Overseas Asset Management (Cayman) Ltd.
The Pavilion Cricket Square
PO Box 597 Grand Cayman KY1-1107 Cayman Islands
T 345 949 8787 345 949 8780 F 345 949 7760
E info@oam.com.ky www.oam.com.ky

OAM European Value Fund

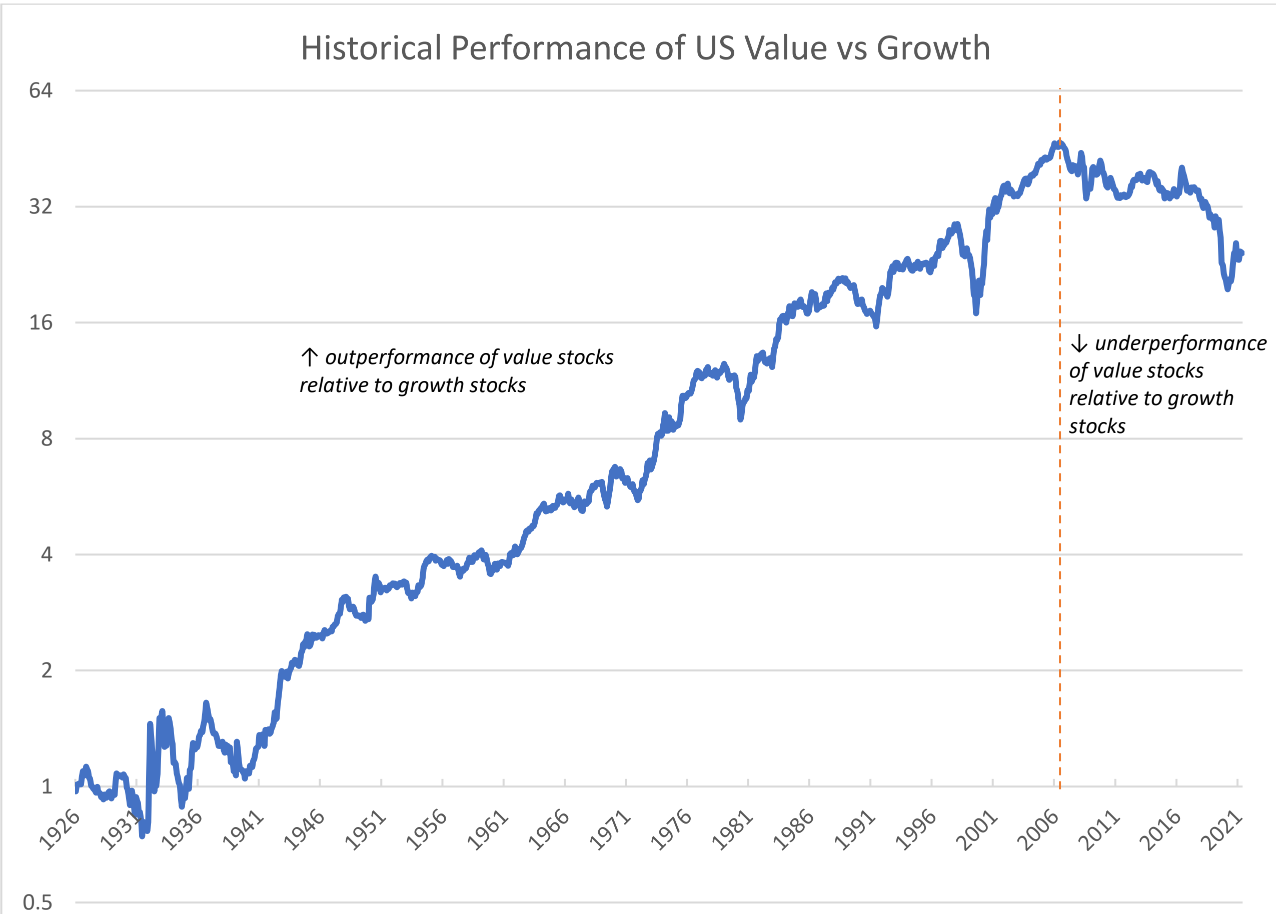
17th January, 2022

Dear Fellow Shareholder,

Last year, the Fund's NAV/share increased by 25.9% compared with a 13.6% increase in its benchmark, the MSCI Europe (US$) index. A more meaningful scorecard is the Fund's track record over its 19 years of existence which covers multiple market cycles during which the Fund's NAV/share compounded at 10.6% per annum. By comparison, the Fund's benchmark rose by 4.7% per annum. The benchmark figures used for comparison do not include dividends. We estimate that if dividends, net of withholding taxes, are included in the benchmark returns, they would increase by around 2.5 percentage points.

The significant outperformance of the Fund last year and since inception was achieved in an environment when the value factor underperformed the growth factor by a significant margin. The Fund invests with a strong value bias so its outperformance in an unfavourable environment is particularly pleasing to us. The chart below shows the performance of the MSCI Europe Value index relative to the MSCI Europe Growth index since the Fund's inception.

The underperformance of value versus growth during the past 14 years is a historical anomaly. Eugene Fama and Kenneth French showed that over nearly 100 years of US stock market history, value outperformed growth by a wide margin, and similar results were found by researchers in other stock markets globally. The chart below shows the massive outperformance of the value factor versus growth in the US based on data made available by Kenneth French. However, within this secular trend of value beating growth, there have been long cycles with extended periods when growth beat value, but none as long and deep as the current 15 year drought experienced by value investors.



Technology and other changes have disrupted the investment management industry massively. This is with good reason. As Burton Malkeil pointed out in his book "A Random Walk Down Wall Street" and as John Bogle at Vanguard preached to the masses, most investment managers have charged high fees and, net of fees and expenses, they have underperformed the benchmark indices. Therefore, why pay for investment management if you can pay a fraction of the fee to match the performance of the benchmark? This precipitated a massive flow of funds from active managers to passive products that are managed by computers. Against this backdrop, it is reassuring that the Fund handsomely outperformed the lower cost iShares MSCI Eurozone ETF (Ticker: EZU) since inception. The chart on the following page shows the return of the Fund compared to what we think is the most comparable index fund. In order to compare apples to apples, the compound annual return of the Fund needs to be reduced by 1.25% pa to reflect the impact of investment management fees, and the return of EZU needs to be reduced by 0.78% pa to reflect 30%

withholding tax on dividends. After these adjustments, the Fund beat the ETF by about 3% pa, resulting in an investor in the Fund having about 70% more than if they invested in the ETF during the period.

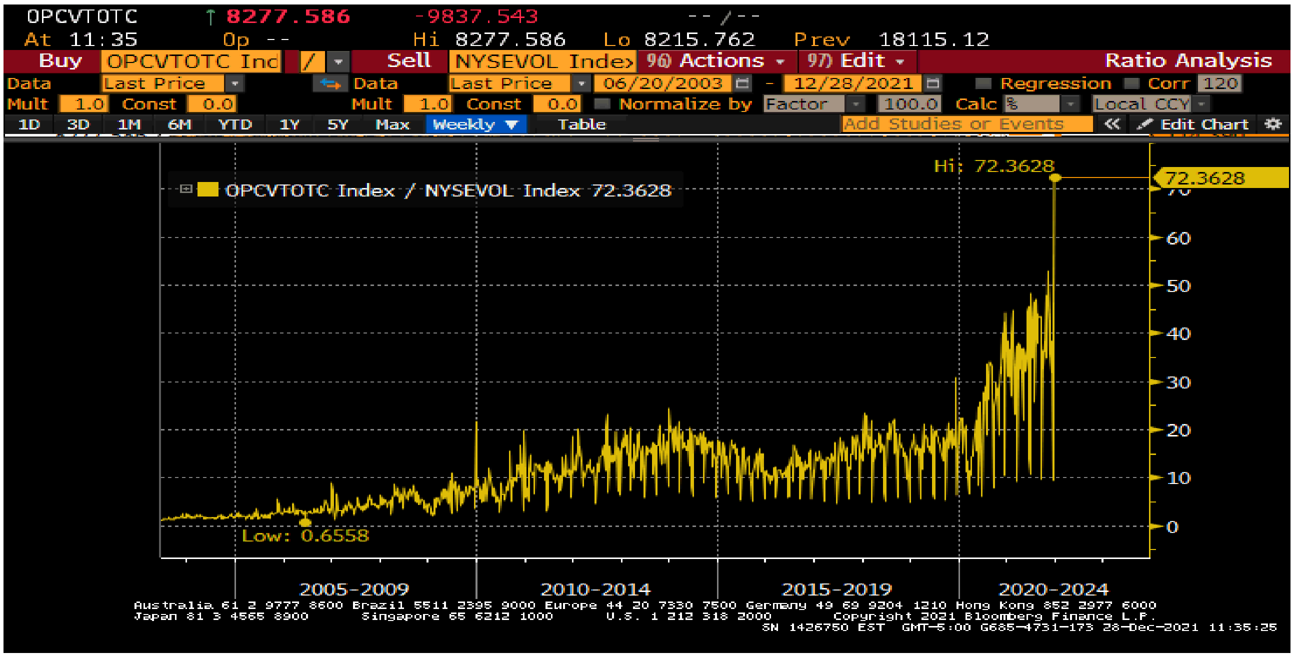
Procyclical investment behaviour

Stock market psychology swings between greed and fear, pushing prices either well in excess of or below what might be deemed fair market value. Interest rates and competing investments have a bearing on what investors may deem fair market value. Interest rates in the developed world are at multi-century lows and this is cited as one of the main reasons why many investors justify the current valuation of US equities as fair. If this is a valid justification, why are equities in Europe far less expensive than US equities when short-term interest rates on euros are negative and bond yields are much lower than they are in the US? Our sense is that various forms of pro-cyclical behavior, most prevalent in the US, are the cause of the very high valuation of US equities.

The huge move towards investing in passive funds that track major equity market indices is strongest in the US. This move is justified in many senses, but there are dangers to what is essentially a momentum-based investment strategy on autopilot – the bigger a company gets, the more index funds invest. Various incidents in the past 5 years provide anecdotal evidence of a feedback loop where changes in demand for an ETF amplify the buying or selling pressure on underlying securities, and therefore market movements.

Another very concerning pro-cyclical sign is the explosion in options trading in the US. Many of the highest-flying stocks in the US have seen larger volumes of trading in the company's stock options, namely call options, than in the underlying stock. The chart on the following page shows total call options volume relative to NYSE volume. This is market speculation on steroids, but it has other effects that are less well understood.

One of these effects is what is known as a gamma squeeze. This results when investment banks who have written call options have to buy the underlying stock when its price appreciates in order to hedge their naked call exposure, thereby pushing the stock price up further. If the market falls and speculators buy puts, a gamma squeeze in reverse would happen. This self-reinforcing procyclical investing is reminiscent of portfolio insurance which few people understood at the time and was the proximate cause of the 1987 stock market crash.



When these factors are combined with the fact that US households are all-in on their exposure to US equities, and some of this is financed with borrowed money in the form of record margin debt (please refer to my Chairman's statement for OAM Asian Recovery Fund), the ingredients are in place for what could be an epic US equity bear market. We have been sounding caution about the valuation of US equities for some time, but now there is evidence of massive participation in what can best be described as a once in a generation FOMO market.

Inflation & natural gas prices

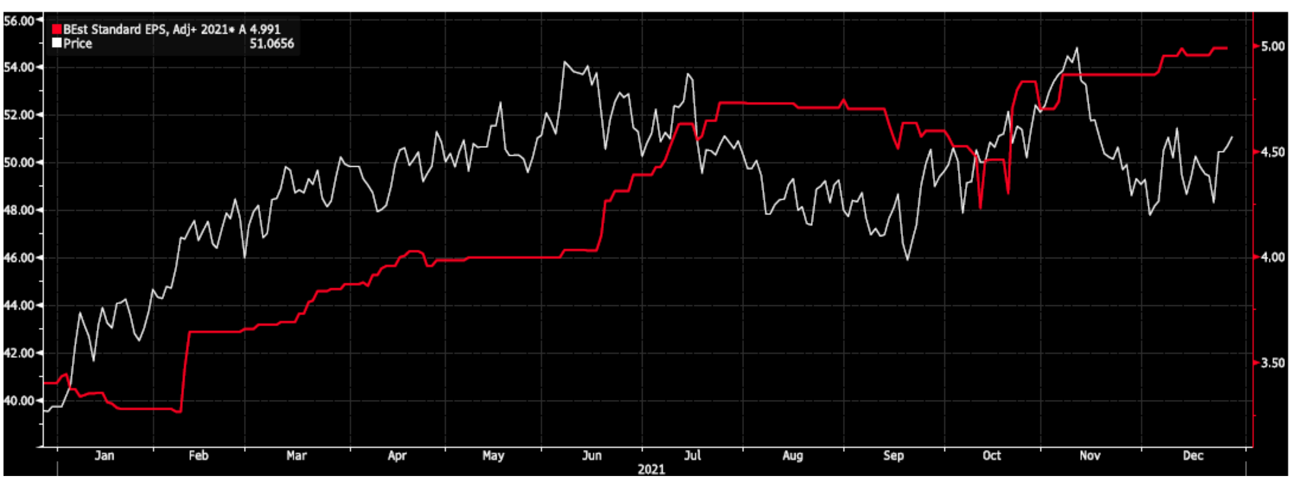
In last year's Chairman's statement, I wrote about the risk of higher inflation. This was a major theme in 2021, and the question is whether the large increase in inflation is transitory or structural. We think part of it is transitory, and is based on supply side shortages which we expect to be alleviated in time in some areas over the next year or two, while part of it is structural, arising from money supply being increased far more rapidly than nominal GDP growth during the past couple of years. It is impossible to model or predict how this question will be answered, but we need to be aware of the potential for such shocks and how they might impact the companies in which we are invested.

Last year, natural gas prices soared in Europe, far more than they did in the US. This was partly due to the delay in approval of the Nord Stream 2 pipeline to transport natural gas from Russia to Europe. It was made worse by very low wind speeds in Europe during most of last year which reduced wind-generated power supply. The closure of many coal mines further restricted supply. Hundreds of shiploads of LNG usually destined for Europe were diverted to China which has a goal to reduce its carbon emissions significantly.

Meanwhile demand recovered as economies reopened from the 2020 COVID-induced shock. As a result, electricity prices in Europe increased massively. Many buyers and resellers of electricity went bankrupt in the process. Nitrogen fertiliser producers in Europe, which use natural gas as their feedstock, were forced to close a large proportion of their ammonia production capacity.

It is difficult to know in advance how our companies would cope with such major market shocks, but we have increasingly emphasized quality and sustainability in our stock selection process over the years. Our reliance is more on balance sheet strength, quality of management, and the ability to pass on price increases rather than modelling the effect of such shocks. Two of our largest investments were put to the test by this major market shock: Yara International, the world's largest nitrogen fertiliser company, and Mytilineos, a Greek company that owns one of Europe's largest integrated producers of aluminium and is also Greece's largest independent power generator using primarily gas-fired CCGT plants.

During the past 17 years that we have been a shareholder in Yara, it generated a compound annual return for its shareholders of 16.6% per annum in US Dollars. Last year was a challenging year in some respects for Yara because natural gas prices in Europe more than quadrupled compared to an increase of less than 60% in US natural gas prices. Many of Yara's ammonia plants are located in Europe which resulted in Yara having a competitive disadvantage compared to competitors in the US and elsewhere. Yara reacted quickly and closed nearly half of its ammonia production in Europe for several months and instead sourced ammonia from its other plants and other lower cost producers to blend its value-added nitrate and NPK (nitrogen, phosphate, potash) fertilisers to continue its supply to farmers. Over the past decade, Yara has become less of a commodity agrochemical producer and more of a valued-added, branded fertiliser company that works with farmers to boost yields. This, together with the soaring price of fertilisers, allowed it to pass on cost increases to farmers by raising prices even more than the increase in its cost inputs. The chart below shows how this resulted in Yara's 2021 estimated EPS (earnings per share) shown in red rose by more than 45% in US Dollars last year, outpacing the strong increase in its share price in US Dollars shown in white. Based on estimated earnings for last year, Yara's shares remain attractively priced at only 10 times trailing earnings. Furthermore, the company paid generous dividends to its shareholders, resulting in a 10% dividend yield.



Mytilineos is a family-controlled Greek business that prospered throughout the Greek economic crisis. It owns Aluminium of Greece, one of the largest and lowest cost producers of aluminium. It mines bauxite, produces alumina and aluminium, and exports finished billet from its port in a highly efficient, integrated manner. Aluminium production uses enormous amounts of electricity so the soaring price of electricity in

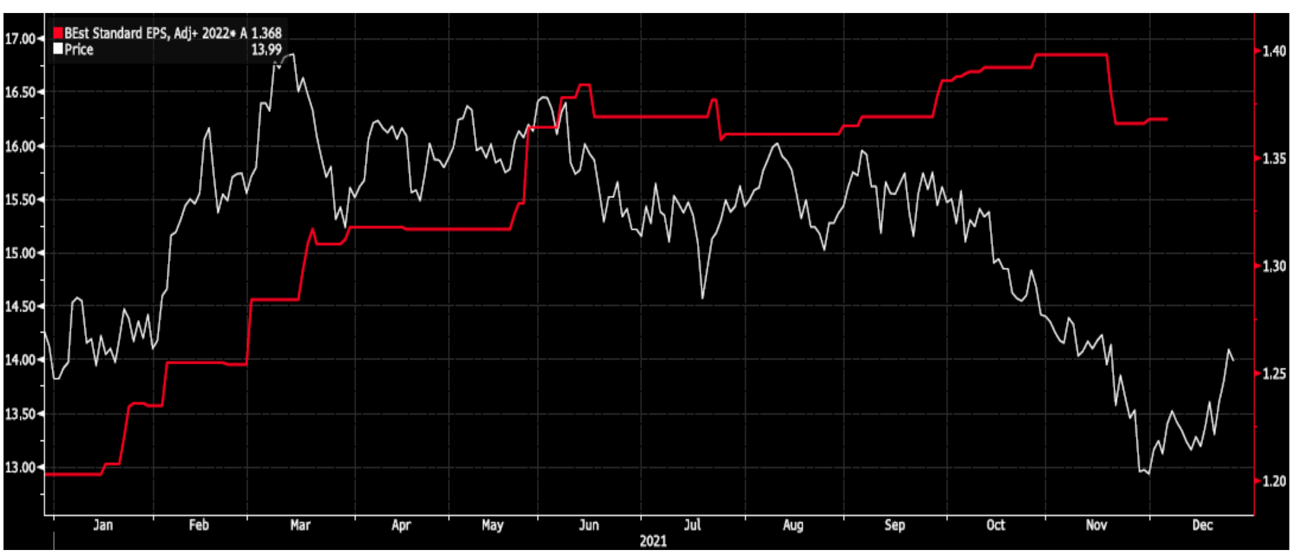
Europe posed a potential threat to this part of Mytilineos' business. Indeed, two weeks ago, Alcoa announced that it is halting primary aluminium production for two years at its plant in Spain, Europe's second largest aluminium plant, due to soaring electricity prices. Mytilineos' management reacted quickly to the threat, and in early summer last year they signed a contract with PPC, the Greek state-owned utility, to supply them with electricity until the end of 2023 at a fraction of today's spot price. This contract runs until the end of 2023, following which Aluminium of Greece aims to produce aluminium using a combination of recycling and low and zero carbon sources, including their renewables production capacity which they estimate will provide 70% of its electricity, and their new Combined Cycle Gas Turbines (CCGT) plant which comes on stream this year. The new CCGT plant will be the most efficient natural gas fired plant in Europe and will double Mytilineos' electricity production which they sell into the grid and to Aluminium of Greece. These initiatives, the soaring aluminium price, and a booming renewables business that is likely to contribute 20% of group profits in a few years, justify the company's expectation that its earnings should double in the next two years. Mytilineos is a well-managed business that has positioned itself well to deal with environmental initiatives in Europe. Yet its shares currently sell at less than 6 times next year's estimated earnings.

Increase in earnings expectations

As shown in the earlier chart for Yara International, the returns generated by many of our holdings were more than justified by strong increases in earnings expectations throughout the past year. This was particularly true for Sberbank, our very profitable investment in Russia's leading bank which is diversifying very effectively into fintech and ecommerce. Last year, estimated EPS for the company increased by a third during the year as shown in red. In October, the Fund had over 14% of its net assets invested in Russian businesses, and we took the decision to trim this exposure on the basis of diversification. Russia will likely remain vulnerable to foreign policy concerns and its stock market will likely be volatile as a result. This decision proved fortunate as we sold an eighth of our holding in Sberbank for $2.5 million at very close to the high before concerns about a possible invasion of Ukraine erupted. We also sold a quarter of our holding in Gazprom Neft for $2.5 million, again at close to the high. We think Sberbank's share price fails to reflect its fair value as shown by the divergence in its share price in white and its 2021 estimated EPS shown in red on the chart below. Its shares trade at a P/E of 5 and a dividend yield of 10% which we think is a gross undervaluation of a business that is generating a more than 20% ROE (return on equity) in a country where debt remains very low as a percentage of GDP and the scope for profitable growth is still very attractive.

One of our largest holdings is NN Group, the market leader in life insurance and pensions in the Netherlands, with subsidiaries across much of Europe. This is a relatively mature business, but as noted in last year's Chairman's statement, NN generates huge free cash flow that they have been using to pay generous dividends, repurchase shares, and acquire smaller Benelux life insurance and pension providers to further consolidate the industry. They are also being pressured by Elliott Advisors, a large US activist investment manager, to make value-enhancing changes. During the past year, estimated EPS for the group increased by 35% which propelled the share price as shown on the following page. Its shares remain cheap on 8 times trailing earnings and a 5% dividend yield.

Close Brothers rounds out the discussion so far of our five largest investments that are operating businesses. Last year, its estimated EPS for the year ending in July 2022 increased by nearly 15%. Yet, its share price went nowhere. We think this poor share price performance last year is unjustified for a niche UK bank that consistently generates a low to mid-teens ROE and which has generated a more than 13% compound annual return in Sterling for its shareholders over the past decade compared to less than 3% per annum for the UK banking sector. Its shares remain undervalued on only 10 times estimated EPS and a nearly 5% dividend which is subject to no withholding tax.



Shipping

We have been following the shipping industry for several years, observing the paucity of orders for new ships to replace scrapped vessels for the past eight years. This lack of orders was due to a combination of depressed freight rates and environmental regulations which led to uncertainty about whether a new ship might become redundant with the rapid changes in rules and regulations. Initially, the regulations concerned the release of ballast water, but in recent years, the focus has been on CO2 emissions. This forced the shipping industry to retrofit and install expensive scrubbers or burn more expensive fuel rather than traditional bunker fuel. We felt it was only a matter of time before supply shortages would lead to higher freight rates and new ships were ordered to relieve the supply shortages. This started to happen just over a year ago. The initial impact has been felt mainly in container shipping and bulk carriers. Orders for new container ships and bulk carriers soared in the past year and shipyards in Japan, Korea and China are largely booked to capacity for the next three years. We owned shares in Maersk, the world's largest container shipping company, and sold our holding at a nice profit, albeit too early.

Our remaining exposure to the industry is largely in the car carrier segment which we think will have a delayed, but longer lasting boom. Freight rates with the auto manufacturers are negotiated as contracts of affreightment with fixed rates based on volume (adjusted for a fuel price adjustment factor) which typically last 3-5 years. This results in a lag in price adjustments when supply starts to tighten as is now happening. Global auto sales are still running below pre-COVID levels, partly because of plant closures in 2020 and semiconductor chip shortages last year. Expectations are for car sales to recover to above 2019 levels within the next few years. Meanwhile, scrapping of old car carriers has exceeded new ships ordered for the past few years, and order books for new car carriers remain very low, with little capacity available for the next three years to build new ships. An additional tailwind is that electric cars, which comprise a rapidly increasing proportion of cars shipped, are much heavier than internal combustion cars which results in constraints on how many cars can be loaded on a vessel. The proportion of high and heavy cargo which commands higher freight rates has also been increasing. This is largely a result of increasing orders for agricultural and mining equipment, propelled by higher agricultural and metals prices.

Our exposure to the car carrier industry is through the world market leader, Wallenius Wilhelmsen, and Wilh Wilhelmsen, the holding company of the Wilhelmsen family in Norway which owns 37.8% of Wallenius Wilhelmsen. We bought 0.5% of Wallenius Wilhelmsen at the depths of the COVID despair 20 months ago, investing $2 million. We trimmed nearly an eighth of our holding, raising over $1 million last summer after its share price more than quadrupled from our cost. The share price in US Dollars is now up six times from our cost, and we have an investment worth over $10 million in the company. We think there is further to go. The shares are currently valued at book value compared to Maersk which is valued at 1.75 times book value. Clarksons Platou recently published a research report on the car carrier industry in which they estimate that Wallenius Wilhelmsen will increase its net profit to $620 million this year and $783 million next year from an estimated $130 million this year. The company currently has a book value and market capitalisation of $2.4 billion so the shares are being valued at less than 4 times this year's estimated earnings. Clarkson Platou estimates that Wallenius Wilhelmsen will pay a dividend of $280 million (45% payout ratio) this year and $390 million (50% payout) next year which would put the shares on a 12% dividend yield this year and 16% next year. Retained cash flow would increase Wallenius Wilhelmsen's book value by 35% over the next two years using these assumptions.

Wilh Wilhelmsen's shares are even more undervalued. The Wilhelmsen family owns 61% of the A shares and we own about 1.1%, or about 3% of the free float in the A shares, and the family owns 19% of the B shares, while we own nearly 4% of the B shares. Wilh Wilhelmsen's shares are far less liquid than Wallenius Wilhelmsen's, but we are happy to own shares in this family holding company for many years. Over the past 20 years, shareholders in Wilh Wilhelmsen have generated a compound annual return in US Dollars of 14% per annum. This is a high-quality collection of assets that is being valued at only $1 billion. Its 37.8% shareholding in Wallenius Wilhelmsen and its 6% shareholding in Qube, a listed Australian company operating in the same sector, are worth $1 billion and Wilh Wilhelmsen has a small net cash balance at the holding company level and investments in other similar businesses that are worth an additional $1.25-1.4 billion. The high end of that range is based on the share price of its Hyundai Glovis holding and the low end is based on the share price of Treasure, the listed mono-holding company in which it is a 73.6% shareholder which in turn owns an 11% stake in Hyundai Glovis – Treasure is currently valued at a 34% discount to the value of its stake in Hyundai Glovis. Wilh Wilhelmsen is currently valued at a 55-58% discount to NAV, a valuation that we think makes little sense given its track record of increasing shareholder value.

The Fund has an investment in Wilh Wilhelmsen A & B shares worth $18 million, equivalent to 7% of its net assets. It has an additional investment worth just over $10 million in Wallenius Wilhelmsen, equivalent to 4% of net assets. The Fund has a restriction that no more than 10% of its net assets can be invested in the securities of a single issuer. Wilh Wilhelmsen's shareholding in Wallenius Wilhelmsen accounts for about 40% of its NAV. For diversification purposes, and bearing in mind this restriction, we add 40% of the value of our Wilh Wilhelmsen stake to the value of our Wallenius Wilhelmsen shareholding, so vis a vis this 10% limitation, the Fund currently has 7% of its net assets exposed to Wallenius Wilhelmsen.

The Fund has a smaller investment of nearly $6 million in Gaztransport et Technigaz (GTT), a French company which is the world's leading designer and licensor of containment systems for the transport and storage of LNG. We have already sold enough of our original shareholding in this company to more than recoup our cost. GTT is an excellent business and it is highly free cash flow generative. We think the shares are now trading at close to our estimate of fair value, but their knowledge, expertise and innovation put them at the forefront of developing storage solutions for what could be the next generation shipping fuel, whether that be LNG or hydrogen.

ESG considerations

ESG stands for Environmental, Social and Governance. Investors are increasingly applying these non-financial factors as part of their analysis to identify risks and growth opportunities. Unfortunately, as is the case with much of what passes as regulation these days, a box-ticking approach is used by most investors who employ ESG considerations in their stock selection process. BlackRock's former global chief investment officer for sustainable investing, Tariq Fancy, says that ESG is not making societal problems better and may actively be making the problems worse. A record number of ESG funds have been launched and many existing funds changed their mandate to include ESG criteria. However, ESG is hard to measure and critics accuse many of these funds of 'greenwashing', labelling themselves ESG friendly but investing in companies with questionable sustainability credentials.

We take a more thoughtful approach to ESG and have considered these factors in our analysis, long before they became fashionable. Our view is that companies that deserve to score highly on ESG criteria are high quality businesses that are sustainable for very long periods. Any business that does not cut corners, is built to last, treats its customers and employees well, is likely to have less volatile profitability that is sustained over a longer period. Such businesses deserve a higher multiple of current or estimated earnings and are likely to give investors higher returns. Most investors using a box-ticking approach would immediately eliminate palm oil plantations from consideration because of the taint of many of these companies slashing and burning; draining of wet peatlands which become easily combustible, resulting in fires in Southeast Asia that produced more emissions in a few months during 2015 than the annual output of Japan or Germany; habitat destruction; primary forest clearance; and poor labour practices. Rather than shun an entire industry, we chose to invest in the highest quality plantation companies that employ sound and sustainable farming and palm oil processing practices. The world needs palm oil which is the world's most consumed edible oil, but is also used in lipstick, cosmetics, ice cream, biofuel and animal feed. The alternative would be clearance of large parts of the Amazon Basin and elsewhere, as has already started to happen, to grow soybeans since soy oil is the typical substitute for palm oil. Palm oil is also much more efficient on a per acre basis in converting sunlight and water into food than any other edible oil so it requires less arable land than competing edible oils. A few years ago, Camilla and I had a long and interesting conversation with Paul Polmen, the CEO of Unilever from 2009-19, and his view (which we share) is that it is better to engage with and back the best plantation owners rather than avoid investing in them and leave them to the rogues of the world to run.

The Fund has about $3.5 million invested in Anglo-Eastern Plantations listed in London, and a similar amount in aggregate invested in Socfinaf and Socfinasia listed in Luxembourg. All three businesses are family controlled, employ sound practices, have strong balance sheets, and have generated compound annual returns for their shareholders of 7-17% per annum in US Dollars over the past two decades. None of these companies are followed by a single sell-side analyst, and as a result, they remain obscure and deeply undervalued. Anglo-Eastern has a market capitalisation of $382 million, but at the end of the third quarter, net cash on its balance sheet was $192 million, giving it an enterprise value of $190 million. With palm oil prices averaging over $1,000 per tonne, we think Anglo-Eastern should earn a net profit of about $85 million in 2021, putting the shares on a P/E of just over 2. Socfinasia is slightly more expensive at just over 3 times our estimate of 2021 earnings, adjusted for cash and interest earned on its large cash balance and loans to the Socfinaf group. Socfinaf has some debt as it is a less mature business that is still planting new palm oil plantations across parts of West Africa. Its shares trade on a P/E of less than 2.5 times this year's estimated earnings. On an enterprise value per planted hectare basis, these three plantation companies are currently valued at $3-4,000 per planted hectare which is way below the replacement cost of planted palm oil plantations, not to mention their seeds businesses and palm oil processing factories and cogeneration plants. This is about a third the current average valuation of Indonesian-listed palm oil companies. To help close this massive anomaly, we would like our palm oil companies to use some of their prodigious free cash flow to repurchase or tender for shares which would be the best possible use of capital at this time. So far, our prodding of Anglo-Eastern Plantations Board of Directors has fallen on deaf ears.

One statistic which I found surprising is that the annual CO2 emissions of China's primary aluminium industry is about 80% more than the total annual CO2 emissions of the UK and more than the entire annual emissions of Indonesia or Brazil. We think realisation of this glaring climate risk could lead to companies that produce green aluminium being able to sell it at a meaningful premium to the spot commodity price. Mytilineos should be in a position to have its production certified as green aluminium in 2 years.

The steel industry is another major source of CO2 emissions. We have an $8 million investment in Danieli savings shares. This is an Italian family-owned business that is a steelmaking plant manufacturer. It is the global leader in direct reduction of iron (DRI) plants and electric arc furnaces (EAF). It also produces specialty steels using its own plants. DRI plants use natural gas instead of coke and therefore steel using DRI has a much smaller environmental footprint. Electric arc furnaces, also known as mini-mills, have high flexibility and energy efficiency, and they often use scrap steel as a raw material. Using scrap steel can reduce CO2 emissions by up to 50% compared with primary steelmaking from ores and the mining processes involved. Danieli and a partner have jointly developed the Energiron Direct Reduction (DRI) technology which can operate on a combination of natural gas and hydrogen, or 100% hydrogen. The combination of Energiron DRI and Danieli EAF is expected to reduce CO2 emissions by up to 64% when compared to a traditional integrated steel mill. The EU Carbon Border Adjustment Mechanism (CBAM) and Emissions Trading System are making it more expensive to produce dirty steel, not only in Europe but globally, so demand for Danieli's steelmaking plants is growing strongly. Adjusted for its large surplus net cash, Danieli is valued at only 5.5 times estimated earnings for the year ending June 2022. About 15 months ago, we along with several other savings shareholders voted against and successfully defeated a proposal by the company to merge its savings shares which we own with its ordinary shares on what we felt were opportunistic terms. Many of the Italian savings shareholders voted in favour of the proposal and one of them wrote to me to say that our vote was a big mistake and added "ti sei sparato nelle palle". We think it was far from being a mistake and think it makes sense for the family to come back in due course to savings shareholders with a more reasonable conversion offer. By law, the savings shares have to pay a higher dividend than the ordinary shares, but they currently trade at a 36% discount to the ordinaries, giving us a second level of discount to invest in an already undervalued company.

Hard-To-Value Securities

In last year's Chairman's statement, I discussed four holdings that were de-listed in 2020 which we valued at their de-listing price, net of distributions received. Our valuation of $5 million for these four holdings was substantially lower than the $18 million, subject to a high degree of uncertainty, that we estimated the Fund should receive over the next few years as assets of these four holdings are sold and distributions made to shareholders. Last year, another holding, RDL Realisation, was de-listed and this was initially carried at its de-listing price which valued it at $0.5 million. We also invested $0.7 million in shares issued on attractive terms in a rights issue by Management Consultancy Group. Last year, we received nearly $5 million in distributions from three of our de-listed holdings. We expect to receive more than that this year in distributions from these five holdings. Some of these holdings were revalued during the year by the Fund's Directors to reflect significant increases in their net asset value, and at year end, they were valued in aggregate at just over $10 million. We expect further uplifts as these holdings sell their assets and make distributions.

Succession

For the past six years, Camilla co-managed the Fund with me, and for five years prior to that, she was an analyst working solely on investments for the Fund. Camilla started studying for the CFA exams immediately after joining OAM and passed each level on her first attempt. She has developed into a fine investment analyst and portfolio manager. I believe the time is right to hand over the reins to Camilla to manage the Fund on a sole basis from the start of 2023. My wife and I are the largest shareholders in the Fund in aggregate and we are confident that Camilla will do an excellent job of managing our investment. She is thorough in her analysis, diligent, bright, and passionate about what she does. Importantly, she has no distractions at OAM from managing the Fund. Last year, Camilla invested much of her accumulated bonuses and dividends received on her shares in OAM in the Fund. This alignment with the Fund's shareholders means that she will be eating her own cooking!

This proposed change does not mean that I am retiring from my involvement with the Fund. I will remain its Chairman, and will continue to be very much involved in discussions with Camilla on issues such as position sizing, tracking the portfolio's underlying liquidity including its cash balance, consideration of currency exposure, suggesting new investment ideas, participating in Zoom and Teams calls with investee companies, and reading annual and interim reports of the Fund's largest holdings.

Larger than usual redemptions

The Fund ended the year with net assets of $251 million. Last year, the Fund had $4 million in subscriptions and $39 million in redemptions. This is the eighth consecutive year that the Fund had net redemptions. The Fund's shares outstanding declined by 40% from their peak in mid-2014. This is a function of an absence of marketing and our clients getting older and drawing on their savings. Meanwhile, the Fund's NAV/share has grown steadily and net assets have remained between $200 and $250 million for most of the period since then. My wife and I continued to add to our investment in the Fund during this period. The Directors and their wives in aggregate now own 17.4% of the Fund's shares and entities which they manage or of which they are a director own an additional 3.3% of the Fund.

We find ourselves in a position where we are worried about the risk of what appears to be a very frothy US equity market, but at the same, we think the Fund's investments look very undervalued. We also do not have enough cash available to add a couple of new investment ideas to the Fund and bring a new holding up to its intended weighting without selling one or more of our existing holdings which we are reluctant to do. The dichotomy between cheap value investments and expensive growth stocks is the most extreme I can remember in my nearly 40 year career. My strong belief is that value will recover strongly. There are sound reasons why it worked as an investment strategy during most of the past century.

Desmond Kinch, CFA
Chairman