"The only source of knowledge is the experience."
Albert Einstein

19 March 2020

Dear fellow MMIT shareholder,

Since 09 March, amidst the continued spread of COVID-19, stock markets have suffered their sharpest drops since Black Monday in 1987[1], with the US falling into bear market territory for the first time since 2009.

The extreme volatility over the last few weeks has had a significant impact on all emerging and frontier markets. The table below provides a short summary of the performance of individual countries (month to date):

Country	Returns month to date (USD)
Shanghai Composite (China)	-6.2%
Hang Seng (Hong Kong)	-16.9%
MOEX (Russia)	-21.0%
SE Thai (Thailand)	-22.5%
TAIEX (Taiwan)	-23.1%
NIFTY 50 (India)	-24.1%
FTSE JSE (South Africa)	-24.4%
KOPSI (South Korea)	-26.6%
IBOVESPA (Brazil)	-35.8%

Source: Bloomberg

Global markets crashed despite central banks in America and Europe announcing significant support measures over the course of the day. While we have seen some recovery, based on the expectation that governments will step up their efforts to protect the global economy, investors understandably remain worried. Therefore, we feel it is important to provide further clarity on how we see the current crisis impacting the Mobius Investment Trust with the NAV falling 16.1% between 29 February and 17 March 2020.

Black swan events of this nature are rare but not unprecedented. Among others, we have witnessed the Tequila crisis in Mexico in 1994, when the Peso depreciated as much as 50% and the Asian Financial Crisis in 1997 during which currencies depreciated between 40% and 80% in one year[2]. The SARS outbreak in 2003 and the Global Financial Crisis in 2008/09 were also similarly challenging and testing.

It is at times such as these, that our decades of experience over multiple market cycles and crises assists us in weathering the storm. It is clear the spread of COVID-19 has already had an enormous negative impact on peoples' everyday lives, on the world economy, on companies and on investors.

These are uncertain times. However, we do believe that our portfolio is well positioned, despite having to navigate the rough waters ahead.

Let us start by confirming what remains uncertain:

- How many more people will be affected by the COVID-19 virus, especially in emerging markets (which account for 6 billion people / 85% of the global population)?
- Will public sector support be sufficient to rescue private businesses?
- The full extent of the impact on global growth over the medium term?
- How quickly will a vaccine be available?

However, in these times of "not knowing", there are a number of certainties that we do know when it comes to evaluating the possible impact of this crisis on our portfolio, which for long-term investors may be encouraging.

From a macroeconomic perspective, we know that a recovery follows every crisis. We have witnessed the economic impact of previous pandemics, and it is always temporary. Every crisis is different, yet there are also many similarities. In comparison to the 2003 SARS pandemic, China's economy is now larger and more integrated with neighbours. Similarly, to 17 years ago, it is unavoidable that we will see a fallout and likely a recession ahead. Nevertheless, we can see the first signs of normalisation taking place in China. A survey by Made-in-China.com, one of the main platforms connecting Chinese suppliers and global buyers, found that by late February, 80% of manufacturing firms had resumed operations[3]. Of course, this may change again, depending on the ongoing containment of the virus.

As long-term investors we have to be patient, vigilant and above all not panic.

As fundamental and active investors with a concentrated portfolio of 23 stocks, we know our companies intimately. We carry out months of meticulous due diligence before taking the decision to invest. On an ongoing basis, we are in frequent contact with all management teams as we review their progress on engagement issues. We believe these are all very real advantages of our active engagement focused investment process.

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Emerging and frontier markets have reacted decisively in tackling the virus outbreak. South Korea has undertaken more tests than any other country, (over 250,000 people as of 13 March 2020) learning key lessons from the 2015 MERS outbreak[4]. Taiwan has been cited by the WHO "as one of the better models for epidemic management"[5] ranking 50th in terms of confirmed coronavirus cases worldwide, despite 2.7mln Chinese visiting the island annually. The WHO has also suggested other countries learn from China itself, which it has praised for "perhaps the most ambitious, agile and aggressive disease containment effort in history"[6].

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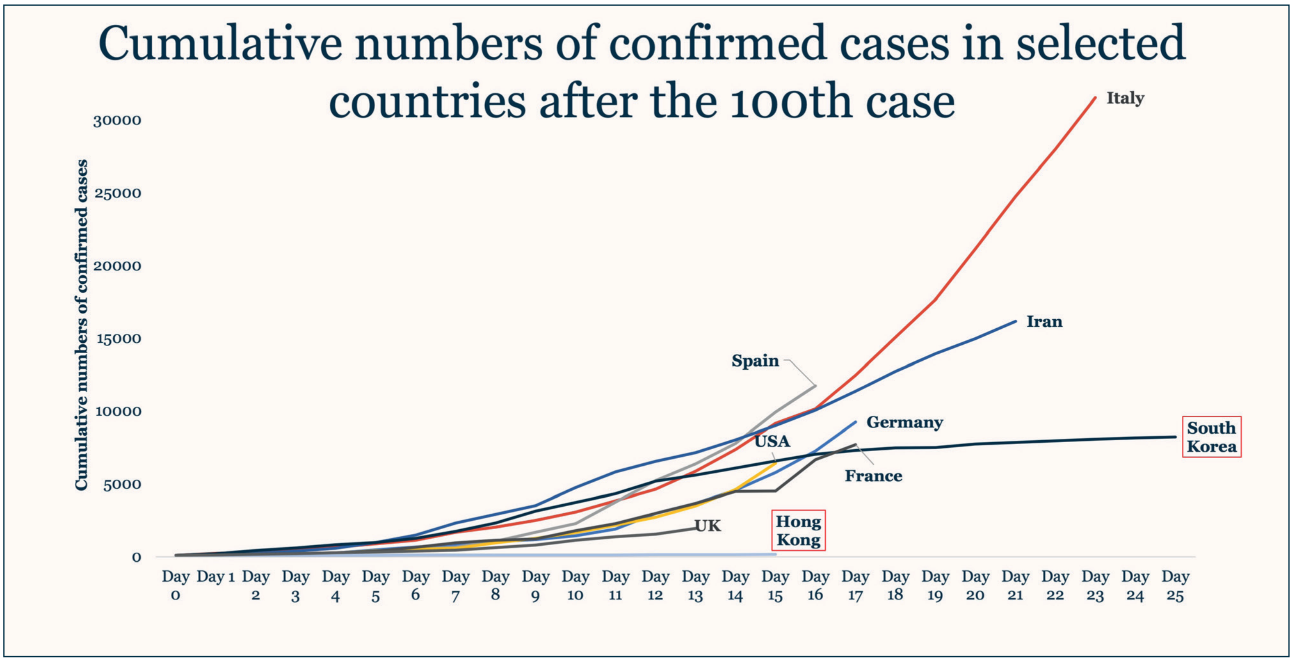

Source: Johns Hopkins CSSE; The chart stops at day 35, but more than 50 days have passed since China reported their 100th case. China reports a bit over 80,800 cases to date. The 100th cases of all countries are aligned and therefore approximated. The fourth-to-last value was reported incorrectly by Johns Hopkins and has been interpolated

The most relevant question we have to ask ourselves is, can our portfolio companies survive the current crisis and will their business models still be relevant afterwards? The answer is a resounding yes for each individual holding.

We expect that companies with a strong balance sheet are much better equipped to survive the ongoing economic slowdown and capture market share from overly levered peers. MMIT's portfolio has an average net debt to EBITDA of x0.4, in comparison to x2.6 for the MSCI EM Mid Cap Index, so many of our companies are more defensively positioned over the mid to long term.

Furthermore, the business models of our portfolio companies will remain sound and attractive after the crisis has subsided. AK Medical (China, Healthcare), for example, will continue to sell orthopedic implants to a growing Chinese market of 250mln pensioners. Apollo Tubes (India, Industrials) will continue to be at the forefront of developing steel products for India's growing infrastructure. Safaricom (Kenya, Telecoms, Mobile Payments) will continue to capitalise on the growth of mobile money payments across Africa, which are up 900% since 2011. The Kenyan government recently signed a directive with the company to explore ways of deepening mobile money usage to reduce the risk of spreading the COVID-19 virus through the physical handling of cash. Fleury (Brazil, Healthcare) provides a range of diagnostic services to a growing number of patients in Brazil, including the test for COVID-19.

The examples above show something else: the geographic and sectorial spread of our holdings. We believe portfolios that are diversified by geography and sectors are in a more robust position to deal with the kind of risk posed by events such as the recent virus outbreak. This seems to be confirmed by the fact that while the portfolio has been affected by the recent volatility, the Mobius Investment Trust has been impacted less than others. The NAV has outperformed the MSCI EM Mid Cap Index by +5.7% in February 2020 and +13% between end of August 2019 and end of February 2020, primarily driven by individual stock selection.

Given the strong performance of some holdings before the spread of COVID-19, we trimmed a number of positions at the end of January. This has contributed to a 13.6% cash level, which we are now looking to deploy as a number of investment ideas have fallen to attractive valuations resulting from the recent sell-off.

"MMIT's NAV has outperformed the MSCI EM Mid Cap Index by +13% between end of August 2019 and end of February 2020"

As fundamental investors, we take a long-term view with an investment horizon of 5+ years. Despite the mounting number of people infected, the worrying death toll and the roller coaster within stock markets, we believe the impact will diminish over time and the virus will eventually be contained. A tremendous amount of resources are currently being devoted to prevent the spread of the virus and towards developing a vaccine. We believe with our diversified portfolio of robust companies, we are well-positioned to generate alpha, whilst navigating the current short-term pressures.

If you would be interested in joining an update call with the Mobius Capital Partners' investment team, please email harry@mobiuscapitalpartners.com to register your interest.

We continue to closely monitor developments and we will provide an update regarding the MMIT AGM in due course.

In the meantime, please stay healthy!

The Mobius Capital Partners Team

Footnotes:

1. https://www.cnbc.com/2020/03/12/futures-stock-market-coronavirus-concerns.html
2. Thai Bath – 40.2% Indonesian Rupiah – 83.2% 07.1997 to 07.1998
3. Bloomberg: https://www.bloomberg.com/graphics/2020-coronavirus-pandemic-global-economic-risk/
4. The Washington Post, 13 March 2020
5. Financial Times- Containing Corona: Lessons from Asia (13 March 2020) https://www.ft.com/content/e015e096-6532-11ea-a6cd-df28cc3c6a68
6. Financial Times- Containing Corona: Lessons from Asia (13 March 2020) https://www.ft.com/content/e015e096-6532-11ea-a6cd-df28cc3c6a68

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