MANAGER'S COMMENTARY

DECEMBER 31, 2022

PERFORMANCE (NET)

	H2 2022	One Year	Three Years Annualized	Five Years Annualized	Seven Years Annualized	Since Inception (7/31/2015) Annualized
1949 Global Value Strategy	**2.2%**	**-1.0%**	**14.3%**	**8.3%**	**12.2%**	**10.0%**
MSCI World Index (US$)	3.2%	-17.7%	5.5%	6.7%	9.1%	7.8%
Out (Under) performance	**-1.0%**	**16.7%**	**8.9%**	**1.6%**	**3.1%**	**2.2%**
MSCI World **Value** Index (US$)	6.8%	-5.8%	4.9%	5.0%	7.9%	6.6%
Out (Under) performance	**-4.6%**	**4.7%**	**9.4%**	**3.3%**	**4.3%**	**3.4%**

MARKET OVERVIEW

2022 was a tumultuous year indeed, with the MSCI World Index down nearly 18%, marking the worst year since the Global Financial Crisis in 2008. The fourth quarter recovery in global equity markets, after being down 25% through Sept 30th, mitigated the year's loss. Declines of this magnitude are generally broad based, which was the case again this past year, but certain sectors provided modest relief. The global energy sector was the clear outperformer, and this benefited our performance to a small degree, but exposure to specific companies in defensive sectors such as consumer staples (food in our case) and pharmaceuticals also helped provide ballast. Exposure to metals and mining, both copper producers and the drillers who support them, allowed us to partially offset portfolio losses with significant gains during the period under review.

We focus primarily on deeply undervalued securities of generally high-quality companies with pristine balance sheets. Toward the end of an extended bull market, cash can build as a by-product of our disciplined approach. Our nearly 20% cash weighting (our max, if clients allow) also helped to preserve capital this year. The 1949 Global Value Strategy declined by just 1% during 2022, an acceptable result for a conservative value investment strategy when compared against the decline in the MSCI World Index. We believe that the best investment track records preserve capital well during market downturns, as well as participate in market upcycles. Calendar year 2022 provided a good illustration of the importance of these twin goals in the context of long-term performance.

2022 also marked a significant milestone for the 1949 Global Value investment strategy – our seventh anniversary on July 31st. Seven years is typically long enough to nearly encompass a full market cycle, the most appropriate time period to judge investment performance, in our opinion. While it is true that many – perhaps even most – professional investors manage to shorter and shorter investment time horizons, we believe that one of our competitive advantages is our focus on the long term. Simply put and paraphrasing an advertisement I saw in the Zurich airport several years ago, having a long-term view improves our view of the short term. Investment decisions become easier with a long-term view, but one must be immune to the pressures of short-term performance. That immunity comes from having investing partners and clients who share our long-term perspective, and for that we are extremely grateful. As a value investor, by definition, we are attracted to areas of the market and special situations that are encumbered with challenges that oftentimes require several quarters, if not years, to work out before investors reward that success with a higher and more appropriate valuation. At many points during the more than seven years since our inception, short term performance lagged both our peers and the MSCI World Index. The willingness to endure occasional short-term pain (in the form of underperformance) is one of the secrets to achieving sustainable long-term outperformance. Thank you for believing in and supporting us in this journey.

Portfolio Commentary

Largest Contributors to Performance *(6/30/22 - 12/31/22)*

Ivanhoe Mines Ltd.	+ 1.7%	WH Group Ltd.	- 1.3%
Ero Copper Corp.	+ 1.2%	RIV Capital, Inc	- 1.0%
DDH1 Ltd.	+ 1.1%	China Feihe Ltd.	- 1.0%
Biogen, Inc	+ 0.9%	Equinox Gold Corp.	- 0.8%
Berkshire Hathaway, Inc	+ 0.8%	Western Digital Corp.	- 0.7%

Atop the list of significant contributors to H2 2022 performance are several companies in the metals and mining industry. Long neglected amidst the decade+ boom in technology related companies, mining companies are quietly asserting their strength as sources of sustainable excess returns. Financial discipline imposed by investors seeking dividends, share repurchases and deleveraging instead of capital spending on new mines has resulted in significant underinvestment in supply of critical metals and minerals. This comes at a time when cyclical demand from ever-increasing consumption per capita is exacerbated by significant new demand for metals needed for transition to a less fossil fuel-intensive energy economy. We believe that we are on the cusp of another metals super cycle, the second this young century. Copper is known as the "ubiquitous metal", since it is found in nearly everything that we use in our daily life due to its unique and varied electrical attributes from microprocessors to overhead transmission lines. Non-electronic uses for the red metal range from plumbing pipe to healthcare (it is antimicrobial) to military warheads. The energy transition will be incredibly metals-intensive, exacerbating supply deficits for copper and other critical metals and minerals.

Shares in copper producer Ivanhoe Mines surged 44% in local currency during the second half of 2022, contributing 1.7% to overall portfolio performance. Key assets include its flagship Kamoa-Kakula copper mine in the Democratic Republic of the Congo (DRC) which achieved commercial production in July 2021 and continues to grow production through phased expansion. It is one of the world's largest and highest-grade copper complexes with a long runway of generating high returns on capital and significant free cash flow. Its 100% interest in the Western Foreland copper exploration asset just west of Kamoa-

Kakula looks to be of similar geology and represents a free option likely to create significant value in the future. Its high grade Platreef platinum group metals asset on the northern limb of the Bushveld Igneous Complex in South Africa is under development, as is its Kipushi zinc-copper mine in the southeast corner of the DRC. Ivanhoe has among the lowest cash costs of copper production in the world, as well as plans to become the world's fourth largest copper producer by 2025. Given the high quality of its assets and the successful track record of execution on current and previous world class mining projects, Ivanhoe is a core part of our basket of exposure to critical metals required for the energy transition.

Ero Copper is a new position, initiated in July 2022 following a 60% decline in its share price from the highs of June 2021. Ero Copper shares advanced 69% from inception of the position thru year-end, contributing 1.2% to H2 performance. Its primary asset is its 99.6% owned Caraiba copper mine in Brazil, with development efforts underway to double company-wide copper production at Caraiba and its Tucuma open-pit development project, also in Brazil. The company also produces modest amounts of gold (~40k oz's) at its Xavantina underground mine. Recent discovery of a sulphide nickel system near its Caraiba infrastructure provides a free option on a potential high quality nickel project in the future. In the meantime, solid execution of its mine plans and strong balance sheet complements the company's modest valuation as the world seeks secure supply of copper and other critical metals.

Drilling for metals is the requisite first step in mining and owning shares in drillers is the original "picks and shovels" play. DDH1 in Australia is a leader in high margin specialized drilling services. After falling 40% during the first half of 2022, DDH1 shares rose 45% during the second half, contributing 1.1% to performance. Specialized multi-disectional directional drilling is used to reach deeper and harder-to-access deposits of gold, copper, and other metals, and requires specialized operators. This business enjoys higher profit margins as a result, and DDH1 generates consistently higher returns on capital than its global peers. Its net debt-free balance sheet and deeply discounted valuation seem in contrast to its high-quality business and competitive positioning, but its share repurchases during the period under review might better explain the recent strength in its share price.

Biogen shares rose more than 35% in the second half of the year on the back of convincing clinical trial data for its lecanemab drug, developed by its Japanese partner Eisai Company, in treating Alzheimer's disease (AD). Skepticism prevailed after previous efforts with aducanumab, also for AD, failed to win CMS/Medicare reimbursement approval. This time around, clinical data results are unambiguously positive, removing barriers to adoption and paving the way for reimbursement given the lack of approved alternatives in treating AD. Lastly, shares in Berkshire Hathaway were rocks of stability amid volatile markets, advancing 13% and contributing 0.8% to performance. Cash rich Berkshire Hathaway and its venerable CEO Warren Buffett are widely considered best placed to take advantage of market disruptions like the one we are presently in, and the market seems to be discounting this likely result ahead of time.

Positions that had the largest negative impact on performance during the second half of 2022 were WH Group (-1.3% contrib.), RIV Capital (-1.0% contribution), China Feihe (-1.0% contrib.), Equinox Gold (-0.8% contrib.) and Western Digital Corp. (-0.7% contrib.). Shares in WH Group, the world's largest producer of pork and packaged meats declined by 24% since June 30th, after gaining 26% during the first half of 2022. The cost of feed outpaced live hog prices in the US while the packaged meat business in China also suffered from high input costs. In addition, shares of most Hong Kong-listed Chinese companies continued to languish as China's strict lock-down measures impacted both consumer spending and corporate profitability. This, we would argue, is the opportunity. As is often the case with deeply undervalued securities, there is a *temporary* problem impacting *current* business. One needs to look beyond the current malaise and discern whether the long-term intrinsic value of the business is permanently impaired. We believe in this case it is not, but patience is required for the passage of time to return spending and consumption to normal after Covid's retreat. WH Group has clear sustainable competitive advantages that are not easily challenged, and alongside its deeply discounted valuation and significant cash resources, we believe we have a sufficient margin of safety against a permanent loss of capital, even if temporary market-driven losses are likely in the interim.

One other of our Hong Kong-listed positions also made the list of large detractors for H2 2023 – China Feihe is China's largest domestic producer of infant milk formula (IMF). It too, has suffered somewhat from China's lockdown policy. The greater issue has been a persistent decline in birth rates in China, exacerbated by Covid's interruption of new family formation and young couples' reluctance to raise children under lockdown, understandably so. UBS estimates that 5.7 million births were delayed or cancelled during Covid 2020-2022. Conservatively expecting half of those will materialize within the next several years post-Covid, the birth rate should rebound between 2023 and 2025, driving demand for China's top-ranked baby formula brands back to normal levels. The added potential benefit to China Feihe's already strong competitive advantages will be the implementation of new IMF Food Safety standards in February 2023, driving smaller producers to exit the market since they lack the resources to gain approval of the stricter manufacturing and food safety requirements. China Feihe's leading market share (19% overall, and 40% of premium segment by value) should grow further as consumers favor brand over price and other considerations. We believe that China Feihe's cash rich balance sheet (20% of its market cap in net cash) and deeply discounted valuation (4.5x current year's estimated operating income, versus nearly 11x historic average) lends a significant margin of safety.

RIV Capital was a detractor during the period, after having been a significant contributor in previous years. Its turning point came with its announcement to acquire Etain LLC, effectively transforming their cannabis-focused venture capital firm into a licensed operator in the state of New York. Timing was poor as the industry was in cyclical decline and the price paid to acquire Etain LLC was dear, after considering the capital expenditures needed to maximize the medium- and long-term value of the NY opportunity. Regulatory delays and lack of enforcement issues in NY state also contributed to their challenges, with RIV Capital shares at year-end trading below the value of the net cash on their balance sheet. While the investment thesis changed when they committed to becoming an operator, our mistake was to believe this to be an opportunity for them to arbitrage the valuation discount ascribed to single state operators like Etain LLC versus the premium ascribed to multiple state operators, which they plan to become in time. The position size today is reflective of the challenges they face, even with significant cash resources to finance the building of new capacity. RIV Capital's legacy venture capital portfolio continues to offer potential rewards, evidenced by their successful recent monetization efforts.

Shares in gold producing companies have been an element of secular exposure through most of my time managing global portfolios since the 1990's. Gold typically provides potential ballast in times of market stress, consistent with our efforts to preserve capital as well as to grow capital. Our choice of gold exposure was poor in this case since Equinox Gold shares declined by 26% (in US$) during the period under review, while the spot price of gold was essentially flat over the same period. (correct thesis, poor choice) Gold production at several operations was below expectations, negatively impacting their all-in sustainable cost of production (AISC). Equinox is also amid construction of its Greenstone Project in Ontario, Canada and is thus in the less favorable part of the mining investment curve at the same time it experienced Covid-related supply chain constraints, inflation pressures and labor strikes. We remain optimistic, however, since Greenstone construction is both on time and on budget despite the inflationary environment and will become one of the largest gold mines in Canada (Equinox 60%, Orion 40% ownership).

Western Digital shares also detracted from H2 2022 performance as a challenging flash pricing environment and continued elevated cloud inventories negatively impacted performance during the period. The company is doing what it can to further reduce its cost structure and strengthen its liquidity profile, but without confidence in Western Digital's ability to emerge from this down cycle in a strengthened competitive position due to its indebted balance sheet, we are inclined to seek better investment opportunities elsewhere. Our position in Western Digital was liquidated subsequent to the end of 2022.

Portfolio Changes

During the second half of 2022, one new portfolio position was initiated, while two positions were sold. As described earlier in this letter, we initiated a position in Ero Copper in July. We remain of the view that structural factors will create a commodity super cycle, implying a long runway of outperformance for mining companies. These factors include the many years of historic underinvestment in new copper mines; the secular decline in ore grades; the lengthening of permitting and approval times for new mines as a result of environmental concerns such as tailings management, water sourcing and biodiversity considerations; social concerns including safety, health, education and many other issues impacting local mine site communities and workers; the increased demand arising from the greater consumption of metals on a per capita basis among the world's most populous nations; and the electrification of everything as the world pursues a cleaner energy system in efforts to mitigate global warming, which will be extremely metals-intensive relative to the fossil fuel-based energy system that we have today. Ero Copper is one of several portfolio positions we have to capture this long term investment opportunity. We believe it is early days, and valuations across the sector are very attractive.

Two positions were liquidated during the period, as shares in Industrias Bachoco and Takeda Pharmaceutical were sold. Industrias Bachoco is Mexico's largest poultry producer and is majority controlled by the Robinson Bours family. It is a very well managed and high-quality company, recognized as one in the local Mexican stock market as well as by consumers. During the year, the controlling family (with approximately 73% economic and voting interest) initiated a voluntary tender offer for up to all of the outstanding shares of Bachoco, which are not owned by the family or its affiliates, at a price which we believe significantly undervalued the company. Despite our efforts with a consortium of local and foreign co-investors, we were unsuccessful in encouraging a higher offer price. Having little legal recourse in accordance with local Mexican securities regulations and having learned of their directors' malintent, we sold our position into the modest recovery of Bachoco's share price.

We received shares in Takeda Pharmaceutical in January 2019, as partial consideration as shareholders in Shire plc when Takeda acquired the British company after paying an approximately 30% premium. While the valuation of Takeda at the time of our sale did not reflect a typical full valuation, Takeda's slow pace of deleveraging its indebted balance sheet was troubling when considering the lack of growth in their pharmaceutical pipeline, thus perpetuating its indebtedness and risk unnecessarily.

Outlook

Your portfolio will be impacted by three major themes that dominate current portfolio exposure:

1. <u>Value vs. Growth</u> – we are value investors through and through. It is part of our DNA, and an incurable by-product of a modest upbringing. It is very satisfying to buy quality assets, whether we are car shopping or investing in global securities, at a meaningful discount to fair value. It also makes great business sense and has proven the test of time. Having suffered through an extended pre-Covid period of growth outperforming value, we believe value investing has a long runway ahead due to the shifting investment regime.

2. Global/International – the U.S. equity market has outperformed non-US markets for years, driven in part by U.S. prominence in the technology industry and extremely low interest rates driving valuations in that sector to unsustainably high levels. The air has been coming out of that bubble, but still has much further to go, if history is any guide. The valuation of non-US equity markets is much more attractive and offers greater opportunities for both preservation and appreciation of capital over the next market cycle. Your portfolio has ample exposure to non-US markets, and the flexibility to take advantage of this opportunity.

3. Real assets/natural resources – our current exposure to natural resource equities and others tied to hard assets including commercial real estate and food production has to do with our bottom-up approach to security selection and the asymmetric investment opportunities we perceive. Natural resources and real asset-related equities are trading near their cheapest levels relative to general equity indices in decades, just at the time when higher inflation and interest rates are both cause and symptom of the new investment regime globally.

   In complement with other great and undervalued businesses including asset managers, pharmaceuticals and others, we believe your portfolio is very well-positioned to capture these opportunities amid the shifting investment environment that we think will prevail for years.

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

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