

THORNEY OPPORTUNITIES LTD

ACN 080 167 264

6 March 2020

Dear fellow TOP shareholders

History will draw many conclusions about the global coronavirus pandemic but one of them will undoubtedly be that it demonstrated the interconnectedness of the world we live in as never before.

That a virus first identified in Wuhan, China, less than three months ago could so quickly spread to more than 60 countries, infect (at the time of writing) over 100,000 people and lead to the deaths of more than 3,000, cause havoc on global sharemarkets, bring many supply chains to a halt, cause major events to be cancelled and impact every advanced economy is dramatic. Previously, this would have been considered to be in the realm of science fiction. We still have no way of predicting the ultimate impact of this virus.

However, just as the coronavirus has highlighted the vulnerability of global economies and financial markets to black swan type health, economic and geopolitical events, it has also demonstrated the world's ability to work together to address a crisis. This has been evidenced by the global medical and political response and the coordinated efforts by world central banks to take quick stimulatory action to boost economic growth. Indeed, more stimulus is likely to follow.

For investors, events such as the coronavirus make for very stressful times. Uncertainty breeds fear and right now, global share markets are reacting accordingly. Algorithm-led, programmatic trading is likely exacerbating the movements in the market.

Professional traders may thrive in times of such volatility, but investors need to exercise caution. Now, in my view, is not a time for aggressive selling or aggressive buying on dips. It is a time for investment discipline and extreme vigilance.

While it is impossible for anyone to be definitive about how this crisis will eventually play out, my experience over more than 30 years of being active in financial markets tells me that no matter what the short-term outlook, this too shall pass.

Governments and central banks have acted swiftly to try to contain the virus and reduce the economic impact through stimulatory measures. Given the potentially recessionary impact to economic growth, I believe it is an ideal opportunity for the Australian Government to announce and action short-term stimulatory measures. Furthermore, I believe strongly they should take advantage of historically low interest rates and borrow significant amounts to fund a range of multi-billion-dollar infrastructure projects in water, energy, road, rail, air and elsewhere to help secure Australia's long-term prosperity. To secure a robust and sustainable future, now is the time for strong and decisive action.

At TOP we always keep an eye on the short-term fluctuations of the market however our main focus continues to be on the medium-to-long-term outlook. Viewed through a longer term lens, the current market gyrations have presented some opportunities within our core strategy which has remained the same.

We focus on well-managed companies that have a strong business model, ambition to grow, are adequately capitalised and which represent value based on our rigorous valuation models, as well as turn-around situations where we are often the catalyst for changes. This core investment philosophy does not change regardless of short-term market reactions.

We have established the current core portfolio positions consistent with that philosophy and are constantly analysing the investments and liaising with company management to drive value-creating outcomes.

We will trim holdings when we think a stock has run too hard, or conversely buy back in if we think it has been oversold. Two examples of this approach are Service Stream Limited and Money3 Corporation Limited where we have been both buyers and sellers at different stages over the last 12 months.

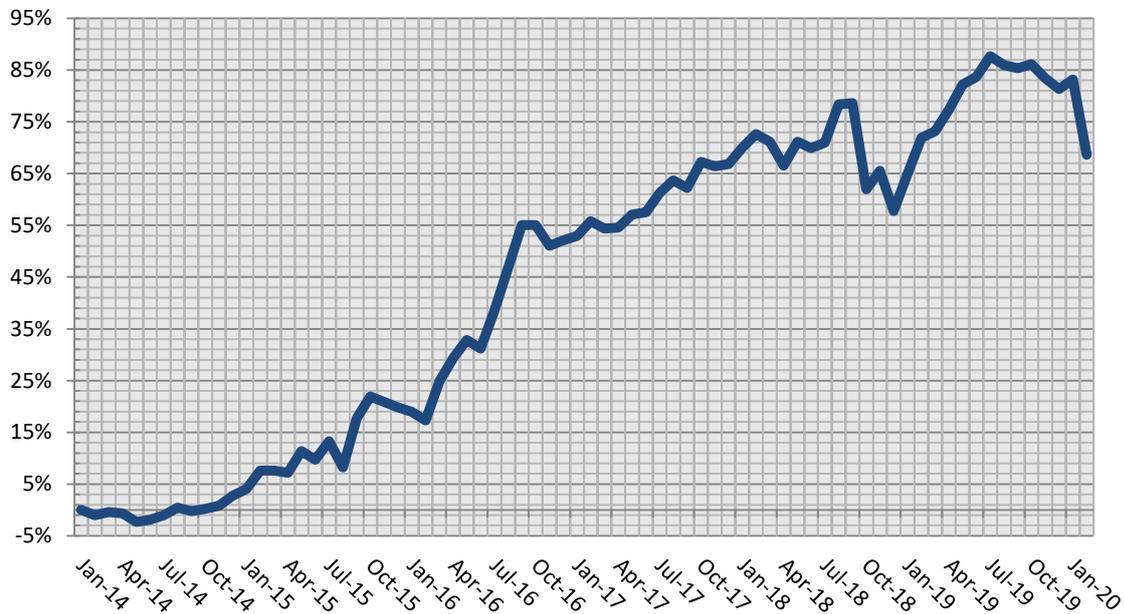
However, as I have said many times previously, TOP's main focus is on medium-to-long term investment rather than trading. Our overall commitment to the companies making up our core portfolio positions does not change substantially unless we have a fundamental change of view on the outlook of a portfolio company.

When sharemarkets move negatively en masse, even the strongest companies suffer. Like the entire market, the value of the TOP portfolio has been affected by the recent significant falls in share prices.

At the end of February 2020, the value of TOP's Net Tangible Assets per share after tax stood at 70.4 cents compared to 78.3 cents a month earlier.

Whilst this short-term drop is significant, TOP's long-term NTA performance remains compelling. The graph below shows TOP's NTA growth in the six years since its inception.

**TOP NTA (after costs, including franked dividends)
(January 2014 to February 2020)**



I remain very confident that this constant monitoring of the portfolio will see TOP continue to deliver superior NTA growth over the medium to long term despite short term shocks. TOP shareholders can be assured that we are working hard and continue to maintain focus.

There are always good opportunities during times when fear and uncertainty are prevalent in share markets. TOP has the cash reserves and the investment expertise to take full advantage of them and will have no hesitation in doing so.

I intend to keep you abreast of further developments, as it relates to individual companies and the portfolio as a whole.

Thanks for your support and I look forward to staying in touch.

Best regards

Alex Waislitz
Chairman