MANAGER'S COMMENTARY

MARCH 31, 2019

PERFORMANCE

	Q1 2019	*ONE YEAR*	*THREE YEARS ANNUALIZED*	*INCEPTION (7/31/15) ANNUALIZED*
1949 Global Value Strategy	**+ 17.2%**	**- 4.7%**	**+ 6.1%**	**+ 5.7%**
MSCI World Index (US$)	+ 12.7%	+ 4.6%	+ 11.3%	+ 7.6%
Out (under) performance	+ 4.5%	- 9.3%	- 5.2%	- 1.9%
MSCI World Value Index (US$)	+ 10.4%	+ 2.4%	+ 9.8%	+ 6.4%
Out (under) performance	+ 6.8%	- 7.1%	- 3.7%	- 0.7%

MARKET OVERVIEW

The first quarter of 2019 witnessed a strong rebound in global equity markets from a very weak finish to 2018, with the MSCI World Index (in US$) rising 12.7%. Global growth stocks led the rebound, outperforming their global value counterparts by 4.5% during the period. Much has been written about the persistent underperformance of value investing since the global financial crisis 10 years ago, and the current valuation premium of global growth stocks over value stocks is near a historically wide level. Forecasting how or when this gets "corrected" is not something we spend precious research time on, but we are confident that it will, and hopefully to the benefit of our patient investors. As John Kenneth Galbraith, the world-renowned economist, author and Harvard University professor said, "There are two kinds of forecasters: those who don't know, and those who don't know they don't know."

Against this market backdrop, and despite our value-driven investment philosophy, the 1949 Global Value Strategy strongly outperformed during the period under review. This reversed last quarter's *under*performance by a similar amount. The recent volatility of returns of your portfolio might raise a red flag for some, but to us it is simply a reflection of the normal evolution of the value investment opportunity set in the world today. Our experience in managing global value portfolios since 1993 has witnessed many shifts in the investment opportunity set. For example, political upheaval in certain countries or regions can drive share prices down to compelling levels, as can faltering economic or corporate profits growth and other aggregate data. Industry sectors can also reflect great investor pessimism, as stock prices rarely reflect what's beyond the current set of circumstances. This myopia is what creates potentially great opportunities for those with a longer investment time horizon. This "time arbitrage" seems to consistently be an exploitable phenomenon since humans are not naturally programmed to act against the prevailing crowd. We have learned from empirical study and from much practical experience (and mistakes committed) that significant long term outperformance is most reliably achieved by being contrarian and maintaining a long term investment time horizon.

PORTFOLIO COMMENTARY

LARGEST CONTRIBUTORS TO PERFORMANCE			
Smart Sand………...….	+ 2.3%	Berkshire Hathaway...…........	- 0.2%
Western Digital………..	+ 2.1%	Global Brands Group……….	+ 0.0%
Birchcliff Energy…..….	+ 1.8%	Cal-Maiine Foods…....………	+ 0.3%

Positions that had the largest positive impact on performance during the quarter were Smart Sand (+2.3% contribution), Western Digital (+2.1% contrib.) and Birchcliff Energy (+1.8% contrib.). From a severely depressed level, shares in Smart Sand doubled in value during the quarter due to better pricing for its high quality Northern White raw frac sand. Western Digital shares rose more than 30% during the period, also from an overly depressed level, on hopes for a recovery in NAND pricing later this year and into 2020. Birchcliff Energy shares advanced nearly 18% following solid earnings results amid continuing volatility in natural gas prices. Our meeting with Birchcliff's CEO Jeff Tonken in February helped to reinforce our conviction in the name.

The positions that detracted most from quarterly performance were relatively flat overall. Berkshire Hathaway shares declined slightly (-1.6%), while Cal-Maine Foods rose 5.9% during the period under review. Neither company provided much in the way of news to drive share prices in the short term. Our position in Global Brands Group was liquidated early in the quarter, and as a result, provided little contribution to portfolio performance.

PORTFOLIO CHANGES: GLOBAL

During the quarter, two portfolio positions were liquidated. **Global Brands Group Holdings Ltd.** (Hong Kong) shares were sold in advance of the company paying out a large special dividend, to be funded by proceeds of the sale of their North American licensing business for approximately $1.2 billion. The North American business, which included agreements for brands such as Disney and Under Armour, represented about half of the company's total business, transforming its indebted balance sheet and significantly reducing the company's global footprint. Although shares rose by more than 50% on the day of the deal's announcement, our liquidation resulted in a net loss on the position. Global Brands Group has been severely impacted by the ongoing upheaval within the global retail industry, which continues to evolve in a less profitable way for companies across the retail spectrum.

Our position in **New Gold** was also liquidated early in the quarter following the protracted deterioration of its newly constructed Rainy River mine in Northern Ontario, Canada. As we have written previously about New Gold, our confidence in the quality management team that we aligned ourselves with at the inception of the position in July 2015 was misplaced. In a mechanistic business such as mining, an important consideration is the operating history and track record of personnel in the field. Although difficult to assess, we took comfort in the quality of New Gold's senior management who experienced great success while working at industry stalwarts Barrick Gold and Newmont Mining. As each mine poses unique challenges to those designing, building and operating them, success in many projects doesn't necessarily preclude failure with another. This difficult lesson unfolded in a series of incremental negative developments that, each taken in isolation, did not seem as serious to us as when taken together.

No new positions were initiated during the quarter, with the exception of pre-existing portfolios' receipt of shares in **Takeda Pharmaceutical** (Japan) in exchange for shares already held in Shire plc. Takeda successfully closed on its acquisition of Shire plc during the latest quarter, in a cash and stock transaction representing a 50% premium to Shire's undisturbed share price. Part of the cash portion of the deal consideration was used to purchase additional shares in Takeda Pharmaceutical, bringing it to a full position in your portfolio. Takeda shares have suffered due to the perceived over-indebtedness of the combined entity. We recognize Takeda's stated intention to prioritize deleveraging by way of asset sales and redeployment of its significant free cash flow. If successful, we believe that our perceived discount in Takeda shares should dissipate over time, while also implying limited downside in the interim. I've owned shares in Takeda Pharmaceutical in the past, dating back to the mid-1990's, and draw from that long history in consideration of our decision to continue to hold shares today.

OUTLOOK

There are many uncertainties in the world today that pose potential risk to financial assets including the undervalued global equities in which we invest. The United States seems to be the only developed nation enjoying decent economic growth, but present leadership also seems unpredictable with important policies governing trade and other alliances that could easily disrupt that relative strength. In March, the Federal Reserve lowered its projections for US growth and inflation, causing the Treasury yield curve to invert – a sign that has historically preceded economic recession. In Europe, the central bank has recognized its sluggish economic growth by stating interest rates would remain at current levels at least until year-end. The outlook for Europe's manufacturing sectors, which make up a large proportion of its aggregate GDP, is dim. Ongoing Brexit troubles do not bode well for UK economic growth either. Asia is also troubled, especially China, where the government lowered its full-year growth target to 6-6.5%, well below its long term average. We will continue to be diligent in our search for attractive investment opportunities, but with balanced and measured consideration of the wide array of risks that could render otherwise sensible investment theses flawed.

Thank you for your support, and please feel free to call or e-mail us to discuss anything further.

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