



SEPTEMBER 2025

Broyhill's equity strategy returned 3.7% in the second quarter, net of all fees and expenses, building on gains from the first quarter but underperforming the sharp rally across global markets. The MSCI All Country World Index returned 11.7% for the second quarter. Detailed quarterly reports, including account and benchmark performance, portfolio holdings, and transaction history, have been posted to our investor portal.

Looking across the entire first half of 2025 provides a more holistic view of recent performance. The first quarter kicked off with considerable volatility as the market digested various developments in the tech sector, before a new tariff regime proposed in April resulted in more significant declines, setting up a steady march higher through June. Broyhill's equity strategy returned 6.6%, net of all fees and expenses, during the six months ended June 30, with meaningfully lower volatility than global equity markets, providing resilient returns through increasingly choppy markets. The MSCI ACWI Index was up 10.3% for the same six-month period.

PERFORMANCE REVIEW

The top contributors to performance in the second quarter were Philip Morris (PM) and Dollar Tree (DLTR); investments in Avantor (AVTR) and Fiserv (FI) were the top detractors.

TOP CONTRIBUTORS

Shares of Dollar Tree gained 32% in the quarter, with gains following our significant increase in the position after a sharp Liberation Day sell-off. We see higher price points on its products and the spin-off of Family Dollar as fundamental drivers of the thesis. However, market fears around tariffs provided the opportunity to buy shares at a price we believed provided a significant margin of safety. Our background in the dollar stores and deep knowledge of their supply chains allowed us to quickly assess the actual impact tariffs were likely to have and take advantage as shares fell following the initial announcement.

Shares of Philip Morris gained 16% in the second quarter. The story remains largely the same, with growth driven by its smoke-free portfolio, most notably ZYN (nicotine pouches) and IQOS (heated tobacco). What *has* changed is the general acceptance among investors of our initial thesis. Consequently, PM's valuation has expanded meaningfully since our initial purchases, with shares trading around 20x forward earnings today. Even after this move higher, the stock still trades below a market multiple, despite what we see as one of the most attractive organic growth runways in the consumer staples sector. We further reduced our stake in the second quarter, but PM remains a core position and our largest holding in the portfolio.

TOP DETRACTORS

Shares of Avantor declined 17% in the second quarter and continued their decline into the third quarter after the company missed earnings and cut guidance. Uncertainty around budget cuts across academic research and commercial pharmaceuticals has created an increasingly competitive environment in the industry leading to

market share losses at Avantor. Subsequent to quarter-end, we swapped a portion of our exposure into competitor Thermo Fisher Scientific as we continue to evaluate the dynamics at play. More recently, an activist investor reported a meaningful stake in Avantor and is advocating for a board overhaul, strategic review, or sale. We'd note that our fair value estimates are largely consistent with those disclosed in their letter and imply meaningfully higher levels. We continue to believe that Avantor reflects tremendous value at current levels, and we look forward to gaining a badly needed fresh perspective at the board level.

Shares of Fiserv declined 22% during the quarter as the market became increasingly concerned about slowing growth at its point-of-sale system Clover. Despite recent weakness, our investment in Fiserv has been both a top holding and top contributor since 2021. After trimming our position as shares approached fair value last year, we began rebuilding our investment after a weak first half of the year. With shares trading at multiples lower than any other point in the last ten years despite entrenched competitive positioning, double-digit growth, and forthcoming share repurchases, we were happy to further increase the position following this report. We know this business well and do not believe it is worth anywhere near the 12–13x earnings the market is currently ascribing to it.

KEY TRANSACTIONS

We added a new position in IQVIA (IQV) in the aftermath of Liberation Day. IQVIA is the result of the 2016 combination of Quintiles (a Chapel Hill-based contract research organization, or CRO) with IMS Health (a top healthcare Information Services provider). Given our familiarity with the industry, we were able to move quickly upon seeing the dislocation in its shares. In addition to our investment in Charles River Laboratories (CRL), IQV facilitates scientific research while focusing on later-stage trials and generating a meaningful amount of profits from its technology and data business. We view this as an entrenched, high-quality revenue stream whose scale and network effects afford it an advantage against smaller peers. Despite this, shares still bottomed at 11x forward earnings, and the valuation remains below historical levels.

We exited investments in The Charles Schwab Corporation, Tidewater, and Valaris. We had purchased a basket of offshore companies earlier this year after noting rig supply imbalances across the industry. We believe the thesis is in the process of playing out with day rates and activity stabilizing, but the looming threat of lower cost supply from OPEC and the potential for economic volatility softening demand led us to consolidate that exposure into Noble Corporation, which we view as the highest quality operator in the group, while shifting a portion of proceeds into higher conviction investments.

Portfolio activity continued into the third quarter, taking advantage of volatility to reposition the portfolio into those names we believe offer the most attractive probability-weighted returns. More to come on these new holdings in our next letter, but suffice it to say we are excited about the role they'll play in driving long-term results.

LOOKING FORWARD

At the start of the third quarter, several portfolio companies reported weaker-than-anticipated earnings results, driving underperformance in July. This isn't the first time a few short-term bruises have masked long-term

opportunity—and it likely won't be the last. We believe short-term dislocations are normal, even necessary conditions for generating long-term outperformance in a concentrated portfolio.

Occasional short pullbacks are an inevitable feature of a concentrated approach. That's why we stress-test exposures regularly across multiple scenarios and aim to concentrate our capital in names where we see minimal downside risk over our investment horizon. Every position stems from a rigorous process that balances expected upside against downside risk to ensure decisions reflect both conviction and prudence. Historically, we've been right far more often than we've been wrong, and winners have contributed significantly more value than the cost of losers. But temporary setbacks are a normal part of the process. And despite those occasional setbacks, we have generated attractive returns over the past decade—and expect to do the same over the next.

Similar dislocations have often preceded outsized returns for Broyhill. That's where we believe we stand today, as a broadening market has already begun to serve as a tailwind to performance in August. We're seeing one of the most fertile environments for stock pickers we've ever seen. We believe record dispersion and fading leadership should ultimately favor active, long-term, fundamental stock selection over short-term trading and passive approaches.

In an increasingly crowded market, we are excited to be positioned away from the handful of stocks that everyone else owns. We expect that the flexibility and willingness to own smaller stocks will prove to be an important driver of returns. The top ten stocks represent 38% of the S&P 500 and are nearly 40% more expensive than their smaller peers. We understand the attraction to owning the “best” companies in the world, but we see more value beyond the top of the benchmark, where a lot of good businesses valued at \$5 to \$25 billion are completely disconnected from the S&P 500. That's where we've been focused. And that's why our exposure to smaller companies — priced to deliver far greater forward returns— has meaningfully increased over the past two years.

We are equally excited by the opportunities on offer abroad. Having the flexibility and the experience investing outside of the US can present opportunities often overlooked by managers whose focus stops at the Magnificent Seven. While the US has been the place to be for the past decade, we're finding far more high-quality businesses at far more attractive prices outside of US borders, where the potential for both multiple expansion and earnings growth should drive meaningful returns.

And finally, we remain excited about our healthcare exposure. These positions trade at historically low valuations on depressed earnings that we believe will ultimately rebound. As one might expect, there are real reasons these shares are inexpensive. We think they will prove fleeting, especially given our holdings' entrenched positioning and the undemanding prices paid. Much of the exposure is to the basic products and services needed to move science forward. As long as we continue to make scientific advances, we will need the consumable lab products and equipment that Avantor and Thermo Fisher provide. We expect that any such activity will also utilize the products and data that these companies offer. IQVIA's second-quarter results were the first of what we believe will be several positive developments to come as steady underlying progress meets depressed prices and valuations.

BOTTOM LINE

Several of these themes will sound familiar to those who have followed our work, but we find ourselves with plenty of new investment ideas with which to express them. When we look at the portfolio today, we see a collection of companies representing our highest-conviction ideas, trading at what we believe are the most compelling risk-adjusted returns in years. While passive investors are paying more than 22x earnings for the broader market today, our portfolio is expected to deliver double-digit earnings growth for the next three years at nearly half the price. And we expect several catalysts – earnings inflections, aggressive share repurchases, strategic reviews, and potential M&A – to unlock substantial value in the portfolio over the next 6-12 months. There are no guarantees in this business. But mean reversion is about as close to a law of nature as the market offers.

We are grateful for your continued trust and partnership. We come into the office each day striving to earn it, and we realize just how fortunate we are to have such a wonderful group of like-minded, long-term investors who place their confidence in us. You enrich our network, strengthen our competitive advantage, and just make our work all the more enjoyable.

As always, please don't hesitate to reach out with any questions. We enjoy hearing from you.

Sincerely,

The logo for Broyhill Asset Management features the name "Broyhill" in a large, elegant, cursive script. Below it, the words "ASSET MANAGEMENT" are written in a smaller, clean, sans-serif, all-caps font.

ABOUT BROYHILL

Broyhill Asset Management, LLC (“Broyhill” or the “Firm”) is a Charlotte-based investment firm managing over \$270 million in assets. Originally established as a family office nearly half a century ago, the firm spun out in 2022 to become an independently owned investment manager under the leadership of Chris Pavese. While Broyhill has historically explored a variety of investments for its clients, the firm is now focused on managing its flagship, global, value-oriented, public equity strategy. With a verified track record approaching ten years, the firm serves a diverse client base – including institutions, advisors, and high-net-worth families – by delivering long-term capital appreciation with a rigorous focus on capital preservation through disciplined, bottom-up security selection.

FIND THIS INTERESTING?

Stay curious. [Click here](#) to subscribe.

FOR MORE INFORMATION:

ir@broyhillasset.com | 828.610.5360

DISCLOSURES

Broyhill Asset Management, LLC ("Broyhill") is an investment adviser in North Carolina. Broyhill is registered with the Securities and Exchange Commission (SEC). Registration of an investment adviser does not imply any specific level of skill or training and does not constitute an endorsement of the firm by the Commission. Broyhill only transacts business in states in which it is properly registered or exempted from registration. A copy of Broyhill's current written disclosure brochure filed with the SEC which discusses, among other things, Broyhill's business practices, services, and fees is available through the SEC's website at www.adviserinfo.sec.gov.

The performance of the Broyhill Equity strategy illustrated here is representative of a composite of numerous separately managed accounts and is considered to be a "carve out" or "extracted performance." The calculation methodology for this composite for the period from 9/1/15 through 12/31/23 has been verified by a third-party performance verification firm and reflects the equity returns of actual Broyhill client portfolios. The calculation methodology for the periods after 12/31/23 is the same as the methodology that was verified. The Broyhill Equity strategy performance results referred to in this letter are based on the weighted average performance of the portion of individual managed accounts invested in the Broyhill Equity strategy but may not represent the performance of the entire client portfolio. Since many of Broyhill's managed accounts are invested per a "balanced" investment model, we believe that this extracted performance composite, which includes only fully discretionary equity holdings of all Broyhill discretionary accounts, is the most accurate representation of Broyhill's long-term equity performance. Additionally, since this performance represents a pure equity allocation, it does not include the impact of any cash allocation. Performance figures for the total portfolio composite are available upon request. This data may be useful for an investor evaluating Broyhill, although individual results may differ based on each account's investment objectives, the date of initial funding, the opportunity set available at the time, specific investment vehicles available to the accounts, and individual fee schedules.

Performance is calculated using time-weighted rates of return, net of all fees and expenses, and reflects the reinvestment of dividends and other earnings. Since the composite returns are calculated gross of fees, in order to report net returns, the highest annual management fee we charge (1.5% per annum) has been subtracted from gross reported returns to arrive at the net returns shown in this letter.

The investment return and principal value of an investment will fluctuate. Therefore, an investor's account, when liquidated or redeemed, will almost always have a different value than that shown herein. Current performance may be lower or higher than the return data quoted herein.

Past performance is not indicative of future returns. This information should not be used as a general guide to investing or as a source of any specific investment recommendations and makes no implied or expressed recommendations concerning how an account should or would be handled, as appropriate investment strategies depend upon specific investment guidelines and objectives.

Information presented herein is subject to change without notice and should not be considered a solicitation to buy or sell any security. This document contains general information that is not suitable for everyone. The information contained herein should not be construed as personalized investment advice.

There is no guarantee that the views and opinions expressed in this document will come to pass. Investing in the stock market involves gains and losses and may not be suitable for all investors. No representations, expressed or implied, are made as to the accuracy or completeness of such statements, estimates, or projections, or concerning any other materials herein.

Under no circumstances does the information contained within represent a recommendation to buy, hold, or sell any security, and it should not be assumed that the securities transactions or holdings discussed were or will prove to be profitable. There are risks associated with purchasing and selling securities and options thereon, including the risk that you could lose money. Any securities mentioned in these materials may or may not be held by the Broyhill Equity strategy currently or in the past.

Certain information contained herein constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results, or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance, or representation of the future.

Market value information (including, without limitation, prices, exchange rates, accrued income, and bond ratings furnished herein) has been obtained from sources that Broyhill believes to be reliable and is for the exclusive use of the client. Market prices are obtained from standard market pricing services or, in the case of less liquid securities, from brokers and market makers. Broyhill makes no representations, warranty, or guarantee, expressed or implied, that any quoted value necessarily reflects the proceeds that may be received on the sale of a security. Changes in rates of exchange may have an adverse effect on the value of investments.

Indices represent unmanaged, broad-based baskets of assets. They are typically used as proxies for the overall market’s performance. Index returns typically assume that dividends are reinvested and do not include the effect of management fees or expenses. You cannot invest directly in an index. Without prior written permission of the index owner, this information and any other index-related intellectual property may only be used for your internal use, may not be reproduced, or redistributed in any form, and may not be used to create any financial instruments or products or any indices. This information is provided on an “as is” basis, and the user of this information assumes the entire risk of any use made of this information. Neither the index owner nor any third party involved in or related to the computing or compiling of the data makes any express or implied warranties, representations, or guarantees concerning the index-related data, and in no event will the index owner or any third party have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) relating to any use of this information.

For additional information about other indices or strategies mentioned here, you may contact us at ir@broyhillasset.com.

No part of this material may be copied, photocopied, or duplicated in any form, by any means, or redistributed without Broyhill’s prior written consent.