BA Beutel Goodman World Value Fund

Q1 2024 Review | March 2024

For institutional investors and professional clients only.

Investment Approach

The BA Beutel Goodman World Value Fund uses bottom-up, fundamental research to invest in companies at discounts to their business value, defined as the present value of their sustainable free cash flow:

- A high-conviction, concentrated, unconstrained portfolio representing the team's best ideas - typically 25-30 holdings diversified across industries and geographies.
- Stocks bought at a meaningful discount to business value may offer an inherent margin of safety and return potential.
- A focus on quality companies with stable, growing businesses and strong balance sheets should mitigate the potential of capital loss.
- Concentrated portfolio with highest conviction ideas – typically 25–30 holdings in a diversified portfolio.
- Process-driven sell discipline – one-third sale of stocks that exceed their upside target;secondary review for stocks that exceed their upside or downside targets.

Overview

- The portfolio underperformed the MSCI World Value Index (USD) over the quarter
- At the individual security level, detractors on an absolute-return basis included Amgen Inc., Biogen Inc. and Roche Holding AG.
- Contributors on an absolute-return basis in the period included Harley-Davidson Inc., eBay Inc. and Konecranes oyj
- Process-Driven Trims: American Express Company

Investment Results

While concerning geopolitical events continued to unfold during the first quarter of 2024, equity market performance was notable partly for what it did not see much of in the period: volatility. Global equities, as measured by the MSCI World Index (C$), rose relatively steadily in the quarter, despite dashed hopes of rate cuts in March by most central banks, including the U.S. Federal Reserve, the European Central Bank and the Bank of England. The exception was a surprise move by the Swiss National Bank. With inflation trending below 2% for months, SNB Chairman Thomas Jordan announced in late March a cut of 25 bps to 1.5%, which saw the Swiss franc fall in value against the euro after reaching record highs in January. Investors appear to believe most central banks will shortly follow suit, moving to a dovish position by early in the summer, a sentiment that buoyed stocks into the end of the quarter. Against this backdrop, the MSCI World Value Index (USD) posted a total return of 7.21% for the period. Energy was the top-performing sector, amid rising crude oil prices. Industrials, Consumer Discretionary and Financials also delivered high single-digit performance. While no sectors saw negative returns, Health Care and Communication Services were the biggest laggards.

While performance was positive in the period, the portfolio underperformed the benchmark. Relative weakness was driven in large part by stock selection in Health Care and Information Technology. The portfolio's zero weighting to the outperforming Energy sector also detracted. The largest contributor to relative performance was stock selection and a significant overweight to Consumer Discretionary. Zero weightings in interest-rate-sensitive Real Estate and Utilities were also accretive. That said, sector and regional allocations in our equity portfolios are driven purely by bottom-up, security-level considerations. As bottom-up stock pickers, we attribute our value add primarily to security selection.

Detractors on an absolute-return basis included Amgen Inc., Biogen Inc. and Roche Holding AG. Amgen released its Q4/2023 earnings in early February, which included record sales for the year across 18 of its brands. In our view, these results are testament to the biotech provider's market leading treatment and patient awareness; however, the results weren't reflected in its stock price, which declined in February. Biogen declined in the quarter on weaker-than-expected revenue and earnings per share, due primarily to weakness in Skyclarys, a new drug for Friedrich's ataxia that was recently

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acquired and launched in the U.S. Biogen's core pharma portfolio, including the multiple sclerosis franchise and Spinraza, met expectations but didn't provide upside. However, we are patient investors and believe Biogen is on the path to realizing the large commercial potential of its newly launched products. Roche released its full-year results for 2023 in early February, which exceeded guidance with sales growth of 1% for 2023 despite a sharp sales decline in its COVID-19-related diagnostics product sales. The positive results were not reflected in its stock price in the quarter, however, as the market awaits a number of interesting R&D events through fiscal year 2024.

Contributors to performance on an absolute-return basis included Harley-Davidson Inc., eBay Inc. and Konecranes oyj. Amid a challenging business environment, Harley-Davidson reported Q4/2023 earnings in early February that included a somewhat positive outlook for 2024, including guidance for operating income to improve during the year despite an expected dip in overall sales. eBay's share price rose in the period after the company reported fourth-quarter and full-year 2023 results that came in higher on all metrics, including gross merchandise value (GMV), revenue, margins and earnings per share. The stock's positive reaction was likely due as well to first-quarter and full-year 2024 guidance; FX-neutral GMV was guided to -1% to 0% in Q1 and is expected to be positive in Q3 or Q4. This is particularly compelling when viewed against a flagging e-commerce and macro backdrop where competitors are posting negative performance. In our view, the company transformation looks to be on track. Materials-handling company Konecranes saw another quarter of positive performance, driven in part by the release of its 2023 financial statement in early February, which included sales reaching an all-time high for the year (an increase of 17.9% from 2022).

Transactions

During the quarter, we added to existing positions in Comcast Corp., eBay Inc., Carlsberg A/S, Roche Holding AG, Gen Digital Inc., Qualcomm Inc., Biogen Inc. and BlackRock Inc., and trimmed our position in Konecranes oyj. In addition, we completed a process-driven trim when American Express Company reached our target price.

Outlook

Index concentration – and inherent risk – continued through Q1/2024, though the U.S.-based "Magnificent 7" became the "Magnificent 5" minus Apple and Tesla, the MSCI World's bottom two contributors. This even smaller cohort propelled the index higher, contributing a significant 33% of the MSCI World's first-quarter return through a combination of outsized returns (e.g., NVDA rose 82%) and large weights (five stocks representing a combined 15%). For reference, the MSCI World is comprised of nearly 1,500 constituents across global developed markets.

Beyond the hype around a handful of stocks, there are plenty of current and future "winners" that present investment opportunities with far lower embedded valuation risk. While our portfolio holdings may be less "glamourous", many of them have nonetheless benefited from both healthy end-market dynamics and improved investor sentiment evident in (albeit modest) multiple re-ratings. In our view, these stocks continue to represent attractive return opportunities with downside limited by undemanding valuations.

While our portfolio valuations are not necessarily cheap compared to their own history, they are at extremes when compared to the MSCI World. The portfolio currently trades at a discount to both the broad and Value benchmarks on a forward earnings and free cash flow basis, while offering a quality premium through an enhanced returns profile and lower leverage.

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Past performance may not be a reliable guide to future performance and investors may not get back the amount invested. All investments involve risk. The value of the investment and the income from it will vary. There is no guarantee that the initial investment will be returned.

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The Fund is a sub-fund of the Company, an umbrella fund with segregated liability between sub-funds. The Fund is authorised by the Central Bank of Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 as may be amended, supplemented or consolidated from time to time (the "Regulations"). The Company has appointed Brown Advisory (Ireland) Limited as its UCITS management company which is authorised by the Central Bank of Ireland pursuant to the Regulations and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019, as amended. The investment manager of the Fund is Brown Advisory LLC. The distributor of the Fund is Brown Advisory LLC.

The Fund is a recognised collective investment scheme for the purposes of section 264 of the UK's Financial Services and Markets Act 2000.

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The benchmark is the MSCI World Net Index (USD), with the MSCI World Value Index (USD) as an appropriate secondary benchmark.

[1]Margin of safety is a principle of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value. Even by utilizing a margin of safety strategy, an investor can still lose money.