Clifford CAPITAL PARTNERS

Quarterly Portfolio Commentary – First Quarter 2025
Clifford Capital International Value Portfolio

Summary of the *Clifford Capital International Value Portfolio* Composite Historical Return* (unaudited)

	1st Quarter 2025	1-year	3-year, annualized	5-year, annualized	Since Inception**
Portfolio, gross[1]	9.64%	12.33%	4.92%	14.27%	8.22%
Portfolio, net	9.41%	11.39%	4.07%	13.26%	7.26%
MSCI EAFE Index	6.86%	4.88%	6.05%	11.77%	6.89%

* Individual account performance will differ from the overall Composite.

** Inception Date: August 1, 2019, annualized

Past Performance does not guarantee future results.

International Markets

International markets performed well in Q1 with the EAFE index rising 6.9% and the Clifford Capital International Value Portfolio returning 9.6%. Volatility, however, rose as the new US administration embarked on a number of changes that would have both intended and unintended consequences, many of which still remain unresolved. What is clear is that the world is changing; trade relationships are being redrawn, countries are moving to more self-reliant models and economic uncertainty has risen. At Clifford we do not comment on political policy, and we invest with the view that the world will always present us with opportunities to find quality companies at compelling valuations. Heightened volatility is, in our opinion, a period to go on the hunt, to find those hidden gems that fall with the rest of the market as sentiment sours and flows drive stock prices. We are in one of those periods right now and we feel the first quarter offered us opportunities to add some core value holdings to the portfolio and as we enter Q2, this is still the case, perhaps even more so.

We will highlight our thought process in this letter, referencing new ideas in both core and deep value, but it is worth highlighting our view that International Markets still remain very attractive. As we work through this period of volatility trying to understand where new trade agreements may lead us, we note that many of our portfolio holdings have significant operations in the US but most of them also have significant manufacturing presences in the US. This isolates them from potential tariffs and yet their share prices have waned with the market. Companies with strong brands, high market shares, defendable margins and pricing power are all characteristics we are looking for and this period of volatility is allowing us to find these opportunities at very interesting valuations. Expectations for earnings growth are rising a little for EAFE markets with the German market in particular having seen a modest boost to expectations as the Government decided to relax their debt brake of 0.35% of GDP which limited new borrowing. This reform has led to an intention to spend more on infrastructure and defense with €500bn earmarked for infrastructure and another €100bn for climate and transition investments. It is hard to estimate the impact of the changing trade agreements on the global economy but at the time of writing the expectations for EAFE, Germany and the S&P earnings growth are approximately 9%, 9% and 10% CAGR over the next 3 years, according to Bloomberg and yet the respective P/E multiples stand at 14.6x, 15.7x and 22x, respectively. There is much uncertainty in the world right now, but we continue to see excellent value in international markets and remain resolutely focused on finding great businesses at excellent prices. We admit this is not always easy and as you will see from our company commentary, we will sometimes be early, but by focusing on core value businesses that we

1 Portfolio, gross return represents the performance results for the International Value composite including the reinvestment of dividends and other account earnings and are net of transaction costs, but do not reflect the effect of advisory fees, which would lower performance. Portfolio, net return includes the deduction of advisory fees, reflects the reinvestment of dividends and other account earnings and are net of transaction costs. Past performance does not guarantee future results.

The benchmark for the International Value composite is the MSCI EAFE Index. The index captures large and mid cap securities across developed markets countries around the world, excluding the U.S. and Canada. Index returns include the reinvestment of dividends (total returns). Performance of the composite and the index may not be comparable due to differences amongst them including, but not limited to, risk profile, liquidity, volatility and asset composition. An investor cannot invest directly in an index. Moreover, index performance does not reflect the deduction of advisory fees, transaction fees, and other expenses.

believe will have strong franchises for years to come and blending that with opportunistic deep value names that have been shunned by the market, we aim to continue to add value for our clients.

Intended and Unintended Consequences

This last quarter the Clifford Capital team have been grappling with the issue of intended and unintended consequences. Often companies, governments or just individuals set out with a goal in mind but the secondary effects of those actions affect themselves or, more likely, affect others (industries, countries or people) in ways that were not intended. The most striking unintended consequences that we have been debating over the last few months have been the impact of GLP-1 drugs on the alcohol and food industries, the refocusing of US policy away from international issues and towards the US, the impact of a warming climate on commodities and the impact on social habits because of legalizing cannabis.

The inexorable rise of GLP-1 drugs that were intended to aid diabetes patients ultimately led to the discovery that they could aid weight loss and reduce cardiovascular disease, but the impact on weight loss led to the rise of Wegovy (Novo-Nordisk) and Zepbound (Eli-Lilly) that has seen customers with weight issues benefit from their effects. It has also led to customers who want to lose weight seeking out the drugs despite not necessarily needing them for medical reasons. The unintended consequence of this is that these drugs suppress appetite and maybe this has led to a decline in both the snacking and alcoholic beverages markets? It is hard to determine whether the decline in salty and savory snacks (PepsiCo and General Mills both reported slowdowns in these categories) is entirely down to GLP-1's or a move towards a healthier lifestyle or a socioeconomic observation as expectations of economic growth slow, but snacking companies and alcoholic beverage companies share prices have languished for some time.

The second unintended consequence we discussed was after a visit to New York City where this London based fund manager was not fully aware of the legalization of Cannabis in certain US states. Having walked the streets of New York and experienced the aromatic smells coming from those who partake, we considered whether the younger generations were changing their social habits. Whereas previous generations would be eager to drink beer and spirits once turning legal age, is this generation more inclined to smoke cannabis and does that lead to a reduction in alcohol consumption?

After much debate we believe that both these events are likely to have had some impact, at the margin, and so growth rates in snacks and alcoholic beverages were perhaps historically expected to grow at too high a rate. However, we also concluded that people would still snack and would continue to consume alcohol. In the case of smoking cannabis, we don't believe it replaces that habit, but perhaps even complements it. We may well be wrong, but after careful consideration we believed that the sentiment in the alcoholic beverages space was very negative, partly due to the above reasons, but also due to cost pressure on consumers. We spent some time reviewing the sector and concluded that several high-quality stocks were trading on historical low multiples. Consequently, we purchased Heineken in Q1 at a multi-year low on both price and multiples. Whilst still exposed to the US and some changes in habits, the key drivers of growth are emerging markets and alcohol-free beer which, whilst relatively small, has grown for 20 quarters in a row and is complementing their premium brands of alcoholic beers.

Weather patterns are hard to predict and maybe AI will help with that in the future, but periods of prolonged heat or drought can affect crops, and this has particularly been the case with Brazil and Colombia which has significantly affected their coffee crops. Maybe you have noticed your latte creeping up in price over the last year? Five years ago, coffee prices were around $1 per pound but increasing demand and recent poor growing conditions pushed prices over $4 per pound at the end of 2024, a price not seen since frost affected coffee crops in 1975-1976. Cost inflation in the coffee industry was unprecedented and this must be influencing the industry in some way? We discussed this as a team and discovered a Dutch supplier of coffee that serves the at home market as well as the out of home markets and their share price seems to have a very high inverse correlation to coffee prices. Upon further inspection we felt that this was a strong business with good brands (Kenco, Jacobs, Douwe Egberts, L'Or, Tassimo, Peet's etc.), a determined management team and some pricing power in the marketplace. They have been putting through price increases to their customers and European supermarkets were not happy about those increases, so much so that they removed their products for a few weeks. Eventually, the supermarkets gave in, and the products were reinstalled with the new prices. That gave us confidence that the brands were desired by consumers, and they would be able to ride the storm of extremely high coffee prices. The new purchase was JDE Peet's and this is a deep value name for us. The share price has more than halved in 5 years despite seeing robust earnings and the valuation looked attractive at around 10x P/E. This story hinges on the price of coffee falling from all-time highs, but there is a fundamentally sound business behind this stock idea that we feel will serve the portfolio well.

Finally, we are seeing global trade agreements rewritten by the US and as we write this letter we are amidst those negotiations. We have as much visibility as anyone, and the changing landscape has led to a few of our recent investments feeling like we were too early. Time will tell where international trade will settle but our modest starter position in Kering has not been helped by the specter of tariffs on goods from Europe. The potential impact from a slowdown in China has also impacted the stock and this is a position we have considered adding to, given the share price fall, but decided to wait. Consequently, it is a new position, but a modest one and one where with the benefit of hindsight, we were too early, but we still see significant long-term value.

Outlook and Positioning

We remain constructive on international markets but do expect heightened volatility in the near term as geopolitical issues are in flux and international trade agreements are redrawn. Earnings expectations for European markets are starting to drift up as governments awaken to the realization that they need to be less dependent on foreign nations for defense and economic growth. Valuations also look reasonable, and this temporary increased volatility is providing us with some interesting stock opportunities, a few of which we have discussed in this letter. We have funded some of those ideas from our better performing names or names where we felt the potential upside/downside ratio was less attractive than our new ideas. Consequently, we reduced our telecoms exposure in Q1 to fund these new ideas, but we remain overweight the sector as it provides more domestic and dependable revenues in this period of uncertainty.

Overall, we are excited about the future of the portfolio and have seen an increase in the ratio of core value stocks to deep value stocks.

Performance Summary and Market Observations

During the quarter, the Clifford Capital International Value fund rose 9.6% compared to the EAFE index which rose 6.9%. Performance was hindered by FX headwinds and being underweight financials (the best performing sector in the benchmark) but all the outperformance came from stock selection, predominantly in Financials and Healthcare. We have been underweight Japan for some time, simply because we have struggled to find value there and this underweight also helped as Japan was the 2nd worst market in EAFE in Q1.

Significant Portfolio Changes

During the quarter, we bought four new Core Value stocks, Kering (ticker: KER FP), Sodexo (ticker: SW FP), Heineken (ticker: HEIA NA), Novo-Nordisk (ticker: NVO US) and one new Deep Value stock, JDE Peet's (ticker: JDEP NA). We also sold two Deep Value stocks: Sunrise Communications (ticker: SNRE US) and Nokia Corp (ticker: NOK US).

Kering is a luxury goods group, specializing in ready-to-wear products, shoes, jewelry, watches, sunglasses and fragrances. Their main brands include Gucci, Alexander McQueen, Balenciaga and Saint Laurent. The Gucci brand has stumbled recently with the weakness in the Asian consumer markets adding to their worries. Having seen earnings fall by over 65% in the last few years we felt the stock price represented an interesting entry point for a potential recovery story, particularly if China moved to stimulate their economy. As it happens, they appointed a new creative director at Gucci, who the market is unsure of, and the tariff situation is another headwind to progress. Consequently, we were too early into the stock, and it has not performed well so far. Fortunately, this is a modest position and whilst a detractor in Q1, the magnitude was not significant.

Sodexo is a food services company based in France, serving customers worldwide in education, healthcare, government, business and entertainments sectors. They should be a beneficiary of the back-to-work movement as they provide catering services to businesses and they should be somewhat immune to tariff increases as they source produce locally to serve customers in their respective markets. Unfortunately, at the end of the quarter they issued a revenue guidance cut due to uncertainty in the US Education segment and the delay of a few new contracts. We still feel this business is undervalued and should be a steady business in the long-term, but we may have to wait a few quarters and see solid execution.

Heineken is a producer and distributor of beverages globally. They predominantly produce beer, but also produce spirits, wines and soft drinks under other brands. For a more detailed discussion of our thesis on this stock, please see above.

Novo-Nordisk is a pharmaceutical company that focuses on diabetes care and insulin delivery systems but in recent years has seen huge success with GLP-1 drugs that aid insulin patients and help with obesity. Having been one of the best performing stocks in international markets for the last 5 years, the shares halved on concerns over generic copycat drugs, supply issues and affordability of their offerings. Having discussed the impact of GLP-1's on the habits of consumers in general we felt that the efficacy of their drugs and the desire to lose weight were strong enough drivers to warrant a closer look at the business. On balance we felt that the price offered to us in Q1 was an attractive entry point, although not without risk. Consequently, we bought a modest overweight position in the stock.

JDE Peet's is a producer and supplier of coffee and tea beverages. They are a global business serving the retail, on-line, out-of-home and at home markets. For a more detailed discussion of our investment rationale please see above.

Individual Stock Performance

Top Contributors[2] – Q1 2025	Largest Detractors – Q1 2025
Societe Generale SA (GLE FP)	Novo-Nordisk (NVO US)
Banco Santander (SAN US)	Rentokil Initial (RTO LN)
Roche Holdings (ROG SW)	Sodexo (SW FP)
BAE Systems PLC (BA/ LN)	Kering (KER FP)
Shell PLC (SHEL US)	Liberty Global (LBTYA US)

Past performance does not guarantee future results. Source: Bloomberg as of 3/31/2025

Commentary on the Top Two and Bottom Two Contributors and Detractors to the Portfolio's Total Return

Societe Generale reported excellent results for Q4 2024 with all parts of the business delivering year over year growth and the tier 1 capital ratio came in at a robust 13%. The company increased their dividend payout ratio on top of their share buyback program. They gave a positive outlook for 2025 with costs firmly under control and with the stock still trading at under 50% of BV the stock performed extremely well in Q1.

Banco Santander reported results similar to Societe Generale. Strong earnings growth with good cost control and a strong Tier 1 ratio of 12.8% gave the market comfort that the business has the capital to continue to grow.

2 Portfolio holdings are from a representative account managed within the investment composite. The representative account is selected based on account characteristics that Clifford Capital believes accurately represent the investment strategy as a whole. Should these characteristics change materially, Clifford Capital may select a different representative account. Holdings may change daily and may vary among accounts, which may contribute to different investment results.

The securities identified do not represent all of the securities purchased, sold, or recommended for advisory clients.

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Santander is not as cheap as Soc Gen but still trades at 7x P/E and less than BV. Whilst economically sensitive both banks are somewhat isolated from tariffs and have held up well in this volatile period.

Novo-Nordisk was the worst detractor of the quarter, albeit relatively modest in absolute terms. As described above, we took the opportunity to buy into a high-quality business after a 50% fall in the stock price. With noise over generic drugs, potential tariffs on pharmaceuticals and the desire by the US to get closer to Greenland (an autonomous territory within the Kingdom of Denmark) Novo languished in the quarter. We still see significant recovery potential, but the shares fell around 10% from purchase.

Rentokil was also a modest detractor in the quarter as they reported limited progress in their main US business that has been integrating their Terminix acquisition and have seen a slowdown in contract wins. Pest control and hygiene are usually steady businesses and this lack of progress is something that we will continue to watch with interest, but in the meantime Rentokil should be relatively insulated from tariffs and trades on a very reasonable multiple with solid returns.

Final Comments

Thank you for your investment with Clifford Capital Partners. We were pleased with the portfolio's performance in the first quarter, as several holdings that we have held for some time came to fruition. Volatility is as high as we can recall but we are endeavoring to use this as an opportunity to find both high quality core value names and opportunistic deep value names. Timing in these markets can be a challenge, but we are encouraged by the opportunities the markets continue to present us and feel that international markets continue to offer excellent value and diversification opportunities for investors.

We will continue to focus on building long-term wealth through diligent and prudent portfolio management.

Sincerely yours,

International Value Team
Clifford Capital Partners, LLC

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Information about Risk

***Risks of Investing in Equity Securities**. Overall stock market risks may affect the value of an equity portfolio. Factors such as domestic economic growth and market conditions, interest rate levels, and political events affect the securities markets. When the value of the portfolio investments goes down, the portfolio decreases in value and you could lose money.*

***Risks of Mid-Cap Securities.** Investing in the securities of mid-cap companies generally involves substantially greater risk than investing in larger, more established companies.*

***Risks of Large-Cap Securities.** Prices of securities of larger companies tend to be less volatile than companies with smaller market capitalizations. In exchange for this potentially lower risk, the Fund's value may not rise as much as the value of funds that emphasize companies with smaller capitalizations.*

***Focused Investment Risk.** The International Value strategy is a focused strategy and generally holds stocks of less than 45 companies. Focused strategies may invest a larger portion of their assets in the securities of a single issuer compared to a more diversified strategy. Focusing investments in a small number of companies may subject the portfolio to greater price volatility and therefore a greater risk of loss because a single security's increase or decrease in value may have a greater impact on the portfolio's value and total return.*

***Sector Risk**. The portfolio may emphasize investment in one or more particular business sectors at times, which may cause the value of portfolio to be more susceptible to the financial, market, or economic events affecting issuers and industries within those sectors than a strategy that does not emphasize investment in particular sectors.*

***Management Style Risk.** Because the strategy invests primarily in value stocks (stocks that Clifford Capital believes are undervalued), the strategy's performance may at times be better or worse than the performance of stock funds or strategies that focus on other types of stock strategies (e.g., growth stocks), or that have a broader investment style.*

***Economic and Political Risks.** These effects may be short-term by causing a change in the global markets that is corrected in a year or less, or they may have long-term impacts which may cause changes in the markets that may last for many years. In any given country, some factors may affect changes in one sector of the economy or one stock, but don't have an impact on the overall market. The particular sector of the economy or the individual stock may be affected for a short or long-term.*

Emerging Markets Risk. *Emerging market securities may present issuer, market, currency, liquidity, volatility, valuation, legal, political, and other risks different from, and potentially greater than, the risks of investing in securities of issuers in more developed markets.*

Non-U.S. Investment Risk. *Securities of non-U.S. issuers (including American depository receipts ("ADRs") and other securities that represent interests in a non-U.S. issuer's securities) may be less liquid, more volatile, and harder to value than U.S. securities.*

Foreign Currency Risk. *Foreign securities often are purchased with and make any dividend and interest payments in foreign currencies. Therefore, the portfolio's value could decline solely as a result of changes in the exchange rates between foreign currencies and the U.S. dollar, particularly if the portfolio invests a significant percentage of its assets in foreign securities or other assets denominated in currencies not tightly pegged to the U.S.*

Inflation Risk. *When a substantial portion of the portfolio is held in cash or cash equivalents, there is the risk that the value of the cash account, including interest, will not keep pace with inflation, thus reducing purchasing power over time.*

Definitions

Core Value Stocks. *We define Core Value stocks as high-quality companies with sustainable competitive advantages and long-term records of strong returns on capital. These companies tend to have stable and predictable cash flows as well as steady growth in the intrinsic value of their stock.*

Deep Value Stocks. *We define Deep Value stocks as opportunistic investments in deeply discounted shares of businesses that do not meet the high requirements of a Core company. Deep Value investments are deemed by us to have high potential returns with acceptable downside risks. These investments may be considered traditional value stocks with low price multiples, and low near-term investor and analyst expectations.*

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