



MONTHLY INVESTMENT COMMENTARY

Volatility Cuts Both Ways

FROM THE PORTFOLIO MANAGER

Staying Engaged Through the Turn

April marked a meaningful recovery for the portfolio. The preceding months brought their share of challenges. Months like April are precisely why we remain invested and committed to our strategy. The same volatility that weighed on the portfolio through the winter has been its ally this spring. Volatility cuts both ways. Ultimately, investors are compensated for enduring it — though acknowledging that is considerably easier than living through it.

The software industry's ongoing assimilation of artificial intelligence continues to present challenges, even as the broader AI infrastructure build-out advances at a rapid pace. Geopolitical tensions remain elevated across multiple regions. The rate of change across industries and economies continues to accelerate. As I noted in last month's update, the most important work — and the hardest — remains staying engaged through uncertainty.

"The same volatility that made for a difficult winter has been the portfolio's ally this spring. Volatility cuts both ways. Investors are compensated for enduring it."

THE INVESTMENT CASE

On AI Valuations: Scarcity Matters

Looking ahead to the summer, the first large-scale IPOs of the AI era are entering the pipeline. Much has been written about an "AI Bubble." Most of that commentary misses a critical point: there are still very few pure-play AI names available in the public markets. Current valuations reflect both the scarcity of investable AI positions and the scale of demand for them. This is a fundamental component of any sound valuation framework.

Every valuation has both a mathematical dimension and a scarcity dimension. Distinguishing between the two — and weighting each appropriately — is where active judgment matters most.



Opportunities to invest at low valuations on both measures simultaneously are rare. We apply disciplined judgment in the areas where the math alone does not provide a clear answer.

The market is always giving feedback, but it is not always telling the truth. The essential part is having a well-thought-out methodology and applying it strategically and consistently over significant time periods. This is the challenge in investment management. It is very gratifying when it works.

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