

QUARTERLY MANAGER COMMENTARY

Global Concentrated Strategy

June 30, 2024

MARKET ENVIRONMENT

Global equities finished higher quarter-over-quarter, with five of eleven Global Industry Classification Standards sectors posting positive returns. Information Technology and Communication Services contributed most as NVIDIA, Apple and Alphabet each increased over 20% during the three months. More cyclical sectors, including Consumer Discretionary and Industrials, were the largest detractors from performance. By country, the United States was the stand-out contributor to market returns, while a pull back from all-time highs in Japan and political uncertainty in France detracted from market performance.

PORTFOLIO PERFORMANCE

The portfolio's return was -1.65% (net) for the reporting period. This compares to the MSCI World Index that returned 2.63% for the same period.

Top contributors:

- Alphabet was a top contributor during the quarter. The stock price rose after the U.S.-based communication services company reported first-quarter operating income growth of 31% versus the prior year. We believe that management's cost reduction initiatives will improve operating efficiency and lead to faster earnings growth. In addition, we expect that the company's new AI-powered features showcased at the recent Google I/O conference will increase the value of its products to users. At the current share price, we continue to see upside to our estimate of Alphabet's intrinsic value.
- Prosus was a contributor during the quarter. The Netherlands-headquartered broadband retail

Performance highlights

Contributors

- Alphabet Cl C
- Prosus
- Lloyds Banking Group

Detractors

- IQVIA Holdings
- CNH Industrial
- Centene

company is a discounted way to invest in Tencent, which is one of the largest technology companies in China. The market reacted favorably to Tencent's strong earnings prospects as well as positive signs that its gaming business has bottomed. We continue to believe that an investment in Prosus is the most optimal way to gain access to Tencent, one of the most valuable internet companies in the world.

- Lloyds Banking Group was a contributor during the quarter. The U.K.-headquartered diversified bank reported first-quarter results that were relatively in line with our expectations. Capital generation was solid, in our view, and Lloyds reiterated that it intends to increase capital distributions to reach a common equity tier ratio of 13.5% by the end of 2024. Although we modestly decreased our estimate of intrinsic value following the release, we continue to believe that Lloyds offers attractive upside.

Past performance is no guarantee of future results. The investment return and principal value of this portfolio and any particular holdings may fluctuate. Portfolio holdings are subject to change without notice.

Top detractors:

- IQVIA Holdings was a detractor during the quarter. Although the U.S.-headquartered health care company's stock price fell following the release of first quarter results, the fundamentals were in-line with consensus expectations. Forward-looking indicators in the clinical trial business continue to be favorable, and management foresees gradual improvement in the technology and analytics solutions segment in the second half of this year and a stronger rebound next year. We believe IQVIA should sustain above-average long-term growth even though it trades at a discount to other life sciences and data and information services companies.
- CNH Industrial was a detractor during the quarter. This U.S.-headquartered manufacturer of agricultural and construction equipment announced that CEO Scott Wine will be replaced by Gerrit Marx, CEO of Iveco Group, effective July 1, 2024. Wine has made significant contributions to CNH Industrial in the areas of product, technology, and cost efficiency and we were disappointed to see him leave the business. We met with both Executive Chair Suzanne Heywood and Wine in April and gained insight into the management change. CNH Industrial also slightly reduced guidance for 2024 when reporting first-quarter results due to a weaker agricultural equipment market. This reduction was consistent with our forecasts and does not impact our view of the long-term profitability potential of the business. We believe that CNH Industrial's position within the structurally attractive agriculture equipment market will improve in the coming years. As a result, we continue to believe the stock is compelling.
- Centene was a detractor during the quarter. The U.S.-headquartered health care company's stock price fell despite no material fundamental

changes. Notably, the federal government intends to redo this year's quality ratings of private Medicare plans, which will impact bonus payments to insurers in the following year. We continue to believe in the long-term prospects of Centene.

PORTFOLIO POSITIONING

We did not initiate any new positions during the period.

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

- NAVER

OUTLOOK

Whereas investors attempt to determine the price of an asset using fundamental analysis, then buy low and sell high, a trader uses analysis to predict price movement. Although traders have greatly influenced current market conditions, we believe the result has been more opportunity for investors. Though we are frustrated with our recent performance, based on today's valuations, we remain fully confident on what we can deliver in terms of future performance for our clients.

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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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