

Thursday, October 19, 2023

Dear Clients and Friends,

The Hamas-led invasion of Israel last week served as a gruesome reminder of the terrorist threats that remain a global obstacle. At this writing, the current conflict exists between Israel and Hamas, however this war has the potential to expand beyond Gaza, and the Middle East (along with the world) remains on high alert.

Financial assets have declined modestly over the past three months¹ amidst higher interest rates, and along with the war in Ukraine, this new war could put further pressure on economies and financial assets. Likewise, commodities such as oil and natural gas, much of which come from the Middle East, may experience upward pressure.

Three years ago, we stated our belief that oil and gas companies were attractive given (1) their low valuations, and (2) our belief that market participants were underestimating the necessity of these energy sources for many years to come. While their valuations have improved and our view is not as rare as it once was, we continue to like the fundamentals of these companies, and we believe the effect of these wars highlights the importance of economically produced energy to the world.

Looking forward, we know that the years ahead will bring about new challenges, and we will strive to invest in companies that are resilient and can emerge stronger coming out of adverse environments through advantages such as balance sheet strength, competitive positioning, and opportunistic capital allocation.

I am confident in our approach and pleased with the team's since inception returns, but remain mindful that we evaluate both our investments and our overall performance over rolling five-year periods, which in our view represents the minimum time needed for statistical significance. With this in mind, we continue to believe the combination of the business quality and attractive valuation of companies in the strategy are conducive to our goal of outperforming the broader U.S. market over the next five years.

Total Returns (%), All Cap Concentrated Composite (as of September 30, 2023)

	Composite Inception Date	1 Year	3 Year (Ann.)	Since Inception (Ann.)
Composite Net Return	07/01/2020	13.31%	15.31%	16.15%
Russell 3000 Index		20.46%	9.38%	11.60%

As always, we appreciate your support and partnership.

Sincerely,



Ric Dillon
CEO & CIO

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Composite Description: The “All Cap Concentrated Composite” includes all pooled funds and all fee paying and non-fee paying, taxable and tax-exempt, segregated accounts that seek to provide long-term capital appreciation by investing in a concentrated portfolio of 20 to 30 equity investments of companies of any size market capitalization that the portfolio manager(s) believe are undervalued. The Russell 3000 Index (total return) serves as the composite’s benchmark due to the composite’s broad market capitalization and domestic company focus. Securities in the strategy are identified using a valuation-oriented, fundamental analysis approach. Key material risks include equity market risk, small cap and mid cap company risk, concentration risk, and the general risk that the composite will underperform its benchmark. The composite inception date is July 1, 2020 and the composite creation date is January 8, 2021.

Performance Calculation: Returns presented are time-weighted returns (TWR). Valuations are computed and performance is reported in U.S. dollars. The composite results reflect the reinvestment of dividends, capital gains, and other earnings. Composite returns and benchmark returns are presented gross of withholding taxes on dividends, interest income and capital gains.

Fees: Gross returns are presented before management fees and custodial fees (if applicable) and reflect the deduction of actual transaction costs. Net of fees returns are calculated by deducting a model management fee of 0.0625%, 1/12th of the firm’s standard management fee for segregated accounts of 0.75%, from the monthly gross composite return. This timing methodology differs from the billing/fee policies for the composite’s constituent portfolio(s), additional details are available upon request. The standard management fee schedule for segregated accounts is as follows: 0.75% on all assets, billed quarterly in arrears. Composite and benchmark returns are presented gross of non-reclaimable withholding taxes.

The Russell 3000 TR Index is a market-capitalization-weighted equity index maintained by FTSE Russell that tracks the performance of the 3000 largest U.S. traded stocks across all market sectors, inclusive of dividends, capital gains, distributions, and interest.

You cannot invest directly into an index.

Performance includes reinvestment of dividends and other earnings.

Footnotes:

¹Source: <https://www.spglobal.com/spdji/en/indices/equity/sp-500/#overview>