



A NOTE FROM LARRY SARBIT PORTFOLIO MANAGER OF THE VPI VALUE POOL

TIME TO BUY!

Over the last 11 years, from early 2009 when markets reached their bottom during the Great Recession following the 2007-08 financial crisis, stock markets have done nothing but appreciate in value.

And now, clouds are appearing on the horizon for equity prices. The last two weeks' extreme market volatility and drop in stock prices has stuck fear into the heart of investors, many of whom only have experienced rising prices. These individuals, for the first time, are feeling the pain of stock price drops.

The current issues scaring people are well known: the emergence of a new coronavirus on a world-wide basis, a slowing economy, record low interest rates, high debt levels, etc. Together, they have been major contributors to the recent stock market fear and correction.

So, what do we know for sure?

- 1. We own great businesses for which we paid reasonable or cheap prices.** These are rock-solid companies that we bought to own for the next several years because they continue to have all the characteristics which we purchased them for: sustainable competitive advantages, predictable revenue streams generating tons of free cash flow and intelligent, ethical managements at the helm. We believe that the true underlying intrinsic values of these businesses will be worth more 3-5 years from now, regardless of the current perceived negative environment. A few examples include: Liberty Broadband, an internet cable operator. We don't believe people will be disconnecting their Wi-Fi service because of the outbreak of a virus. Alphabet: Do you believe users will stop using Google or YouTube anytime soon? Quite the opposite in our view. ADT: isn't it reasonable to expect home and business owners to continue to have a security system in their home or office, regardless of economic conditions or the spread of Coronavirus? Our companies can weather virtually any storm and will continue to grow.
- 2. We are already buying stocks!** We welcome lower stock prices in the companies we own and are committing more capital at these increasingly more attractive prices. Equally exciting is when other wonderful businesses start coming up on our "undervalued" screen.
- 3. We have cash!** At the current time, we have roughly half of the Value Pool assets uninvested for exactly what is now occurring. Cash has helped us protect clients' capital through the correction and, if we can continue to invest in these wonderful businesses at even cheaper prices, the result will be enhanced long term returns for our clients.

Having said all this, we still think the market is expensive as it is only back down to the price levels we had in October 2019. But there are most definitely more opportunities now than a few weeks ago.

If stock prices keep coming down, we will be able to continue to deploy cash in a conservative, rational, business-like way.

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