



3Q 2026 Webinar Transcript

October 20th, 2026



Samantha McLemore, CFA
Founder & CIO



Christina Siegel Malbon, CFA
Assistant Portfolio Manager

Samantha McLemore: I want to thank everyone for joining us this quarter. We know your time is your most precious asset, and we appreciate you deciding to spend it with us. I also want to thank the entire team a lot goes into our quarterly materials and quarterly presentation, and it's truly a team effort, so I want to make sure to thank everyone involved.

Samantha McLemore: So, we have some slides that we'll go through on our overall view and on the portfolio, and then we've got lots of questions. If you have any questions, you can also enter them into the chat. We want to make this useful for you. I'm just going to give, I'm going to do it a little bit differently, because I'm going to give a brief summary of my market view right up front for people who are very time-constrained and want to, you know, hear the view and move on. There's a lot going on in the markets, you know, no shortage of headlines every day. I think the punchline is, and we got a lot of questions on this.

Samantha McLemore: We remain bullish and think that the secular bull market that we're in is continuing. You know, there's been lots of headlines out there, especially in the AI neocloud space.

Samantha McLemore: Coreweave unsecured yields hitting 15%, at least this South Korean Neocloud had its IPO overnight and dropped 32%. You know, there were a couple other, Neocloud IPOs in Australia. Firmus pulled its IPO. There were some headlines about, Nscale, Microsoft backing out. It was actually just one contract. So, a lot of noise going on, I think, that has the market really on edge.

Samantha McLemore: We've been spending a lot of time looking into what's going on, trying to think through what's going on. I guess the conclusion there, it's likely a buying opportunity, but you have to be careful and thoughtful about where you buy it. I think that, you know, the increase in rates, Fed funds rates, and long-term rates, you know, is pressuring highly levered companies and companies whose spending outpaced their cash generation.

Samantha McLemore: So, I think that that has been a pressure on cost of capital overall, and then when you have these commitments that are huge relative to the profits of businesses, the market gets, you know, quite skittish. I think I would be much more concerned if it looked like it was a problem with the underlying fundamentals of the businesses, which I think boils down to compute, supply, demand

in the AI space. So far, I have not seen, there are a lot of people and a lot of, you know, consternation, and I'm on an AI panel later this week, and we had a prep call, and there was a lot of bearishness there too, people talk about falling prices and you know, open source models, taking share, all of which is true, but the volume growth is so large, and at the company level we're still seeing very fast revenue growth.

Samantha McLemore: And, you know, incremental profitability that's quite strong. So, I think what matters is the underlying returns that these companies can earn, and so far, those look quite strong, which I think is positive for the market. So, I think it's good news that we basically had, you know, fears and, you know, these pessimism spikes, you know, almost the whole time, you know, periodically since ChatGPT launched at the end of 2022.

Samantha McLemore: I think that's keeping a lid on valuations, which is very constructive, and anything that slows down supply growth, while demand remains strong, is actually constructive, you know, for the underlying economics.

Samantha McLemore: So, right now, given this negativity and pessimism, we've had, fund managers and investors get quite bearish. The long-short net exposure of hedge funds is at a 5-year low, which is quite, astounding, given, you know, 2022 was a bad year. You know, we've had valuations that have pulled back, so we'll get into more of the details here, but again, I think that's a very constructive backdrop, and we use lots of research in our efforts.

Samantha McLemore: Rich Ross is a technician at Evercore ISI. He's been, you know, the most accurate technician throughout this bull market run. He came out with a piece today saying, "let's get cyclical." He says the call for a year-end rally to all-time highs in the QQQs and SPYs remain intact and will be led by a rotation back to cyclicals, semis, banks, and bond proxies as the dollar stalls into resistance, taking the 10-year below 5%.

Samantha McLemore: Providing support for the salient theme of this century, which is AI, with semis entering their best month of the year of 6% on average, with the stocks oversold and on support, with sentiment toxic, and positioning defensive ahead of the midterm market clearing event.

Samantha McLemore: So, if that happens, I think we will have a huge rally. We had quite a strong market today. Our performance was very strong in the top 20% of, you know, the past 3 years of relative performance, so that tends to be the case when the market's, you know, getting ready to take off. So, we'll see.

Samantha McLemore: But what we'd look for to become more bearish would be anything you know, on consumer spending that was negative, as it's 70% of the market, or AI, which has been a fundamental underpinning of this bull market. So far, we see no signs yet of issues there.

Samantha McLemore: So, I'll flip through the slides quickly, and then we will get into the questions, and again, please submit questions if you have them. We can go to the next slide.

Samantha McLemore: So, just a brief overview of the firm, Patient Capital Management. We have \$3.1 billion in assets, 12 employees in Baltimore. We were a part of Miller Value Partners, which was, prior to that, a part of, Legg Mason. Bill Miller's a senior advisor, a minority owner, and a great friend.

Samantha McLemore: I think we aspire to be, this is quite an audacious aspiration, but, you know, the most investor-friendly investment management company, so we put our investors at the top of

everything we do, so when we think about if we're going to launch funds and is it a good time to do that, we want, you know, to have a lot of confidence that it's in investors' interest. We think a lot about alignment.

Samantha McLemore: We have significant investments in our funds, you know, alongside investors. A lot of the analyst comp goes into a 5-year deferred plan, that is invested in our funds and only invests best if we outperform. So, we think a lot about, you know, how do we do well when our investors do well, and only when our investors do well.

Samantha McLemore: In terms of our investment philosophy and approach, you know, there are a few key characteristics. Again, we're not trying to predict the future, that's impossible. We try to think probabilistically and be positioned for a range of scenarios, and we'll get into that. We are long-term, value-oriented investors, so we're valuing businesses and then investing for the long term. We're bottom-up, fundamental investors that do deep research on the companies we invest in.

Samantha McLemore: We think the only enduring edge in the market is a behavioral edge. There are other edges that you can get from time to time, but extremes of fear and greed, and especially given single stock volatility in the markets today, if you can be patient and long-term oriented, it's a huge, I think it's a huge advantage, and we're doing that, and I'll get into an example later on of what makes it hard, but why we're optimistic.

Samantha McLemore: And then, you know, what I talk about a lot, that fundamentals versus expectations, that's what drives a stock, what's discounted, what's priced in, versus what actually occurs in a fundamental basis.

Samantha McLemore: So, you can see here, just a lot goes into each side of that equation on the fundamentals, you know, of a company, and how we calculate an intrinsic value on, in a range of scenarios, using many different valuation methodologies, the core of which is the discounted cash flow, and then we're comparing that against, you know, what is the market telling us this business can do?

Samantha McLemore: And we're looking for significant gaps between market implied fundamentals and then what we think is reasonable. And most of the time when we do our work, the conclusion is, wow, the market's really good. And there's... there's not a clear opportunity here, or, you know, we can see equal upside and downside. And then a few times, we say the market, we think, seems to be getting this wrong, mostly because of, you know, behavioral issues.

Samantha McLemore: You know, as I said, before, you know, we believe we're in the later stages of a secular bull market that began in March of 2009 at, you know, extremes of pessimism and fear and low valuation, where people literally thought the world was ending and wondered if you could underwrite the future of business overall.

Samantha McLemore: You know, now we are many years into the later stages of that, which also tend to be some of the strongest, you know, returns in the market. Over the entire period, the S&P is up 17%, almost 17% a year, which is well above the long-term average of the market at 10% a year.

Samantha McLemore: Fortunately, we've done quite well in this environment. Opportunity is up 18.4% a year. Since the end of 2022, the S&P is up 21.7% a year over the past almost 4-year period. Again, you know, I think the more fear we have, the more valuations remain constrained.

Samantha McLemore: You know, anything that slows down the underlying fundamentals, I think, can... has the potential to, you know, prolong the later stages, so I think it's a... it's a good thing. You know, the early years of this off the lows, those tend to be, you know, extraordinarily strong years, so in the S&P from March of 2009 through the end of 2013, that initial period, you know 2011 was a challenging year, but that was an almost 5-year period. The market was up 25.9% during that period. Opportunity was up 41%.

Samantha McLemore: You know, we use this slide in every presentation. Again, this is behavioral, this is, sentiment. This helps us determine where we are in market cycles. Sir John Templeton, bull markets are born on pessimism, grow on skepticism, mature on optimism, and die on euphoria. So we've been talking about being in the later stage where there's more optimism and pockets of euphoria, you know, but during these flare-ups, I think, where you have these pessimism flares, you know, it's amazing how quickly people adjust their positioning and their sentiment on, you know, the overall market. So again, I think that's constructive overall.

Samantha McLemore: You know, I think the main thing to note about the market is just how strong earnings growth has been. It's been extraordinarily strong. So, for this year, 2026, S&P earnings growth is expected to be 32%. You can see that's, you know, near the highs, historically, of, you know, what we've experienced. Coming into this year, earlier this year, when we did our first quarter call, you know, this number was, 17% was the estimate. So, it's increased by 15 percentage points.

Samantha McLemore: Over the ensuing 6 months since, you know, our March call, which is just quite astounding. And again, this is really what's powering the market.

Samantha McLemore: The markets have been strong, but they haven't quite kept pace with that earnings growth. So, you can see here, the valuation on the S&P has come down at the end of September. The forward PE on the S&P 500 was 19 times, so you can see that's right in line with the 10-year average on the S&P 500, and it's a little bit below, actually, the 5-year average at 19, 0.9 times.

Samantha McLemore: Again, as long as you think that earnings can continue to grow, which again, it appears that they should from everything that we're hearing, you know, this is quite constructive.

Samantha McLemore: And what is leading to that earnings growth? You can see here the chart on the left, I think it's everyone's left, the earnings growth by sector. You can see energy is the standout, obviously, with, you know, crude prices up as much as they are with the Iran war.

Samantha McLemore: Then outside of that, AI has been a huge, source of earnings growth as well. So, you know, those two things have been important drivers. The other thing I would note on this slide, value versus growth, you can see here that if you look at the value valuations, 16.9 times versus a long-term average of 14.3, we're 18% above those long-term averages. On the growth side, we're almost in line with long-term averages at 22.2 versus 21.5, or 3% higher than long term averages.

Samantha McLemore: So, value has had a very strong period, you know, of performance, which is not surprising in an inflationary environment with rates increasing where the economy continues to do well. We are finding a lot of opportunities on the compounder side of companies with long-term, solid long-term growth prospects, where you can get them at very attractive prices. And, you know, I'll talk a little bit more about that.

Samantha McLemore: This is just a little more detail on, you know, the breakdown of earnings growth from AI. You can see it's been quite broad, so we have here on the right the earnings growth by year

from 23 to 26. You know, on the right side of each colors, columns is 2026. But across the whole technology industry, hyperscaler, semiconductors, hardware, power, and software, you can see that it's driving very strong earnings growth.

Samantha McLemore: Then you can see the performance of each of these sectors on the left-hand side. I think the thing to call out here, and we'll get more into this, is, you know, some of these hyperscalers, and we own several of the Mag7s have had extra ordinarily strong earnings growth that's actually accelerated, year over year, but they've lagged year to date.

Samantha McLemore: I think that's creating an attractive opportunity in some of those names, which we'll get into.

Samantha McLemore: So yes, on AI, the spend levels are enormous, and I think this is one of the reasons that people get concerned because historically, huge levels of spend do not correlate well with high returns, and so there's a boom-bust. You know, the details of timing and how this happens matter a lot, but the levels of spend expected here and the growth in spend is large is quite large overall.

Samantha McLemore: So, you know, we're monitoring that closely, and again, I think we have always talked about, back in our Legg Mason days, trends of a system versus trends in a system, so even if you might not be able to earn adequate returns on capital across the whole system, some segments of it will be much better positioned to do that than others, but given our compute shortage currently, and where we are currently, it actually looks like, you know.

Samantha McLemore: Most sectors, as far as I can tell, are earning good returns in the near term. So the question is, how does that supply-demand evolve over time, and is that sustainable?

Samantha McLemore: You can see here on the right side of this chart that relative to GDP and these capital spending booms, this one is even larger than the, you know, the historical ones at 3.6% of GDP. The railroad was, you know, just over 2%.

Samantha McLemore: I think, in terms of the hyperscalers, you can see here just the huge increase in capex, you know, on the left, 2026, it looks like it's going to be \$800 billion, going to call it \$1.1 trillion next year. I think the good news for this segment of the market overall.

Samantha McLemore: On the right is that you're seeing operating cash flow growing in line with capital expenditures. So, you know, that helps their ability to fund it.

Samantha McLemore: I'll get you know, more into the funding picture, and again, they're seeing... we shared last quarter, you know, some of the returns that you could calculate from what you're seeing in their businesses overall, and I think it's quite clear, with the current conditions, that the returns, that they're earning are quite strong. 30% after tax returns on capital, which is why they're investing. And I just heard today that Andy Jassy in a recent meeting said that, you know, they are sold out through the end of 2028.

Samantha McLemore: So again, the demand is just extraordinarily strong, which is why these companies are investing. And eventually, we'll see the free cash flow inflect, but, you know, that will depend just on how much they can deploy and what the overall demand picture looks like for them.

Samantha McLemore: I think, you know, people have worried about their ability to finance it. You know, they, along with others, are accessing capital markets to do so, both on the equity side at a company like Alphabet and on the debt side across the board. Interestingly, you know, recently with this move up in interest rates, you know, the spreads have actually narrowed at most of these hyperscaler companies.

Samantha McLemore: Oracle's the one exception, it's the one with the worst balance sheet, so that isn't surprising. We've seen triple C spreads, you know, blow out to, you know, almost 2022 levels. So those companies that have more challenge balance sheets, you know, will be the most impacted. I think the good news is, for these hyperscalers, you know, their balance sheets overall are still much better, than the rest of the BBB or double B market overall.

Samantha McLemore: So if they were to have comparable interest coverage ratios, this is what the middle chart shows, they could, you know, finance a trillion dollars more in the debt markets, and this shows you what percent of total debt outstanding and debt issuance that would equate to. But just on the pure credit worthiness of these companies, they are still in, you know, great shape. Now, how much will the markets, you know, ultimately bear, we'll have to see, and we'll have to monitor that carefully. You know, but given the prospects, I think, relative to other companies, I would expect these companies to be sources of strength.

Samantha McLemore: And you know, given their performance relative to their earnings, which I've mentioned, you know, I mentioned before, you can see here on the bottom left, earnings growth of the MAG7, and again, we're not invested in all of them, this year is 57%, the rest of the S&P's at 23%. Their valuations, you know, have compressed, and their operating cash flow growth is quite strong.

Samantha McLemore: So I think these companies, much to the chagrin of active managers who have been challenged by how large these are of the index and how hard it's been to outperform, I still think, overall, with a few exceptions, these companies are positioned quite well.

Samantha McLemore: Since I took over as sole manager at the end of 2022, which you know, it's better to be lucky than good. That was great timing. The lows of the market before this, you know, most recent cyclical bull market. You know, the performance has been quite strong, so the S&P is up, as I said, 21.6%. Opportunity is up 27.7% over, you know, those ensuing years.

Samantha McLemore: In terms of our most recent quarter and year-to-date, and what's, you know, what have been our contributors and detractors, you know, we did a deal with Precigen at the end of 2024, a private investment, you know, in that company with some warrants and preferreds. The preferreds we ultimately, you know converted into common stock.

Samantha McLemore: That has been a huge contributor to our returns in the ensuing years. It is a volatile stock. It sold off, earlier in the year. We did add to it, you know, when it was below 4 and maybe even a little bit above 4 because we continue to remain quite optimistic about its prospects, and we do going forward, but you can see here that that's the top contributor, you know, for the quarter and for the year. It has been a detractor to start.

Samantha McLemore: To start the fourth quarter, it's detracted over 200 basis points. Again, I still think it's extraordinarily attractive in here. The stock, is trading in the sixes, the high sixes, we think the respiratory papillomatosis, which is its first drug, that indication alone is worth \$11, so there's still significant upside for that indication, but we think the company has pipeline after that. They got a platform designation on their AdenoVerse technology.

Samantha McLemore: They're going to come out with clinical trial results. Phase 2 clinical trial head and neck cancer and cervical cancer. We know those are going to be good results because the FDA approved their, you know, AdenoVerse platform technology and knew what that data was. So we estimate that there could be upwards of \$8 of additional value just in those two indications, if approved.

Samantha McLemore: And then there's plenty of other indications that the company's currently looking at what it can do with and prioritizing. So we monitor that one closely. It's a big position now.

Samantha McLemore: Overall, but we still think there's significant upside. For the quarter, our crypto holdings were significant contributors at 150 basis points. We had added earlier on weakness, as was Meta, which, again, we added, you know, on weakness earlier in the year through, some options. For the year-to-date period, again, I've talked about healthcare being a significant contributor, you know, across almost all of our holdings, Royalty Pharma, Illumina, UnitedHealth.

Samantha McLemore: As well, and then NVIDIA and Crocs were also top performers. In terms of detractors, for the quarter, some of our healthcare names pulled back in the third quarter and were detractors, but the two big detractors for both periods were QXO and Norwegian. I'll talk more about QXO, so let me just spend a couple minutes on Norwegian here.

Samantha McLemore: Yes, I still really like this company. It has been a laggard, you know, fundamental performance has been quite disappointing, and the company was, you know, quite mismanaged. They brought in a new CEO, John Chidsey, earlier this year, I think in March. I've spent a significant amount of time with him. I think he is excellent. I think the problem the company has is, you know, a marketing and demand generation problem. They are working on fixing that.

Samantha McLemore: You know, when you have that problem, and you're bringing on new capacity, which is what they've been doing, it creates, you know, not a good scenario. Now, the good news is the industry overall, you know, is capacity constrained. There's only so many shipbuilders, others are not building, you know, that many new ships. I think this is a huge acquisition candidate for others, you know, potentially in the industry, because you have depressed earnings now, and a depressed value I don't understand why a company like Viking or Royal Caribbean, or MSC wouldn't buy this company right now and pick it off. I think that's a good backup plan.

Samantha McLemore: You know, in a disastrous scenario where there's a recession and oil prices go up more, they do have a lot of leverage in the balance sheet, so they are being pressured in this environment, but I think they're making good work, you know, to turn around the company, so I think on a longer-term basis.

Samantha McLemore: You know, the team now is excellent, and the prospects are good, you know, as long as they can get through any short-term headwinds.

Samantha McLemore: In terms of the portfolio overall, before I get to some more stocks and QXO, I would just note here that we continue to trade at a significant discount to the market overall. And when I think about positioning, again, I still think the bull market, you know, is continuing, but I think a lot about, you know, when it ends and a secular bull market ends, what those conditions are likely to be like, and I think, you know, one of the main things that helps portfolios or has helped them in the past do well is valuation disciplines. So, you know, we'll see if, you know, given value stocks relative to growth stocks, you know, I think it depends where... what that looks like going into something like that.

And the good news is we're not at all at the kind of extended valuations that have ended previous secular bull markets. But, you know, opportunity trades at just over 14 times earnings versus the market at just shy of 20 times, so almost a 30% discount there, you know, despite having higher estimated growth.

Samantha McLemore: Again, I think that setup is good. In terms of, you know, our breakdown between different types of, you know, misvalued securities, we have attractively valued compounders at 48% of the portfolio. Now, I have mentioned that I think we continue to find lots of opportunities in that area, in this market. Classic values at 40%. You know, some of the names in that area have you know, hit our... what we think they're worth, so they have been paired back, but we continue to find new names like Adobe and some of the companies that we own, like Citigroup, we continue to think are very attractive.

Samantha McLemore: The early-stage bucket, you know, has grown, quite large, larger than it's been because of primarily Precigen and the size of that position. Also, Chime, and I'll talk more about that, we've been adding to that one and continue to really like. And Coinbase, which we've also been adding to.

Samantha McLemore: On QXO, I think this is a great example of how patience creates opportunity, but why it's painful to actually behave in that manner, and why most people don't do it. So, we initially invested in QXO on the pipe. That was a couple years ago at, you know, just over \$9 a share. You know, had a great run up to almost \$28 a share.

Samantha McLemore: Now it's had a significant pullback to the low 10s, closed today at \$10.46. So that's a 60% plus drawdown from the most recent highs.

Samantha McLemore: The most... the biggest reason for that is, one, you know, with... with higher interest rates, end markets have been quite weak in housing overall. There was some housing data that came out today, showing, I think, pending home sales at, you know, 5-year lows, and you know, building permits at the lowest level since 2023. So, those rate-sensitive areas of the market are being hit very hard. In addition, QXO has now done, you know, 3 acquisitions, Beacon, Kodiak, and Top Build.

Samantha McLemore: They are working on integrating those acquisitions, and, you know, the whole strategy here is, you know, to roll out advanced technology systems, which helps them execute these businesses better. They won't be rolling those out until, early 2027, so they're not seeing the benefits of that yet.

Samantha McLemore: So that's, you know, just led people to lack enthusiasm. Also, they used stock for their top build acquisition, and those holders, you know, weren't committed and have been sellers, but I think it's creating an amazing opportunity in the stock, and you know, we're... we're continuing to buy it. We've...

Samantha McLemore: We've close to doubled, or more than doubled, our position in many of our funds, so if you look at Brad's history, I mean, it's hard to have a track record as good as his. He's, you know, led and developed many companies, you know, including United Waste, United Rentals, XPO, Logistics, and they've all had comparable drawdowns, so this is not unusual.

Samantha McLemore: From this starting point, the stocks compounded at close to 40% a year going forward, which happens to be exactly what we think this company could do over the next 5 years as they execute, you know, on the strategy overall. And we've modeled this company, you know, many ways, but if you just look at those 3 companies that they've purchased and what the prospects for

those are, you know, we think there's... those companies can grow mid-single digits on an organic basis and expand margins by 500 basis points as they roll out.

Samantha McLemore: You know, the strategy there, that alone could be worth, you know, \$26 a share, you know, which is more than double the current stock price. And then if you look at Brad's past acquisitions and the, you know, past companies and the plans for this company, usually, you know, even more of the revenue growth, comes from acquisitions and, rolling up the space. So we think the stock's worth \$40 overall.

Samantha McLemore: It was up nicely today, but it's gone down almost every day, which we think is, you know, is a great opportunity. I mean, maybe, you know, rates were down a little today, and so that helps. It tends to do well on those sort of days, but maybe those housing numbers were leaked, and again, we're taking a long-term view here, and I think as... even as we get into next year, and they start, rolling out the technology and benefiting from that, and we start seeing that in the numbers, I think this stock can start acting much better, and we'll be, you know, buying it in the interim until it does.

Samantha McLemore: I also think the risk, the risk return here is quite attractive, because I think if anything goes wrong in the AI space, overall, that would be very not good for the market overall.

Samantha McLemore: But it could likely bring rates back down and have the Fed cutting rates, which would very much help a company like this. So it's nice diversification, you know, across the portfolio with those different types of exposures.

Samantha McLemore: Another one, Chime, we got asked about this, I talked about this last quarter, but it's had a big move since then. We got to spend, you know, a good amount of time with the company in September. Again, I think this is a very, very interesting and attractive company, you know, Nick Sleep at Nomad, one of his, you know, I think, investing paradigms that was great was scaled economy shared. So, a company has a cost advantage, you know, based on scale many times, that they then share back with the customers, through lower prices or greater value, and that creates you know, a growth flywheel over time, and it's amazing how few companies do that, but they had huge positions in Amazon and Costco based on that.

Samantha McLemore: I see that kind of potential here at Chime. You know, it came public last year at \$27 a share. You know, it bottomed in the low 20s, and now it's rebounded because they're executing, you know, very well. But it's not much above, you know, the IPO price. So, when we look at this company, you can see on the lower left.

Samantha McLemore: At its cost to serve, or what the cost advantage looks like relative to, you know, banks, where it's taking, you know, most of its share from. We estimate, you know \$12 cost to serve versus \$45 at large banks and \$74 at regional banks. And so, you know, the interesting thing about their business model is they try to get primary account holders who, you know, as Jamie Dimon said at JP Morgan, they can't profitably serve low-income customers who don't have, you know, a large amount of assets.

Samantha McLemore: Chime is set up to do exactly that, profitably serve those customers. Their business model is primarily payments. They're growing the credit piece, but they have a very conservative, you know, credit underwriting model, and, you know, very short-duration loans, and they have the primary account with direct deposit, which really limits credit costs.

Samantha McLemore: So, if you look at the long-term value versus what it costs to acquire a customer, it's greater than 9 times with a 5 to 6 quarter payback. And, you know, maybe more amazingly, they built this amazing brand and brand awareness, which is a very, you know, valuable asset that's oftentimes very expensive to build. So, they just surpassed B of A in their unaided brand awareness, which is, you know, quite astounding. They're behind only Chase at this point in time.

Samantha McLemore: They have, I think, 10 million, you know, account holders, you know, primary account holders. I think Bank of America and Chase have closer to 35 million. That's what they're going for. They want to be the largest.

Samantha McLemore: You know, in the space doing that. We think they have, you know, a shot at that, and if they capitalize on that, you know, the stock is worth even more than what we have estimated here. They have really interesting products, like Chime Prime, where they give 3 point, I think 7.5% or 3.25% back on debit card spend. They have that capped, but for a low-income consumer, that's really quite valuable.

Samantha McLemore: So you can see here, we have strong earnings growth. For this company, and we think the stock's... it's at about \$30, almost \$30.50 it closed today, and we think it's worth north of \$50 a share.

Samantha McLemore: So, with that, that's all of my prepared comments. Christy, we can open it up to questions.

Christina Malbon: Yes, so you mentioned, on one of those slides, you'd rather be lucky than good, but it reminded me that Bill used to tell me that he'd rather be lucky and good, and I think maybe that's.

Samantha McLemore: Well, I was going to say, I said it's important to be lucky, that's an important part of the equation, but I want to be both, yes.

Christina Malbon: No, I think that that's applicable here. So, we're going to jump into some of the questions. As we said, please send along questions as they come up. We will try to get to them, and if we don't, we will make sure to follow up after the call.

Christina Malbon: So, Sam, a lot of questions that we got were on your outlook for the broader market for the remainder of this year and into 2027. And I know we say we don't make predictions like that, but love to see how you think about that.

Samantha McLemore: Correct. We don't make those sorts of predictions. It's hard enough, well, it's actually not hard enough, as Bill points out. The market rises 70% of the time, and no one can actually predict when it won't, so you may as well just be long and, you know, ride it out, unless the risk-reward gets

Samantha McLemore: You know, really unattractive. So, the amazing thing is the S&P, you know, at the recent lows was, like, 3% off the highs. The NASDAQ was 6% off the highs. You can see what happens even in that quite benign, you know, sell-off. And we've had huge moves off the lows in March when we got close to on the S&P at 10% sell-off.

Samantha McLemore: So those are... 5% and 10% sell-offs are quite commonplace. 5% sell-offs happen almost every year. 10% sell-offs happen, you know, just about every other year, call it every 18 months. We almost had one in March, and we've had a huge move, since then, could we have a greater

pullback? Of course we could. Could it get more extreme? Of course it could. That can always happen. But again, I think, you know, unless something fundamentally changes, I think that that would be a buying opportunity. So what are the things that could change that would, you know make things, you know, have the market have a greater risk.

Samantha McLemore: Well, you know, again, my base case would be that we do end in a period more like the late 90s or the early 70s, where valuations get, you know, very extreme, and enthusiasm and euphoria reach very extreme levels.

Samantha McLemore: And so, you know, the good news is we'd have big returns through that point, and then... but then it could be, you know unattractive, you know, after that. So we're watching for those sort of extremes. You know, again, it's not... that's not guaranteed that we, you know, have a market end that looks like that.

Samantha McLemore: I think if long-term rates were to go a lot higher, call it, you know, 6.5% or something like that, that would be, I think, highly problematic for the market. But I think then... then you'd be in a place, I think, where things would slow a lot, and you'd probably have, rates being cut, and the question is, how does the economy shake out in the interim?

Samantha McLemore: You'd need to watch for that. Obviously, geopolitical risks remain you know, at the top of the list of things to worry about with China-Taiwan, we're unlikely to see anything happen there.

Samantha McLemore: Before the Taiwanese, elections, again, it looks like economic growth is quite strong and remains quite strong, so I don't think we have, you know, right now, a risk of a recession, but that, you know, bears watching. You know, there's been a lot of talk of the narrowness of the market overall.

Samantha McLemore: I think Ned Davis put out a report that with the market in late September, you know, at the highs there were, you know, less than 25% of stocks above the 50-day moving average, and less than 45% of stocks above the 200-day moving average, which they had just never seen before. It had never happened. So it really has been... had been a narrow market around this, you know, AI stuff, primarily, most of it, although not a lot of the MAG7, and energy companies around the Iran war.

Samantha McLemore: And I think the increase in rates can pressure other areas of the market, so if Rich Ross is right and the 10-year comes down, I think that would be a powerful tailwind, for broadening out.

Christina Malbon: And I guess kind of, thinking about the other side, do you think that higher energy costs and interest rates could potentially weaken consumer demand enough to kind of challenge the economy humming along like we've seen?

Samantha McLemore: Well, we haven't seen that so far, and we got earnings reports from the banks, and the consumer continues to be strong. I think the reason that's more difficult now, I mean, the consumer sentiment is terrible, and it's in the tank, and they feel, you know, the consumer feels all these cost pressures, which are, you know, quite real.

Samantha McLemore: But, you know, housing and a lot of consumers locked in, you know, costs at much lower rates. So there has been the view that the economy would just be less rate sensitive now than it was historically. And likewise, if you look at gas as a percent of consumer spend, it's like 2.5%,

and in the early 80s, it was 6%. So that also has come way down in the basket of, spend. So it's just harder for those things to make a meaningful enough impact.

Samantha McLemore: And I think the question is what happens from here, because for the inflation pressures to remain as strong, those things need to keep going up. Like, oil needs to keep going up, you know, to continue the inflation. I mean, they're at high levels, so there's a pressure, but if wages continue to grow, you should have more income to pay for those things.

Samantha McLemore: So I think that's, you know, again, that's harder, you know, it gets harder and harder at higher prices. Typically, from this level of price, we see oil prices down over the ensuing 12 months, but a lot of that depends on, you know, on the Middle East. So, so far, it's something to monitor closely, but we're not seeing signs of that.

Christina Malbon: Yeah, that's helpful. And I guess, as you think about rates and the Federal Reserve policy, I guess, what are you thinking for rates, the rate path from here?

Samantha McLemore: I mean, I think the best, you know, again, people and even the markets struggle to protect this well, but the markets are, you know, I think the best predictor of rates overall, and right now, the market's predicting a, I think, an 85% chance of an increase in December, and 3 total rate hikes, including that one into, you know, middle to late December part of next year.

Samantha McLemore: Now, those numbers swing way around, so we'll have to see, you know, what that looks like.

Samantha McLemore: I would take the under, maybe, on that December rate hike, especially as you start to see these cracks in parts of the market that require financing. You know, do they want to go ahead? And, I mean, rate increases are not going to help oil prices, you know, like, it might make it worse.

Samantha McLemore: And so, they're not going to bring inflation down in the parts of, you know, in some parts of the market where we've seen, you know, the greatest rate increases.

Samantha McLemore: I, you know, Bill and I have had a debate over whether Warsh is an inflation hawk, and I say that he is, and Bill says I'm wrong, and I hope Bill's right on this, and he normally is on this sort of thing. But he was, certainly hawkish through the 2010s incorrectly so, and he was hawkish earlier in the 2020s, correctly so.

Samantha McLemore: And so, I think it was smart of him... it is smart of him to come into, you know, the chair and, you know, demonstrate his inflation-fighting bona fides. I think that is a good thing for him to do regardless, and the question is.

Samantha McLemore: You know, how much follow-through will we have, and what will these task force that are going to come out with some reports later this year, what will they, imply, and what will they say? And especially on the technology and the productivity stuff, because if you listen to the bulls in this AI space, and there was a great podcast with Jensen Huang on the BG Squared with Brad Gerstner podcast that came out earlier this week. I mean, when you talk to the bulls about the potential from this AI investment, I mean, they're talking about you know, trillions of dollars of, you know, improvement in spend.

Samantha McLemore: And if you look at, like, you know, the value of knowledge workers and 20% productivity improvements on that, and what the value to the economy is. They're talking about improved productivity that really accelerates nominal, GDP growth. So, again, it's hard, you know, I have no idea if that will happen or not, you know, but if you do see those kind of productivity you know, increases, obviously that would have an impact on how the Fed would think about these things.

Christina Malbon: And I guess, if we were to see rates continue to rise, how concerned are you about another bank getting in trouble, like Silicon Valley Bank or First Republic, like we saw a few years ago.

Samantha McLemore: I think that would be very unlikely to happen, because what people are very good at is managing yesterday's risk. Like, once it's already happened, people are so good at then figuring out that's a risk, fixing all the stuff they need to do to manage that risk. The problem is these things emerge in other places.

Samantha McLemore: So, I think in from 2022 into 2023, you know, the Fed funds in 2022 alone went from, like, zero, between 0 and 25 basis points to between 425 and 450. So that is a huge move up, 400 base point move up in rates.

Samantha McLemore: You know, in a year. Right now, we've had a 25 basis point increase, and we're still sitting below the highs, and then if you have 3 more, you have a total of 75 basis points. It's just, that's a different magnitude of change. Now it's at a higher level, so the costs go up more, and you know, usually those things can lead to cracks somewhere, so I think that's what the market is very sensitive to.

Samantha McLemore: I would be surprised if those banks, you know, if one of those banks haven't fixed you know, that vulnerability, that's, quite astoundingly stupid, so I would be surprised if that's where it manifests.

Christina Malbon: That's a great point. I guess, do you think that the midterm elections will have any impact you know, on your view of the macro environment, or is it steady as she goes, not really going to impact.

Samantha McLemore: I mean, the odds are very high on the prediction markets that the Democrats take both the House and the Senate. With Trump as president, it will still be hard for them to get much done, so the odds are, like, 76% that he gets impeached, but if they both impeach him and J.D. Vance would become president, I, you know, I don't see how that would be good for Democrats, because, you know, I think then J.D. Vance would go into the next election in the seat, which probably, you know, would help his odds.

Samantha McLemore: So, you know, with either of them in the seat, I don't see how they get much more done. So I don't think it would have, you know, what they would pass, and what the headlines would be would change, but the noise would change.

Christina Malbon: Can you discuss how you approach portfolio construction and risk management? Particularly when it comes to position sizing, And the use of options.

Samantha McLemore: Yeah, so I think, at both the security level and the portfolio level, we rely a lot on, scenario analysis. And again, I think that's... that's how I like to think about things. It's like, for any company, you know, what do I... what do we think is most likely, but then what if things go really well,

what if they go worse, and then a whole bunch of things in between, and then you monitor as things evolve what that looks like.

Samantha McLemore: And then you can do it at the portfolio level as well, in terms of, you know, what are our risk scenarios? And we just had this week at our investment meeting a discussion about if rates went to 6.5%, like, what does that mean for each of our companies, and the valuations for each of those companies, and which ones would be more at risk, and what would the upside be in those, you know, in that situation?

Samantha McLemore: So, and then, you know, what's the diversification within the portfolio for any scenario? So right now, I had mentioned names like QXO could be good diversifiers for the technology, you know, AI stuff. That's also true of healthcare, and you can just see, like, the inverse correlations are now, I think, like .75 between when AI is doing well and healthcare is, you know, doing well in the market.

Samantha McLemore: That adds some ballast and stability, you know, to the portfolio overall.

Samantha McLemore: In terms of position sizes and options. You know, the position sizes, you know, are a reflection of the risk-adjusted return. I mean, most of the time, you know, starting positions are anywhere between 2% to 4%, you know, and then we're letting our winners run, and you know, we're reassessing all the time as stock prices move.

Samantha McLemore: What do we think it's worth? What's the downside? What's the risk for this company? How are, you know, is there anything in the near term that's going to impact how we're thinking about it? What are the long-term prospects?

Samantha McLemore: And that really, leads into, you know, the position sizing, you know, relative to other opportunities in the market.

Samantha McLemore: So Precigen, as large as, you know, between the warrant position and the equity at 11% exposure, we have had companies at higher levels of exposure. I think Amazon's been there in the past. You know, other companies have been there in the past. You know, again, we still think that Precigen, even without some of the pipeline assets, like CAR-T, which I think could have big value is worth double where it's trading, and we don't think much about Catalysts, but I think when they come out with, you know, some positive data on this, on some of these Phase 2 assets, that should help the stock.

Samantha McLemore: It has a big short interest. So I still think, you know, there's... it could also have, you know, a pullback to the 200-day at any time. Any stock can, and we'd be adding, I think at that level, depending on the position size overall. On options, we have historically had some large options positions. It's rare, because usually we're looking for a significantly higher return in the options than in the stock, given that the risk is significantly higher, and options can be worth zero.

Samantha McLemore: So, historically, we've had significant positions in Apple and Amazon options when we thought those option positions, long-term options, you know, could return four to five times what we think you could... what we thought you could make in the stock. Those worked out quite well.

Samantha McLemore: More recently, we have a similar one in Biogen, same math there. And in the quarter, you know, our recent quarters, we added one in Meta. That was a little bit different, because it was you know, not as long duration on the option side, although, given the huge sell-off that we had in

Meta this year, when the stock was at, like \$5, \$40, \$600 a share. It was the worst performer. It was down a lot.

Samantha McLemore: The market was really concerned about return on all of this spend that it was doing in AI, and it was giving it no credit for, you know, anything, and I thought that was just... it reminded me when Alphabet sold off a few years ago, and the market got really bearish.

Samantha McLemore: Mark Zuckerberg's a good CEO, he knows how to execute, he's invested a ton in this space. He talked about, on the second quarter call, these agents, like, the personal agents and the enterprise agents, and I thought it sounded extraordinarily interesting and had a good shot of working, and the market was giving you zero credit for that, so it was, like, free option value. So we wanted to increase the position size, and given where the stock was, we thought doing a little bit in the options, made sense.

Samantha McLemore: So we're always looking across the capital structure and at the options market. I think one of our biggest, assets is our flexibility to, you know, do differentiated stuff to help, returns.

Christina Malbon: We tend to get this question a lot, and it's one you've definitely hit on before, but I guess, how do you think about, kind of, our use of leverage, and would you ever go to, you know, positive cash, or how do you think about using that?

Samantha McLemore: So the line of credit, you know, has been a good asset over time, and Bill used to talk about how close-end funds ran with, like, a modest amount of leverage, which just enhanced returns. It was low enough that it didn't provide, you know, a significant amount of risk, or, you know, almost any risk, you know, but you could deploy more capital. Now, in a higher rate environment, the cost is higher, so obviously it's very sensitive to, like, what you think the return prospects are.

Samantha McLemore: for the market overall. So I wouldn't say we would always have it outstanding, and we actually decreased it a little bit earlier this year, but as, you know, it depends on what the opportunity set in the markets is. And so, as QXO, you know, has really sold off, we've used a tiny bit and increased it back to... I wouldn't expect it to go much higher than 10% over time.

Samantha McLemore: You know, it might go up a little, and then we sell stuff to pay it down, but, you know, as the secular bull market advances, you know, I mean, ideally, you'd have it coming down and have none at the top, but obviously, we are not, Sears with, you know, the ability to call that precisely, and really, it depends on, you know, the opportunity set. But I would expect from here, it would likely come down over time.

Christina Malbon: And, we received a question that asked, what's the historical turnover history? And I would say it tends to average about 30%, so just to get that out there, I don't know if you want to add anything.

Samantha McLemore: Yeah, I think that, it's usually between, like, 20% to 30%, so a 3-5 year average holding period.

Samantha McLemore: It tends to spike up during higher periods of volatility, and then come down, you know, outside of that. So, some of the names we've owned, you know, they predate me, like Amazon. So, when we find a name that we can own for a long time, we do, but in an environment with high single stock volatility, where names move around a lot, you know, we're trying to capitalize on those moves.

Christina Malbon: And this is everyone's favorite question. We've got a couple people asking the same thing, but where are you currently finding the most attractive values? I know you hit on a lot of them on the presentation, but if you could just kind of go through some ideas you like.

Samantha McLemore: Yeah, well, I think, again, I think names that have been hit from rate sensitivity, where we think the long-term prospects are really solid, we're finding, you know, QXO is an example of that.

Samantha McLemore: Chime was kind of an example of that earlier in the year, because every time... it traded with rates, too, where, you know, when rates would go up, Chime would go down, and I guess it just was clumped in the regional bank bucket, even though it, you know, it doesn't have, like, deposit funding. Well, now it bought a bank, so it does it will have that, but it didn't have that.

Samantha McLemore: But after it announced such a strong quarter, and, you know, people got more conviction in the growth prospects there, that correlation has broken down a little. But I think on these, you know, the quality and growth type managers.

Samantha McLemore: You know, a few years ago, we talked about just how crazy valuations were across that space.

Samantha McLemore: And, you know, I have a lot of friends in that area, like, performance has been challenged for several years now, and I think this year with software doing so horribly, like, some people are particularly challenged, but I think that's led to, you know, valuations coming in across that whole, you know, growth quality space.

Samantha McLemore: So, there are several companies you know, in that space. I talked about Adyen, you know, last quarter, which I think it ran up and had good results, and then has pulled back. But it's a company that we think can durably grow top line 20% a year. It has a lot of competitive advantage relative to the rest of the space.

Samantha McLemore: And it's trading for, you know, under 20 times, you know, next year's earnings. And so, we think that's, you know, quite attractive. In the short term, it actually benefits from rates increasing, because they can earn higher returns on you know, their balances, but I think there's lots of interesting, you know, stuff on the quality growth side that we're finding.

Christina Malbon: It's funny, because Adyen was one of the questions, or stocks, that we got questions on just for an update, so you knocked it out there. I do want to go through a couple specific name questions that we got. These are names that we haven't hit on yet. So, Adobe, someone wants to know what your strategy for Adobe is, and where do you expect that the stock can go?

Samantha McLemore: I don't know what they mean, strategy for Adobe. I guess that means, like, the strategy for all stocks is to make money, but I, you know, that as with all managers, like, the best managers are right, call it, 60% of the time, you know, like, very few are right more than that, so, you know, if we're wrong, we want to recognize that we're wrong as quickly as possible and exit.

Samantha McLemore: But I spent time with Adobe also I spent time with the interim CFO in September at their headquarters. I'm going to meet, you know, the new CEO in a couple weeks, again, I think Adobe is a really interesting, it looks like, broadly in software, the names look like they have, you know, put in a bottom. We'll see if that continues, but, you know, they're off the lows, Adobe is off the lows.

Samantha McLemore: Everyone I talked to I went on CNBC, and Kelly's like, even I can... Kelly Evans is like, even I can see, you know, the competitive challenges of Adobe. It's like, exactly, because what... what we're trying to do is look at, like fundamentals of the company versus expectations. And when expectations get extraordinarily low, it's easy... that's like... that's what value investing does. Like, value investors focus on low expectations. Low valuations are a marker of that.

Samantha McLemore: Now, we don't want companies that are in secular decline, because that is, you know, that's... that's where you get into value trap territory.

Samantha McLemore: But Adobe's not even close to that yet. So, what's priced in is that it is going to stop growing very soon. It's still growing nicely, we like the strategy, it has a 12% free cash flow yield. They're buying back a ton of stock. If they choose to cut costs a lot, they have a lot of fat to cut, because everyone in the software space almost does.

Samantha McLemore: We think the strategy is sound, you know, people are up in arms, but, you know, their freemium model, where they're on the, you know, prosumer side, consumer, you know, pros, distributing their models more broadly and trying to get use... usage up, users up.

Samantha McLemore: I mean, that's exactly how Meta has grown its businesses, and then you worry about monetization down the line, and then the fear is, well, at what level can we monetize if there are competing alternatives? But they have a huge, you know, benefit if they do get enough users, and they have that scale benefit, which they can share with you know, their customers, and I think companies like Canva aren't even quite profitable yet, and are trying to come public at, you know, much higher valuation.

Samantha McLemore: So, yeah, there are plenty of tools out there, but I was I use, you know, AI all the time because I don't know how to create slides unless it's through AI, and I mostly don't have to do that, but sometimes I try, and you know, I was doing it on ChatGPT for this presentation, and those first you know, two slides that I love were, you know, created by Adobe on, you know, through AI. And again, I think it's good... they will try to charge us at some point.

Samantha McLemore: Like, we are free users, and we would have paid for those slides, too, and so I don't want to have to go create them again or find another tool to go create them, so I just don't think the market appreciates its advantages and the durability of its advantages well enough, and I think this new CEO, also, he did a great job on their enterprise side, where there is, you know, better lock-in of those customers, more IP protection that's important to those businesses, and I think he's taking over the whole business. Again, they have a lot of room for improvement, I think, in cost structure and execution and speed to market.

Christina Malbon: Yeah, we always say if it's in the headline, if it's in the news, it's in the price. So, definitely makes sense there. A name that we don't often get asked about, but it has been getting more attention recently, is Biogen. So, wanting to understand our long-term investment thesis there.

Samantha McLemore: Christy, you want to handle that, since you cover it?

Christina Malbon: Yeah, so, Biogen is a name that we have owned for a long time. We have thought that their pipeline was really attractive, and that you were not paying for the pipeline, which is typically how we like to look at and think about pharmaceutical names.

Christina Malbon: We are getting close to the point where 5 of their Phase 3 assets are getting close to readouts next year, and so that is why I think you're starting to get attention to the name. These are going after really attractive markets. The data so far has been really strong, and you don't need all of them to hit, but I think there's a good chance that a good amount of them will, and so what that will do is that'll help them kind of go from a name where revenues have been kind of flat to declining, to back to growth.

Christina Malbon: And that's typically an attractive setup for a healthcare company. We also have their Alzheimer's drug, which has had a slow uptake, but now with the blood-based biomarking test that we're seeing, which can reduce the burden to get someone onto treatment actually shorten the time to get on treatment by 2 months.

Christina Malbon: We haven't yet seen that, but management is confident that we will see that in 2027. And so we're tracking those numbers very closely, but success in Alzheimer's is not in the price at all, and so we consider that, you know, sort of an additional upside lever, in addition to these Phase 3 assets that I think are coming through. And then as those flow through, we expect to see cash flow generation continue to expand.

Christina Malbon: And while the company has not yet done buybacks, they did say that they are open to considering them, which is more than they have ever said, and so, you know, that could also be a lever in the future as we kind of see that cash flow expanding. So I think, we thought their pipeline was attractive, we think now people are actually starting to pay attention to it, and so we're excited to see how that progresses over the next year.

Christina Malbon: And then finally, UNH. Has anything changed on your investment thesis there?

Samantha McLemore: No, not really. I mean, it's doing quite well. It pulled back in the third quarter, along with many of the managed care names and some healthcare names more broadly. When we bought it, we thought.

Samantha McLemore: Earnings were depressed on a cyclical basis, but they could improve their earnings potential by, you know, increasing, prices, lowering membership where necessary, and that's exactly what they've done, and their progress towards normalized margins across each of their businesses has actually been at, you know, a faster pace than most people expected, which is not at all surprising, because that's how Steve Hemsley always works. And so, you know, again, that's a stock, it closed at \$419 today.

Samantha McLemore: I mean, we think over the next few years, it can trade to the mid, you know, 600s, and it's a good diversifier and an excellent company.

Christina Malbon: Great. Now, the topic we never get away without covering is Bitcoin. So, this time, unlike, last time, which was on the downside, this time is... the question is, do you think that we are entering a breakout in Bitcoin?

Samantha McLemore: Yeah, well, here's what I know. I don't know about if we're entering a breakout, I'm not a technician, but I know the price today was, you know, \$82,000, \$83,000, and it bottomed at \$59,000, you know, a couple months ago, so it's up over 40% off the lows, and you know, again, in this environment where inflation is a concern and higher rates is the concern.

Samantha McLemore: One, the speculative risk position that existed in Bitcoin, you know, at higher levels before the sell-off, obviously, that's been rung out, and you don't see much sign of that here. I think the long-term potential for Bitcoin, and we think of it like digital gold, and look at, you know, the market cap of, you know, of gold over the very long term, what does that imply? It implies significant upside, you know, overall.

Samantha McLemore: So, Bitcoin's always sort of a mixture between people say, well, why doesn't it trade like gold? And, like, trades off more than gold? It's like, you know, it's earlier stage, so it's just going to be more volatile, and there is this you know, speculative risk element of it, which you see that in some of the AI names, and you see that sometimes in crypto names, and it kind of migrates around prediction markets. Right now, I think that's lower, which should, you know, help the robustness and the downside of Bitcoin overall.

Christina Malbon: And how do you think about it, in terms of position sizing for the portfolio?

Samantha McLemore: Yeah, I think that I wish I had a bigger position size in it, but it's hard, you know, we have constraints, and it's like, what do you sell? We did add to it, you know, on weakness earlier in the year. Right now, it's at about a 3% position size overall.

Samantha McLemore: You know, every day I consider whether it makes sense to sell something and add to our Bitcoin, because I think it's, you know, it's very attractive here. I mean, so I'd rather have it at 4% in here, but it's like, how do we get it there?

Samantha McLemore: I'm going to get an email from Bill after this call telling me, you can sell anything in the portfolio to get it there. Like, what's the matter with you? I know it's coming!

Christina Malbon: And then just a few kind of last-minute questions. We get this question a lot, we've got it from a couple people. What are our plans to launch, an active ETF on this strategy?

Samantha McLemore: Yes, it is strategically important that we have an ETF. You know, there is demand from our clients, from people that we talk to, for an ETF, I mean.

Samantha McLemore: One, we don't think there's any benefit to an ETF over our mutual fund. I think we have, you know, taken action. The two benefits people say that an ETF has are, you know, more tax efficiency. Again, we have the ability to do in-kind, so that really helps the tax efficiency, and we had a very minor amount of net capital gains which we're working on offsetting, hopefully by the end of, you know this month.

Samantha McLemore: And then the other thing is lower fees, and again, that's just because of the competition and how people price them. That has nothing to do with, you know, the structure. So if we could have an ETF today that looked exactly like it, so clients could choose, you know, whatever vehicle they want and invest the way they want, we would do that immediately. The problem is, you know, broker-dealers and platforms don't want to have two products that look exactly the same.

Samantha McLemore: Which, I get from their perspective, but we don't want to create a product or a new thing which, you know, has to be different, unless it's in the client's interest to do that.

Samantha McLemore: So, we're still trying to figure out, we will have one, what exactly it will look like, we're still working through that, again, I think part of the challenge also with ETFs is you give up your

ability to trade, so, you know, third parties are trading that, and the market impact costs, can and do go up on less liquid names.

Samantha McLemore: And I have just noticed, as I trade names lately, it seems like I'm sure all of these you know, market makers and algo companies are using AI. They're some of the biggest users of AI, and so, you know it's even harder to get trades done at the price you want.

Samantha McLemore: Now, for us, we benefit because we're providers of liquidity going against the action and names, and we're very patient in building up names over, you know, several days with tight limits. You can't enter and exit securities in the ETF market like that, so that's just another consideration for us.

Christina Malbon: Yeah, and I would say we're working hard to kind of narrow the gap between the differences, like you mentioned.

Christina Malbon: The last question that we got was on capital gains. Those will be officially, the estimates will be official by the end of this month, so we'll have an official update to everybody after November 1st, but as Sam said, we're working to make sure that, we can reduce any sort of burden, and we've been utilizing in-kind transactions as well as an alternative to help us reinvest in the portfolio while limiting any sort of tax implications. Sam, is there anything you want to add there?

Samantha McLemore: Nope.

Christina Malbon: Great. Well, that covers the questions that we have today. For anyone's that we did not get to, we will make sure to follow up with those answers, and I will hand it back to Sam.

Samantha McLemore: Thank you. I just want to thank everyone for all your time and interest. If there's anything that we can do for you, please don't hesitate to reach out. Thank you so much and have a good day!

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Opportunity Equity Annualized Performance (%) as of 9/30/26

	QTD	YTD	1-Year	3-Year	5-Year	10-Year	Since Inception (12/30/1999)
Gross of Fees	4.57%	15.78%	23.44%	31.22%	10.12%	14.42%	9.87%
Net of Fees	4.32%	14.93%	22.24%	29.94%	9.03%	13.29%	8.79%
S&P 500	2.30%	12.75%	15.74%	22.89%	13.79%	15.33%	8.34%

*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](#). The Opportunity Equity composite performance figures reflected above include the deduction of a model investment management fee of 1% (the highest fee for separate accounts under our fee schedule), paid quarterly and certain other expenses.

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Note: Individual stock prices as of 10/16/26

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