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Core Leaders Q and A

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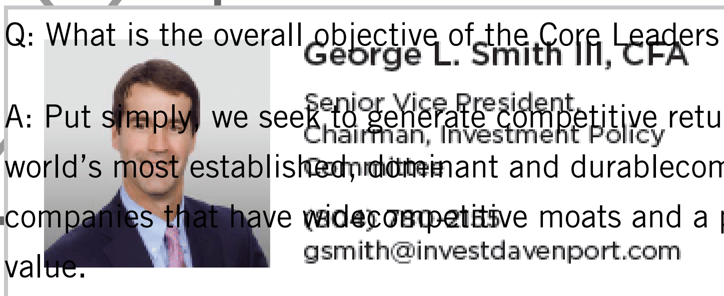
A Core Leaders Portfolio Q & A

November 2022



Q: What is the overall objective of the Core Leaders Portfolio?

A: Put simply, we seek to generate competitive returns by owning acollection of the world's most established, dominant and durablecompanies. These are generally large companies that have widecompetitive moats and a proven ability to create shareholder value.

clients.Core invests in high-quality largecap companies that can delivercompetitiveand durable returnsfor investors. Werecently sat downwith Investment PolicyCommittee Chair, George Smith, to discussthe Core Portfolio's mission.

Q: You just used the term "moat". Can you elaborate on that concept?

A: Sure, by moat we mean a durable competitive advantage thatinsulates a company from threats and allows it to sustainably generateprofits. A strong moat can yield beautiful things such as pricingpower, commanding market share and elevated returns on capital. Even the strongest of companies can fall victim to disruption fromnew technologies or products, so we are always monitoring thesemoats for competitive threats. Ultimately, we want companies thatcan stand the test of time.

Q: How important is a company's balance sheet in your analysis?

A: Extremely important. A great company can run into trouble if ittakes on too muchdebt. We want companies with manageable debtlevels and strong credit ratings. Suchentities typically have readyaccess to capital and rarely find themselves in a pickle wheneconomic conditions worsen. In fact, a solid balance sheet can allowa company to takeadvantage of distressed conditions and emergestronger on the other side.

Q: I assume this requires faith in the company's management team?

A: You got it. This falls under the broader umbrella of capital stewardship, which involves not only balance sheet management, but also investment opportunities and the use offree cash flow in general. We want talented management teams with a history of investing wisely or returning capital to shareholders when the time is right. Shrewd capital allocation tends to be the single biggest driver of shareholder returns over time.

Q: How do you think about how much to pay for a company's stock?

A: Valuing a company's stock can be more of an art than a science. However, wegenerally hope to get a fair deal. We take into consideration a company's price relative toits cash flow, the broader market, its peers, and the company's own history. In the end,we are hoping to be opportunistic and get a fair deal for what we are buying.

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