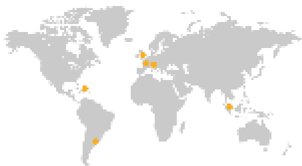

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A view from Singapore

It is not our normal practice to distribute verbatim messages from fund managers with whom we invest. But we are not in normal times, which is why we set out below some comments from Rory Dickson, the investment manager of CC Asian Evolution Fund, a fund that we have been investing in since it started.

Those who attended our Investment Conference last autumn will remember him: he is a highly experienced, mild mannered Scot who lives and works in Singapore, and travels extensively in the region.

Here are some extracts of his thoughts:

Covid 19: It is not the end of the world as we know it

We've been investing in Asian markets for a long time. We've lived through SARS. And MERS and Swine Flu. And the AFC and the GFC. We were running money through the dot com bust. And (showing our age) we even remember watching Black Monday in 1987 in wonder and awe and convincing our parents to commit our (very limited) savings to buying blue chips the following day. And thus an investing career was born. Without wanting to sound too clichéd, it's always darkest before dawn. But more importantly in this situation – while it might feel terrifying, the world is not ending. The financial system is not about to collapse. And in Asia, we're not blowing off steam from ludicrous and unsustainable valuations. Asia still trades at a significant discount to many other markets, notwithstanding the regions' very different growth prospects.

In Asia we've felt the wrath of epidemics, if not pandemics, in recent years. By and large, we're better prepared to deal with them than the West, but of course some markets are much better prepared than others. Regardless – and we're no epidemiologists – the one thing we do know is that this will pass. The infection rates right now are horrifying, even if the mortality rate gives us some *comfort. The measures that governments, particularly those in the West that until now have been found wanting, are being forced in to taking are unprecedented. Of course this can only contribute to rising fear and panic that is exponentially more infectious than the coronavirus. Scaremongering media doesn't help. Uninformed comments from politicians and commentators don't help. But the basic facts that we understand lead us to believe that in 6-12 months we will look back on this horrific period with a sense of relief and wonder, and most importantly, with some perspective.*

Simply put: it will pass. We will be ok. We're incredibly sorry for the loss of life and distress this pandemic will cause, but we firmly believe that set against the mortality rates of other scourges of mankind like influenza or motoring accidents, the current panic induced by Covid 19 will pass.

Our fund owns well capitalised leading businesses that will be fine

We keep in close contact with the companies in which we're invested. They are obviously restricted in how much they can tell us, particularly approaching the end of the first quarter, but we can report that the tone is relatively upbeat – particularly set against share price collapses of anything up to 30-40% year-to-date. We stress again, we invest in companies that are amongst the best at what they do. Leaders with pricing power. Companies supplying everyday goods and services to Asia's emerging middle class. Cash generating businesses with strong balance sheets.

Our portfolio is diversified across Asia and not much of it relies upon China – which is now by and large back at work anyway.

We don't believe we're alone in concluding that our holdings have very limited risk of going out of business, no matter what share prices are telling us. Quite the reverse; this is an opportunity for well capitalised market leading businesses to take market share and extend their leadership positions.

Historic levels of market volatility present an opportunity not a threat

The market volatility over the past few days is unlike anything we've witnessed in our careers. As we write (Friday 13th), India's Nifty for example is up 6% this afternoon, having been limit down (10%) only this morning. Western markets aren't behaving much better. It's quite remarkable what the combination of animal spirits, algorithms and panicked administrative measures can do to markets. What's next? Frankly we don't know – and we're certainly not going to try and guess. What we do know is that a company trading at a third or even 50% cheaper than it was only a few weeks ago, when we were quite aware that it already faced a tough couple of quarters, is a buying opportunity – not a time to sell in a panic.

Will markets demonstrate a V, or U, or L shaped pattern from here? Again – we don't know, and we're not in the business of trying to predict. But experience tells us that for anyone with a time horizon longer than a few months, this is a wonderful buying opportunity. Whether that's today, or next week, or next month… we'll monitor and try and use the ongoing volatility to our advantage.

We're scouring the market for fallen angels, and keeping close to the management teams of companies that we either own or have under the radar. We don't expect a wholesale repositioning of the portfolio.

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