

## Bernstein Global Strategic Value

Global Equity: MSCI ACWI Benchmark

For the month of: **January** **2025**

### Manager Performance Calculations

\* Annualized returns

|               | Last<br><u>Month</u> | Last<br><u>3 Months</u> | Last<br><u>1 Year</u> | Last<br><u>3 Years*</u> | Last<br><u>5 Years*</u> |
|---------------|----------------------|-------------------------|-----------------------|-------------------------|-------------------------|
| Bernstein GSV | 5.27%                | 5.97%                   | 18.81%                | 6.67%                   | 8.48%                   |
| MSCI ACWI     | 3.36%                | 4.68%                   | 20.72%                | 8.41%                   | 11.04%                  |
| Russell 3000  | 3.16%                | 6.66%                   | 26.32%                | 11.36%                  | 14.60%                  |

### Performance Attribution & Strategy Comments

**Portfolio Performance:** In January, the Portfolio increased in absolute terms and outperformed its Benchmark, the MSCI ACWI, gross and net of fees. Both stock and sector selection contributed to overall relative performance, gross of fees. Stock selection within technology and industrials contributed the most, while selection within communication services and consumer discretionary detracted, offsetting some gains. Middleby, a global leader in manufacturing innovative cooking equipment for the commercial, residential and industrial foodservice markets, contributed. Shares rose with news of the arrival of an activist investor seeking board seats and the company's acknowledgement of considering a spin-off of its residential kitchen business unit through its acquisition of Gorreri Food Processing Technology, an Italy-based manufacturer of specialty dessert production equipment. As a result, several analysts have raised their FY 2025 earnings estimates for the company. Middleby maintains strong financials with ample liquidity plus an impressive growth trajectory and strong market position, as it continues to expand its global footprint. Royalty Pharma, the world's largest buyer of biopharmaceutical royalties and a leading funder of innovation in life sciences, contributed. The company announced acquisition of its external manager, RP Management, for a total value of around \$1.1 billion. This transaction to simplify Royalty Pharma's corporate structure is expected to result in multiple benefits for shareholders, including reducing costs and enhancing economic returns on investments. Royalty Pharma also announced the sale of MorphoSys development funding bonds for \$511 million in upfront cash during the month. Also, the board approved a \$3 billion share repurchase program as part of the company's evolving approach to returning capital to shareholders. **Outlook:** It was an eventful first month of the year with the Bank of Japan raising rates, the Federal Reserve holding still and the European Central Bank cutting—all as expected. The biggest surprise of January was news out of China that DeepSeek released a new AI model that purports to be significantly more efficient than existing models, which has big potential implications on the entire AI complex. With the announcement at the end of the month of tariffs being imposed on Canada, Mexico and China by the US, February is shaping up to be another impactful month. The MSCI ACWI Value Index outperformed the style-neutral index by 0.9% in US-dollar terms in January, with significant style volatility driven by shifting AI sentiment and DeepSeek. The year 2024 was another of historically narrow market performance driven by mega-cap US technology companies, which generally is not favorable for our Portfolio. But this is an environment that we do not expect to continue forever, as shown by the DeepSeek surprise this month. We believe our Portfolio is well positioned with a collection of underappreciated businesses, as well as businesses undergoing positive changes with overall good growth prospects and profitability characteristics yet trading at a large discount to the market. We have about a 15% underweight to US mega-cap tech stocks (the Magnificent Seven) compared with the market; we believe this is appropriate, as we feel we can find other strong businesses trading at much more attractive valuations. Our key bets include overweight positions to memory semiconductors, European aerospace and defense, SMID-cap US industrials, and US communications services and materials, as well as underweight positions to tech (excluding memory semis), large-cap industrials (excluding aerospace and defense), consumer staples and non-bank financials. We made some trims and additions to existing positions in January, in addition to a couple new name additions and exits.

### Manager Style Summary

*Bernstein is a research-driven, value-based, "bottom-up" manager, whose process is driven by individual security selection. Country allocations are a by-product of the stock selection process, which drives the portfolio country over and under weights. They invest in companies with long-term earnings power, which are undervalued due to an overreaction by the market. This value bias will result in a portfolio which will tend to have lower P/E and P/B ratios and higher dividend yields, relative to the market. The Global Strategic Value product 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:  | Index   | Bernstein | Calc | Min | Max                                     | Compliance                  |
|---|---------|-----------|------|-----|---|-----------------------------|
| B3. Security position <= 10% of the account @ purchase                                  |         |           |      |     |   | ok                          |
| B4. Number of issues  |         | 56.0      |      | 25  | 75                                      | ok                          |
| B5. Normal Regional Exposures (* benchmark +/- min/max):                                |         |           |      |     |   |                             |
| United States *   | 66%     | 55%       |      | 41% | 91%                                     | ok                          |
| Europe ex U.K. *  | 11%     | 11%       |      | -4% | 26%                                     | ok                          |
| UK *  | 3%      | 12%       |      | -7% | 13%                                     | ok                          |
| Japan *   | 5%      | 10%       |      | -5% | 15%                                     | ok                          |
| Emerging Markets  |         | 7%        |      | 0%  | 20%                                     | ok                          |
| Other   |         | 6%        |      | 0%  | 20%                                     | ok                          |
| B6. Normal Global Portfolio Characteristics (MSCI ACWI)                                 |         |           |      |     |   |                             |
| Capitalization  | 669,920 | 274,899   | 41%  | 50% | 100%                                    | check                       |
| Price/Book Value  | 3.4     | 2.3       | 69%  | 50% | 100%                                    | ok                          |
| Price/Earnings (Next 12 mo)   | 16.6    | 12.6      | 76%  | 50% | 100%                                    | ok                          |
| Price/Cash Flow   | 15.6    | 9.5       | 61%  | 50% | 100%                                    | ok                          |
| Dividend Yield  | 1.8     | 1.9       | 106% | 75% | 200%                                    | ok                          |
| C1. Currency or cross-currency position <= value of hedged securities                   |         |           |      |     |   | ok                          |
| No executed forward w/o a corresponding securities position.                            |         |           |      |     |   | ok                          |
| C2. Max forward w/ counterparty <= 30% of total mv of account                           |         |           |      |     |   | ok                          |
| Forwards executed with Custodian <= 100% of the total mv of account, given credit check |         |           |      |     |   | ok                          |
| F2. Brokerage commissions not to exceed \$0.05/share for U.S. equities                  |         |           |      |     |   | ok                          |
| F3. Annual turnover   |         | 57%       |      | 30% | 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

- F3. Annual Turnover: Turnover will vary throughout market cycles based on the level of volatility in markets and the changing nature of the value opportunity.
- B6. Capitalization: Our portfolio average capitalisation weight relative to the benchmark is driven by two factors. We find some smaller cap ideas very attractive.

Total Firm Assets Under Management (\$m) as of:

Qtr 4 \$792,184

### Organizational/Personnel Changes

Investment decisions for Global Strategic Value are made by the Chief Investment Officer and Director of Research. For the month of January 2025 there were no personnel changes for the GSV portfolio.

### Account Turnover

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