

18th January 2002

To the Partners of the Nomad Investment Partnership.

The Nomad Investment Partnership was launched in early September 2001 and began investing on September 10th. In the brief period since inception the fund has risen 10.1%, which compares with a gain of 3.9% for the MSCI World Index. Unaudited gross NAV per share at the end of December was U\$1101.42. Nomad is an absolute return fund and reference here to an index is simply to place our performance, short term as it is, in context. We expect to beat the index handsomely over time, but only as a byproduct of our absolute return orientation. We also expect the absolute return of the main indices to be modest over the next decade and so the index is not likely to be much of a return hurdle.

You can expect from us an annual and interim letter (this is our inaugural annual letter), and Global Investment Reviews eight times a year in which we discuss our investment thoughts. From Nomad's administrator (Daiwa Securities Trust and Banking, contact Dane Schmidt +353 1603 9921 with your inquires) you can expect a monthly statement of your account and annual and interim financial statements starting in June 2002. We are considering hosting an open day once a year (any feedback on whether this would be a good idea would be appreciated) and we are always available for your inquiries by phone or letter. Nomad's orientation is genuinely long term, and more regular reports, daily, weekly, monthly or otherwise, are likely to be of little value to you, and may even be counterproductive for us.

As it turns out our launch date was rather fortuitous. The price of businesses fell almost immediately and despite regular additional contributions by new investors we were able to invest a sizeable portion of the fund much faster than we would have anticipated and at prices which we feel will produce very satisfactory returns. We have made 18 investments to date which Bloomberg classify in 16 different sectors which are detailed overleaf. The Bloomberg sectoral categories are rather narrow and there is in fact a notable concentration in media (TV, newspapers and publishing) at around 21% of the portfolio and hotels, resorts and casinos which make up 12% of the fund. The next largest grouping is telecom services (mobile and cable) which make up 10% of the fund. The geographical distribution is as follows: south east Asia 32.8%; North America 23.6%; Europe 12.7% and other emerging markets 2.9%.

When we evaluate potential investments, we are looking for businesses trading at around half of their real business value, companies run by owner-oriented management and employing capital allocation strategies consistent with long term shareholder wealth creation. Finding all three is rare, and that is why we think Nomad has a material advantage in being a global fund. We can look far and wide for candidates and simply are not required to invest in anything that does not fit. Chris Browne of Tweedy Browne has likened the research process to detective work or perhaps investigative journalism, and we could not agree more.

One feature of our investment letters will be to highlight one or two of our investments or discuss investment issues at large. For those of a particularly inquisitive or analytic nature we may in the future enclose some meeting notes as well. This time we have selected two current holdings which we hope will be typical of Nomad's stock picks. The first is International Speedway in the US, and second is Matichon in Thailand.

International Speedway (approx. 3.7% of the portfolio at year end) owns and operates 12

motor racing circuits in the US including Daytona, Watkin's Glen and Talladega, and plays host to 20 of the 39 Nascar races. The National Association for Stock Car Auto Racing (Nascar) was founded in 1948 by Bill France who had organised motor races at Daytona Beach in the period before the war. During the war the beach circuit fell into disrepair and so on his return France set about renting local circuits to host races, but he felt that the sport really required a sanctioning body to set common standards for competitors and track safety (a relative rarity at the time) to lift its image from its moonshine legacy. After the American Automobile Association refused to endorse his idea France established Nascar himself and was announced its first president in 1948. From the beginning France intended Nascar to be exciting and publicly accessible, as well as sponsor friendly, and the formula evolved toward big fields of very fast cars (200mph+) on banked circuits surrounded by large atmospheric stadia.

Until quite recently motor racing has been a very fragmented sport: sanctioning bodies have tended to splinter into rival factions which form their own leagues, and the racetracks have developed on an ad hoc basis (some were originally perimeter roads to local airstrips) and remained under family ownership. Formula One with its dominant sanctioning body and almost totalitarian leadership under Bernie Ecclestone is both the exception, and due to its huge commercial success, the benchmark. International Speedway has grown through building and buying circuits throughout the south east and more recently elsewhere in the US. But the real prize from consolidation is that the firm has substantially improved its bargaining position with the broadcasting companies. Instead of their being more tracks and sanctioning bodies than media buyers, the tables have now been reversed. The attraction to advertisers is that Nascar runs races most weekends (good for filling programming schedules), is US only (unlike Formula One) and attracts middle America in droves. When the industry recently negotiated an exclusive seven-year media rights contract the rate doubled in year one, and for the period to 2007 are contracted to rise by a further 17% per annum. Whilst this is promising in itself such events are quickly discounted by the markets, and the shares rose to a peak at US\$70 two years ago.

Our interest is in how the windfall is being distributed: the France family (which owns Nascar) will take 10%, note this sum compares with much closer to 100% for Mr. Ecclestone's take of Formula One revenues, 65% is divided between the tracks (of which ISCA earns the lion's share), and 25% goes in prize money to the drivers and teams. This final point may be important because as prize money increases it may establish a virtuous cycle of new entrants attracted by the increased "pot", which in turn may raise viewing audiences and media attention. It is encouraging that the Chrysler racing team have recently announced their return to Nascar after a multiyear absence. In other words, the firm may be deferring part of the windfall to fund future growth, which will be incremental to the escalating media income.

The price of ISCA shares at the time of Nomad's investment (around half their peak level) was a small premium to replacement cost of the circuits and a valuation which discounted only low single digit growth in profits. Cash flow growth will likely be cyclically subdued in the near term and investors with a short-term time horizon, which appears to us to be the majority of professional investors, will have little to excite them. This is fine by us, because the outlook for the next five to ten years is very positive. Finally, how do CBS and Fox feel about their new Nascar contracts? They claim they are very encouraged; they now have to negotiate with one party to fill 40 weekend programming schedules and viewing audiences have exceeded their budgeted projections. Fox has recently bought a dedicated motorsport cable channel to host their Nascar coverage. Roll on contract negotiation in 2006! In

discounting growth of just 3% to 4% the market valued the business as if it was just an average firm, when in our opinion International Speedway is a rock-solid franchise with improving economics and could be a multiyear winner for investors that are patient enough to wait.

Matichon (3.2% of fund at year end) is Thailand's second Thai language newspaper and is a company we have known for many years and in which Marathon is also the third largest shareholder. We do not read Thai and take it on trust from Thai friends that the editorial content is pro-reform, and it is certainly tabloid in style which sets it aside from Thailand's largest newspaper (Thai Rat) which is more "old Thailand". Matichon is probably not the Washington Post, but it's healthily questioning, nonetheless. The paper appeals to the new generation of Thais that have grown up with a much higher living standards and more western values than their parents and it is interesting that circulation has grown at an accelerated rate since the Asian crisis. The firm is family run and has avoided the pitfalls of straying into new media or gambling on new titles. Instead, the firm has focused on raising longer term readership and margins. In an effort to promote circulation the cover price has been kept low, but this has the effect that the majority of revenues comes from advertising which is far more cyclical and means that revenues declined by a third peak to trough. The cost cutting effort however has been amazing, with the effect that cash flow in 2000 is 40% higher than 1996, on sales one third less! 2000 is the first year of a cyclical recovery in advertising, and rates are now 20% above their trough but around 50% below the previous cyclical peak. In other words, there may be a long way to go.

So, what is Matichon worth? The shares peaked at Tb300 (U\$12) in 1994 and have now declined to Tb50 (U\$1, adjusting for the decline in the currency). The share price decline is all the more amazing as the firm is without debt. Our company is presently valued at 0.75x revenues or four times our estimate of normalised free cash flow. This is approx. one third of our estimate of its worth and may be as low as one quarter of the valuation of its western peers. The family owns 25% of the shares and has taken the gains from cost cutting to raise the dividend threefold since the trough, and so investors now have a 9% dividend yield whilst they wait for the cycle to improve. And improve slowly it is, rates are expected to rise gently this year and next, so patience is likely to be rewarded here too.

So, nearly four months since inception where are we now? Our investments are presently priced in the markets at considerable discounts to our assessment of their real worth, performance is satisfactory, and we remain with substantial cash holdings of approximately 28% of the fund at year end, although you can expect this to decline markedly. Whilst we are conscious that holding cash does not meet our long-term investment goals (to say little of earning our incentive fees) we are in no hurry to invest the money in companies that do not meet our criteria. The markets are very volatile, and we expect to operate with some cash or bond holdings as a matter of course. We also have many ideas that we are working through. You can also be assured that Marathon insiders are the largest group of investors in Nomad.

As always, we value your support and welcome your comments.

Yours sincerely

Nick Sleep