

BLS Capital

Global Equity: MSCI ACWI Benchmark

For the month of: **April** **2023**

Manager Performance Calculations

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
BLS	4.51%	6.90%	20.62%	20.30%	13.25%
MSCI ACWI	1.44%	1.57%	2.06%	12.04%	7.03%

Performance Attribution & Strategy Comments

In April, the largest relative contributors to performance were SimCorp (43.0 pct. in US dollar), Microsoft (6.6 pct.) and LVMH (5.5 pct.), while Budweiser APAC (-5.6 pct.), Anheuser-Busch InBev (-2.2 pct.) and Boozt (-5.0 pct.) were the largest detractors.

We remain long-term co-owners of high-quality and resilient market-leading companies with strong brands, considerable pricing power, high margins, capable management teams, and low-to-no debt positioned in consolidated industries within price-inelastic categories. The quality of our companies was confirmed again during April as many of our companies reported solid results, including Automatic Data Processing (ADP), Coca-Cola, Mastercard, Visa, Microsoft, Moody's, S&P Global, Kone and Otis.

China is fully reopened, which should significantly boost economic activity in the country. This is visible from our companies with operational exposure in the country. LVMH, our luxury conglomerate, is seeing high activity in China and Otis and Kone, our elevator companies, also saw increased activity in China, with Otis reporting a strong order intake in China and Kone revising its outlook upwards.

Coca-Cola grew revenues by 12 percent of which 11 percent was due to price/mix effects. Despite significant price increases, the company still managed to increase volumes by one percent and improve profitability, highlighting the low price elasticity and resiliency of its brands. It's evident that companies with strong consumer brands are able to pass on cost increases to customers by raising prices. This is also exemplified by LVMH, which reported strong double-digit growth in the first quarter of 2023. In general, analyst estimates for staples companies have been revised upwards this year despite high cost inflation, indicating low elasticities in the sector. As the cost pressure subsides, we do not believe prices of branded consumer products will decrease, causing a lasting uplift in margins.

Driven by rapidly growing demand for its obesity and diabetes treatments, Novo Nordisk doubled its full year guidance for operating profit growth to 28-34 percent. Furthermore, production capacity for its obesity treatment will be boosted as its second contract manufacturer has now gone live.

ADP had a good quarter, reflecting strong execution and a strong labor market. Positive developments in both its segments contributed to 9 percent growth and margin expansion. Increasing interest rates will be a tailwind in the coming years as ADP earns interest on funds held for clients.

On April 27, Deutsche Börse Group offered to acquire SimCorp, our investment management software company, at a 39 percent premium to the closing price on April 26. This offer is recognition of SimCorp's potential to expand its cloud-based solutions to the investment management industry.

In April, we increased our holdings in ADP, Experian and Coca-Cola. While these companies have delivered solid operational results, their share prices have not reflected this. The increases were funded using proceeds from reducing our holdings in Microsoft and Novo Nordisk, based on their substantial share price appreciation.

Manager Style Summary

BLS is a "bottom-up" manager, whose process is driven by individual security selection. They invest in quality companies which have the best possibility of creating sustainable value and generating attractive risk adjusted returns to investors in the long term. Country and sector exposures are by-products of the security selection process and are unconstrained by index weights. The portfolio consists of roughly 25-30 securities at a time. It is a concentrated global equity portfolio, and as such, may experience more volatility relative to the market.

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Portfolio Guideline Compliance

Portfolio Guideline:	BLS	Min	Max	Compliance
B3. No more than 10% of the account shall be invested in any one security @ purchase				Yes
B4. No more than 2 companies headquartered in Denmark				Yes
B5. Number of issues	28	25	30	ok
B6. Normal Regional Exposures (* benchmark +/- min/max):				
North America	48%	35%	50%	ok
Japan	0%	0%	0%	ok
Europe ex UK	31%	15%	35%	ok
UK	16%	5%	13%	check
Pacific ex Japan	0%	0%	0%	ok
Emerging Markets	6%	10%	30%	check
Non-Index Countries	0%	0%	0%	ok
Total	100%			
B7. Normal Global Portfolio Characteristics				
Capitalization (45%-75%)	197	45	75	check
Price/Book Value	10.5	5	9	check
Price/Earnings (current)	26.3	17	23	check
Price/Cash Flow (current)	22.3	19	24	ok
Dividend Yield	1.6%	1.8%	2.8%	check
ROE	48%	31%	37%	check
ROIC	47%	42%	50%	ok
FCF Yield	4.5%	3.8%		ok
F2. Brokerage commissions not to exceed \$0.03/share for U.S. equities				Yes
F3. Annual turnover	47%		40%	check
The portfolio is in compliance with all other aspects of the Portfolio Guidelines			<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Manager Explanations for Deviations from Portfolio Guidelines

B6. Regional Exposures:	We have seen more attractive risk-adjusted return potential in our UK companies as opposed to Emerging Markets holdings.
B7. Capitalization:	We continue to see attractive risk-adjusted returns in higher market cap names, as well as RoE.
B7. Price/Earnings:	Our primary measure of valuation is free cash flow yield, why we do not find the deviation from historical range of dividend yield, P/E and P/B concerning.
F3. Annual Turnover:	The market has provided more price/value disconnections than usual, and we have taken advantage of these opportunities.

Total Firm Assets Under Management (\$m) as of:	Qtr 1	\$	8,361
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Organizational/Personnel Changes

There were no changes to the investment team in April 2023.

Account Turnover

Gained:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
Lost:	Number of Accounts:	0	Total Market Value (\$m):	\$	-
	Reason(s):				