Title: Global Value Update

Description: Portfolio Manager Ben Silver provides an update on the first quarter for our Global Value strategies.

Hello, my name is Ben Silver, and over the next few minutes I'm going to take you through our Global strategy and what happened in the first quarter of 2025. Note that this period is prior to what some might call "Liberation Day," so it does not reflect the turbulence in the markets since then.

When you look at the first quarter, especially globally, there were definitely mixed messages from different geographies. European indices were quite strong, driven by some strong fiscal stimulus announcements and optimism surrounding a resolution to the Russia-Ukraine war. That sentiment also helped in Emerging Markets, with Eastern European countries performing well, as well as a shift in sentiment on China and Brazil.

By contrast, the US market lagged, as weakness in Information Technology was driven by new developments from a Chinese hedge fund called Deepseek, which really called into question some of the business models surrounding certain new technologies. Our portfolio outperformed fairly well in the quarter due to that weakness in Information Technology, strength in Europe, and some select Healthcare stocks, which I'll discuss shortly.

In terms of sectors, Healthcare and Financials were actually quite strong, while the largest detractors were in Consumer Discretionary and Information Technology. The Healthcare sector was the strongest and the largest contributor in the quarter, anchored by CVS as well as Baxter. These stocks recovered from fairly disappointing results in 2024, and sentiment for this quarter shifted somewhat notably. CVS saw a significant rally, as they've pared losses in their Medicare Advantage business thanks to an improved star rating, pricing, and some moderating patient utilization trends. Its pharmacy division also did quite well—they've rolled out a new system called "Cost Vantage," which they believe will bring added transparency and more stability to that part of their business.

Baxter was also a strong contributor, reporting smaller-than-expected impacts from Hurricane Helen, as well as some strength in their new IV pump, which they launched in the quarter. Their Pharma division also did well with some new launches and formulations.

Rounding out the top contributors, Alibaba performed very strongly. Their AliCloud business announced the launch of their own large language model, which convinced many observers that Alibaba has a legitimate offering as a cloud provider.

On the other side of the ledger, PVH was the largest detractor in the quarter after being added to China's "Unreliable Entity List"—the first non-military company to be added. While there's currently no direct impact, China accounts for 6% of sales and 16% of profits for the business, so a manageable amount if the situation worsens.

Magna also underperformed due to weakness in electric vehicles, as well as uncertainty about tariffs. Lastly, Skyworks was the third-largest detractor, as they lost some share in the iPhone 17. We do believe that could be recoverable as Apple continues to insource its own modem. Skyworks did announce a $2 billion share buyback authorization, showing confidence in their long-term outlook.

We initiated two new positions in the quarter. One was Julius Baer, a wealth management business based in Switzerland that ran into problems when they embarked on a risky lending business, resulting in higher regulatory scrutiny and a turnover in leadership. This is a cash-generative, high-return-on-capital business, and we were able to enter at an attractive price. We also bought Bank of Ireland, one of two dominant depository institutions in that geography. Their recent acquisition of a competitor's mortgage book has given them scale and dominance in that market as well. It's a cheap, high-return-on-capital business, returning capital to shareholders.

Additional portfolio activity included adding to positions in Samsung, Skyworks, and Dow on weakness, funded by trims of NatWest, Wells, and Rio on strength. We exited Edison International, as the California wildfire situation widened the range of outcomes and called into question the viability of the wildfire fund. We also exited two other stocks on strength—Bank of America and Aramco.

I'll conclude with a couple of thoughts on the current environment. There is obviously a lot of uncertainty, but we think we're positioned well. Our companies have very strong balance sheets, so they can weather even a possible recession, and broadly speaking, we see this as a generally good opportunity set for us as a value investor.

Thank you again, and I look forward to seeing you all next quarter.

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