

QUARTERLY MANAGER COMMENTARY

Global Concentrated 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 3.14% (net) for the reporting period. This compares to the MSCI World Index that returned 8.88% for the same period.

Top contributors:

- Fiserv was a top contributor during the quarter. The U.S.-headquartered company is a leader in merchant acquiring, issuer processing services, and core banking software. During the time we have held the stock, Fiserv, under the leadership of CEO Frank Bisignano, has delivered peer-leading organic growth, meaningful margin expansion, and mid-teens earnings-per-share growth. We believe the company can deliver

Performance highlights

Contributors

- Fiserv
- Capital One Financial
- American Intl Group

Detractors

- Charter Communications Cl A
- Reckitt Benckiser Group
- NAVER

similarly impressive results over the medium term, yet today the shares still trade at a meaningful discount to the S&P 500 Index. We believe that Fiserv is performing well and remains an attractive investment.

- Capital One Financial was a contributor during the quarter. The U.S.-headquartered financials firm's stock price rose following fourth-quarter results that mainly focused on an optimistic outlook on stabilizing credit card and continued elevated marketing costs. Notably, in February, the company announced it would acquire Discover Financial in a \$35 billion all-stock deal. We believe the acquisition could be value accretive to shareholders and the potential synergies are significant as it will open Capital One Financial to Discover Financial's network. If approved, it is expected to be completed in late 2024 or early 2025. We continue to think Capital One Financial offers attractive upside.

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- American International Group (AIG) was a contributor during the quarter. The U.S.-headquartered financials firm reported solid fourth-quarter results, in our view, and we appreciate the performance in the general insurance underwriting and investment operations. Following the release of fourth-quarter results, we modestly increased our estimate of intrinsic value. We met with management in March and remain encouraged by the amount of excess capital and liquidity at AIG.

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.
- Reckitt Benckiser Group was a detractor during the quarter. In February, the U.K.-headquartered global products company's stock price fell after the release of messy full-year 2023 results with growth and margin light of expectations. In March, Reckitt's stock price fell following an adverse judgement in court in which a jury awarded an Illinois woman \$60 million in

damages, ruling that the company's Enfamil baby formula caused necrotizing enterocolitis and subsequent death in her premature baby. We have modestly reduced our estimate of intrinsic value following the court's ruling but continue to believe in the long-term prospects of Reckitt Benckiser and believe that it is positioned to manage the risk of any potential subsequent settlements.

- NAVER was a detractor during the quarter. The South Korea-headquartered communication services company released fourth-quarter results. Importantly, gross merchandise value (GMV) growth slowed as well as growth in the search, fintech, content and cloud segments. We met with CEO Choi Soo Yeon to discuss the underperformance in the commerce businesses over the past few quarters. Yeon addressed our concerns, including improving personalized content in feed (more short videos) and its logistics strategy. She expects these initiatives to re-accelerate GMV growth over the next few years. Given the challenges in commerce, we have modestly lowered our estimate of intrinsic value following the meeting but continue to remain invested in NAVER.

PORTFOLIO POSITIONING

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

- Centene is one of the largest health insurers in the U.S. The company specializes in three major government-sponsored programs: Medicaid, Marketplace and Medicare Advantage. Each of these benefits from long-term secular tailwinds. In Medicaid, states are steadily outsourcing their programs to managed care companies, like Centene, to help

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reduce costs and improve care quality. Managed Medicaid penetration has increased from 2010 to today, and we expect further gains over time. In Marketplace, growth is driven by the trend toward more individuals buying health insurance. Centene holds the #1 market share in both of these programs and is well positioned to capitalize on their continued growth. Finally, in Centene's Medicare business, past missteps will result in losses next year, but we believe Centene can turn Medicare around and generate positive earnings in the next few years.

- Reckitt Benckiser Group is a global consumer products company with leading brands in consumer health, infant nutrition, home care, and hygiene. We like that more than half of the company's sales are generated from consumer health products, which is a category with meaningful barriers to entry, high margins and attractive growth. Additionally, we believe improved execution, particularly in sales and supply chain management, along with investments in growth-reacceleration, provide potential for future margin expansion. Lastly, we appreciate Reckitt Benckiser's results-oriented culture and management team that have historically led to significant value creation for its shareholders. Trading meaningfully off its highs, we were recently able to purchase shares at a significant discount to our estimate of intrinsic value.

We eliminated KKR and SAP from the portfolio 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 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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