Horizon Asia Opportunity

Q1 2020 Commentary

May 2020

In the first quarter of 2020, the Horizon Asia Opportunity Institutional Composite (the "Strategy") declined 14.9%, net of fees, compared to the MSCI All Country Asia Index (the "Index"), which declined 17.7%. The strategy's holdings in internet network service providers and household product manufacturers in Japan contributed positively. Investments in consumer discretionary names in Thailand and Myanmar detracted from performance.

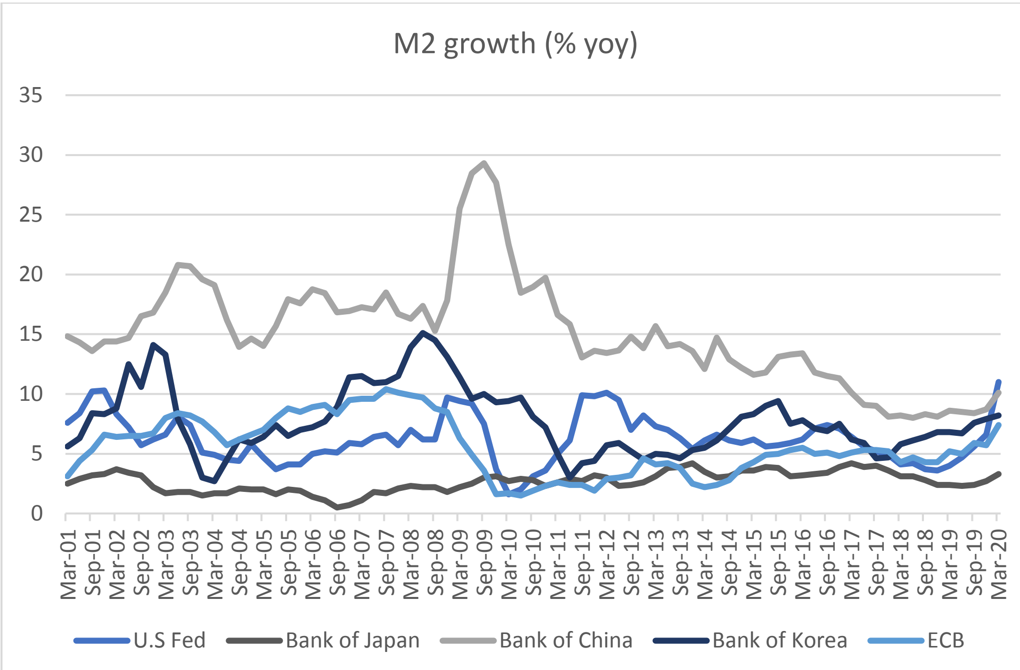
In the first quarter of 2020, the global equity markets encountered a very sudden and steep decline caused by the COVID 19 pandemic and untimely collapse of the OPEC oil production cut agreement. The global financial markets were displaying relatively high valuation levels prior to this decline; these two factors were merely the catalysts needed to correct it. The Asian markets were no exception, even though the decline was less than in other regions. Japan, as measured by the MSCI Japan Index, fell 16.4% and Asia Ex Japan, as measured by the MSCI Asia ex Japan Index, declined 18.7% in the first quarter[1].

The COVID 19 problem was first spotted in Wuhan, China in December 2019. Initially, this was thought to be a repeat of the SARS virus epidemic in 2002-3 and was expected to be a non-event for the global economy. As the severity of the illness became known, countries started to take draconian measures to stop the spread of this highly infectious virus.

The hit to the global economy has been as serious as the Great Depression of the 1920s. The global markets peaked in late February, and the sell-off became severe after the failure of talks between Saudi Arabia and Russia, which were intended to curb OPEC's oil production. In 23 trading days, the US market alone went down about 35%, as measured by the S&P 500 Index, and global equity markets followed suit. The most remarkable aspect of this decline was that, other than cash, there were no asset categories that did not show negative returns. Traditional safe haven assets such as gold and treasury bonds were sold off to generate cash. Overall, what separated this bear market from others was the unprecedented speed at which the sell-off took place.

In order to offset the massive financial dislocation and serious threat to the world financial infrastructure, G7 central banks injected extremely large amounts of liquidity, and major governments around the world followed with large fiscal stimulus packages (see M2 growth chart below).

[1] In U.S. Dollar terms



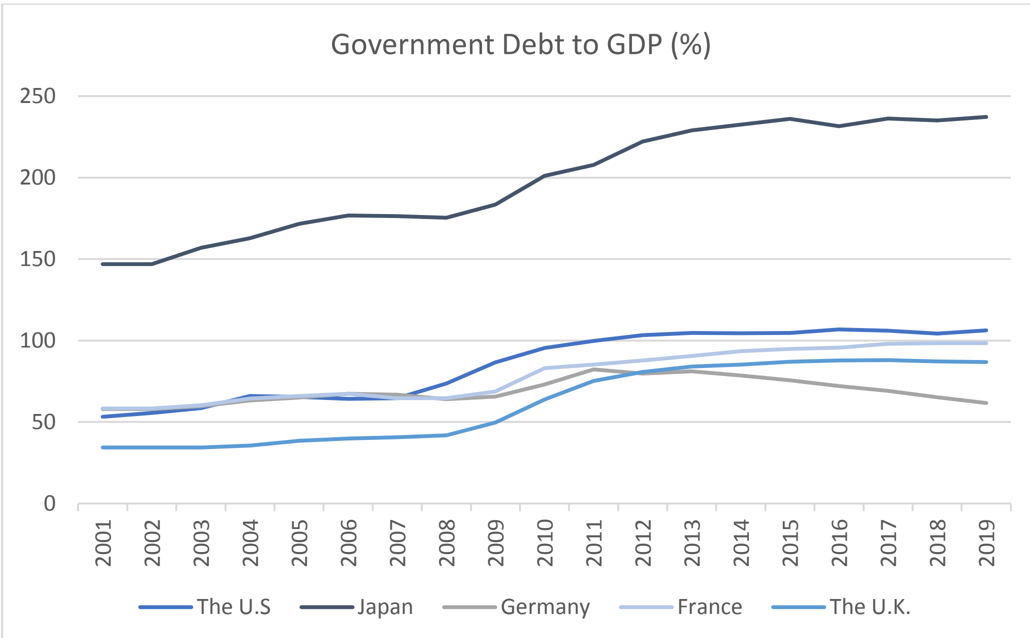
Source: Bloomberg

The major developed countries all learned from the financial crisis of 2008-9 that it was better to overdo it than to fall behind market expectations. For example, the US Federal Reserve Board provided the same amount of liquidity in late March 2020 as it did during the entire period of the last financial crisis (2008-2009). We expect the global economy to hit bottom in the second quarter of 2020, and to stage a recovery in the third quarter of 2020. The slope of the recovery will depend heavily on the extent of the return of COVID 19 in the coming fall, and the discovery of a cure and/or vaccine to protect the global population.

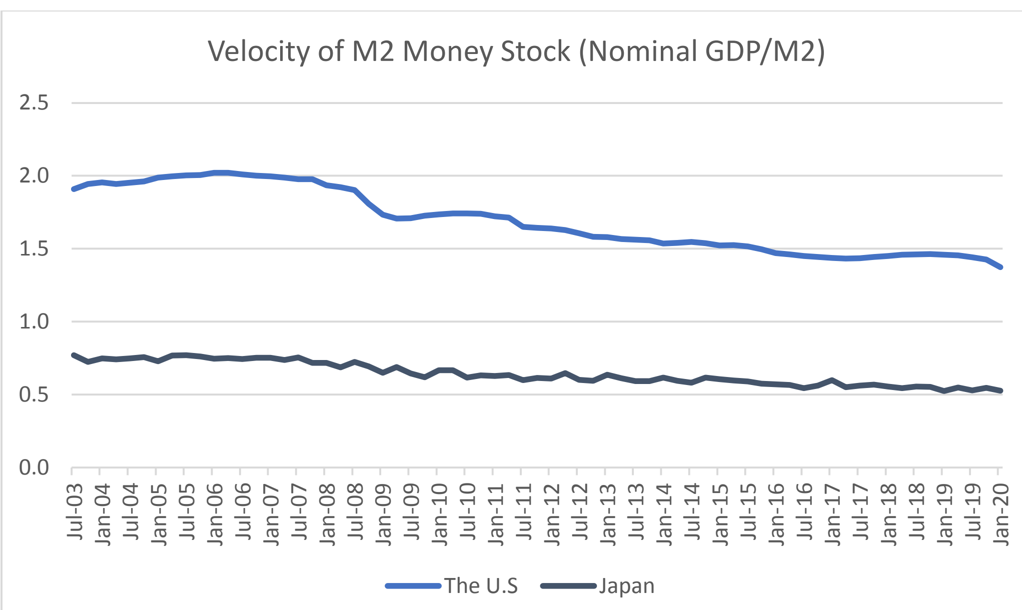
Just like any previous global crisis, the global economy will eventually recover, and life will return to a more normal state in the future. However, each crisis produces unique impacts on our future and this one is no exception. The 9/11 attack in NYC forever changed the way we look at security and how people travel. Because of the severity and global scope of this infection, the economic damage it caused and the unprecedented financial response by the major western countries to offset the negative impacts on their economies, we strongly believe that this crisis will create more meaningful and lasting changes in many different areas.

Firstly, globalization as we know it has seen its peak. The way this disease was started in China was just like SARS did in 2002-3, as was its spread to the rest of the world. The difference is that back then only 40 million Chinese people traveled outside of China; now, the number just before the outbreak reached 140 million. Europe was hit the hardest because of its strong trade links with China. This also exposed the weakest link in many supply chains of strategically important products, such as electronic parts, medical products and medical raw materials. In some cases, 80-90% of the supply was solely supplied by the companies based in China. This was a result of the pure pursuit of the lowest cost manufacturing facilities, so as to enhance corporate profits. Going forward, the security of supply will be considered more important than efficiency for strategically important categories, such as IT and health care products, for any multinational companies. Political risk has to be even more thoroughly examined before deciding upon locations for the manufacturing facilities. Already, Japanese Prime Minister Abe announced a $2 billion financial package, designed to encourage Japanese companies to move manufacturing facilities out of China. The trade tensions and political struggles between the US and China existed prior to the outbreak of COVID 19, and this should make things worse in the coming months leading up to the presidential election in the fall of 2020.

Secondly, we expect to see an eventual return of inflation after such massive liquidity injections, as shown in the M2 chart above. An important difference from the past crisis measures undertaken by the US government is that the government is now directly financing its own debts. Initially, deflationary pressures might be sizeable because of the sudden shut -down of economic activity around the world and the creation of additional governmental debts intended to combat the steep decline in economic activity, on top of the already existing high debt levels in the major western countries. But the only politically acceptable solution to pay back these debts will most likely be to create inflation. In addition, the curtailment of globalization, mentioned above, also means higher manufacturing costs and implied lower corporate margins, unless the corporations can pass the higher costs on to the consumers. If they can do so, that would also translate into higher inflation. We are monitoring the velocity of money, to see whether inflationary pressure is emerging; see chart below.



Source: IMF, Bloomberg



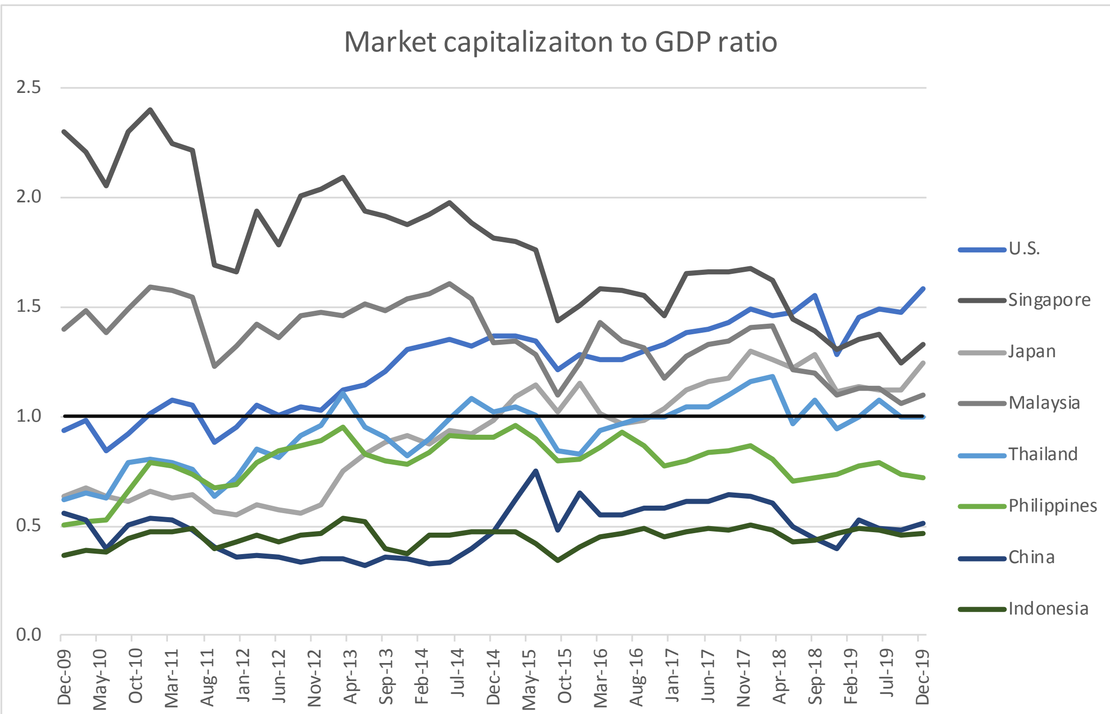
Source: Federal Reserve Bank of St. Louis, Bank of Japan, Bloomberg

Asian equity markets performed relatively well in the short bear market in the first quarter, as their valuation level was not as elevated as that of the US markets leading into the crisis.

Global Valuation Comparison

	P/E FY20e	PE FY21e	P/B FY20e	EV/EBITDA FY21e	ROE FY20e	Div Yield FY20e	10yr Bond Yield Current
Japan	14.0	11.9	1.0	8.4	5.6	2.7	-0.01
China	13.1	11.1	1.5	11.7	10.8	2.1	2.60
Asia ex-Japan	14.1	11.6	1.3	10.6	10.8	2.7	NA
US	22.9	17.9	3.3	14.0	14.7	2.0	0.66
Europe	18.7	13.7	1.3	9.7	5.8	3.3	-0.16

Japanese universe is TSE 1. Chinese universe is MSCI China Index. US universe is S&P 500. European universe is STOXX Europe 600. Asia ex Japan universe is MSCI AC Asia ex-Japan Index. As of 5/8/2020. Source: Bloomberg



We believe that the Asian countries, such as China and Australia, among others, will start their efforts to gradually open up economic activity ahead of other regions in the world. Because of favorable valuations and a likely earnings recovery ahead of the other regions, we expect continued outperformance in the Asian equity markets. We have started to deploy our unusually high level of cash in the recent weeks. We continue to see major investment opportunities in Japan. There is a group of extremely undervalued listed subsidiaries of larger parent companies in Japan; we believe that these parent companies are under pressure from the Tokyo Stock Exchange (TSE) to improve their corporate governance by acquiring shares of the public listed subsidiaries which they do not own. One such example in our portfolio is Biofermin Pharmaceutical Co.

Biofermin Pharmaceutical Co (4517 JP)

Biofermin Pharmaceutical Co (Biofermin Pharma) is an OTC drug manufacturer in Japan. Since its founding in1917, the company has manufactured Biofermin, a well-known lactic- acid- bacteria over- the- counter (OTC) medicine for intestinal disorders in Japan. In 2008, Taisho Pharmaceutical Holdings (4581 JP, Taisho Pharma), one of the major OTC pharmaceutical manufacturers, acquired 56.9% of the company, and later increased its ownership up to the current 63.9%. The Japanese government, TSE, and the Financial Services Authority (FSA) have been urging publicly listed companies to review their parent-subsidiary listing structures, so as to improve corporate governance. Given that 99.8% of Biofermin Pharma's sales are made to Taisho Pharma first, and then distributed to retailers, it strategically adds value for Taisho Pharma to acquire 100% of Biofermin Pharma. Biofermin Pharma has historically had stable revenue growth of 2-5%, a high gross margin of 60%, and a 20% net margin. Biofermin Pharma has a market capitalization of about USD 265 million and has USD 156 million net cash on the balance sheet. It is trading at a trailing EV/EBITDA multiple of 2.6x, price to book of 1x, and a dividend yield of 2.6%. The parent company, Taisho Pharma, similarly has a strong balance sheet, with approximately USD 3.2 billion of net cash, and could easily acquire Biofermin Pharma without stressing its balance sheet, if it wishes to do so.

IMPORTANT RISK DISCLOSURES

Past performance is not indicative of future returns. This information should not be used as a general guide to investing or as a source of any specific investment recommendations, and makes no implied or expressed recommendations concerning the manner in which an account should or would be handled, as appropriate investment strategies depend upon specific investment guidelines and objectives. This is not an offer to sell or a solicitation to invest.

This information is intended solely to report on the investment strategies of Horizon Kinetics LLC. Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. There are risks associated with purchasing and selling securities and options, and investments can lose money.

The MSCI All Countries Asia Index® captures large and mid-cap companies represented across 3 Developed Markets countries and 8 Emerging Markets countries in Asia. With 930 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI China A Index measures large and mid-cap representation across China securities listed on the Shanghai and Shenzhen exchanges. The index covers only those securities that are accessible through "Stock Connect".

The S&P 500® is widely regarded as the best single gauge of large-cap U.S. equities and serves as the foundation for a wide range of investment products. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization.

The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

TOPIX is a free-float adjusted market capitalization-weighted index that is calculated based on all the domestic common stocks listed on the TSE First Section. TOPIX shows the measure of current market capitalization assuming that market capitalization as of the base date (January 4 ,1968) is 100 points. This is a measure of the overall trend in the stock market and is used as a benchmark for investment in Japanese stocks.

Note that these indices are unmanaged and that the figures shown herein do not reflect any investment management fees or transaction costs. Investors cannot directly invest in an index. References to market or composite indices, benchmarks or other measures of relative market performance (a "Benchmark") over a specific period are provided for your information only. Reference to a benchmark may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, correlations, concentrations, volatility, or tracking error targets, all of which are subject to change over time. This strategy is a total return strategy, and the benchmark is provided for illustrative purposes only. It is not our intention to state, indicate or imply in any manner that our future results will be profitable or equal to past results.

Horizon Kinetics LLC is the parent company to several US-registered entities, including Horizon Kinetics Asset Management LLC ("HKAM"). HKAM manages separate accounts and pooled products that may hold certain of the securities mentioned herein. HKAM is the investment manager for the strategy referenced herein. For more information on Horizon Kinetics, you may visit our website at www.horizonkinetics.com.

Asia Opportunity - Institutional Composite

As of 3/31/2020

HORIZON KINETICS

Investment Approach

- The strategy seeks long term capital appreciation by investing in undervalued stocks in Asia.
- Our investment process involves bottom-up, fundamental research to identify mispriced securities. We conduct face to face meetings with managements and competitors as well as analysis of business models and balance sheets. The strategy emphasizes management quality, with a preference for owner-operator companies.
- Returns are often generated by identifying businesses that cater to local economies, e.g. infrastructure, consumer, financial services, etc. Although the majority of the holdings are equities, the portfolio may invest in other parts of the capital structure when the research process identifies unique opportunities.

Portfolio Construction

- Maintain a long-term investment perspective and seeks to avoid significant portfolio turnover by limiting rebalancing. Avoid attempting to time the market, and instead average into and out of positions over time.
- Portfolio typically holds 30 to 50 securities. Multi-security positions are used when we have a high degree of conviction regarding a group of related businesses or a theme.
- The portfolio seeks to manage co-dependency across business models and does not measure risk versus a specific benchmark.
- Cash allocation is a function of the attractiveness of investment opportunities at any given point in time.

Investment Time Horizon:
5+ Years

Representative Benchmark:
MSCI All Country Asia

Assets Under Management:

Horizon Kinetics ($bln)	3.8
Horizon Institutional ($bln)	3.1

Inception Date:
January 2008

Portfolio Manager:
Murray Stahl
41 yrs investment experience

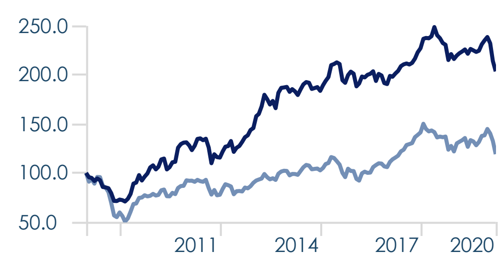
Aya Weissman
36 yrs investment experience

(1)Horizon Kinetics LLC is the parent company to Horizon Kinetics Asset Management LLC, which is an SEC-registered investment adviser.
(2)Horizon Kinetics Asset Management Institutional ("HKAM Institutional") is defined as the traditional, long only separate accounts and private investment fund assets managed by Horizon Kinetics Asset Management LLC. HKAM Institutional excludes separately managed, non-direct accounts and other accounts that either are serviced by wrap/dual contract sponsors or utilize a wrap or bundled fee structure. Please refer to Important Disclosures on the following page.

Performance Statistics	YTD	1 Yr	3 Yrs	5 Yrs	10Yrs	ITD
Total Return (gross)	-14.7	-9.1	0.4	0.6	6.0	6.0
Total Return (net)	-14.9	-10.0	-0.6	-0.4	4.9	4.9
MSCI All Asia NR	-17.7	-10.6	1.0	1.6	3.8	1.4
Excess Return (gross)	3.1	1.6	-0.6	-1.0	2.2	4.5

Cumulative Growth of $100 *(gross)*

Time Period: 1/1/2008 to 3/31/2020



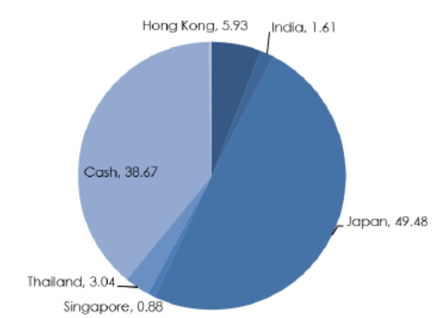
Top 10 Holdings*	% Port
Internet Initiative Japan Inc. Sponsored ADR	5.3%
GMO Internet Inc.	4.7%
Unicharm Corporation	4.6%
Digital Garage, Inc.	4.4%
Kakaku.com, Inc.	3.8%
Pigeon Corporation Unsponsored ADR	3.1%
Galaxy Entertainment Group Limited	3.1%
COOKPAD Inc.	3.1%
Maeda Seisakusho Co., Ltd.	2.9%
METAWATER Co.Ltd.	2.4%

*The top ten holdings are not necessarily representative of the entire portfolio and may exclude cash and cash equivalents, including ETFs used as a cash substitute.

Strategy Characteristics	
Number of Positions [1]	35
Market Cap. Range	0.01-23
Median Market	0.9
Price/Book [2]	1.3
Turnover (1 Year) [3]	8.6%
Turnover (5 Year) [3]	9.9%
Active Share [4]	99.5%

[1] Calculated such that all securities issued by one issuer are counted as a single position.
[2] Weighted Harmonic Average
[3] Average annual turnover based on model portfolio
[4] Calculated using the MSCI AC Asia Index as a benchmark.
*Tax considerations may have led certain accounts in the composite to temporarily hold index ETFs. Such ETFs, which are not part of the composite, are included for performance purposes, but are not included in the chart above.

Country Allocation* (%)



*Tax considerations may have led certain accounts in the composite to temporarily hold index ETFs. Such ETFs, which are not part of the composite, are included for performance purposes, but are not included in the chart above.

Source: Morningstar Direct

Definitions: Historical Statistics

- *Excess Return is the measurement of a portfolio's return minus the return of the representative index.*
- *Turnover is the lower of total buys or total sells divided by the average market value of the account. Turnover ratio is calculated by Fiserv APL.*
- *Active Share is a measure of the percentage of holdings in a portfolio that differ from a benchmark index. It is calculated by taking the sum of the differences of the weight of each holding in the portfolio and the weight of each holding in the benchmark index and dividing by two. Active share is measured against the strategy's primary benchmark.*

Important Disclosures

Horizon Kinetics LLC (the "Firm") is parent company to Horizon Kinetics Asset Management LLC ("HKAM"), a SEC registered investment adviser.

Past performance is not a guarantee of future returns and you may lose money. Opinions and estimates offered constitute our judgment as of the date made and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. This information should not be used as a general guide to investing or as a source of any specific investment recommendations. This material makes no implied or expressed recommendations concerning the way an account should or would be handled, as appropriate investment strategies depend on specific investment goals of investors.

This is not an offer or solicitation to any person in any jurisdiction in which such action is not authorized or to any person to whom it would be unlawful to make such offer or solicitation. Horizon Kinetics does not provide tax or legal advice to its clients and all investors are strongly urged to consult their tax and legal advisors regarding any potential strategy or investment.

GIPS CLASSIFICATION EXPLANATION:

Under the Horizon Kinetics Asset Management LLC legal entity, only a subset of accounts are eligible to claim compliance with the Global Investment Performance Standards (GIPS®). We call this subset of accounts Horizon Kinetics Asset Management Institutional and refer to it herein as its own separate firm even though it falls under Horizon Kinetics.

Horizon Kinetics Asset Management Institutional is defined as the traditional, long-only separate accounts, mutual funds, and private investment funds managed by Horizon Kinetics Asset Management LLC ("HKAM"). This means that Horizon Kinetics Asset Management Institutional specifically excludes other accounts that are either serviced by wrap/dual contract sponsors or which utilize a wrap or bundled fee structure. Beginning in April of 2019 the Horizon Kinetics Asset Management Institutional firm includes assets that were previously part of Kinetics Asset Management, and which are now included within the Horizon Kinetics Asset Management LLC legal entity.

This material contains performance information for accounts that fall under the Horizon Kinetics Asset Management Institutional classification. Horizon Kinetics Asset Management Institutional claims compliance with the Global Investment Performance Standards (GIPS®).

Our GIPS composites represent a subset of a larger strategy. As such, the performance for our GIPS composites are expected to be materially different than the performance for each corresponding strategy. Importantly, regardless of whether an account falls under the GIPS classification or not, it is managed pursuant to the same investment objective and investment strategy as all other accounts in the strategy. A GIPS® compliant presentation and/or list of composite descriptions are available upon request by contacting csbd@horizonkinetics.com.

INVESTMENT STRATEGY AND RISKS:

The investment objective of the Asia Opportunity-Institutional Composite Strategy (the "Strategy" or "Composite") seeks above market long-term returns by investing primarily in a focused portfolio of common stocks of Asian issuers. Note that indices are unmanaged and the figures shown herein do not reflect any investment management fee or transaction costs. Investors cannot directly invest in an index. References to market or composite indices, benchmarks or other measures of relative market performance (a "Benchmark") over a specific period are provided for your information only. Reference to a Benchmark may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, correlation, concentrations, volatility or tracking error targets, all of which are subject to change over time. The Portfolio is a total return strategy and the benchmark is provided for illustrative purposes only. It is not our intention to state, indicate or imply in any manner that our future results will be profitable or equal past results.

The Strategy combines qualitative and quantitative financial measures to identify fundamentally superior businesses trading below their intrinsic value. Returns are often created by distinguishing between permanent and transitory problems and having the patience to allow transitory issues to be resolved. The bottom-up process often leads to thematic exposures. However, carefully attention is given to ensure that underlying earnings or sector concentrations are understood and limited. Positions may be sold when the research team identifies changes to the investment thesis.
The Strategy typically holds approximately 30-50 securities, however it may hold more or less. The portfolio's cash position may vary across time and accounts depending on the availability of attractive opportunities. We do not strictly follow a portfolio model and as a result dispersion among client portfolios may be experienced. We maintain a long-term investment perspecitve and seek to avoid significant portfolio turnover by limiting rebalancing. Although the focus of the Strategy is equities, it may invest in other parts of the capital structure when the research process identifies opportunities that may offer superior risk/return. The portfolio manager also has discretion to utilize derivatives opportunistically when the research process identifies superior risk/return of such positions. The Strategy may also opportunistically invest in countries outside of the benchmark.

The Strategy is appropriate for investors who have a long investment time horizon of approximately 5 years or longer. The Firm reserves the right to modify the Strategy and associated techniques based on changing market dynamics or client needs. The Strategy may invest in both equity and fixed income securities without regard for market capitalizations or issue size. The Firm does not necessarily fully invest a client account immediately after it is funded. There can be no assurance that any securities mentioned herein or otherwise will remain in an account. The securities discussed herein may not represent the entirety of an account and in the aggregate may only represent a small percentage of an account's overall composition.

There are risks associated with the Strategy, which may include, but are not limited to, the account: (1) at times being highly concentrated and thus susceptible to a greater degree of loss than if otherwise diversified in a larger amount of holdings; (2) holding securities that are speculative, illiquid and for which there may not be an active market, thus exhibiting a greater degree of volatility than non-speculative and more liquid securities; (4) investing in products that are sponsored or managed by third parties, which may impose their own underlying fees, thereby reducing an investor's overall return; (5) investing in non-investment grade debt securities (i.e., junk bonds) which are subject to greater credit risk, price volatility and risk of loss than investment grade securities; (6) holding options, which carry special risks including the imperfect correlation between the value of the option and the value of the underlying asset; (7) investing in foreign securities, which generally involve more risk than U.S. investments, including the risk of currency fluctuations, political and economic instability and differences in financial reporting standards; and (8) investing in small and medium sized companies, which may experience higher degrees of volatility and price fluctuations than larger companies. This list of risks is not exhaustive, investors should review additional potential risks with their client relationship manager prior to investing. As always, you should consider the investment objective, strategy, risks, fees and expenses carefully before investing.

DIFFERENCES IN PERFORMANCE BETWEEN ACCOUNTS AND THE COMPOSITE ITSELF:

The Firm manages its separate accounts with an emphasis on current stock price valuations and reducing unnecessary trading costs. As such, our strategy accounts are not "model driven" in the sense that we maintain a dynamic list for new buys, sells, and holds, which updated on a weekly basis. At Horizon Kinetics, it is acceptable for accounts that follow the same strategy to experience materially different returns over various periods of time. In fact, it is understood that accounts invested in same strategy may have materially different holdings and weightings from one another. Similarly, the aggregate returns of all accounts in a strategy is expected to be materially different than the returns of the corresponding GIPS composite. Not every client's account will have similar returns as that of the Composite based on a number of factors that includes but is not limited to: (i) the size of the account; (ii) the inception date of the account; (iii) the market prices of individual securities at the time of investment; (iv) individual client guidelines or other restrictions including those of the client's custodian; and (iv) the degree of investor activity (subsequent investments or withdrawals) within the account.

By investing in accordance with a "dynamic model," we strive to consider current stock price valuations and reduce unnecessary trading costs. In contrast to other asset managers, we will not necessarily rebalance an account based solely on the dispersion between the account and the strategy "model." For example, we would not typically trim exposure to a security in a client account simply because it had become overweight relative to the model. In our opinion, rebalancing in that regard means a client account will purchase or sell securities regardless of valuation changes that might have occurred in between rebalancing periods and may also lead to higher transaction costs. Thus, certain accounts within the same strategy are expected to be significantly different from one another. Historical performance of the Composite is illustrative of the track record of the portfolio manager within the strategy but it should not be used as a proxy for individual account returns, or as a predictor of future account returns. Each client should consult with their client portfolio manager or other professional adviser about whether the Strategy is appropriate for them.

FEES & EXPENSES:

Accounts invested in accordance with the Strategy will pay certain fees and expenses. Net Returns stated herein include trading expenses, but do not include advisory or custodian fees paid to third parties other than our firm. Such additional fees or expenses, if applicable would lower the overall return. The gross returns stated herein are not inclusive of investment management fees, but do include trading expenses. If investment management fees were included in the gross returns, the overall return would be lower. The net returns of the Strategy are calculated using the highest applicable annual management fee of 1%, applied monthly.

PERFORMANCE CALCULATIONS:

This material contains performance information for the Asia Opportunity – Institutional Composite, which, as referenced above, relates to that portion of accounts under Horizon Kinetics Asset Management Institutional.
Performance is expressed in USD and includes reinvestment of dividends and other earnings. It is important to note that Composite returns contained herein are calculated using the unofficial (non-custodial) returns of numerous underlying accounts, as generated by the adviser's use of third party software. Such estimates are subject to change. While the information contained herein has been obtained from sources believed to be reliable, no representation is made regarding its accuracy or completeness. For purposes of calculating performance of the Composite, accounts are included as of the first day of the month after which they are established with the Firm.

Performance and other statistics relating to indices are provided for your information only. They are not intended to reflect the manner in which an account will be constructed in relation to expected or achieved returns, portfolio guidelines, correlation, concentration, volatility or tracking error targets, all of which are expected to be materially different from that of any index. Indices do not have expenses or fees and investors cannot invest in an index.

Horizon Kinetics Asset Management LLC is the SEC-registered investment adviser for the Strategy. Additional information about HKAM is also available on the SEC's website at www.adviserinfo.sec.gov.

Source: Morningstar Direct