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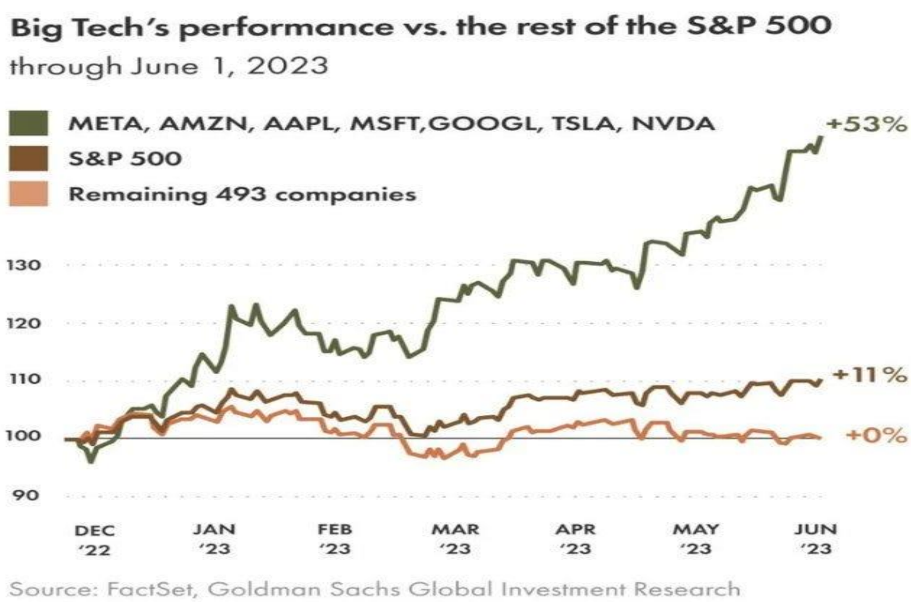
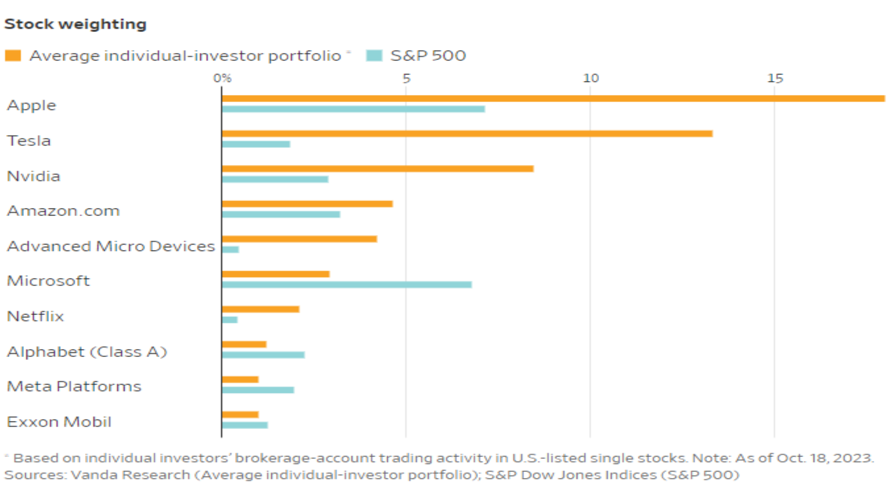
The Global Opportunity Set

It has been very well documented just how much equity returns have been driven by the Magnificent Seven companies this year.

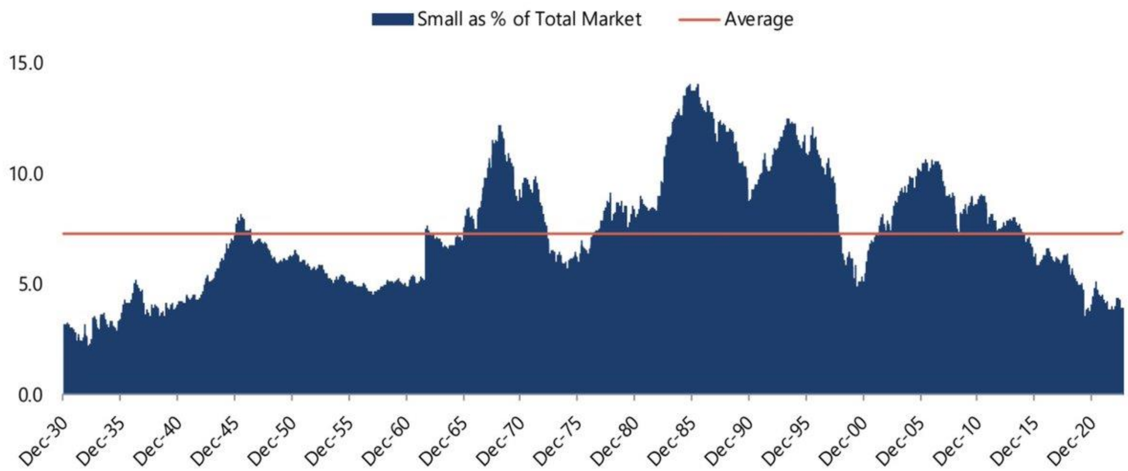
Meta, Amazon, Apple, Microsoft, Google, Tesla and Nvidia have all appreciated strongly and attracted the bulk of equity flows, as is reflected in the graph on the right,





Whether it is passive investors, large hedge fund managers or retail investors, they have gone all-in on these large technology companies. See graph on the left.

At the other end of the spectrum, small companies have been left for dead and are trading at levels relative to large caps that we havent seen in over twenty years. The chart on the right shows the relative returns of the small cap Russell 2000 Index versus the S&P 500.



Source: Center for Research in Security Prices (CRSP®), The University of Chicago Booth School of Business; Jefferies

Given the poor returns of small companies they have become a much smaller part of the overall market and interest is almost non-existent.

They also trade at a significant valuation discount to the broad market, and an even wider discount to the popular, large cap growth companies.

Given that our approach and investment edge involves identifying underappreciated and often underfollowed companies, it is not surprising that we have not fully participated in the overall market gains. As frustrating as this may be, it is also why we are so excited about the opportunity set and potential for future returns in our global portfolios. It seems to me that the broad global market is priced to generate average returns at best, with the potential for very poor returns should the investment herd ever have to change course. When I look at the companies we own and the ones we are busy researching, the return profile seems particularly compelling over the next 3-5 years. I do not like to publicly discuss our valuation work as this is continuously evolving. What I can say is that our hurdle for new investments in the portfolio is the potential to double over the next 3-5 years. Of course, not all the companies we own will double, but it should provide useful context for our view of the return potential embedded in our global portfolios.

Below is a snapshot of some of the companies we own which highlights why we are so constructive on both an absolute and relative basis for the years that lie ahead.

<table>
<tr><th colspan="2">Core holdings and brief investment thesis</th></tr>
<tr><td>Bollore/Odet (Mkt cap EUR 15 Bill)
• European investment holding company
• Strong alignment with excellent operator
• Key assets are Universal Music Group (UMG) and Vivendi
• UMG is a world class company post the advent of music streaming
• Significant net cash position after various asset sales
• Large discount due to complex ownership structure</td><td>IDT Corporation (Mkt cap USD 710 Mill)
• Collection of businesses overseen by Howard and Shmuel Jonas
• Exceptional owner operators who develop businesses and take them public
• Legacy communications businesses are in decline but produce strong cash flow
• Cash flows are invested in “hidden” fast growing businesses with long runways
• Net cash and great management provide support to the investment case</td></tr>
<tr><td>IAC (Mkt cap USD 4.2 Bill)
• US holding company that develops and grows mostly media and internet businesses
• Previous winners include Ticketmaster, TripAdvisor/Expedia and Match Group/Tinder
• Current portfolio are dominant players in publishing, home services, gaming, car-sharing and childcare
• Opportunistic purchase of stake in MGM Resorts during Covid which now makes up over 60% of mkt cap
• Exceptional management using cash available to opportunistically buy back shares at a discount</td><td>Fairfax India (Mkt cap USD 1.7 Bill)
• India provides a compelling mix of a large population, decent leadership and good demographics
• Fairfax India offers discounted exposure in partnership with a great capital allocator
• Owning a number of listed and private Indian assets
• Most valuable current investments are in financial services and the Bangalore International Airport
• Commitment to separately list the airport via an infrastructure focused vehicle within two years
• Great assets, discounted price, excellent management and a long growth runway</td></tr>
<tr><td>Scarce resource basket
• After a long period of underinvestment the world faces potential supply constraints in many commodities
• Companies with existing assets in commodities such as oil and gas, copper and uranium are well placed
• Sector remains unloved and underowned, providing an attractive entry point
• Position sizes will be moderate and we will look to partner with strong, aligned operators.
• Holdings include Teck Resources, Amerigo, Africa Oil, Journey and Baytex Energy, Uranium ETF.</td><td>Glass House Brands (Mkt Cap USD 300 Mill)
• After a sharp derating, select US cannabis shares offer a compelling opportunity for patient investors
• Market growing state by state, but still federally illegal
• Limited access to capital markets, excessive taxes and no institutional ownership creates opportunity
• Despite limited federal progress, the industry and company continues to grow revenue and profitability
• Grow quality cannabis at scale and at low cost using a unique greenhouse in Southern California
• Building a strong cost advantage in a growing, but competitive market
• Strong, aligned management team</td></tr>
<tr><td>CTT – Correios de Portugal (Mkt cap Eur 500 Mill)
• Privatized postal operator in Portugal, also owns a portfolio of real estate assets as well as a bank
• Monetising the bank and real estate, while growing express and parcel delivery/e-commerce
• Unique footprint offers opportunities in immature e-commerce markets of Portugal and Spain
• Strong balance sheet and very cheap valuation
• Aligned management team continue to buy back shares at a discount</td><td>Aimia Inc (Mkt cap USD 190 Mill)
• Small, under the radar Canadian holding company
• Management are sensible and aligned
• Two core industrial businesses, good quality worth much more than the current market cap
• Enormous discount due to apathy and activist involvement
• Asymmetrical return profile – heads we don’t lose, tails we win a lot</td></tr>
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