July 2023

MARYLEBONE PARTNERS: PORTFOLIO MANAGER COMMENTARY

The Second Quarter represented a period of significant progress towards our goal of establishing a differentiated portfolio for Majedie Investments PLC ('Majedie'), which we believe has the attributes to deliver inflation-beating total returns over the years ahead.

In a new regime characterised by higher interest rates, increased uncertainty, and variable liquidity, we have serious doubts that following a conventional investment playbook will lead to strong outcomes. By contrast, the 'liquid endowment' model we employ for Majedie should provide its shareholders with access to idiosyncratic (fundamental) return sources, with the right profile for the post-COVID regime.

In this commentary, we discuss how the market's skittish, narrative-driven behaviour is creating attractive entry (and exit) points for the long-term, investments we select for the portfolio. We also explain how more dispersion between the prices of individual securities should enable high-quality and complementary total returns for Majedie's investors.

To help shareholders understand our philosophy and approach, we encourage them to watch the short videos we will post on the Company's website over the coming weeks. These bite-sized clips summarise our investment strategy, give some examples of portfolio investments, and clarify our policies on currency exposure and how Majedie's portfolio is valued.

PERFORMANCE & ATTRIBUTION

Over the quarter, the Company's Net Asset Value (NAV) rose modestly, ending the period at 249.17 pence per share having paid a dividend of 1.8 pence per share. Over the Financial Year-to-Date, the NAV has appreciated by +15.5% having paid dividends of 7.8p pence per share.[i]

Special Investments

The performance of the Special Investments component was mixed over the quarter. Project Bungalow - an activist position in the public equity of a Quick Service Restaurant business - appreciated as the idea sponsor announced its involvement and agenda, achieving board representation. Meanwhile, Project Care - an investment in the subordinated debt of a Healthcare business - performed poorly when the company entered into a restructuring support agreement sooner than expected.

[i] Past performance is not a reliable indicator of future returns.

External Managers

Sourced through our global network, approximately half of the new portfolio's external managers have an 'equity-centric' classification. For Majedie, we have identified practitioners whom we believe to be amongst the very best in niche areas like midcap biotech, Scandinavian equities, value-catalyst situations, or mid-cap activism. Most of these managers are unknown to - or inaccessible by - the broader investment community.

Most of these equity-centric funds fared well last quarter. The best results came from a European manager whose positions in Greek banks and gold mining stocks rallied sharply, and a Software manager whose investments appreciated from depressed levels. On the other side of the ledger, sentiment around China's reopening weighed on the portfolio's one external manager dedicated to the region.

Meanwhile, the portfolio's five external managers that have more of an 'absolute-return' profile (all of them specialist-credit funds, with one exception) made a muted contribution to the bottom line. We see considerable latent value in this part of the portfolio, which augurs well for the second half of the year.

Direct Investments

Majedie's hand-picked selection of direct investments kept pace with global equities over the quarter, led by its positions that captured some of the 'buzz' around Artificial Intelligence. As they reached our price targets, we pared back / exited those holdings to reallocate where we see more fundamental upside. Valuation plays an important part in our decision-making and is a discipline that has served us well over time.

Legacy Positions

The legacy investment in the public equity of Liontrust plc detracted over the period. We have continued to sell down the holding in a systematic and sensitive manner. As of today, it represents less than 1% of Majedie's NAV.

FINDING VALUE IN WHAT'S BEEN LEFT BEHIND

This year's stock market has been the most concentrated on record, exemplified by the U.S. where only seven mega-cap growth names (dubbed 'The S&P 7') were responsible for substantially all the returns of the S&P500 index.[ii] For many allocators, this adds to the arguments for taking a passive approach to equities. Their logic: it's impossible to know in advance the few stocks that will lead the markets higher. So - by owning the entire index - one can be sure to participate.

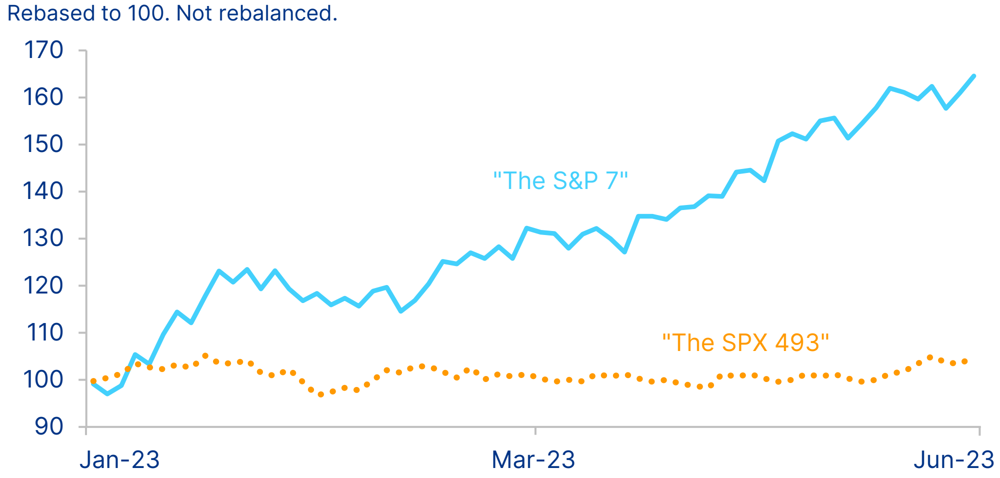
We disagree, for three reasons. First - whilst we believe that equities are the best asset class for compounding wealth - the composition of the major indices is now lopsided, and valuations of their largest components are rich. This raises questions about the long-term return one might reasonably expect from a passive investment in those indices.

[ii] Bernstein found that the average contribution of the top 10 stocks to total index performance in 1H2023 was the highest in 40 years.

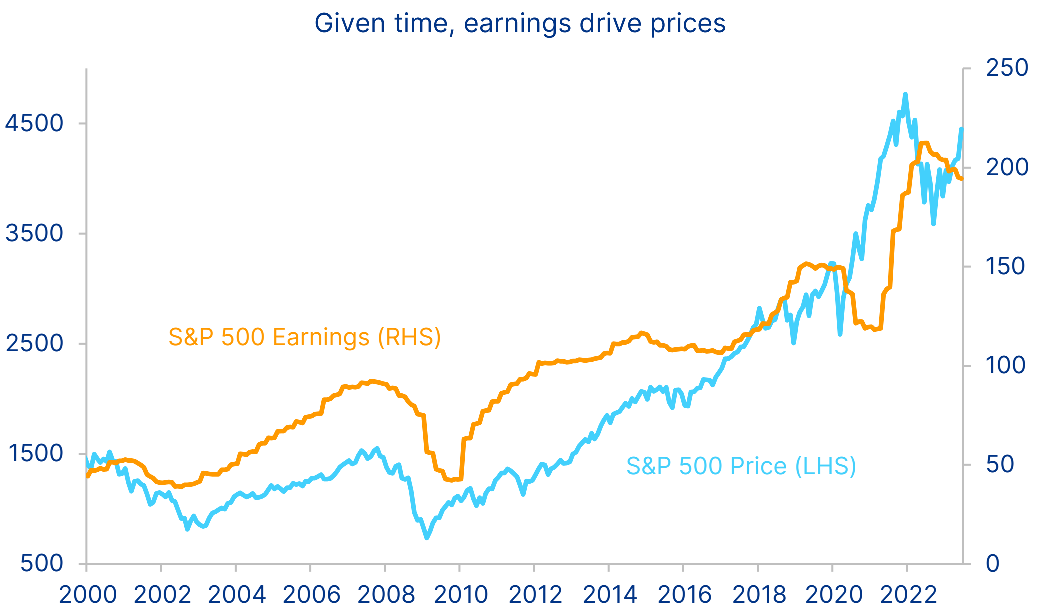
The second reason is largely behavioural. In our experience, an investor is more likely to remain steadfast during periods of volatility if he/she has a clear understanding of the fundamental qualities of the investments they own. The same cannot be said of passive exposure gained via an index or exchange-traded fund (ETF). When the going gets tough, price action becomes a major variable in the mind of the passive investor. It is not so easy to retain conviction in a financial instrument that is referenced against hundreds of underlying assets, of varying quality.

The third reason is the most important. We - and our external managers - continue to find compelling investment opportunities that have been left behind by the narrow market rally, at valuations we consider attractive relative to their earnings power. Evidence shows that, outside of extreme episodes, it is earnings that dictate price performance. When markets move out of an indiscriminate phase into a more selective one, the fundamental investor should be rewarded as the inefficiencies created during the prior period are corrected. We are at such a juncture today, hence our enthusiasm about the prospect of putting new capital to work for the Majedie portfolio.

A narrow market leaves behind it plenty of overlooked securities



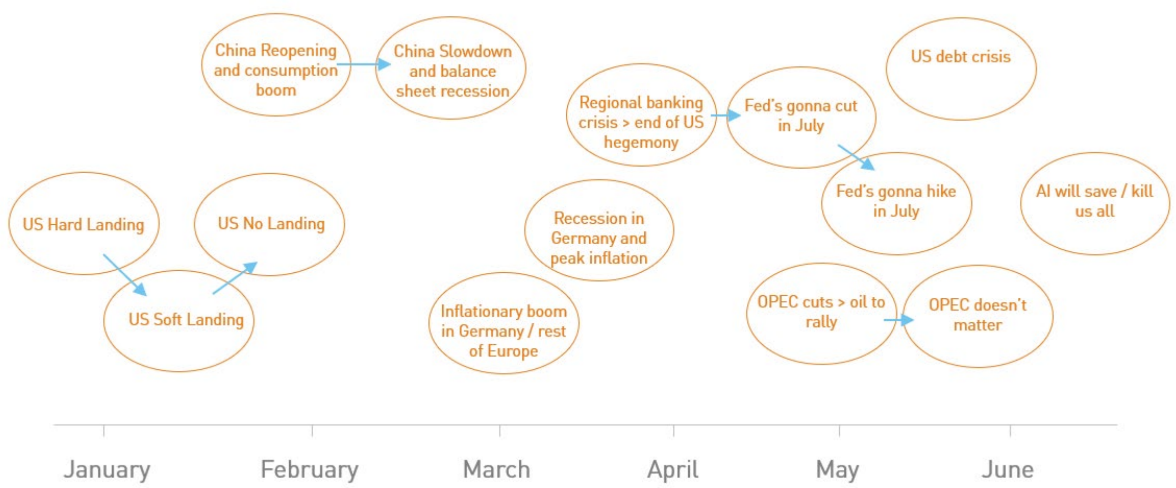
Source: Bloomberg. As of June 2023. "The SPX 493" comprises the S&P500 minus the seven select companies. Past performance is not a reliable indicator of future returns.



Source: FactSet. As of June 2023.

THE EARLY STAGES OF A MORE DISCRIMINATING REGIME

Many of these opportunities are explained by the growing effect that popular 'narratives' have on markets, often amplified by non-fundamental participants, including computer-driven trading programmes. In a recent article, John Authers - a Bloomberg commentator - identified no fewer than 14 such narratives that have driven the price action at times over the first half of 2023.



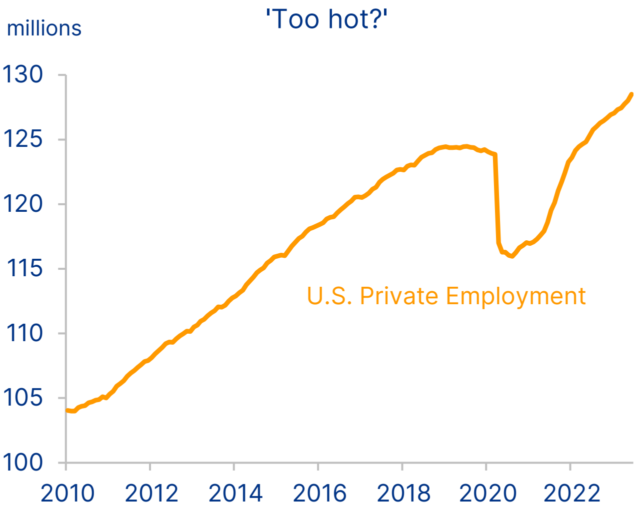
Source: John Authers, 'Narrative Fallacy' 5th June 2023 (stylised).

Understandably, many investors become mesmerised by all this noise. To appear relevant, they feel obliged to participate in debates, the outcomes of which are - frankly - unknowable. For example, in the current environment, there is data to support an equally coherent argument that:

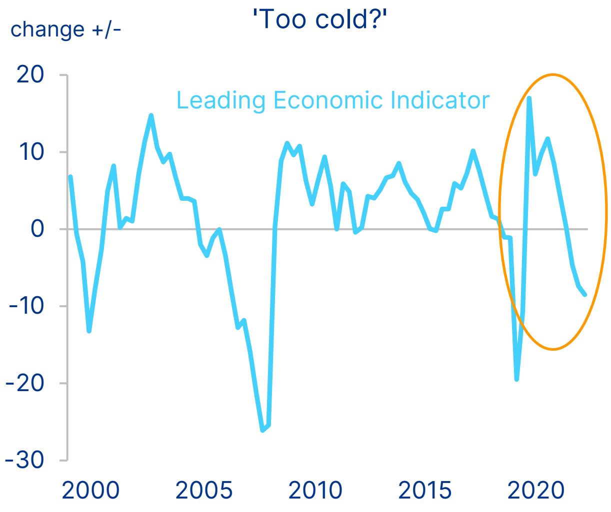
(a) The global economy is running too hot and further rate hikes will be required, or

(b) The global economy is decelerating and will soon dip into recession, or

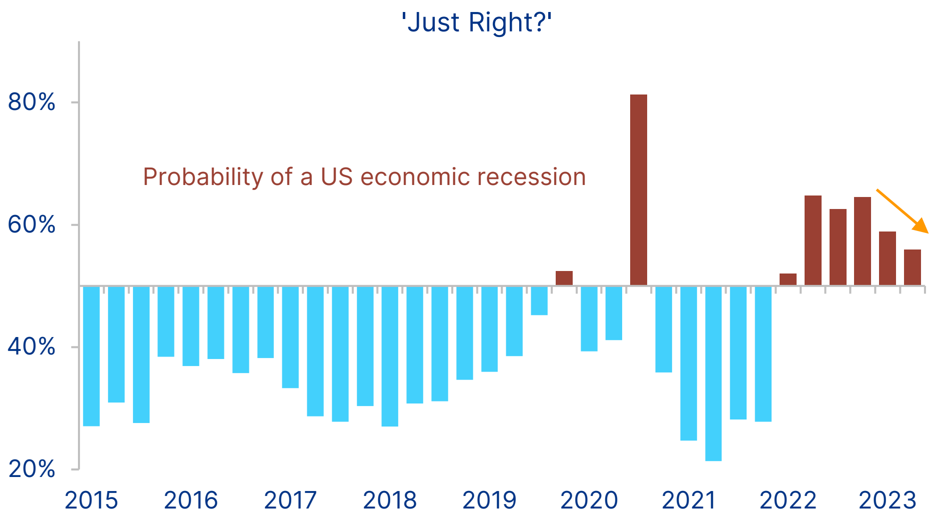
(c) Central banks have pulled off the miraculous soft landing, by taming inflation with no significant damage to growth or jobs.



Source: ADP Research Institute. As of June 2023.



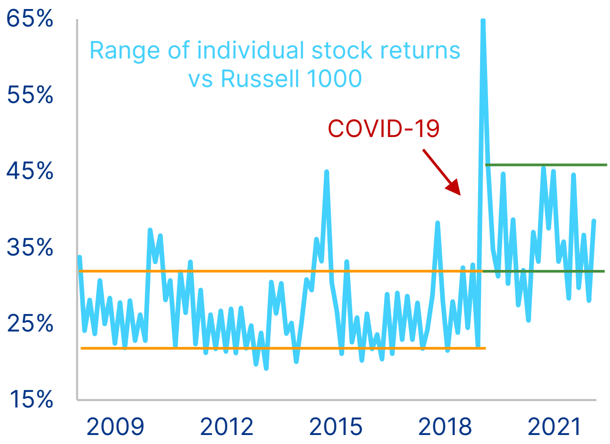
Source: The Conference Board. As of June 2023.



Source: ASR Ltd., Refinitiv Datastream. As of June 2023.

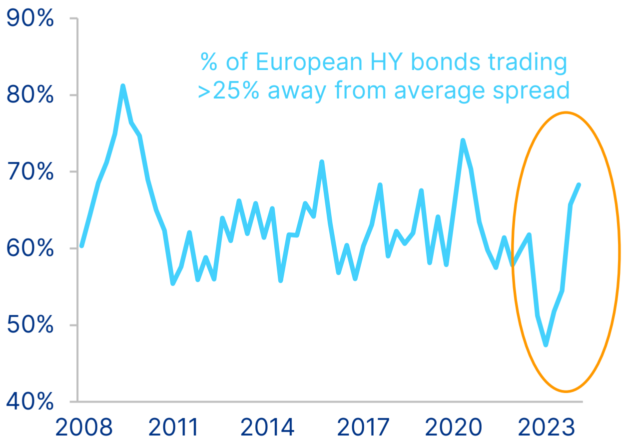
Instead of making investments for Majedie that are predicated on an ability to predict these outcomes, we seek out idiosyncratic situations that can work independently. As correlations between securities fall from last year's extreme levels, the conditions should be in place for our strategy to deliver performance that is not only positive but also complementary. We believe these are just the early stages of a more discriminating market regime, one that should reward investors who can identify the most compelling bottom-up opportunities and steer clear of modish areas that might result in capital loss.

Stock dispersion is higher in post-COVID era



Source: Blackrock Investment Institute. As of June 2023.

The same can be said of credit markets



Source: JP Morgan. As of June 2023.

POSITIONING

The portfolio is close to being fully invested, and its beta-adjusted exposure to equities (using MSCI ACWI as a proxy) is ~60%.[iii] Cash levels are somewhat higher than we would have intended, because we harvested profits in some direct investments and await better entry points in new opportunities, which include several special investments under consideration. In the meantime, we have taken advantage of a 'risk-free' yield of around 5% available on liquid, short-dated gilts.

It is important to mention the low levels of statistical cross-correlation between the portfolio's various investments, which is a structural characteristic of our approach. This suggests we have achieved a degree of risk diversification, without diluting the portfolio's return potential.

Through a distinctive combination of (a) special investments, (b) allocations to specialist external managers, and (c) eclectic direct investments, we have built what we believe to be a very attractive equities component for Majedie. As far as we are aware, there is little-to-no position overlap with the portfolios of the Company's listed peer group. At present, we see investible dislocations across industries, regions, market capitalisations and style factors and therefore see no need to own the mega-cap growth stocks that account for most of the year-to-date gains in the market indices.

[iii] As a guide, this suggests that a +/- 10% move in global equities might result in a corresponding gain/loss of 6% for the portfolio. There is no guarantee that this outcome will be achieved.

Sitting alongside the targeted equities exposure, Majedie's allocation to specialist credit is another true differentiator. At nearly one-third of the total portfolio, it has the potential to make a significant contribution over the next 18-24 months, even should the economic backdrop deteriorate. Over the two decades that have passed since the collapse of Enron, we have built strong relationships with some of the world's leading distressed-debt investors. Today, they believe it should be possible to earn attractive total returns through a combination of 'carry' (*i.e.,* income) and bond-price appreciation. If the economic backdrop worsens, they will be there to pick up the pieces when companies require capital or restructuring expertise.

Finally, to give shareholders a flavour of the eclectic nature of the new portfolio, we have summarised the largest positions in each category. We look forward to reporting on their progress.

Special Investments

	Type	Asset Class	Description
'Project Retain'	SPV	N/A	A special purpose vehicle designed to deliver uncorrelated returns from a distinctive factoring strategy.
'Project Bungalow'	Co-invest	Equities	Activist co-investment in the public equity of an underperforming Quick Service Restaurant business.
'Project Challenger'	Co-invest	Credit	Senior non-preferred bonds of a UK bank with recovering earnings, as net interest margins improve.

External Managers

Equity-centric

	Expertise	Region	Description
Helikon Long Short Equity Fund	Special Situations	Europe	High-conviction, focused portfolio features non-consensual, deep value situations. Team has worked together since 2008.
Praesidium Strategic Software Opportunities Fund	Software	United States	18 years of experience investing in high-quality, publicly-listed Software companies that conform to distinct patterns. Mid-cap bias, strong valuation discipline and differentiated portfolio.
Keel Capital - Longhorn Fund	Eclectic / GARP	Europe	Specialist in mispriced Scandinavian equities, overlooked by generalist European investors. Focus on stocks with high operating margins, barriers to entry, strong ROCE and attractive valuations.

Absolute Return

	Expertise	Region	Description
Contrarian Emerging Markets Fund	Distressed	Emerging Markets	Hard-currency distressed credit and equity investments, all subject to rule of law.
Millstreet Credit Fund	High Yield	United States	Boston based fund that invests in off-the-beaten track bonds, issued by mid-sized companies that offer high carry and potential for price appreciation.
Silver Pont Capital Fund	Distressed / Deep Value	Global	Best-in-class distressed debt manager, with deep financial, legal, and negotiating resources. Specialist in restructurings and process-driven situations, with sophisticated risk management.

Direct Investments

	Industry	Listing	Description
Alight, Inc.	Software	United States	Provider of payroll, benefits and pensions with cross-selling opportunities and scope for margin expansion as customers shift to cloud-based solutions.
KBR, Inc.	Govt. Services	United States	Misunderstood company that has transitioned to a high value-added specialist in space exploration, cybersecurity, intelligence and defence. Sustainable Technology division positioned to capitalise on environmental trends.
Sage plc	Software	U.K.	Sage has improved competitive offering and built higher-margin cloud native accounting products. High gross margins, strong balance sheet, excellent cash conversion.
Wabtec Corp	Industrial	United States	Provider of parts, components, equipment and services to Rail industry. Positioned to benefit as operators shift from cost-cutting to technology-led efficiency.
Weir Group plc	Industrial	U.K.	Pure-play mining equipment and technology business. Beneficiary of clean energy transition, with high margin after-market sales model.

Marylebone Partners

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