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March 10, 2020

Dear Investor,

One of the many witticisms Warren Buffett is known for saying is "be fearful when others are greedy ***and be greedy when others are fearful***." The logic behind this truism is the concept that markets regularly overestimate the positive effects of good economic news while also ***overestimating the negative effects of economic concerns*** - prices overcompensate. Sage advice for today and another example why thoughtful investing is SIMPLE but NOT EASY.

The Markets Free-Fall

For more than two weeks, owners of stocks universally have been growing fearful! The spread of the coronavirus outside of China sent a shock around the world and kicked panicked markets into high gear. Selling is broad based and generally indiscriminate, and, if the market was growing universally fearful in recent weeks, yesterday it freaked out. Now, as the markets are gripped with fear, investors are left wondering how to respond.

Here is what we suggest:

1) Pause
2) Don't Panic
3) Think calmly and respond thoughtfully

Your Personal Health

Our ***top*** concern right now is your continued good health and safety. Here's a link to the Center for Disease Control and steps all of us should know and implement to keep ourselves, our families and friends out of harm's way: https://www.cdc.gov/coronavirus/2019-ncov/about/prevention-treatment.html. Simple precautions now and always.

Reiterate the mantra:

1) Pause
2) Don't Panic
3) Wash your hands
4) Think calmly and respond thoughtfully

We should also note that our office is currently healthy. We have a portion of our team working remotely, and we have systems in place to facilitate more tele-working if the situation dictates it.

Your Financial Health

The same is true for your economic wellbeing. The spread of the coronavirus will undoubtedly reduce economic activity across the globe leading to lower than expected earnings in the coming weeks and months. Over the weekend, we began to see collateral effects spread to OPEC, the price of oil and other broader global economic implications. Much of this impact will be temporary. Yet, as we mentioned above, selling was broad based and generally indiscriminate. Capital flight has reduced the aggregate market value of all public companies dramatically in a very short period of time. It appears as if a transitory event (which may be months long but still transitory) is being characterized by the markets as a permanent impairment.

Regardless, we recognize that there are real world impacts on the economy and, more importantly, our portfolio companies. That is why, yesterday, we spoke with the managements of three of our key positions (and another just this morning), an opportunity afforded to us given our consistent long-term approach and reputation across the industries in which we invest, which grants us access to executive management even in times of tumult. **Our ability to personally speak with the CEOs of our core holdings within hours of the markets halting is something which we are proud to share with our investors.**

Over the balance of this week, we have calls/meetings scheduled with the balance of our core investments. This will help us understand the likely impact of events on our companies and assess our investment theses.

As you know, we are contrarian investors. Our decades of investing informs our view that "Mr. Market" is providing opportunities. As such, **we, if anything, only have increased conviction in the companies in which we invest at this time and are investing opportunistically.**

Here's Why:

We own businesses with very modest valuations in an investment universe where much is priced for perfection. As noted above, we are reviewing the businesses we are invested in to affirm our estimates of the business values and to assess any impacts from current events and likely outcomes. Many of our companies have strong financial positions and competitive advantages and the economic volatility will provide entry points to invest.

We would be remiss not to mention that a clear fall-out from the coronavirus has been the temporary decline in oil demand as China has shut down industry production and taken other measures, all dampening oil demand. This demand reduction is temporary. Industry production is already restarting in China and ramping up, and with it oil demand is returning. This same demand decline will undoubtedly spread to other countries as they contain the virus.

We do believe the temporary oil price war will have a longer term effect. It is the nail in the coffin for the U.S. onshore oil shale boom. This production has NOT been economic even at high prices. With very high decline rates, and this new pressure, their production decline has the prospect of balancing supply to current world demand.

You will notice we are NOT invested in any U.S. onshore shale related companies. This has been our research for years now. Our investments are focused internationally where the opportunities continue to have improved economics.

<u>The World is Bigger than the Coronavirus</u>

Remember, the coronavirus is NOT the only factor affecting markets today and many of those other factors are more important to the current and future value of businesses. Single factor focus is a dangerous way to make comprehensive investment decisions.

History has shown repeatedly that decisions made in haste at times of economic uncertainty are a sure way to permanently impair your capital. However, taking the time to know the industries and companies in which you invest and understanding which factors are more fleeting than everlasting allow one to potentially make decisions now that look very smart in the medium and long term.

Our investments are undervalued (even more so over the past couple of weeks), exhibit strong fundamentals, financial strength and are guided by owner/managers aligned through their economic interests. **In the past, we have benefited from the inevitable flight to value that occurs when human emotion dissipates and prolonged global market volatility subsides, replaced by more rational analysis and thought.**

Importantly, we are not selling and going to cash (as we have done in the past, when we thought the tumult was more structural in nature - 2008). Today is not 2008! **We are maintaining what has long been our edge – our behavioral discipline to invest in mispriced, underfollowed and misunderstood companies – a discipline from which we have not strayed since our inception almost 40 years ago.**

<u>These are the times to be net buyers, not net sellers and we are very well positioned.</u>

As always, we thank you for your continued investment and are available to answer your questions and concerns.

All the Best,

Bob Robotti