Transaction Rationales

Purchases / Increases

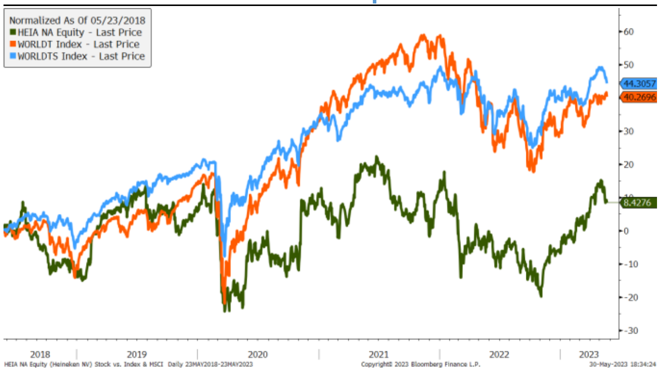
Heineken: Adding to our initial positions.

We are adding to the initial position in Heineken that we bought earlier this year, because we think the market underestimates the impact of the refocus of the company on operational efficiency resp. profitability and the earnings power that comes with it.

In addition, Heineken stock is still one of the cheapest quality defensives, particularly when considering the multiple growth drivers the company has in the coming years.

The retreat in the stock price and the EUR over recent days offers a good opportunity to add to Heineken.

5-year chart: Heineken vs. the Bloomberg World Index and the Consumer Staples Sector

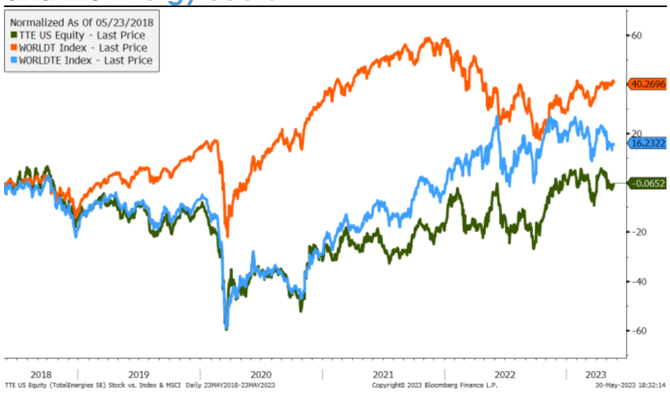


Source: Bloomberg
Data range 23.05.2018 – 23.05.2023
Total return in USD
Note: past performance is not a reliable indicator of future results

Total Energies: Buying an initial position as the stock offers excellent long-term value for money.

Total Energies is transitioning for a more sustainable future and its objective is to be among the world's top 5 producers of electricity from wind and solar energy. The company aims to get to net zero by 2050. The recent sale of the Canada oil sands business further accelerates the transition and releases close to $4bn in capital.

5-year chart: Total vs. the Bloomberg World Index and the Energy Sector



Source: Bloomberg
Data range 23.05.2018 – 23.05.2023
Total return in USD
Note: past performance is not a reliable indicator of future results

After many years of meager Free Cash Flows that oscillated between positive and negative territory, Total has cut capex significantly and invests it now more carefully. Capex has been reduced from a range of EUR 25-30bn 10 years ago to around EUR 17bn, a level that is expected to stay until the end of the decade. The much larger free cash flow has allowed Total to return more capital to shareholders in the form of dividends and share buy backs in recent years. The company has started with share buy backs in 2018 on top of a slowly but steadily rising dividend. Dividend yield plus buy-back yields have reached almost 9% now. An expected average annual free cash flow of EUR 17-21bn (at $75 for brent/$70 for WTI) until the end of the decade should secure future annual dividends and buy backs of EUR 14-15bn for that period (vs. the current market cap of EUR 140bn). The strong balance sheet (rating A+) adds further flexibility for capital allocation and investment in future growth.

Those much improved fundamentals have not yet been fully appreciated by the market. Therefore, at a free cash flow yield of 12-15% for the rest of the decade and considering the ongoing transition to a more sustainable future, Total offers excellent value-for-money at current prices. We add an initial position to our style neutral strategies.

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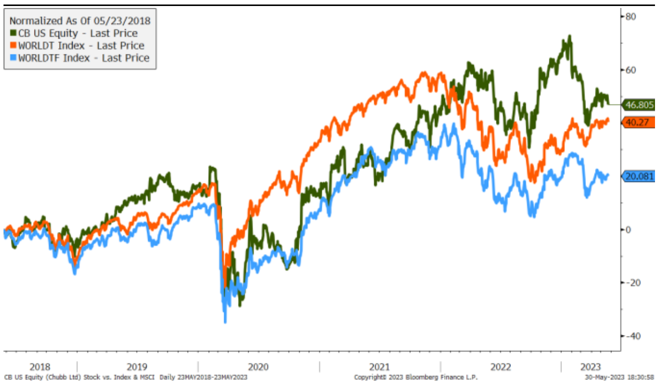
Chubb: Adding an initial position of a high-quality insurer at the bottom of the valuation range.

Chubb is a premier Property & Casualty franchise that stands out due to its superior underwriting capabilities and margins, strong capital position ("AA"-rating, below average leverage), high end clientel as well as its exposure to fast-growing international markets. The strong capital ratio and below-average leverage should cushion losses related to a sustained economic downturn.

Other than for many sectors, higher bond yields are a net positive for the company as it carries a large bond portfolio and will be able to book higher yields as existing bonds will be replaced with new ones yielding higher returns.

Due to its recent underperformance, the P/E ratio has fallen to 10x 2024-earnings, the bottom of its 10-year range. That does neither reflect the strong long-term fundamentals nor the quality of the company. Therefore, we buy an initial position in our style neutral strategies.

5-year chart: Chubb vs. the Bloomberg World Index and the Financials Sector



Source: Bloomberg — Data range 23.05.2018 – 23.05.2023
Total return in USD — Note: past performance is not a reliable indicator of future results

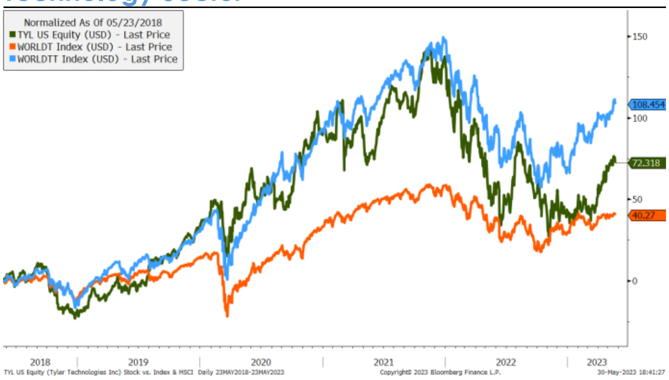
Sales

Tyler Technologies: Sell after the recent rally on stretched valuations.

While Tyler reported good quarterly results, management has trimmed its organic sales growth outlook for the next 5 years slightly from a range of 9-11% to 8-10%. Eventhough that is still above average of the software sub-sector of around 7%, it implies lower market share gains going forward, despite the leverage Tyler was expecting from last year's acquisition of NIC. While we continue to like the long runway for growth of Tyler, valuation looks increasingly stretched after the recent rally. The price to Owner's Earnings ratio has risen above 40x again and discounts more years of above average growth.

Therefore, we sell our positions in the style neutral portfolios.

5-year chart: Tyler vs. the Bloomberg World and the Technology Sector



Source: Bloomberg — Data range 23.05.2018 – 23.05.2023
Total return in USD — Note: past performance is not a reliable indicator of future results

With kind regards,

Emerald Wealth Partners AG, Investment Office

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