

BLS Capital

Global Equity: MSCI ACWI Benchmark

For the month of:

May

2025

Manager Performance Calculations

* Annualized returns

	Last Month	Last 3 Months	Last 1 Year	Last 3 Years*	Last 5 Years*
BLS	5.67%	1.62%	18.97%	10.89%	13.57%
MSCI ACWI	5.75%	2.52%	13.65%	12.30%	13.37%

Performance Attribution & Strategy Comments

In May, the largest relative contributors to performance were St. James's Place (20% return in US dollars), Novo Nordisk (4%), and Anheuser-Busch InBev (ABI; 10%). Conversely, Experian (0%), Yum China (1%), and Otis Worldwide (-1%) were the largest relative detractors.

The positive sentiment in May was bolstered by a robust first-quarter earnings season. 13 of our companies reported during the month and continued the trend from April with decent or solid results. The reporting season, however, reveals a divergent consumer environment. While the spending overall remains fairly solid, discretionary consumer spending has been under some pressure and the picture is reflecting elevated uncertainty and weak consumer confidence. Another emerging theme is that our companies focus on controllables as we would expect them to do. A disciplined focus on internal operations is evident in Diageo, Yum China, Budweiser APAC, LVMH, Better Collective and Boozt which have all taken steps to improve efficiency and profitability as top-line growth has become less reliable.

Novo Nordisk reported its first-quarter results, showing 18% revenue growth and 20% operating profit growth. As largely expected by the market, Novo Nordisk also made a 3-percentage point downgrade to their full-year guidance. The midpoints for the new guidance are 17% for revenue growth and 20% for operating profit. This lower-than-expected growth in Q1 is partly attributable to the situation in the U.S., where compound pharmacies have been permitted to produce copies of Wegovy, the company's flagship obesity treatment. However, as of May 22, the product has been removed from the list, meaning compounders can no longer legally do this. Novo Nordisk has strengthened their commercial focus in the US market, with a new EVP for the US operations, Dave Moore, and other changes in the management level. As Eli Lilly has been able to drive stronger growth, this indicates that the lower-than-expected growth is not merely due to compounders.

ABI reported solid Q1-2025 results with organic revenue growth of +1.5% driven by 3.7% price/mix while volumes declined by -2.2%. This performance was supported by growth in Brazil, which helped offset declines in other regions such as China and Argentina. Organic EBITDA saw a solid increase of 8%. The company maintained its outlook for organic EBITDA growth 4-8%. ABI thus demonstrated continued progress in its operational and financial strategy. As cash flow generation continues to be high, ABI is strengthening the balance sheet, and has been had a net debt/EBITDA below 3x since year end 2024. This provides greater flexibility for future capital allocation, including increases in distributions to shareholders. The potential for continued margin recovery to pre-pandemic levels is central to its longer-term prospects as a consistent compounder.

We increased our holdings in Expeditors, Haleon and Yum China following recent valuation de-rating. These purchases were funded by DSV, St. James's Place, and ABI.

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				No
B5. Number of issues	26	25	30	ok
B6. Normal Regional Exposures (* benchmark +/- min/max):				
North America	39%	35%	50%	ok
Japan	0%	0%	0%	ok
Europe ex UK	33%	15%	35%	ok
UK	23%	5%	13%	check
Pacific ex Japan	0%	0%	0%	ok
Emerging Markets	5%	10%	30%	check
Non-Index Countries	0%	0%	0%	ok
Total	100%			
B7. Normal Global Portfolio Characteristics				
Capitalization (45%-75%)	110	45	75	check
Price/Book Value	6.7	5	9	ok
Price/Earnings (current)	20.8	17	23	ok
Price/Cash Flow (current)	18.6	19	24	check
Dividend Yield	2.0%	1.8%	2.8%	ok
ROE	47%	31%	37%	check
ROIC	46%	42%	50%	ok
FCF Yield	5.4%	3.8%		ok
F2. Brokerage commissions not to exceed \$0.03/share for U.S. equities				Yes
F3. Annual turnover	41%		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

B4. Denmark HQ Limit:	We see attractive risk-adjusted return potential in our globally exposed companies with HQs in Denmark. We assess underlying exposure more so than location of HQ.
B6. Regional Exposures:	We have continued to see more attractive risk-adjusted return potential in our European and UK listed companies as opposed to Emerging Markets holdings.
B7. Capitalization:	We continue to see attractive risk-adjusted returns in higher market capitalization names.
B7. ROE & Price/Cash FLOW:	We continue to see attractive opportunities in companies with a low price to cash flow ratio and higher returns on equity.
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	\$	7,924
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Organizational/Personnel Changes

There were no changes to the investment team in May 2025.

Account Turnover

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