



Dear investor,

Given the recent negative movements in the markets and particularly in our funds, resulting from **the effect of Covid-19 on economic activity**, we would like to explain the impact on the value of the funds.

Obviously, we do not know how long the distortions caused by the virus will last, nor the long-term effects on people's behaviour patterns; some will be beneficial to our companies and others harmful. There will probably not be a relevant long-term impact.

In any case, we have conducted a preliminary exercise based on our estimates, to determine the impact on the valuation of our funds. We remind you that these estimates include forecasts regarding the evolution of the businesses in the future which come from Cobas expectations and that are exposed to factors, risks and circumstances that could affect the financial results that may not coincide with our projections and objective values.

This impact is limited to:

Oil and gas exploration and production companies

Cairn, IPCO and Kosmos Energy in the **international portfolio** (among the three, a 3.5% weight in the portfolio). If we assume that the decline in the price of crude oil is permanent and estimate a long-term Brent price of \$40 (as opposed to \$60 that we used before), the valuations of these three companies would fall significantly and the target value of **Cobas International** would drop from 183.7 to 179.0 euros. A relatively marginal impact. In the domestic portfolio, **Repsol's** weighting is 1% and the valuation impact on the company and the portfolio would be small, due to the compensation in the rest of the activities.

Oil service companies

Petrofac, Subsea 7, Saipem and Valaris, which represent 6% of the **international portfolio** and **Técnicas Reunidas** (10% of the domestic portfolio). There may be a permanent impact on some activities of these companies, but in general they are very diversified: gas exploration, oil exploration, refining, transport, petrochemicals, etc, which substantially mitigates the long-term impact.

COBAS ASSET MANAGEMENT ANNOUNCEMENT

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Benefited companies

Some companies benefit from the situation, for example oil and oil transport companies (7% of the fund). Low oil prices are already generating an increase in oil demand which in turn is increasing freights and thus substantially improving these companies' results.

Other companies temporarily affected

15% of the international portfolio is made up of companies listed in Italy, 10% in Korea, etc. Obviously some of them are affected by the situation, although in the Italian companies only a third of their sales are in Italy: **CIR**, the Italian leader in nursing homes has only had one sick person in its homes so far; **OVS**, the leading clothing chain in Italy is suffering from a drop in sales over the last three weeks; or **Meliá** and the Spanish real estate companies can see how their hotels are under occupation or their sales are slowing down, but we think that the effect will be temporary and bearable for the companies.

Companies with net cash positions / low debt

Most of our companies have net cash or low debt levels, which allows them to bear these temporary problems without problems and have a defensive character by the nature of their business.

What do we expect?

As we can see, the impact on the target price of our funds will be relatively small, thus the sharp fall in share prices is not justified. Some investors are confused and are assimilating the impact in profits on companies in the infrastructure gas business, with the fall in the price of oil. The market becomes irrational and we are witnessing movements such as the 23% fall of **Teekay Corp** yesterday, followed by a 45% rise today at the time we write this letter

We explained at our **4th Annual Conference** how the funds' NAVs will get close to their valuations, which are currently almost three times higher than their market price, and similar to the revaluation potentials of 2008/09. Prices will approach their value for multiple reasons but inevitably, by the continuous generation of cash by our companies every day, with the consequent daily increase in their valuation. Not to mention several companies that after the latest falls already have more net cash than their market value. For those who can, it is clearly a time to take advantage of this situation, same as the entire **Cobas** team has been doing during the last weeks.

In our next quarterly letter, we will be able to clarify in more detail the impact of the situation on the valuation of the funds, which we think will be small.

Operational situation in Cobas

As a result of the latest measures adopted by the Community of Madrid, in case necessary, in **Cobas Asset Management** we are prepared to implement a contingency plan that will guarantee 100% of the services and procedures of the company, even if this implies that employees have to work from home. In this way, in the event that the contingency plan needs to be applied, it will not entail any inconvenience for the usual activity of the company nor for the ongoing relationship and communication with our investors.

Kind regards,

Francisco García Paramés