

Resilience and opportunity in an uncertain world

James Knoedler



Curate Global Quality Equity Fund

The quality compounders:
Resilience and opportunity in an uncertain world

Portfolio Managers



Hugh Yarrow



James Knoedler



Cristina Dyer



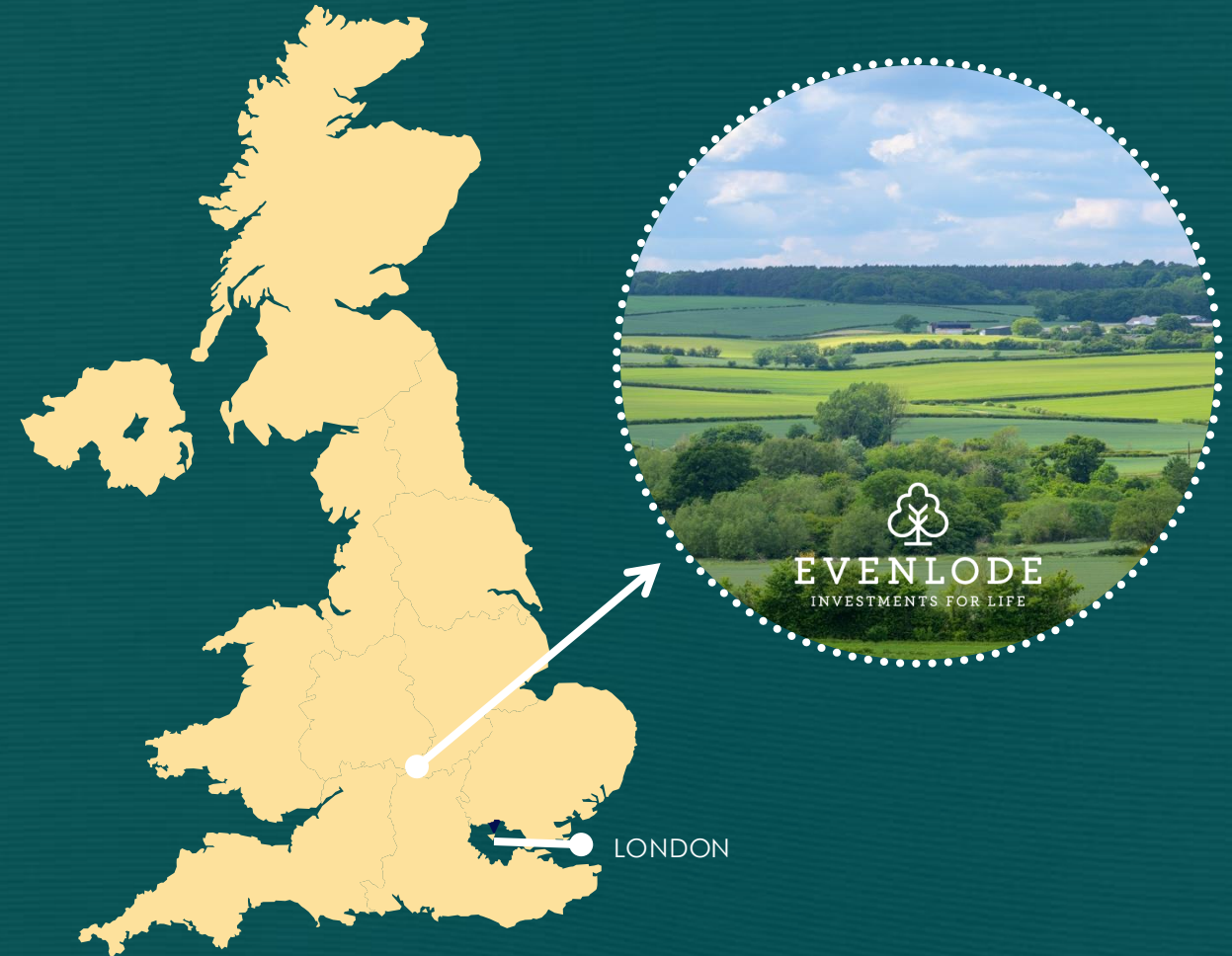
Chris Elliott

Portfolio managers are supported by a multi-generational investment team of
14 investment professionals from diverse backgrounds

Evenlode Investment

curate
THE ART OF INVESTING

Oxfordshire-based
investment
manager founded
in 2009



Business overview of Evenlode



Investment
professionals



of profits **donated**
to charity



AUM



Single unified investment philosophy



Owned by an **employee ownership trust**

Three strategies

Single unified investment philosophy

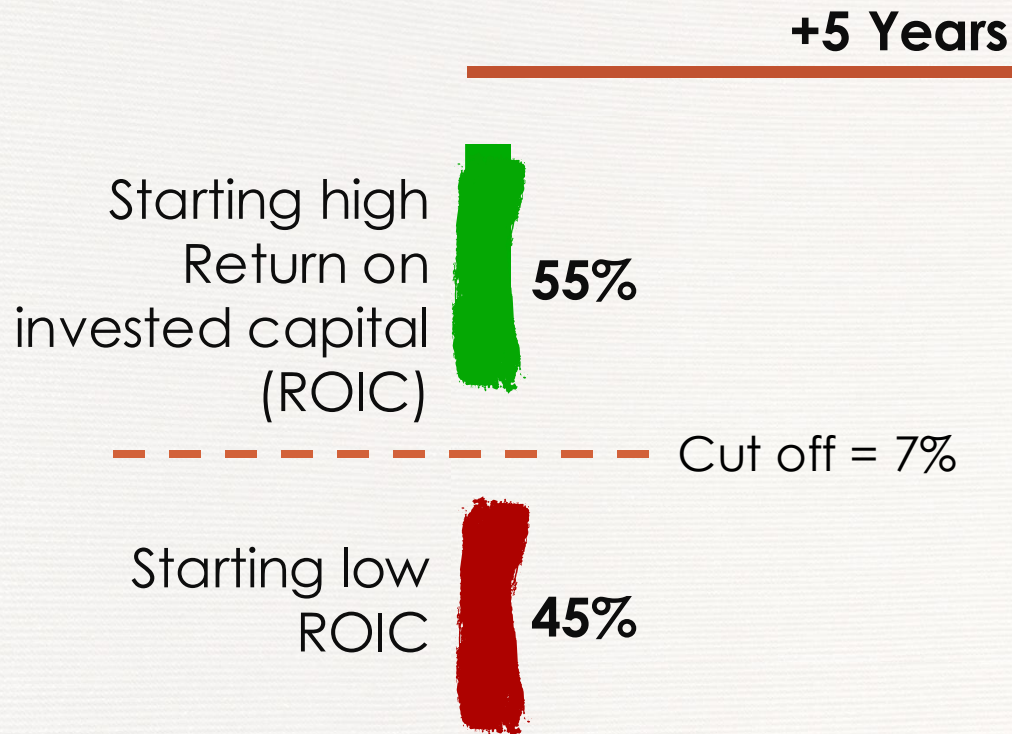


Hugh Yarrow
& Ben Peters
founded Evenlode

Invest in **high quality, cash-generative companies** at **sensible valuations**

What are 'quality' businesses?

A longitudinal study of MSCI World Constituents from 2004 to 2023
(over discrete five-year calendar periods)

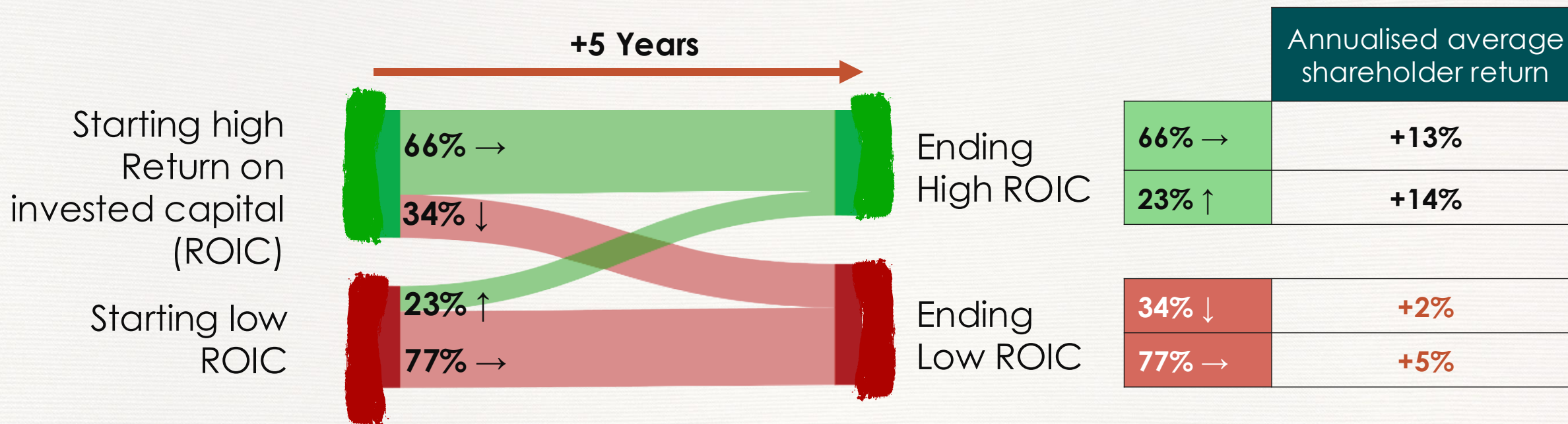


Businesses with a **high starting ROIC** only **slightly outperformed** over five years

- Discrete five-year calendar periods are 31 December 2004 to 31 December 2009, 31 December 2005 to 31 December 2010 etc.. up to 31 December 2018 to 31 December 2023
- Source: Evenlode, MSCI, FactSet. MSCI World Index constituents from 31 December 2004 to 31 December 2023
- Excludes the returns of companies that exited the index over the measured timeframe
- Past performance is not a guide to future performance

What are 'quality' businesses?

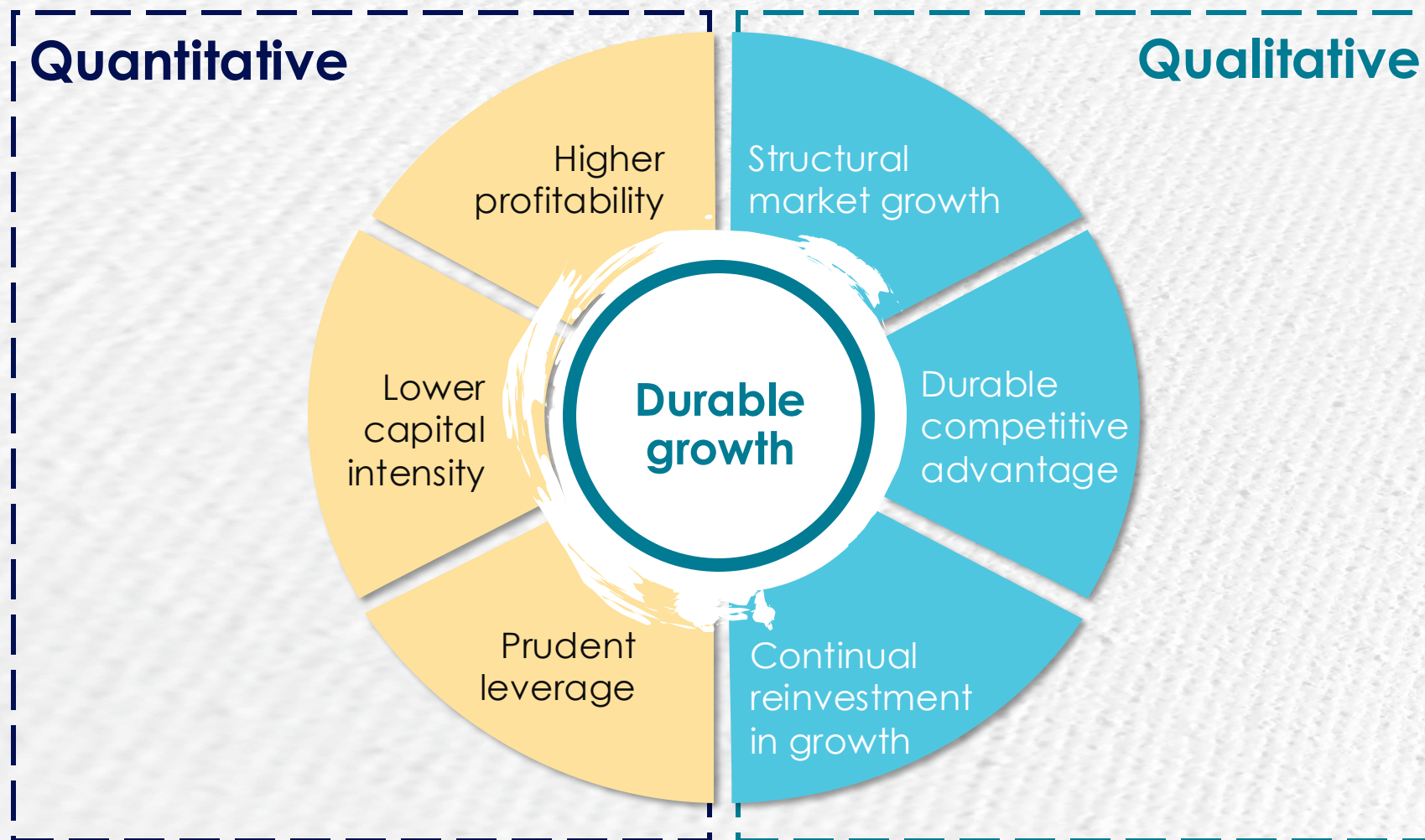
A longitudinal study of MSCI World Constituents from 2004 to 2023
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Company ROICs **change** over time → Resulting in **different** total return profiles

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Characteristics of quality companies



What it takes to be a quality compounder

Trade current earnings for future earnings

Future bias shared by management, shareholders and wider culture

Evidence in category growth and market share growth

Why it's hard: Runs counter to human nature (irrational discounting)

Which is also why it keeps working

Examples

Alphabet

Reinvestment ratio,
foregone revenue, and
strategic bets



LINDT & SPRÜNGLI

Own stores, over
indexed advertising,
vertical integration



Focus on consumer
time spent for
its own sake;
'ship when it's ready'



Patient journey from
essential data
into essential
operating systems



Willingness to use
rebates and incentives
to grow the network
effect



Supply discipline to
create scarcity
(no store growth
compared to peers)

Firm alignment: Structure

Owned by current employees only, in a perpetual trust

All employee beneficiaries rank equally

Separation between management and trustees

Limited repertoire of funds, focus on circle of competency

Reinvestment into team and technology

Flagship fund soft closed, will soft close all funds over time

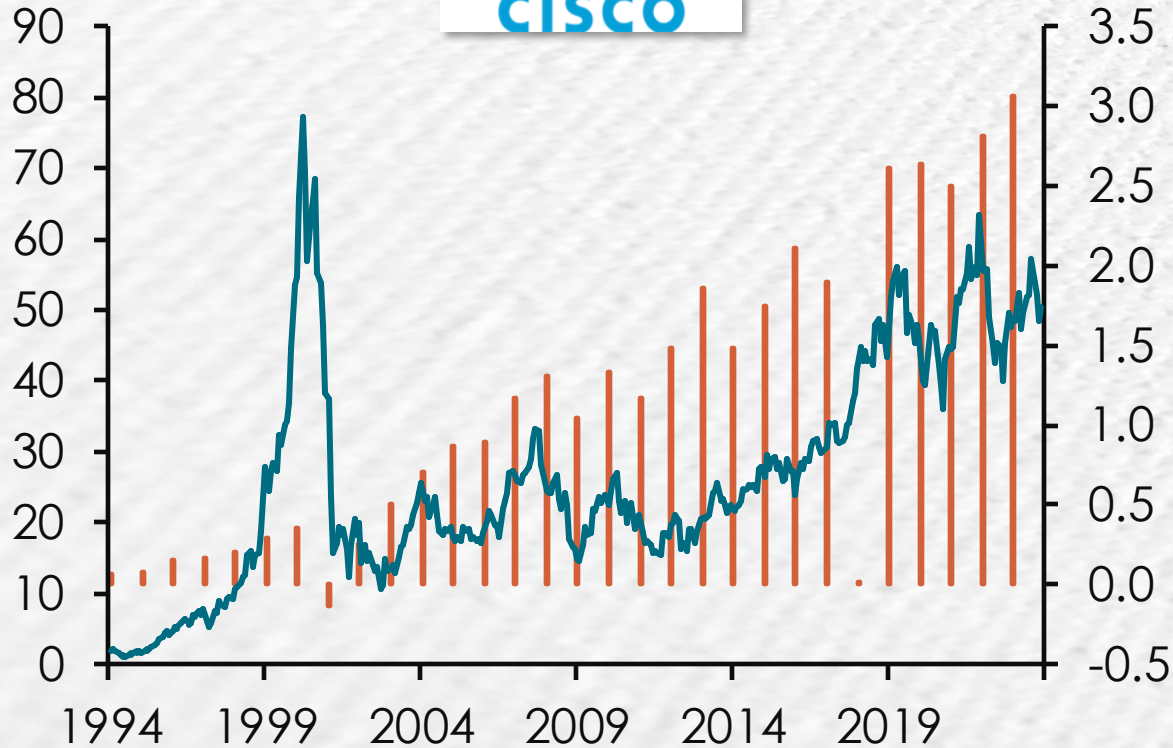
Firm alignment: Process

Three key decisions



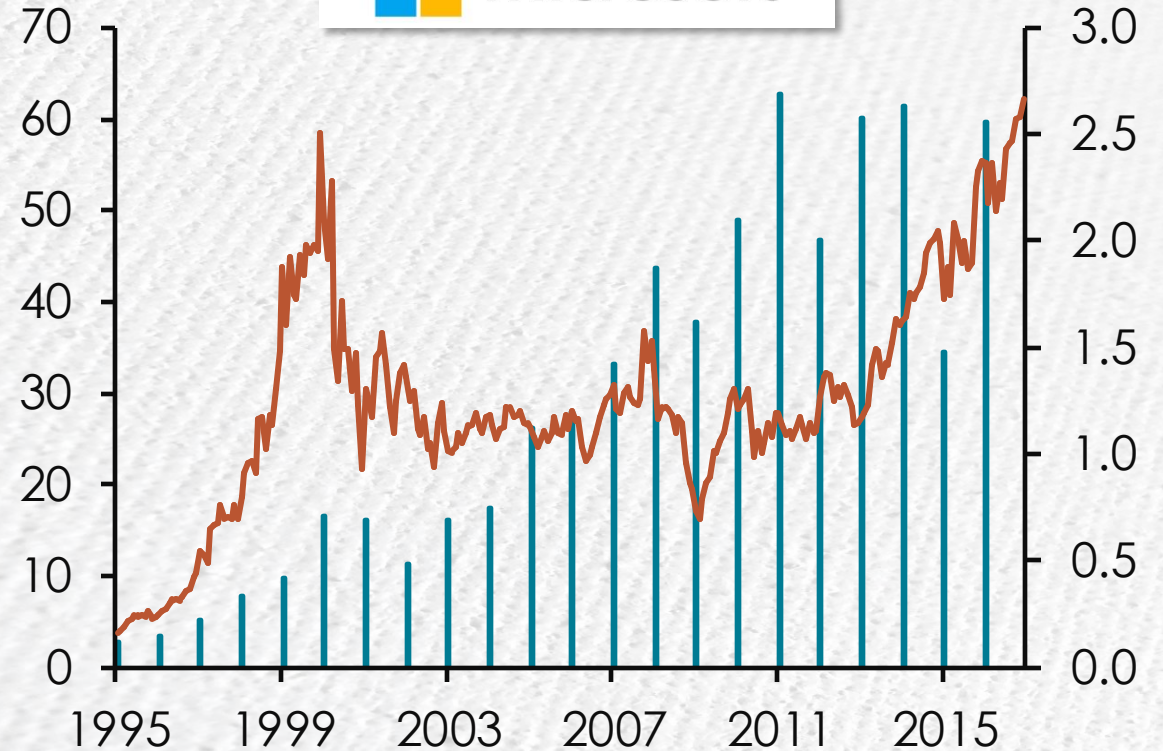
Valuation: Investment outcomes are price-sensitive

cisco



■ EPS (RHS) — Last Price (LHS)

Microsoft



■ EPS (RHS) — Last Price (LHS)

Source: Bloomberg and CapIQ, Cisco price data from 30 January 1994 to 29 December 2023, Microsoft price data from 31 January 1995 to 30 December 2016, Walmart price data from 30 January 1996 to 31 December 2012, Amazon price data from 30 January 1998 to 31 August 2007. Past performance is not a guide to future performance.

Valuation: Investment outcomes are price-sensitive

Walmart



■ EPS (RHS) — Last Price (LHS)

amazon



■ FCFPS (RHS) — Last Price (LHS)

Source: Bloomberg and CapIQ, Cisco price data from 30 January 1994 to 29 December 2023, Microsoft price data from 31 January 1995 to 30 December 2016, Walmart price data from 30 January 1996 to 31 December 2012, Amazon price data from 30 January 1998 to 31 August 2007. Past performance is not a guide to future performance.

Quality shouldn't be at war with valuation

'Price is what you pay, value is what you get'

Share	Next twelve-month free cash flow yield
Kering	10.0%
Hermès	2.2%
OpenText	13.3%
Alphabet	4.2%
Western Union	14.7%
Mastercard	3.3%

Challenge: How to quantify this systematically

Summary

Valuation

Investment outcomes
are price-sensitive

Business

Align firm structure
and mission

Fundamental

Focused on
quality compounders



Thank you



Disclosures

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