2Q 2026 Webinar Transcript

July 23rd, 2026

Samantha McLemore, CFA
Founder & CIO

Christina Siegel Malbon, CFA
Assistant Portfolio Manager

Samantha McLemore: Thanks everyone for joining us today. We know that time is your most precious resource, so we are thankful that you are spending it here with us and we'll try to make good use of it. I also just want to thank the team. A lot goes into our quarterly materials and webinar, and it's a whole team effort, even if there are just a few of us on the call today. So, thanks to the team. And I know there's a lot going on in markets, and a lot going on, you know, in the economy. We got a lot of questions, so we'll try to get to as many as we can. So, we'll kick it off.

Samantha McLemore: First, just a quick intro to patient capital. Most of you on the call know who we are. I launched Patient in 2020 as a part of Miller Value Partners where Bill and I had worked together. I worked with him there and at Legg Mason for over 20 years.

Samantha McLemore: Our philosophy and process has really evolved from the philosophy and process that Bill executed and we implemented at Miller Value Partners and Legg Mason. We become independent in 2023 when Patient Capital purchased the opportunity business that Bill and I co-managed. So, it's the same team supporting us here, both on the operations side and the investment side and really how you should think of us, is long-term value investors. And we take both of those words seriously, Patient Capital. We try to let our winners run and think like and act like owners of businesses, and then we're really valuing securities.

Samantha McLemore: So, I think the key here is what drives stock prices? And it's the only thing that timelessly works and it always works is the fundamentals of businesses, and there's a lot that goes into that. It's the present value of future free cash flows, but the future is uncertain, so we look at scenarios. There's a lot that goes into the management, the competitive landscape, the strategy, you know, the moat.

Samantha McLemore: And then we compare that and how that looks with the market implied expectations. And that's what's discounted in the stock price. The market's a discounting mechanism. And if you think of growth investing, well, growth stocks are sometimes attractive. They're sometimes not.

Samantha McLemore: It depends what's priced into the stock. A lot of quality managers have had a bad couple years because those stocks got extraordinarily expensive a couple years ago. Now, you know, they're looking more reasonable.

Samantha McLemore: But what we're always looking at is long-term fundamentals and how those compare to market implied expectations. We like to capitalize on opportunities when the expectations are very low. If you think of how a lot of people refer to value managers, it's just low multiples. That is not value, that is a marker of low expectations, but sometimes low expectations are warranted.

Samantha McLemore: So again, we're trying to look for those disconnects between what the market's pricing in and what the what we think the fundamentals justify.

Samantha McLemore: And now on to our views on the market today. I'm going to kick it off with this quote by Scott Fitzgerald. The test of first-rate intelligence is the ability to hold two opposed ideas in the mind at the same time and still retain the ability to function.

Samantha McLemore: So, I think this is critically important in markets all the time, and actually in any probabilistic venture where you know you have a range of future outcomes, and you're not sure what's going to happen. So, you have to be able to think about different types of outcomes that may be divergent.

Samantha McLemore: I think this is so relevant right now because, you know, I think the punchline of today's presentation is going to be some things are running hot in the market, you know, enthusiasm, optimism, earnings, but we don't think they're at a level of harm, and it's best to be patient. It's really hard to time the market.

Samantha McLemore: We think, you know, the odds favor continuation of the bull market that we've seen likely at high levels like we've seen recently. And we're watching how things develop closely.

Samantha McLemore: One other very long but very good quote which I've shared in the past by Jesse Livermore, who interestingly was a traitor, not an investor, but he says, it never was my thinking that made me the big money. It was always my sitting. Got that? My sitting tight. It's no trick at all to be right on the market. You always find lots of early bulls in bull markets and early bears and bear markets

Samantha McLemore: And their experience invariably matched mine. That is, they made no real money out of it. Men, and I'll throw in or women, who can both be right and sit tight are uncommon. I found it one of the hardest things to learn, but it is only after a stock operator has firmly grasped this that he can make big money. It is literally true that millions come easier to a trader after he knows how to trade than hundreds did in the days of his ignorance. So, the key part is, you know, sitting tight, and that's how you make the big money. I think that that, you know, remains true and should be kept in mind, you know, especially as we have some volatility in the markets.

Samantha McLemore: I'm like a broken record here, because our views haven't changed. We think we remain in one of the strongest and longest secular bull markets in history. It began in March of 2009 at extraordinarily depressed levels with, you know, the highest levels of pessimism I could imagine, although I'm sure they could get worse. If you think of the Great Depression, but it would be hard. People were concerned that the system was going to fail, and that you could never make money again. And that was a great, great condition to be a buyer.

Samantha McLemore: Now, you know, 17 years later, the markets compounded at 17% a year. That's way higher than the long term average for the S&P 500 of 10% a year. And we think we're in the later stages, you know, of this secular bull market. But usually, it's not surprising to see some of the strongest returns in those latest stages, and you know, they can last for many years. And so, we think that's where we sit today.

Samantha McLemore: No one knows exactly how that will evolve. Fortunately, we've done quite well in this environment since secular bull market, Opportunity is up 18.6% a year, so that's, you know, outperformed the S&P at 17%, and the S&P value, you know at 15% a year.

Samantha McLemore: We always show this stock quote or this quote by Sir John Templeton, you know, bull markets are born on pessimism, grown skepticism, mature on optimism, and die on euphoria. You know, while imprecise, the sentiment is probably the best timing mechanism there is. Like I said, I think we're certainly in optimism phase now.

Samantha McLemore: At various points, maybe we've seen some euphoria in certain areas of the market. We've seen it. I don't think it's broad enough to be, you know, to suggest we're at the peak yet, and we're going to go into lots of, you know, former examples of how things looked at the cyclical peak in 2021, and the secular peak, the last secular peak we had in 2000. I will share that I did start to get more concerned when I was at a conference in June, and, you know, there was a panel, and they were talking about hedging and someone from one of the big banks was talking about how her hedge fund clients didn't monetize their hedges during March, and they made no money. And so how do you monetize hedges effectively?

Samantha McLemore: And she said their conclusion was the best hedging is to buy the dip. And I and then a lot of people in the audience said during the lunch, oh yeah, that's a great insight, and they nodded, and I was like, oh no, that's definitely a sign of optimism.

Samantha McLemore: I can remember when during the big bear markets, like, every sell-off, you get your head ripped off if you buy into it, and so it takes a long time for people to adjust out of that mentality of pessimism, and I guess we're there now. Now, when I mentioned my concern to Bill Miller, he reminded me that I need to be so concerned because no one actually does that. No one consistently buys and sell-offs, which I agree with him on that. But I do think there are signs that we are getting into some of these later stages.

Samantha McLemore: There's a lot of data on this slide again. You know, I think if you look at it this just looks at, you know, current valuations. So, the bottom three lines, you can see the PE on the S&P 500 is at 21.8 times. That's still cheaper than bonds. Both long-term and short-term rates imply higher multiples for bonds, so stocks are still more attractive than bonds, you know, which I hear a lot of debate about that, but, you know, in these numbers, that's true.

Samantha McLemore: Valuations are near historical highs, but they're not at the highs that we saw in the cyclical peak of 2021, or the secular peak, which is the far left darker red line of, you know, 25.6 times. So we aren't quite there yet. Return on equity in the market's higher, so there is a higher justified multiple. But we're well off, you know, the valuation lows. Certainly, the secular bottom in 2009 at you know, 10.7 times, or even, you know, the cyclical trough, you know, during the pandemic of 14 times. So yes, we're closer to the higher end of the historical range, but we still think, given the fundamentals, you know, this bull market will continue, and you don't need to be that concerned yet.

Samantha McLemore: You know, a lot of people talk about how strong momentum has been and that has been very true. We've had mostly a narrow market. I would say it's been almost entirely narrow in the context of what the main driver has been Both of the secular bull markets since March of 2009, and the cyclical bull since the low in 2022 has been, you know, technology broadly, and the shift in the economy towards, you know, lower capital intensity, higher technology, higher R&D, you know, better business models and the growth that's provided. And more recently, AI and the AI revolution, which is extraordinary. There's also been changes in, you know, the market structure, such that retail traders and the quant funds and algorithms that capitalize on retail trades now equal 60% of market trading volumes.

Samantha McLemore: So that's extraordinarily high, and I think you see you just see this spiky volatility, which has create some opportunities and some risk that you need to be aware of. So, in this most recent momentum run earlier this year, this looks at just the level of controversy and momentum, because when you have huge momentum runs and a lot of controversy, that can indicate peaks.

Samantha McLemore: You can see in 2000 there's two dots there, momentum technology stock you know the January 2000 level, the amount of controversy in those stocks right before the peak was above 80%.

Samantha McLemore: In December 2020 it also was above 70%, so an empirical's work, 70% is sort of the threshold at which you need to become more concerned. You know, we did not make it there in this most recent run.

Samantha McLemore: In terms of now we're just going to look at some comparisons to the tech bubble. I think what gets the most talk and a lot of people are concerned about is the move that we've seen in semiconductors primarily and it is true, this looks at since the launch of ChatGPT in November of 2022, that's what this current period, the start is. And the start of the tech bubble was at Netscape's IPO in August of 1995.

Samantha McLemore: So, you can see here that period was about a year longer than this current period has been. But the magnitudes of the gains, at least within semiconductors, is comparable like 550 to 600% cumulative returns over the period. But I would say that's really where the similarities end. If you look at valuations, the picture is much different. Cisco was at the center of the move in hardware stocks back then, and it peaked at 150 times earnings.

Samantha McLemore: I would say NVIDIA is at the center of the AI boom, and it's currently at 21 times earnings, although it's not the most characteristic of this most recent move up in semiconductors, I would say, you know, Micron or some of the Korean stocks, SK Hynix, you know, are better on that front. So, Micron's up, you know, 247% year-to-date, just a huge move, but it's trading at 6.8 times, you know, an expected next 12 months earnings. So, really depressed multiples. If you look, the stock has just mostly moved in line with earnings.

Samantha McLemore: So, earnings for Micron are $7 bucks this year, the stock. I didn't see where it trades, but call it trades around $1,000 a share, I think, in the high 900s. So, it earned $8 a share last year. So, you know earnings are up 6.8 times or earnings are up 8.8 times, and the stock's up 9 times. So almost over the past year, so almost directly in line. And I think the question, unlike the tech bubble, we don't see these valuations, for the most part, that are way above what's justified by the fundamentals.

Samantha McLemore: So, the question really is, how do the fundamentals and how do the earnings pictures evolve from here? And I think at this stage, it still looks like we're in shortages. It's really high, there's a lot of supply constraints, it's hard to bring supply on. So, it doesn't look like there's going to be, unless something changes. So, the question really is, how do the fundamentals and how do the earnings pictures evolve from here? And I think at this stage, it still looks like we're in shortages. It's really high, there's a lot of supply constraints, it's hard to bring supply on. So, it doesn't look like there's going to be, unless something changes dramatically, an easing on that front in the near term, which I think, you know, is another reason that gives us confidence that this cycle has more, legs, running room.

Samantha McLemore: Outside of semis, it's really not even close in terms of the magnitude of the moves that we've seen. This shows the S&P 500 returns during that tech bubble versus now. The S&P is up 94% roughly in this run versus just shy of 200% then, so less than half as much cumulative returns. The tech sector on the next slide also falls very far short of the moves we saw in that cycle.

Samantha McLemore: So, in the late 90s, the tech sector of the S&P was up, you know, 564%. You know, this time it's up 190%. Tech trades at, you know, 23, or actually 21.5 times next 12 months' earnings versus it peaked at 58 times.

Samantha McLemore: So, we're not even in the same ballpark from a valuation perspective. I looked at, you know, what if, given the justified multiple, given the fundamentals and the return on capital, what if we peaked at a similar premium to what's justified now versus then, you know, again, that would have the market doubling from here. So, these late stages of secular bull market peaks can have really extraordinary returns.

Samantha McLemore: So, in the late 90s, the tech sector was at the current level In early 98 and it was up 257% from early 98 to the peak in 2000, which is extraordinary. The market, you know, up three times from here if it were to do that, which I wouldn't expect, but things can get crazy.

Samantha McLemore: This is a bear market checklist that Citigroup put together comparing the 2000s to today. It might look alarming in that there's a number of red indicators. And again, I think that Shows that we're near the high level of valuations. We are seeing signs of optimism, and it's coming out, you know, and sentiment measures, but also in now IPOs and new issuances, M&As picking up CapExes near the highs.

Samantha McLemore: I think here it dings the market for like the high ROE. Again, we have a question on whether that's secular or cyclical, but I think we could debate that. But I think that the point is at the peak in 2000 almost every one of these boxes was red, 97% of them, 17.5 versus 18. Now there's 11 and a half, 64%. So, you know, Citigroup's conclusion is we're not there yet. I think that would be our conclusion as well.

Samantha McLemore: In terms of 2021, which was a cyclical peak that led to, you know, a big down market in 2022, you know, 20 plus percent decline, but nothing near what we saw after the tech bubble where the market was in half.

Samantha McLemore: Again, we're not even as extreme as that cyclical peak. These numbers are hard to see, but the market moves haven't been as extreme outside of semiconductors. And if you look at the economic and inflation picture, I think inflation is lower on every metric than we were back then, and interest rates are much higher. So, I think what led the market down was the shock, you know, move up in interest rates in 2022, and I just don't think we have that, that kind of risk here today, and the market's cheaper.

Samantha McLemore: And again, you know, it isn't our style to invest at highs. I mean, we are contrarian value investors. We like depressed expectations, but the data is what it is, which is investing as the market's hitting new highs actually has good returns. You can see here on the bar chart, the average cumulative S. And P total return over, I would call it short to intermediate term, 3 months to 5 years.

Samantha McLemore: And it's actually better to invest at new highs. Now, the reason for this is because it excludes the big bear markets, and bear markets, and so you take the bear markets out and, you know, that's why... that's why it shows this way. But most of the time, it is.

Samantha McLemore: It is not an alarm signal to have the market at new highs. It depends on the fundamentals.

Samantha McLemore: And again, this bull market has been underpinned by extraordinarily strong earnings growth. So, you can see here, you know estimates for earnings growth this year in 2026 are 4% growth year-over-year. That's up when we did this presentation at the end of the last quarter, that number was 17%. So, you can see how much, you know, earnings estimates have moved up just in that time scale. You know, over the next couple years, 27 and 28, estimates have also moved up, but to a lesser degree.

Samantha McLemore: Characteristic of later stages or potentially peak type levels, but they can be very sustainable for prolonged periods, and it looks to us, and we'll go over some of the data on this, that, you know, the underpinnings for fundamentals in the market remain strong.

Samantha McLemore: Obviously, one of the big questions has been on AI. And I, you know, I think it remains at the center of dispute in the market questions. We had Google's earnings last night. We had a big sell-off in the market today. I'll talk about that.

Samantha McLemore: But so obviously, you know trillions of dollars are being spent on AI and the question is the market and investors are rightly concerned, because historically huge outlays of capital tend to not work out so well.

Samantha McLemore: So, we track this quite closely in terms of what are the signs and signals that we have on, you know, the returns on this spend and how does the durability look of this, we own a number of these companies. I would say, you know, for the data center hyperscaler models, all the signs that we have most recently are very strong. XAI announced, which is part of SpaceX, announced deals with Google and Anthropic disclosed the details of those deals right before its IPO, which you know makes sense why they would do that.

Samantha McLemore: But if you look at the implied returns, the returns on capital on those deals, given, you know, the cost, the cost to them are, you know, after-tax returns in the 30s, which is extraordinarily strong and a very good sign.

Samantha McLemore: I mean, I think frontier model companies is a separate issue, and we can discuss and debate that. I think Google earnings today, the market, obviously Google traded off a lot after earnings. I thought the earnings were very strong, and I think the reason that the stock traded off, one, it had negative free cash flow in the quarter for the first time. The market hates that. It increased its CapEx, which led to increasing CapEx estimates.

Samantha McLemore: For next year, which looks like, you know, they could have an annual possible, you know, free cash flow negative year. So the market just doesn't like that, especially on the back of how well Alphabet's done coming into this. I think since the lows in the first quarter of 2025, which was the taper tantrum of people getting concerned about Alphabet's positioning the stock's up 120%, so that's a huge move for a big company.

Samantha McLemore: But it makes if you're a long-term investor, and you look at the numbers, it makes a lot of sense for them to continue to invest. So, the cloud business did extraordinarily well. It had 82% growth. You know, it had 54% incremental operating margins. So, there's high profitability running through the cloud business if you look at the incremental operating profits year over year, it was 6 billion in incremental operating profits. So, you can do an after-tax number on that, looked at the entirety of the 91 billion in CapEx that they invested.

Samantha McLemore: Last year, assume it's all for AI, and you'd get, you know, after-tax returns above 20. So, if that's sustainable, then they should, you know, they should raise capital, they should deploy as much capital as they can at those levels. That makes all the sense in the world.

Samantha McLemore: We found out, and I was shocked to find out that Warren Buffett is the one who made the call to invest in Alphabet because it is extremely unlike Warren to invest in something at the all time highs, you know, at the all time highs and I think what that says is... so I was very surprised to see that, but it makes sense when you think about his objective is to create a durable, sustainable business.

Samantha McLemore: And I think he's 95, so, you know, who knows how much longer he has. But if the economy and the world is being transformed by AI, and he is short technology overall within his, you know, portfolio of businesses adding to... and Alphabet is not expensive. You know, it's at the high, but it's not anywhere where the tech bubble peaked.

Samantha McLemore: So, in the mid-20s, you know, multiples of earnings, you know, it's just not that expensive. So, I think it makes a lot of sense why he would buy it if he has... if he's trying to do that for the business, and I think it just speaks to how transformational AI is overall.

Samantha McLemore: For the Mag 7 in aggregate, they have really lagged this year. If you look, people have talked about a narrow market for years now. And, you know, I think for the past three years, like 2023, 24, 25 like 25 to 30% of stock outperformed the index, and it was very narrow, and it was Mag 7 lead. And this year, they're doing much worse. And for that reason, other stocks are doing much better. 50% of stocks are outperforming the index this year.

Samantha McLemore: And again, it makes sense, given how well they've done expectations were higher relative to other names which had not performed, and you have some of the memory and DRAM companies where you have these explosion in earnings on the back of low depressed multiples where the stocks have gone nowhere, so you have this... these explosion in prices. But if you look at the fundamentals of the Mag 7 in aggregate, and we like some of them, not all of them the fundamentals remain extraordinarily strong. So, you can see here in the bottom bar chart, you know, the Mag 7 in 2026 are expected to grow earnings 38% year over year. That's 19 points higher than the rest of the market, you know, at 19%.

Samantha McLemore: Which is a bigger gap than what it was in 2025 when they grew 22 and the rest of the market grew 10, but the acceleration in the 493 is greater because it's off a lower base, and the expectations were more muted. So it makes a lot of sense why they would have outperformed to here, but I think from this starting point, you'll see in the pink box at the upper, it's at my upper right, I think it's at your upper right, but the top 10 names in the S&P are now only slightly above their 30-year average PE, 104.

Samantha McLemore: The remaining 490 are, you know, 123% above that. So I think some of these Mag 7 names, you know, a number of the ones we own, like Amazon, like Meta, like Alphabet, NVIDIA, I think they're some of the most attractive names in the market.

Samantha McLemore: Some of the best positioned, in my opinion, for the AI revolution. The valuations have come down. They're capitalizing on, you know, the current explosion in you know, usage of AI, and the market, you know is volatile in the shorter term and can trade these things up and down, but we think those names, you know, look attractive. Tesla, I still do not, I think is very overvalued, although I think SpaceX is likely to try to buy it because I think Elon wants everything wrapped in one.

Samantha McLemore: I think SpaceX is also crazily priced and, you know, maybe one of the more extreme indicators of the euphoria in the market if you, you know, you have to have an extremely optimistic belief state about the future of the business, but people are willing to, you know, give Elon the benefit of the doubt.

Samantha McLemore: They are, I think Apple looks expensive, and I think AI presents the first real risk to that business that we've seen. But the other ones, I think, look attractive.

Samantha McLemore: This is just, you know, we have seen this single stock volatility continue to rise. And you can see here the bar across shows where we currently sit. And we've really only exceeded these levels a couple times during extreme market behavior. So, we like this setup. We hope this continues. It creates volatility, which a lot of people don't like, but that creates opportunity.

Samantha McLemore: And so, you have the market crowding into narrow areas and then shifting those narrow areas, which means other areas sell off things get too extreme, and that creates opportunities for us to exploit when the market expectations get, you know, disconnected from the business fundamentals.

Samantha McLemore: In terms of Patient Opportunity, you know, since I took over, fortunately, everything has, you know, performance has been strong. Up 29.5% through July 17th. We put these slides together a few days ago, the S&P that's annualized. The S&P is up 22.2%. You know, over a similar period, so 730 basis points per year better. The S&P value's up 16.3%, 1,320 basis points better than that.

Samantha McLemore: Most recently, for the quarter and the year to date period, we have managed to outperform despite being very underexposed to these hot areas of the market like semiconductors. NVIDIA is our only holding in that space and it has really lagged year to date so what's driven the portfolio has been primarily healthcare needs.

Samantha McLemore: So you can see our top contributors for both the quarter and year to date, a large percentage of them are healthcare names for the year-to-date period, I think 6 of these 10 holdings, top contributors were healthcare names, Royalty Pharma, UnitedHealth, Precigen, Illumina, and another Precigen warrant, because we structured a deal with Precigen. But I think all of those healthcare, you know, was a real laggard a few years ago, and it reached a 50-year relative valuation low.

Samantha McLemore: We talked about it on this call, that created great hunting grounds, and we found a number of, you know, interesting opportunities that we continue to hold. We still think there's upside in most of those names.

Samantha McLemore: On the other side, the detractors from our performance recently, not surprisingly, if you look at the year-to-date period crypto, Adobe, which is a software name and software, has continued to be under pressure. Meta has been a laggard. QXO has sold off after the deal and some payments names are in that bucket. Almost every almost every name in that bottom 10 for the year to date, we've been adding to and think are very attractive in here.

Samantha McLemore: The strategy still trades at 16 times earnings, still a significant discount to the S&P 500 at 21 times. The expected EPS growth rate is a smidge lower at 26 versus 28 for the market. Again, I would attribute that to our lack of exposure in some of these areas where you've seen the most extreme shortages from the AI spend, like semi and semi-cap equipment. We still have a diversified basket of different types of misvalued opportunities.

Samantha McLemore: Equal exposures and attractively valued compounders and classic value, and then, you know, smaller exposure to early-stage companies that we think could be the future compounders.

Samantha McLemore: A few names I'll run through and then we'll get into questions. So QXO, as I said, it has sold off a lot. It's in half from the highs earlier this year. We loved QXO here. I have a lot of conviction and confidence, probably one of my favorite names at these levels. QXO has been pressured by a number of things. It announced a deal and closed the deal for top build. There was some ARB pressure from that deal, but the pressure continued after that deal, which I think is because of housing market weakness and the lack of storms hurts some of their businesses. So, the valuation has come down a lot, and we think that they have, you know, Brad Jacobs is the founder here. He's done this with a number of different businesses, XPO was the most recent.

Samantha McLemore: That stock had I think 360% sell-offs in the first few years. Each one was a buying opportunity. We think the same will be true here. You know, we think QXO can you know, double its profits, you know, organically over the next 4 years, and more than that with, you know, accretive acquisitions, which they're really smart about. So, we think QXO should compound at 25 to 30% a year from these prices.

Samantha McLemore: Ayden is payments in aggregate and fintech have been under pressure. So, we're finding a number of attractive names in that area. Adyen, which is a European payments company with one of the more technologically advanced platforms, you know, is one of those names. The stock has traded off significantly on competitive concerns and growth concerns

Samantha McLemore: When we look at the business and what we think it can do, we think it can continue to grow the top line profits and free cash flow at 20%. A year overall, it's trading at 20 times this year's own earning 16.8 times next. It's about a 100% free cash flow conversion on that. So, it's 7.5% next year free cash flow yield again growing at 20. So, you know long-term interest rates at 4.6, or wherever they are, we think that this is, you know, is a very attractive stock. You can see, the other, you know, sort of technologically advanced, payments player is Stripe, which is a private market player they have had about comparable core transaction volume.

Samantha McLemore: You know, Stripe's been growing faster, but Adyen's trades at a huge discount to Stripe's valuation. So, Stripe's like $159 billion valuation, and Ayden's at $30 billion, lower than that today which we think adequately represents the fundamentals of this business.

Samantha McLemore: Chime is another fintech that we think is extraordinarily attractive. It is the leading digital bank for the low-end mass market and they set up their business to have a very low cost to serve so that they could go after that low end profitably, which Jamie Dimon at JP Morgan has said they can't do, and a lot of others can't do. This was a darling in the private markets. It was, you know, 25 billion valuation in 2021. Today, it's about an 8 billion dollar valuation. They're really smart. They mostly monetize through debit volumes. So not a lot of credit risk in the model.

Samantha McLemore: They've added more new accounts, you know, than the other largest players combined, so they've got a good brand and marketing advantage. And, you know we think that cost advantage sets up a very long runway of growth, and it's very attractive. It's similar to a Costco-type model, where they try to continue to work on lowering the costs and then share those cost advantages with their customers. We think this stock is worth more than twice where it's trading today.

Samantha McLemore: Lastly, Adobe, which we talked about last quarter. I won't go into the details here. The software space in aggregate has continued to be extraordinarily weak as people are concerned about disruptive risks from AI. We think Adobe is much better positioned than you know, is priced into the market with, you know, low double-digit free cash flow yield. It's still growing nicely. They have good protective lock-in in the enterprise business, which I don't think is really disputed, the bigger dispute is in the prosumer, you know, consumer small business piece, but they've really adjusted the business there, to a more freemium model, which sometimes in the short term can pressure some of the metrics, although they're still growing very nicely but people worry about a management change.

Samantha McLemore: They're buying back tons of stock. They just announced a new $25 billion share repurchase. So, you know, that fundamental value accretion is very powerful when a company is growing, spinning off that much cash, shrinking the shares outstanding, so we're happy to be patient here And with that, I think those are all of our prepared comments, so we can kick off questions, Christy.

Christina Malbon: Great. Thank you, Sam. We're going to start with some of the questions that we received ahead of time, and then we will be looking at the live questions, so keep sending them in, and if we can't get to any of them, we will reach out personally with an answer.

Christina Malbon: Sam, one of the questions we got is, what is your outlook for the broader market from here, specifically over a 10-year period?

Samantha McLemore: I think that's a great question. I would say there's a few things we know. Obviously, no one knows the future, but there are a few things we know, which is over the longer term, higher P's are correlated with lower returns in the market that doesn't work over like one year periods, but over 10 year periods it does, and lower PEs are correlated with higher returns.

Samantha McLemore: I would, you know, my best prediction would be that we would have lower than average returns over the next decade. So if long-term returns are 8%, like I said, we've been running at

17% since the bottom of the secular bull market in 2009, you know, I would say I would be happy if we could get 8% but 6 to 8% would be my kind of base case but that would look like 6 to 8% a year. My base case would be that we have the continuation of the secular bull market with extraordinarily high returns, call it 20 plus for some period of years, I would say then you might at some point in the next decade, I would guess that we would have the end of the secular bull market. Those sell offs after secular bull market tops are, you know, bigger ones. So, if you had a 40 to 45% sell off and then you'd have a rebound that's high and then call it normal, you know, 10 to 12%. So that... that sort of evolution would get you into the 6 to 8% range.

Samantha McLemore: Now, if you look at the last secular bull market top was in 2000 and the one before that was in 1972, so it was 28 years between those two events. It's been 26 years since the last one. So again, these things are not precise at all. But in a few years, we would be in a normal window of that kind of thing that happens every 30 years. Now, I don't think you can predict these things, and as Peter Lynch said, people have lost more money, you know, trying to predict and time them than they have properly trading them. So, that's not something that there's a lot of evidence people can do, but what I do think is what protects you in those environments is value exposure and valuation discipline, because usually the thing that go up the most into those are the things that go down the most, you know when things reverse.

Samantha McLemore: So, I think by nature of our process and our valuation discipline, we will have protection, we have flexibility in the portfolio to hedge if we ever decide that that makes sense. But I would encourage people to have more value exposure to protect against those sort of.

Christina Malbon: Yeah, we always talk about reinvesting some of our winners into the next winners that we see that are currently undervalued for the market. I think we naturally shift the portfolio over time to kind of capitalize and stay invested in what we view as undervalued.

Christina Malbon: This is a question on how we perform in this sort of market. The question is, how can a fundamentally driven strategy compete when markets perform performance is heavily influenced by momentum? And as Rebecca called out earlier, we have been able to put up strong returns despite that momentum we see.

Samantha McLemore: Yeah, I mean, I think one, I learned early on that you don't want to be systematically short momentum. And that is something that contrarian value investors can tend to do. And in the 2000s, by the late stages of that bull market, the only names that went up were energy names that we didn't have exposure you know, that hurt us. So, we studied what went on, and one of the things we recognized was that we systematically sold our, you know, high momentum. So, one, we try not to do that and to gate ourselves and let our winners run.

Samantha McLemore: You know, again, it's always a balancing act, but I would say that's point one. Two, I think it can be hard. You know, it's at some point. But fortunately, this year we were benefited by the fact that you know, a lot of the stuff that we invested in over the preceding years. It's not unusual for it to take a year or two for those things to contribute to the portfolio. We tend to be early in and early out, as you would expect for valuation managers, but they've all done extraordinarily well.

Samantha McLemore: This year on those healthcare names. And so again, we're investing in, as Christy said, more names now that are depressed, that aren't working right now, but we think of that as deferred outperformance. Now, not every single name will work, but in aggregate the process has worked well over time, and we think that, you know that that helps us. Now, if we go into a late 90s type environment where things go absolutely bonkers bananas, that might provide, you know, a challenge, and we're always thinking of scenarios how do we protect against certain scenarios? We have those conversations. We have NVIDIA, you know, we have the Mag 7. Again, it depends what that would look like, but we have, you know, AI exposure that I think would help us in that sort of environment.

Christina Malbon: And we've gotten two kind of questions that focus on similar concepts, but the questions kind of revolve return to the mean. So obviously you called out that earnings have really grown this year and that's supporting, you know, the valuations that we're seeing in the market today, should we be concerned about these earnings going, you know, reverting? Could we see large declines in kind of the growth that we've seen? And what would that mean, you know, for these names in the market broadly?

Samantha McLemore: Yeah, I mean, I think what we've seen is secular change in the constituency of the market, which has been a fundamental underpinning of this entire bull market, which is a shift towards, as I said, higher technology, lower capital intensive industries like energy and, you know, materials, you know, the globalization has been part of it, which has helped returns on capital, you know, here in the in the US. I mean, what would reverse that? Well, we're seeing on the margins some of the globalization reversed, but still the mix in the market is towards higher return on capital companies, even if these hyperscalers' returns on capital are coming down somewhat if those Google numbers at 20% plus are right, that's still some of the higher returns in the market overall. So again, I think a lot of this is secular, driven by technology, but if and when, and we will eventually have a cycle and a recession. And during recession, earnings come down and returns come down. So I think that will happen at some point. I wouldn't think we'd go back to the levels we saw in 2000, just given the makeup of the economy overall.

Christina Malbon: And I guess from here, kind of one last market question. Do you expect market participation to broaden out beyond these sort of technology names? And how would your strategy perform in that sort of environment?

Samantha McLemore: Well, it's interesting because on the one hand, you hear a lot of people actually talk about the market broadening out. And it is true in the sense of what I shared earlier. The percentage of stocks outperforming the S&P for the prior three years was very low and this year it's higher and again, that's because the Mag 7 was leading, and it was as narrow, and now they're lagging. So, in that sense, we've seen some broadening out. You know, I think 70% of stocks are above the 50-day moving average. So, you know, stocks are broadly in an uptrend on a short-term basis.

Samantha McLemore: But I think what's also true is it's been a very narrow bull market all around this AI and tech. And even when you hear things about small cap doing better and certain global markets doing better and value doing better. It's all the same stuff, like memory and DRAM companies were value companies, now the indexes have switched them, which is crazy after huge moves, now they're growth companies, but you know those were value stocks, so that helps the value index.

Samantha McLemore: Some capital goods stocks again, you know, global markets, Korea, you know some of these markets, it's all the same trade. I think, you know, what could change that? Well, I think usually that stuff changes when the secular bull market ends and then you have some big force that changes things. That's not a good change that we're hoping for. You know, something else that could change it is if I think long-term rates were to come down a lot, that would help a lot of other companies in the market do much better.

Samantha McLemore: Again, that's not something we necessarily expect unless you see a big slowdown in the AI trade. I would really expect more of this until the cycle ends, at which point you would have a significant change and shift.

Christina Malbon: It's funny because you naturally hit on a question which was SMIDS and value have underperformed for a decade when will things be different? I guess maybe you think that if there's a change in market leaders or a decline in interest rates, that could be an opportunity there.

Samantha McLemore: Yeah, well, I think in the next secular bear market, I would think those things would lead presuming they continue to lag. Now if it the late 90s, you had at the peak, a very narrow market, and it was only tech and telecom, and I think utilities were up, you know, in the very late stages. Everything else was down, and it was down for a year, so you had huge valuation spreads. So, all of that stuff that was left behind did very well.

Samantha McLemore: In this market, you know, things have gone up more broadly. I think that there aren't wide valuation spreads where there's, like, a certain area of the market that, you know, is just really beaten down at this stage. There are, pockets within software within payments. That's the stuff that we focus on, and that you know we like. But so I think it would depend. If we saw a late 90s type environment where those spreads blew out and it got really narrow, then I think the stuff could, you know, out that those sort of things could lead.

Samantha McLemore: I do think value would lead after a secular bull market peak, because usually those things things get too expensive. And then as that reverses, the cheaper stuff does much better. So, financials outperformed in the tech bear market after the bubble burst, even though there was a recession which people normally don't think, but they were cheap going into it.

Christina Malbon: And then in terms of interest rates and sort of Fed policy, I guess, what is your outlook from here? What do you think they'll do, especially with Warsh in place?

Samantha McLemore: Yeah, I mean, it's really interesting and we could talk all day. I would say no one can predict this stuff. Like no one can predict it. I'm not even sure at this point or can predict it. You know, he's got a whole committee and who even does he even know what he wants to do? I'm not sure. You know, I think that's up for debate.

Samantha McLemore: But the markets are predicting a rate hike in September, and then another one, as of today, it was in January. Yesterday it was March, so the strong employment numbers today pulled that forward so that we'll have two by January so the markets are the best predictor, and that's what I would go on if I was forced to put my money on that.

Samantha McLemore: Now, you know, I think Warsh is a hawk in his court. He's very smart, but he was hawkish and wrong about that for the entire 2010s on the belief some people are, you know, ideological about huge money, you know, M2 growth and money growth creating inflation, so people believed it would, and it didn't.

Samantha McLemore: Now he was right to be hawkish, you know, after the pandemic, because in that circumstance it did when it was met with supply. But you know we'll see how much he cares about Trump. He obviously told Trump he wasn't going to do that in some way, shape or form because that's how he got the job. And so I think he's very savvied. He's not just giving forward guidance. He's not giving any inkling of even how he thinks about things.

Samantha McLemore: Which, if you're trying to talk down inflation and be tough, tough talk and not piss off Trump. That's actually really smart. But I guess we'll see by September if, you know, I think the markets are more likely to be wrong than they have in the past because he's got these task force task forces out there, which gives him the leeway to do nothing. And I think now if Trump does more tariffs

Samantha McLemore: and the war continues and those things are inflationary and that shows up in the numbers, that's a different story. Most recently, we've had weaker inflation numbers with stronger employment numbers. I think you can easily make a case like let's let the task force have time to work. We don't have to do anything. Let's figure out. And that would be my base case.

Samantha McLemore: Except for there's a lot of potential inflationary forces out there, and if those tick up, we could see, you know, rate hikes. And I guess as you kind of think about this interest rate environment, how does that impact how you think about names that we hold like QXO or even other sectors of the market, like housing and financials. Well, I think one, those are more dependent on long-term rates. And that is I think it's a critical factor for the market overall.

Samantha McLemore: I think one of the big risks out there is that long-term rates go up, you know, to 6 or 6.5%, I think that would be very bad for markets, but I think, Trump and Bessent and Warsh, they all are on the same page that that would be very bad, and they don't want that to happen, so I think they would, you know, do everything they can to prevent that from happening, I think the interesting thing is some of these housing related stocks that would clearly benefit from lower rates, I don’t know ho wmuch they would hurt from higher rates from here because there is osmuch pent up demand, it would hurt affordability, obviously.

Samantha McLemore: But you know that's not that doesn't look that good as it is. So how much, you know, once you bottom out, you're kind of you know along the bottom. So now, if it put us into recession, that's a different story. But then we would have rate you know, rates decline. But I think lower rates, if the AI trade goes wrong. I think we would have lower rates. And I think these things would benefit. So they're a good hedge on some of that AI exposure. And I think a name like Qxo. It doesn't need lower rates to work. It would benefit more, and it would accelerate things if we did have lower rates, but I don't think it requires lower rates.

Chrisina Malbon: And you spent a lot of time on the prepared remarks talking about AI and kind of the valuations there. We've got two sort of questions on the space. One of the questions is how do you, you know, based on the AI landscape today, how do you think you will position the portfolio in five years from now? Which is, like, I think an impossible question to answer, but you can try.

Samantha McLemore: No, I was going to say it's just impossible to predict that sort of thing because it depends on so many variables on both market prices and fundamentals. And so, I mean, I could make a base case and like a normal case but I would most likely be wrong about what that looks like. I think AI is transformational, and I think we're in the very early stages of it. And, you know, if you talk to companies now, they don't have the concerns that the markets have.

Samantha McLemore: It's like we're very early. The demand is huge. There's constrained supply we’re just at the early stages of learning how we can utilize this most effectively. It's improving at such a high rate overall. So I actually had a doctor's appointment, and he was like, preaching to me about how he thought we were all going to have robotic servants, and he grew up in India, and, like, they were going to do everything for us you know, that's... that might be likely over some horizon. He said it would happen in the 5 years, I would be shocked. I don't think so, but, you know, how it evolves... again, my base case would be that we have, you know, a more late nineties type environment where, you know, like, things do get excessive enough and valuations get extended enough.

Samantha McLemore: And we have a capital cycle, and then it reverses. I just don't think we're there yet. I think we're still too early for that. So again, and it's just too hard to predict the time horizon, what that might look like, which names get extended, which don't, which, every quarter we get new information about how companies are doing and how the fundamentals are evolving, and we Bayesian update our view on, you know, how things look based on that. So we're trying to understand and stay on top of this, stay open-minded capitalize on disconnects, let our winners run, but in five years, geez, I don't know. That's above my pay grade.

Christina Malbon: Well, we've gotten a few questions on kind of software and SaaS, and maybe how are you thinking about evaluating the winners and losers in that space?

Samantha McLemore: Yeah, I mean, I think well there's a lot of analysis you can do based on things like Porter's five forces and the risks to various things. And a lot of people are doing this. You know, that's how people analyze these businesses. So, being like the vendor of record, you know, you have more protection, you know, how easy is it for customers to switch away? So, you know, you can do all those sorts of things.

Samantha McLemore: Which investors do. We do, but the market also does. So my view is like the market's pretty efficient, and if you just go look at, you know the valuations of you know the companies in the software space you can get a pretty good sense of how the market's assessing the relative positioning.

Samantha McLemore: And, you know, I think Morgan Stanley just published a piece of research on it was like a deep dive, you know, really long research report on the competitive advantages of different software companies and their assessment of, you know, their risk in an AI environment. And they came up with a basket of high conviction names that are positioned really well. They had a couple of underperforming names on it. The high conviction names are, you know, priced at 93 times earnings, and the underweights are priced at 8 times earnings, okay?

Samantha McLemore: So, the more the markets obviously, it’s already priced in to a huge extent. So that makes it a lot tougher, I think. So, what we do is we look at like, what's the market pricing and what do we expect? And where is there an actual disconnect, which sometimes is easier, actually, in my opinion.

Samantha McLemore: And so, like, that Adobe is where we was in the underweight basket. So it's in the loser's basket. Everyone has it in the loser's basket. So it's priced like a loser. And we think the advantages that it has and the protections in the business and the current fundamentals are way stronger than what the market's pricing in. And so, you know, the market, if we're right, will eventually adjust and adapt, and then, you know that should outperform, and if we're wrong and the risks are larger, then we'll be wrong. But we'll recognize that quickly, and I think there's a lot of protection from, you know, where it's trading, you know, right now. But I think software's come down a lot, and there are more names that are interesting.

Samantha McLemore: We're doing you know, more work on that space, but it's so hard to predict, and even people who are, you know, like, growth investors and venture investors who live in the world of early-stage companies and, like, the future, I haven't seen anyone you know, do a great job. So mostly they're just, like, everyone has the same view of the positioning of companies, but when you have something as transformational as this, like ServiceNow, I think, is it reported good results last night. I think that business is likely to be a winner in AI, but it's really expensive.

Samantha McLemore: So, you know exactly how quickly will it grow? You know, it's hard for me to make the case now. And if they... if they actually get their stock comp issuance down, then that would be a lot more interesting to us. But it's still issues so much stock comp and it's growing at 20% a year, so they're giving a lot of the growth a way to investors, which just... or to management, which just makes it harder.

Christina Malbon: Yeah, we always like to say we like to find companies priced as losers that end up not being losers.

Christina Malbon: So, this is an area we always get asked about, because we have exposure to Bitcoin. So we're going to talk about cryptocurrencies and kind of maybe the broader crypto market. So I guess, how do you view the current weakness and volatility in that space? And how has the movement of capital, you think, impacted some of the names?

Samantha McLemore: Yeah, well, I think the movement of capital has been a real headwind. And I mean, like I mentioned earlier, 60% of trading volumes are now retail plus the quants and algos that capitalize on them. And then when you add leverage into the mix. And they just move around their money a lot faster. So crypto was a hot space, you know, even last year, year before, certainly. Then we had prediction markets that took off, and I've seen some interesting articles that that's pulled some money, or this AI stuff as well.

Samantha McLemore: So, you know, you had, like, the delevering, which starts a cascade event. Now you even have MicroStrategy strategy selling, you know, Bitcoin because of what, you know, their objectives are. So these things there are feedback loops in market, where you have one thing and it feeds back into the other. I think at this stage.

Samantha McLemore: The positioning in Bitcoin is much better, and it looks like it's forming a base at like the 60,000 level. There's been a lot of improvement in the odds that that clarity Act gets passed, although today I saw a bunch of Democrats came out against it. We'll see what happens there. But I think the odds that it got passed by April or July, like, doubled from earlier this month to now, because they're actually working on it now. It looks like the Democrats don't like this version, so, you know, are they... are they going to get revisions? We'll see. But that would be a really positive thing that I think would renew interest pretty quickly in the space.

Samantha McLemore: Outside of that, I mean, we still really like Bitcoin. That's a long-term, you know, view that we think it's like digital gold. It will have... we have no illusions that it also has a lot of... it had a lot of speculative activity in it. I think that's much lower now so it'll have cycles around, you know, speculation. But I think the long-term trend is that, you know, more people will look to it as, you know, a gold-like alternative of store of value, and especially the volatility is coming down, so the more it comes down the broader the group of people who will be comfortable, owning it on a long-term basis.

Samantha McLemore: Coinbase we really like, you know, we think, you know, BlockCoin and stablecoins are... can be transformational to, you know, the financial system, and we think Coinbase is the leader in that space and has platform company potential, they're innovating, you know, aggressively, and so we continue to like that as well.

Christina Malbon: Great. We have a number of company questions. So hopefully we can try to get through them quickly. I'll just ask you about the different companies. We've got a number of questions on Crocs. I guess, how are you thinking about the cyclicality and this sort of consumer product space and kind of the risk of stabilization continuing to improve for Hey Dudes?

Samantha McLemore: I mean, we really like Crocs, it's up, you know, like, 59% year-to-date, so it's done really well. We were adding to it at the end of last year because it had, like, a 13-14% free cash flow yield, you know, Hey Dude has been really pressured, you know, Crocs in the U.S. you know, they had been investing in, but we thought later this year you could see stabilization and growth in both those businesses, and now the market's come around to our view on that. People like the products, we've already seen stabilization in the retail side of Crocs wholesale is still under pressure. Hey Dude's still under pressure, but there's a lot of improvement. And so people you could see all of them back to growth by later this year, and it's still a cheap stock.

Samantha McLemore: You know, it's in the 130s, it's generating or $14 a share in free cash flow. They're buying back a ton of stock, you know, with that, so a 10% free cash flow. They shrunk the shares last year at 9% a year. Terrence Riley is there. I think he's chief marketing. I think that's his title, Chief Marketing Officer or brand officer, but he's very innovative and creative and really at the cutting edge of how do you do social well.

Samantha McLemore: I think, Hey Dude has a ton of upside option value that's just not priced into the stock at all, and I think the international Crocs business also has growth potential, and it is, you know, some of it's a low-end consumer, some of it's actually, you know, expensive stuff that people pay a lot of money for. That's a small piece of it.

Samantha McLemore: But I think the product prices are at the low end. So I think they're more insulated from any economic weakness relative to, like, many other layers.

Christina Malbon: Great. Now, one of your favorite Norwegian cruises, question on why you still like it. It hasn't yet taken off, but talk to us about your thesis there.

Samantha McLemore: Yeah, I mean, it's it hasn't worked yet. It's been a disappointment. I think I still do like the stock. I really like the new CEO, John Chidsey, who we've spent a good amount of time with. He helped turn around Burger King and Subway. He's a get it done, no-nonsense, you know, kind of guy. There's good news, bad news here. The bad news, you know, the prior management, the prior CEO was fired. I think he was making progress in turning around the company, but it was way too slow, and he made, you know, some big errors.

Samantha McLemore: And so they still do their revenue management on an Excel, which is unbelievable. And they don't have, like, you know the right technology. But that's all fixable. It just takes time. And now you have the CEO in there who knows how to get that done. They're hiring all the right people. And I think the other good news is from an industry perspective, there's constrained supply. Now, Norwegian has significant supply growth, which normally isn't a good thing. It's a bad thing.

Samantha McLemore: But I think in the context of a constrained industry, it's a scarce asset that makes it an acquisition target, especially at these sort of valuations, because other players don't have, you know, those new ships coming and could easily take out a lot of the costs here if things don't go well and the turnaround doesn't work. I think there's a lot of ways to win, and, you know, we think the stock's worth, you know, twice where it's trading now. It might take... you know, we might start to see some, you know, improvements next year, but by 2028, I think that's the year that will be a cleaner year, and they'll have more significant fundamental improvements in the business. So, you know, again, we'll be patient now that we have this team in here, and I still think there's significant upside.

Christina Malbon: Great. And then Royalty Pharma, why do you have confidence in the sustainability of long-term excess returns?

Samantha McLemore: Well, Christy, you can talk about that because you're the analyst. I mean, I have, you know, this company has a long history of earning excess returns like 13% IRRs levered IRRs that are in the high teens. They've done it. This has been a lingering concern on the SOC, but they've done it in the public markets. And at the high end, the large deal size, which is a larger and growing piece of their business, you know, there's not many competitors. And then for like the big pharma deal, they also want the leader in the space. I think they have a lot of advantages in terms of you know, access to deals that others don't necessarily have. But Christy, do you have anything you want to add?

Christina Malbon: Yeah, I would agree. They command like 70% of the deals over 500 million market cap. And so they're really not having to compete on most of those deals. So they're not going to have to deal with rising prices. At the same time, they've spent the last 30 years building up this huge data set that follows not only, like, different prescribing habits of doctors, but also, like, disease progression in certain patient populations. And they attribute that to their ability to, like, really underwrite these deals in a successful way. And so, if you look at their track record, we have a chart on it that shows that their top 10 drugs, the actual delivered revenue is like 30, on average, 35% higher than what Consensus was estimating at the time they signed the deal. And their view is that going into those deals, they expected consensus to be too low, and they attribute that insight to their data.

Christina Malbon: And actually, some of their pharma partners don't even have this data themselves, and so when they partner together, they share the data with the pharma companies, which allows them to impact, like, how they go to market, how they target patients. And so that can also feed back into a more successful launch than if they don't partner with Royalty Pharma. So I think we have high conviction there. They also have an attractive cost of capital, so the spread that they've been able to get between their cost of capital and the returns has been consistent over time. And so it's something we track closely, but we have confidence in this team and kind of where they're playing in the market.

Christina Malbon: Another question, this is probably our most popular question today is on Precigen. It's our largest position. As you highlighted earlier, the majority of our exposure comes through a PIPE deal that we led at the end of 2024. So, Sam, can you kind of talk about how you think about the company, you hit on it earlier, but maybe, you know, why you find it so attractive here and why it continues to be a large weight for us?

Samantha McLemore: Yeah, so Precigen has done really well since we did the PIPE deal with them, which we've known the company, invested with them for a long time through different iterations that hadn't worked, but knew the history, knew the company really well. They had a terrible balance sheet. But Helen Sapzavari, the CEO had done an amazing job, you know, focusing the company on healthcare and, you know, moving the pipeline forward. I guess at the end of 2024, is that when we invested?

Christina Malbon: Yeah.

Samantha McLemore: We were right on the cusp of believing they would get approval for their first product in respiratory papillomatosis, Papzimeos, which they did get approval for that's launched, that's going extraordinarily well. You know, they just got exclusivity on that. They are going for a platform designation using very similar technology to go after HPV cancers, you know, head and neck and Cervical cancer, and the data there, I think, is extraordinarily strong, so I think they have a very good shot at that.

Samantha McLemore: Christy, you can talk about the launch curve analysis, but, you know, we think the numbers are still too low for what the street is expecting. You know, on the top line, they're going to reach free cash flow breakeven later this year, once they have, you know, positive data on another drug and people see, you know, it's not just a single product company. I think that's likely to help. So I think we have, just the Papzimeos product. Is it worth 12? Christy, the stock's at 550 and then they have a very strong pipeline, and I think their biggest constraint is capital, but as they proved this out, we think they'll have more opportunity for partnerships, they'll generate more capital that they can, you know, redeploy into the pipeline.

Christina Malbon: Yeah, no, I completely agree. I think on the launch curve, you know, the work that I've done, I think based on depending on where consensus is on today, they should be doing close to double, I think, this year just based on similar launch curves of rare diseases with pent-up demand. And so they announced earnings in early August. I am very excited to see 2Q, because I just think that they don't have a lot of people that cover the name.

Christina Malbon: The people that cover the name, I think, haven't paid that much attention to it, and I think if they continue to deliver you know, above expectations on revenue for this drug, they're gonna have to start paying attention and building out more robust models that I think reflect kind of the man that we see when we do our research. So we're very excited about that, and their HPV cancer drug will have a readout in the fourth quarter, and I think that'll, to Sam's point, will be another unlock for investors to kind of understand the pipeline more broadly and the value that underpins that.

Christina Malbon: So, Sam, that answers, you know, or most of the questions, the questions we did not get to, we will be reaching out with answers for that, and then I'll hand it back over to Sam for closing remarks.

Samantha McLemore: Great. Well, thank you all so much for joining us. We appreciate your time. We appreciate your interest. We appreciate your support. I hope it's clear that, you know, I think we have a very strong process. We're trying to capitalize on the upside in markets while also being cognizant of the risks and monitoring those closely so that we can do well you know, if things were to change.

Samantha McLemore: I think we have, you know, the best clients in the business, so I'm very appreciative of everyone. I think we have the best team, so I'm appreciative of the team. And if you have any other questions, please reach out. You know, we want to help you get your questions answered. So thank you so much. Have a good night.

FOR INSTITUTIONAL INVESTORS ONLY

Note: Individual stock prices as of 7/16/26

The views expressed in this commentary reflect those of Patient Capital Management portfolio managers as of the date of the commentary. Any views are subject to change at any time based on market or other conditions, and Patient Capital Management disclaims any responsibility to update such views. These views are not intended to be a forecast of future events, a guarantee of future results or investment advice. Because investment decisions are based on numerous factors, these views may not be relied upon as an indication of trading intent on behalf of any portfolio. Any data cited herein is from sources believed to be reliable, but is not guaranteed as to accuracy or completeness. The information presented should not be considered a recommendation to purchase or sell any security and should not be relied upon as investment advice. It should not be assumed that any purchase or sale decisions will be profitable or will equal the performance of any security mentioned. References to specific securities are for illustrative purposes only. Portfolio composition is shown as of a point in time and is subject to change without notice. All historical financial information is unaudited and shall not be construed as a representation or warranty by us. References to indices and their respective performance data are not intended to imply that the Strategy's objectives, strategies or investments were comparable to those of the indices in technique, composition or element of risk nor are they intended to imply that the fees or expense structures relating to the Strategy or its affiliates, were comparable to those of the indices; since the indices are unmanaged and cannot be invested in directly. Portfolio holdings and portfolio discussion are for a representative Opportunity Equity account. Holdings discussed may or may not be included in all portfolios subject to account guidelines.

The performance information depicted herein is not indicative of future results. There can be no assurance that Opportunity Equity's investment objectives will be achieved and a return realized. Returns for periods greater than one year are annualized.

Opportunity Equity Annualized Performance (%) as of 6/30/26

	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (12/30/1999)
Gross of Fees	17.56%	10.95%	35.86%	26.97%	6.01%	16.17%	9.75%
Net of Fees	17.28%	10.40%	34.54%	25.73%	4.96%	15.03%	8.67%
S&P 500	15.20%	10.21%	22.32%	20.61%	13.41%	15.51%	8.33%

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

Past performance is no guarantee of future results.

Certain information in this presentation may have been obtained from third parties. We make no warranties or representations and disclaim all express, implied and statutory warranties of any kind to the user and any third party, including, but not limited to, any warranties of accuracy, timeliness and completeness. We shall not be liable to user or any third party for lost profits or lost opportunity, direct, indirect, special, consequential, incidental or punitive damages whatsoever, even if we have been advised of the possibility of such damages Nothing herein shall preclude you from any remedies under relevant securities laws.

Certain statements included in this presentation, including, without limitation, statements regarding the investment goals, the Firm's investment strategy, and statements as our beliefs, expectations or opinions are forward-looking statements within the meaning of the relevant securities laws and are subject to numerous known and unknown risks and uncertainties. The factors discussed herein and throughout this presentation could cause actual results and developments to be materially different from those expressed in or implied by such forward-looking statements. Forward-looking statements generally include the use of words such as "believes," "intends," "expects," "anticipated," "plans," and similar expressions. Undue reliance should not be placed on these forward-looking statements. Actual results could differ materially from those expressed or implied in the forward-looking statements for many reasons, including the risks described herein and the Offering Documents. Such statements relate only to events as of the date on which the statements are made and there can be no assurance that future results, levels of activity, performance, or actual achievements will meet these expectations.

Equity securities are subject to price fluctuation and possible loss of principal. Small- and mid-cap stocks involve greater risks and volatility than large-cap stocks. Real estate investment trusts (REITs) are closely linked to the performance of the real estate markets. REITs are subject to illiquidity, credit and interest rate risks, and risks associated with small and mid-cap investments. The strategy may focus its investments in certain regions or industries, increasing its vulnerability to market volatility. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. Derivatives, such as options and futures, can be illiquid, may disproportionately increase losses, and have a potentially large impact on strategy performance. The manager's investment style may become out of favor and/or the manager's selection process may prove incorrect, which may have a negative impact on the strategy's performance. Short selling is a speculative strategy. Unlike the possible loss on a security that is purchased, there is no limit on the amount of loss on an appreciating security that is sold short. The strategy does not invest directly in cryptocurrencies. The strategy obtains indirect exposure to Bitcoin through its holding of the Fidelity Wise Origin Bitcoin Trust (FBTC). Bitcoin and other cryptocurrencies are a relatively new asset class and are subject to unique and substantial risks. Bitcoin is a highly speculative asset that has experienced periods of extreme volatility and may encounter future regulatory changes that may adversely affect its value. Bitcoin is not backed by any government agency. Capital Expenditure (CAPEX) is the money a company spends to buy, upgrade, or maintain long-term assets like buildings, equipment, and machinery. Free cash flow (FCF) is operating cash flow minus capital expenditures divided by the number of shares outstanding. Earnings growth is not representative of the Fund's future performance. Portfolio holdings and sector allocations are subject to change and are not recommendation to buy or sell any security. The commentary herein is intended for informational purposes only and does not constitute investment, legal, or tax advice or an offer to sell, or a solicitation of an offer to buy, securities, or an endorsement with respect to any investment strategy or vehicle managed by the Firm.