

AVENIR CORPORATION

INVESTMENT MANAGERS

March 16, 2020

Dear Friends and Fellow Investors,

We write amidst a period of heightened market uncertainty caused by two exogenous shocks: the rapid emergence of the coronavirus, COVID-19, and more recently, an oil price shock that has caused a swift and, in some ways, unprecedented market correction. Volatility has spiked to historic levels and triggered trading halts on the New York stock exchange.

Financial markets will remain unsettled until greater clarity on the breadth and extent of the spread in COVID-19 is revealed and its impact on the global economy better understood. As evidenced by last week's wild swings, emotion is likely to dominate trading activity short term. In addition, many of today's panicky stock sellers are facing the uncomfortable reality that they didn't truly understand what they owned or why they owned it. Rueful investors, who three weeks ago were eager to pay any price for nearly any business, are being trampled as they attempt to squeeze through the smallest of exits.

In contrast, we think and invest long term, and by design, our largest holdings have strong balance sheets and durable cash flows that are likely to withstand the sudden economic slowdown, unlike certain directly exposed industries such as travel. For many of our holdings, earnings are expected to continue growing unabated through the crisis, although for some, rates of growth will be reduced or even decline short term. To the extent that these businesses go on sale during this hyperemotional environment, we will buy them.

Moreover, thoughtful investors can take advantage of the current environment. We have been here before and know what to do. Though abrupt declines are harrowing, markets quickly adjust and sort out the better businesses from the weak. In time, the market always gains more than it lost. The key is how investors manage the decline and the opportunities that emerge. All bear markets differ in terms of causes, duration and severity, but our experience, which stretches back to the 1980s, has taught us these unchanging lessons: do not panic, be patient, and prepare to take advantage of irrationally low prices, specifically buying the best businesses when they are on sale.

We have been around long enough to understand that exogenous shocks happen. Accordingly, we strive to minimize our exposure to the unknowable and concentrate our investments in businesses that are not yoked to a wildly unpredictable global economy or political landscape. Some our businesses will benefit as mobile bandwidth consumption grows and others will receive a temporary boost from the changes caused by COVID-19. Though these businesses may be terrific, that doesn't mean their share prices will not fluctuate, for they will, but the distressed levels at which we will purchase them will give us excellent compounding for a long time.

This note is brief, because its message is simple. We are tuned in to the current situation, we understand the environment has changed overnight, and we think we are asking ourselves the right questions about our holdings. Markets may be unsettled for months, but they will adjust to the new environment and along the way we will pick up bargains that will compound for many,

many years to come. That's exactly what we've done in the past and this time will be no different.

In closing, we refer you to Warren Buffett's timeless story regarding the proper approach to markets such as this one. It is a short read, familiar to many of you, for it contains what we consider to be the most valuable investing lesson ever written.

Call us with your concerns or even your suggestions. We understand the weight of the trust you've placed in us. Our personal investments mirror yours, we are in the same boat, and we thank you for your confidence.

Respectfully,

Peter C. Keefe

James H. Rooney

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