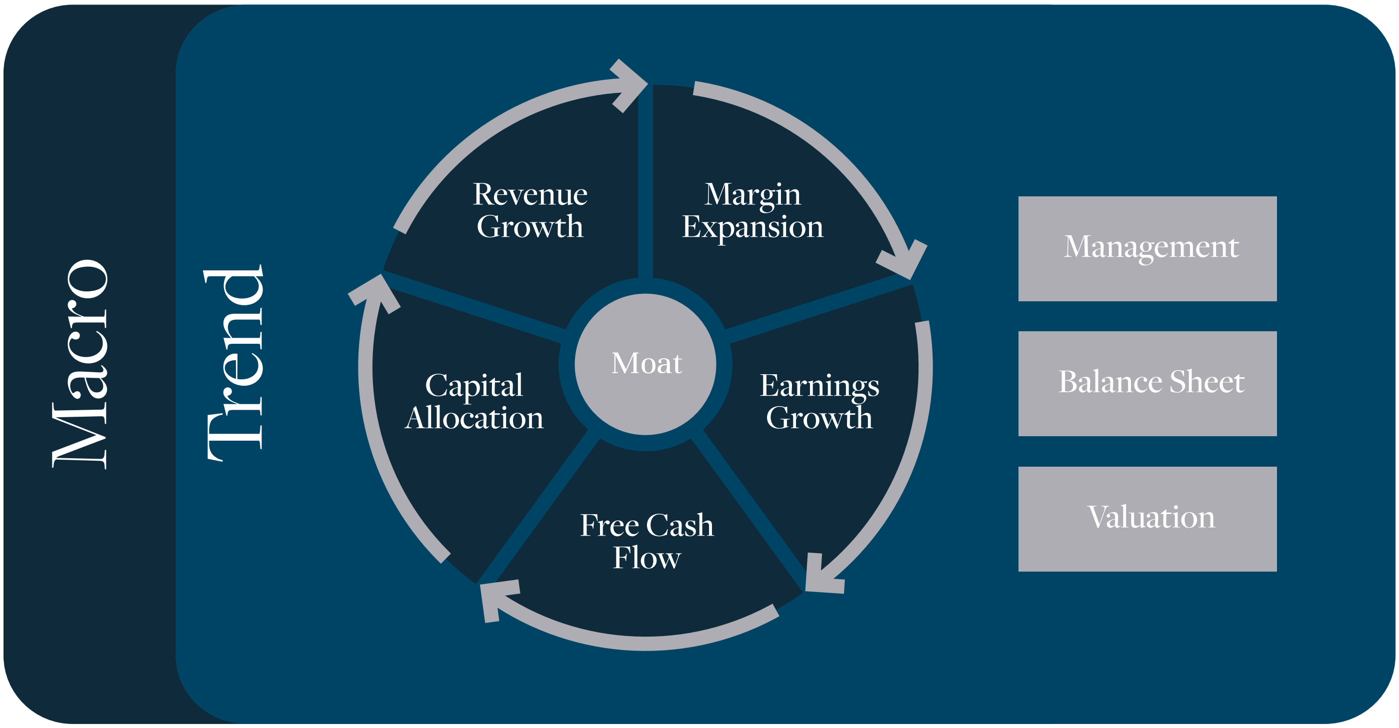
Bottom-Up Research

Our in-house Research team concentrates on making sound investment decisions based on business fundamentals. We invest in best-of-breed businesses benefitting from secular trends propelling revenue growth and initiating the below "Investment Flywheel." Further, we evaluate companies' financial standing, analyze their competitive advantages, and ensure valuations are appropriate.



Precision and Predictability

Bottom-up fundamental analysis is the embodiment of precision and predictability. It is a meticulous process of dissecting individual companies, evaluating their financial health, scrutinizing their competitive advantages, and comprehending their intrinsic value. By engaging in this granular assessment, investors can uncover hidden gems with substantial growth potential and solid fundamentals. This approach allows us to identify companies poised for success irrespective of macroeconomic fluctuations. The precision of bottom-up analysis permits us to make informed investment decisions, free from the vagaries of macroeconomic forecasts.

On the contrary, macro investing—with its focus on global economic trends and market timing—is an inherently challenging endeavor. Predicting macroeconomic shifts accurately is akin to chasing the wind. A plethora of variables, geopolitical events, and unforeseen circumstances often render macro forecasts unreliable. We have witnessed countless instances where highly touted macro calls have fallen flat, causing severe portfolio underperformance. Bottom-up analysis, rooted in the intrinsic merits of individual companies, offers a more reliable path to consistent returns.

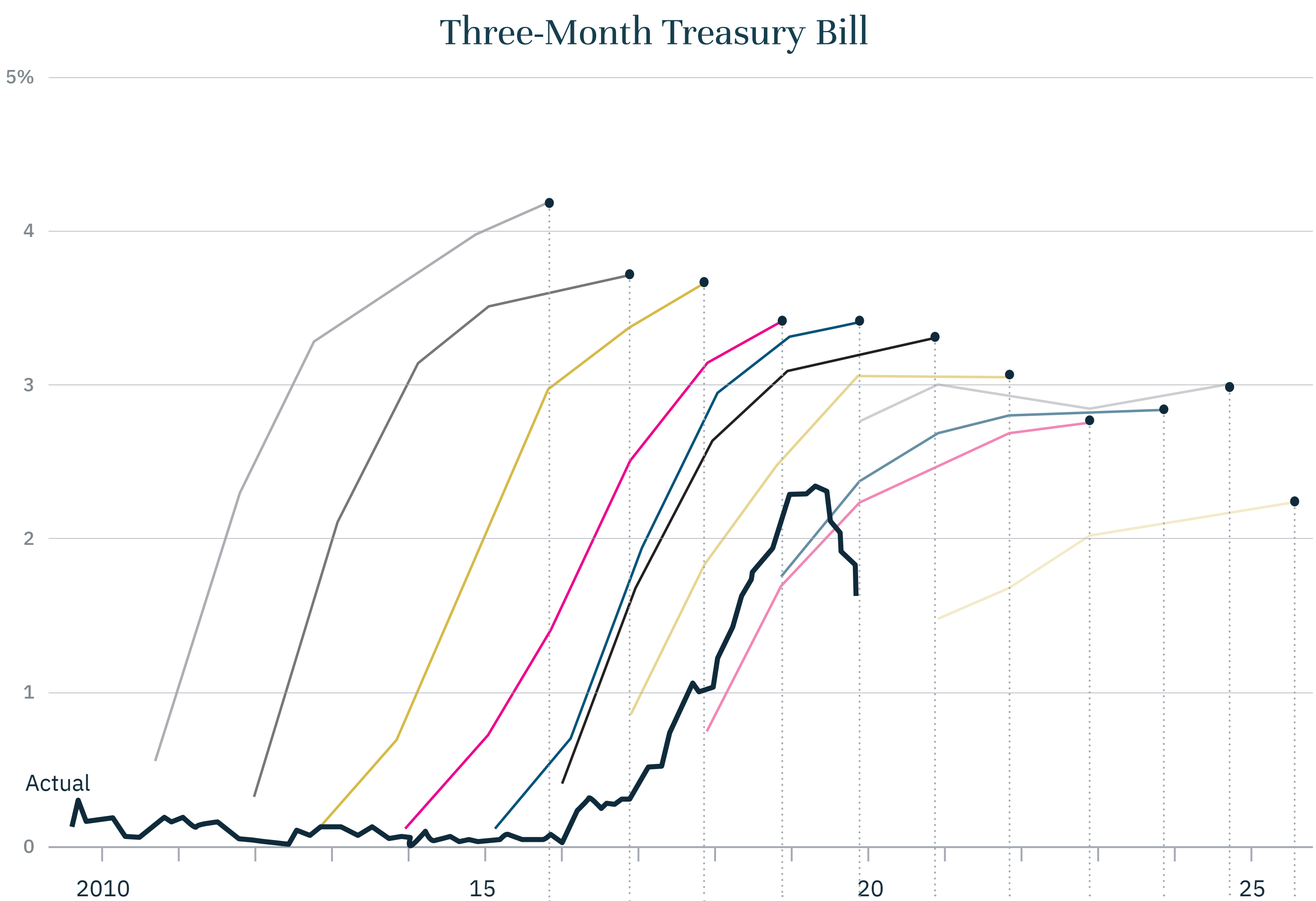
Risk Mitigation and Diversification

Bottom-up fundamental analysis aligns seamlessly with the principles of risk mitigation and diversification. By building a portfolio of carefully vetted individual stocks, we reduce the idiosyncratic risk associated with any single company.

This diversification cushions the impact of poor-performing stocks and provides a more stable foundation for our investments. The focus on specific companies' fundamentals inherently mitigates risk, as our investment decisions are grounded in the companies' operational strengths and weaknesses.

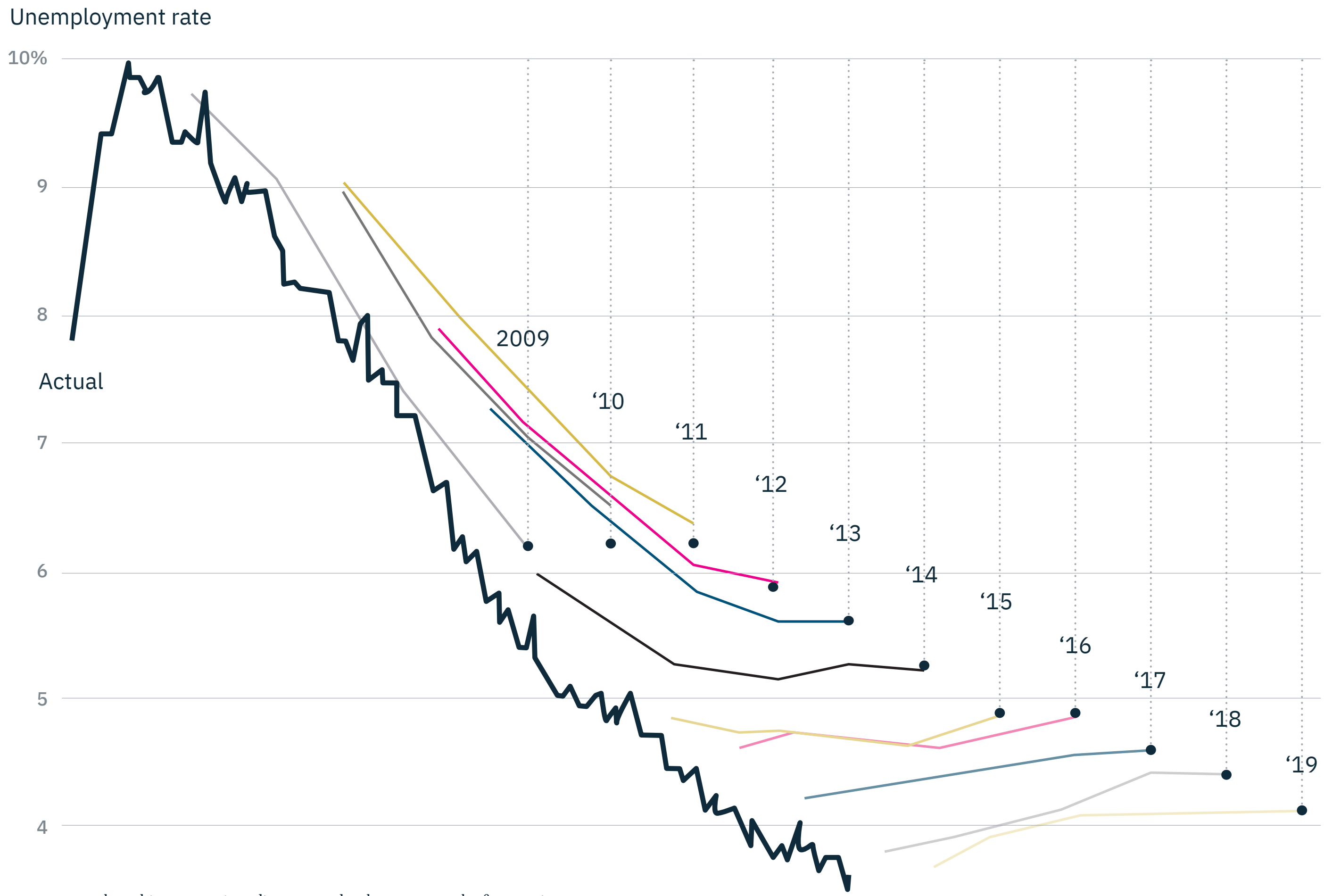
In contrast, macro investing often exposes portfolios to systemic risks and market-wide volatility. A macro call that misses the mark can result in significant losses across a broad array of assets. Attempting to time markets based on macroeconomic trends is akin to navigating treacherous waters without a map. It's a high-stakes gamble that can lead to substantial portfolio turbulence. With its risk-conscious approach, bottom-up analysis is a safer and more resilient strategy.

Exhibit 1: Macro is massively difficult to predict



Source: Blue Chip Economic Indicators, Federal Reserve Bank of St. Louis

Exhibit 2: Macro is massively difficult to predict



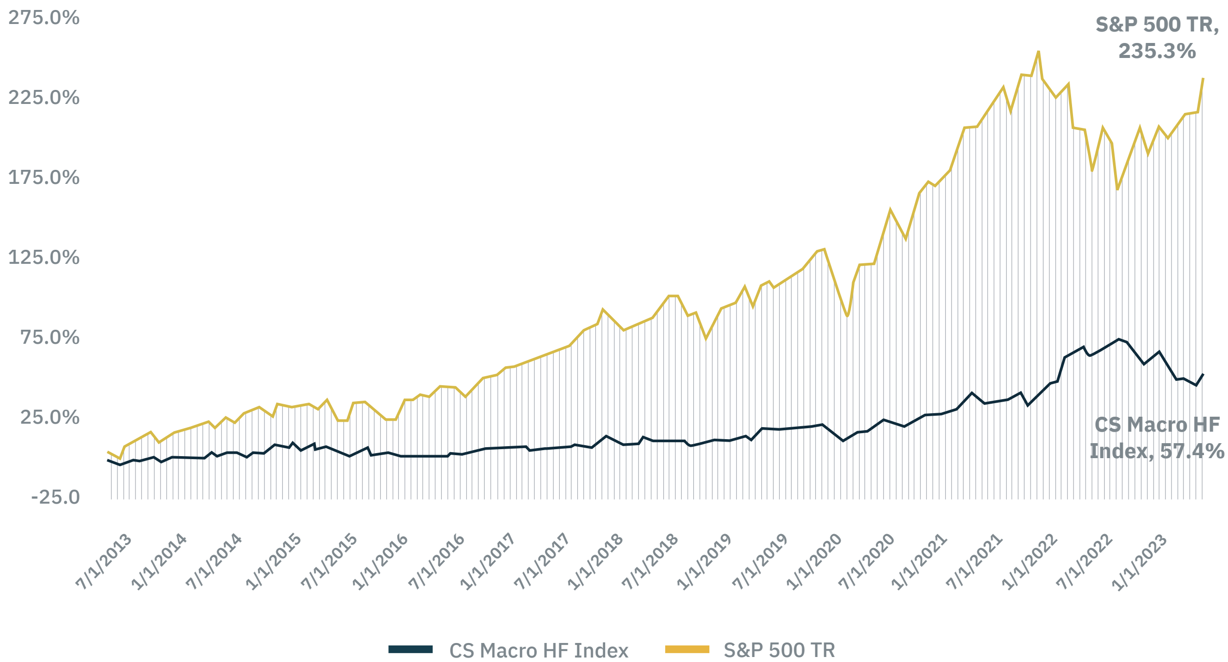
Source: Blue Chip Economic Indicators, Federal Reserve Bank of St. Louis

Consistent Long-Term Performance

Bottom-up analysis is a time-tested approach that has consistently generated returns over the years. It has the advantage of compounding, as investors hold and accumulate fundamentally sound companies that appreciate in value over time. This compounding effect, often underestimated, is a powerful wealth-building mechanism that aligns beautifully with long-term investment objectives.

Conversely, macro investing tends to exhibit greater volatility and shorter investment horizons. Investors frequently find themselves chasing macro trends, which can lead to a frenetic cycle of buying high and selling low. This approach seldom aligns with the principles of patient, long-term wealth accumulation. It is challenging to sustain consistent returns when macro calls are subject to rapid changes and market sentiment.

Exhibit 3: Macro's forecasting challenges can lead to tepid returns



Source: Credit Suisse Macro Hedge Fund Index, S&P 500 Index. Performance is shown from 7/1/2013 through 6/30/2023.

Definitions

The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. This market capitalization-weighted index includes a representative sample of 500 leading companies in the foremost industries of the U.S. economy and provides over 80% coverage of U.S. equities. Index is unmanaged and not available for direct investment. Index returns do not include fees or expenses.