BA Beutel Goodman World Value Fund

Q1 2026 Review | April 2026

For institutional investors and professional clients only.

Investment Approach

The BA Beutel Goodman World Value Fund uses bottom-up, fundamental research to invest in companies at discounts to their business value, defined as the present value of their sustainable free cash flow:

- A high-conviction, concentrated, unconstrained portfolio representing the team's best ideas - typically 25-30 holdings diversified across industries and geographies.
- Stocks bought at a meaningful discount to business value may offer an inherent margin of safety and return potential.
- A focus on quality companies with stable, growing businesses and strong balance sheets should mitigate the potential of capital loss.
- Concentrated portfolio with highest conviction ideas – typically 25–30 holdings in a diversified portfolio.
- Process-driven sell discipline – one-third sale of stocks that exceed their upside target; secondary review for stocks that exceed their upside or downside targets.

Overview

- The portfolio posted a negative return over the quarter and underperformed the MSCI World Value Index.
- **Contributors**: Applied Materials, GSK, SMC
- **Detractors**: Capgemini, Amdocs, Qualcomm
- **New Buys**: Union Pacific, Brookfield Asset Management, Sysco, Becton Dickinson
- **Process-Driven Trims**: DBS, GSK, Amgen, SMC
- **Full Sales**: Gen Digital, Kimberly-Clark, Versant Media

Investment Results

The year has had a volatile start, with (thus far) a brief drawdown linked to war in the Middle East. Global markets are down on the quarter. In Q1 2026, Energy shone, certain sectors and sub-sectors with defensive characteristics held in, and we witnessed the continued demise of Software, which has now essentially round-tripped since the start of the "AI mania" (January 2024).

Against this backdrop, the portfolio posted a negative return and underperformed the benchmark. Key contributors included stock selection in Financials, as well as an underweight in Communication Services. Areas of relative weakness included stock selection in Information Technology as well as having no exposure to the strongly performing Energy sector. Energy is a sector we have invested in, and are not fundamentally against, though we typically steer clear of companies with capital intensive business structures whose fortunes are tied to the price of a commodity. Our exposure to Software has been punished this quarter, and we continue to probe durability in the age of AI, which we believe to be premised on vertical expertise and integration on the one hand, and mission criticality on the other.

That said, sector and regional allocations in our equity portfolios are driven purely by bottom-up, security-level considerations. As bottom-up stock pickers, we attribute our value add primarily to security selection.

Key contributors on an absolute-return basis included Applied Materials, GSK and SMC. **Applied Materials** delivered strong results and increased their guidance as demand for their equipment and specialized services to manufacture semiconductors continues to expand. Recent shortages in memory semiconductors compounded constraints by customers in producing leading-edge processors and networking chips for AI uses. Capex plans at key customers such as TSMC, Hynix and Samsung continue to grow, which improves visibility in the demand outlook for Applied Material equipment. **GSK** reported strong results for Q4 2025 coming in ahead of consensus, guiding above market expectations. A solid Q4 (+8% year-over-year) led to full-year sales growth of 7% year-over-year. GSK delivered strong profitability in the quarter and full year, with earnings growth driven by higher operating income, good cost control and improved margins. Share buybacks and strong cash generation supported earnings per share, while leverage remained low.

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Among the three business segments, Specialty Medicines performed strongly and drove the overall group growth. SMC reported its Fiscal 2026 Q3 results in February. The results evidenced a sequential quarter-over-quarter improvement indicating a recovering pneumatic components market. On a geographic basis, Greater China was the big growth driver, with Europe also strong and Japan and North America remaining soft. SMC raised prices in many major markets, which helped boost profitability. In addition to pricing, strong volumes supported higher capacity utilization and therefore higher margins. From an end market perspective, semiconductors had the most significant recovery, supporting strong growth.

Key detractors on an absolute-return basis included Capgemini, Amdocs and Qualcomm. Capgemini reported a strong set of Q4 results ahead of guidance and Street expectations, and has finally turned a cyclical corner. However, AI related worries continue to dramatically weigh on valuation. Q4 organic growth was 4% versus 1.7% in Q3; full year recurring operating margin was 13.3%, free cash was €1.95bn, and book to bill was 1.08. 2026 guidance is 2.0% to 3.5% organic growth and 30–50 basis points margin improvement. All sectors and geographies showed improvement, including those that have been hardest hit in this IT services downturn. Capgemini is in the "AI loser" bucket, but 80% of service desk outsourcing is completely automated and 55% of revenue is outcome based. Amdocs reported typical quarterly results: renewal rates on long-term managed service contracts remain basically 100% and Managed Services are now up to ~65% of total revenues. The market reacted negatively to near-term revenue "lumpiness" tied to a large customer, as a signal of degradation, a misread in our view. Sentiment was also pressured by the timing of the CEO's retirement announcement amid recent share price weakness. He is to be replaced by long-time senior executive Shimie Hortig, who was President of the Americas, Amdocs' largest division. These factors are largely near-term and do not change underlying fundamentals, given ~100% renewal rates in long-term managed services, continued multi-year customer expansions and ongoing AI investment partnerships. Qualcomm reported Q1 2026 results that met guidance and Street expectations. Unfortunately, the company offered a tepid outlook for next quarter based on a weak handset market. While most were forecasting some softness due to the situation in memory, the guidance came in worse than expectations leading to a share price decline. On the positive side, automotive continued its rapid growth and exceeded expectations with further design wins. IoT growth was driven by consumer and networking products. The data center opportunity is shaping up to be a multi-billion driver but will only start impacting numbers in 2027. While patience will be required, the valuation is remarkably cheap for a company with terrific long-term growth prospects and a favourable 2027 set-up.

Transactions

During the quarter, we initiated positions in Union Pacific, Brookfield Asset Management, Sysco and Becton Dickinson.

Union Pacific operates on 32,880 route miles with a rail network serving the western two-thirds of the U.S, while also being the only railroad serving all Mexico gateways. 95% of revenue is from moving freight. The remaining 5% of revenue is a combination of logistics and commuter train operations (other subsidiary revenue) and accessorial revenue. Freight revenue is reported and grouped into three categories that are each approximately one third of freight revenue: bulk, industrial and premium. The company operates in a structurally strong industry and business whose qualities may be enhanced by the proposed merger with Norfolk Southern. The acquisition would connect East and West, with an obvious synergy but an understated and misunderstood potential.

Brookfield Asset Management (73% owned by Brookfield Corporation) is a leading global alternative asset manager. The company manages assets across five core categories: infrastructure, renewable power and transition, private equity, real estate and credit and insurance. Key investment highlights include an attractive high-margin alternative asset management business with strong and growing free cash flow, high returns on equity and return on invested capital and a strong balance sheet. The company also benefits from a clear earnings growth trajectory supported by significant undrawn capital and a robust fund-raising pipeline. As a globally diversified asset manager, Brookfield Asset Management combines asset class and geographic diversification with a large-scale organization to service clients and identify emerging alternative asset classes.

Sysco is the world's largest food service distribution company, commanding top competitive positions in the U.S. and most of the European markets it operates in. The company has massive scale within its markets which it leverages to obtain the lowest cost structure for transported food and other operating costs. While some investors worry about the overall cyclicality of the business, we believe the company's geographic and end-market diversification, best-in-class scale and profit growth runway are well worth the ebbs and flows of the consumer's general worry about inflation and the economy.

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Becton Dickinson (BD) is a global MedTech company developing a broad range of medical supplies and devices used in hospitals, clinics, testing labs, and across the pharmaceutical industry. BD boasts strong breadth of product, leadership positions across key product categories, and scale, with an attractive recurring revenue profile and solid underlying growth trends. Over the last few years, a combination of product-specific issues and external factors over specific periods (Covid, tariffs, China healthcare system reform, U.S. public health policy shifts) has slowed the company's revenue growth trajectory. We stayed on the sidelines as some of these challenges were unfolding and are now encouraged by management's renewed focus on commercial execution with most of the product-specific problems in the rearview mirror.

We added to our existing positions in Euronext, Michelin, Carlsberg, NetApp, Elevance, Qualcomm and Wells Fargo.

We completed process-driven, one-third sales during the period as DBS, GSK, Amgen and SMC as the stocks reached our target prices. We also trimmed our positions in Omnicon, Applied Materials, Roche and Comcast and completed a full sale of Gen Digital, and Kimberly-Clark. We also sold all shares in Versant Media, a spin-out from our holding in Comcast.

Outlook

When assembling and managing portfolios, we do not make macro or market timing calls but rather focus on each individual holding's fundamental prospects within our strict valuation framework and rules-based process. This premise has not changed, though market dynamics continue to favour certain themes while indiscriminately selling others, often with a short-term outlook.

Portfolio activity has increased, reflecting market volatility and dislocations. We have been active in recycling capital from relatively more expensive into lesser expensive names within the portfolio, including via our 1/3 sale process rule. We have also been eliminating holdings where the investment thesis has substantially weakened, and where fundamentals no longer reflect our portfolio requirements. Meanwhile, we are finding new opportunities in attractive and/or non-consensus areas within sectors such as Financials, Staples, Industrials, and Health Care. The portfolio is well represented through overweights in Information Technology, Health Care and Industrials, while still zero weight Energy, Real Estate, and Utilities, and with the largest underweights across Financials, Communication Services and Consumer Staples.

Recent markets continued to be dictated by quick decision-making to the detriment of fundamental price discovery. Critical factors, in our view, such as balance sheet strength and flexibility, dividends, and, crucially, valuation, continue to be afterthoughts in what remains a theme-driven market. We believe adhering to a long-term Quality and Value-driven investing framework has never been so relevant.

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The Fund is a sub-fund of the Company, an umbrella fund with segregated liability between sub-funds. The Fund is authorized by the Central Bank of Ireland as a UCITS pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations, 2011 as may be amended, supplemented or consolidated from time to time (the "Regulations"). The Company has appointed Brown Advisory (Ireland) Limited as its UCITS management company which is authorized by the Central Bank of Ireland pursuant to the Regulations and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2019, as amended. The investment manager of the Fund is Brown Advisory LLC. The distributor of the Fund is Brown Advisory LLC.

The Fund is a recognized collective investment scheme for the purposes of section 264 of the UK's Financial Services and Markets Act 2000.

The Fund will be available for subscription only in jurisdictions where they have been registered for distribution or may otherwise be lawfully privately placed. Only certain share classes may be registered or privately placed in some jurisdictions, please contact Brown Advisory for more information.

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The benchmark is the MSCI World Net Index (USD), with the MSCI World Value Index (USD) as an appropriate secondary benchmark.

[1]Margin of safety is a principle of investing in which an investor only purchases securities when the market price is significantly below its intrinsic value. Even by utilizing a margin of safety strategy, an investor can still lose money.