



23 January 2019

Dear Partners and Friends,

We hope you had a great break over the festive season and wish you a Happy New Year and all the best for 2019!

In late November 2018, we provided our Investors with an investment update following the significant volatility in global investment markets from the highs reached in September 2018. At that stage, global indices had fallen over 10%, but that was nothing compared to the volatility that was still to come. December 2018 turned out to be the worst December for the S&P 500 since the **Great Depression!** The S&P 500 bottomed on Christmas Eve, having fallen almost 15% in December alone to officially enter a bear market i.e. a fall of **20%** from its peak. The S&P 500 then recovered part of this to finish December down 9.1%. The Fund's benchmark the MSCI World index was down 7.7% for the month.

During the December quarter, our Fund experienced a decline that was in line with the fall in the MSCI World index. The below table illustrates the performance of the Fund for the December quarter and since inception versus the benchmark. In addition, as requested by some of our investors, we have included the unit price for the Fund at the end of the quarter (we will continue to provide this in every quarterly letter going forward).

| | December Quarter Performance | Since Inception Performance* |
|--------------------|-------------------------------------|-------------------------------------|
| Orsaro Global Fund | - 13.4% | - 6.4% |
| MSCI World index | - 13.7% | - 11.3% |

**inception date is 11 May 2018*

| | |
|-------------------------------|--------|
| Unit Price @ 31 December 2018 | 0.9362 |
|-------------------------------|--------|

As can be seen from the above table, December was a very tough quarter. No one likes to see the value of their investments falling and as custodians of your money (and our own), it has been painful. However, you only actually lose money if you sell and crystallise the loss. Having no leverage meant that we were in the position where the Fund was not a forced seller during this period of extreme volatility. This reinforces our mandate of never taking on leverage. In addition, we had cash

available to continue to deploy funds during this period. We were able to buy shares in some of our favourite companies at substantially discounted prices.

At the time of writing this letter, we have seen investments markets rebound quite strongly from the lows reached on Christmas Eve. This reinforces our long-term investment approach of staying the course with our core investments, in the face of extreme short-term volatility.

In our view, the hardest part of investing, is dealing with the substantial volume of 'short term 'noise' that is prevalent. The extremely fast dissemination of information through the internet and social media has taken the volume of this 'noise' up several decibels.

However, the sage advice of some of history's greatest investors is as relevant today as it has ever been. For example, the father of value investing, Benjamin Graham, summed it up best when he said: "In the short run, the market is a voting machine but in the long run, it is a weighing machine." Basically, Graham was saying that in the short term, investor psychology will drive the market, but in the long term, business fundamentals will prevail.

As we said in our November investor letter, our role in investing is to look through the "noise" created by the market, media and these forecasters and stick with buying great companies. Our aim is to provide market beating returns over the ultra-long-term, and not get caught up in short term market thinking. Volatility is normal and for us not a risk. Short term thinking is what causes many investors to dump shares at the wrong time, only to return to the market when they are back near the highs.

A few of our companies have already reported their December quarterly earnings, and the flow of quarterly earnings reports will continue over the next 6 weeks. So far, our companies that have reported, have delivered solid earnings reports and their business fundamentals continue to be strong despite the noise in the market. We remain happy long-term shareholders of these companies. We are looking forward to 'digging deep' into our other companies over the next 6 weeks as they report, in order to monitor their underlying business performance.

Finally, we wanted to thank our investors for their trust in us, as we continue to navigate through this market volatility, and invest on your behalf for the ultra-long-term. As always, we would be more than happy to sit down and have a coffee with you to discuss how we are managing the Fund. Alternatively, please feel free to contact us if you have any queries.

Kind regards

Gavin, Marc and Richard
Fund Managers of the Orsaro Global Fund

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