MANAGER'S COMMENTARY

JUNE 30, 2019

PERFORMANCE

	Q2 2019	*ONE YEAR*	*THREE YEARS ANNUALIZED*	*INCEPTION (7/31/15) ANNUALIZED*
1949 Global Value Strategy	**- 1.9%**	**- 8.1%**	**+ 4.5%**	**+ 4.8%**
MSCI World Index (US$)	+ 4.2%	+ 6.9%	+ 12.3%	+ 8.2%
Out (under) performance	- 6.1%	- 15.0%	- 7.8%	- 3.4%
MSCI World Value Index (US$)	+ 2.7%	+ 5.1%	+ 10.2%	+ 6.7%
Out (under) performance	- 4.6%	- 13.2%	- 5.7%	- 1.9%

MARKET OVERVIEW

Global equity markets were mixed during the second quarter - Asian equities generally declined while Europe and the Americas performed well. The MSCI World Index (in US$) advanced 4.2% overall during the period, with general market weakness in May erased by the strongest June on record, according to Merrill Lynch. Trade related tensions were foremost on investors' minds, as talks between the U.S. and China unexpectedly broke down, prompting the U.S. to increase tariffs on $200 billion of imported Chinese goods. Predictably, China retaliated in kind by further raising tariffs on goods imported from the U.S. By the end of June, trade tensions quieted somewhat as talks between the two nations continued and global central banks hinted at lower interest rates and other potential accommodative monetary measures. High-priced growth stocks continued to outperform value stocks globally amidst signs of slowing economic growth.

Against this market backdrop, the 1949 Global Value Strategy strongly underperformed the MSCI World Index during the period under review. While this is bound to occasionally happen with a concentrated portfolio, we also fully expect occasional strong *out*performance for the same reason (see Q1 2019). We continue to strive for significant outperformance over the long term. We believe that long term outperformance cannot be reasonably achieved without occasional or even sustained bouts of underperformance. This is the nature of capital markets and of human behavior. We greatly appreciate your continued support through periods like this, and we remain confident in our time-tested approach to global value investing which has endured through similar historic periods of underperformance.

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Portfolio Commentary

Largest Contributors to Performance

Lundin Mining...…...…	+ 0.8%	Birchcliff Energy…...….......	- 2.2%
Franco-Nevada Corp…..	+ 0.6%	Smart Sand…………….………	- 2.0%
Berkshire Hathaway..….	+ 0.6%	Takeda Pharmaceutical..……	- 0.4%

Positions that had the largest negative impact on performance during the quarter were Birchcliff Energy (-2.2% contribution), Smart Sand (-2.0% contrib.) and Takeda Pharmaceutical (-0.4% contrib.). **Birchcliff Energy** shares are completely disconnected from underlying fundamental performance and intrinsic value. Among Canada's lowest cost producers, Birchcliff's share price currently reflects investors' general apathy toward Canadian energy producers more than any change to the company's business prospects. Birchcliff continues to execute well in an unfavorable pricing environment, quietly building corporate value through constant cost cutting and an increasing focus on higher margin liquids production. **Smart Sand**, a low cost supplier of proppant to the oil and gas industry, also suffered from similar investor apathy toward energy related companies despite recent signs of improved pricing and demand for its high quality Northern White raw frac sand. **Takeda Pharmaceutical**, which recently acquired Shire plc, is busy integrating as it joins the ranks of other global pharmaceutical leaders. We expect near-term divestitures to kick start its deleveraging.

The positions that helped quarterly performance most during the quarter included Lundin Mining (+0.8%), Franco-Nevada Corp. (+0.6%) and Berkshire Hathaway (+0.6%). **Lundin Mining** shares advanced due to recognition of the company's near-term organic growth and balance sheet strength at a discounted valuation. **Franco-Nevada Corp.** shares advanced as the spot price of gold rose by 9% during the period under review. **Berkshire Hathaway** shares gained modestly during the quarter as it is commonly viewed as a safe haven during periods of market turbulence.

Portfolio Changes: Global

During the second quarter, two portfolio positions were initiated, while no positions were liquidated. Early in the quarter, we initiated a position in **Ivanhoe Mines**, a Canadian-listed mining development company focused on three separate world-class assets located in the Democratic Republic of the Congo (DRC) and South Africa. The company's flagship project is its Kamoa-Kakula copper deposits, ranked by international mining consultant Wood-Mackenzie as the world's largest high-grade copper discovery. Kamoa-Kakula has incredible geologic attributes and tremendous exploration upside potential as they continue to delineate the resource. Financing is in place to construct the mine, with Chinese partners Zijin Mining (project-level) and Citic Group (Ivanhoe equity level) as early stage investors. Ivanhoe's Kipushi zinc-copper project is a restart of an historical zinc mine also located in the DRC. By leveraging existing infrastructure such as shafts, head frames and significant underground excavation, Kipushi's low capital intensity is expected to contribute to its ease of restart, and is forecasted to generate a 35% after-tax internal rate of return. Lastly, on the northern limb of the

Bushveld Igneous Complex in South Africa, Ivanhoe's Platreef platinum group metal (PGM) project also boasts world-class minerology, with construction underway. Cash costs at Platreef are projected to be well within the lowest quartile of PGM producers on both a co-product and by-product basis. Led by founder and legendary mining billionaire Robert Friedland, the collection of development projects within Ivanhoe's portfolio is unmatched by any other junior mining company globally and we expect a similar degree of value creation over time as these projects are de-risked and brought into production.

Also during the period under review, shares in biotechnology leader **Biogen** were purchased. The company is focused on treatments for neurodegenerative and autoimmune disorders. Following the failure and discontinuation of Phase 3 FDA trials for its Alzheimer's drug aducanumab, Biogen shares declined precipitously (-30%), bringing its valuation to historic lows on many measures. Apart from this recent failed FDA trial, Biogen's other products and pipeline remain very strong in areas such as Multiple Sclerosis, ALS, Parkinson's and others, offsetting expected declines in Tecfidera (generic in 2021) and Spinraza (competition from Novartis). With very modest net debt (~$1B) and annual free cash flow generation of $5-6B per annum, Biogen can reasonably be expected to continue significant share repurchases in the future. (Biogen repurchased and cancelled ~20% of its shares in the five years ended 6/30/19) During their Q2 earnings call, Biogen management reiterated its focus on capital allocation to maximize shareholder returns. The company views share repurchases as an important element of value creating capital allocation, along with external business development and strong R&D. With Biogen shares trading for less than 8x current year EPS and 6.5x current year EBIT, we think the market has vastly over-discounted the impact from recently failed FDA trials and ignores the multiple levers that Biogen has to create significant value over coming years. We believe that very low expectations implied by this historical undervaluation sets up a very attractive risk-reward opportunity on a multi-year view. After many years of not finding value in the pharmaceutical industry, this is our third new purchase in less than three years. Good things often, but not always, come to those who wait.

OUTLOOK

As trade war rhetoric continues to dominate short term news flow, and signs of slowing business and consumer spending in several parts of the world combine to paint a somewhat gloomy global picture, we are finding many very compelling opportunities, primarily among cyclical businesses. A number of them are already in your portfolio, and were purchased at prices higher than where they trade today and so we will continue to add to these positions, bringing your average cost per share down. In our experience, it is very difficult to identify inflection points in individual securities with any precision. We will continue to be disciplined in our management of your portfolio and diligent in our search for attractive investment opportunities that we think will help us to deliver solid long term returns with less absolute risk.

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

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