Old West Investment Management, LLC

April 15, 2020

Dear Investor,

In my most recent letter written in early January I warned that the stock market was the most overvalued in history and susceptible to a Black Swan event. Of the potential Black Swans, I did not include a virus that would become a worldwide pandemic. Now we all know what a Black Swan looks like; something out of left field that nobody saw coming.

As you can see in your enclosed statement, we were not spared significant losses, but I'm happy to report that as of the date of this letter we have recovered the bulk of those losses. Unlike past market selloffs, this was the fastest and steepest selloff in history. The S&P 500 fell 20% in the first quarter and the Russell 2000 Small Cap Index was down 31% for the quarter.

As an investor of other people's money, we try to be prepared for whatever the market might throw at us. I recall seeing a Ted Talk with Bill Gates from 2015 where he warned that a worldwide pandemic was one of his biggest worries. The suffering and death all over the globe is heartbreaking to see. I never thought it was possible to have a near shutdown of the world economy.

Our Federal Reserve as well as all central banks around the world leapt into action pumping trillions and trillions of dollars into the financial system. Even the most conservative of economists agree the FED had no choice. There will be a long-term consequence to both the economic slowdown and the trillions printed out of thin air, and we believe we are invested appropriately for near term deflation, and very likely inflation in the long term.

Once the virus began spreading worldwide, we took a hard look at our holdings to see which stocks would be directly affected by the pandemic. The two that stood out were MGM and Liberty Formula One, which we sold in early March. MGM fell 65% and Formula One fell 63% during the selloff. These are both great companies that we could easily own again once this storm passes.

I am disappointed that our portfolios didn't perform better as we felt we were very defensively positioned going into 2020. Gold is the ideal investment going into a worldwide crisis and I expected our gold mining stocks to have performed much better. However, there was such a rush to liquidity that during the selloff everything was getting crushed. The price of gold actually did fine being up 6% in the quarter, but the mining stocks didn't do as well. The good news is once the FED pumped trillions of dollars into the system, that liquidity has made gold miners some of the top performing stocks the last week of March and early

April. I believe our patient investing in this space will now pay off the balance of this year. Times like this are the reason you want gold in your portfolios, as it is the ultimate flight to safety, and in our opinion even safer than holding cash.

The move to passive investing the last several years had investors crowded into the same handful of stocks. The idea of researching individual stocks and reading 10-K's into the wee hours of the night had become a lost art. The fact that we are active managers with a deep value bias will be our strength now that the decade long bull market has ended. The post tech bubble years 2001 to 2005 were tremendous years for value investors, and I can see a similar situation developing today.

Two years ago, Old West partner Brian Laks, who manages our Opportunity Fund identified the nuclear energy/uranium mining industry as ripe with opportunity. We were a bit early investing in the space as it was approaching the end of a ten year down cycle that appears to have bottomed. Brian writes the following:

For the last few years, we have discussed the inevitable rebalancing of the uranium industry and the outsized return potential we expected from the miners. The supply deficit that formed during the downturn would force a price rise that would encourage the development of new supply and lead to a significant upward revaluation of the mining companies.

While our conviction in the idea steadily grew over that period, the question of timing was always an issue. Yet we knew the risk of being early would be greatly outweighed by the reward of being well-informed and extremely well-positioned as the thesis began to play out.

We believe the inflection point has arrived.

In the last month much of the world's uranium mining capacity was taken offline as the world went into lockdown. The deficit that already existed has now widened dramatically and there is increasing uncertainty about future availability of material at a time when utilities are historically low on inventory and due to begin restocking.

The potential for a meaningful price squeeze now exists, and the industry rebalance we have long discussed appears to be imminent. Investors in our funds have substantial exposure to the impending rise, especially those in our Opportunity Fund which is currently focused on the industry.

We strongly encourage current and prospective investors to contact us to discuss how they can benefit from these latest developments.

The coming months will be filled with anxiety and uncertainty but I'm confident we are well positioned to protect and grow your hard earned money. Thank you for your continued loyalty and support.

Sincerely,

Joseph Boskovich, Sr.
Chairman and Chief Investment Officer