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Samantha McLemore: I want to thank everyone for joining us today. We know time is your most precious resource, so we appreciate you spending yours with us. I also want to make sure to thank the team. So much goes into this webinar and all our quarterly materials, and it's truly a team effort, so I want to thank everyone.

Samantha McLemore: So today we're going to talk a little bit about the firm, a lot about the market environment, and where we're finding opportunities, and then we got a lot of questions submitted, which we'll try to cover as many as we can.

Samantha McLemore: Okay, so, this is a quote by Nate Silver. It says, distinguishing the signal from the noise requires both scientific knowledge and self-knowledge. The serenity to accept the things we cannot predict, the courage to predict the things we can, and the wisdom to know the difference. So I think this whole concept of signal versus noise is so important. Also, you know, knowing yourself, and knowing what you can know, and the humility to accept what you can't know. I think all of these are huge things in the market. I think there's so much noise out there, there's so many things going on. We're always trying to think, as we analyze companies and the market overall, you know, what's the signal? And so I think today you'll hear a lot from us that is similar to maybe what you've heard in the past, but, you know, we'll try to focus on where we think the signals are. I recently shared a social media post about an academic research study that, you know, had people try to predict the winners of basketball games, and they were given a data set to do so. And the really interesting thing that they found in the study is when they gave people additional data, you know, the team name, they actually did worse and had higher confidence. So that's a double whammy. Their results suffered from knowing more, which is kind of counterintuitive to everything we might expect.

Samantha McLemore: But their confidence grew, so they were less well calibrated, too. I think I see this behavior a lot in markets, and I think we're all subject to it, and we have to try to, you know, correct against that bias. There's lots of additional information that we might get that actually might make us worse at, you know, driving investment outcomes, yet we feel more comfortable because we know more.

Samantha McLemore: And if you just think about over the long-term investment, equity markets rise over time. Over the long term, they've gone up 10% a year, and you think about the big mistakes people make, you get shaken out, you know, by little things that end up being noise. And I think that that, you know, so you can see that playing out in the investment market. So today, there's lots of things going on, especially this quarter, you know, I think even more than a typical quarter, so we'll talk to a lot of it. And, you know, we'll try to stay focused on where we see the signal.

Samantha McLemore: So Patient Capital, you know, most people on the call know us. For those who don't know us, I launched Patient Capital as a part of Miller Value Partners in 2020. I had worked for Bill Miller at Miller Value Partners and, Legg Mason, you know, for a couple of decades. I launched Patient Capital to go after an institutional market. When Bill decided to retire, Patient Capital acquired the mutual fund retail business that we had jointly managed. I think the key things to know... so that deal closed in 2023, early 2023, so almost 3 years, we'll have our third birthday, next month. But I think the key things to know about patient is really the philosophy and process, which I believe is the primary secret sauce here. Of course, the team is important, too.

Samantha McLemore: You know, was really developed and refined and evolved over four decades. We continue to always think about how we can improve it, but I really think it's timeless, and I was fortunate to work with, you know, some of the best minds in the business, Bill Miller, Michael Mauboussin. A lot of brainpower has gone into the development of this. I think it's more relevant now, you know, than ever before. And I think there's demonstrated results that have been driven from this. Bill managed 4 funds, had outperforming track records across all of them. The independent strategy that I ran since 2014 has outperformed since its launch, and now, you know, Opportunity since I took over sole management has, you know, strong results as well, and we'll get into different aspects of how we think, but the key things are we're looking for intrinsic values, how those compare, to market expectations. We're trying to find big winners, and we're very flexible in our thinking in terms of, you know, what kinds of undervalued opportunities we look for, where we look in the market. Again, I think that that's a big asset, because you can go wherever the best values are.

Samantha McLemore: And then the other important thing about us is, you know, I think we are purpose-oriented, so we're really... our top concern is delivering outcomes for clients, doing what's in the best interest of our investors. You know, sometimes in this business, there are business objectives that run counter to investor objectives, like launching products, when they're hot instead of when they have the best performance potential. So everything we do, we're trying to think about how do we do what's in the best interest of our investors. And so, over half of my net worth, liquid net worth, is in our funds. I launched long-term incentive programs for the analysts that are, you know, they only get paid if we outperform over rolling five-year cycles, and so we continue to think about how we can advance being more and more investor-friendly.

Samantha McLemore: You know, fundamentals versus expectations. Again, the point here is a lot goes into both sides of this equation. On the fundamentals, intrinsic values, we're really trying to come up with what is the present value of the future for cash flows. That is the intrinsic value of the business. The challenge is, you know, it depends on the future. The future's unknowable. We look at scenarios, we look at comparables, we look at, you know, competitive strategy, everything that goes into that side of the equation, and then we compare it to market implied expectations, behavior, sentiment. We quantify what the market thinks a company can do, and the market is so good, so many times we come out and say, wow, the market's really good on this one. So, you know, there's no easy opportunity here. I think what differentiates us, a lot of investors look at, you know revisions to expectations, but they're doing it on a very short time horizon.

Samantha McLemore: What's the consensus for the next quarter, the next year, or maybe the next 3 years, and can a company beat that or not? We're looking at very long-term, you know, market expectations over a decade, and saying, what kind of growth, what kind of margins, what kind of returns on capital does the market say is possible, and where do we think the market's getting that wrong?

Samantha McLemore: Our objective is to beat the passive index, and to earn excess market returns. That, in my view, is the only reason an active fund should exist, because the opportunity cost for any investor is a passive fund. And so... and that's a very high bar. Over the past decade, only 10% of funds have outperformed the S&P 500. We think our assets in doing that, as I said, are the philosophy and process. We're bottom-up, we're high active share and look nothing like the benchmark.

Samantha McLemore: I think our flexibility is a key asset, so different parts of the market look attractive at different times. Sometimes value is attractive, sometimes what people call growth is attractive, large, small. This can go anywhere where those opportunities exist, and we're flexible. We go... we're mostly invested in public equities, but we've done pipes, we've structured deals, we do derivatives and convertibles.

Samantha McLemore: And then, as I mentioned, we're highly aligned with our clients and our shareholders. We're investing in a way that we would want to own, and we do own the portfolio of securities, not as a product that we want to sell.

Samantha McLemore: Onto the good stuff, onto the market stuff. So again, this... this is what I think is a signal, and I've shown this, you know every quarter, I think, so I'm like a broken record. But I think we're in a secular bull market that began in March of 2009, at extreme levels of pessimism and low, you know, valuation. The S&P since then is up just shy of 17% a year. Those are extremely strong returns. The long-term average of the S&P is 10%.

Samantha McLemore: You know, opportunity during this period is up, 18.7%, so has done well during this secular bull market, but I think there's been a lot of stuff going on in the quarter, obviously, with the war in Iran, and SaaSpocalypse, and the private credit, and I've heard a lot of people ask about, you know, why the market hasn't sold off more, and there's a number of reasons that could explain that.

Samantha McLemore: But I think in my opinion, the best reason is that we're in a secular bull market, and we're probably in the later stages of a secular bull market. Corporate earnings growth is a key underpinning of it, and has been really strong, and as long as that continues, I think the secular... and valuations remain reasonable. I think the secular bull market will continue, and I think anything that threatens you know, the fundamental underpinnings would be what would threaten, you know, the bull market overall. I think a key driver of what we're seeing here over the last few years is technology, and we'll get into that a little bit more.

Samantha McLemore: So, we include this slide in every presentation. Sir John Templeton, bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria. So, as I said, at the start of this secular bull market in 2009, we were at extremes in pessimism. You know, people thought the financial system was at risk of ending, and there was almost no way you could get bullish. People argued that there were high valuations. The Case-Shiller Index, and the Shiller PE, you know, argued at the time that there was high valuations, and, you know, I think there wasn't then. They're still using that to argue now. We've progressed since then. You know, through various stages of skepticism, optimism, I think we were having some pockets of euphoria. I think what we've seen in the market recently, with the extreme sell-offs in certain areas, quantum stocks down 75%, nuclear stocks, down 70-plus percent, you know, crypto, Bitcoin, and Ethereum were down 50 to 60%, and crypto stocks, some of them were down, like Coinbase was down almost 70%. Software overall was down, you know, peak to trough 35%, so certain areas that were hotter in the market have had huge sell-offs. You know, certain growth stocks like Duolingo, Trade Desk were down 80% from the highs. I think this relieved some excesses, in the market, and I think that's actually a very healthy thing. Now, you know, coming into this... when we ended the quarter and we're writing our letters, you know, we've had a market sell-off, we've now made it back to new highs. You know, I think that just speaks to, in my opinion, how much the market wants to go up. Now, depending on what goes on in Iran, we could, you know, retest the lows, but I think coming into March we had very extreme positioning of institutional investors.

Samantha McLemore: So, the Russell 2000 had shorts at an all-time high. You know, short exposure of hedge funds was at 5-year lows. CTAs, commodity trading associations, you know, had gotten so defensive that coming into April, they had to buy in any circumstance, whether the market was up or down. So again, I think it was interesting to see that we had such one-sided institutional positioning, and yet the market, you know, sell-off was relatively contained. I think one source of buying, power has been corporations, which had in the first quarter all-time record-level corporate buybacks. And I think the other thing is, and I'll get into this shortly, just on the fundamental side, on the corporate earnings side, we are just seeing such strong results.

Samantha McLemore: So here you can see, market valuations back to the mid-90s. You know, you can see the big peak at the last secular bull market top, when the market got to, you know, close to 25 times earnings. You can see here at the end of the most recent quarter, you know, the multiple on the S&P was back to 19 times, where it had been last in, 2023, I believe. And before that, coming into this post-pandemic period in February of 2020, you know, it was at a similar level as well. So, the amazing thing is just how much, you know, the sell-off took some, pressure off of valuations, and again, we'll get into just you know, how strong corporate earnings have been, but again, I think that's a good thing. As long as fundamentals remain strong, this should sustain and prolong the bull market.

Samantha McLemore: So here you can see, you know, the market movements since, the late 90s. The interesting thing is, from the end of 2010, through February 2020, so the post-financial crisis recovery period after the worst, you know, the recovery off the lows. The market advanced at, you know, 12.8% a year. Again, a very strong market return, given that, you know, the long-term average is 10%, and it was coming off extremes.

Samantha McLemore: Since February 2020,through last Friday, you can see that the slope of this line, has accelerated significantly, and it's actually increased, so this is from the high before the pandemic sell-off, not the low. The market's up 15.8% a year, yet the multiple at the end of March was the same as it was, you know, low 19 times coming into this period. Again, I think that that's amazing that we've been having this sort of market returns without much multiple expansion. Now, you know, as of earlier today, the market at new highs, you know, was at 21.7 times, so a little bit of multiple expansion. But it's amazing that we've had these sort of returns without much multiple expansion and again, I think it's a good thing.

Samantha McLemore: And the reason for that has really been corporate earnings growth are extremely strong. So you can see here, maybe you can see because it's very small, but from 2021 to 2026, average EPS growth of the S&P 500 has been 16% a year. That compares to, the post-pandemic period, 2010 to 2019, of 11%. 2002 to 2006, the prior bull market, it was 14%. This year, it's going to be almost 17%, or maybe it's up to 17% this year, and again, that's been accelerating. So corporate earnings have been just extraordinarily strong. And again, I think... I think that's the signal.

Samantha McLemore: So on our last slide, we looked at... or last quarter, we looked at the key performance indicators, KPIs of the market. We talked about this accelerating earnings growth. It looked like for 2026, again, you know, as of our last quarterly call in January, the numbers at that time from S&P Global had estimated that, 2025 earnings growth for the market was just shy of 12%, and that 2026 was going to be 13.6%. Since that time, things have only improved. So, 2025 was revised up, and we end up having, just shy of 14% earnings growth for that year, because of how strong earnings in the fourth quarter are estimated to be, or have come in. And then 2026, we're now, like I said, just shy of 17% estimated for this year.

Samantha McLemore: And, you know, while the multiple, again, hasn't expanded, all of the market performance has been driven by this earnings growth. So I think if this holds up, there, you know, and is achievable, those are strong underpinnings for the market, especially at current valuations, which we see as, you know, roughly fair value for the market overall, and not crazily overvalued.

Samantha McLemore: Again, a big driver from this is technology. I mean, this is news to no one. Hyperscaler capex has been exploding. This has caused a lot of concern, and people talking about, you know, a potential bubble in, in tech. And again, I think... I think that's actually healthy, that that concern is out there, because that helps keep a lid on expectations overall, and helps, you know, expectations and multiples not to run away from the market. I think there's been lots of concerns about whether this spend would earn an adequate return on capital, what the lifetime of these assets are, I think we've gotten recent information that is very favorable for technology and for the ROIC, return on capital prospects for these companies, I think that's another reason that the market has been doing so well.

Samantha McLemore: Andy Jassy wrote his Amazon letter. He talked about how optimistic he was for the return on capital and for the business prospects for their spend. Again, this is a company that understands return on capital and financial discipline, unlike any other company, in my opinion. Jeff Bezos' original letter was on how they were maximizing for the present value of the future free cash flow. And again, I heard... we've talked to so many companies about this. I've heard Bill recommend to so many companies that this is what they, you know, should use as their primary objective and financial measure, and this is what they should discuss, and no one took them up on it.

Samantha McLemore: So Amazon is uniquely positioned to be very rational about this. And Andy gave good numbers on, you know, the run rate for the AI of their business. Now, every time they've gone through an investment cycle like this, they've underperformed, and then coming out the other side, they've done really well. Last week, there was an article in the Wall Street Journal titled, AI Demand Outstrips Compute Capacity. So, it talked about how there were shortages of compute capacity out there, and an inability to meet demand, and they talked about CoreWeave needing to raise prices 20%. They talked about Anthropic having shortages and downtimes, in another article talked about how prices for NVIDIA's 3-year-old H100 chips have increased 28% since December, which is very interesting, because one of the bear cases has been that these asset lives are so short that you can't possibly earn a return, and some are saying old chips depreciate over 3 years. Well, I think if you're having those kind of price increases on 3-year-old chips, that,shows that that bear case is wrong.

Samantha McLemore: You know, Andy Jassy has talked about data center assets being 30 years, chips being 5 to 6 years, and a high degree of confidence in the return prospects overall, you can see here in the middle chart that operating cash flow for the hyperscalers is growing immensely. Now, so is CapEx, which is shown in the green bar in the middle, and so free cash flow has gotten hit. Now, Consensus thinks that we'll see a trough this year, and then a turn up. If that's true, you know, then that would be very good for the stocks, but we'll have to see. Again, what I have confidence in is that at least

Amazon and will be very rational about this, and all of the indications we're getting is that the returns on capital, you know, are definitely there. You can see here on the chart.

Samantha McLemore: I guess on my right, I'm not sure if it's on your right, with the bars that over the past year, the earnings growth for technology has been 45%. So, it's been strong in other areas as well, like financials, but it's… tech is far and away, you know, the lead performer in the market.

Samantha McLemore: So I think that's an overview of, sort of, our view on the market. You know, the signal is a secular bull market dependent on, you know, this Great position of corporations and corporate earnings growth. I think there's lots of other things that are going on in the market that we're paying very close attention to. The Iran war, private credit, software, AI disruption risk, all of the stuff that we look at every day, and we get new information every day, and we can assess and change our view every day. But for now, I think that's what we believe to be the most important drivers you know, of the current market situation.

Samantha McLemore: In terms of the opportunity set, we continue to find lots of attractive values, but they aren't in one area of the market. So, we've heard some people talk about how value continues to be the most attractive, small cap continues to be the most attractive. One of my favorite quotes is from Upton Sinclair, his quote says, "it's difficult to get a man to understand something when his salary depends upon him not understanding it." And again, this just speaks to the power of incentives overall. And so, I think when you invest in a more narrow area of the market, you both want to believe and, you know, outside of extreme evidence, you will believe that that is the most compelling area of the market.

Samantha McLemore: I think another benefit of having a very broad, flexible mandate is you're forced to look very broadly and compare, compare, and compare. One of Bill's rules was compare, compare, compare. So, the market is all about relative opportunity set. In terms of that, you can see here, some of the moves in the quarter, you know, really changed some of the relative opportunity set.

Samantha McLemore: So, we'd heard a lot about how it was a very narrow market led by the MAG7, you know, that changed over the past quarter or two, with small cap, international doing well, such that at the end of the quarter, the top 10 names in the S&P actually traded at a smaller premium than the remaining 490 names. They traded at an 11% premium, to their historical valuation. The 490 traded at a 13% premium. Likewise, value, a few years ago, we were saying, you know, once-in-a-generation opportunity, we thought value was very attractive. On a relative basis, it's done well since then. Now, the PE discount is at a more normal level, you know, so again, we're seeing a broader opportunity set with opportunities in different areas of the market. Value trades at a 14% premium to its historical long-term average versus growth at a 12% premium.

Samantha McLemore: I think a lot of people want this MAG7 leadership to end. Because it's very hard for active management to outperform passive, with MAG7 doing so well, and, you know, the passive indices so concentrated in those. And I do believe that active will play a very important role when it ends. I just don't think we're there yet. I think these are some of the best companies that ever existed in the history of the world, that their valuations are reasonable, that their prospects are solid maybe even improving with all of this AI, because I think they're, you know, some of the best positioned companies to capitalize on it.

Samantha McLemore: I also like that we can look broadly, and when you have these areas of the market that crash, we've been spending a lot of time on all of those to figure out, you know, where names have become mispriced. You can see here at the box that's in the pink box that, interestingly now, as of the end of the quarter.

Samantha McLemore: Actually, small cap growth, and blend, in terms of style boxes, are, you know, actually traded at a discount to their historical levels, because again, those areas of the market, some of these smaller growth companies have been hit quite hard. Large still trades at, some of the biggest premiums, but again, I think that's justified in an AI world when you have, you know, better advantages by having more access to data, more access to financial resources, and technology talent.

Samantha McLemore: Valuation dispersion, again, it remains quite high, and we think this is good for stock pickers. You'll note that we put the arrows in there. What I find interesting is that since, you know, 21, 22, you've seen compression both at the top end and the bottom end of this. So, the cheapest companies, you know, on a relative basis, they were way out of whack at the lows at the end of 22. They did extremely well coming out, or, you know, through 2022.

Samantha McLemore: But that's sort of normalized, and now we're back, you know, sort of at the normal level, normal historical level. At the top end, again, you know, the very most expensive companies reached valuations that even exceeded the tech bubble, and we've seen compression at that top end, although we're still, you know, near historical highs.

Samantha McLemore: So again, but there's a lot of room in the middle of that gray band, and we're still finding lots of opportunities. I mean, the market... the single stock volatility is so high, and the moves are so extreme within certain verticals or certain names. That that is a ripe, environment for stock picking, the way we do it.

Samantha McLemore: In terms of the portfolio overall, again, since I took over as lead manager at the end of 2022, which couldn't have been more, fortunate timing, the performance, because it coincided with the lows after the bear market that year, the returns have been quite strong. The S&P is up just over 22% since then, opportunities up, just shy of 31% since then. S&P value, which I think is a fair proxy for us because it includes names like Microsoft and Amazon, is up, 15.8% since then.

Samantha McLemore: In terms of, you know, what's been driving the portfolio in the quarter and for the past 12 months in the quarter, obviously, energy was a standout performer for the market overall. We had several energy names in the portfolio that were some of our best performers. We talked about, the opportunity set that we saw in healthcare over the past couple years. A number of those names tend to be defensive and did well, you know, in the down market in the first quarter, so Royalty Pharma was our top performer. In terms of names that weighed on the portfolio, you know, our travel names, obviously, that are subject to increasing fuel prices and, you know, crude prices, like Norwegian cruise lines and, you know, some of the airlines dragged on returns, as did some of our financials and the MAG7. Our worst performer, actually, was UnitedHealthcare, a healthcare name that didn't act defensively. We've since got some good news on a final Medicare Advantage rate decision that was more favorable than expected, and United announced earnings this morning that were better than expected, so it's had a very strong April.

Samantha McLemore: And on the portfolio overall, the key things on this slide, in my opinion, are we continue to trade at deep discount to the market. So, you know, on a forward basis, the portfolio at the end of the quarter was 13.8 times earnings versus the S&P on a similar, similarly calculated basis was 20 times so, the market's 45% higher on, you know, a valuation basis, despite the fact that the companies we own are expected to have faster growth over, the next year. You'll also notice that, interestingly.

Samantha McLemore: The exposure we have to, what we call classic value, names that are cheap on the multiples, that everyone would recognize as value is about half of the portfolio, are attractively valued compounders, usernames, they still might be cheap on the multiples, like Royalty Pharma, but there's some judgment in how we categorize things, but that we think can grow in compound value for a very long term and are still not appropriately valued. That's up to 45%, so I'd have to go back and check my memory on this, but I think that's the closest those two buckets have been in a very long time.

Samantha McLemore: As we've sort of seen the recovery in the market, you know, some of our classic value names got closer to what we thought they were worth, although, you know, the sell-off in the first quarter, we were adding to a number... a number of those names. So you can see our top 10 holdings as of the end of the quarter were Royalty Pharma, Citigroup, Alphabet, QXO, you know, Precigen, we own in a couple different securities, so that didn't show up on our top 10 by security, but it is, you know, by issuer.

Samantha McLemore: We'll go through a few, stocks and ideas that we think are attractive, and then we'll, dive into questions.

Samantha McLemore: So, Adobe. You know, we get lots of questions on the SaaS-apocalypse and the software hit, and we did a lot of work in the quarter in the whole space. You know, we love it when, certain areas are hit pretty hard. I think until you know, maybe the bottom a week ago, it was hard to actually find many names that we had conviction were mispriced. Because coming into this period, the valuations across the software space were extremely high.

Samantha McLemore: You know, Marc Andreessen from Andreessen Horowitz talked about software eating the world in August of 2011. At that time, you know, the application software grouping in the S&P traded at you know, 11 times enterprise value to operating profits. So that's a very low valuation for that group, which was, you know, a secularly favored and attractive group of companies.

Samantha McLemore: By October, when these names peaked of last year, they traded... that valuation was 28 times. And again, I think that's a fair, proxy, because these are prodigious stock comp users, and they all adjust earnings, and I think you have to account for, you know, that's a real economic cost that you have to account for. But, valuations had tripled.

Samantha McLemore: And you had to look out, like, 20 years and assume the competitive advantage period, the period over which these companies could continue to grow and earn high returns on capital, was very long. Some people call this the terminal value. How much... how much value do you put on those very far-out cash flows?

Samantha McLemore: So as this starts to correct, and people get concerned, and there are legitimate risks of disruption in this space, people just aren't willing to look out that far. So it's, you know, an air pocket, and the downside can be extreme. And again, you know, the multiples of actual GAAP earnings that include stock compensation are still extremely high in most cases. And so you still need to look out or assume that they're going to stop, you know, issuing so much stock to employees. So that being said, we didn't find many companies that we had conviction were mispriced, but one that we did find, was Adobe, and part of the reason we believe this one is mispriced is it's been under pressure for years now, because there were concerns about disruption from Canva and Figma, and they tried to buy Figma, and the valuation has just been going down over, you know, numerous years to a level that is, in our opinion, very, very attractive for the fundamentals of the current business. And so, it has an 11% free cash flow yield, it's trading at 10 times earnings, they're buying back a lot of stock. I saw after the close today, they announced another $25 billion repurchase authorization, so shares are actually shrinking. They've shrunk shares by 10% over the past 2 years, so unlike many of these other companies that still have huge growth in shares outstanding. And they've actually adapted and adjusted the business to be better positioned, I think, for this environment. They have a freemium offering and a models of models approach, you know, in their small business and consumer. On the enterprise business, again, they have this platform approach, and they offer significant IP protection to enterprises that I think is, you know, has a high amount of value. So it's still growing high single, low double digit on the top line.

Samantha McLemore: And the market's not giving it credit for sustaining that at all. We think if it can only grow for 4 more years at about 7% to 8%, the stock's worth 60% more than where it's trading in the 240 level. So I think this is a classic case of fundamentals versus expectations that got very out of whack. By the time software bottomed.

Samantha McLemore: You know, last Friday, or two Fridays ago, you know, in that waterfall decline. There were a few more names that were starting to look interesting, like Intuit and ServiceNow. They didn't, you know, at the time they had to an easy case if there is such a thing, which there's not, but, you know, like, 30% upside, we are usually looking for more. They've bounced, since then, so I think if... if we see more declines, I think that more of the names will look interesting, but we think AI is a legitimate risk and needs to be incorporated, and we like it when you don't have to believe much, and the company has significant assets to offer on the other side.

Samantha McLemore: Amazon, I won't spend much time on this one. I talked about it last quarter. I continue to think this is one of the most attractive names in the market. It's extremely misvalued, a great company with great discipline around investments. Things are evolving highly favorably, in our opinion.

Samantha McLemore: For Amazon, Andy Jassy has done a great job improving margins, and return on capital. I think the returns will be there. They continue to invest in new businesses, like the low Earth orbit satellites and healthcare, which, you know you don't see any benefit of that in their current results, but over the coming years, I think you will.

Samantha McLemore: Some analysts try to value the low Earth orbit satellite business. No one's valuing the healthcare business, because you don't really have any information on it, but it could... it could obviously be a huge business. So, we think the sum of the parts on this one is over, you know, $335. You know, we think it's a great company, and it's underperformed over the past 5 years. It's very unlikely, in our opinion, to do so over the next four years.

Samantha McLemore: It's gaining share in retail versus Walmart is sustaining share. They now have equal gross margins. Amazon has better operating margins. Amazon's growing operating profits in the high teens to low 20s, and Walmart's growing them you know, in the mid-single digits, 5% to 8%, yet Walmart trades at 44 times earnings, and Amazon trades at 33 times earnings. I don't think that makes any sense at all.

Samantha McLemore: Royalty Pharma, again, I love this one. I think it remains extremely misunderstood. You know, they're an investor in royalties and synthetic royalties, and there's no other companies in the market that do what they do, so they're a new entity for the market. The market often gets these kind of things wrong if they don't... if they haven't seen it before. So, I think this company is one of the top capital allocators I've ever met, in terms of, again, understanding value creation. They've historically, delivered, you know, low teens returns on their investments on an unlevered basis, high teens on a levered basis. You know, they're new to the public markets. We expect them to grow earnings in the mid-teens. You know, since we initially bought this company, you know, a couple years ago, the opportunity set has only grown and improved. And so, they recently did a deal with Revolution Medicine that recently had very strong data on their pancreatic cancer drug.

Samantha McLemore: So, that opened up, you know, the opportunity for these biotechs to fund themselves, remain independent with Royalty Pharma instead of selling to Big Pharma. And so they said they got a lot of inbounds from that. They're doing deals with the big pharma. They recently announced a deal with J&J. They've announced deals with Biogen. They're getting very strong returns on this, and it's a way for the big pharma companies to, you know, do more R&D, and, you know, it's a contra, you know, a con... the accounting is that it offsets their R&D spend, so from an accounting perspective, these companies like it, and you know, that opportunity is way larger than the company or we thought when we invested, so it's up a lot since we invested in, you know, we paid high 20s, you know, now it's 48, 49, I think, today. But we think the value is in the high 80s. So we still think this is a very attractive company.

Samantha McLemore: Precigen, we got a lot of questions on an update here. This is one where we led a deal, and did a pipe at the end of 2024. The company was priced for bankruptcy. They had their first approval coming up, in 2025, which we were very optimistic on. That's for Papzimeos.

Samantha McLemore: That got approved with a very favorable label. So the stock did extraordinarily well. I think when we invested, the stock was under a buck. I think it was in the, you know, almost 80 cents, maybe a little bit below that. It hit $5 earlier last year, it sold off, you know, got back to the high threes. Again, we think it's extremely attractive here.

Samantha McLemore: Their launch for the Papzimeos drug is going far better than anyone expected. They got it for at least $18 million in revs in the first quarter. They're going to be cash flow break-even later this year. We think that drug value alone can be $12. Now, it's about $7 to $8 for the U.S. drug, then international, which they have yet to partner and figure out what that looks like, and repeat dosing. And then we think they have an attractive pipeline on top of that, you know, the one that I think is most attractive is the PRGN-2009 for HPV cancers. So it's a similar, technology to the Papzimeos. They're already running some trials. They're going to announce data later this year. You know, I think they're... they have very strong expectations for what they're going to see here. They're going after you know, very high, unmet needs.

Samantha McLemore: We think that the value of that could be another $12 a share. Then you have the CAR-T and the genital warts. I think the odds of success are lower in both of those. But those, you know, could both be 15 to 20 bucks a share each. So they are not likely to be successful across all these. That's not how these companies work. You know but we do think, that they have a very strong pipeline, coming, you know, after Papzimeos.

Samantha McLemore: I think that was the last slide, yes. That is the last slide that we have, so I think we'll go into questions, so I'll turn it over to Christy.

Christina Malbon: Great, Sam, thank you. So, as noted, we got a lot of questions in. We've had some questions come in live, but we will try to get through all of them. Any questions that we do not get to, we will reach out individually and follow up with answers to your questions.

Christina Malbon: So Sam, to set the stage for new listeners, someone wants to know if you can discuss what you think Patient Capital offers to the market. What gaps did you see in the marketplace that you wanted to fill, and how does that shape the way that the firm invests today?

Samantha McLemore: Yeah, so I think... I think there's a lot we offer, and what I was thinking when I launched is a little bit different from what I'm thinking today, but when I initially launched it, we didn't have an institutional business, people said they were interested in women and minority-led opportunities, you know, I'm driven and inspired to have more women role models, so that was you know, an important objective. I think as I think about it today, you know, again, I mentioned earlier, I think that our reason for existing is to outperform passive. That's the opportunity cost. Very, very few do that. You know, and I think there's evidence that we can and have done it. I mentioned the strategy that I run independently, which is 11 years old, has outperformed since inception. And so, you know, I think our process and philosophy is distinctive, and I have so much confidence in it that it can outperform across investment environments. When I think about what I would want out of a fund, and I am invested in our funds, so, you know, I want a fund that can outperform in bull markets.

Samantha McLemore: And then, you know, do better in the big bear market. So we're not concerned about the normal volatility, a 5% sell-off, a 10% sell-off, but I think we are, you know, we are concerned about, you know, those sort of events that really can impair capital for a long period of time. And there's really only two kinds of bear markets that do that. They're the secular market tops, which, you know, are mostly valuation-led. So it's... valuations and expectations get so high that, you know, it becomes difficult for the market to outperform after that. That's like the tech bubble in 72-73. So, you know, in those markets, value did very well and much better. I think the other kind is a financial crisis.

Samantha McLemore: Fortunately, those only come along every 80 years, and I hope to never see one again in my career, but I don't see any risk of that now, given the capital at the banks and, you know, the liquidity at the banks. You know, we would be on alert if we saw a risk for that, but I just don't think that that's a risk. I think the bigger risk now is the end of the secular bull market, so we're on high alert for anything that might present that.

Samantha McLemore: And again, I think the flexibility, we don't fit in a style box, a lot of people don't like that. We've designed everything to drive returns, but sometimes that can make it harder, you know, to market, because it's a go-anywhere, people don't know where to put us, they don't know how to think about us in an allocation, but again, if done well, I think it should help us deliver returns over the long term.

Christina Malbon: And you hit on volatility there. We got a question on it. So, volatility spiked earlier this year and has become kind of top of mind for both investors and the clients. So, I guess, how do you think about market volatility, and how should people be talking to their clients about market volatility?

Samantha McLemore: I love market volatility. I am maybe alone in this, but I think volatility creates opportunity. And so, you know our advantage, the primary edge that we are capitalizing on is a behavioral one, and it's that people hate volatility and, you know, all the risks, which mostly are noise make people, you know, create bias and loss aversion that cause people to do things they shouldn't, like sell. And so that creates opportunities for us on the other side. Now, people hate it, so, you know, we want our clients to have the best possible returns, which means they can't, sell, you know, into these fall events, but volatility is a feature of markets, it's not a bug, and it's the reason why you earn higher returns in equity markets over time, I think. It's why you've had 10% returns.

Samantha McLemore: You know, over the long term you get 5% declines roughly twice a year, and you get 10% declines, you know, a little more than once every other year. So these are very common occurrences, and you know they're nearly all buying opportunities. You know, the only time they're not is when you're heading into, you know, a bigger, you know bear market. And, there, I think valuation can provide you a lot of protection against, you know, one of those main risks, and the one that I see as most likely. So, again, I think when you have that sort of volatility, it can create opportunity. You just have to be mentally ready to do that.

Christina Malbon: I'm going to try to combine two questions here, because they kind of touch on the same, viewpoint, which is effectively, you know, I think intraday, we've seen a pullback of close to 10%. In a midterm election year, we tend to see pullbacks of 15% to 18%. We're also dealing with geopolitical issues, so I guess from your perspective, from where we are today going forward, kind of what would cause us to have a decline that we typically see in a midterm year? Do you think we'll see another one, or do you think we've kind of cleaned it up with one we've seen year-to-date?

Samantha McLemore: Yeah, I think I saw the, Ned Davis returns that this question is referencing. You know, in that, they said the mean mid-year election, midterm election year return is, like, 4.6. But when we looked at it, if you were in tightening cycles, it was actually that markets were down 2.5%, and if you were in easing cycles, they were up you know, just shy of 12%, 11.6%. You know, the one thing about all these studies is to keep in mind, which doesn't mean we look at them all the time, we find we think they're helpful, but they are all based on sample sizes that are very small. So you have to take with a giant grain of salt, what you read into it. And so, yes, there were big drawdowns in those, market years, 15% to 18%, I think that's right, I think it was, like, 18%. And, you know, those were buying opportunities. So if you get one that big, it's a buying opportunity.

Samantha McLemore: That wouldn't be my base case for what I would expect. You know, we had discussions as an investment team at our investment meeting on why wasn't the pullback greater. You know, given the risks around oil spiking, the Strait of Hormuz closing, war in Iran, you know, probably if you told me that was going to happen in advance of it, I would have guessed the market peak to trough would have been down more than the 9.8%. So, again, my conclusion on why that is, I think you know, there were we talked about it, like, I think one of the first days that this had happened, and, you know, I suggested there were three potential reasons. One, it's a secular bull market, and so those fundamental underpinnings of what's driving that are strong enough that it's, you know, providing some support to the market, I think that's right. Two, maybe there was some signal about what was happening in Iran, and I think that is also right. You can see that Trump really wants to get this thing settled. Now, whether we can or not, I don't know, he just extended the ceasefire. And then the third possibility is complacency, which is what you hear mostly everywhere. Everyone's just complacent and, you know, not paying enough attention.

Samantha McLemore: And maybe there's some of that, because that's kind of related to the secular bull market, but I think what you need to see to have a worse sell-off is something that actually puts those corporate earnings at risk in a more material way. And, you know, just given everything that is coming out, of the White House and negotiations, it looks like they want to settle this, and they're trying to do everything they can. Now, whether they will or whether they won't, we'll have to see. My money would be on, the market's going to figure this out before anyone else, and the market's telling you that they will. And oil spiked up today, and what, you know, Brent went above 100, but it's still...
you know, below the highs, it hit close to 120. So anything that actually feeds through to corporate earnings in a meaningful way, I think is what we're going to watch closely.

Christina Malbon: No, that's helpful. And this kind of flows in because, you know, with the spike in oil and all of the conflict, there's concerns now around inflation kind of coming back into the picture, and so we got a lot of questions wanting to get your perspective on how you're thinking about inflation, how you're thinking about rates, and then any kind of thoughts you might have on the potential new Fed Chair.

Samantha McLemore: Yes. So, I think those are all good questions. We could spend a lot of time talking about them. I think one of the most notable things over the past few years is just how disinflationary the forces have been. So, you know, CPI inflation hit 9% in 2022. Everyone thought we were going to have a recession as the Fed hiked rates to, you know, to bring that inflation rate down. I don't recall almost anyone, probably no one saying that inflation would be back in the mid-2s in a couple of years, which it was.

Samantha McLemore: Now it's been sticky at a higher than 2,
but we've had a lot of inflationary shocks in terms of tariffs, you know, hit to the labor force from deportations, which I don't think has fully showed up, but it will this year, the war in Iran. And yet, you know, inflation break-evens today over 5 years sit at 2.6%, and there's good, you know, academic research that shows, because if you wonder why is this happening, well, Japan had deflation, China was bordering on deflation. Aging populations tend to have less inflationary forces. Now, there are supply shocks that can, you know, move that in the near term.

Samantha McLemore: But, you know, I don't see much reason over a longer term to have huge inflationary concerns. I, you know, I think Warsh will be independent. My bigger concern with him is that he has been almost always wrong on his view of inflation, and so that's a little troubling. He was hawkish throughout the 2010s when, you know, the correct thing was that inflation was not a problem, and we needed more, you know, stimulus.

Samantha McLemore: Now he thinks we should be lowering rates, or, you know, that appears to be what he thinks, but he wants to shrink the balance sheet, and how you do that, I think you got to be careful, so I think we would watch that, you know, pretty closely.

Christina Malbon: Oh, that's... that's helpful. And moving on to sector positioning, we had a question in terms of how do we think about sector positioning? Is it intentional, or is it bottoms-up? And calling out our overweight that we had, and energy entering the quarter. Was that intentional? And just how that flows into how we build the portfolio.

Samantha McLemore: Yeah, so we are entirely bottom-up in terms of analyzing companies, looking at what do we think the fundamental intrinsic value of the business is across a range of scenarios, how does that compare to the market expectations, the market price, and when we see enough upside and an attractive risk-reward, you know, we will invest, and we like to invest in areas of weakness, because market expectations are lower in those areas.

Samantha McLemore: And so, energy is typically the most attractive, because Michael Goldstein at Empirical has the best quote on this, which is, nobody knows nothing. So, all these predictions about supply and demand and everything, people are mostly wrong about that. And coming into this year, it's just another example. People, you know, thought we were going to have an oversupply and a supply cut, and OPEC was increasing supply, and so the names were very cheap and depressed, and we look at those names on a normalized energy price, what's the futures curve tell us about pricing? What's a normalized marginal cost of production tell us? And then if we can find names that are attractive on that basis, we'll invest. And so, we had a good amount of exposure, because that's how we looked at the world, and that happened to be a great diversifier, which we also think about. We talk a lot about. liking to have, diversified drivers of risk and return in the portfolio, which energy is, and that helped us this quarter.

Christina Malbon: And kind of going off that, I mean, the same thing that feeds into our buy decision also impacts our sell decision, so can you just talk about it specifically for commodity-type businesses like energy, how do you think about when to sell?

Samantha McLemore: Yeah, so it's the same exact process. You know, we're looking at what do we think the business can do across a range of scenarios. We're looking at futures prices and what we think normalized prices are, then we're coming up with a value for the business. Obviously, these companies are very sensitive to commodity prices, so they mostly just move with commodity prices. So if you have a, you know, big cycle where commodity prices increase, then these names, you know, will do well. I think right now, some of our names in that space have gotten much closer to intrinsic value. Some are at intrinsic value. And so, then we have to make a call on, what's the risk of continued commodity price increases, what's the relative opportunity? There's some names in energy that I still think are extremely attractive and mispriced, like some of the net gas names that really haven't moved the U.S. net gas names and trade at very low valuation. So in that case, we might think those names are more attractive than the names we own. We haven't done that yet, but that's something that we're actively considering.

Christina Malbon: And in an area we always get asked about, I guess I would argue pioneers with exposure and the fun to the crypto in general, you know, we constantly talk about how more institutions are becoming open to the idea. Someone called out that Wells Fargo is allowing digital assets in their asset allocation models. So, as we start seeing this adoption across Wall Street, does this give you more encouragement in terms of our allocation to this space? Would you consider increasing it? And then, what do you think broadly about cryptocurrencies in this space, and given the historical four-year, you know, investment cycle we see?

Samantha McLemore: Yeah, you know, we like things when the prices are down, because expectations are lower, and so you should expect us to be doing work anytime an area's been hit to figure out if there are mispricings. I think this is a newer area for the market. You know, as I mentioned with Royalty Pharma, the market tends to get that wrong more often. I think with Bitcoin in particular, which I think of as digital gold, which sometimes I'm not allowed to say, from regulators, but I don't mean that it's stable, and that it's going to be a store of value, and you can't lose money, because it's volatile, and you'll have cycles, and you can lose a lot of money over a short period of time. But what I mean is gold occupies a special psychological space where people use it as a store of value over long periods of time. Now, gold massively underperforms over certain markets.

Samantha McLemore: I think Bitcoin is a form of digital gold, and what that requires is psychological acceptance of it as such, and we've just been proceeding along an adoption curve that I think is still early, but it continues, and so the Wells Fargo example is an example of that.

Samantha McLemore: Bitcoin, you know, peaked at $126,000 a coin. It bottomed earlier this year, I think in March at $60,000 a coin. That might be the bottom, who knows? It appears so far to be the bottom. The last time Bitcoin had a down cycle in 2022, it bottomed. And over the next 12 months, it had doubled. And, it made it to new highs over 18 months. Now, will that happen this time? I don't know, but I think there's a shot, and there's a good chance that it will. We own Coinbase, we were adding to that in the declines. I think it's one of the companies that I'm most excited about over the next decade. I think it's a leader in its space, it's involved in all of the important areas from stablecoins. Most of the profits now are, you know, the trading, custody, and exchange business, but they're an infrastructure provider for most of the big banks entering the space, or many of the big banks entering the space, and I think it has significant growth potential. There's a number of new crypto-oriented equities that we have done work on, continue to do work on, haven't done anything yet, but yes, I think this is a very interesting space. With the other... in terms of the other actual cryptos, like Ethereum. It's just harder to come up with evaluation, the correct case to get conviction around that so we haven't done anything in any of those.

Christina Malbon: No, that's helpful. And I guess this would be probably one of our favorite questions to get, but what is your best idea for an investor that has a 5-7 year time horizon? Not one that we usually get asked.

Samantha McLemore: No, I love this question, and I love that they actually gave a very specific time horizon, because this question is so sensitive to time horizons. Now the challenge is, I was thinking about my best idea. It's also sensitive to your risk tolerance. So, how much risk do you want to take? You know, I mentioned Coinbase, I mentioned Amazon, I mentioned Royalty Pharma. I think those are all very attractive over 5 to 7 years. I think they're very attractive with very high odds of working out very well. If you wanted to take a little bit more risk, I think Precigen is also very attractive. It's a higher risk one, but higher potential reward, so in the best case, I think that one could be up even more. UnitedHealthcare we talked about, I think that's a quality company and also very attractive. Chime is a new financial that we own that I think is very interesting with a low-cost structure, a very compelling and interesting model. It's just on the verge of gap profitability which the market usually tends to reward. So, there's not one but about six.

Christina Malbon: That's pretty standard. We have a lot of ideas all the time.

Christina Malbon: I'm going to ask two questions, and then we're going to go through a lightning round of stock questions, because we've gotten a lot of individual names people are asking about. So this question should be easy. It says, given the history of being fully invested, how much cash would you consider holding if there are no attractive opportunities available?

Samantha McLemore: Yes, what we're investing is entirely dependent on the opportunity set and our ability to earn returns. So, if we're not finding attractive opportunities, we're not going to invest, and we would build up cash. Now, that hasn't happened for a very, very long time. Opportunity was launched before I was in college, before my entry into the business in 1999. That was a very expensive market, there were parts of the market in small cap that were very cheap, and so you could still find values if you went to outside of large cap and outside of technology. I think Bill built up cash in 1997 before the crash.

Samantha McLemore: So, and if we got into an environment where there were no attractive opportunities, we also have the ability to hedge; do puts, do shorts, the risk-reward on shorts I don't like, because you can lose infinite amounts of money and make limited amounts of money.

Samantha McLemore: But I think we have so much flexibility that I think we're well equipped in any investment environment. But our investments are entirely dependent on, you know, earning attractive returns.

Christina Malbon: And what would your rationale be for deploying new capital today?

Samantha McLemore: My rationale for...

Christina Malbon: Yeah, for, investing today, bringing in new money.

Samantha McLemore: Oh, people investing?

Christina Malbon: Yeah.

Samantha McLemore: Well, again, I just think, I have a lot of investment in our fund, and the role I want is that I want to make as much money as I can over the long term, and I grew up with no money, and so I'm looking at how much money can I make over various periods of time? Now, that requires that you don't lose a ton of money and impair your capital.

Samantha McLemore: And so most things don't do that, and most people are too sensitive to the small ball events that don't really present that risk. But again, what I think is the bigger risk is the end to the secular bull market. Again, I don't see that as imminent. I think we are still in a secular bull market, the later stages of one, which often times bring some of the best returns, the earliest stages and the latest stages. So I want to make money during that period, and then I don't think you can time when those come, but I do think that how you protect yourself against that is by having value managers, because those sort of risk events are driven by valuations.

Samantha McLemore: And so if you have value exposure, which we are value managers, so we're naturally very sensitive to valuation, we sell names when, you know, we don't think that they will you know, earn our return objectives, and outperform the market, and they reach our assessment of fair value. And so, again, I think that is protective, and that's what I want from a fund, and that's what I would think most people want from a fund.

Christina Malbon: We got a question on what our current upside to CTV is, and I'll just answer that. It's at 70% today. And we've gotten this before, but wanting to know if we have any intention to launch an ETF on the horizon.

Samantha McLemore: That has been on our very long list of our very long to-do list and strategic priority list. I think we will eventually have an ETF. I think it's important that we have one, mutual funds are in secular decline, but how exactly we have one is yet to be determined. There are some challenges with this. You know, the SEC recently approved a share class, option, but most people have not figured out how to actually implement that from an operational perspective, so I think that's compelling to us. Also, many platforms don't allow you to have two versions of the exact same thing available

Samantha McLemore: So then the question becomes, well, what ETF would we have? And we haven't come up with a satisfactory answer to that. I also think what we prioritize is what are the fundamental benefits of an ETF to a client, and for that, I think the biggest one is the tax advantage. So, we prioritize, well, let's, you know, see if we can replicate that, and I think we have done a good job. We have agreements in place there. The other benefit is having it in your account where it trades daily. Again, that is a benefit. I think it's a smaller one. So it is on our list, you know, once we come up with the optimal strategy to launch as an ETF, again, the way we manage with flexibility in terms of derivatives and all the things we do, I don't think you can do in an ETF, so it would, by nature, likely be different, so we just need to figure out what's the best ETF to launch.

Christina Malbon: Yeah, I would say as some of the more unique stuff that we do is placed in an ETF, the efficiency of an ETF is lost, and so there's actually sometimes trade-offs in terms of the cost associated with that, too, so we're looking into all of that.

Samantha McLemore: Yeah, that's a good point. I mean, the other thing that I would mention is we've learned that, you know, we manage our trading costs very tightly, and in terms of market impact costs.

And that is much, much more difficult in an ETF, and you can have... those are hidden costs, but they're real costs, and those can be very significant, especially in less liquid securities. So again, we're... we're learning everything we can to figure out what makes the most sense.

Christina Malbon: And on to the stock questions, probably people's favorite part. So, I'm going to go through, them and try to get as many of them as we can. So, QXO, we got a number of questions on this one. One specific question is, QXO announced a deal this week. If it closes, and the revenue is $18 billion, and EBITDA is $2 billion, with the goal of reaching $50 billion in revenue and $7.5 billion in EBITDA over time.

Christina Malbon: What is your expectation for where QXO could or should trade?

Samantha McLemore: Okay, well, I like this... this questioner knows a lot of the numbers, so I like that. He's right up to date on it. The deal just came out, and so that's good. So I think QXO, has done extremely well for us. We invested in a pipe in July, I think, of 2020. The market's up 19% a year since then, QXO's up 45%. They had Brad Jacobs' vision here to build up a building products company and disrupt the industry using technology and its management framework. So all of those numbers you just gave, $18 billion in revenues, $2 billion in EBITDA, you know, that's happened in less than 2 years. He's built that up. He's now, you know, the second biggest building products company, which is quite extraordinary.

Samantha McLemore: So, again, I think the questioner laid out the longer-term aspirations, you know, $50 billion revenue, 7 to 7.5 billion, you know, EBITDA company. We're 2 years in, there's 8 years left to reach that, so I think, you know, if they do that, the stock will be $100, and it can compound, you know, in the high teens, and that's, you know, very attractive. So we track, you know, their progress against their objectives. Kind of the IRRs we estimate on their deals, the cost of capital, where we are relative tolong-term objectives. They've bought some really good businesses, and some of the deal returns, especially the smaller ones, have been very strong. So, I think we're tracking, you know, well along the path.

Christina Malbon: Okay, Crocs. Wanted to get your thoughts on the valuation, and why we have seen limited insider buying.

Samantha McLemore: Yeah, so I think Crocs, I wrote about in my letter, several companies that have, you know, very high free cash flow generation, high free cash flow yields, 10% plus. Historically, those companies, have been good investments as a class, you know, empirically. So 10% in, you know, free cash flow yield, buying back a lot of stock, shrinking shares outstanding, because then you have a source of demand and a forcing factor, sort of on the stock. Crocs fits into that, you know, category. The stock's 111-ish, but I think it actually got down to 107 today, $14 to $15 a share in free cash flow, so call it, you know, low to mid-teens, free cash flow yield. They're buying back a lot of stock, paid due piece of the business has been under pressure, that piece looks like it should bottom this year. You know, Crocs International continues to grow. There has been some option exercises, which
which I think are a very good signal, because managements aren't confined to the same rule with option exercises or issuance. So, I've noticed with several of our companies, and I'm not going to name on this public call, that there's option issuance right before the quarter, or there's some option exercises right before the quarter. And you know those management teams know that a good quarter is coming. So we saw some option exercises earlier this year at Crocs. Not as much insider buying as I would like to see, and we saw some insider selling. So, now insiders buy for one reason. They think that the stock is attractive. They sell for many reasons.

Samantha McLemore: So I agree, we'd like it better if we saw more insider buying here, but I don't think that's an impediment to the stock's ability to work, and it's, you know, bounced nicely off the lows. I think what I checked earlier today. It was up, like, 20% year-to-date.

Christina Malbon: Yes, exactly. It's been improving. Okay, United... UnitedHealthcare. We got a lot of questions on this. So, ranging from wanting to know your thoughts on it to does the earnings today give you more conviction, versus how does it change your view of other players in the space?

Samantha McLemore: Well, I like that they beat earnings, but it doesn't necessarily give me more conviction, because I thought that they would beat earnings, because part of the bull case. You know, what we liked about this one is the negative pressures on the business are a cyclical industry phenomenon.

Samantha McLemore: And you know, it's very clear how you fix this problem. You raise prices, and it just takes a little while for that to work through. Now, there's some other... some of the pieces of the business, they need to, you know, do things other than that, like cut back, you know, parts of the business that they were working in, and fix some operational things, but when Steve Helmsley came back, who was the former CEO, this was his modus operandi. You see he knows how to play this game of set expectations low enough, and then you beat. And so, it's not surprising to me that they've done that.

Samantha McLemore: Here, again, could the headwinds have been strong enough? You know, there was some negative news. I mentioned the reason why it did so poorly in the first quarter is there was a government, Medicare Advantage rate decision that looked like no pricing improvement this year. That would have been very bad. They came out at 2.5%, which was better than expected.

Samantha McLemore: So again, I think that this is, you know, the best company in the space, and I think that they are going to continue to fix the operational issues that they had in the business.

Samantha McLemore: They're investing aggressively in AI, you know, I think $1.5 billion this year. They've talked about having a lot of low-hanging fruit in terms of what they can use AI for. So, again, I think this is one of the benefits of AI is that you have these large companies with a lot of data, a lot of resources, and you know, the amount of improvement that you can drive in the cost structure and in outcomes, you know, for companies like this is huge. And I, you know, I don't even think we're seeing that yet. They're talking about still being in the early innings and maybe seeing some benefit, from that later this year. So, we think the earnings of United can continue to grow very strongly as they just recover from this depressed area, and the market was pricing, you know, was pricing in kind of a trough multiple on trough earnings.

Samantha McLemore: And so, I think United's you know, very attractive. Now, I heard from my trader today, oh, there's all sorts of demand for United now, hedge funds, long only, because most people wait until they get the all-clear, oh, okay, now they're going to beat, because everyone's so short-term oriented, well, that's good for us, you know, I would rather pay lower prices and, you know, be a little patient on the front end, and I think you can earn better returns that way.

Christina Malbon: Yeah, we see that across a number of our names, that we get involved when it looks cheap and no one else wants to own it, and as they catch up, we get the benefit of more demand coming into the system.

Christina Malbon: Someone asked about Biogen wanting to know what our 5-year thesis is.

Samantha McLemore: You want to answer that one, since you're the analyst on Biogen?

Christina Malbon: Yeah, sure. Biogen has you know, suffered over a number of years from a number of mishaps. And I think how we look at, biotech names in general is their portfolio, as well as what they're currently earning, but their pipeline. And we've had a belief for a while that their pipeline was underappreciated. And they have a number of blockbuster drugs that can potentially be approved and come online starting in 2028. Now, the path between now and then hasn't been smooth because they have some of their big, franchises declining, and so that's put pressure on the top line, and no one likes to look through the near-term noise, but last year they delivered, a little bit of growth at the top, so with the new CEO, Chris, that joined a few years ago, he revamped the company, so that means he cleaned up the entire R&D structure, took out costs, had them focus on areas that have higher probabilities of success.

Christina Malbon: And he's also implemented, you know, a more beat and raise mentality. And so, you know, my expectation is that I think they will beat the guidance that they've given out for this year. And they've done a number of acquisitions that will also start flowing through, so you don't have to wait to 2028 to actually see a change in their top line.

Christina Malbon: But I think in general, you've had people that didn't do well in the stock, and so they have a bad view of the company, they don't like it, and it's going to take them just consistently delivering on their results for people to start believing in it. But we have a lot of conviction in the pipeline, and then what I would say is the Alzheimer's business is something that they botched a number of years ago.

Christina Malbon: But I think because of that mishap, people are not giving them any credit for the potential here. And so we have a number of catalysts this year. We have a blood-based biomarker test that are now being approved and reimbursed so that people don't have to do PET scans.

Christina Malbon: We have recommendation use being broadened out, in terms of earlier stage people being able to get access to it. And then you have, the sub-Q formulation. It has come out for maintenance dosing, but it will come out for, like, the initial dosing. And so all of that kind of increases the number of people that can get this drug.

Christina Malbon: And, when I met with the CEO a few months ago, I mean, he said that he thought this could be a $4-5 billion revenue stream in a few years. No one is underwriting that. Like, no one is assuming that will actually happen, and so if they do at all, the company, we think, will do very well. And you don't need to believe that, given their other assets, but that's just an additional option value in the company.

Christina Malbon: Sorry, I forgot I had to ask the questions. All right, the final question that we got, was on Royalty Pharma, and I know that you already went over the pitch on the stock side, but I just wanted to clarify, because one of the questions we got was asking why the company has issued shares over the last year, given that they look well capitalized.

Christina Malbon: And, I just wanted to clarify, they did an internalization, so, prior to last year, they had the company split in two, where the IP and the actual employees lived under a management company that then the publicly traded company paid for their services. And it created a lot of complications in terms of how people thought about the business. How you think about alignment with the management team. We had met with them a number of times to discuss this kind of being a complication in terms of the structure of their business. So last year, they announced an internalization path, and that effectively means they had to buy out the management company. So with that, they issued shares in order to facilitate it, but they also issued a huge buyback at the same time, and so they've already offset the amount of stocks that they have issued, and they will continue to do buybacks over time. So when we looked at the returns on that deal, they had structured it in a really, what we perceive to be shareholder-friendly way, but that will kind of impact how you see like, the share count.

Christina Malbon: So, Sam, that's it in terms of, questions for today. If you guys have any other questions that come up after the call, please reach out, and we will be happy to answer them.

Samantha McLemore: Yeah, thank you so much for joining. Again, as Christy mentioned, if you have any other questions, please don't hesitate to reach out.

OPPORTUNITY EQUITY ANNUALIZED PERFORMANCE (%) AS OF 3/31/26

			Annualized				
	QTD	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Inception (12/30/1999)
Gross of Fees	-5.72	-5.72	32.34	24.18	2.49	12.56	8.94
Net of Fees	-5.96	-5.96	31.05	22.96	1.47	11.45	7.87
S&P 500	-4.33	-4.33	17.80	18.32	12.06	14.16	7.83

Past performance is no guarantee of future results. For additional performance information, please refer to the composite GIPS disclosure, which can be obtained by visiting [clicking here.]