

Q1 2023

## Antero Peak Group — Investor Update

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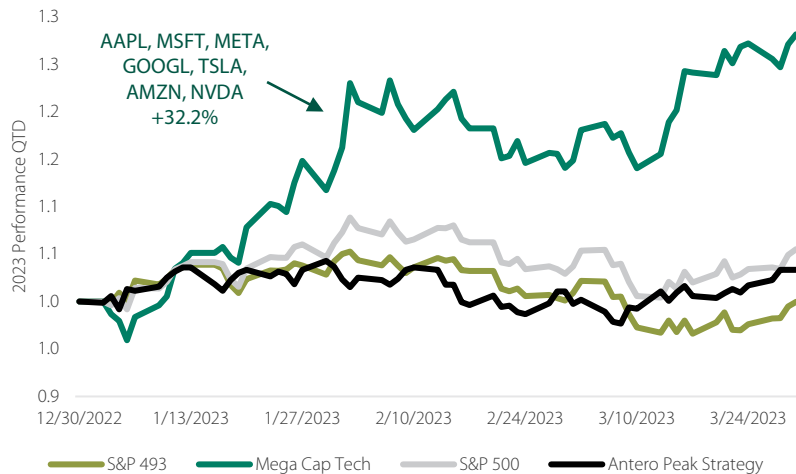
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# Quarter in Review

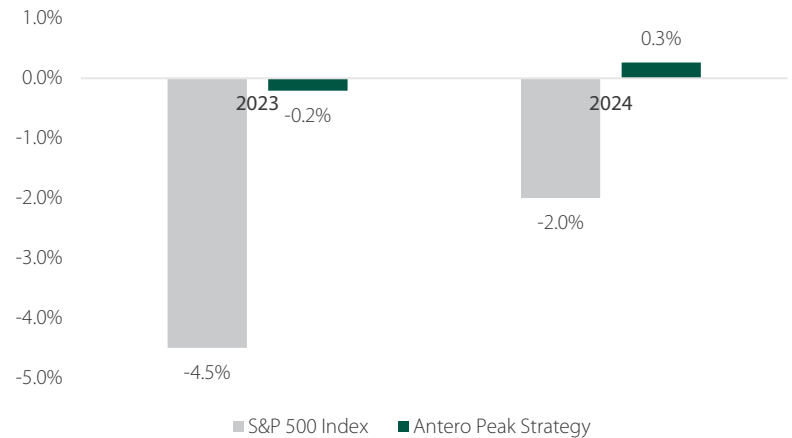
## Understanding 1Q 2023 performance

- Q1 saw continued volatility and macro shocks as the business cycle matured while earnings estimates continued to revise lower.
- This included the regional banking crisis which will likely result in new regulations and tougher lending conditions over the short-term.
- Breadth was very narrow in Q1, with mega cap tech accounting for 88% of the S&P 500 return.
- Our portfolio displayed more durable earnings than the benchmark, but faced some short-term, idiosyncratic headwinds:
  - Top contributors included our semiconductor investments, TransDigm, Visa, and Motorola Solutions.
  - Primary detractors included our healthcare exposure as well as NextEra Energy.
  - Notably, our detractors saw largely upward revisions and we remain excited about them going forward.

### Narrow Markets and Idiosyncratic Drivers Hurt Performance First Quarter 2023 by Category



### The Portfolio Displayed Durable Earnings in Q1 Changes in EPS Estimates in Q1, Antero Peak and S&P 500



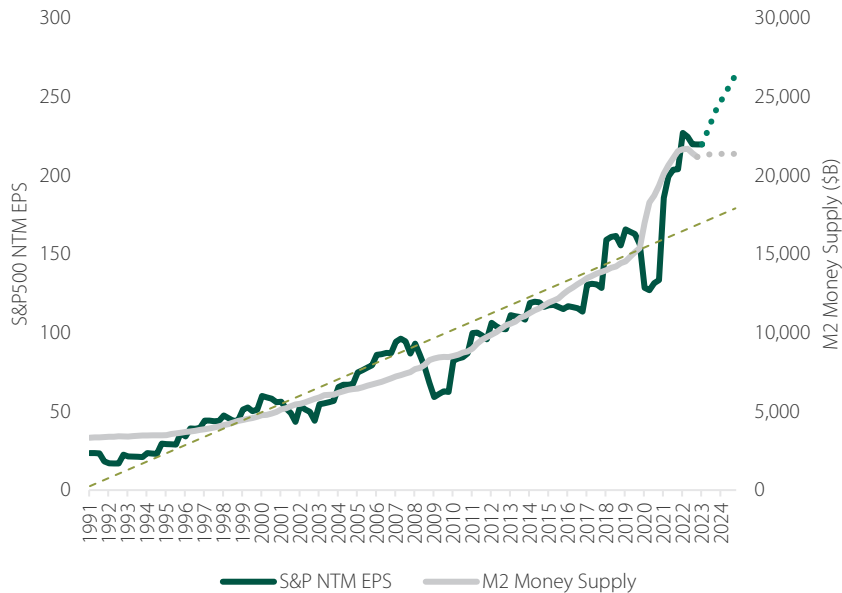
Source: Antero Peak Group/FactSet/S&P as of 31 March 2023. The S&P 493 represents the S&P 500 Index returns excluding the following seven companies: Apple Inc, Microsoft Corp, Meta, Alphabet Inc, Tesla, Amazon.com Inc, Nvidia. **Past performance does not guarantee and is not a reliable indicator of future results.** Based on a representative account in the Antero Peak Strategy Composite. Estimates are based on the team's analysis and are subject to material revision. See Notes and Disclosures pages for portfolio weights.

# Earnings Estimates Continue to Move Lower

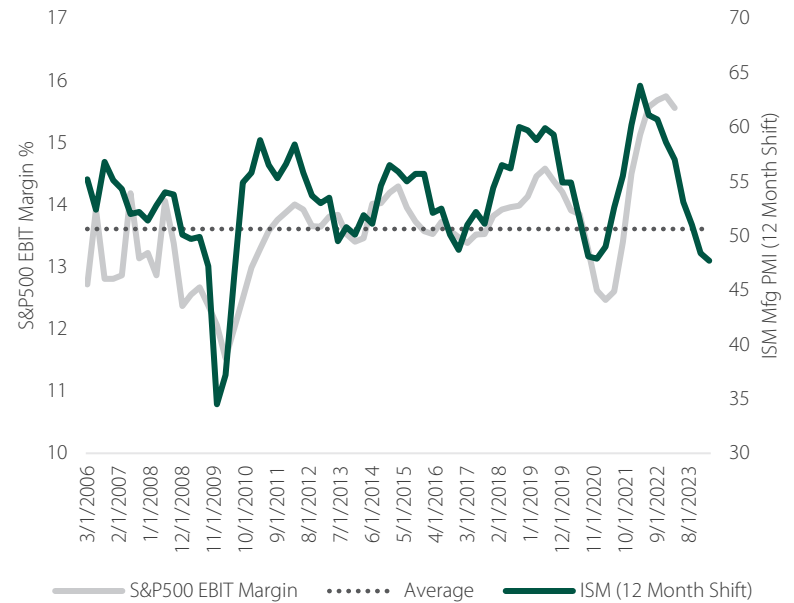
We expect the earnings environment to be challenged going forward

- S&P 500 earnings estimates face significant risks going forward.
- We see a combination of very elevated expectations while money supply tightens, and leading indicators point to margin degradation.
- As Fed actions of 2022 propagate through the economy we continue to focus on our bottom-up process in what is likely to be another volatile year.

Estimates are Above Long-Term Trend as Money Supply Tightens  
NTM Earnings Estimates with M2 Money Supply



Leading Indicators Point to Falling Margins  
S&P 500 EBIT Margin vs. ISM (12 Month Lag)



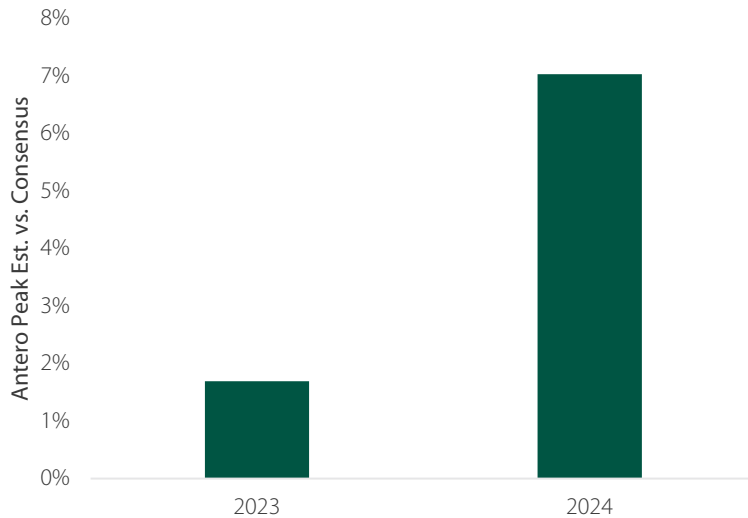
Source: Antero Peak Group/S&P/ISM as of 31 March 2023. The ISM manufacturing index, also known as the purchasing managers' index (PMI), is a monthly indicator of U.S. economic activity based on a survey of purchasing managers at more than 300 manufacturing firms.

# Our Portfolio Points to Value Creation Going Forward

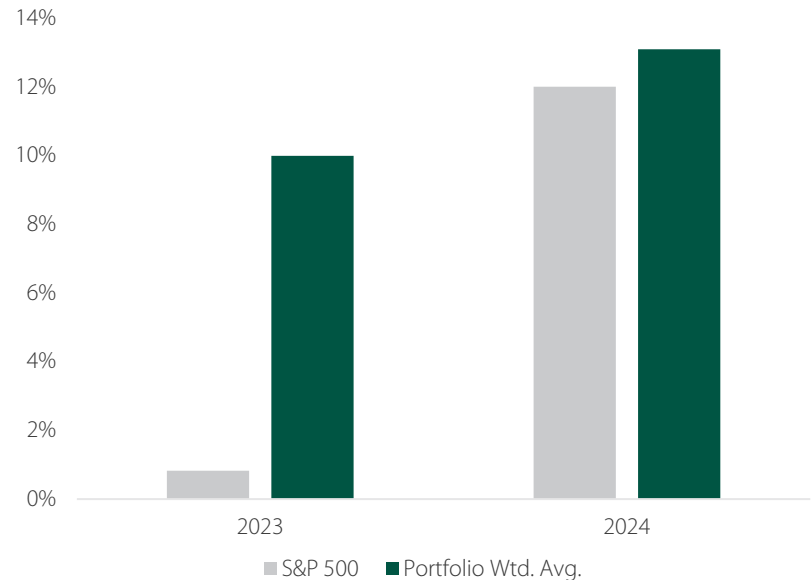
## We believe the portfolio is positioned to outpace the S&P 500 Index

- We expect the portfolio to outperform the S&P 500 Index on our key fundamental metrics: relative growth, earnings revisions, accelerating KPIs, ROIC expansion.
- Combination of positive earnings revisions and faster growth (while the broader market likely revises lower) has historically pointed to substantial value creation.
- Further, we believe our models already incorporate a far more challenging macro backdrop than consensus.

Our Portfolio Should See Widening Differentiation  
2023-2024 Portfolio Earnings Differentiation



While Substantially Outgrowing the S&P 500  
Portfolio Earnings Growth Estimates

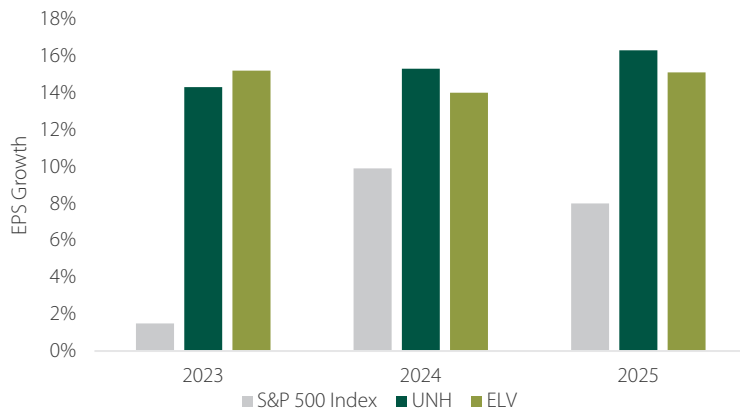


Source: Antero Peak Group/S&P as of 31 March 2023. Estimates are based on the team's analysis and are subject to material revision.

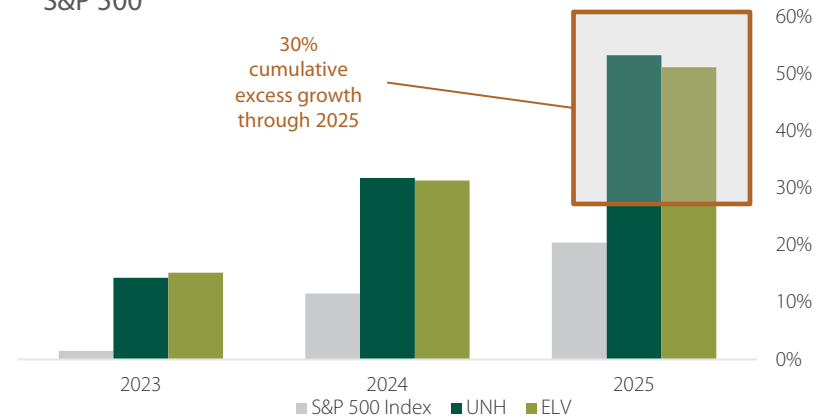
## Theme Update: Data Monetization, Value-Based Care

- We initiated our position in managed care in Q2 2021. After being a top contributor in 2022, the positions were a headwind in Q1 2023.
- We believe there were a few main drivers of the underperformance and remain optimistic about the path forward.
- Mean reversion of 2022 winners was a headwind year to date.
- Two regulatory items arose in Q1, both of which we feel are immaterial to our broader thesis:
  - A federal audit test for billing accuracy initiated five years ago ultimately revealed very little billing inadequacies at larger insurers but created short term sentiment headwinds.
  - Medicare Advantage rate determinations: Rate cuts came in higher than expected which weighed on the stocks; however, since, the Biden Administration moderated the proposed changes, reinstating our belief the program remains in excellent standing.
- The overarching view of structural winners being closely tied to their ability to reduce the overall cost of healthcare remains unchanged.
- We have differentiated earnings over the next three years, that dramatically exceed the overall growth of the S&P 500 Index.

### MCO Relative Growth Creates Compelling Opportunity UNH, ELV, and S&P 500 Estimated EPS Growth Rates



### Underperformance Would Imply a Material Derating UNH and ELV Cumulative Estimated EPS Growth Through 2025 vs. S&P 500

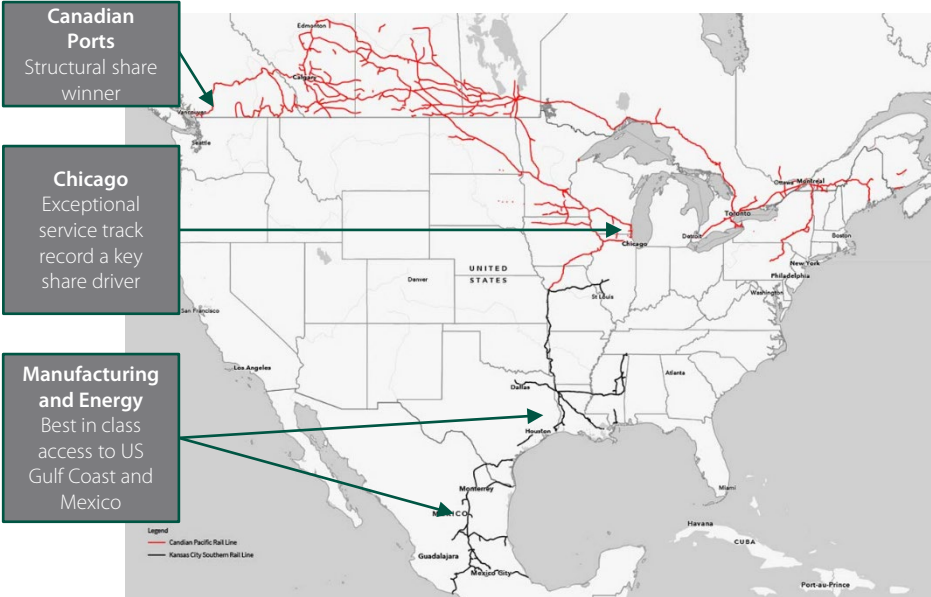


Source: Antero Peak Group/S&P as of 31 March 2023. Estimates are based on the team's analysis and are subject to material revision. See Notes and Disclosures pages for portfolio weights

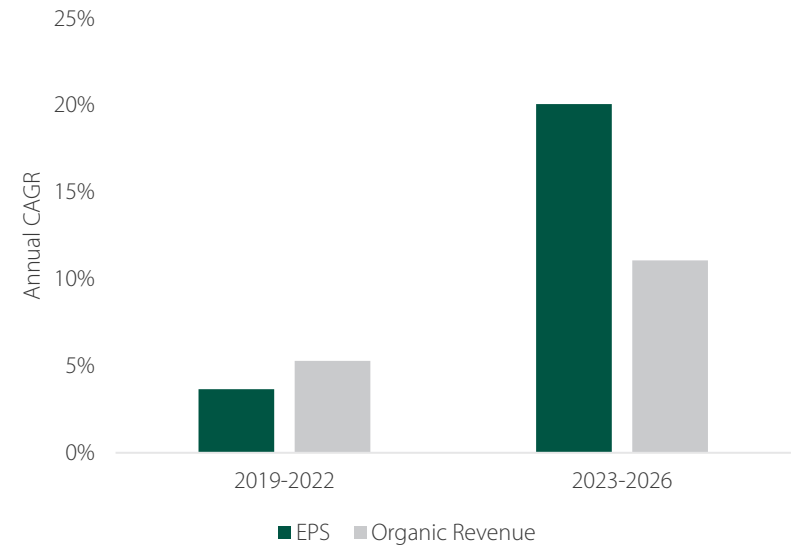
## Position Update: Canadian Pacific

- We initiated our position in Canadian Pacific (CP) in Q1 2022 and continue to be excited about the opportunity.
- During the quarter, CP's acquisition of Kansas City Southern was finalized. The combination is transformational yet has shrunk some of our total differentiation, which remains compelling.
- Their new proforma network creates a premier North American infrastructure asset, which sits at the core of our De-globalization theme.
- We expect accelerating growth through new customer acquisition with high operating leverage from best-in-class management.
- CP's backbone of bulk/noncyclical freight provides a durable earnings base in an uncertain economy.
- CP+KSU represents a highly differentiated earnings profile in 2023 when compared to the S&P 500.

### Transformational Deal Yields Premier Infrastructure Asset CP+KSU Combined Rail Network Map



### And Leads to Differentiated Growth Profile CP is Entering a Structural Acceleration Period



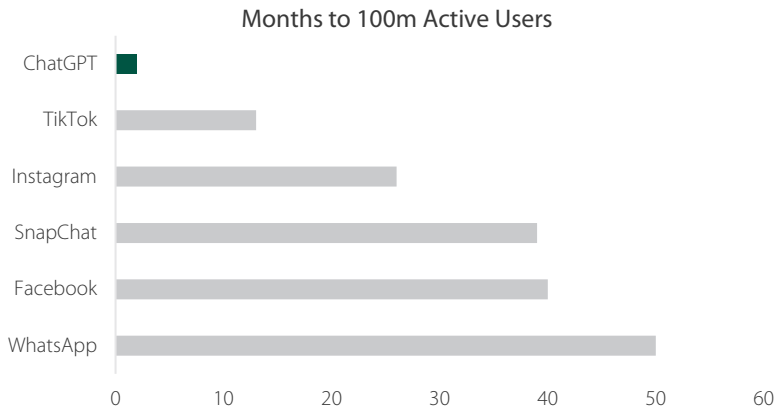
Source: Antero Peak Group/S&P/Canadian Pacific as of 31 March 2023. Estimates are based on the team's analysis and are subject to material revision. See Notes and Disclosures pages for portfolio weights

# Artificial Intelligence Adoption: The Next Major Platform Shift

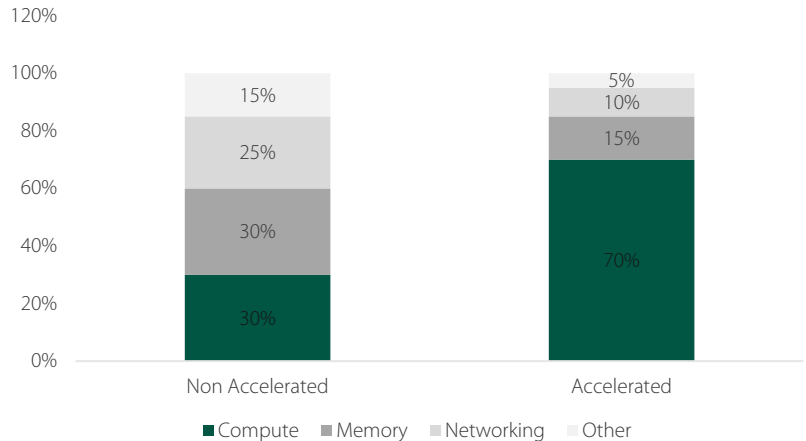
## The arms race for AI superiority will cast a wide net of opportunity

- We see a wide array of multi-year investment opportunities across semiconductors, software and hardware accompanied by longer term implications in nearly every industry. We have invested the time and resources ahead of this inflection to capitalize on it.
- We are now at a major inflection point for AI, with the rapid advancement of foundational models that support Generative AI capabilities.
- ChatGPT is the fastest growing application in history, reaching 100M active users in less than 2 months since launch.
- We are in an AI arms race with everyone forced to compete in it: MSFT OpenAI, Google Bard, Baidu & META. Winners coming out of these are compute players NVDA, TSM and AMD.
- Revenue from AI semiconductors is expected to grow from \$5.2 billion in 2020 to ~\$50 billion in 2026.
- Switch to Graphics Processing Units (GPUs) points to massively accelerating Total Addressable Market (TAM) for the only two global producers (NVDA, AMD).

### Rapid Uptake of ChatGPT, Catalyst for Inflection Months to 100mm Active Users



### Switch to Accelerated Computing a Windfall for Chip Makers Comparative Cost Stack of Non-accelerated to Accelerated Server



Source: Antero Peak Group/Nvidia GTC as of 31 March 2023. See Notes and Disclosures pages for portfolio weights.



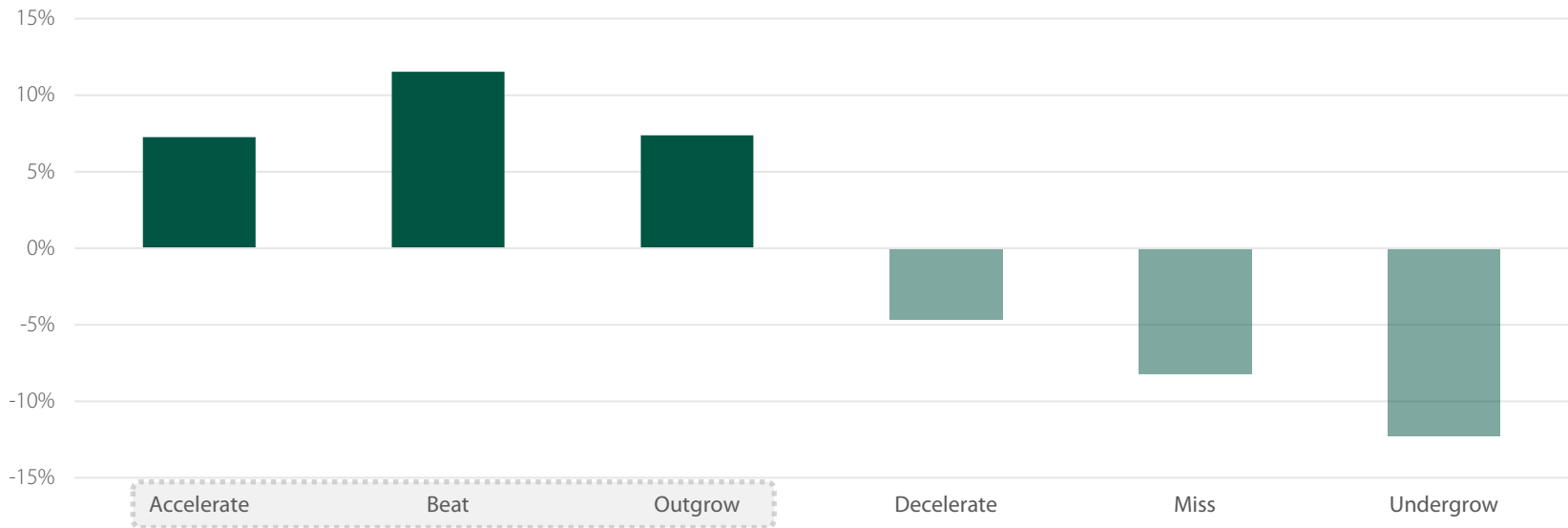
# Our Process is Supported by Empirical Data

## We have a clearly defined game plan

- Our process is focused on three key pillars:
  - 1) *Inflection points* that lead to broad based, often *industry wide accelerations and high earnings growth rates*
  - 2) Bottom-up, rigorous differentiation that leads to high and *sustained upward estimate revisions*
  - 3) *Rising Return on Invested Capital ("ROIC")* that lead to multiple expansion
- There is strong empirical evidence that gives us confidence in our focus areas:

### S&P 500 Index Constituents Follow a Reliable Fundamental Pattern

#### Rolling 10-year Median Performance of S&P Constituents Categorized by EPS



Source: FactSet/S&P/Antero Peak Group. Based on S&P 500 Index constituents from 30 Sep 2009 to 30 September 2022. Rolling 10-year performance based on constituents in the S&P 500® Index and categorization has been determined by the Antero Peak Group. Categories are rebalanced every September 30 over the trailing 10-year period based on the following criteria—Accelerate: Future EPS growth in upcoming year is greater than previous year; Beat: EPS is greater than expected 12 months prior; Outgrow: EPS growth rate in excess of the S&P 500® Index. Decelerate: Future EPS growth in upcoming year is less than previous year; Miss: EPS is less than expected 12 months prior; Undergrow: EPS growth rate less than the S&P 500® Index. **Past performance is not indicative of future results.**

## Multiple Exciting Areas to Execute our Process

### Data Monetization

With the proliferation of data analytics (Machine Learning, AI, Cloud, etc.), we are seeing more companies that possess significant data sets and have the ability monetize it through new products and customer applications.

**Companies:** Elevance Health, McKesson Corp, S&P Global, UnitedHealth Group

### De-Globalization

Numerous recent macro developments have likely accelerated a major shift towards more domesticated supply-chains as well as local raw material sourcing and manufacturing. We expect reliability and security to be the foundation for companies and countries moving forward, which will likely lead to more domestic raw material sourcing and manufacturing.

**Companies:** Air Products, Canadian Pacific Railway, Cheniere Energy, Constellation Energy, Linde, NextEra Energy, Quanta Services

### Digitization of Commerce

In an increasingly digital world, consumers are shifting their consumption habits towards online methods of discovery, engagement, and acquisition of products and services. As a result, companies are adapting to this changing landscape to better source, target, and capitalize on consumers through more targeted advertising, efficient distribution, and secure digital transactions.

**Companies:** Meta Platforms, Nike, Starbucks Corp, The Estee Lauder Cos, Visa

### Medical Innovations (fka Life Sciences)

Mega themes like rising quality of life, healthcare, food, and water, have driven structural growth in global R&D spending. This, in addition to the advancement of drug technologies enabled by genetic sequencing, should accelerate investment.

**Companies:** Boston Scientific Corp, Dexcom, Eli Lilly & Co., IDEXX Laboratories, Intuitive Surgical, Thermo Fisher Scientific, Zoetis

### Network Infrastructure Modernization

Data is growing exponentially and is putting pressure on network resources in the last mile of the network given asymmetric traffic patterns. We expect an acceleration in revenue growth for the industries exposed to this increased investment including infrastructure companies, providers of the communications hardware and the applications that run on the network.

**Companies:** American Tower Corp, Motorola Solutions, T-Mobile US

### Transformation of the Enterprise

Technology increasingly exists to capture, analyze and act upon the large amounts of data that is captured. This digital transformation is a major paradigm shift and is in the early innings of adoption in most industries. There is an inflection in end-market demand for the companies that enable the transformation through software, communication services, and increasingly the adoption of AI.

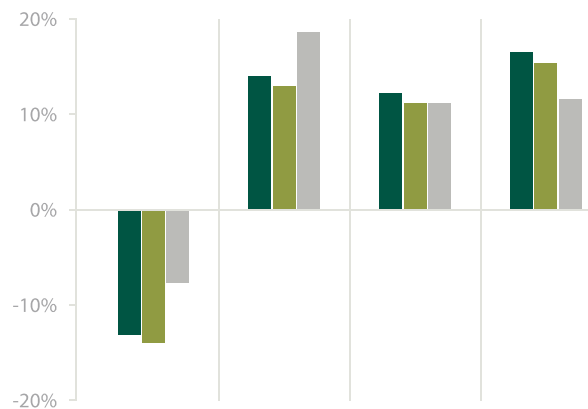
**Companies:** Advanced Micro Devices, NVIDIA, Oracle, Taiwan Semiconductor Manufacturing Co.

### Idiosyncratic Ideas (fka Cash Flow Inflection)

**Companies:** General Electric Co., Monster Beverage Corp, Safran SA, TransDigm Group

See Notes and Disclosures pages for portfolio weights.

## Investment Results



### Average Annual Total Returns

(%) as of 31 Mar 2023

	1 Yr	3 Yr	5 Yr	Annualized Returns Inception	Cumulative Returns Inception
■ Composite: Gross	-13.16	14.05	12.25	16.56	147.70
■ Composite: Net	-14.03	12.92	11.14	15.41	133.62
■ S&P 500® Index	-7.73	18.60	11.18	11.62	91.74

### Annual Returns

(%) 12 Months Ended 31 Mar

	2019	2020	2021	2022	2023
Composite: Net	17.44	0.32	54.62	8.33	-14.03

Source: Artisan Partners/S&P. Past performance does not guarantee and is not a reliable indicator of future results. Gross- and net-of-fees performance shown for the Composite. Current performance may be lower or higher than that shown. Returns less than one year are not annualized. Composite inception: 1 May 2017. The Strategy's investments in initial public offerings (IPOs) made a material contribution to performance. IPO investments may contribute significantly to a small portfolio's return, an effect that will generally decrease as assets grow. IPO investments may be unavailable in the future.

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Managed Care Organizations (MCOs).

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