May 2024

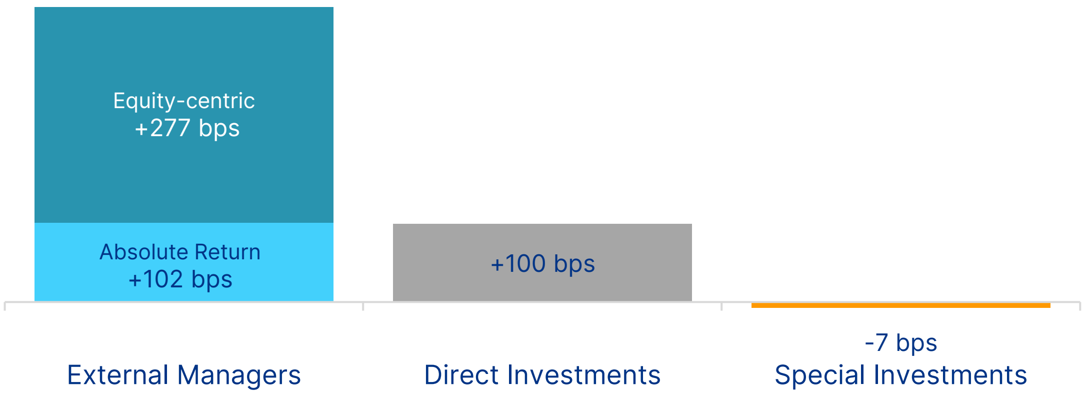
MARYLEBONE PARTNERS: PORTFOLIO MANAGER COMMENTARY

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%.[i]

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 31st 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.

[i] As of 31st 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.

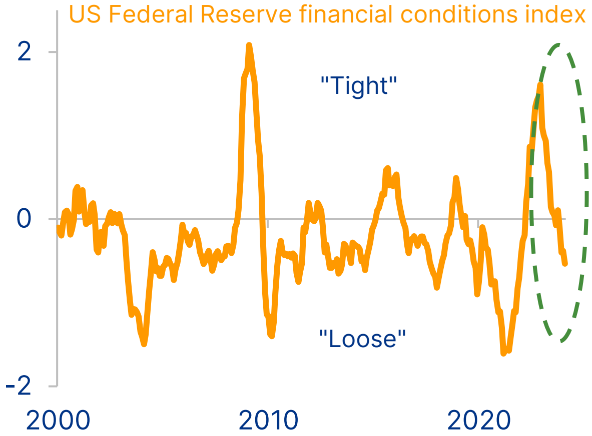
Direct Investments

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

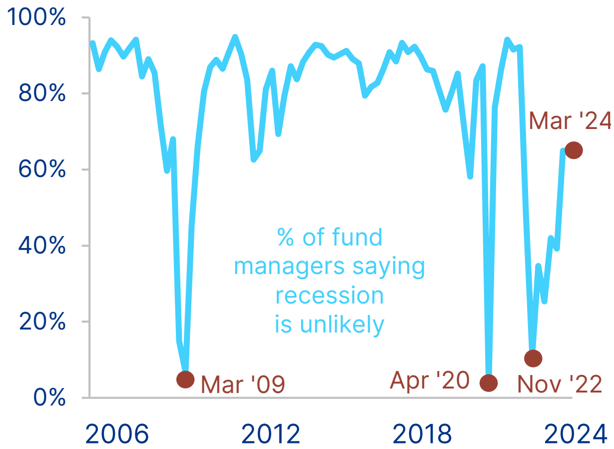
We can see reasons why markets could rise further over the rest of 2024. Inflation is seemingly under control, the global economy is in reasonable shape, and corporate earnings are fairly robust. Moreover, financial conditions are broadly supportive, and allocators are more sanguine about the economy 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.

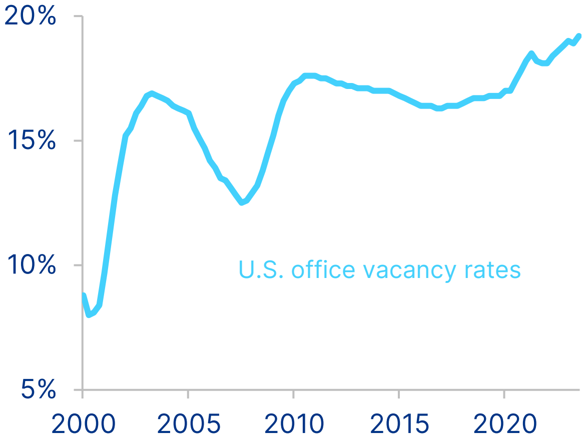
Investors more optimistic about economy



Source: BofA. As of March 2024.

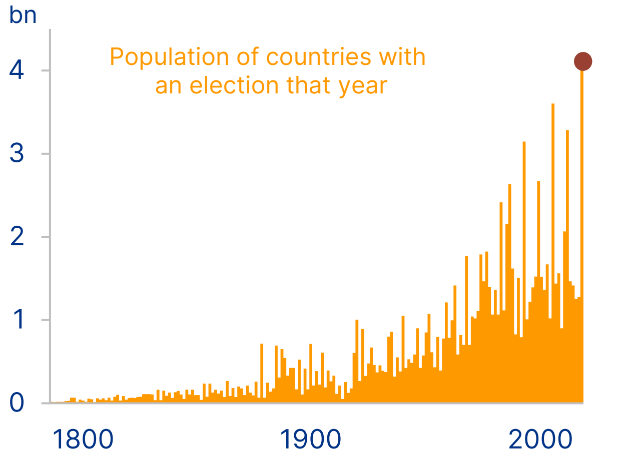
However, this is no time for complacency. Potential risks on the horizon include a record number of political elections, signs of stress in Commercial Real Estate, and the troubling geopolitical situation in the Middle East. Although valuation alone is rarely the trigger for a new bear market, headline 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

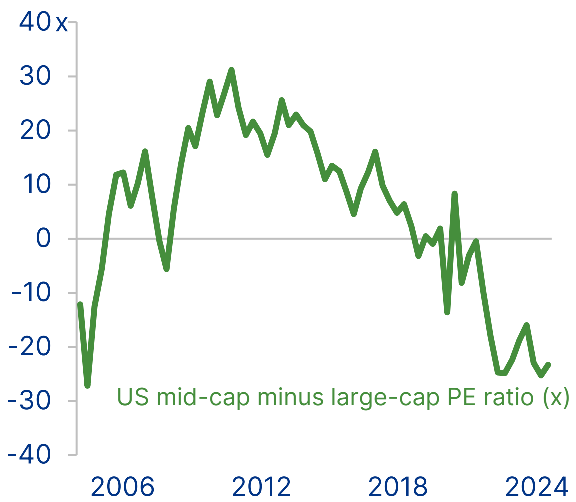


Source: The Economist. As of March 2024.

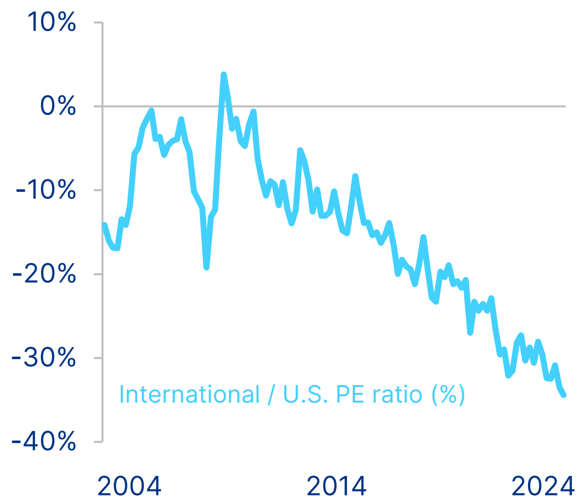
We believe the best way to mitigate these (and other) risks whilst staying fully invested is to focus on our best ideas, demand a wide margin of safety, and maintain discipline. For example, when one of our direct investments appreciates to a valuation that no longer provides sufficient asymmetry, we 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.

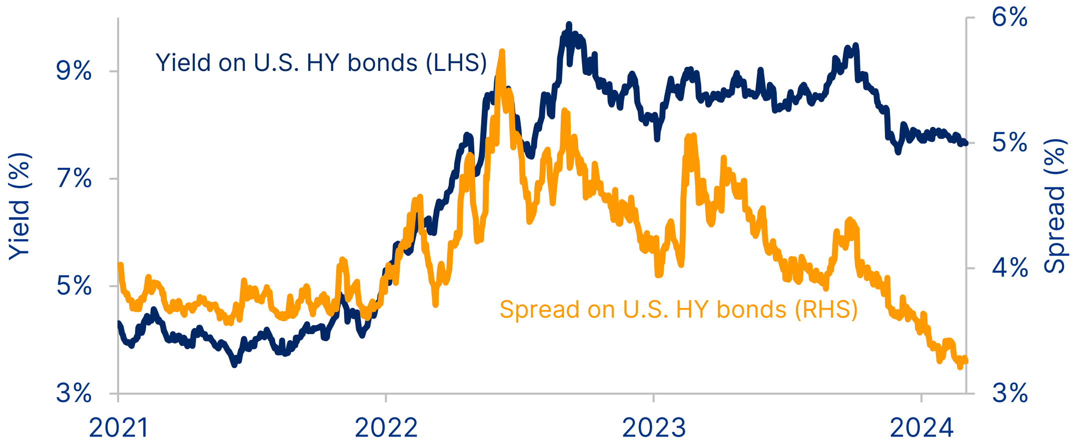
Following strong performance from **Project Cauldron** (a co-investment in the public equity of Alkami Technology Inc.) and **Project Bungalow** (see above), we have pared back both positions.

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.

Yields look attractive, but spreads have tightened



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.[ii] 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

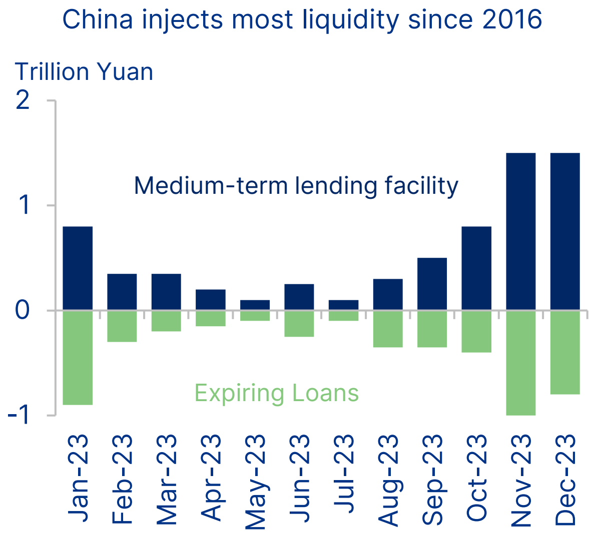
Sometimes, a transient macro concern gives us an opportunity to buy an attractive long-term asset at a great price. Having waited patiently for an entry point into copper-related investments, we took our chance last quarter.

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.

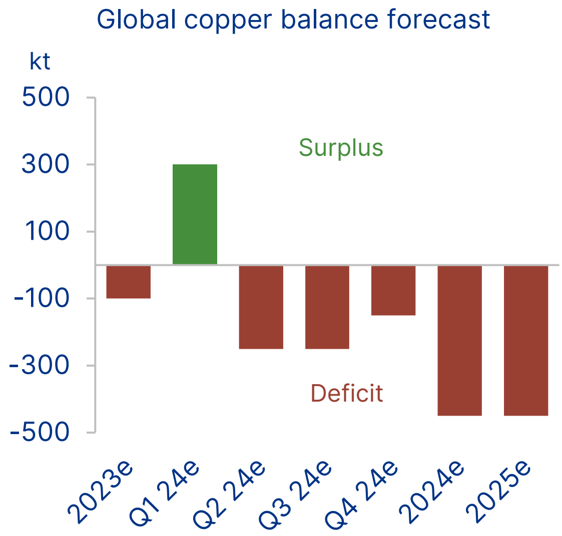
Whilst it seems almost inevitable that the price of copper will rise over time to incentivise new production, short-term swings are driven by sentiment towards the economy and, especially, China.

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.

[ii] Current levels of 2.5% and 3.2% are broadly in line with their respective 25-year averages.



Source: PBOC, Bloomberg. As of January 2024.



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

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