

QUARTERLY MANAGER COMMENTARY

Global 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 -3.47% (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 A
- Prosus
- Fresenius

Detractors

- CNH Industrial
- IQVIA Holdings
- 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.

- Fresenius was a contributor during the quarter. The German health care services company reported strong first-quarter results, in our view, alongside a guidance increase. Helios beat expectations significantly on headline and Kabi's results were clean with evidence of momentum. Notably, Fresenius announced that Vamed will undergo a series of divestitures and exits. Lastly, in April, Kabi launched Tyenne, a biosimilar of Actemra, in the U.S. The market viewed this as notable, mainly due to approval coming slightly earlier than anticipated and the biosimilars business acting as an important driver for the Kabi

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.

segment. We continue to believe Fresenius offers attractive upside.

Top detractors:

- 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.
- 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.

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

- Equifax is a leading data, analytics and technology company. The company controls proprietary data sets that are primarily monetized through income and employee verification and credit reports. Equifax's products are deeply embedded into client workflows and benefit from network effects, whereby its value is enhanced as users increase. We believe this combination, along with the company's leading market share position, provides a strong economic moat that should lead to attractive growth over time. Additionally, the company is nearing the completion of its cloud transformation, which we expect will lead to increased innovation, reliability, and speed to market. In our view, Equifax's business profile and growth potential rival those of higher-quality information services companies, yet the stock trades for a material discount to this group, which provided us the opportunity to invest in the company at a discount to our estimate of intrinsic value.
- Etsy is a global marketplace for unique and creative goods that connects millions of buyers and sellers across the world. We first became interested in Etsy in 2017 when Josh Silverman took over as CEO and began transforming the

company from a borderline nonprofit into a higher margin, faster growing enterprise. The Covid-19 pandemic accelerated the company's already strong fundamental results as millions of new customers flocked to the platform, but like many other Covid-19 beneficiaries, Etsy has since fallen deeply out of favor. In our view, investors today are too focused on the timing of Etsy's return to growth and are ignoring the company's positive long-term outlook. We believe the macro environment for Etsy's product categories will eventually improve and Etsy is poised to benefit. At the same time, we believe Etsy's continued push into international markets can provide a solid source of revenue growth for the long-term. After the recent sell-off, we were able to purchase shares at a discount to our estimate of intrinsic value.

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

- Danaher

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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