

2022-2023 CUSP Fund Buy and Sell Decisions

PURCHASES:

Aon PLC (AON)

Aon is one of the largest insurance brokers in the U.S. We believe that the firm is a particularly attractive investment given its strong profitability, growth, shareholder returns and valuation. For example, relative to its peer group average, Aon's profit margin is 43% higher, its FCFF/Assets is 65% higher, its FCFF/Assets three-year CAGR is 657% higher and its combined buyback-dividend yield is 142% higher. Despite Aon's superior financials, its P/E was only 2% above its peers, and its P/FCFF was 19% below its peers. The CUSP managers added AON to the portfolio in March 2023.

Carlyle Group Inc. (CG)

The CUSP Fund positions in banks within the Financials sector are JP Morgan Chase & Co., Bank of America and Hilltop Holdings. The CUSP Fund managers voted to exit its position in Evercore Inc. and purchase Carlyle Group Inc. (CG) as a replacement. We believe Carlyle Group Inc. has a larger stock appreciation potential due to the firm's strong profitability metrics and reasonable valuation metrics. We also believe the private equity subsector has the potential for the largest tailwinds in the next three-to-five years relative to other sectors within the industry. We added CG to the CUSP in April 2023. (ADDED NOTE: Before breaking for the summer, CUSP managers sold its only regional bank, Hilltop Holdings (HTH), out of an abundance of caution given the current stresses in that market. HTH was replaced by Evercore but only so long as the uncertainty surrounding regional banks subsides. The change was made largely because the CUSP is not monitored as closely during the summer months.)

Corning Inc. (GLW)

Corning Inc. (GLW) is involved in the design and manufacturing of glass for many applications. Its business is divided into six segments: display technologies, optical communications, specialty materials, environmental technologies, life sciences and all other, which includes the auto glass and Hemlock Semiconductor Group businesses. With its superior products, large number of meaningful patents and diverse revenue sources, Corning Inc. has pricing power in a market that is facing pressure on margins. CUSP managers voted to add Corning Inc. to the portfolio in April 2023 to diversify within the technology hardware space and add a company producing a product with a wide range of use cases that was trading at an attractive valuation.

Crocs Inc. (CROX)

Crocs is the second largest casual footwear retailer in the world. A recent acquisition of HEYDUDE shoes further solidifies Crocs' market share and expands its product offerings. Crocs is projected to leverage its significant international presence and its logistics network to increase HEYDUDE's revenues by 20% with an operating margin around 25%. Moving forward, the firm is expected to maintain and expand industry-leading operating and net profit margins generating

favorable returns for the CUSP. The CUSP managers voted to add the stock to the portfolio in March 2023.

Exelixis Incorporated (EXEL)

Exelixis Incorporated (EXEL) is a market leader in tyrosine kinase inhibitor (TKI)-based oncology therapies. The potential of Cabozantinib, the biotech firm's primary revenue driver, made for an intriguing investment proposition. Cabozantinib, used to treat kidney cancer, is the leading drug of its treatment type with properties that are adaptable for use in other cancers, as reflected in the firm's pipeline of drugs. The firm's prospects coupled with a relatively conservative valuation, likely due to volatility on the income statement, led the class to add EXEL to the portfolio in March 2023.

Herc Holdings (HRI)

CUSP managers added Herc Holdings (HRI) to the industrials sector in April 2023. Herc Holdings Inc. operates through a subsidiary, Herc Rentals, as an equipment rental supplier offering a large portfolio of industrial equipment for rent. Herc Rentals' classic fleet includes equipment such as aerial, trucks and trailers, material handling, air compressors, earthmoving, compaction and lighting. Its industry-specific services include power generation, climate control, remediation and restoration, pumps, trench shoring and studio and production equipment. Herc Rentals was deemed a good investment by the CUSP managers due to its attractive valuation and its aggressive growth strategy.

Kroger (KR)

With more than 2700 grocery stores under its umbrella, Kroger (KR) is America's largest supermarket operator and the fifth-largest general retailer in America. We proposed adding Kroger to the CUSP Fund based on its increased sales in private label goods, the use of data science to enhance the consumer experience and management's ability to execute under difficult supply chain and labor conditions. Year over year, Kroger has increased digital sales by 12% and private label goods at 10%. Kroger is executing its strategic initiatives all while keeping its core business in alignment with a 6.1% growth in its sales-without-fuel segment. Additionally, the acquisition of Albertson's is expected to close in early 2024 pending regulatory approval. Kroger was added to the CUSP in March 2023.

McKesson Corporation (MCK)

McKesson Corporation (MCK) is a leading drug and medical device distributor. McKesson profiles as a consistent earner, with increasing revenue in each of the past 10 years. The CUSP managers view the prospects of the firm post-opioid crisis as providing the potential for generally higher margins. Much of this will come from the sale of the firm's satellite businesses and increased focus on technology solutions. The core distribution business will see continued growth driven by prescription volume, an aging populace and changes in available generic options. MCK was added to the Healthcare sector of the CUSP in March 2023.

Medical Properties Trust (MPW)

Medical Properties Trust (MPW) is a real estate investment trust that invests in healthcare facilities. MPW's stock price declined significantly during 2022 because of macroeconomic headwinds that put pressure on healthcare operators. The CUSP managers believe that MPW's history of consistent growth and strong profitability make it a good long-term investment. Additionally, the team believes that the decline in price offers an attractive entry point with the potential for significant price appreciation, which combines favorably with MPS's high dividend yield. MPW was added to the CUSP in March 2023.

Nutrien (NTR)

The CUSP managers voted to add Nutrien (NTR) to the CUSP in March 2023. Nutrien is a large player in the fertilizer space. We believe the firm is poised to benefit from the growing volume of fertilizer and related products demanded by farmers in both mature and emerging markets. We expect the large size of Nutrien relative to its competitors to offer economies of scale, allowing for increased cost efficiency and improved margins and growth going forward. We believe that, at its current valuation, Nutrien represents a good choice for capitalizing on those trends.

NXP Semiconductors (NXPI)

NXP Semiconductors (NXPI) operates as a global designer of semiconductor and software solutions for mobile communications, consumer electronics, security applications, in-car entertainment and networking. NXP offers its products for automotive, identification, wireless infrastructure, lighting, mobile and computing applications. The firm is unique in the fact that it is headquartered in the Netherlands, meaning it is not affected by the recent CHIPS Act. NXPI has a fairly new management team that brings an experienced, ambitious drive to the company. The team has recently completed transactions in EV and Tech startups. NXPI was added to the CUSP in March 2023.

United Rentals (URI)

United Rentals (URI) is the largest rental company in the United States, with about 16% of the rental market according to Statista. The company's rentals include general construction and industrial equipment, such as backhoes, skid-steer loaders, forklifts, earthmoving equipment and material handling equipment, among others. Customers include construction and industrial companies, manufacturers, utilities, municipalities, homeowners and government entities. Even though United Rentals is the market leader, overall, the rental market is an extremely fragmented market. United Rentals has used this to its advantage, using its strong balance sheet to acquire firms to expand its physical footprint. United Rentals was deemed attractive by CUSP managers because of the recent pullback in valuation in spite of perceived growth potential. URI was added to the CUSP in April 2023.

SALES:

Allstate Corp (ALL)

The CUSP managers voted to sell Allstate (ALL) in March 2023. We believe Allstate's stock price does not adequately reflect the challenges that primary insurers like Allstate could face when underwriting against factors such as climate change, monetary inflation, social inflation and global decoupling between the U.S. and Asia. Additionally, we do not believe that Allstate was well positioned to overcome those challenging underwriting prospects in the future given that the firm already had a loss ratio significantly higher than its peers. Finally, we concluded primary insurers' fundamental basis of competition would yield worse long-term results than insurance brokers, such as Aon.

Constellation Brands Inc. (STZ)

After an analysis of Constellation's (STZ) recent performance and strategic outlook, the CUSP managers voted to exit its position in the firm in March 2023. Two recent strategic moves by the firm have failed to pay off. Constellation's change of focus in its Wine and Spirits market has generated negative growth in operating income each of the last four years with no promising catalyst for meaningful growth on the horizon. Additionally, a 2018 investment in Canopy Growth Corporation has generated losses nearing \$2 billion. Given the firm's recent strategic missteps and lack of a meaningful strategy to recover the CUSP managers decided to direct investment in this sector to other firms.

Evercore Inc. (EVR)

The CUSP Fund exited its position in Evercore Inc. (EVR) for multiple reasons: the firm's decreasing return multiples, a very large dependence on investment banking services that are quite sensitive to increasing interest rates and Evercore's overall unprofitable deals within the capital markets. We believe this could negatively impact stock appreciation in the next three-to-five years. EVR was sold in April 2023.

Freeport-McMorrان Companies (FCX)

The CUSP managers voted to divest its interest in Freeport-McMorrان Companies (FCX), a firm in the Materials sector, in March 2023. Freeport McMoRan is best known for its production and sale of copper (80% of revenue) and gold (10% of revenues). Because of its heavy reliance on copper as an output, the firm's stock price is highly correlated with the price of copper, which has increased significantly in recent months. As a result, FCX has a high earnings multiple and perceived premium over its intrinsic value when compared with other firms within the Materials sector.

Hasbro Inc. (HAS)

In March 2023, the CUSP voted to sell Hasbro (HAS), a game and toy producer in the Consumer Discretionary sector. Hasbro Inc., one of the largest toy conglomerates in the world, recorded

very poor performance over the course of 2022 and provided a poor outlook for 2023. The firm continues to struggle with the aftermath of the acquisition of eOne in 2019 and, at last report, had begun to look for buyers of the production company. While Hasbro has a strong video game and digital media presence with Dungeons and Dragons and Peppa Pig, it struggles to compete with larger, more established firms that have hundreds of digital games and content in their portfolios. This, in addition to the seemingly industry wide downturn in net revenues and increase in costs due to the macroeconomic environment, led CUSP Fund managers to sell Hasbro and buy Crocs in its place.

Horizon Therapeutics (HZNP)

Horizon Therapeutics (HZNP) is a biotechnology company focused on the discovery, development and commercialization of medicines. The firm has a portfolio of 12 medicines in the areas of rare diseases, gout, ophthalmology and inflammation. HZNP was sold from the CUSP in December 2023 when news of a possible acquisition of the firm caused the stock price to jump.

LyondellBasell Industries N.V. (LYB)

The CUSP managers voted to sell LyondellBasell Industries N.V. (LYB) in March 2023. LYB is a globally diversified chemicals company. The firm primarily offers products within the categories of olefins and polyolefin, intermediates and derivatives and advanced polymer solutions. While LYB is solid financially, the CUSP managers fear growth in supply in the firm's product space will outpace demand in the coming years. We viewed this as an opportunity to shift resources within the Materials sector into a firm with more promising growth prospects.

Micron Technology (MU)

Micron Technology (MU) is a semiconductor manufacturer focused on two main types of semiconductors, both focused on storage. MU has been a strong competitor in its field, and the stock has performed well for the CUSP. Prospects, however, are less promising. Micron's chips are facing a significant drop in demand, shifting from a shortage of supply to a shortage of demand. The CHIPS Act will hamper Micron as it pushes firms to move production out of China. MU has a large majority of its production operations in China and thus is no longer able to produce at the same capacity as it did previously, and new factories under construction are years away from being operational. CUSP managers concluded the uncertainty and the risk of holding MU were not worth the potential benefit. The position was liquidated in March 2023.

Triton (TRTN)

Triton International (TRTN) provides leases of shipping containers. It offers acquisition, leasing, re-leasing and sale of intermodal containers and chassis to shipping lines, freight forwarding companies and manufacturers. It operates in two segments of industrials, equipment leasing and equipment trading. Triton is the leading player in container leasing, providing efficiency and certainty through their extensive international network and large inventory. Triton International agreed to be acquired by the Canadian asset management firm, Brookfield in March 2023. This

deal caused Triton's stock price to jump 30% on the day of the acquisition. CUSP managers decided to exit the position given the level of the premium offered and the fact that the offer price was fully priced in by investors.