

The Sustainable Value strategy slightly outperformed its benchmark in the third quarter. While we typically underperform during strong market rallies, our focus on stock selection often helps us make up ground in down markets. This quarter, more than half of our holdings gained over 10%, driving our outperformance. However, sector allocation, particularly in Real Estate and Technology, was a drag on results.

Sector Highlights

Although our Real Estate holdings performed well and outperformed the benchmark return, our underweight position in this top-performing sector impacted our relative performance. We believe the sector's strength was primarily driven by the recent decline in interest rates.

The Technology sector was our largest detractor during the third quarter, mainly due to Veeco Instruments Inc. (VECO) and Amkor Technology, Inc. (AMKR). While other technology holdings delivered positive returns, a benefit of our diversification within the sector, VECO and AMKR underperformed as market sentiment around AI cooled.

Our Energy sector holdings were the standout performers this quarter. We recognize that many of our peers avoid investing in fossil fuels, but we believe that a just transition to renewable energy will take time and that divestment alone won't drive change. The global economy still relies heavily on fossil fuels, and a sudden shift away from them could have severe economic consequences. By engaging with companies to improve their environmental practices, we believe we can make a more significant impact. Finally, excluding an entire sector from a portfolio could limit investors' potential to achieve optimal returns.

Our sole Energy holding, CNX Resources (CNX), was a key driver of outperformance. CNX, a Marcellus Shale E&P company, ironically has the lowest carbon footprint among all our holdings. Remarkably, they are carbon negative to the tune of 7.5 million tons per year through methane sequestration from local coal mines that would otherwise escape into the atmosphere.

We have owned CNX since 2021, attracted to their proactive approach to hedging, capital allocation and prodigious free cash flows. We also liked that they are leaders on the environment! We believe the market is now beginning to recognize the value we identified years ago.

Top Contributors and Detractors

Veeco Instruments Inc. (VECO) was the largest detractor from performance during the 3rd quarter. VECO, a maker of semiconductor manufacturing equipment, benefitted from the enthusiasm surrounding AI, which runs on the most advanced semiconductors, during the first half of 2024. Semiconductor stocks generally (represented by the SOX - Invesco PHLX Semiconductor ETF) gained 45% through July 2024, and VECO specifically gained 60%. During the third quarter, AI-related stocks saw a decline as market sentiment on AI cooled. VECO was not spared and gave up most of its gains. Despite trimming our position, we maintain a stake, believing that AI investment will continue to grow, positioning VECO for long-term gains.

Western Alliance Bancorporation (WAL) was our top contributor in the third quarter. This was largely driven by macro developments around rate cuts in the second half of 2024. This drove the banking sector higher and as WAL has more beta than the average bank, it outperformed. Fundamentally, WAL is set up well to benefit more from lower rates than most banks. A large expense line item for WAL is deposit cost, which will come down with the Federal Reserve rate cuts, and WAL has a large mortgage business, which will also see more activity with lower mortgage rates. We have already seen an uptick in the mortgage indexes.

Strategy Additions

Our portfolio remains focused on companies with strong cash generation and solid balance sheets, avoiding over-leveraged positions. We aim to drive performance by identifying undervalued stocks with asymmetrical return potential, like our recent addition, Capri Holdings (CPRI).

Capri, which owns brands like Versace, Jimmy Choo, and Michael Kors, presents a unique opportunity as it recently agreed to a sale to Tapestry, Inc. (TPR). As of this writing, CPRI trades at a significant discount to the closing price due to the FTC's challenge to the merger. We believe the government's concerns about a monopoly in the "affordable luxury" market are unfounded.

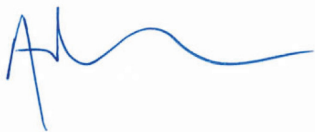
We purchased Capri at a price similar to pre-deal levels in August 2023. If the merger is blocked, we estimate a downside to the low 30s, but if successful, the stock should reach Tapestry's offer of \$57 per share, representing over 60% upside. Given our confidence in the trial's progress and Capri's fundamental strength, we believe this risk-reward profile is compelling.

Additionally, we initiated a position in Lantheus Holdings Inc. (LNTX), a leader in radiopharmaceuticals. Lantheus has seen commercial success with its products Definity and PYLARIFY, driving over \$1.4 billion in revenue. We expect continued growth as PYLARIFY gains market share and the company's innovative pipeline supports future profitability.

Outlook

Our strategy remains consistent with our long-term view. We continue to expect that the Federal Reserve has a good chance of engineering a soft landing for the economy. We are maintaining a balanced approach across cyclical sectors, including Energy, Financials, Industrials, and Technology. While we cannot predict unforeseen geopolitical events or market disruptions, our focus remains on investing in companies with solid balance sheets, strong cash flow generation, and the ability to invest in future growth.

As always thank you for your trust and confidence and please reach out with any questions.



Adam Peck
Founder & CIO

Sustainable Value Strategy
Largest Contributors and Detractors – Q3 2024

5 Best - Absolute Contribution			
Ticker	Company	Average Weight	Contribution
WAL	Western Alliance Bancorp	4.55%	147 bps
LMNR	Limoneira Company	5.46%	136 bps
CNX	CNX Resources Corporation	4.07%	116 bps
TGLS	Tecnoglass Inc.	3.29%	100 bps
EVR	Evercore Inc. Class A	3.17%	86 bps
5 Best Total		20.54%	585 bps

5 Worst - Absolute Contribution			
Ticker	Company	Average Weight	Contribution
VECO	Veeco Instruments	3.83%	-160 bps
ATKR	Atkore Inc	3.35%	-159 bps
AMKR	Amkor Technology, Inc	3.13%	-58 bps
CRL	Charles River Laboratories, Inc.	2.75%	-16 bps
CROX	Crocs, Inc	3.03%	-15 bps
5 Worst Total		16.09%	-408 bps

Disclosures:

Reader should not assume that investments in the securities identified were or will be profitable. Timing differences of purchases and sales may have a modest impact on the actual contribution numbers presented. The holdings identified do not represent all the securities purchased, sold, or recommended. The calculation's methodology along with details on all holding's contribution to the overall account's performance during the measurement period are available upon request. Past performance does not guarantee future results.