RANGELEY CAPITAL

Rangeley Capital Special Opportunities Fund, LP – October 2019

Dear Partner,

The Rangeley Capital Special Opportunities Fund (the "Partnership") was up 4.2% net of fees and expenses in October 2019, bring its year to date return to up 26.8%. Since the fund's inception (January 1, 2016), it has generated an annualized return of +10.5% net of all fees and expenses[1].

Fund Performance *(Net of Fees)*	MTD Oct 2019	YTD 2019	1 Year	3 Year *Annualized*	Since Inception *Annualized*
Special Opps Fund, LP[1]	4.2%	26.8%	11.2%	10.7%	10.5%
Russell 2000 TR Index	2.6%	17.2%	4.9%	11.0%	10.2%
HFRI Equity Hedge Index	1.5%	9.4%	5.0%	5.5%	5.2%

Portfolio Review

As I continue to mention in these letters, we are thrilled with how the portfolio has performed and how we are set up going forward. We own a number of companies with economically resilient business models, and we have consistently been finding and adding to new special situations that are uncorrelated from the market.

Looking at our core holdings, this month IAC made the decision to formally spin-off the Match Group (MTCH) in a tax-free transaction. This was always part of our long-term thesis on IAC, and this should position them to pursue new endeavors and remove a large portion of IAC's structural discount. Charter's business continues to benefit from cord cutting and reduced CAPEX, which translates to free cash flow that they have returned to shareholders via tax efficient stock buybacks. Madison Square Garden (MSG) is moving ahead with the full spin-off of the sports teams from the entertainment business, which should unlock value in the structure. On top of that rumors, continue to swirl around the potential sale of the team. Even a presidential candidate gave his endorsement of the sale of the Knicks this month.

So, while we had a number of positive contributors this month, our portfolio performance was mainly driven by the results from our position in Charter, which we hold via GCI Liberty (GLIBA). GCI Liberty owns a significant stake in Charter Communications (CHTR), and this month Charter reported strong Q3 earnings and a brightening outlook which helped drive GLIBA up 12.7% on the month. We've discussed GCI Liberty and Charter extensively over the years, so I don't want rehash our thesis too much here. Still, I think Charter/GCI Liberty are instructive for the types of opportunities we look for, so let me share an excerpt from our 2018 Year End Letter.

> *Our largest position, Charter (CHTR), dropped 18% on the year. In 2017, speculation swirled that Charter would be acquired for a significant premium. Management disagreed with the price and structure of the offers, as the company was in the midst of a massive transition, rolling three companies into one to make Charter the second largest cable company in the US. In 2018, that acquisition premium came out of the stock, pushing the price down. However, the business itself performed relatively well, continuing to improve earnings and its overall strategic value.*

[1] Performance returns, unless otherwise noted, reflect the returns of the Rangeley Capital Special Opportunities Fund, LP net of fees and expenses for the Long-Term Investor Series (Series B) with a 1% management fee and 20% incentive allocation. Performance returns are estimated pending the year-end audit.

> Liberty is the largest stockholder in Charter, and we own Charter through two stocks in the Liberty complex, GCI Liberty and Liberty Broadband. These entities are discounted plays on Charter and they declined slightly *more than Charter during the year. In total, the drops in GCI Liberty and Liberty Broadband accounted for roughly all of the portfolio decline this year. While it's challenging to have our largest holding down on the year, we remain increasingly convinced that Charter's intrinsic value is significantly higher than today's share price. 2019 will be the first year Charter finally puts all of their merger expenses and integration complexities behind them, and with the integration completed we expect the company's earnings and cash flow to increase substantially over the next twelve months. As they begin to report clean numbers, we believe the market will also begin to recognize the company's intrinsic value. We think Charter is easily worth more than $400 per share today and should be able to compound at ~25% over the next few years. We will go into more detail on our Charter thesis later in this letter.*

When we wrote that paragraph, Charter traded for ~$285/share. As I write this letter, Charter is trading for ~$470/share. As noted in the annual letter, the small loss we reported last year was driven almost entirely by the 18% decline in Charter's share price. This year, about 47% our portfolio's gains can be traced to Charter's ~65% rise.

Why do I mention our Charter position here? It's not to spike the football on our Charter position…. Ok, it's **mostly** not to spike the football on our Charter position. Instead, I wanted to highlight Charter as a powerful example of what we expect our portfolio can deliver over time. By doing deep fundamental research to find an idiosyncratic issue that obscures a company's intrinsic value, we can invest in unique businesses or assets that are temporarily overlooked, misunderstood and mispriced.

While we don't have any other positions sized quite as large as Charter was at the beginning of this year, we are finding a lot of unique and quirky situations that obscure the intrinsic value of the underlying business. The concentration of our position in GCI Liberty/Charter reflected the confidence we had in our work and the limited fundamental risk we saw given the shareholder friendly nature of the management team and the recession resistant and recurring revenues of the cable business. As we look for new opportunities, like Charter, investors should expect that the potential downside is a major limiting factor in how we think about sizing any position. Over time, we expect our investments to deliver solid returns with idiosyncratic catalysts to limit correlation with the market.

As always, we appreciate your continued investment in the Fund and confidence in our team. We welcome all the new investors for November 1st. Please don't hesitate to reach out to Rob Sterner, rsterner@rangeleycapital.com, or myself with any questions or if you'd like to make an additional investment. Also, if you know of other like-minded investors that may be interested in speaking to us about our research or the investment partnership, please let us know and we'd be happy to meet them.

Sincerely,

Andrew P. Walker, CFA

Disclaimer

Past results are no guarantee of future results and no representation is made that an investor will or is likely to achieve results similar to those shown. Individual investor performance may vary from the overall fund return due to timing of capital activity and other reasons. Reference to an index does not imply that the funds will achieve returns, volatility or other results similar to the index. The total returns for the index do not reflect the deduction of any fees or expenses which would reduce returns.

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