

May 2024

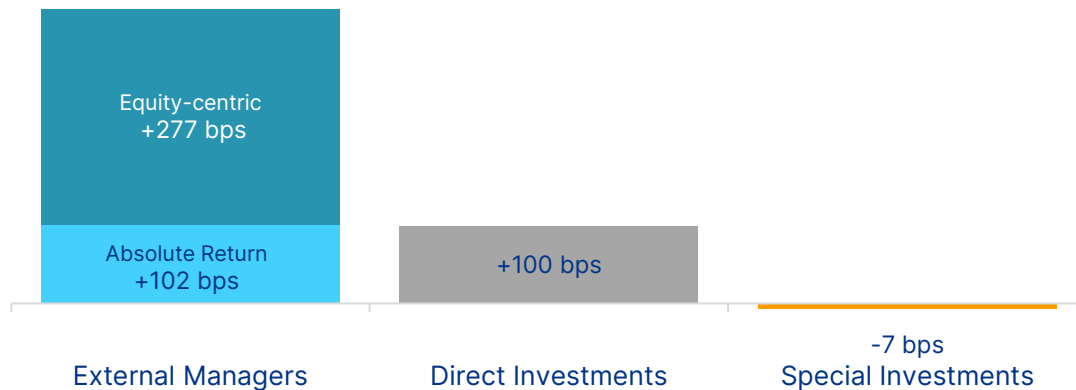
## MARYLEBONE PARTNERS: PORTFOLIO MANAGER COMMENTARY

Over the second quarter of the Company's financial year, the Net Asset Value ('NAV') increased by +4.5%. This represented a solid absolute return against a benign market backdrop, as a more dovish tone from central banks combined with improving sentiment towards the economy to sustain the rally in global risk assets. NAV performance over the financial year-to-date is +13.3%.<sup>i</sup>

### ATTRIBUTION

Our focus on finding high-quality, differentiated investments for Majedie is reflected in the varied profile of the positions that drove the fund's returns last quarter. External Managers and Direct Investments made a positive contribution, while Special Investments were effectively flat.

#### Gross attribution by strategy 1 January 2024 - 31 March 2024



*Source: Marylebone Partners LLP. Gross contribution as of 31<sup>st</sup> March 2024. Shows return on investment portfolio net of all underlying fees / expenses but gross of Investment Manager's fees, expenses, and debenture cost.*

### Special Investments

The price performance of Special Investments was mixed over the period, although - at a fundamental level - we were generally pleased with developments and remain confident these will drive outcomes over the medium term.

<sup>i</sup> As of 31<sup>st</sup> March 2024. Debt included at fair value. Past performance is no guarantee of future returns.

**Project Bungalow** (an activist co-investment in the public equity of Shake Shack Inc.) was the main positive contributor, as the new strategic agenda was well received by the market and the company agreed to give Engaged Capital board representation. Robert Lynch (formerly of Papa John's) was announced as the incoming CEO and - in the meantime - the share price appreciated to reflect continued store and revenue growth, whilst making good progress on cost control.

**Project Diameter** (a co-investment in the public equity of Concentrix Corporation) was the main detractor. Although the company's Q1 results exceeded consensus estimates, the stock price gave up prior gains as management slightly lowered guidance and the market narrative persisted about the potential threat that Artificial Intelligence could present to the business model. Impactive Capital - the idea's sponsor - believes these concerns are misplaced and, moreover, fully discounted in the stock's extremely low valuation. They see a strong pipeline of new business wins, and potential for margin improvement as cost-cutting comes through. In the meantime, their engagement with the company has contributed to the announcement of a share buyback programme. There is no change to the thesis.

## External Managers

The portfolio's equity-centric managers performed well. The **Helikon Long/Short Equity Fund** (a European value manager) and the **Praesidium Strategic Software Opportunities Fund** extended their form, and two of last year's laggards sprang to life. The **Paradigm BioCapital Partners Fund** gained as clinical and commercial data lifted several core positions, while the **Perseverance DXF Value Fund** participated in the recovery of Chinese equities, led by its investments in the Natural Resources, Consumer and Chemicals sectors.

The portfolio's substantial allocation to specialist credit strategies served its purpose over the quarter, as a source of independent absolute returns. The **Contrarian Emerging Markets Fund** continued its strong run, thanks to positive political and economic developments across a range of jurisdictions, most notably Argentina. At the same time, the **Millstreet Credit Fund** benefited from spread tightening, positive carry, and catalysts at a position level.

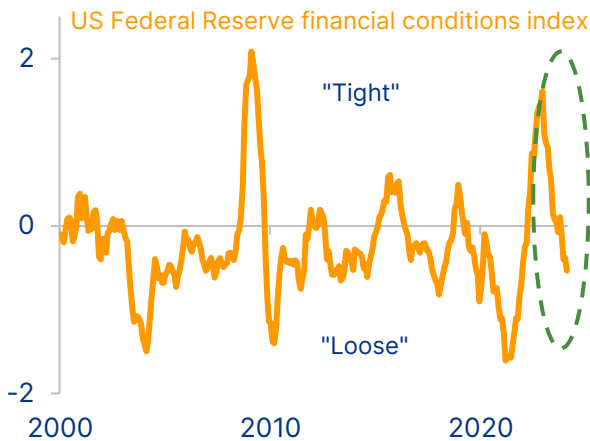
## Direct Investments

Positive news flow from **KBR Inc.**, **Alight Inc.**, and **Wabtec Corp.** reaffirmed the respective fundamental theses behind our investments. Arguably, we were 'too early' by initiating a position in **Basic-Fit NV** (a European budget gym operator), which is nevertheless an interesting long-term growth and profitability story.

## OUTLOOK

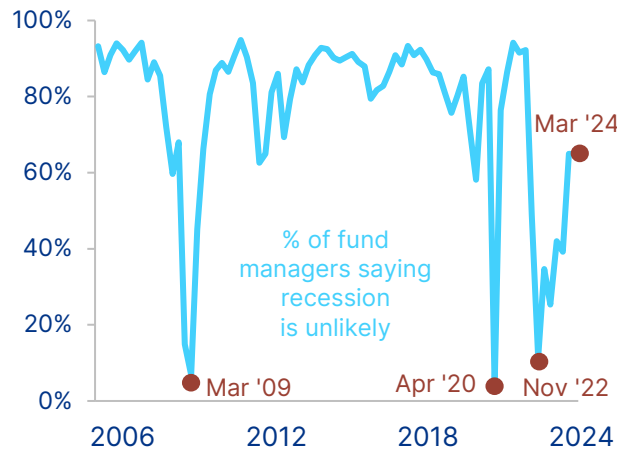
We can see reasons why markets could rise further over the rest of 2024. Inflation is seemingly under control, the global economy is in reasonable shape, and corporate earnings are fairly robust. Moreover, financial conditions are broadly supportive, and allocators are more sanguine about the economy even as they adjust to a more realistic outlook for interest rates.

### Financial conditions are supportive



Source: Bloomberg, US Federal Reserve. As of March 2024.

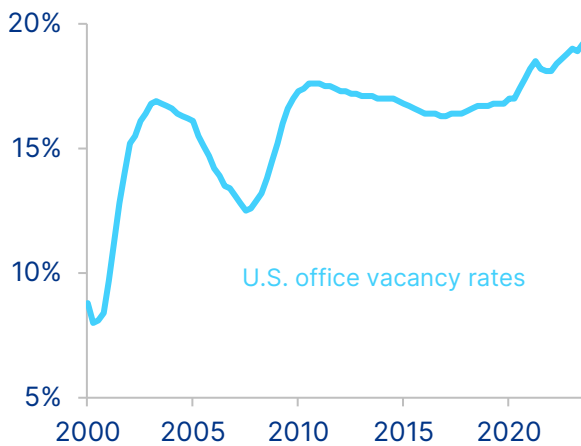
### Investors more optimistic about economy



Source: BofA. As of March 2024.

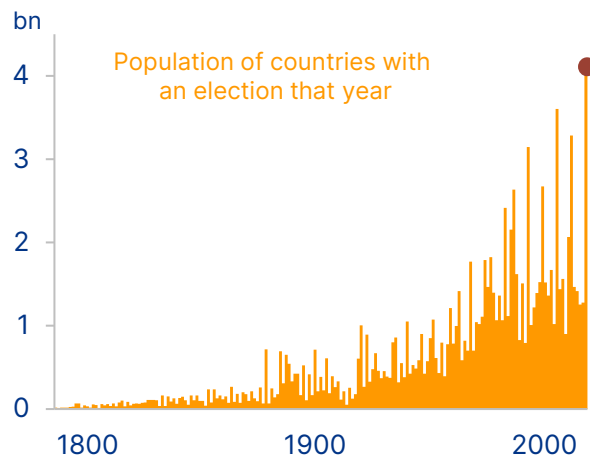
However, this is no time for complacency. Potential risks on the horizon include a record number of political elections, signs of stress in Commercial Real Estate, and the troubling geopolitical situation in the Middle East. Although valuation alone is rarely the trigger for a new bear market, headline multiples for equity markets are full once again. This leaves some 'long-duration' growth stocks susceptible to a de-rating if inflation proves stickier than expected.

### Stress in Commercial Real Estate



Source: Moody's. As of March 2024.

### Half the world's population going to the polls

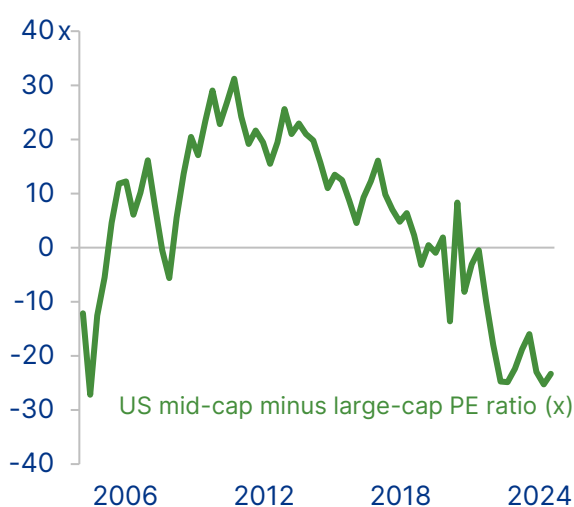


Source: The Economist. As of March 2024.

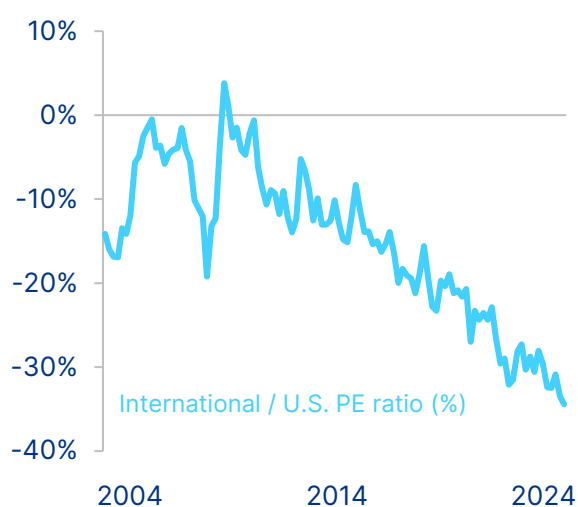
We believe the best way to mitigate these (and other) risks whilst staying fully invested is to focus on our best ideas, demand a wide margin of safety, and maintain discipline. For example, when one of our direct investments appreciates to a valuation that no longer provides sufficient asymmetry, we sell it and recycle the proceeds into other opportunities. Our external managers do the same within their portfolios, and moreover we will trim back the position in any fund that reaches the upper end of its sizing band.

We have designed this ongoing process of ‘wash, rinse, repeat’ to reduce the likelihood of mean reversion and keep the portfolio fresh and non-consensual. It depends upon a productive pipeline of new opportunities, which we continue to replenish by sifting through areas that have been left behind in the narrow rally of the past 18 months. Most of the recent ideas that meet our criteria have an equity-centric profile. As we have redeployed capital into them, the portfolio’s beta-adjusted net exposure has consequently risen above 70%. However, these situations are attractive precisely because they are overlooked and undervalued. Hence, we do not believe that a market momentum reversal would have a disproportionate impact on performance.

Increasingly, we have been finding new ideas in unloved and overlooked areas



Source: Bloomberg Finance. As of February 2024.



Source: JP Morgan Asset Management. As of March 2024.

Our willingness to look off the beaten track has a secondary benefit, which is that an investment in Majedie Investments should be highly complementary to its shareholders’ other allocations. This is illustrated by the observation that the portfolio has only two material holdings in the 50 largest components of the MSCI ACWI index, amounting to less than 3% of its NAV. While equities lie at the heart of our ‘liquid endowment’ proposition, we are absolute (not relative) return investors. At Marylebone Partners, we do not fixate on the composition of index benchmarks that have become increasingly lopsided and unrepresentative of our mandate.

## THE PORTFOLIO

### Special Investments

We added one new Special Investment during the quarter and have made two additional allocations since the end of the quarter, bringing the weighting to over 13% at the time of writing. We expect the Special Investments allocation to grow as we identify compelling bottom-up ideas that meet our stringent criteria.

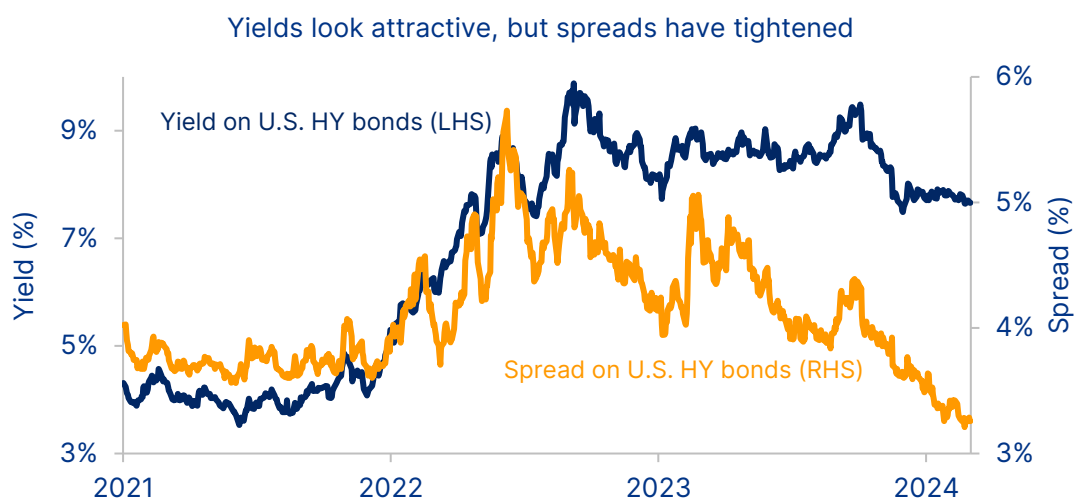
**Project Fibre** is a co-investment in the debt and public equity of Frontier Communications, brought to us by a New York-based special situations manager we have known for several years, called Thebes Capital. Frontier is a pure-play broadband provider with over 15 million ‘passings’ to homes in demographically attractive areas. The company has made a substantial investment in upgrading its network from copper to fibre, which went largely unnoticed by investors during a Chapter 11 restructuring that also saw a right-sizing of its balance sheet and the arrival of a new management team. Whereas the market still dismisses Frontier as an over-leveraged legacy provider, Thebes believes the company’s cash flows should improve materially as its capex requirement comes down and profits are driven higher by an improving customer mix and higher penetration rates.

Following strong performance from **Project Cauldron** (a co-investment in the public equity of Alkami Technology Inc.) and **Project Bungalow** (see above), we have pared back both positions.

## External Managers

The External Managers component was broadly unchanged through the quarter and currently stands at 56% of the total portfolio. Roughly one-half of this allocation is to managers with an equity-centric profile. Each is a specialist in extracting alpha from a structurally inefficient sector or region or operates with a very distinctive style. The position overlap between these funds - and with our direct investments book - is minimal, and statistical cross-correlation remains low. This suggests we have achieved risk diversification without diminishing return potential.

We have allocated the other half of the External Managers allocation to five specialist credit funds, again with differing regional or style biases. These managers are mindful of an evolving dynamic within the credit markets and have made some corresponding portfolio adjustments over the past quarter. They point out that whereas a *yield* of around 8% on riskier U.S. corporate bonds might appear attractive, the *excess spread* on high-yield bonds compared with Treasuries has narrowed in recent months. In other words, risk appetite amongst allocators has returned before interest rates have come down.



Source: JP Morgan. As of March 2024.

Although the environment remains opportunity-rich, we cannot over-emphasise the importance of undertaking fundamental credit analysis. According to JP Morgan, the par-weighted default rate on US high-yield and loans looks set to rise, and much the same can be said in Europe.<sup>ii</sup> Elevated refinancing activity may have addressed the 2025 needs of many corporations, but certain troubled borrowers are finding conditions far from straightforward.

This explains why our specialist credit managers have anchored their portfolios in (a) defensive, short-duration and senior-secured paper that provides attractive carry and (b) event-driven situations with potential for yield compression, restructuring upside, and/or cash returns. Several of these managers are reinvesting a portion of the carry earned on long positions into alpha shorts and hedges, which should cushion performance in the event of a potential sell-off. For credit managers with the requisite skills and resources, this remains an attractive environment.

## Direct Investments

As of the end of March, Direct Investments comprised 24% of the portfolio. We have recently added three new ideas. Two are out of favour European stocks (**Cancom SE** and **Basic-Fit NV**), while the third is a U.S. Healthcare Solutions company (**Evolent Health Inc.**). These purchases were funded by the sale of our positions in **Sage Group PLC**, **Coats Group PLC** and **Pernod Ricard SA**.

A new position in the **Global X Copper Miners ETF (COPX)** got off to a good start.

## CHINA AND COPPER

Sometimes, a transient macro concern gives us an opportunity to buy an attractive long-term asset at a great price. Having waited patiently for an entry point into copper-related investments, we took our chance last quarter.

Our positive view on the metal is underpinned by a projected imbalance between demand and supply. The next few years will see new appetite from the adoption of electric vehicles, the electrification of industry, and related transmission and distribution power-grid investment. Meanwhile, supply will be constrained by mine disruptions, decreasing ore grades, and the impact that environmental considerations have on the timelines for bringing new mines onstream.

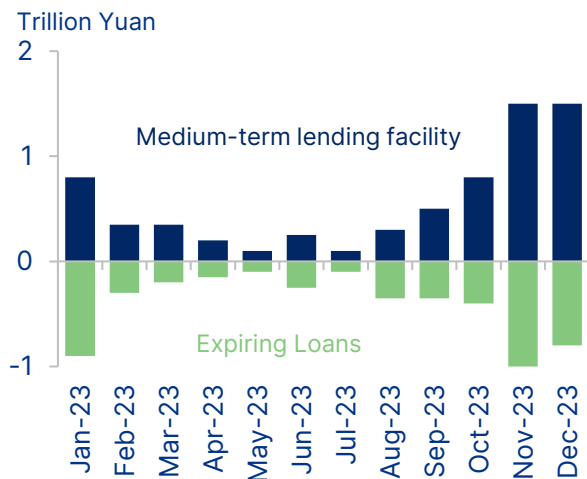
Whilst it seems almost inevitable that the price of copper will rise over time to incentivise new production, short-term swings are driven by sentiment towards the economy and, especially, China.

We have worked closely with a commodities and China policy expert who helped us to identify a potential inflection point in the near-term outlook. It appears that economic activity is on a cyclical upswing, property prices are troughing, data-centre demand is set to accelerate, and a new fiscal plan from Beijing should focus on the upgrading of durable goods and (copper-intensive) equipment. As copper smelters have brought forward planned maintenance programmes, this increase in demand could coincide with a production shortfall, just as inventories are tight and positioning amongst speculators is bearish.

---

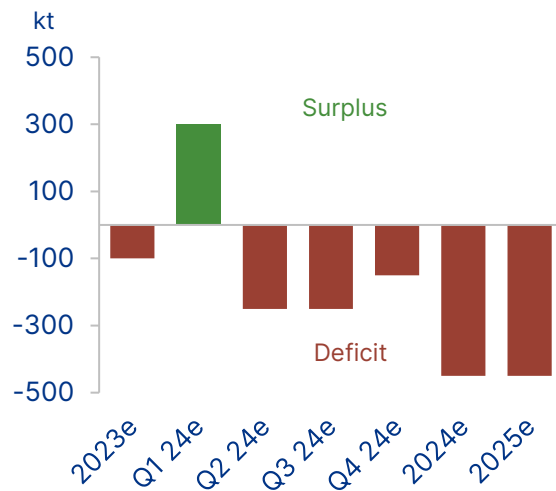
<sup>ii</sup> Current levels of 2.5% and 3.2% are broadly in line with their respective 25-year averages.

China injects most liquidity since 2016



Source: PBOC, Bloomberg. As of January 2024.

Global copper balance forecast



Source: Goldman Sachs. As of March 2024.

The **Global X Copper Miners ETF (COPX)** provides diversified exposure to stocks that should benefit from the growing imbalance between demand and supply while mitigating single-company mining risk. Majedie Investments' participation in a potential China recovery is not limited to this investment; the portfolio has additional exposure via its direct investment in **Weir Group plc** and allocations to the **Perseverance DXF Value Fund** and the **Contrarian Emerging Markets Fund**.

## SUMMARY

We are pleased with the balance of investments across today's portfolio and have shown discipline by recycling capital out of recent outperformers and into new and often overlooked ideas. This keeps the portfolio fresh and reduces the potential for mean reversion. If markets feel somewhat stretched at present, it is largely because the indices are dominated by mega-cap growth stocks that are high-quality yet fully valued. There is plenty of scope for focused, index-agnostic investors to hunt for inflation-beating returns outside of the obvious areas.

Marylebone Partners

## Important Information:

This document has been prepared by Marylebone Partners LLP (“Marylebone”) in its capacity as alternative investment fund manager of Majedie Investments PLC (“the Company”). The document has been approved and issued by Marylebone as a financial promotion for distribution in the United Kingdom. Marylebone Partners LLP is authorised and regulated by the Financial Conduct Authority (Firm Reference Number: 596118). Marylebone is registered in England and Wales (Company Number: OC381480) and has its registered office at: 65 Compton Street, London, EC1V 0BN, United Kingdom. The Company is registered in England and Wales (Company Number: 109305) and has its registered office at: 1 Kings Arms Yard, London, EC2R 7AF, United Kingdom.

This document is intended to be of general interest only and does not constitute legal, regulatory, tax, accounting, investment, or other advice nor is it an offer to buy or sell shares in the Company (or any other investment mentioned herein). Nothing in this document should be construed as a personal recommendation to invest in the Company (or any other investment mentioned herein) and no assessment has been made as to the suitability of such investments for any investor. In making a decision to invest prospective investors may not rely on the information in this document. Such information is subject to change and does not constitute all the information necessary to adequately evaluate the consequences of investing in the Company. Investors should not subscribe for any shares in the Company on the basis of the information in this document. Investors should refer to the information contained within the Company's Key Information Document (KID) and the latest Annual or Half-Yearly Financial Reports before making any decision to invest. Investors should also seek independent professional advice before making any decision to invest in the Company.

**Capital at risk. The value of shares in the Company (and any income derived from them) can go down as well as up and you may not get back the amount that you have invested.** The shares in the Company are listed on the London Stock Exchange and their price is affected by supply and demand and is therefore not necessarily the same as the value of the underlying assets. Changes in currency rates of exchange may have an adverse effect on the value of the Company's shares (and any income derived from them). Any change in the tax status of the Company could affect the value of the Company's shares or its ability to provide returns to its investors. Levels and bases of taxation are subject to change and will depend on your personal circumstances. The Company can borrow money to make investments (known as 'gearing'), which can enhance returns in a rising market but will magnify losses if the value of the Company's investments falls. You should consult your own professional advisers on the tax implications of making an investment in, holding or disposing of any of the Company's shares, and on the receipt of dividends.

**Past performance is not a reliable indicator of future returns.** Any return estimates or indications of past performance cited in this document are for information purposes only and can in no way be construed as a guarantee of future performance. No representation or warranty is given as to the performance of the Company's shares and there is no guarantee that the Company will achieve its investment objective.

**For more information on the Company, and the risks associated with an investment in the Company's shares, please refer to the Company's Key Information Document (KID) and the latest Annual or Half-Yearly Financial Reports, copies of which are available at: <https://www.majedieinvestments.com/>.**

This document is not intended for distribution in whole or in part in or into the United States, the European Economic Area, Australia, Canada, Japan, the Republic of South Africa or any other jurisdiction where the distribution of this document could be unlawful. The distribution of this document in other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction.

Marylebone has taken all reasonable care to ensure that the information contained in this document is accurate at the time of publication, however it does not make any guarantee as to the accuracy of the information provided. Marylebone has no obligation to provide further information, to update the information or correct any inaccuracies identified. While many of the thoughts expressed in this document are presented in a factual manner, the discussion reflects only Marylebone's beliefs and opinions about the financial markets in which it invests portfolio assets following its investment strategies, and these beliefs and opinions are subject to change at any time. Where information provided in this document contains “forward-looking” information including estimates, projections and subjective judgment and analysis, no representation is made as to the accuracy of such estimates or projections or that such projections will be realised. Comparison to an index, where shown, is for information only and should not be interpreted to mean that there is a correlation between the portfolio and the index.

To the fullest extent permitted by law, neither Marylebone nor the Company shall have any responsibility or liability whatsoever (for negligence or otherwise) for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection with this document. Should you undertake any investment or activity based on information contained in this document, you do so entirely at your own risk.