unaffected by business cycle shifts.

By 2030, we are expecting $100m or more in high margin annual revenue from the JTI subsidiary alone. Today, JTI is trading for less than six times stated revenues. This is an excellent opportunity to capture a solid business model, run by tremendous management, at an incredible price. The price swings may be wide, yet the risk-reward dynamics of this long-term compounder are extremely attractive.

There are considerable competitive advantages for this business model. The complexity both in software functionality and government bureaucracy creates sustainable barriers to entry. However, the 10-year contracts and enormous switching costs make the revenue highly dependable for decades into the future. The usefulness of the software and its relatively low cost compared to productivity enhancements create demand. There is a largely fragmented market today and it looks like a natural oligopoly in a huge space.

The Daily Journal Portfolio: $346 Million Portfolio, $91 Million Debt

Investment Portfolio
Net of LT Debt Value $255m

- Cash: $27m
- Equity holdings (56% BYD): $302m
- Real estate (corporate offices): $17m
- LT Debt (Margin, Def Gains Tax, Mortgage): ($91)

Equity	Quantity	Update Price	Percent of Portfolio	Holding Value 2021
BYD: Foreign Holding Hong Kong	5,330,000	$32	56%	$170m
Bank of America	2,300,000	$32	24%	$74m
Wells Fargo	1,591,800	$32	16%	$51m
US Bank	140,000	$49	2%	7m
Posco	9,745	$60	0%	0.5m
Hyundai Preferred - SOLD	SOLD	$92	0%	$0
Total Equity Portfolio				**$302m**
Cash				27m
RE Value				$17m
Total Assets				**$346m**

DEBT (Interest Rate)	Holding Value
Deferred Capital Gains Tax (0%)	$60m
Margin Loan (3%)	$29.5m
RE Mortgage (4%)	1.5m
Total Debt	**$91m**

Below is our 2021 Phil Fisher Scuttlebutt analysis:

DJCO SCUTTLEBUTT ANALYSIS

1	✓ Large Market for Sizable Sales Increase	3,000 largely untapped counties with underutilization of government focused software solutions.
2	✓ Determination for New Product Development	Significant new product opportunities including district attorneys, adoption agencies, courts, and others.
3	✓ Effective R&D Effort	Transparency and communication can be improved. Coordinating teams with diverse skills, incentivizing productivity and communication is essential. Each aid success of R&D efforts.
4	✓ Above Average Sales Organization	Advertising, sales and distribution all valuable aspects. Sales teams are shrinking.
5	✓ Worthwhile Profit Margin	SAAS business models exhibits strong profit margin. Long term contracts maintain margin throughout the business cycle. Scope creep, technical debt and product inconsistencies reduce margin.
6	✓ Actively Maintaining or Improving Margins	Low cost focus while delivering high value to customers. Contracts include built in price increases.
7	✓ Excellent Labor and Personnel Relations	Glassdoor.com shows complaints around micromanagement, flat organization, low pay, poor quality of facilities and no 401(k). These culture complaints are concerning.
8	✓ Outstanding Executive Relations	Executives and board members are of top quality. However, some attrition is occurring due to disagreements with senior leadership.
9	✓ Depth of Management	Executives and several board members lack technology experience. Strong future internal leaders are known to exist. Technical directors and director of engineering may add value. External hires needed.
10	✓ Cost and Accounting Controls	Management focus on integrity and proper incentives including lack of earnings projections, no quarterly calls or an IR team all bode well for low costs and accuracy and honesty in accounting.
11	✓ Peculiar Advantages Relative to Competition	Board of business titans. Incorporate sustainable moats and execute based on invariant strategies like integrity, differed gratification and win-win relationships.
12	✓ Long-term vs Short Term Profit Outlook	Exceptionally long-term outlook
13	✓ Aversion to Shareholder Dilution	Equity share count is fixed. Access to extraordinarily low cost dept through equity portfolio. Internal financing available through rapid growth in cash flows.
14	✓ Frankness Regarding Negative Developments	Management speaks infrequently and risks should be addressed and corrected.
15	✓ Management of Unquestionable Integrity	Ethos established over decades is built on a culture of integrity.

Berkshire Hathaway, Inc (NYSE: BRK.A / BRK.B)

Berkshire Hathaway, Inc remains a core portfolio compounder. During the panic of 2020, we were able to sell additional highly priced puts, committing us to purchase shares in June 2022 for stock prices ranging from $235-$245. Although this price offers considerable value, expectations are for the stock price to trade higher than these commitments, so we are unlikely to purchase this stock. Instead, we used the premium to purchase $170 strike call options on B-shares that also expire in June 2022. Paying for these with our put premium has essentially given us free call options on one of the safest and most undervalued mega-cap corporations in the world. This position has the capability of driving our portfolio considerably higher over the next 18 months without requiring any cash outflow.

Over the last few years, Berkshire has evolved beyond a capital-intensive investment firm valued on its net assets or book value to an operating business with large, diverse and growing cash flow streams. Although data is not yet available, below are some close estimates to year end value.

5 Groves		Value Today	2030 Value
1.	**Non-Insurance Operating Businesses** NetJets, Brooks, Clayton Homes, Dairy Queen	$17.5b Net Income * ~18 = **$315B**	Annual 10% Growth= $45B Net Income * ~18= **$740B**
2.	**Equity Portfolio (Non-Control Positions)** Apple, Coca Cola, Wells Fargo	$262b - $25b deferred tax ~$4b annual dividend **$237B**	Annual 10% Growth Net of 20% Deferred Tax= **$480B**
3.	**Equity Portfolio (Control Positions)** Pilot Flying J, Kraft Heinz, ETT, Berkadia	$1.3b Berkshire Earnings *~18= **$23B**	Annual 10% Growth= **$55B**
4.	**Cash, Treasuries and Equivalents**	**$150B**	Increasing at $25B+ Per Year **$400B**
5.	**Property Casualty Insurance Businesses**	Float of $122B= **$0**	Continued Growth of Float Powering Groves= **$0**
TOTAL VALUE		~$725b ~35% Upside (Dec 31, 2020)	~$1.7 Trillion ~14% Annual Upside

The firm itself is comprised of five components, including dozens of growing private businesses (e.g. NetJets, Duracell, Dairy Queen, etc.), several business stakes with shared control (e.g. Kraft Heinz, Pilot Flying J, etc.), a diverse insurance operation (e.g. National Indemnity, General RE, GEICO, etc.), a $237 billion equity portfolio (e.g. Apple, Coca-Cola, American Express, etc.), and $150 billion in cash and equivalents (U.S. Treasury bills, fixed income instruments, etc.).

During the first three quarters of 2020, Berkshire bought back $16 billion in their own shares, and it is likely that these buybacks continued into the 4th quarter. Buybacks at Berkshire occur only when Buffett and Munger determine that the share price is at a significant discount compared to its intrinsic value. Additionally, this is Buffett's way of returning capital to shareholders and is the equivalent of an annualized tax-free 4% dividend.

Berkshire exhibits an exceptional core business model. The insurance engine provides a negative cost of capital when the combined ratio is kept below one. Buffett and the subsidiary companies apply this float to further expand the firm's investment footprint.

Operating profits are nearing $25 billion a year. After removing the $237 billion equity portfolio net of tax and the $150 billion in cash, this $25 billion annual operating income is selling for only $150 billion. Berkshire has over 100 operating subsidiaries and, as mentioned in past letters, if a subsidiary like their Burlington Northern Santa Fe railroad were stand-alone, it would be larger than Union Pacific. At year-end, Union Pacific's market price was $140 billion.

Today, one can capture the private conglomerate masterpiece constructed by Buffett and Mungers over nearly six decades for almost nothing. With value this significant, it is no surprise that the largest allocation of Buffett's cash in 2020 went into the purchase of Berkshire Hathaway stock. What is a surprise is that it went largely unnoticed.

It is difficult to argue with the superiority of the management team, business model and deep value opportunity offered in this investment. Consistent with our model for asymmetric risk-return situations, there is very little long-term downside risk and enormous upside at Berkshire Hathaway. Our use of structured products to augment this exposure will at times cause price swings, but positions the portfolio on a steep upward trajectory in the coming quarters.

Dhandho Holdings (Private: DHC)

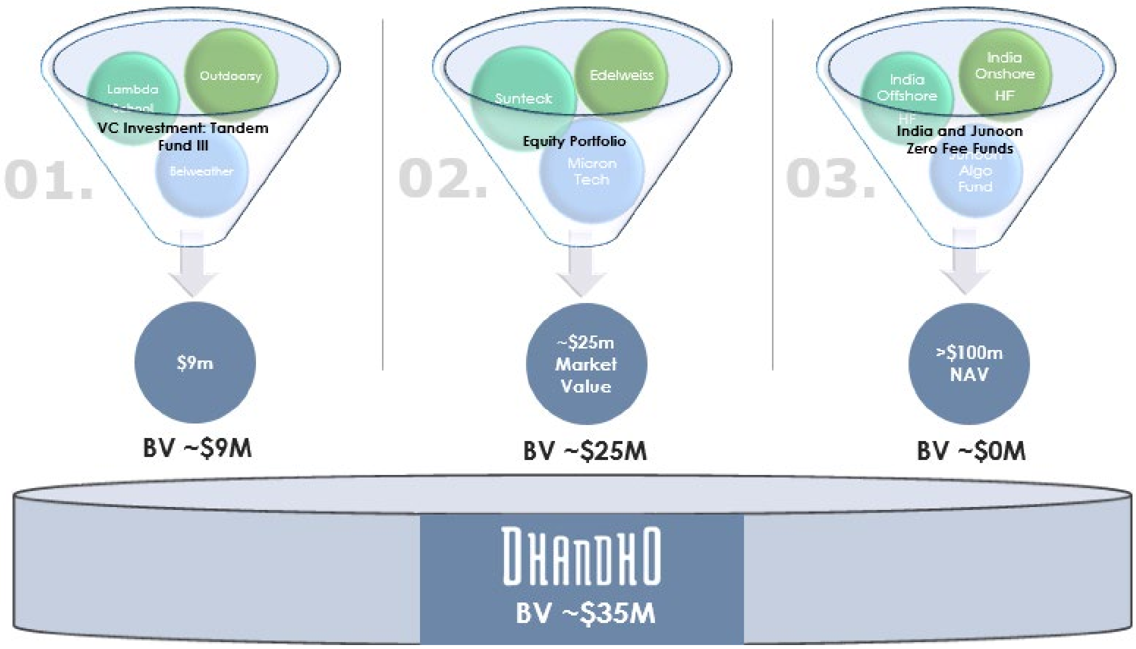
Dhandho Holdings is a private business managed by famed value investor Mohnish Pabrai. We continue to hold this firm at its book value, which was initiated as a nearly 40% portfolio position and has remained relatively flat over the last six years.

The flat book value does not reflect the growing intrinsic value of its most promising core internal asset, a $100m Indian-focused hedge fund. DHC continues to distribute original capital to owners with another $1.5 distributed in 2020. We have received distributions of $7.5 from our original $10 commitment and, at year-end, hold the position on our books at $2 per share. If business continues as planned, 100% or more of our original investment will be returned over the coming 24 months, while we will continue to hold the investment for its future cash flows.

Again, PIFI is not invested in the Dhandho funds, we are 2%+ owners of the entire Dhandho business. Today, DHC consists of three components: An internal equity portfolio, private equity investments and Dhandho Funds, including the Junoon Algorithmic Fund and the Dhandho India-focused Fund.

Again, the asymmetric risk-reward profile is embedded in this holding. Our downside risk with DHC is very low, while the potential future cash flows from the internal fund business may become significant. The waiting is almost over. Within a couple of years, the distributions will likely have returned our entire initial investment. Cash payments will then be received in the form of a dividend that can grow to a substantial sum over time.

We are pleased and fortunate to have such a unique asset as part of our long-term portfolio.



Concluding Portfolio Comments

One year from now, the most devastating impacts of Covid-19 will be behind us. It is important to prepare for that inevitable positive development.

Our portfolio is comprised of many of the greatest and fastest growing businesses in the world. They share superior business models with world-class business managers and are priced far below their compounding intrinsic value. Despite our concentration and the resulting uneven returns, our approach and return potential is extraordinary.

Gains for our partners are a direct result of the fundamental success of the businesses we own. We are not traders or speculators, but use the public markets as a tool for business ownership. We are advocates and partners of the firms we own. We gain success by identifying and holding the very best businesses, run by greatest businesspeople that are selling for reasonable prices. Applying this seemingly simplistic framework is rare – and it is a strategy that sets the groundwork for the long-term success of our portfolio.

As explained in the Market Commentary, contrary to anxiety-inducing media headlines, there is much evidence to suggest a strong general economic recovery will arrive in 2021. The wealth transfer from the 2020 panic is underway. One should not fear corrections or short-term volatility because those will come and go most years, the more appropriate fear today is FOMO, fear of missing out!

MARKET COMMENTARY

During Q1, a roaring global economy was intentionally brought to an abrupt halt as it became clear the US and other nations were entirely unprepared for the intensifying pandemic. Amid escalating human tragedy, the collapsing S&P hit a trough of -34% on March 23. The DJIA hit its -37% nadir on the same day. In the United States, a market decline near this magnitude has only occurred four other times in 40 years:

- The recession of 1980-83
- Black-Monday in October 1987
- The dot-com collapse and 9-11 terrorist attacks between 2000-2002
- The Financial Crisis of 2007-2009

The decline in 2020 (and subsequent rebound) came at the fastest pace in American history.

This historical collapse caused the VIX, the measure of US market volatility, to explode from 12 to above 80, creating another historical record.

During Q2, the US federal government implemented the CARES Act and other measures of stimulus, including the Main Street Lending Program, Paycheck Protection Program (PPP), and enhanced unemployment benefits. The Federal Reserve Bank introduced fiscal stimulus by bringing interest rates to zero. The total emergency government funding was estimated at $8 trillion.

In contrast, the 2007-09 financial crisis response was extraordinary for its time. Yet that stimulus pales in comparison with just $700 billion in TARP bailouts. Further, during the financial crisis, the stimulus was primarily focused on M3 monetary stimulus, providing a less liquid boost to the economy by supporting the balance sheets of banks and other businesses deemed too big to fail. There were, of course, further challenges in getting banks to lend.

This time *was* different. Stimulus in the form of M1 and M2[3] capital in its liquid form was a far more impactful antidote. During a June 2020 interview, Wharton Professor Jeremy Siegal recalled a lesson he learned from Milton Friedman. "I remember him saying to me…excess reserves are good, it's a good stimulus for the economy but if those excess reserves get pushed in either M1 or M2, they're going to be far more potent, far more potent, and that is exactly what is happening this time that did not happen last time."

It was made clear by the federal government, the Federal Reserve and the US Treasury that our economic watchdogs would stop at nothing to keep businesses and individuals afloat. The markets recovered at a record pace, leaving cash-holding investors confused, and behind.

The K shape recovery commenced where nesting stocks and the market dominated by the technology sector thrived. Income for professionals with an ability to work from home was less affected, often coinciding with a sharp reduction in lifestyle expenses. Others were left unemployed and began suffering unimaginable hardships. We took immediate action to

[3] M1, M2 and M3 are components of the United States money supply. M1 includes cash and money deposited in banks. M2 includes M1 plus savings deposits and money market mutual funds. M3 includes M2 plus large time deposits in banks and institutional money. M3 is associated with larger financial institutions and corporations rather than with small businesses and individuals.

rapidly adjust the portfolio to the changing environment, as explained in the portfolio commentary section.

Despite occupancy restrictions, social distancing mandates, and a debate over wearing masks, new challenges emerged as civil unrest erupted in cities from Minneapolis to Austin, and Washington DC to Portland following the killing of George Floyd by police officers. Black Lives Matter protesters staged mostly peaceful but sometimes violent demonstrations nationwide, while militant groups like the Proud Boys and the Oath Keepers surfaced. Many members of these groups were later charged with crimes related to the attack on the US capital in January 2021. Conspiracy theories like Q-Anon reached new levels and heightened uncertainty as fear continued.

At quarter-end, Federal Reserve Chairman Jerome Powell announced, "We're not thinking about raising rates, we're not even thinking about thinking about raising rates." The message was clear: risk assets were going to rise considerably as fiscal and monetary actions took hold and the treasury flooded bank accounts with cash earning zero percent interest.

During Q3, as most were confined to their homes stockpiling necessities, beaches, bars, and boardrooms became super spreader locations. Protests were commonplace, and political tension grew. Messages from leaders on how to address the pandemic were conflicted, confusing the public.

At the end of the quarter, a White House ceremony was held to promote Amy Coney Barrett as a Supreme Court nominee following the passing of Justice Ruth Bader Ginsburg. This became a Covid-19 super spreader event proceeding the hospitalization of former President Trump after he tested positive for Covid.

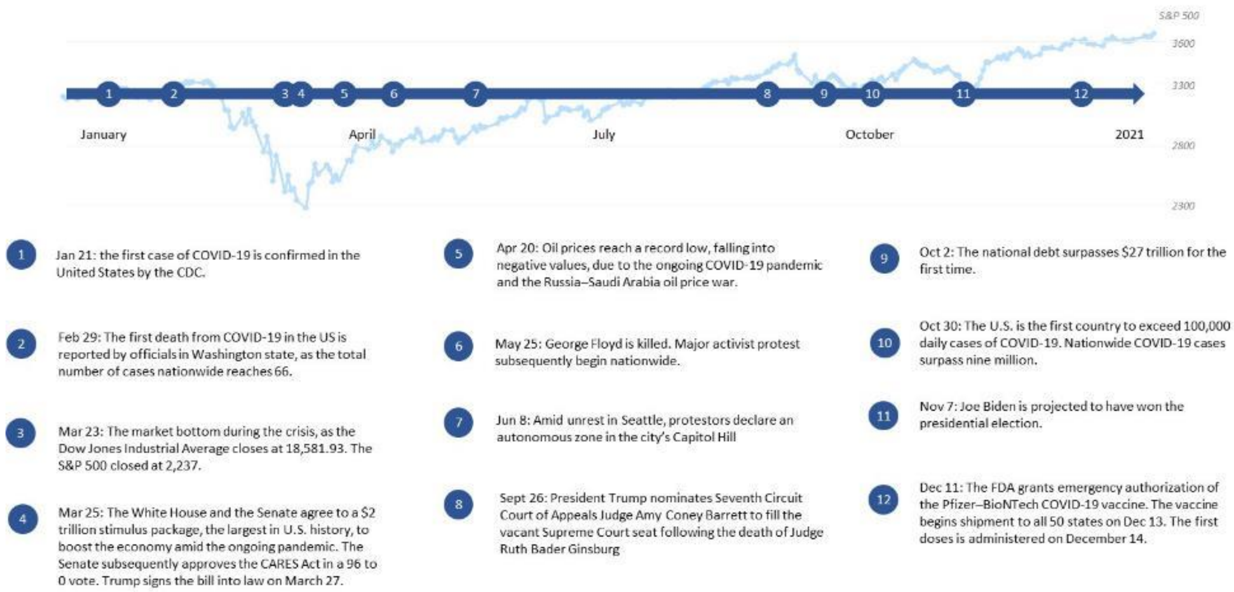
Our portfolio jumped higher, partly due to our strong holdings and partly due to the structure of our hedge. As the economy shuttered, we implemented wise and shrewd adjustments to repurpose the portfolio into firms of high quality with a great probability of success. Monetary and fiscal policy forced sustained market gains, as low interest rates and monetary stimulus continued. The S&P reached positive territory for the year despite unprecedented health, social and political tensions.

We continued encouraging others to look beyond the crisis. Wealth is not always destroyed in a crisis, but it is transferred. This ability to look through current uncertainty is one of the advantages of a fundamental long-term value-based approach.

During Q4, political uncertainty escalated to a fever pitch, culminating with the deadly attack on the capital on January 6, 2021. At the same time, the pandemic reached alarming rates of infection. The death rate approached, and has since surpassed, the deaths of all American soldiers during World War II. Sadly, the number of deaths were regularly hitting new highs of 4,000 people each day.

Most Americans alive have never experienced the level of social, political, medical, and economic uncertainty that occurred during 2020. Fortunately, the leaders of the Federal Reserve and Treasury stepped up as economic heroes. At the end of Q1, a prolonged and devastating depression seemed all but inevitable, yet these officials reinvented policy and applied tools that saved our economy and will be studied for many years to come.

A year or two from now, the current heightened level of volatility will be far behind us. We will certainly experience corrections. Since 1850 – over 170 years – we have had at least 100 corrections, averaging about one every 20 months. And, we will have recessions. 33 recessions have occurred over since 1850, about every 5 years. Markets will also climb, and people will look back at the early 2020s as one of few opportunities in their lifetime to buy carefully selected stocks. It is not over yet, and I encourage you not to miss this.



Fortunately, we are not in the business of making macroeconomic market bets. Nobody has a crystal ball and there are too many exogenous factors giving the standard distribution "fat tails." Macroeconomic forecasting is a difficult place to have an edge. Still, below are 10 notable observations that suggest 2021 has potential to be an outstanding year.

1. Cash: A record of over $4 trillion is sitting in money market accounts at banks earning zero percent. This is up from $2 trillion pre-panic. Excess cash should eventually flow into business earnings in the form of consumer purchases or flow into investments with higher returns like equity and real estate.
2. Opportunity Cost: A 2% bond today has P/E of 50. So, companies with a P/E of 20 offer a considerable advantage with a 5% earnings Yield. A rotation from bonds to equities may occur.
3. Low Interest Rates: Interest rates are likely to remain at zero into 2022 and perhaps longer as the Federal Reserve focuses on accommodative policy to reduce the unemployment rate.
4. Continued Stimulus: Stimulus from both the Biden administration and Treasury Secretary Janet Yellen are likely to continue.

5. Inflation: Signs of inflation may influence a cash and bond rotation to equity. It is possible for moderate inflation to surprise, reaching the 3-4% range without any Fed intervention or increased interest rates.
6. Vaccine: Relief from COVID-19 lockdowns will unleash consumer demand that elevates business earnings.
7. Earnings announcements: Reduced expectations and consumer demand can cause earnings to surprise to the upside.
8. Multiple expansion: We may experience further multiple expansion with poor alternatives for income generation.
9. Fear of missing out: Fear drives action so rising markets and continued momentum can cause a feedback loop that pushes markets higher.
10. Bubbles: When bubbles form, they can continue for years before popping.

From politics and protests to a devastating pandemic, the world is currently witnessing a level of insecurity that nobody alive has ever experienced. Rational long-term thinkers will recognize that, by looking beyond the turmoil of the moment, this is an extraordinary opportunity to purchase high quality businesses.

Fear and uncertainty have adjusted the risk reward dynamics and are offering specific exceptional business at great prices. I strongly encourage you to take advantage of this rare opportunity. This is an exciting moment to be a value investor and our capability for wealth creation is substantial.

Contrary to many commentators today fixated on deflationary pressures, the intention of policymakers in the US is to inflate our way out of Covid-related debt. You do not want to be holding any bonds or cash when that occurs.

POST-MORTEM

During the 2020 calendar year, as written about last year, we took advantage of a special dividend from Fiat Chrysler (FCAU) in 2019 that was exited via covered calls in January 2020. Additionally, positions in Carrols Restaurant Group Inc (TAST) and Teekay Offshore Partners L.P. (TOO) were completely exited.

Our extremely low turnover is deliberate. We are long term owners of our core holdings and portfolio returns are often negatively correlated with action. Not selling a great business is critical to our success, yet inaction of this magnitude is often challenging. There are new opportunities, negative macro and micro events impacting our holdings and some readers want an exciting update full of new situations. Watching grass grow or paint dry are common analogies referencing long term value funds, yet this strategy has outperformed all others consistently since it was defined by early practitioners like Graham, Dodd and Fisher.

The following is a post-mortem on each of our exited positions in 2020.

Fiat Chrysler Automobiles NV (NYSE: FCAU)

Fiat Chrysler Automobiles is an original equipment manufacturer (OEM) in the business of designing, manufacturing and distributing vehicles. The firm also provides rental services, leasing and dealer financing.

FCAU operates an unattractive business model with high upfront capital expenditures and labor disputes in a competitive market. However, in 2019, FCAU was selling for only 75% of book value and under 2.5x cash flow, providing considerable downside protection. Our gains were the result of a rare special dividend opportunity.

On May 30, 2019, FCAU scheduled a special dividend of $1.45 per share. Through the purchase of stock the day prior and the sale of covered calls the day after, the following cash flows were received:

Action	Amount
Special Dividend	$109,000
Option Premium Gain	$44,000
Short Term Stock Loss	-$3,800
Option Premium Loss	-$13,200
Total Gain	$162,000

This quick transaction resulted in an additional portfolio gain exceeding 2.5% on the entire portfolio over only nine months. Additionally, as explained above, this transaction benefitted partners further through tax arbitrage.

For simplification, let’s assume that instead of a gain, the pre-tax return was exactly even, with $100,000 gained from a special dividend, while the same is lost in a short-term equity transaction. This is accomplished by simply buying stock the day before a large dividend occurs and selling the stock at an equivalent loss the day after the dividend is paid.

At first glance, this would appear to be a non-event. However, the dividend might be taxed at the top rate of 20% for net cash flow of $80,000, while the short-term loss tax deduction might forgive $37,000 of the $100,000 loss for a net cash flow of negative $63,000. The net result from $80,000 in gains paired with $63,000 in losses is a positive after-tax cash flow of $17,000.

We did even better than the numbers presented here suggest, and, further, the tax advantages are also not represented in our performance figures. We always look for ways to provide heightened, real after-tax gains to our partners, even if this goes unrecognized by the pre-tax numbers we present to the world.

Carrols Restaurant Group Inc (NASDAQ: TAST)

Carrols Restaurant Group Inc is one of the largest fast food restaurant franchises in the world, currently operating over 1,000 Burger King restaurants and more recently 60 Popeyes restaurants. Upon initiating our minor exposure, TAST had 800 restaurants with the ability to roll up existing establishments, reduce costs via economies of scale and greatly increase revenues, increase margins and increase net income from each new acquisition. At the time they had the financial capability to aggressively acquire hundreds of new locations. Carrols had the right of first refusal to make acquisitions across 20 states.

Carrols had a complex but gratifying ownership structure. Restaurant Brands International (QSR) is the Canadian-American multinational fast food holding company famous for the controversial Burger King-Tim Hortons merger. QSR is 32% owned by 3G Capital, the Brazilian multi-billion dollar investment firm that has coordinated with Berkshire on several transactions. Berkshire itself had been a large owner of the stock until 2020. QSR in turn, was the largest owner of Carrols with 28% of shares outstanding, giving Warren Buffett and 3G Capital and the entire Burger King parent company a vested interest in Carrols' success.

QSR and TAST executives had a close relationship as well and the CEO and CFO at QSR were directors at TAST. This meant TAST was strategically positioned to harvest generations of intangible value built into the physical locations they were acquiring.

This was a small holding with a negative outcome. We could have done slightly better by selling earlier or holding longer, but ultimately, during the first half of 2020, we had far better uses for this capital. In a crisis, high and low quality firms often fall together, making it an opportune time to increase the quality of positions.

We built a small position under 5% of the portfolio over the course of a year between November 2016 and September 2017, for an average cost of $11.83. By 2018, our interest waned. Management was not purchasing stores as aggressively as anticipated. Their capital costs were below the cash flow yields of new acquisitions, so we hoped they would expand their balance sheet and quickly acquire hundreds and hundreds of stores. They could have grown significantly using this roll up method.

At the end of 2018, we began selling calls to exit, picking up premium as the price slowly declined. After several iterations of selling calls, the crisis struck and the shares dropped considerably. Our net exit price was $3.45, a decline of about $8.50 from what we paid.

The only positive here was that it was sized properly and had very little lasting impact on the larger portfolio. The slow expansion of Carrols may ultimately prove somewhat successful. Here we were unable to completely understand the intentions of management's capital allocation strategy. When the crisis struck, our long-dated calls did not offer much protection. A few months after our exit, Berkshire Hathaway sold their position in QSR in October 2020.

Teekay Offshore Partners L.P. (TOO)

Teekay Offshore is an infrastructure owner and operator that provides services to niche offshore drilling platforms, primarily in Brazil and the Northern Atlantic. Between 2014 and 2017, Teekay became distressed with growing debt as they continued to pay dividends in the form of Incentive Distribution Rights (IDRs) to its parent company. The IDRs exceeded Teekay Offshore's cash flow. Brookfield Business Partners entered in 2017, bought shares, took board seats, eliminated the IDRs and recapitalized the firm. By the time we entered in 2018, the share price had collapse in excess of 90%, despite the turnaround that had already taken place.

When Brookfield Business Partners recapitalized and rescued the firm, they awarded themselves options that paid out with a share price above $4. They also left a minority public stub of equity in the market to allow them to exercise options and ultimately liquidate the position for a large profit after the turnaround was recognized. This structure allowed investors like ourselves to take advantage of the turnaround value created by Brookfield and Teekay.

The largest risk was that Brookfield had the balance sheet to buy the entire business through the purchase of the remaining outstanding shares for pennies on the dollar. Further, the price volatility and wide gap between price and intrinsic value offered large profits if they choose this path. A low bid, however, would create lasting reputational damage for BBP, so it seemed like an unlikely course of action and a poor long-term decision. Nonetheless, our fear materialized, and BBP took advantage of a large trough price, forcing all minority shareholders to sell for the extremely low bid of $1.55.

While the stock price was around $2.80, we calculated a conservative intrinsic value between $4-$6. We initiated our position selling puts with a strike of $2-$4 for premium, ranging from $0.3-$1.5. In 2019, during a price dip below $2, Brookfield made the shocking bid for all outstanding shares for $1.05, below the market price. Class action lawsuits were initiated and eventually caused a nearly 50% increase in the price to $1.55 before the buyout was completed.

The lifting of the offer price so easily is testament to the true value of the business. BBP began their buying at $2.5 in 2017, had invested significant time and capital to vastly strengthen the business and used market volatility to take the rest of the business from other shareholders. For more on this story, you can search Valuewalk for the letter written by our friends at JDP Capital Management titled: “Is this the new way Brookfield makes money?”

Due to low option volume, we had thousands of transactions in this position as counterparts slowly purchased the put orders we had listed. This was a mistake and the position cost us several hundred thousand dollars by the time our final contracts expired in 2020.

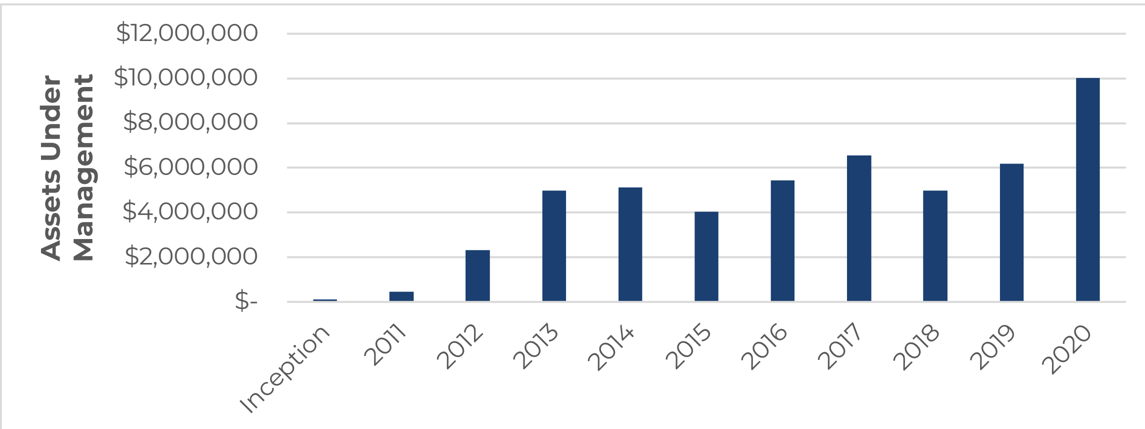
The error was not that our thesis on value was incorrect, it was instead that we overestimated the integrity of Brookfield Business Partners. This is an enormous lesson in the importance of both high-quality management as well high-quality shareholders. BBP took advantage of every minority shareholders in this transaction by leveraging their sizable position, ability to vote and approve their own transaction, while having full inside knowledge of the business value.

These sophisticated manipulations are one of the deeply hidden, yet repeating risks of public market investing. When equity shares are extremely cheap, disreputable players may come in and try to steal the business by forcing shareholders to sell. Regulators simply do not understand that clever players prefer to push prices down rather than lift them up. Depressing stock prices seems counterintuitive to most regulators who are typically focused on stopping seedy executives from inflating earnings and business value. Yet, this strategy is unfortunately effective and an all-too-common occurrence.

WELCOME NEW LIMITED PARTNERS

We began 2021 with 60 Limited Partners (LPs) in 11 states: Arizona, California, Connecticut, Minnesota, New Jersey, New York, Oregon, South Dakota, Tennessee, Texas, and Washington. Additionally, we have three international LPs.

Each year, it is important to review and reiterate our investment and operational philosophy for all LPs. The next three sections address our investment philosophy, our operational commitments, and our alignment of interests with each partner.



INVESTMENT PHILOSOPHY

PIFI follows a fundamental value investing philosophy. Our long-term objective is to outperform the S&P 500, including dividends.

We use in-depth, fundamental analysis to selectively buy undervalued companies run by excellent people. We concentrate our portfolio on our best ideas. We keep our portfolio turnover low, holding most of our positions for many years. We focus on minimizing taxes and expenses. We avoid excessive leverage.

Alignment of General Partner (GP) and LP interests is a top consideration in every operational decision. The fund's unique fee structure places emphasis on performance and incorporates an annual hurdle rate and a high-water mark to further accomplish alignment objectives. Performance compensation is earned only after reaching new all-time highs (a high-water mark), and on returns above 5% each year.

My immediate family and I represent the third largest partner in PIFI, with over 70% of our family's entire net worth invested in the fund alongside yours.

Finally, we strive to expand our circle of competence, maintain an open and rational mindset, and continually improve.

OPERATIONAL PHILOSOPHY

Peterson Investment Fund I, LP is built on a foundation of integrity designed to last for generations. Operationally, the fund focuses on minimizing frictional costs (e.g., fees, expenses, taxes, etc.). Over the long-term, this commitment will enhance returns and provide significant value to our LPs.

Quarterly statements and updates that present salient quantitative information are provided to each LP. Annual letters with commentary (such as this) are distributed to deliver relevant details regarding the fund. Each year, an audit report and K-1 or relevant tax documentation are provided to each LP.

Our exceptional team of third-party service providers delivers all statements, audits, and tax documentation.

ALIGNMENT OF INTERESTS

Alignment of GP and LP interests is a top consideration in every operational decision. The unique structure of PIFI includes an annual hurdle rate, a high-water mark provision, extremely low fees, and an emphasis on performance-based compensation to achieve alignment objectives. A shared pursuit helps avoid conflicts of interest and allows us to maintain the integrity of the fund over the long run.

Proper incentives can significantly enhance and align motivations. Specific tangible, financial enticements have particularity notable power to alter actions or desires. A high management fee-based firm will attract highly paid and very successful salespeople because raising capital can deliver significant bonuses. Similarly, compensation based on long-term performance will attract those able to deliver long-term market out-performance. PIFI is aligned with the latter.

The General Partner earns compensation only after reaching new all-time highs (high-water mark) and only on the annual returns above 5% (annual hurdle rate). The economics are simple: we only make money when you make money.

MANAGEMENT AND COMPANY NEWS

THE ZERO-FEE SHARE CLASS

Our theory for the zero-fee class is simple: to please three-Michelin-star partners, we must offer a three-Michelin-star menu. If we win your business, it will be because we deserve it.

The zero-fee share class represents our commitment to providing great value to our partners. This class has an annual management fee of zero. It gives me great pleasure to announce this rare offering.

Zero-fee share class terms:

- Minimum Investment: $2 Million
- Open for Investment: Quarterly
- Liquidity: Annual Following a 36-Month Soft Lockup with Annual Early Redemption Allowance (3% charge for early redemption)
- Partner Communications: Quarterly Statements, Quarterly Performance Summary, Annual Report, Annual Meeting
- Fees (annually):
  - Management 0.00%
  - Hurdle Rate 5%
  - Performance 25% above 5%
  - High Watermark Provision
- Tax: K-1 Tax Document Provided Each March

A zero-management fee structure combined with an annual hurdle rate and a high-water mark provision is extremely rare, yet it is among the most compelling and fairest fund fee structures in the world.

There are no fees paid for returns below 5% every year, so Peterson Capital Management will earn nothing each year until annual performance exceeds 5%. Above 5%, investors keep three quarters of the gain and PCM keeps one quarter. When we return 9% in a year, PCM will earn 1%. If we return 5% in a year, PCM earns nothing. Many firms charge a 2% management fee and 20% performance with no hurdle. The compounded difference in net returns to partners under our structure is staggering.

Charlie Munger said, "Show me the incentives and I'll show you the outcome." This structure completely aligns our incentives to delivering extraordinary returns over a long period of time.

This zero-fee class is available to accredited investors with commitments exceeding $2 million. Liquidity is available each calendar year following an initial 36-month soft lockup. Please contact me for details.

ANNUAL MEETING

The Peterson Capital Management Annual Meeting will be held virtually once again on August 14, 2021. It was a pleasure to have so many partners and guests in attendance in 2020, including those joining from all over the world. We look forward to seeing you again this August. Your invitations will be sent electronically in June. Please save the date.

LIMITED PARTNER STATEMENTS

Each quarter, LP statements are delivered to you electronically by our third-party administrator, Yulish & Associates.

K-1 TAX DOCUMENTATION

Each March, K-1 and other relevant LP tax documentation are provided by our auditor, Spicer Jefferies.

ANNUAL AUDIT

Spicer Jefferies works hard to complete the audit as early as possible. It has been included with this Annual Report.

QUARTERLY AND ANNUAL LETTERS

Our Quarterly Letters provide updated performance numbers, important announcements, and salient financial detail, but generally contain minimal qualitative commentary.

Our Annual Report provides qualitative commentary, including a post-mortem analysis of exited positions.

OPEN TO NEW LIMITED PARTNERS

PIFI has 60 LPs across 11 states and is expanding quickly. We are currently accepting capital from new accredited investors and existing LPs. We highly value and appreciate each partner.

Our zero-fee class is available for commitments above $2 million.

Our exception class has a $250,000-$2,000,000 minimum with quarterly liquidity for a low 0.9% management fee.

All partners will benefit from an expanding capital base, as we are able to profit from new opportunities and have additional market influence. Please nudge me with a referral.

REDEMPTION POLICIES

The zero management fee share class offers annual redemptions each December 31 with 60 days' notice.

Capital accounts under $2 million have quarterly redemptions available with 60 days' notice.

ACCEPTING QUALIFIED MONEY (401K ROLLOVERS, IRAS, TRUSTS, ETC.)

Some partners use Midland IRA or other self-directed account providers to participate in the fund using tax qualified accounts such as trusts and IRAs. These assets and their returns maintain their tax-advantaged status.

LOOKING AHEAD

The media headlines can be misleading, presented with a negative bent. Fear sells and incentives are powerful.

This recovery will rhyme with others in history. Perhaps next year, we will be reading that “stocks climbed a wall of worry.” However, the inverse is what is actually taking place: society’s heightened fear levels today will dissipate slowly, causing capital to flow into the stock market and stock prices to rise.

The road will be bumpy, corrections happen often, and it will not alarm or surprise us when they do. These corrections are unpredictable, as they are often triggered by unexpected events. Today, there remains a historic level of cash on the sidelines and extremely accommodative economic policy, meaning this bull market can grow higher. Having an ownership mindset while investing in growing businesses with significant downside protection is extremely advantageous. With residual fear and uncertainty lingering from 2020, the US economy is well positioned for 2021.

There are only a few moments during each adults’ productive years where major transfers of wealth take place. We are living through one of those moments right now. The new administration in Washington is likely to provide additional large stimulus measures that will deliver more M1 and M2 capital into the hands of consumers. Remember the wisdom from Milton Friedman that when excess reserves get pushed to M1 or M2, they are far more potent.

Today this happening at the most aggressive pace in American history. It is the wrong time to be sitting on the sidelines in cash.

In today's economy with interest rates at zero, money is almost free. Simple supply and demand economics dictates that the increase in money supply decreases the value of cash. Bonds also offer insufficient rates to be effective investment opportunities. Inflation will reduce the purchasing power of both asset classes. Public equity, private equity and some cash yielding real estate offer pockets of opportunity that will provide reasonable inflation-adjusted returns.

This is a phenomenal time to do bottom-up business analysis as a long-term value investor and we are excited with the prospects of our portfolio.

We will continue to execute on our value-based principles while managing a portfolio of high-quality firms run by exceptional individuals, trading at discounts to their intrinsic value. The market is offering excellent rewards today for those able to rationally look through the current fog of uncertainty.

Thank you for your continued interest, referrals, and support. Feel free to contact me with any questions or comments.

Warmly,

Matthew Peterson, CFA
Managing Partner

PETERSON CAPITAL MANAGEMENT ANNUAL MEETING TRANSCRIPT

This is the annual meeting for Peterson Capital Management, welcome! I'm Danielle Town, and I'm going to be moderating the meeting. I'm going to be asking your questions that you put into the chat, like Matt just mentioned, and that way Matthew can focus on answering them without having to be reading and scrolling through the chat, which is almost impossible to do all at the same time.

I've interviewed Matthew on my investing podcast and newsletter and through various value-investing world events we've become friends as well. It's been such a pleasure to watch his fund's incredible success, and I was honored when he asked me to come and moderate the meeting. I, of course would have stayed up to be part of it anyway. I'm in Zurich, Switzerland where it's almost midnight here. But it's really fun to be part of it, so thank you for asking me, Matthew.

Matthew Peterson is the managing partner of Peterson Capital Management, which he founded in 2011. He's been a financial professional for two decades, is a chartered financial analyst, and has worked with Goldman Sachs, Morgan Stanley, Merrill Lynch, American Express and Ameriprise Financial.

And with that, Matthew, I will turn it over to you.

Wonderful, thank you so much Danielle. Thank you for being here and thank you everybody for being here. This is obviously a very interesting and new format to be hosting this meeting.

As Danielle stated, I am going to share my screen and put up a few slides so we can move through things. I'm going to cover a few of these slides and then, as she mentioned, I will open up for Q&A. And with that, I hope that we can dive into some of the most important things that are on your mind.

The agenda today will begin with volatility-based alpha, we'll move into our process and framework and then discuss some of our wealth building compounders. But first, we need to have a quick word from legal.

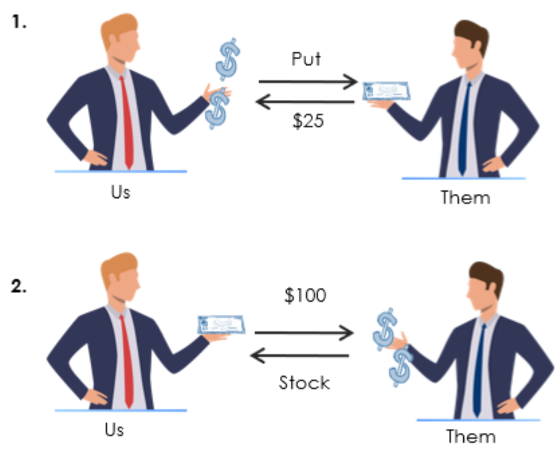
During these uncertain times we are once again in an extraordinary environment to execute our core value investing principles and combine them with the structured-value approach that we have been employing since inception. Some of you will recall how we use this very unique and advanced approach, but I'm sure many of you won't realize the potential in this environment.

We buy our securities through an entirely different manner than any sort of retail investor would. This is best explained with an example - we do things very differently.

If you look at this slide here, let's consider an equity that was maybe trading for 200 dollars per share, and has fallen to 100 dollars per share - something that we might want to own, and through deep understanding of the business and valuation, we believe its actual true value to be perhaps, 125 dollars a share.

So, what are our options? You can go into the New York Stock Exchange and buy this security through a market or limit order, but that's actually not what we do, particularly in extreme volatility as we're seeing right now. Volatility is one of the factors that feed into the Black Scholes Model, and that's what is used to price things like these contracts that we use. These are put contracts that I am going to describe, and it's the primary way that we enter into these securities.

So, what happens is instead of going to the New York Stock Exchange to buy the security, we head to the Chicago Board of Exchange, where we can engage with an individual counterpart and make a contractual agreement and sell them a cash-secured put contract guaranteeing that we will purchase their shares for 100 dollars over a period of time.



So, instead of buying for 100 in the New York Stock Exchange we just commit to buying it for 100 through the Chicago Board of Exchange, and we are paid for that commitment. And when volatility is extremely high, the IRR - the [amount] that we are paid, the premium, grows significantly.

And so, in an environment like we're in today it's quite easy to pick up, say, 25 dollars for this commitment to purchase a stock for 100 that we think is worth 125. And, we pick up a 25-dollar premium, and then we basically hang on to that along with our 75 dollars in collateral. And then we wait, we wait over the course of the year. If the shares go below 100, our counterpart has the right to sell us their stock, and we actually love it when they do – we've now gained ownership of those securities for 75 dollars a share. So, we bought them at a discount to what they're selling for at the New York Stock Exchange, a discount to what any retail investor would pay for these shares.

Alternatively, should the shares appreciate in value, the contract ends after a year, they've paid us the premium, we keep holding that premium, and we now have a 33 percent return on our 75 dollars in collateral over one year. So, we've earned 33 percent just on the premium due to this increase in volatility.

So, everyone – we are in a zero-interest rate environment. The fact that we have this opportunity at the moment is just incredible. And most importantly, volatility is back.

During Q1, markets experienced the fifth decline in excess of 30 percent going back 40 years. Peak to trough, the S&P 500 fell 34 percent. The Dow fell 37 percent, which was the fastest rate on record. And the VIX, which is the fear index, exploded from lows of low teens. In fact, for several years it was sub-10, and it exploded to 85, which is also another record. This is the fear index- we are at the highest amount of fear ever. Most of us rationally know to be greedy when others are fearful, so it seems maybe obvious, but here is the secret - if you want to make money when fear is breaking all records, you need to ignore the noise and get hyper-rational. It's important to do this right now because theory and practice are actually inconsistent quite often. The inconsistencies between economic theory and reality become more obvious during times of volatility and uncertainty.

So, in theory, for example, we have the Efficient Market Hypothesis. The Efficient Market Hypothesis tells us that markets are efficient pricing mechanisms and that everything is priced perfectly all the time. It's amazing that even the professors who teach this stuff know it's not true – it's pretty funny. In practice, we know that markets are made up of people who are swinging to emotional extremes. So, it is better to conceptualize a market, not as a perfect pricing mechanism, but as a pendulum. This pendulum is swinging around at different prices in the short term based on human herd psychology.

So just think about it for a moment- where are we today? We are in a global pandemic, there is social unrest, we have political uncertainty, we're in a recession, fear is at a maximum, the VIX is volatile and we have 5 trillion sitting in cash in customer money market accounts at banks - this is an incredible record - earning zero percent. The unemployment record also hit [nearly 15] percent. People are worried, people are scared and people are really uncertain.

In fact, we're in a period of greater uncertainty right now than most people alive have ever experienced. And, the vast majority of stock market participants talk about markets, and one of the positive aspects being its liquidity, which means that underlying their investment thesis, they are focused on the short-term, or at least are aware that they have the ability to exit. They are certainly not long-term business owners like we are, and this is where long-term business owners can really thrive.

So, after we were up 27 percent in 2019, our performance took a short-term hit as well. We were down 29 percent during the first half of 2020. But, as I'm going to prove to you all, this is not of any concern for long-term investors. This is not a concern for me, and should not be a concern for you. You may ask, "Matthew, how are you going to prove that volatility is not a concern?" We are going to clear that bar.

Risk is the probability of a permanent loss in capital, and we are incredibly risk averse. Volatility, however, is not synonymous with risk. That's why on March 25th, I sent the first special memo in nine years of our fund's history to every limited partner urging them to invest.

I quote from the memo that I sent out:

"Amid the daily tragedies, this historical moment happens to be one of the rarest and most unique opportunities to buy equity in our lifetime. With volatility peaks combined with new deep value opportunities, this is by far the most exceptional moment to invest we have experienced since the inception of the fund in 2011, 2012 and 2013 when returns were extraordinarily strong…Two situations alone create a 30 to 40 percent upside return in the near term and do not include many other promising aspects of our portfolio…We do not fear price volatility around high quality opportunities."

Now, some of you jumped at that opportunity, and your rationality will be rewarded. More of you are joining now, and you too, will be rewarded. For the rest of you, you have to ask yourself what are you waiting for? This is hell freezing over. This is the plague. You have to be greedy when others are fearful. But nobody said it would be easy. It is actually very difficult, and that is the point.

I mentioned that in H1, our portfolio prices dropped 29 percent, all of our very valuable holdings went on sale. My hope, before I show you the next slide, is that you recognize that because of this environment, we are at the very beginning of a long runway packed with extraordinary opportunities for the fund. And so, thus far during the second half of 2020, we are up over 33 percent. So, that's in the last 7 weeks, exactly as I explained in the memo. But the world has changed. We are now getting paid 30, 40, 50 percent IRRs in premiums for commitments to buy deeply undervalued companies from counterparties on the Chicago Board of Exchange who are very fearful, and maybe do not have a grasp of the qualitative aspect of the business. So, we now have the wind at our backs.

Our focus is on managing this downside risk. We own superior, high-quality, valuable businesses, and we are certainly concentrated, so we experience short-term price movements. However, if the businesses we own are growing – if the value is growing – the prices in the market will ultimately catch up to that value.

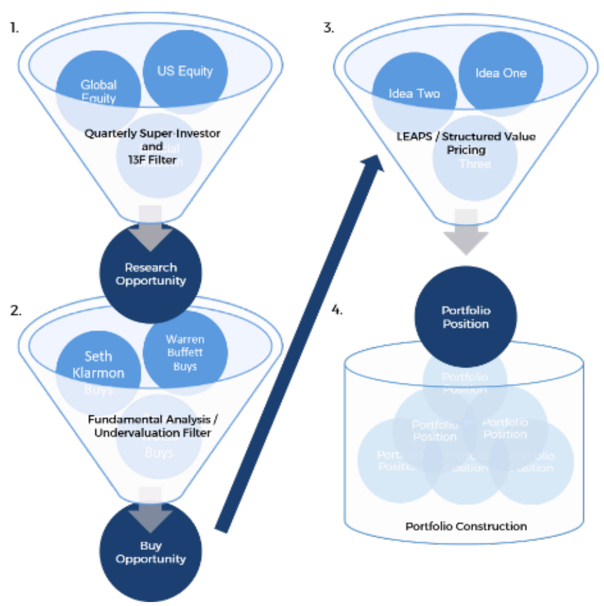
So, again – we're in a new environment and the volatility and uncertainty is extreme. But, if you focus on bottom-up business analysis like we do, this is the environment where we're all going to thrive. We're looking at businesses that go out far beyond this uncertainty. We're looking through this uncertainty. Those of you that do the same will certainly be rewarded.

Process is essential for this success. I've actually written on this extensively in annual reports of the past. We have a very specific and unique process, and each of these steps is an alpha enhancing step over the long term. We use very specific channels in step 1 including 13F analysis and reports to identify a pool of potentially deep-value opportunities. And, like Charlie Munger says, you have to fish where the fish are. So, we are narrowing down the global set of securities, let's say, 10,000 potential investment opportunities, to maybe 100 that we can reasonably look at. What we're really doing is finding needles in a haystack- sort of sorting for needles among needles.

The second step here is that we employ fundamental analysis to identify the deepest value, along with things like the top management and the very best business models.

The three in the process, as we discussed from the very beginning, is our unique approach to gaining exposure to these businesses where we're paid a premium, and then use the short put as a tool to purchase our equity. Very much today, that allows us to get in far below market prices or pick up very high IRRs on the premium.

And then finally, we need to focus on portfolio construction. We apply methods like the Kelly Criterion, which optimizes the portfolio construction. It recommends and suggests that we are much more concentrated. And so, we optimize the portfolio and definitely don't over diversify. As many of you here on this call have heard me speak about, [this happens] in most other mutual funds, index funds, and all sorts of other opportunities. So, we are optimally diversified, which means that we will have some volatility.



There is also another framework that I think is important to share with you, and this is our co-priorities framework.

When we are looking for a portfolio position that is going to compound at high rates of return, we're looking for a very rare gem. These co-priorities are very hard to find. We're looking first for an exceptional business model, superior management and extraordinary value. When you get an exceptional business model and superior management it is typically very hard to find it at a good price.

But this framework is essential because an exceptional business model will draw significant cash flow into the hands of management. So, you better have high-quality management, because one of the primary responsibilities of the c-suite managers of these companies is allocation of this business cash flow. So, they need to be exceptional capital allocators.

When the c-suite has cash, they have options, they get to make decisions. They can re-invest in their own business, they can pay off debt, they can issue a dividend, they can engage in some merger acquisition, or they can start buying back stock. There are really five major buckets, and they need to make these decisions from the perspective of a long-term shareholder. Because when those decisions are made well, the compounding can then continue, and it can even accelerate and become a nice system.

So finally, the third co-priority.

We are value investors, so we are not going to overpay, even for great businesses and great managers. We are looking to pay far less than the intrinsic value of the underlying business. Our portfolio is comprised of these rare opportunities.

As you know, we manage an extremely concentrated portfolio. In fact, these four holdings – Daily Journal, Berkshire Hathaway, Dhandho, and Talas make up over 50 percent of our portfolio. So, we are not immune to short-term price swings.

In fact, Daily Journal has gone from $300 to under $200, and back to $290 in six months. And, as I'll show you, it's worth over $1,000, so I was never worried. It never gave me one moment of concern.

We are also focused on very asymmetric risk-reward situations, firms that have embedded downside protection with the potential of parabolic upside. We want great firms run by great people selling for a cheap price with asymmetric upside. And, believe me, there's not a lot of those out there.

So why is there so much value in these firms here? Because for one, a lot of the value is hidden. You won't find these stocks showing up in your stock screener, there's off financial statement value here and they are misunderstood by the market.

I'm going to briefly provide some details on Daily Journal and Berkshire Hathaway, with the caveat that I typically do avoid the discussion of current holdings due to the well-known commitment and consistency biases. But in reality, these are long-term Fisher compounders. We're going to hold these for a decade or longer. I actually don't mind sharing them, but I am aware of the biases that it creates.

So, as we hold these for this decade plus, we will of course continue adding to these positions, or selling puts and earning premiums during the dips along the way.

Daily Journal Berkshire Hathaway Dhandho TALAS

So, Daily Journal Company.

This is basically a big secret. Most people have never heard of this amazing firm, and anybody outside this room who has will mostly tell you that Daily Journal is a newspaper business. It's not a newspaper business at all. It was a 10-newspaper business that now contributes to less than 25 percent of the revenue. And what is happening today is totally misunderstood.

I actually presented a few of these slides in Switzerland last year, and titled my talk, "Hiding in Plain Sight" because this is such an obvious example of a terrific business model, exceptional managers, and deep value that is not apparent by looking at the financial statements.

So, who runs Daily Journal Company and who is the management?

Daily Journal is managed by many of the best business managers in the history of the world. Charlie Munger, Buffett's partner of 55 years is the chairman. He bought the company 43 years ago for 2 million dollars with Rick Guerin, who is on the board as well, and was written up in 1984 by Warren Buffett as being one of the 6 super-investors of Graham and Doddsville.

Peter Kauffman is on the board. Peter Kauffman is incredibly wise and known for writing Poor Charlie's Almanac, and is the CEO of Glenair, which is a very successful aerospace manufacturing firm. Many of you are probably familiar with his work there. Regardless, the point is that the company is completely stacked with hand-selected talent by Charlie Munger over four decades. So, we have the management covered in spades.

What's the business? Well, this company has one of the top business models in the modern economy. It's a SaaS business model, it's software as a service. They have a family of software products that are provided to courts and municipalities around the nation and around the world. These products help courthouses manage cases and information electronically, interface with other critical justice partners, and they extend electronic services to the public so they can pursue things like electronic filings. There is also a website where they can pay traffic citations and other fees.

So, when it comes down to the third bucket for co-priorities, the valuation bucket, that's all we really have to understand. They have the best managers and they have the best business model. So, what is the valuation?

This requires a bit of background.

Forty three years ago, Rick Guerin and Charlie Munger bought a newspaper for 2 million dollars called Daily Journal. Over the decades they accumulated 10 newspapers, which is why people mistakenly assume it's a newspaper business.

During the financial crisis it is important to know that they had about $50 million in cash. And so, in March of 2009 Guerin and Munger bottom ticked it to the day and put all of their money in at market lows. 75 percent of the portfolio is Wells Fargo and Bank of America. They also clearly believe in concentration. They have turned it into a 150-million-dollar equity portfolio today.

And by the way, that equity portfolio is down from $200 million at the beginning of the year. But I guarantee to you that it is absolutely no concern to them at all. So, $150 million in an equity portfolio.

This is a 400-million-dollar market cap company. And let's put the newspapers at a value of zero – it's really not at zero at all, but we can just ignore them and have a secret asset inside. So, they basically have a 150-million-dollar equity portfolio, they have $16 million in real estate (they own a few offices) and then they have $10 million in cash. And, if you account for the $60 million in long-term debt, it is actually the most amazing type of debt. [The debt is] deferred capital gains tax, they never have to pay it and it's at an interest rate of zero. This is because their equity portfolio went up.

So, they have deferred capital gains tax, and then a $30 million noncallable margin loan on the equity portfolio. They borrowed $30 million to build out the technology piece. It's noncallable, they never have to pay it, or can pay it whenever they want, and the interest rate is 0.75 percent. So, if you thought your mortgage was low, Munger has figured out a way to finance his business for 0.75 percent.

So, they have the equity, real estate, and cash minus debt. This leaves $115 million in solid assets that are liquid, net of debt, and then all you're left with is this technology business. That has the perceived market price here of $285 million. It's a tiny microcap run by a group of the best investors of all time.

So, the question really is, what is the value of the technology and software firm?

To understand this, I need to share with you a brief story. After 10 years of following the firm and some attempts to understand what was happening in software space, I began to discover that the information was so sparse that none of the professional fund managers or Munger fanatics knew anything about what they were doing in a tech space. So, my search continued.

During this extensive search I discovered that there was a customer training seminar that was taking place in Utah. I thought that I would try to attend the training. But, without government credentials or a court ID it was impossible for me to register. Ultimately, I flew to Utah during the training, booked a room at the hotel, and sat in the lobby for three days interviewing the customers as they moved between all of their training sessions.

The information that I uncovered was enormously valuable. I learned that customers live and breathe in this software. When I say customers, I mean courthouse employees, and the customers of Journal Technologies. They live and breathe in this software all day. I learned how much more efficient it made their jobs. But most importantly, I learned that one of the main competitive advantages that Journal Technologies had created was approaching the bureaucratic RFP process with a 4 to 7-year billing delay. So, they're getting a major government contract and not billing them for 4 to 7 years. Imagine that. All of the ongoing costs are on their financial statements, but the revenue is being totally unaccounted for.

That was shocking. I'd never seen something like this. That means that 10's and perhaps 100's of millions in revenue are missing from the financial statement of a 285-million-dollar tech firm. And further, a lot of it is going to drop right to the bottom line, or at least be able to be re-invested in new high-growth opportunities. The management is excellent, which is why this is hiding in plain sight.

So, I brought in an intern to focus intensely on searching for these government contracts. Because although this was absent from the Daily Journal financial statements, I realized it would probably be accounted for in cities and municipalities pursuing an RFP process or implementation.

We searched across 3,000 counties in the United States, scanning state and local government meeting minutes. It was an incredibly onerous process. We were searching for key words like, "Daily Journal," "Journal Technologies," and all sorts of software just for some clue that a court software solution was being implemented.

And we found incredible things. We found contracts in Los Angeles. Los Angeles owes them 5 million dollars. Austin, Texas owes them 1 million dollars. And, we found two software implementation contracts in Australia for $16 million and a whopping 89 million dollars – all unaccounted for on the Daily Journal financial statements because of their deferred gratification ethos and approach. In total, we identified over 100 implementations across America, Canada and Australia. Many of these contracts are huge contracts.

As we think about how we're going to value this firm, I also learned in the training conference that the software was sold in 100 license units for 100k per year, with an inflation-based price escalator and a 10-year commitment. This meant that the revenues were going to be incredibly sticky and that they had pricing power once the implementation was complete.

And by the way – as you all know; no bureaucratic municipality is going to switch software programs after 10 years of use and experience.

So further, I understood and learned that demand was growing quickly. Once these implementations were complete, I learned from the customers that demand for the individual licenses was growing. This is because each employee benefits from ultimately having their own independent log in.

And again, I discovered that with all of the interfaces that they had created for the external justice partners meant that once the implementation was complete, many of these partners would then request their own implementation so that they could seamlessly interface with the courthouse electronically.

So, the whole ecosystem is pointing in the right direction. This is all happening right now – it's just incredible. Many of these municipalities and courthouses run really terrible antiquated systems. And frankly, that's why you see attorneys carrying around massive briefcases filled with paper. And here is a little-known newspaper company run by the most brilliant man alive, providing a major efficiency to this enormous space. Ultimately, I do not know how large this is going to become, but they have incorporated all of these moats into this business and designed it to thrive.

So, what are some of these? They are operating in a huge space with network effects, they have pricing power, there's enormous switching cost, and they've implemented invariant strategies like deferred gratification and trust. They also have win-win relationships with the whole ecosystem from the courthouses, to the regulators, to the customers, to their shareholders. Furthermore, the customer becomes completely dependent on their service, and they operate a SaaS business with huge margins. On top of that, the way that they present this to the courthouses, it actually delivers a great IRR for the buyer. It's a better product and continues to improve with societies dependence on technology. With all of that said, and good luck competing with that, we've modeled out, high margin revenues [may] reach 100 million for the subsidiary this decade, and it will still be very early in their long-term potential.

So, with a reasonable multiple on high-margin income, this is perhaps a 1 or 2-billion-dollar business tucked inside of a little microcap newspaper priced at 285 million dollars. I will also add that there is the growing 150-million-dollar equity portfolio. With all of this that we discussed and the business basically evolves as it's evolving. The $200 - $300 price range of the stock is going to go over $1,000. We just have to be patient.

So, again, $300 to $200 to $300 in 6 months sounds scary, I know. But I can't emphasize enough that this volatility is absolutely no concern. We have a firm that should be selling for $1,000 or more this decade. And in fact, I don't want to start speculating too much, but they could start offering all sorts of additional software. I see new businesses popping up in the contracts like cloud hosting services all the time. And should they start wanting to manage public school technology or adoption agencies, or handling sensitive government data, the prospects just jump further. They have a long runway ahead, they're in a huge open space, and if the business reaches a 3 billion market cap, we will end up with 10x on our investment.

Finally, regarding Daily Journal, thank you for all your patience with Daily Journal, I promise not to do this with Berkshire, let's talk about the asymmetric risk-reward.

So, if you wanted to argue that the technology business would completely fail, it's worth zero, and that's hardly a possibility. The 150-million-dollar equity portfolio that they have is going to grow into the market cap of the entire firm this decade. So, despite the volatility, the risk of loss over a few years is close to zero, while the upside is conservatively many multiples of the current price, and the risk-reward is completely asymmetric.

And so, I wanted to go through this in detail here because it hopefully helps explain why I am completely comfortable with firms like Daily Journal as a large, volatile long-term holding in the portfolio, and it actually makes dips in the price exciting opportunities and not scary ones.

Let's now examine Berkshire Hathaway. I'll be brief here.

Berkshire is another core holding that hardly requires that type of introduction. They have extraordinary management, many of you will be very familiar, and they have [an] exceptional, diversified businesses. These businesses have been hand selected by Warren Buffett and Charlie Munger. The business model is primarily based on float, or a negative cost to capital. And finally, they are very cheap and have significant downside protection.

Last year at this meeting that some of you attended, I showed their pathway to $1.7 trillion valuation. I wrote about it extensively in our annual letter as well. I'm now going to simplify this even further. A breakdown of Berkshire can be viewed as follows. The market cap is $500 billion today, they hold $145 billion in cash, they have a $210 billion equity portfolio, and nearly half of that is Apple. They also have 100 subsidiaries like BNSF Railroad, NetJets and Geico. And, if you put a reasonable multiple in this environment on these operating companies earning 22 billion per year – put a multiple of 15 – and you get a 330-billion-dollar valuation.

So, that gives us the value today, $685 billion and growing. That's a full 35 percent upside to today's price just to reach a conservative fair value. That doesn't include things like stock buybacks that are basically going to approach, or looks like they will approach, $10 billion this year. So again, this is a firm that thrives during uncertain times. Berkshire has 145 billion dollars in cash sitting and ready to be put to work, which will clearly enhance that value further.

You will all recall from the very beginning, the secret we have on volatility is that we use puts to enter these positions. We're selling counterparts puts. At the Chicago Board of Exchange people are paying us to buy their undervalued Berkshire. In the previous few years, we might have picked up a 5 percent IRR, but now we are getting enormous premiums on Berkshire Hathaway.

So, during dips in Q1 with a current value of $280 per share, which you saw on the last slide, we were able to commit to buying these shares from a counterpart for 165 dollars over a six-month period. We would be delighted to buy Berkshire for $165. Those contracts expire in September, it's coming up next month. We were paid 18 dollars for our commitment to buy their stock for $165. That reduces our price further down to $147. But we're not going to buy those shares.

Actually, what they handed us was a 25 percent [annualized] IRR on an extraordinarily safe opportunity in a zero-interest rate environment. I can't emphasize this enough, it's just so remarkable that you take a company as secure, maybe the most secure business available, and when it's dipping in price, people are paying us a premium to buy their shares for a price below the current market price. We're earning 25 percent annualized premiums from what people are paying us. It's incredibly safe and it's remarkable. These types of situations are why it's such an extraordinary time to be putting capital to work right now.

I would like to remind everyone of our mission statement:

Our mission is to provide a world class capital appreciation vehicle that builds enormous wealth for our long-term partners.

And finally, a very important thank you to our exceptional service providers. They work tirelessly to keep all of the operations running smoothly.

INDEPENDENT AUDITORS' REPORT

PETERSON INVESTMENT FUND I, LP

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

PETERSON INVESTMENT FUND I, LP CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Partners of
Peterson Investment Fund I, LP and Talas Turkey Value Fund, LP

We have audited the accompanying consolidated financial statements of Peterson Investment Fund I, LP and Talas Turkey Value Fund, LP (the "Partnership"), which comprise the consolidated statement of financial condition, including the consolidated condensed schedule of investments, as of December 31, 2020 and the related consolidated statements of operations, consolidated changes in partners' capital and consolidated cash flows for the year then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Partnership's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Peterson Investment Fund I, LP and Talas Turkey Value Fund, LP, as of December 31, 2020, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Denver, Colorado
February 1, 2021

Spicer Jeffries LLP

PETERSON INVESTMENT FUND I, LP
CONSOLIDATED STATEMENT OF FINANCIAL CONDITION
DECEMBER 31, 2020

ASSETS

INVESTMENTS, at fair value (cost of $8,063,445)	$ 11,145,623
DUE FROM BROKER (Note 4)	924,859
CASH & CASH EQUIVALENTS	645,696
CASH COLLATERAL FOR SECURITIES ON LOAN (Note 1)	143,400
	$ 12,859,578

LIABILITIES AND PARTNERS' CAPITAL

LIABILITIES:	
Investments sold, not yet purchased, at fair value (proceeds of $2,058,781)	$ 1,401,083
Subscriptions Received in Advance	770,000
Payable for Securities on Loan (Note 1)	143,400
Due to Investors	91,797
Accrued expenses	22,286
Due to General Partner	3,206
Other Liabilities	1,591
Dividend/Interest Payable	360
Total liabilities	2,433,723
CONTINGENCIES (Note 6)	
PARTNERS' CAPITAL	10,425,855
	$ 12,859,578

The accompanying notes are an integral part of this statement.

PETERSON INVESTMENT FUND I, LP
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2020

	Fair Value	Percentage of Partners' Capital
Investments in securities, at fair value:		
Private equity:		
United States:		
Dhandho Holdings, L.P. (cost of $797,000)	$ 700,000	6.71
Common stocks:		
United States:		
Capital Goods	3,009,501	28.87
Consumer Services	2,450,808	23.51
Finance	1,190,904	11.42
Health Care	561,909	5.39
Total United States common stocks, at fair value (cost of $5,301,419)	7,213,122	69.19
Turkey:		
Basic Materials	344,261	3.30
Energy	200,520	1.92
Finance	190,061	1.82
Industrials	101,931	0.98
Technology	81,801	0.78
Consumer Cyclical	58,000	0.56
Consumer Defensive	30,985	0.30
Utilites	18,634	0.18
Total Turkey common stocks, at fair value (cost of $903,219)	1,026,193	9.84
Canada:		
Industrials (cost of $325,739)	494,000	4.74
China:		
Consumer Services (cost of $27,959)	87,900	0.84
Total investments in common stocks, at fair value (cost of $6,558,336)	8,821,215	84.61
Options:		
United States:		
Finance	469,659	4.50
Real Estate	106,141	1.02
Total United States options, at fair value (cost of $540,326)	575,800	5.52
China:		
Consumer Services (cost of $167,783)	1,048,608	10.06
Total investments in options, at fair value (cost of $708,109)	1,624,408	15.58
Total investments in securities, at fair value (cost of $8,063,445)	**$ 11,145,623**	106.90

The accompanying notes are an integral part of this statement.

PETERSON INVESTMENT FUND I, LP
CONSOLIDATED CONDENSED SCHEDULE OF INVESTMENTS

DECEMBER 31, 2020
(concluded)

	Fair Value	Percentage of Partners' Capital
Investments in marketable securities sold, not yet purchased, at fair value:		
Options:		
United States:		
Finance	601,596	5.77
Capital Goods	267,900	2.57
Communications	78,414	0.75
Health Care	12,802	0.12
Total United States options, at fair value (proceeds of $1,287,916)	960,712	9.21
China		
Consumer Services (proceeds of $770,865)	440,371	4.22
Total investments in options, at fair value (proceeds of $2,058,781)	1,401,083	13.43
Total investments in marketable securities sold, not yet purchased, at fair value (proceeds of $2,058,781)	**$ 1,401,083**	**$ 13.43**

The accompanying notes are an integral part of this statement.

PETERSON INVESTMENT FUND I, LP
CONSOLIDATED STATEMENT OF OPERATIONS

YEAR ENDED DECEMBER 31, 2020

INVESTMENT INCOME:	
Dividend and interest income	$ 40,925
EXPENSES:	
Management fees (Note 3)	62,611
Professional fees and other expenses	34,138
Interest expense	2,271
Total expenses	99,020
Net investment loss	(58,095)
NET REALIZED GAIN AND CHANGE IN UNREALIZED APPRECIATION OF INVESTMENTS:	
Net realized gain on investments	179,543
Change in unrealized appreciation of investments	2,571,319
Net realized and unrealized gain on investments	2,750,862
NET INCREASE IN PARTNERS' CAPITAL RESULTING FROM OPERATIONS	**$ 2,692,767**

The accompanying notes are an integral part of this statement.

PETERSON INVESTMENT FUND I, LP
CONSOLIDATED STATEMENT OF CHANGES IN PARTNERS' CAPITAL
YEAR ENDED DECEMBER 31, 2020

	General Partner	Limited Partners	Talas Partners	Total Partners' Capital
BALANCES, December 31, 2019	$ -	$ 6,170,343	$ 409,547	$ 6,579,890
Contributions	62,611	1,699,407	-	1,762,018
Increase resulting from operations:				
Net investment loss	(25)	(58,392)	322	(58,095)
Net realized gain	543	184,420	(5,420)	179,543
Change in unrealized appreciation	7,168	2,435,298	128,852	2,571,318
Performance allocation (Note 2)	355,190	(351,984)	(3,206)	-
Transfers	(1,635)	1,635	-	-
Capital withdrawals	(131,706)	(477,113)	-	(608,819)
BALANCES, December 31, 2020	**$ 292,146**	**$ 9,603,614**	**$ 530,095**	**$ 10,425,855**

The accompanying notes are an integral part of this statement.

PETERSON INVESTMENT FUND I, LP

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES:		
Net increase in partners' capital resulting from operations	$	2,692,767
Adjustments to reconcile net increase in partners' capital resulting from operations to net cash used in operating activities:		
Net realized gain on investments in securities		(179,543)
Change in unrealized appreciation of investments in securities		(2,571,319)
Purchases of investments, net of sales		(987,615)
Increase in due to/from broker		(530,734)
Increase in due to investor		91,797
Increase in due to general partner		3,206
Increase in accrued expenses		1,104
Decrease in dividend/interest payable		(19)
Increase in other liabilities		1,002
Net cash flows used in operating activities		(1,479,354)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions including subscriptions received in advance		2,532,018
Withdrawals		(608,819)
Net cash flows provided by financing activities		1,923,199
NET INCREASE IN CASH		443,845
CASH, at beginning of year		201,851
CASH, at end of year	**$**	**645,696**

The accompanying notes are an integral part of this statement.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Peterson Investment Fund I, LP (the "Partnership") is a Delaware limited partnership organized for the purpose of investing in and trading a wide range of securities and other financial instruments. The Partnership commenced operations on October 3, 2011. Peterson Capital Management, LLC, a Delaware limited liability company organized in May 2010, serves as the General Partner and Investment Manager of the Partnership.

The Partnership has three primary objectives: capital preservation, long-term capital appreciation in excess of market indices (S&P 500), and limitation of downside risk. These objectives will be pursued with a long-term mentality rather than for temporary gain. Additionally, the Partnership will seek to limit investment turnover to reduce frictional costs (such as taxes and transaction fees).

The Partnership shall continue until December 31, 2099 unless it is terminated sooner by the General Partner or otherwise as permitted under the Limited Partnership Agreement.

Interests offered to investors are without registration under the Securities Act of 1933, as amended, or the securities laws of any state, in reliance on the private offering exemption contained in Rule 506 of Regulation D issued under the Securities Act of 1933 and in reliance on similar exemptions under applicable state laws. Under Rule 506 and certain state laws, the Partnership must determine that a person, or a person together with a purchaser representative, meets certain suitability requirements before offering to sell interests to such an individual.

Basis of Presentation

The consolidated financial statements include the accounts of the Partnership and its wholly owned subsidiary, Talas Turkey Value Fund LP, a Delaware Limited Partnership (collectively referred to as the "Partnership"). All intercompany balances and transactions are eliminated in consolidation. The Partnership is an investment company and follows the accounting and reporting guidance in FASB Topic 946. .

Basis of Accounting and Trading and Valuation of Investments

The Partnership records its securities transactions on a trade-date basis. Realized gains or losses are recorded upon disposition of investments calculated based upon the difference between the proceeds and the cost basis determined using the specific identification method. All other changes in the valuation of portfolio investments are included as changes in the unrealized appreciation or depreciation of investments in the statement of operations. Dividend income and expenses are recorded on the exdividend date and interest income and expense are recorded on the accrual basis.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Trading and Valuation of Securities *(continued)*

The Partnership values its investments in accordance with Accounting Standards Codification 820 - Fair Value Measurements ("ASC 820"). Under ASC 820, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date.

In determining fair value, the Partnership uses various valuation approaches. ASC 820 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Partnership. Unobservable inputs reflect the Partnership's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

> Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Partnership has the ability to access. Valuation adjustments and blockage discounts are not applied to Level 1 investments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these investments does not entail a significant degree of judgment.

> Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

> Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Partnership in determining fair value is greatest for investments categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting and Trading and Valuation of Investments *(continued)*

measurement falls in its entirety is determined by the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Partnership's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Partnership uses prices and inputs that are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy

The Partnership values investments in derivatives, securities and securities sold, not yet purchased that are freely tradable and are listed on a national securities exchange or reported on the NASDAQ national market at their last sales price as of the last business day of the year.

Many cash and over-the-counter ("OTC") contracts have bid-and-ask prices that can be observed in the marketplace. Bid prices reflect the highest price that the marketplace participants are willing to pay for an asset. Ask prices represent the lowest price that the marketplace participants are willing to accept for an asset. For securities whose inputs are based on bid-ask prices, the Partnership's valuation policies require that fair value be within the bid-ask range. The Partnership's policy for securities traded in the OTC markets and listed securities for which no sale was reported on that date are valued at their last reported "bid" price if held long, and last reported "ask" price if sold short. The Partnership considers these investments as level 1 securities for active markets and level 2 securities for thinly traded markets.

The Partnership's investment in nonpublic securities consists of a direct private equity investment. The utilization of the net asset valuations provided by the underlying investment and/or their administrators is an appropriate estimate of fair value of a private company. The Partnership considers any restrictions on the dispositions of the interest in its determination of fair value. These nonpublic investments are included in Level 3 of the fair value hierarchy.

The industry classifications included in the condensed schedule of investments represent the General Partner's belief as to the most meaningful presentation of the classification of the Partnership's investments.

Option Contacts

Options which are listed on major securities exchanges are valued at their last reported sales price as of the valuation date or based on the midpoint of the bid-ask spread at the close of business on the valuation date by the relevant exchange or board of trade. Over-the-counter options are valued by a third-party pricing service using techniques that consider factors including the value of the underlying instrument, the volatility of the underlying instrument and the period of time until option expiration. depending on the frequency of trading, listed options are generally classified in Level 1 or 2 of the fair value hierarchy.

The Partnership is exposed to counterparty risk from the potential that a seller of an option contract does not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum risk of loss from counterparty risk to the Partnership is the fair value of the contracts and the premiums paid to purchase its open option contracts. The Partnership considers the credit risk of the intermediary counterparties to its option transactions in evaluating potential credit risk.

Foreign Currency Transactions

Investment securities denominated in foreign currencies are translated into U.S. dollar amounts at the date of valuation. Purchases and sales of investment securities and income and expense items denominated in foreign currencies are translated into U.S. dollar amounts on the respective dates of such transactions. The Partnership does not isolate the portion of the results of operations resulting from changes in foreign currencies in foreign exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments.

Reported net realized foreign exchange gains or losses arose from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, and the difference between the amounts of dividends, interest and foreign withholding taxes recorded on the Partnership's books and the U.S. dollar equivalent of the amounts actually received or paid.

Cash and Cash Equivalents

The Partnership considers all highly liquid instruments with an original maturity of three months or less to be cash equivalents.

Short Sales

The Partnership may sell a security it does not own in anticipation of a decline in the fair value of that security. When the Partnership sells a security short, it must borrow the security sold short and deliver it to the broker-dealer through which it made the short sale. A gain, limited to the price at which the Partnership sold the security short, or a loss, unlimited in amount, will be recognized upon the termination of a short sale.

Security Loans

The Partnership may lend its investment securities while it continues to receive dividends and interest on such investments loaned. The Partnership receives compensation for lending it securities in the form of fees or it retains a portion of the interest earned on the investment of any cash received as collateral.

The loans are secured by collateral at least equal to the fair value of the securities loaned plus accrued interest. Gain or loss in the fair value of the securities loaned that may occur during the term of the loan will be for the account of the Funs. The Fund has the right under the lending agreement to recover the securities on a timely basis, the Fund could experience delays or losses on recovery. If at any value of the collateral provided by the borrower falls below the value of the securities loaned additional collateral is obtained from the borrower. The Fund Lent 9,560 shares of Schlumberger NV in the amount of $143,400 and waived cash collateral of $143,400 as of December 31, 2020.

Income Taxes

The consolidated financial statements do not include a provision for income taxes because the Partnership is not a taxable entity and its partners are taxed on their respective share of the Partnership's earnings. The Partnership is required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any tax related appeals or litigation processes, based on the technical merits of the position.

The Partnership files an income tax return in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states. The Partnership is not subject to income tax return examinations by major taxing authorities for years before 2017. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Partnership recording a tax liability that reduces net assets. However, the Partnership's conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, on-going analyses of and changes to tax laws, Income Taxes (concluded)

regulations and interpretations thereof. The Partnership recognizes interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income taxes payable, if assessed. No interest expense or penalties have been recognized as of and for the year ended December 31, 2020.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

NOTE 2 - LIMITED PARTNERSHIP AGREEMENT

Allocation of Net Profits and Losses

Net profits are allocated to all partners in proportion to their relative opening capital balances. At the end of each calendar year, the General Partner will receive a performance allocation equal to 25% of each limited partner's share of net profits for such a year, subject to a "hurdle" rate of 5% of returns each year and a high-watermark. If a limited partner makes a withdrawal of capital at a time other than the end of a calendar year, the General Partner will receive a partial performance allocation at the time of that withdrawal in proportion to the reduction in that partner's capital account balance caused by the withdrawal.

The General Partner receive a performance allocation for the year ended December 31, 2020 of $355,190.

Net losses are allocated to all partners in proportion to their relative opening capital balances. If such allocation of net losses would result in a negative capital balance in the account of any limited partner, such losses will be allocated to the General Partner.

Capital Contributions and Withdrawals

Capital contributions may be made as of the first business day of each calendar month or at any other time at the General Partner's discretion. The minimum initial contribution to the Partnership is $1,000,000. Additional contributions may be made in amounts of at least $250,000 for Peterson Capital contributions may be made as of the first business day of each calendar month or at any other time at the General Partner's discretion. The minimum initial contribution to the Partnership is $1,000,000. Additional contributions may be made in amounts of at least $250,000 for Peterson

Investment Fund I, LP and $100,000 for the subsidiary. The General Partner, at its sole discretion, may waive the minimum initial contribution amount or the minimum additional contribution amount. Beginning with the twelfth full fiscal quarter after a limited partner's initial capital contribution, a limited partner may, subject to certain conditions, on at least sixty (60) calendar days prior written notice to the General Partner, withdraw all or part of its capital account as of the last day of the calendar quarter. If a limited partner redeems its capital balance effective any day other than specified above, the redemption shall be subject to a 3% withdrawal fee. Partial withdrawals must be at least $100,000.

Any of these conditions may be waived by the General Partner in its sole discretion. The General Partner also may suspend the limited partners' withdrawal rights under certain circumstances.

All partner classes are held to the same conditions. Withdrawal payments generally will be made within 30 days after the effective withdrawal date. The retention period generally will not exceed 90 days from the withdrawal request, though the General Partner may extend it until completion of the audit for the fiscal year in which the withdrawal occurs. If a limited partner withdraws more than 90% of its capital account during the year or at year-end, the Partnership will distribute 90% of the limited partner's estimated capital balance. The remaining 10% will be distributed after completion of the audit of the Partnership for the year in which the withdrawal took place.

NOTE 3 - RELATED PARTIES

The Partnership pays a management fee to General Partner equal to 0.225% per quarter in advance (0.9% per annum) of the balance in each limited partner's capital account. Limited partners who are permitted by the General Partner to contribute capital on a date other than the first day of the quarter are charged a prorated management fee as to that contribution. The General Partner, in its sole discretion may agree to waive or reduce the management fee rate for certain limited partners and may agree with any limited partner to change the fee rate. The General Partner has agreed to allow a limited number of non-accredited Limited partners to be charged a 2% management fee and not be charged a performance allocation. The Partnership incurred management fees of $62,611 for the year ended December 31, 2020.

Certain limited partners are affiliated with the General Partner. The aggregate value of the General Partner's and affiliated limited partners' share of the Partnership's capital as of December 31, 2020 was $1,228,492.

NOTE 4 -DUE FROM BROKER

In the normal course of business, substantially all of the Fund's securities transactions, money balances, and security positions are transacted between the Fund's two brokers Interactive Brokers and Ziraat Yatirim. The Fund is subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The Fund's management monitors the financial condition of such brokers and does not anticipate any losses from these counterparties.

NOTE 5 - SUPPLEMENTAL DISCLOSURE OF INVESTMENTS

The Partnership's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 1 for a discussion of the Partnership's policies. The following table presents information about the Partnership's assets and liabilities measured at fair value as of December 31, 2020:

The following table presents information about the Partnership's assets and liabilities measured at fair value as of December 31, 2019:

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balances as of December 31, 2020
Assets:				
Private equity:				
Dhandho Holdings, L.P.	$ -	$ -	$ 700,000	$ 700,000
Common stocks:				
Capital Goods	3,009,501	-	-	3,009,501
Consumer Services	2,538,708	-	-	2,538,708
Finance	1,380,965	-	-	1,380,965
Industrials	595,931	-	-	595,931
Health Care	561,909	-	-	561,909
Basic Materials	344,261	-	-	344,261
Energy	200,520	-	-	200,520
Technology	81,801	-	-	81,801
Consumer Cyclical	58,000	-	-	58,000
Consumer Defensive	30,985	-	-	30,985
Utilities	18,634	-	-	18,634
Options:				
Consumer Services	1,048,608	-	-	1,048,608
Finance	469,659			469,659
Real Estate	106,141	-	-	106,141
Total assets	$ 10,445,623	$ -	$ 700,000	$ 11,145,623
Liabilities:				
Options:				
Finance	601,596	-	-	601,596
Consumer Services	440,371	-	-	440,371
Real Estate	267,900	-	-	267,900
Communication Services	78,414	-	-	78,414
Health Care	12,802	-	-	12,802
Total liabilities	$ 1,401,083	$ -	$ -	$ 1,401,083

The Partnership did not have any significant transfers between Level 1 and Level 2 during the year ended December 31, 2020.

NOTE 5 - SUPPLEMENTAL DISCLOSURE OF INVESTMENTS (continued)

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Partnership has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributable to both observable and unobservable inputs.

Changes in Level 3 assets measured at fair value for the year ended December 31, 2020, are as follows:

	Level 3 Beginning Balance December 31, 2019	Net Transfers In and/or (Out) of Level 3	Purchases	Sales and Settlements	Realized and Unrealized Gains (Losses)	Level 3 Ending Balance December 31, 2020	Change in Unrealized Gains (Losses) for Investments Still Held at December 31, 2020
Investments:							
Private equity	$ 1,179,500	$ -	$ -	$ (525,000)	$ 45,500	$ 700,000	$ 45,500

Valuation techniques and unobservable inputs of Level 3 assets measured at fair value as of December 31, 2020 are as follows:

Level 3 Fair Value Measurements	Fair Value at December 31, 2020	Valuation Technique	Unobservable Inputs
Investments:			
Private equity	$ 700,000	Net asset value	Private placement sale price

The Partnership invests a portion of partners' capital into a private equity investment valued at $700,000 (approximately 7% of partners' capital). Fair value of this investment has been valued utilizing the net asset valuation provided by the private equity investment in the absence of readily ascertainable market values. Because of the inherent uncertainty of valuation, the estimated value may differ from the value that would have been used had a ready market for the investment existed, and the difference could be material.

NOTE 5 - SUPPLEMENTAL DISCLOSURE OF INVESTMENTS (continued)

The Partnership holds security positions that are in excess of 5% of partners' capital. The following is a schedule of these positions as of December 31, 2020:

	Number of Shares/Contracts	Fair Value	Percentage of Partners' Capital
Investments in securities, at fair value:			
Common stocks:			
Daily Journal Cp	4,329	1,748,916	16.77
General Motors Company	28,600	1,190,904	11.42
Berkshire Hathaway Inc.	3,400	788,358	7.56
Seritage Growth Properties	52,500	770,700	7.39
Discovery Comm Inc	26,800	701,892	6.73
Bank of America Corp	18,242	552,915	5.30
Private equity:			
Dhandho Holdings, L.P.	350,000	$ 700,000	6.71
Total investments in excess 5% of partners' capital		6,453,685	61.90
Total investments not in excess 5% of partners' capital		4,691,938	45.00
Total investment in securities, at fair value		**$ 11,145,623**	**106.90%**

In the normal course of business, the Partnership utilizes derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The primary underlying risk of the Partnership's derivative activities and exposure to derivative contracts is equity price risk. In addition to this primary underlying risk, the Partnership is also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts.

NOTE 5 - SUPPLEMENTAL DISCLOSURE OF INVESTMENTS (continued)

Volume of Derivative Activities

At December 31, 2020, the volume of the Partnership's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

	Long exposure		Short exposure	
Primary underlying risk	Notional amounts	Number of contracts	Notional amounts	Number of contracts
Equity Price				
Options	$ 2,070,800	494	$ 14,303,950	3,228

Notional amounts presented are based on the fair value of the underlying shares as if excercised at December 31, 2020

The following table identifies the fair value amounts of derivative instruments included in the statement of financial condition as derivative contracts, categorized by primary underlying risk, at December 31, 2020. Balances are presented on a gross basis, prior to the application of the impact of counterparty and collateral netting. Total derivative assets and liabilities are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements and have been adjusted by the application of cash collateral receivables and payables with its counterparties.

Primary underlying risk	Derivative assets	Derivative liabilities
Equity Price		
Options	$ 1,624,408	$ 1,401,083

The following table identifies the net gain and loss amounts included in the statement of operations from derivative contracts, categorized by primary underlying risk, for the year ended December 31, 2020:

Primary underlying risk	Realized profit (loss)	Unrealized profit (loss)
Equity Price		
Options	$ 296,262	$ 959,146

NOTE 6 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISKS AND CONTINGENCIES

In the normal course of business, the Partnership enters into various financial transactions. The execution of these transactions may result in off-balance sheet risk or concentration of credit and price risk. The Partnership records securities transactions on a trade-date basis and, therefore, is exposed to credit risk in the event that the Partnership's counterparties are unable to fulfill contractual agreements on the date of settlement.

Price risk is comprised of interest rate, market, and currency risk. Interest rate risk is the risk that the value of financial instruments (mainly investments) may fluctuate as a result of changes in market interest rates. Market risk is the risk that the market values of investments change due to changes in market conditions. Investments in equities and options are subject to market and interest rate risk. Currency risk is the risk that the value of instruments may fluctuate as a result of changes in foreign exchange rates. As of December 31, 2020, all assets and liabilities of the Partnership were denominated in United States dollars.

The Partnership engages in short selling activities, wherein it borrows securities and sells them to third parties. Until the Partnership covers its short sales, it is exposed to market risk to the extent that subsequent market fluctuations may require securities sold short, not yet purchased, to be acquired at prices which may be significantly higher than the market value reflected in the statement of financial condition.

Investments in private companies are not readily transferable; the Partnership's investments are illiquid and generally can only be redeemed at the ultimate liquidation of the private companies or in connection with a private share sale or merger acquisition. Consequently, neither the Partnership nor any partner has any ability to liquidate its investment(s) in a timely manner. The actual proceeds that may be received upon the future liquidation of an investment in a privately held company may be more or less than amounts indicated in the financial statements and the differences could be material.

broker-dealer pursuant to a customer agreement. At December 31, 2020, a majority of the investments and due from broker are positions with this broker and the Partnership has all its individual counterparty concentration with this broker.

The Partnership's financial instruments, including cash and cash equivalents, dividends receivable, due from broker, cash collateral for securities on loan, redemptions payable, accrued expenses, dividend/interest payable, other labilities and payable for securities on loan are carried at amounts which approximate fair value due to the short-term nature of these instruments. Investments are valued as described in Note 1.

The Company holds a balance in its checking account in excess of the FDIC insured limits and could be subject to loss should the bank cease operations. At December 31, 2020 the Company had $395,696 in excess of the FDIC insured limits.

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NOTE 7 - FINANCIAL HIGHLIGHTS

The information presented below represents the financial highlights applicable to the Partnership's limited partners taken as a whole.

Ratios to Average Net Assets:		
Total expenses	1.59	%
Performance allocation to General Partner	5.85	
Total expenses and performance allocation to General Partner	**7.44**	**%**
Net investment loss	**(0.97)**	**%**
Operating Performance:		
Total return before performance allocation to General Partner	29.13	%
Performance allocation to General Partner	(4.62)	
Net return after performance allocation to General Partner	**24.51**	**%**

An individual's total return and ratios may vary from these returns and ratios based on the timing of capital transactions and variations in management fees and incentive arrangements from those set forth in the Limited Partnership Agreement. The total return of the subsidiary is not presented due to the low impact of the subsidiaries return.

NOTE 8 - SUBSEQUENT EVENTS

The Partnership has performed an evaluation of subsequent events through February 1, 2021, which is the date the financial statements were available to be issued. The evaluation did not result in any subsequent events that required disclosures and/or adjustments.

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Matthew Peterson, CFA

Matthew Peterson is the Managing Partner of Peterson Capital Management, LLC. Matthew founded Peterson Capital Management in 2010 and has been working as a financial professional for two decades. His experience includes working with global financial services firms Goldman Sachs, Morgan Stanley, Merrill Lynch, American Express, and Ameriprise Financial.

Prior to forming Peterson Capital Management, LLC and launching Peterson Investment Fund I, LP, Matthew split time between Wall Street and London consulting for Goldman Sachs and other Investment Banks as a Capital Markets Manager at Diamond Management and Technology Consultants. Matthew worked as a member of both the US and UK offices, with expertise spanning risk management and derivative processing. During his tenure with Diamond, Matthew worked with top-tier investment banks, global payments firms, and international insurance companies to deliver high impact solutions to his clients' most challenging business problems.

In 2010, Diamond was purchased by PWC and became Diamond Advisory Services.

Before Diamond, Matthew worked with Merrill Lynch and founded M. Peterson Financial Services, a financial planning firm that offered client planning services to American Express Financial Advisors.

Matthew holds a Chartered Financial Analyst (CFA) designation. He earned his Bachelor of Science in economics and minor in mathematics from the University of Puget Sound. Matthew has lived and worked in China, England, and the United States. Matthew and his wife, Gamze, have two children, Isabel and Adrian.

The performance data presented represents that of Peterson Investment Fund I, LP.

This document does not constitute an offer to sell, or a solicitation of an offer to buy membership interests in Peterson Investment Fund I, LP. We will not make such offer or solicitation prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the fund, we advise potential investors to carefully read the offering memorandum, the operating agreement, the related subscription documents, and to consult with their tax, legal and financial advisors.

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Please contact us if you would like any materials such as our investment presentations, legal documents, or web access.

We have compiled all information herein from sources we believe to be reliable but cannot guarantee its accuracy.

HOW TO SELECT A FUND MANAGER

Renowned business manager Peter Kaufman is the CEO of Glenair, director of the Daily Journal Corp., partner of Charlie Munger, and author of *Poor Charlie's Almanack*. At a Daily Journal Corporation annual meeting, Kaufman shared wise advice on how to select an exceptional fund manager using what he calls "the five aces." (Five aces, of course, is the highest possible hand in a game of wildcard poker.) Kaufman's five aces are:

1. Total integrity
2. Deep fluency
3. A fee structure that is fair in both directions
4. An un-crowded investment space
5. A long runway

He then advised that, if you ever find a money manager who possesses all five of these characteristics, you should:

1. Immediately put your money with them
2. Put as much as you are allowed

Our firm is built on a foundation of integrity, designed to last for generations. This list of aces is very encouraging because, without any coordination, we have structured our business around each of these factors.

Just as important, not only do we believe that we exhibit these five qualities today, but every day we strive to further align with these principles. These values provide a moat for our business. As mentioned before, our strategy is to win your business because we deserve your business.

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