

QUARTERLY MANAGER COMMENTARY
Global All Cap Strategy

March 31, 2024

MARKET ENVIRONMENT

Major global equity markets showed strength throughout the first quarter of 2024. The U.S. and Europe were aided by excitement surrounding artificial intelligence, encouraging economic data and investor expectations for rate cuts from central banks this calendar year. During the quarter, U.S. equity markets reached new highs and Japanese equities continued to rise, surpassing a record high from 34 years ago. While equities in China had been pressured throughout 2023, the first quarter of 2024 showed a recovery. In March, the U.S. Federal Reserve, Bank of England, European Central Bank and Bank of Japan all held meetings. While the U.S., U.K. and Europe chose to leave interest rates unchanged while they continue to monitor evolving economic data, the Bank of Japan enacted its first rate hike since 2007 and exited negative interest rate territory.

PORTFOLIO PERFORMANCE

The portfolio's return was 4.80% (net) for the reporting period. This compares to the MSCI World Index that returned 8.88% for the same period.

Top contributors:

- Daimler Truck Holding was a top contributor during the quarter. In March, the German truck and bus manufacturer released strong fourth-quarter results, accompanied by 2024 margin guidance that significantly exceeded consensus expectations. The expected margin resilience is in spite of a weaker global truck market and is a result of management's decisive actions to improve pricing, drive higher service penetration

Performance highlights

Contributors

- Daimler Truck Holding
- General Motors
- Corebridge Financial

Detractors

- Charter Communications Cl A
- St. James's Place
- Bayer

and increase the flexibility of the cost base. This is most evident in the Mercedes-Benz segment, primarily serving the European and Latin American markets, which increased its adjusted EBIT margin from sub-1% in 2019 to over 10% last year. We are impressed by management's execution following the 2021 spin-off from the former Daimler Group and believe the company is positioned to earn structurally higher through-cycle margins than in the past. We met with CEO Martin Daum following the release and continue to see an attractive upside for this investment.

- General Motors was a contributor during the quarter. The U.S.-headquartered consumer discretionary company's stock price rose following fourth quarter results that were in line with consensus expectations along with 2024 guidance that was ahead of consensus expectations. Despite persistent fears over an imminent market downturn, demand and pricing have remained resilient. Notably, General Motors noted its planned investor day will be pushed back from

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March to an unnamed date later in the year as CEO Mary Barra wants to focus on showcasing accomplishments to investors as opposed to presenting plans in an effort to restore management's credibility. Overall, we are pleased with General Motors' results as we believe the company continues to be more resilient than expected. Further, we appreciate the significant cash flow that is being returned to shareholders. General Motors remains an attractive hold.

- Corebridge Financial was a contributor during the quarter. The U.S.-headquartered financials firm's stock price rose following solid fourth-quarter results, in our view, with an earnings per share that bested consensus expectations. We appreciate that liquidity and capital are above targeted levels, and we expect healthy distributions to both its parent company and shareholders. Overall, we believe the perception of Corebridge has been gradually changing for the better. We continue to believe in the long-term prospects of Corebridge Financial.

Top detractors:

- Charter Communications was a top detractor during the quarter. In February, the U.S.-headquartered communication services company's stock price fell when the company reported that broadband subscribers declined 0.2% sequentially. We anticipate that broadband subscriber growth will remain challenging in the near term due to a heightened competitive environment and the likely wind-down of a government subsidy program. However, we expect these competitive forces will abate over the medium term and that Charter's broadband subscriber base will return to normal growth. In the meantime, the company continues to grow earnings, invest in high-return capital projects

and repurchase stock. We maintain our belief in the long-term prospects of Charter Communications.

- St. James's Place was a top detractor during the quarter. In January, the U.K.-based wealth manager reported net inflows for 2023 that were £4.6 billion lower than in 2022. The disappointing update came on the heels of the company's announcement of a large overhaul of its fee structure. In February, the company reported full-year 2023 results. Underlying cash results fell below our expectations primarily due to the margin from new business and other revenues and expenses. The big miss, in our view, was the large provision charge that St. James's Place took to account for potential client reimbursements. There were increasing complaints from clients that the company was charging them without actually dispensing any advice. St. James's Place conducted an internal investigation, which cited service gaps that existed before the company implemented Salesforce in 2021. The provision charge covers the appointment of an investigative assessment, the anticipated cost of refunding service fees, the administration costs to operate the refund program, and an interest expense to compensate for the time value of money. We met with management following the release of results and continue to believe in the long-term prospects of St. James's Place.
- Bayer was a top detractor during the quarter. In January, the German-headquartered health care company had a larger than average adverse jury verdict in its long-running RoundUp litigation. We continue to believe that these headline verdicts will be reduced substantially on appeal and note that Bayer has since won two cases in a row. Then, in March, the

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company held its long-awaited capital markets day. The event contained limited material strategy updates as Bayer is no longer pre-communicating its litigation strategy, is erring conservatively by not issuing mid-term targets, and is deferring a break-up until its balance sheet is in better shape. This didn't bring the quick wins some investors had hoped for, but we support the strategy and appreciate management's sharp focus on improving profitability and cash generation while starting to cut away at the company's bureaucracy. The full-year 2023 results and 2024 guidance were both in line with our expectations.

PORTFOLIO POSITIONING

We initiated the following position(s) during the period:

- Deere & Company is a leading manufacturer of agricultural equipment with dominant market share positions in North America and Brazil. Despite its brand strength, technological capabilities and distribution advantages, the company's stock price has recently come under pressure due to investor fears of a trough in the current agriculture business cycle. Longer term, world population and food demand are expected to increase annually with land and labor devoted to agriculture set to decline each year. As a technological leader, we believe Deere is well-positioned to benefit from this dynamic as farms will need to become more productive. We also like that the company's management team has a strong track record of growing the business organically through cycles, continuously improving returns on invested capital and returning capital to shareholders. We were able to purchase shares in the company at a

discount to our estimate of intrinsic value and to other high-quality industrials.

- Vail Resorts is a leading mountain resort company with a portfolio of iconic destinations that includes some of the largest and highest quality ski resorts in North America. The company operates in a stable oligopoly, which combined with the scarcity of its mountain assets, has historically led to significant pricing power. Vail Resorts's stock price has come under pressure following recent ski seasons that were characterized by severe staffing challenges and poor snow conditions. Positively, the company recently reported full staffing across its resorts with manageable labor costs, which should alleviate some recent headwinds. In addition, we believe Vail Resorts is well-positioned to benefit from future price increases to its season pass, Epic Pass, as it is currently priced at a material discount to the competing Ikon Pass, despite having an equal or superior product offering. We believe Vail Resorts presents an appealing investment opportunity as we were able to purchase shares in the company at a discount to the market and our estimate to intrinsic value, despite its attractive fundamental outlook.

We eliminated our position in Danaher during the period.

OUTLOOK

While we keep a watchful eye on the macroeconomic environment, we remain focused on our bottom-up, fundamental analysis at the company level when constructing portfolios. We invest in businesses priced at substantial discounts to our estimate of intrinsic value, that we believe will grow per share value over time, and have management teams that think and act like owners. Our analysts are

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generalists who remain industry agnostic and focused on finding value, regardless of what is in favor at any given moment. We believe this positions our portfolios for sustainable, long-term success.

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The MSCI World Index (Net) is a free float-adjusted, market capitalization-weighted index that is designed to measure the global equity market performance of developed markets. The index covers approximately 85% of the free float-adjusted market capitalization in each country. This benchmark calculates reinvested dividends net of withholding taxes. This index is unmanaged and investors cannot invest directly in this index.

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