

Empire Life Client Letter

June 30, 2020

Dear Customer:

In the context of the volatile markets during the first half of 2020, caused by the COVID-19 global pandemic, the Empire Life Investment Team would like to outline a few key insights.

(1) Steady hands in extreme market volatility

We believe our team navigated the market volatility in the first half of 2020 very well. Throughout the work-from-home lockdown, we have maintained strong communication and collaboration, both internally and with management teams of existing and prospective holdings. Ongoing communication and collaboration, coupled with healthy cash levels across our funds, allowed us to put a material amount of capital to work during the COVID-19 related equity market selloff in February and March of 2020, at which time we bought very high quality businesses at depressed valuations.

(2) Staying disciplined by focusing on quality and value

We continued to be disciplined in our investment style during the market volatility, focusing on high quality businesses while remaining sensitive to valuation. In the context of a powerful rally in both equities and corporate bonds since the end of March 2020 – which has pushed valuations above pre-COVID-19 levels – cash weights have increased across most of our funds since the market lows in March. Therefore, in the event of any further market volatility, our funds would be well positioned to put capital to work just as they did in February and March of this year.

(3) Owning quality in an uncertain environment

We recognize that unprecedented levels of monetary and fiscal stimulus will underpin higher valuations in the marketplace. However, there remains considerable uncertainty, including COVID-19, geopolitical tension - notably between the U.S. and China, and an upcoming U.S. presidential election. Moreover, much like COVID-19, there are always the “unknown unknowns” or “black swan” events that are impossible to foresee. Despite these uncertainties, we feel very good about how our funds are positioned, consisting of companies with strong management teams, sustainable competitive advantages, conservative capital structures, and attractive medium-term growth prospects. These are the types of businesses that we believe are best positioned in any environment to outperform their peers over the long run.

As always, thank you for your ongoing support.

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