



**Samantha McLemore, CFA**  
Portfolio Manager

## Opportunity Trust

# “The Worst Brings Out the Best in Us”

- Dr. Edith Eger

It's been a busy quarter at Patient Capital.

First, we're excited to announce we've hired a new analyst, Panpan Xiao. Panpan graduated from Columbia University's Value Investing program last May with her MBA. Prior to that, she worked as an analyst at several places including Fidelity and Schroders. We've interviewed many candidates. Panpan's flexible thinking, value orientation and history of delivering results made her a standout. Before business school, Panpan grew up in China and then worked in Europe covering international stocks. She will help accelerate our global research efforts. Join us in welcoming her.

Opportunity Trust declined 5.94%<sup>1</sup> in the first quarter, underperforming the benchmark S&P 500's 4.33% decline. For the 1-year period, the portfolio gained 32.52% significantly outpacing the S&P 500's 17.80% return. Since the start of the secular bull market in March 2009, the fund delivered annualized returns of 17.88%, 153 basis points per year better than the S&P 500's 16.35%. For the year-to-date period through this writing (Apr 8th), the market has recovered and portfolio is down 0.41% outperforming the S&P 500's .61% loss.

Our performance in the quarter was better than recent past selloffs. We were down 1.38x as much as the index, which compares favorably to the 1.8x greater gains we'd earned in the prior three quarters (40.89% vs. 23.13%).

In the first quarter of 2025, the third quarter of 2023 and the first quarter of 2022 (the initial quarter in that market decline), the S&P declined a comparable 3.27%-4.60% and we were down 1.5x to 2.2x as much. While we think short term downside matters much less than long term returns, many investors care greatly about these metrics.

That said, we believe the secular bull market that began in March 2009 is intact. If we're correct, the optimal strategy is to buy on weakness. Leadership is likely to remain the same (Mag 7 and technology).

If we're wrong, the biggest risk is a significant bear market like we saw at the end of the Tech Bubble or the Nifty Fifty<sup>2</sup> period. In those situations, a value oriented portfolio cushioned you against the worst losses.

We don't think a significant bear market is imminent. The usual prerequisites don't exist. The Fed is unlikely to raise rates, recession remains improbable. The selloff took the S&P 500's P/E (price-to-earnings) back to levels (19.1x) we haven't seen since 2023 and relieved pockets of excess.

Given recent moves, we see ample attractive opportunities, though they are dispersed across the market. The top 10 companies in the S&P 500 now trade at a smaller premium to their historical average than the remaining 490.

<sup>1</sup>Returns referenced are for the Class I share as of quarter end 3/31/26

Gross (Net) Expenses (%): Class A 1.76 (1.74); Class C 2.53 (2.52); Class FI 1.83 (1.82); Class I 1.52 (1.48); Class IS 1.44 (1.42); Class R 2.02 (2.01). Performance shown represents past performance and is no guarantee of future results. Current performance may be higher or lower than the performance shown. Patient Capital Management has agreed to waive fees annual operating expenses will not exceed 0.88% through 4/30/26, subject to recapture as described below. With respect to Class I only, the Adviser has agreed to waive fees and/or reimburse operating expenses such that the previously described annual operating expenses, plus intermediary servicing fees and other class specific expenses, will not exceed 0.93%. Investment return and principal value will fluctuate so shares, when redeemed, may be worth more or less than the original cost. Class A shares have a maximum front-end sales charge of 5.75%. Class C shares have a one-year contingent deferred sales charge (CDSC) of 1.0%. If sales charges were included, performance shown would be lower. Total returns assume the reinvestment of all distributions at net asset value and the deduction of all Fund expenses. Total return figures are based on the NAV per share applied to shareholder subscriptions and redemptions, which may differ from the NAV per share disclosed in Fund shareholder reports. Performance would have been lower if fees had not been waived in various periods. YTD is calculated from January 1 of the reporting year. All classes of shares may not be available to all investors or through all distribution channels. For the most recent month-end information, please call 800-655-0324 or visit [patientcapitalmanagement.com/opportunity-trust](http://patientcapitalmanagement.com/opportunity-trust).

<sup>2</sup>Tech Bubble period (1995-2000) Nifty Fifty period (late 1960s-1972)



Value outperformed growth for the second consecutive quarter<sup>3</sup>, bringing relative valuations back to their long-term average. Small cap growth now trades at a discount to its 20-year average valuation (P/E), the best of any style box.<sup>4</sup>

During the quarter, the S&P declined 9.8% from its January peak to its March 30th low. Since the secular bull market began, the S&P has declined 5% 31 previous times, a rate of nearly twice per year. It's lost 10% ten times, slightly more than once every other year. Volatility occurs regularly and usually represents a buying opportunity.

Beneath the surface, moves were extreme. Some private credit names were crushed. Software declined 35% from its peak late last year. Bitcoin's peak-to-trough loss hit 52%, while Ark Innovation ETF's hit 32%. Some former darlings, like Trade Desk (TTD \$22.69) and Duolingo (DUOL \$98.57), are down roughly 80% from their 52-week highs.

Market prices gyrate more dramatically than intrinsic business values, which means violent swings make mispricings more likely. We've dedicated significant time and research this quarter to software, payments companies (another area hit hard) and private credit.

Software's taken a beating due to concerns about AI disruption, but we aren't finding clear widespread opportunities. Before fears arose, beloved software names carried lofty valuations. Through the peak in October, software had gained 19.9% per year<sup>5</sup>, 540bps better than the S&P 500, from the time Marc Andreessen famously stated that "software is eating the world" in Aug 2011.

At that time, the enterprise value-to-operating income of the group was ~11x. By October 2025, the multiple nearly tripled to ~28x, making outperformance more challenging. The all-time high of ~45x occurred in the 2020-2021 pandemic period. (We believe these companies' prodigious issuance of stock compensation makes this metric better than others).

As we write this<sup>3</sup>, valuations have fallen back to about 18x, the low end of the past decade's range. All else equal, a potentially compelling level. But all is not equal. AI represents a legitimate competitive threat. For most software companies, market embedded expectations still imply companies can sustain growth and returns for more than a decade.

This is certainly possible, but it's difficult to get conviction when most embedded value creation occurs in the distant future and disruption risks grow.

We found one company we thought was a bargain: Adobe (ADBE \$243.08). Adobe's stock price peaked in 2021 at \$700 per share. It's faced competitive threats, namely in Figma (FIG \$21.14) and Canva, for the better part of the last half decade. As a result, the price and valuation have compressed more than other names.

The stock has a 10%+ free cash flow yield – a level historically associated with excess returns. Additionally, the company responded to threats with strategically sound adjustments including a new freemium tier for consumers and small businesses. We think the Enterprise business is insulated by the IP risk protection it offers.

Adobe is still growing topline and profits in the high single digits. We estimate the price discounts only four more years of growth. If it can grow 7.5% for the next 5 years then transitions to inflationary level growth, we estimate the stock is worth close to \$400 per share (+65%).

The company has been aggressively allocating free cash flow to share repurchases. Shares fell 5.1% in fiscal 2025, and 3.7% in the last quarter. We think the combination of continued growth and prodigious cash generation, which is returned to shareholders, is powerful.

What would make us wrong? Competitive threats that erode business fundamentals, which we've yet to see. The company also has room to cut costs aggressively – a benefit in any scenario.

We like companies with high free cash flow yields that aggressively buy back stock and shrink shares outstanding. We own several: Adobe, Crocs (CROX \$83.02), General Motors (GM \$74.50), Expedia (\$230.89) and JD.com (JD \$29.57). The depressed valuations protect against potential market-driven valuation headwinds. Repurchases create demand for the stock and improve intrinsic value (if done below them, which is a requirement for us).

Private credit also troubled investors in the quarter. Fraud at Tricolor and First Brands, along with software exposure fears, led to massive investor redemptions in private credit portfolios. Private credit rapidly expanded over the past decade, which led to loosening credit standards. Higher interest rates also challenged returns.

Overall, systemic risk appears minimal. Corporate debt relative to GDP is falling - a stark contrast to the years preceding the tech bubble and global financial crisis. Bank balance sheets

<sup>3</sup>Based on the returns of the Russell 1000 Value compared to the Russell 1000 Growth for Q425 & Q126.

<sup>4</sup>Source: Guide to the Markets, J.P. Morgan Asset Management

<sup>5</sup>As measured by the S&P 500 Application Software Index, which tracks leading US based application software companies within the S&P 500.



remain strong, especially at the largest banks. We monitor closely but believe risks will remain contained.

So far, we haven't made any investments in the space. BDCs, Business Development Companies, currently trade at 0.75x their Net Asset Values, but we don't yet think returns compensate for the risk. The Alternative Asset Managers are down 25% to start the year<sup>6</sup> and look more compelling. They have more diversified and durable revenue streams, high margin profiles, and significantly less software exposure.

We used pressure in the crypto space to add to positions in Bitcoin and Coinbase. We have long term conviction in both. Bitcoin remains volatile, though volatility has been declining.

We view Coinbase as a platform for crypto and blockchain based services. We've seen significant progress on fundamental

<sup>6</sup>Based on the JP Morgan iDex US Alternative Asset Managers Index

business drivers, with stablecoins, tokenization and Base (transaction times and costs) progressing nicely.

At the same time, we are prioritizing companies we think can do well even in the most adverse scenarios, like Royalty Pharma (RPRX \$47.97), our largest position, and UnitedHealthcare (UNH \$270.59), which we've added to. We think both can deliver double-digit returns in most scenarios.

To summarize, market volatility creates opportunities. We've used recent moves to position the portfolio for strong long-term risk-adjusted returns. We think the bull market is intact, and buying weakness will prove profitable. We can always be wrong and attempt to position the portfolio to outperform even in an adverse scenario.

**Samantha McLemore, CFA**

April 9, 2026

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## PATIENT CAPITAL MANAGEMENT

Patient Capital Management LLC is an SEC registered investment advisor founded in 2020 by Samantha McLemore, majority owner and Chief Investment Officer. Formerly operating with Miller Value Partners, Patient Capital acquired the Opportunity Equity business in May 2023 in a transaction completing Bill Miller's succession plan. As of 3/31/26, Patient Capital operates independently managing \$2.6B in assets featuring opportunistic, long-term, value-oriented equity strategies. The Firm is supported by a team of 11 professionals. Bill Miller remains a minority owner and adviser.



Click [here](#) for Patient Opportunity Trust standardized performance.

Securities Prices referenced are as of 3/31/2026.

***Before investing, carefully consider a Fund's investment objectives, risks, charges and expenses. You can find this and other information in each prospectus, or summary prospectus if available, which is available at [patientcapitalmanagement.com/opportunity-trust](http://patientcapitalmanagement.com/opportunity-trust). Please read it carefully.***

Click [here](#) for the Fund's holdings as of 3/31/2026. Fund holdings are subject to change at any time and should not be considered a recommendation to buy or sell any security.

The **S&P 500 Index (SPX)** is a market capitalization-weighted index of 500 widely held common stocks. Investors cannot invest directly in an index and unmanaged index returns do not reflect any fees, expenses or sales charges. **Mag 7** refers to the Magnificent 7 stocks are a group of large-cap companies in the technology sector, including Alphabet (GOOGL), Amazon (AMZN), Apple (AAPL), Meta (META), Microsoft (MSFT), Nvidia (NVDA), and Tesla (TSLA) that due to their size and performance accounted for roughly one-third of the S&P 500's total market capitalization. The **Enterprise Value to Operating Income ratio (EV/EBIT)** measures a company's total value (including debt) relative to its core operating profit, serving as a key valuation tool. **BDCs** are Business Development Companies that are closed end investment funds that help small and mid sized private US businesses raise capital. **Free cash flow (FCF)** is operating cash flow minus capital expenditures divided by the number of shares outstanding. **Basis point (bps)** is one hundredth of one percent. **PE (price-to earnings)** measures a company's current share price relative to its earnings per share (EPS). **Enterprise Value to Operating Income** ratio measures a company's total value, including debt, minus cash, relative to its operating earnings.

**Mutual fund investing involves risk and principal loss is possible. 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 Fund 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 Fund 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 Fund'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 fund does not directly invest in or seek access to the spot price of Bitcoin. Bitcoin and other cryptocurrencies are a relatively new asset class and are subject to unique and substantial risks.

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### Investment Objective

The ARK Innovation ETF's ("Fund") investment objective is long-term growth of capital.

### Fund Fees and Expenses

The table below describes the fees and expenses that you pay if you buy, hold and sell shares of the Fund ("Shares"). Investors may pay other fees, such as brokerage commissions and other fees to financial intermediaries on their purchases and sales of Shares, which are not reflected in the tables and examples below.

**Shareholder Fees** (fees paid directly from your investment): None

**Annual Fund Operating Expenses** (expenses that you pay each year as a percentage of the value of your investment)

Management Fee:	0.75%
Distribution and/or Service (12b-1) Fees:	0.00%
Other Expenses: <sup>(a)</sup>	0.00%
Total Annual Fund Operating Expenses:	0.75%

<sup>(a)</sup> Pursuant to a Supervision Agreement, ARK Investment Management LLC ("ARK" or "Adviser") pays all other expenses of the Fund (other than acquired fund fees and expenses, taxes and governmental fees, brokerage fees, commissions and other transaction expenses, certain foreign custodial fees and expenses, costs of borrowing money, including interest expenses, and extraordinary expenses (such as litigation and indemnification expenses)).

*The principal risks of investing in the ARKK include: **Equity Securities Risk.** The value of the equity securities the Fund holds may fall due to general market and economic conditions. **Foreign Securities Risk.** Investments in the securities of foreign issuers involve risks beyond those associated with investments in U.S. securities. **Health Care Sector Risk.** The health care sector may be adversely affected by government regulations and government health care programs. **Communications Sector Risk.** Companies in this sector may be adversely affected by potential obsolescence of products/services, pricing competition, research and development costs, substantial capital requirements and government regulation. **Information Technology Sector Risk.** Information technology companies face intense competition, both domestically and internationally, which may have an adverse effect on profit margins. Detailed information regarding the specific risks of ARKK ETF can be found in the prospectus. Additional risks of investing in ARKK include equity, market, management and non-diversification risks, as well as fluctuations in market value and NAV. An investment in an ETF is subject to risks and you can lose money on your investment in an ETF. There can be no assurance that the ETF will achieve its investment objective. The ETF's portfolio is more volatile than broad market averages. Shares of ARKK are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. ETF shares may only be redeemed directly with the ETF at NAV by Authorized Participants, in very large creation units. There can be no guarantee that an active trading market for ETF shares will develop or be maintained, or that their listing will continue or remain unchanged. Buying or selling ETF shares on an exchange may require the payment of brokerage commissions and frequent trading may incur brokerage costs that detract significantly from investment returns.*

### Fund Performance (%) for periods ended March 31, 2026

	3 Months	YTD	1 Year	3 Years*	5 Years*	10 Years*	Since Inception*
ARKK – NAV	-12.22%	-12.22%	42.20%	18.79%	-10.63%	14.33%	12.18%
ARKK – Market price	-12.13%	-12.13%	42.05%	18.77%	-10.69%	14.28%	12.19%
S&P 500 Index [SPX]	-4.33%	-4.33%	17.80%	18.32%	12.06%	14.16%	12.89%
MSCI World Index [M1WO]	-3.57%	-3.57%	18.90%	16.77%	10.27%	11.80%	10.28%

**\*Annualized. Past performance does not guarantee future results. The performance data quoted represents past performance and current returns may be lower or higher. The investment return and principal will fluctuate so that an investor's shares when redeemed may be worth more or less than the original cost.** For the Fund's most recent month end performance, please visit [www.ark-funds.com](http://www.ark-funds.com) or call 1-800-679-7759. Returns for less than one year are not annualized. Net asset value ("NAV") returns are based on the dollar value of a single share of the ETF, calculated using the value of the underlying assets of the ETF minus its liabilities, divided by the number of shares outstanding. The NAV is typically calculated at 4:00 pm Eastern time on each business day the Cboe BZX Exchange is open for trading. Market returns are based on the trade price at which shares are bought and sold on the Cboe BZX Exchange, Inc. using the last share trade. Market performance does not represent the returns you would receive if you traded shares at other times. Total Return reflects reinvestment of distributions on ex-date for NAV returns and payment date for Market Price returns. The market price of the ETF's shares may differ significantly from their NAV during periods of market volatility.