60 East 42nd Street
Suite 3100
New York, NY 10165-0057
www.robotti.com

March 31, 2019

Dear Client,

Recent market volatility reminds us of the difficulties of one of the basic tenets of value investing – maintaining contrarian theses and conviction in the face the markets' disagreement. Our collective conviction was rewarded in the first quarter, as we realized strong double digit returns driven by our core holdings. After the S&P 500 had its worst December since 1931, it rebounded with its best January in over 30 years. So much for efficient markets! But as we've said many times, an inefficient market is invariably a value investor's friend.

Of course, the markets continue to be volatile. We know this volatility creates concerns that the recovery of our capital balances could just be transitory. We also realize the recent appreciation can actually trigger behavioral instincts that cause investors to ask, "If I can only get back to breakeven, should I sell and move on?" We would caution against this understandable human reaction. Our portfolio companies had blown far off their course due to a confluence of events that we highlight below and continue to be heavily discounted despite this partial recovery. How do we continue to have such conviction in spite of the market's vicissitudes? First we'd suggest that continued volatility serves as confirmation that the market is not all knowing. Business conditions do not change so quickly. All that this volatility highlights is the market's inefficiencies.

So where are we now? Since the 2008 financial crisis we have experienced a prolonged period of 11 years where growth has outperformed value. In the past we've referred to some of the many different types of cycles that affect security valuations including: equity market cycles, industry cycles and style cycles. We note that each of these 3 cycles struck in the fourth quarter of 2018 like a hurricane hitting land fall exactly at high tide during a full moon. The hurricane seems to have passed, as evidenced by a strong Q1 for markets, and the value style of investing may be getting out of its own way. The industries we are invested in are exhibiting clear signs of a continuing recovery. Mortgage interest rates have retreated to their lowest level in a year, easing the market's fear that housing will fall off a cliff. Offshore activity also continues its yearlong recovery. It is significant to note that the style cycle rotation and our industry cycle rotations are at inflection points with lots and lots of running room ahead. That's the bottom line - our portfolio companies are extremely discounted despite the recovery of many of our stocks in Q1 and have lots and lots of room to run from here.

When and where is the inflection point, and are we at one now? What causes markets to adjust? Valuation, valuation, valuation. Valuation is paramount, as we said in our year end letter. Valuation sets the stage and we believe the stage was set in Q4 2018. Almost universally we would observe that our companies' underlying economic conditions continue to fundamentally improve while valuations continue to be extremely depressed. One anecdotal confirmation of this valuation discount is that knowledgeable buyers have entered the market for many of our holdings - the companies themselves.

These buybacks are by companies with significant insider ownership - frequently the litmus test for value creating buybacks versus value destroying ones.

In the meantime…

We all know the phrase "make hay while the sun shines." But I am here to tell you the other side of that coin: "rejoice while the rain waters our crops." This ensures we will have a bountiful harvest. What do I mean? As we have repeatedly noted, the strength of our investments in cyclical companies going through a bad patch is not just their ability to batten down the hatches but to take advantage of the tough times to improve their earnings power. They do that through inward improvements and opportunistic investments, including acquisitions, all the while winnowing out competitors (in many cases doing the winnowing) and improving their earnings power in the process. We noted above that many of our companies are further making good use of the markets to repurchase portions of their companies at prices far below true economic value. What we frequently find, as we do now, is that the market doesn't care. What we observed in Q4 2018 was even better: continuing investor capitulation resulted in further and continued discounting, bargains were marked down, and the history of securities markets repeats. In the process the valuation scales get tipped.

For those of you my age, you may recall "Little Audrey" and her encounter with the rainmaker synthesized in her song with the line, "…those April showers may come your way, they bring the flowers that bloom in May." The significance is that May's blooms are benefited by a rainy April - hard to appreciate when you're getting rained on but important to remember.

It's Different this Time

But is today different? Are those old cycles a thing of the past? Do new market dynamics, passive investing, ETFs, etc. mean the old rules are broken? We think not. Why? The common denominator of markets persist - people. People want to invest in things that make money and want to sell things that don't. People direct the flow of capital, not ETFs or any modern investment scheme. They sell what hasn't worked past the point of equilibrium. This fact persists and makes it inevitable that cycles persist.

Please visit our Website

Recently, we've started to release short and topical videos on our website discussing different pertinent topics. I encourage you to visit our website (advisors.robotti.com) and take a look. These videos are for you and are intended to be an informal means of interaction in-between our more formal meetings. I would welcome your feedback, suggestions and most importantly your questions. When in doubt, be sure to ask us. We'll always give you our straightforward view on investing in public markets.

We look forward to continuing to work towards providing you with quality returns.

All the Best,

Bob Robotti

The above letter, dated March 31, 2019, is an update letter of Robotti & Company Advisors, LLC ("Robotti Advisors"). This letter should be read in conjunction with the following disclosure information:

This information is for illustration and discussion purposes only and is not intended to be a recommendation, or an offer to sell, or a solicitation of any offer to open a separate account or become an investor in a private fund managed by Robotti & Company Advisors, LLC, as the case may be, nor should it be construed or used as investment, tax, ERISA or legal advice. Any such offer or solicitation will be made only by means of delivery of a presentation, prospectus, account agreement, or other information relating to such investment and only to suitable investors in those jurisdictions where permitted by law.

Further, the contents of this letter should not be relied upon in substitution of the exercise of independent judgment. The information is furnished as of the date shown, and is subject to change and to updating without notice; no representation is made with respect to its accuracy, completeness or timeliness and may not be relied upon for the purposes of entering into any transaction. The information herein is not intended to be a complete performance presentation or analysis and is subject to change. None of Robotti & Company Advisors, LLC, as investment advisor to the accounts, private funds, or products referred to herein, or any affiliate, manager, member, officer, employee or agent or representative thereof makes any representation or warranty with respect to the information provided herein.

In addition, certain information has been obtained from third party sources and, although believed to be reliable, the information has not been independently verified and its accuracy or completeness cannot be guaranteed. Any investment is subject to risks that include, among others, the risk of adverse or unanticipated market developments, issuer default, and risk of illiquidity. Past performance is not indicative of future results. If interested, please contact us for additional information about our performance related data.

The attached material was provided to investors in a specific Robotti Advisors vehicle at a specific past point of time, advice that may no longer be current or timely. References to past specific holdings of that specific vehicle and matters of related historic fact must be seen in context (as would have been apparent to investors in that vehicle) and are not intended to refer directly or indirectly to specific past recommendations of Robotti Advisors (other than as an indication of language sometimes found in the newsletters). Any reference to a past specific holding or outcome is not intended as representative. None the less, for individuals actively interested in investing in such vehicle, a list of recommendations made by Robotti Advisors with regard to the vehicle in question will be made available on request.

Note: certain statements in the attached material, including but not limited to (a) statements of things that "are well known" to be the case (other examples include: "In hindsight people often say, "I should have known better," and more often than not, they did."), (b) statements with the phrase "always", and (c) certain similar statements, are not intended to represent absolute literal fact, but rather represent certain colloquialisms/mannerisms expressed by select market participants (but not necessarily individuals associated with Robotti Advisors).

Opinions contained in this letter reflect the judgment as of the day and time of the publication and are subject to change without notice and may no longer represent its current opinion or advice due to market change or for any other reason. Robotti & Company Advisors, LLC may provide investment advisory services to clients other than its separately managed accounts and private fund clients, and results between clients may differ materially. Robotti & Company Advisors, LLC believes that such differences are attributable to different investment objectives and strategies between clients.

The information provided herein is confidential and proprietary and is, and will remain at all times, the property of Robotti & Company Advisors, LLC, as investment manager, and/or its affiliates. The information is being provided for informational purposes only. A copy of Robotti & Company Advisors, LLC's Form ADV, Part 2 is available upon request. Additional information about the Advisor is also available on the SEC's website at www.adviserinfo.sec.gov