Global Equities Fund

Performance Commentary

For the quarter, the Portfolio rose in absolute terms, underperforming its MSCI All Country World Index (ACWI) benchmark (gross and net of fees). The MSCI ACWI returned 6.2% in US-dollar terms. Microsoft was the top contributor, and Elevance Health was the top detractor.

The Portfolio's Investment Management Team (the Team) initiated positions in Analog Devices, Teck Resources, Zebra Technologies, and EQT, and added to its holdings in Coca-Cola, Elevance Health and Thermo Fisher Scientific. The Team established a position in Analog Devices, a leading semiconductor company with a particular focus on analog semiconductors. With a broad product portfolio catering to a wide range of end users, the company commands the highest operating margins in the industry. The Team established a position in Teck Resources, a Canada-based mining company with assets in North and South America. The company is planning to split the firm into two separate entities—one with copper and zinc assets, and one with metallurgical coal assets—and dissolve its dual-share class structure. The Team views both events as shareholder friendly and finds further support for its position in the company's current valuation. The Team initiated a position in EQT, an upstream natural gas company, following significant derating, which created an attractive entry point with shares trading below the market multiple. Within private equity, EQT offers attractive growth driven by increased institutional penetration, particularly in Asia, stable pricing and long-duration closed-end equity funds. The Team added to its position in Coca-Cola. Shares underperformed during the recent market rally, leaving risk/reward attractively priced for this quality compounder with strong brand recognition and superior execution. The Team increased its position in Elevance Health, following a period of underperformance. While there has been some medical cost pressure for Elevance year to date, the company recently reaffirmed its fiscal year 2023 guidance of 12%–15% earnings-per-share growth. The Team added to its holding in Thermo Fisher Scientific. Although tools and managed care have lagged other parts of the healthcare segment more recently, the Team used the current weakness to add to this quality compounder.

During the quarter, the Team sold its positions in B3, Activision Blizzard, Comcast and Amazon, and trimmed Microsoft, Parker Hannifin and Sanofi. The Team exited B3 following a strong rally and as the investment case played out within a few months. The Team exited Activision Blizzard after shares hit its price target. The Team exited Comcast following strong performance in share price year to date, and as its risk/reward profile no longer seemed attractive. The Team exited Amazon following a strong year-to-date rally despite negative earnings revisions. The Team trimmed its position in Microsoft and Parker Hannifin following strong performance. The Team trimmed its position in Sanofi following a period of strong outperformance in order to fund investments with better risk/reward elsewhere.

2Q Contributors

Microsoft: Software giant Microsoft contributed. While growth has slowed in its cloud business, the company has positioned itself to benefit from the rise in artificial intelligence with investments in ChatGPT and related product launches. The Team finds Microsoft attractively valued, with secular growth drivers being currently underappreciated, and likes its healthy balance sheet and discount compared with other software players.

Asahi Group: Asahi Group, the Japan-based food and beverage company, contributed. The company recently announced plans to increase prices, a move that should help offset rising production costs and aid margins. A rebound in tourism in Japan has also provided a tailwind for the stock. The Team's investment case in Asahi Group is based on valuation, as its shares are trading at a massive discount versus those of international beverage peers. Most of Asahi's sales are overseas, and the Team expects continued synergies from its integration with Carlton & United Breweries.

B3: Brazilian stock market exchange B3 contributed. The stock climbed after the company reported 1Q:23 net profit that exceeded market expectations. Although trading volumes were lower on a year-over-year basis, turnover velocity remained at healthy levels. The Team sold B3 as previously mentioned.

2Q Detractors

Elevance Health: Health insurance provider Elevance Health detracted amid a broad sell-off of health insurers after competitor UnitedHealth Group warned that pent-up demand for surgeries would lead to increased costs for insurance companies. The Team maintains Elevance on compelling valuation.

Alibaba Group: China-based e-commerce giant Alibaba Group detracted. The stock has been volatile since the company announced plans to split into six different businesses earlier this year, and shares fell amid mixed economic data suggesting an uneven recovery from China's zero-COVID policies. The Team maintains Alibaba Group primarily on valuation grounds, paying very low multiples for a net-cash leading player in the domestic e-commerce and cloud spaces, areas that are exposed to double-digit secular growth.

Coca-Cola: Coca-Cola detracted as the soft drink manufacturer's revenue growth recently slowed, although 1Q:23 revenues beat analyst expectations. The Team finds Coca-Cola attractively priced on a cash-flow perspective.

YTD Contributors

Microsoft: Software giant Microsoft contributed during the year to date. The company has shown early leadership in artificial intelligence (AI) services, such as its development in cybersecurity AI. The Team finds Microsoft attractively valued with secular growth drivers being underappreciated, as well as a healthy balance sheet and a discount compared with other software players.

Asahi Group: Japan-based food and beverage company Asahi Group contributed as healthy quarterly numbers led to a much-improved leverage profile. Improved pricing and continued market-share gains were further supportive. The Team finds Asahi Group attractively valued, trading at a compelling discount versus international peers.

Applied Materials: Semiconductor-equipment maker Applied Materials contributed to performance. The company reported earnings that beat analyst expectations for both the first and second fiscal quarters. Management also provided higher-than-anticipated guidance for its third quarter, but warned that customer spending plans were under pressure.

YTD Detractors

Elevance Health: Health insurance provider Elevance Health detracted. Shares declined sharply, though it pared some losses as the company reported solid 4Q:22 earnings supported by strong premiums. The Team finds Elevance Health attractively valued for its superior growth profile, most recently validated by its 2023 earnings-per-share growth guidance.

Goldman Sachs: US-based investment bank Goldman Sachs detracted. The volatility in the US banking system led to a broader banking sell-off that also hurt Goldman Sachs. The Team finds Goldman Sachs attractively valued, with just north of 1x book value for high-teens return on tangible equity targets. The Team also believes Goldman Sachs's excess capital is healthy, allowing for robust payout.

Coca-Cola: Coca-Cola detracted as persistent inflation has hampered results as production costs continue to rise. As mentioned previously, the Team finds Coca-Cola attractively priced on a cash-flow perspective.

Outlook

The Team continues to purchase companies that are creating value through strong management and innovative product lines. Price volatility can provide opportunities to buy into such companies at more attractive prices. While the current economic uncertainty is unsettling, the Team believes that the types of companies it looks for can prove to be resilient. It will continue to carefully monitor how

Portfolio holdings are reacting to the uncertainty and will make any changes as necessary. The Team is also working hard to analyze where markets may have overreacted and created significant new return opportunities.

Please refer to the following legal disclosures.