FOCUS CAPITAL
MANAGEMENT

March 16, 2020

Dear Investor,

For the first time since Focus Capital Management was launched in 2013, I am reaching out today to our investors to encourage them to deploy more capital and take advantage of great opportunities in the present market.

With all the recent volatility in the market due to the coronavirus crisis and other events, I'd like to take a moment to share some thoughts on the coronavirus, the stock market, the Fund, and the opportunity we are seeing presently. I will first discuss how I view the events themselves, then the effect on the economy, then how the stock market and the Fund are faring. Finally, I will address what I believe is the best plan of action going forward.

How will the coronavirus pandemic play out? I am not an expert on diseases, and I cannot tell you exactly how the coronavirus pandemic will unfold. But what I *can* tell you is that it is temporary. In two years time, the coronavirus will be a thing of the past; the world will continue on. The coronavirus pandemic is a temporary situation, maybe lasting three months, maybe lasting six months, but it **will** pass.

What are the likely effects on the economy? It has been my belief for about a month that the coronavirus will more likely than not tip the economy into a recession. The oil price war makes a recession even more likely. One major caveat I would add to this prediction is that most people who attempt to predict macroeconomics and recessions do a horrible job of it, and I have no reason to believe that my predictions will fare any better. I do not believe that we should attempt to time the market, as pretty much everyone who attempts to do so fails miserably. What I would like to stress is that **whatever happens in the short term, in two years time, this will be in the past**. If the company you are invested in has a strong balance sheet and a strong underlying business model, the company will outlast the short-term rough patch and will come out the other side unscathed.

How is the stock market faring? How is the Fund faring? The stock market (S&P 500) is down about 15% from the beginning of the year and at one point was down about 27% from its high. As the Fund is ultra-concentrated, we would expect it to see more volatility than the market as a whole, and we have. Since the beginning of the year, the Fund is down about 45%, substantially more than the market. Partially this is due to the Fund's concentration, and partially this is due to specific positions of the Fund.

The Fund is no stranger to short-term volatility and sharp drawdowns. In fact, in the first four months of the Fund's operation, the Fund had a draw-down of more than 31%. This was at a time that the market was up more than 10%, so the underperformance vis-a-vis the market was quite pronounced. We held strong in our convictions, and by the end of the year, the Fund had recovered and was outperforming the broader market. This time, too, we expect the Fund's positions to recover over time.

I want to take a moment to discuss one particular position of the Fund, Lindblad Expeditions. Lindblad is a cruise company, and as you can imagine, the stock has taken quite a beating, down about 68% from its high, over just a few weeks. We believe this to be a gross over-reaction. Yes, their operations are suspended for the short-term, and yes, there will be cancellations in the medium-term. But from the long-term picture, people will still be taking cruises two years from now. As far as cruise lines go, we believe that Lindblad is far better positioned than most. Their underlying business is strong and growing, with high margins. Their balance sheet is strong, with no debt due until 2025 and sufficient liquidity to tide them over through this difficult patch. They can weather this storm. Everything said and done, we believe the market is grossly overreacting to the situation and is lumping Lindblad together with the more vulnerable and structurally weaker cruise lines. Lindblad is a quality company on fire sale.

In summary, most of our positions do not have any direct impact from the coronavirus, and some should have absolutely no impact at all. Across the board, **we expect every one of our positions to do very well over the long term.** We often say that by being willing to endure some short-term volatility, we thereby enable steady long-term gains. But the truth goes even further than that – you need to take advantage of the volatility in the market to buy heavily when there are great businesses available at depressed prices.

What is the best plan of action going forward? Although the market as a whole is not down all that much and is quite far from a fire sale, **I see many spots in the market that are down to fire sale levels. I firmly believe that now is the time to double down on the market, with some very attractive businesses temporarily available at extremely depressed prices.** I have even seen a number of companies that are down 30-60% despite having absolutely zero possible exposure to either coronavirus, oil prices, interest rates, or even a general economic malaise. **Now is the time to take advantage of the gift the markets are offering.** In all the years of running the Fund, I have never put out a general call for capital, but I have now directed Raphael to contact our investors and sound the clarion call: **Now is the time to invest. We are calling on all our partners and investors to provide as much capital as possible to take advantage of the situation.**

If you have any questions, please feel free to reach out to either myself (917-858-3184) or Raphael (347-413-0675).

Wishing everyone the best in health and wealth,

Mordechai Yavneh

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