SUMMITRY

Summitry Select Portfolio Update – Q3 2024

	Q3'24	YTD	1 YR	3 YR*	5 YR*	Inception*
Summitry Select Composite, gross	2.8%	21.8%	41.2%	---	---	11.1%
Summitry Select Composite, net	2.6%	21.2%	40.3%	---	---	10.6%
S&P 500 TR	5.9%	22.1%	36.4%	---	---	11.3%
*Annualized. Strategy inception, 1/31/2022.						
Note: An investor's actual performance may differ from the performance information presented due to, among other factors, alternative fee schedules, capital contributions and withdrawals.						

10/7/24

The Summitry Select Composite appreciated +2.8% (+2.6%, net) during the third quarter, bringing our year-to-date performance up to +21.8% (+21.2%, net). Performance was broad-based, and nine of our thirteen portfolio holdings appreciated during the quarter.

Our best performers during Q3 were ZBRA (+20%), A (+15%), and META (+4%).

- Shares of Zebra (ZBRA) have been volatile since we first purchased the stock nearly 3 years ago. However, recent results suggest the company's business is back on track. At the end of July, Zebra reported revenue and earnings that were better than analysts expected, and management increased their revenue and earnings guidance for the full year. The biggest positive contributor to these results was the company's mobile computer business, which saw +8% organic revenue growth, as excess channel inventory has worked its way through the system and customer demand for warehouse efficiency solutions continued to rebound. Supply chain constraints that were both limiting Zebra's capacity and pressuring margins have eased, and the business is now able to achieve margins consistent with pre-pandemic levels. Zebra's business is largely driven by replacement demand for the company's vast installed base of mobile computers and industrial printers, so we are optimistic that sales can eventually regain, and even surpass, their previous heights.
- As we have discussed in previous letters, Agilent's (A) business has been negatively impacted by high interest rates, since customers typically finance expensive capital equipment purchases. While financing conditions have improved modestly, a large contributor to the rebound in Agilent shares during the quarter was a stimulus package announced by the People's Bank of China (PBOC) on

September 24th. China, which accounts for roughly 20% of Agilent's annual revenue, has been an area of weakness for the company. The PBOC stimulus should provide a modest tailwind, as we await an inflection in the company's larger North American capital equipment business that has been pressured by high interest rates and a tough funding environment for smaller biotech customers.

- In July, Meta (META) reported robust sales and earnings growth. The company's ongoing investments in artificial intelligence contributed to double-digit growth in both ad impressions and cost per impression. Additionally, daily active users across Meta's Family of Apps increased +6.5% compared to the same quarter last year, suggesting healthy engagement with the company's services. Late in the quarter, CEO Mark Zuckerberg demonstrated the company's prototype Orion augmented reality glasses. While the consumer version of Orion is not expected to launch for several years, the impressive features and form factor showcased during the demo provided investors a glimmer of hope that the billions of dollars in ongoing annual operating losses at Meta's Reality Labs segment may eventually turn into profits, or at least a valuable asset.

Our worst performers during Q3 were UNVGY (-13%), GOOGL (-9%), and AMZN (-4%).

- Universal Music Group (UNVGY) reported disappointing sales figures for Q2, as subscription streaming revenue growth decelerated to +7% vs. the same quarter last year. However, UMG's revenue from Spotify grew at a healthy double-digit rate, as that streaming app's recent price increases had little impact on churn. This bodes well for future revenue growth at UMG, since other streaming services are also likely to raise prices over time. We continue to believe that UMG retains an exceptionally strong competitive position due to their leading market share, which allows the company to dictate favorable terms with music distributors for the benefit of the company and the artists it represents. Absent a change in this competitive dynamic, we are inclined to ride out occasional periods of discomfort such as we experienced this quarter.
- Alphabet (GOOGL) reported very strong Q2 results in July. Year-over-year revenue growth rates accelerated for both Google Cloud Platform and Search, and operating margins expanded despite the company's aggressive investments in data center infrastructure to support the AI opportunity. However, the biggest news during Q3 came when US District Court Judge Amit Mehta ruled in favor of the DOJ, finding that Google's dominant position in general search meant the company's revenue sharing agreements with Apple and others violated Section 2 of the Sherman Act. The trial has now entered the remedy phase, and the impact of this decision remains to be seen. Any outcome is likely to be appealed, and an ultimate resolution could take several years. Will Google be barred from paying companies at all, or simply from paying for default placement? Could the decision prove positive for profits, if Google is no longer allowed to pay out roughly $20bn per year for default placement when most users would choose Google anyway? Or would removing Google's ability to share revenue with Apple and others spur those companies to seek alternative sources of monetization, either by partnering with Google competitors or developing their own in-house solutions? On balance, we expect any of these outcomes to be manageable for Google. At the end of

day, it will be Google's ability to create services and experiences that delight users and keep them coming back that will determine the company's continued success, not Google's ability to pay for distribution.

- While Amazon (AMZN) traded down slightly during the quarter, it is worth noting that the shares have risen more than +20% since the beginning of the year. The business continues to perform well, with AWS cloud revenue growth accelerating for the second consecutive quarter. Although management highlighted on the company's earnings call that retail customers are making fewer big-ticket purchases and trading down to less expensive options, Amazon is uniquely positioned to take market share from competitors in this environment thanks to the company's unmatched logistics capabilities. As CEO Andy Jassy explained, "We see a path to continuing to lower our cost to serve, which, as we've discussed in the past, has very meaningful value for customers in our business. As we lower our cost to serve, we can add more low ASP selection that we can support economically, which, coupled with our fast delivery, puts Amazon in the consideration set for increasingly more shopping needs for customers."

Please note that our portfolio returns last year and through the first three quarters of 2024 have been exceptionally strong, and we do not expect this pace of gains to persist. Regardless, we believe Summitry Select is well positioned to deliver attractive returns over the coming years because we are confident that our portfolio companies offer essential products and services to their customers, generate high profitability, and possess strong balance sheets to weather almost any economic environment. We currently also maintain a sizeable cash balance that we can deploy to take advantage of opportunities without selling existing holdings. Although we are long-term investors, we are not afraid to make changes when necessary. The portfolio we own today could look very different in a year, or not, depending on where we see opportunity.

As we write this letter, our crystal ball is particularly foggy with just a month until the US presidential election and armed conflicts roiling the Middle East and Europe. While we never claim to know what the future holds, we are confident the market will create opportunities and patient investors in good businesses at attractive prices will be rewarded. As always, thank you for placing your trust in us to search for those opportunities on your behalf. Please do not hesitate to reach out with any questions.

Sincerely,

The Summitry Select Team

Note: This commentary reflects the opinions of Summitry, LLC and is for informational purposes only. Nothing herein constitutes investment advice or any recommendation that any particular strategy or security is suitable for any specific person. Past performance does not guarantee future returns. Investing involves risk and possible loss of principal capital. An index is a hypothetical portfolio of securities representing a particular market or market segment used as an indicator of the change in the securities market. Indexes are unmanaged, do not incur fees and expenses and cannot be invested in directly. The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.