



January 23, 2023

To Our Clients and Friends:

For the fourth quarter of 2022, Giverny Capital Asset Management's model portfolio rose 8.49%, net of fees,¹ vs. 7.56% for the Standard & Poor's 500 Index.² For the year, the GCAM model, which is a Poppe family account, generated a return of -22.65% vs. -18.11% for the Index, net of fees. Our firm is now 33 months old and has generated annualized performance of 15.10%, net of fees, vs. 17.33% for the Index since inception.

The portfolio had a good recovery in the fourth quarter but overall, this was a challenging year. Historically, in times of economic crisis, money exits speculative investments and finds its way to higher quality businesses with more stable competitive positions. That only "sort of" happened this year. We saw severe declines in the value of unprofitable tech start-ups, blind pools, cryptocurrency, meme stocks and other low-quality assets. But we also saw sharp declines in many profitable companies facing decelerating growth or even just the possibility of decelerating growth. The strongest sector by far was oil and energy stocks, which rose roughly 65% during the year as the Ukraine war caused oil prices to spike briefly. Companies with highly predictable earnings, such as utilities and consumer staples like Coca-Cola, Colgate-Palmolive and Procter & Gamble, also held up well.

Energy is only about 5% of the S&P 500 by weight (and was less a year ago), and utilities and consumer staples are another 10% of market value. But this 15% weighting rose in value collectively while the other 85% of the S&P Index declined quite a bit. Our lack of exposure to energy, utilities and staples explains most of our underperformance, although not all of it.

I've covered my aversion to oil and energy in previous letters to you, but to recap briefly: oil companies walk a difficult path. Every barrel of oil they pump is a barrel that must be replenished. Finding new sources of oil is expensive and small changes to the global balance of supply and demand can create outsized price gyrations. Oil companies make heavy investments in future supply with no visibility on future prices.

¹ The family account does not pay a management fee. The returns presented herein assume the deduction of an annual management fee of 1% to show what a client's account performance would have been if it had been invested the same as the family account during the period. Past performance is not necessarily indicative of future results.

² The S&P 500 Index returns include the reinvestment of dividends and other earnings. The Index is an unmanaged, capitalization-weighted Index of common stocks of 500 major US corporations. The Index does not incur expenses and is not available for investment.

At the same time, we know that oil consumption will decline at some point. Expert consensus forecasts global oil consumption rising very modestly through the mid-2040s. I have no cause to question that forecast. But there is a cliché that ‘the cure for high oil prices is high oil prices,’ and the technology now exists to cure high oil prices. Fully electric vehicles made up 10% of global auto sales in 2022 and were more than one-quarter of new car sales in China and Europe during November and December. I believe those percentages will rise in the future. As a result, I am not enthusiastic about investing behind a thesis of high oil prices creating sustainably high oil company profits.

As for utilities and staples, they have predictable earnings. That’s important, but it’s not everything. I’d rather own companies with the opportunity to reinvest in their business at high rates of return for many years, albeit with some volatility in results, than to own a steady earnings stream that barely grows.

Even if sector weightings explain most of our underperformance, I made some dubious decisions during the year. Most notably, I added to our holding in Meta Platforms, which declined 64% for the year. Meta began the year as a 4.3% weighting and ended as a 2.5% weighting, despite our incremental purchases.

Our portfolio performed unusually this year in several respects. Our final result of -22.65% didn’t feel good, but also represented a case of averages not telling the whole story. Of the 25 stocks we held at the end of the year, only four generated a result anywhere close to the portfolio return:

| GCAM portfolio companies | 2022 Returns |
|---------------------------------|---------------------|
| Five Below | -14.5% |
| JP Morgan | -15.3% |
| Arista Networks | -15.6% |
| Constellation Software | -16.3% |

Of the remaining 21, nine stocks performed at least 15 percentage points better than our overall result, or better than -7%. And a dozen declined by at least 30%. Here is a chart that shows the yawning gap between our top five and bottom five performers:

| Top 5 Portfolio Performers 1 Year Return | | | | |
|--|---------------|---------------|---------------------------------|-----------------------|
| <u>Weight</u> | <u>Return</u> | <u>Impact</u> | <u>Security</u> | <u>Sector</u> |
| 7.4% | 26.8% | 1.3% | Progressive Corporation | Finance |
| 2.4% | 22.8% | 0.4% | Ashtead Group plc | Finance |
| 3.8% | 6.8% | 0.2% | Markel Corporation | Finance |
| 2.1% | 4.0% | 0.1% | Analog Devices, Inc. | Electronic Technology |
| 4.6% | 3.3% | 0.1% | Berkshire Hathaway Inc. Class B | Finance |
| Total | 20.3% | 15.1% | 2.1% | |

| Bottom 5 Portfolio Performers 1 Year Return | | | | |
|---|---------------|---------------|-----------------------------|-----------------------|
| <u>Weight</u> | <u>Return</u> | <u>Impact</u> | <u>Security</u> | <u>Sector</u> |
| 2.5% | -64.2% | -3.3% | Meta Platforms Inc. Class A | Technology Services |
| 4.7% | -53.2% | -4.1% | CarMax, Inc. | Retail Trade |
| 1.5% | -48.6% | -1.4% | Coherent Corp. | Electronic Technology |
| 2.6% | -43.5% | -1.5% | Eurofins Scientific SE | Commercial Services |
| 2.4% | -40.6% | -1.0% | First Republic Bank | Finance |
| Total | 13.7% | -52.1% | -11.3% | |

The market really punished growth stocks that stopped growing, even if only temporarily. We own several businesses with long-term track records of compounding their earnings at double digit rates, including Ashtead Group, Coherent, Credit Acceptance Corp., First Republic Bank, Installed Building Products, JP Morgan, Meta Platforms and SS&C, that trade for less than 15 times consensus estimates of 2023 earnings. Our insurers Markel and Berkshire Hathaway also trade for about 15 times their expected 2023 operating profit after we back out the value of their large portfolios of common stocks.

Not so long ago, a PE multiple of 15x was not considered inexpensive. But the current PE multiple for the overall stock market remains 17x 2023 estimates and the risk-free rate of return on 10-year US Treasuries is below 4%. I like our inexpensive growers more than either of those alternatives.

At the top of our performance list, Progressive Corp. rose 26% for the year as it generated outstanding results relative to other large auto insurers. Markel and Berkshire Hathaway rose modestly. The three companies compete in diverse lines of insurance, but they all benefit from rising rates for property coverage after an extended period of weather catastrophes, rising jury awards in lawsuits and inflated loss costs. Our insurers tend to be careful underwriters, so their profitability rises with rates. Our insurers also benefit from rising interest rates because they tend to invest premiums paid by customers into fixed income securities until they pay claims.

Ashtead Group and Analog Devices were new purchases, made in May. They both performed well from our original purchase prices and I believe we upgraded the quality of our portfolio by adding them.

As for our worst performers, value investors like to talk about Mr. Market resembling a person with manic depression. He's either wildly enthusiastic or deeply despairing. Our bottom five may have suffered some impairment to their long-term growth rates that renders the stocks less valuable than I perceived a year ago. But the steep declines strike me as excessive.

I got plenty wrong about Meta, including the magnitude of the impact that Apple's changes to privacy tracking would have on Meta's value to advertisers. Meta's two giant social media platforms, Facebook and Instagram, arguably may be weaker businesses than they were a year ago, thanks to Apple and the rising popularity of TikTok. Nevertheless, Meta remains an enormously profitable enterprise, with firehose levels of cash flow. It may be squandering some of that cash flow trying to develop the metaverse, but expense control problems are easier to address than a lack of cash flow. Belatedly, CEO Mark Zuckerberg seems to have recognized the need to match expense growth a little more closely to revenue growth. I never want to see anyone lose their job, but Meta hired many thousands of people to support growth that may not materialize. When Meta announced layoffs late in 2022, the stock began to recover.

Carmax declined 53% for the year. We wrote about Carmax in our third quarter letter and the story hasn't changed. Demand for used cars plunged in 2022 for a variety of reasons, some of them related to the economic slowdown and higher interest rates but some of them quite unusual. Pandemic-related global supply chain shortages caused a decline in new car production. At the same time, economic reopening led to people traveling more. Rental car companies had to rebuild their fleets with used cars, driving prices beyond the reach of many consumers. So, Carmax saw a demand decline from consumers that was beyond normal cyclicity.

Carmax has invested heavily in recent years in online selling capabilities. This investment inflated expenses as demand weakened. I'm comfortable holding Carmax because I believe it has a superior model for selling used cars. No-haggle pricing appeals to many consumers, as does the ability to complete parts or all of a transaction online, reducing time spent in the dealership. Carmax has an efficient system for acquiring cars from consumers, refurbishing them for resale, leveraging national advertising and engaging outside lenders to make competitive financing offers to customers. The company continues to gain market share and senior management recently has been buying stock. I believe Carmax could earn \$10 per share in a few years. The stock has been as low as \$60 recently, seemingly reflecting a belief that this year's depressed earnings of less than \$4 per share represent a new normal rather than a cyclical low. I don't share that belief.

Coherent's stock price plunged last year in response to the merger of predecessor company II-VI and the laser systems manufacturer Coherent. The combined company is a leading designer and manufacturer of compound semiconductors, opto-electronic components and laser systems used in optical communications, manufacturing, life sciences and defense applications. Coherent generally is a number one or number two supplier to customers in structurally growing markets. The bad news is that the old II-VI borrowed a lot of money to buy Coherent, and the new company could be at risk in a recession if demand sinks below levels required to service the debt.

II-VI's stock price was \$90 when it agreed to buy Coherent. We bought the stock at around \$60 as the market digested the news. And as I write this, the new company, which kept the Coherent name but is run by II-VI management, trades for about \$40. That is roughly 10x expected earnings for 2023 of about \$4 per share. Given the deep moats around its intellectual property and strong demand from customers, I believe Coherent needs to make progress on paying down acquisition debt over the next year or two to unlock significant equity value. Coherent finished the year as our smallest position at about 1.5%. We added to the position in January.

Eurofins Scientific is a leading lab testing company that enjoyed a once-in-a-generation boom from Covid testing (we all hope that boom is over) but is now suffering from the hangover. As Covid testing declines dramatically, Eurofins appears to be shrinking. Its earnings per share will drop by about 30% for 2022. That's Covid-related as the base testing business continues to grow steadily. In fact, over the past decade, thanks to organic growth, acquisitions of smaller labs and the Covid boom, Eurofins grew sales by more than 20% annually and operating income by about 30% annually. This is a much higher growth rate than high-quality peers like Charles River Lab or Lab Corp. Yet Eurofins has had much worse stock price performance over the past five years than either Charles River or Lab Corp. I like this business and especially the founder-CEO Dr. Gilles Martin, who continues to focus on new diagnostic tests that can expand Eurofins' reach with life-sciences customers. Eurofins now trades for about the same multiple as the S&P 500 despite what I believe are superior economics and organic growth.

First Republic Bank serves affluent customers in some of the country's wealthiest areas: the Bay Area, Manhattan and Palm Beach among them. It provides attentive service and takes almost no credit risk on loans. A typical First Republic loan might be for 50% of the purchase price of a luxury home in Silicon Valley to an executive whose net worth is multiples of the value of the home. The bank has more than doubled revenue and net income over the past five years. In 2022, it grew household relationships by 15%, a remarkable number for a bank. But First Republic also got pinched in 2022 by the phenomenon of interest rates rising faster for short-term loans than for long-term loans. This happens because the market expects a recession: it costs more to borrow money for a year than for 10 years. For First Republic, this means it is paying high rates on Certificates of Deposit (CDs) to customers, but then lending that money to long-term borrowers for only a bit more yield. Banks depend on a healthy spread between their cost of deposits and what they earn on loans. Lately, First Republic's net interest margin has been disappointing. Still, earnings per share grew about 7% in 2022.

The inversion of the yield curve may continue to pinch earnings growth in 2023, but longer-term First Republic continues to attract affluent customers and, as such, to grow low-risk loan volumes. When you don't have credit losses and you do have steadily growing loan volumes, income should rise over time.

To repeat what I wrote to you last quarter, aside from Meta, I don't see any of our bottom five performers losing market share or competitive position.

As I did last year, I want to provide updates on our top 10 holdings, which make up 58% of the portfolio.

Our largest holding at year-end was Progressive, ascending to the top spot thanks to 26% appreciation in a year when most of our holdings lost value.

The auto insurance industry is in turmoil, with most companies losing money as soaring used car prices drive up the cost of accident repairs and replacements. It is hard to overstate Progressive's superiority to its peer group. It is the most sophisticated underwriter in the country, and it began raising insurance premiums earlier than its peers did as driving patterns and repair costs worsened in 2021. It did other smart things, too, including reducing advertising and sales efforts in markets where it could not get rate increases – thus choosing where it would compete hardest for customers – and not renewing the policies of high-risk drivers. This may seem elementary, but most other major insurers did the opposite: they used the windfall profits earned during pandemic quarantine to ratchet up their marketing efforts to attract new customers. They cut rates to try to grow faster.

A recent report from JP Morgan estimated the top 10 US auto insurers recently paid out 81 cents in auto repair costs for every dollar of premiums collected in 2022. That 81% figure does not include corporate overhead, agent commissions, advertising or any other cost of running the business. Progressive's tally was 71 cents on the dollar.

The industry is in the process of unwinding its bad decisions – everybody is raising rates now. Progressive traditionally benefits when customers shop around more in response to rate hikes. We think Progressive's growth rate is likely to accelerate in 2023 as it wins business from other insurers while maintaining industry-leading profitability. We would also note that used car prices finally have begun to fall, suggesting auto insurers could get relief on their loss costs even as they start charging higher rates.

Charles Schwab was our second-largest holding at year-end. Schwab earns most of its income on the spread between the paltry rate it pays brokerage customers for cash they hold in their accounts and the rate it can earn investing that cash. As rates rose this year, so did Schwab's profit. It recently announced that earnings per share rose 20% for 2022, to \$3.90. For 2023, earnings likely will grow another 20% or so. Despite this, shares declined 1% for the year, as evidently this result did not meet Mr. Market's lofty expectation. I'm encouraged about Schwab's long-term prospects: It added four million new brokerage accounts in 2022, up 13%. Schwab has an industry leading cost position and enjoys investor trust, a vital competitive advantage in any financial business. The shares trade for about the market multiple.

Alphabet lost its spot as our largest holding, falling to third after losing 39% of its value. What drove this collapse? Well, Alphabet figures to generate only about \$65-to-\$70 billion of free cash flow for 2022. So there's that.

Fact is, that's a massive number but lower than analysts expected for the year. When growth companies stop growing, the stocks generally suffer. Alphabet did not enter the year enjoying an especially rich multiple of price-to-earnings, but it continued hiring people and investing in innovation even as revenue growth slowed, meaning expenses were not in sync with revenue.

I think it's important to remember that Alphabet's revenue will be up about 10% for 2022. That is on top of 43% growth in 2021. Alphabet remains a grower; it simply needs to manage expenses better. With the steep drop in its market value, the company now generates a free cash flow yield of about 6%. It has \$100 billion of cash on hand, about 8% of the market cap. Alphabet trades at a PE multiple roughly in line with the S&P 500.

Lately, some wags have fretted that artificial intelligence in the form of "chatbots" will steal search volume from Google. I believe Alphabet has a leading position in AI and won't lose its edge in search

efficiency any time soon, although it may incur higher computing expenses as it incorporates AI into search capability. I'd also note that in mid-January Alphabet announced modest layoffs and, as with Meta, the stock responded positively.

Arista Networks finished the year as our fourth-largest holding. Arista lost 15.6% of its value in 2022 even as profitability rose on the order of 60% for the year. Arista supplies routers and switches to run so-called hyperscale cloud computing operations and large corporate data centers. I believe its products, including a software operating system that helps customers manage rapidly growing data centers, are best in class. Arista benefits from powerful demand trends, as the world moves away from mainframe computers and to the cloud, and large companies need to support "work from everywhere" connectivity. Arista grew sales by about 35% in 2022 and should grow 25% or so in 2023. I believe it is worth a considerable premium to the Index.

Rounding out our top five, Constellation Software declined 16.2% for the year despite increasing its earnings and free cash flow. Constellation sells and services operating systems for specific niche markets. To give one example, many golf courses and country clubs around North America run their businesses on Constellation software. The company has more than doubled revenue over the past five years while growing adjusted net income by 17% annually. Analysts expect it to continue growing income at high-teens rates for the next few years, at least. It is run by one of the finest CEOs we've ever met, Mark Leonard, who says publicly that Constellation's acquisition pipeline is larger than ever. In sum, investors marked down an extraordinary asset this year and we think our returns are likely to be attractive from recent prices.

The second five starts with Heico Corp. Class A shares, which shed 6.8% of their value in 2022. Heico is the world's largest supplier of private label aftermarket parts for the aviation industry. The US government regulates airline safety very tightly, such that getting regulatory approval for aftermarket parts is difficult. As a result, the original equipment manufacturers enjoy a near-monopoly on spare parts, allowing them to charge high prices. Over decades, Heico's management has won approval for hundreds of parts and bought many smaller specialist parts makers. Today, Heico offers by far the largest alternative to expensive branded parts. I believe Heico has many years of growth ahead as it expands its parts catalog and becomes an even more vital resource to airlines and the defense industry.

As a side note, Heico is richly valued, but our A shares trade for about a 20% discount to the common stock despite having identical economic rights. The A shares don't have voting rights, which would seem to warrant a smaller discount to the common than 20%.

Our number seven holding at year-end was Five Below, a value-oriented retail store aimed at young people. The shares lost 14% of their value during the year. Like Arista, Constellation and Heico, Five Below commands considerable respect from investors in the form of a rich PE multiple. That's because it continues to grow its store base by about 20% annually, while generating outsized returns on capital. Teens are a notoriously fickle group, and it is fair to wonder if Five Below might one day lose favor. Five Below follows teen trends closely but I've been impressed by the value position. The store carries toys, candy and tchotchkes. But it also carries art supplies, school supplies, tech accessories and other practical merchandise that represents excellent value to a student. I believe sales and earnings could grow by 20% annually for the rest of the decade as Five Below rolls out across the US.

Carmax lost half its value during 2022 and moved from our second-largest holding to the somewhat less-exalted eighth spot.

Berkshire Hathaway Class B shares constituted our ninth-largest holding at year end. Berkshire remains the not-so-little engine that could. I've been telling clients for years that while Berkshire creates great ballast in a portfolio, one shouldn't expect it to drive outperformance. Founder-CEO Warren Buffett is now 92 years old, many of the assets inside Berkshire are mature and the company must make enormous acquisitions to move the performance dial even a little. Yet Berkshire outperformed the S&P 500 Index by about 20 percentage points last year, and with that now boasts performance over the past 10- and 15-year time periods superior to the S&P 500. That's outstanding for a giant enterprise and, frankly, beyond my expectations.

In my opinion, Berkshire remains good ballast. It has tremendous asset diversity, giving us exposure to a railroad, a leading utility, varied insurance operations and, of course, Apple. [Berkshire's giant holding of Apple shares amounts to about 18% of Berkshire's market capitalization]. It holds enormous cash reserves, giving it buying power whenever quality assets go on sale. And while it did not outperform during the go-go years of super low interest rates, it just demonstrated its ability to shine in a downturn.

Rounding our top 10 at year-end was Credit Acceptance Corp., the Michigan-based lender to distressed borrowers. Credit Acceptance dropped 31% in 2022, then fell even more early in January in response to a lawsuit filed by the federal Consumer Financial Protection Bureau and New York State alleging the company engages in deceptive and unfair lending practices to financially vulnerable consumers.

Credit Acceptance offers car dealers a way to extend credit to consumers who get rejected by every other potential lender. The loans are not marketed to consumers, but as a tool for car dealers to extend credit to a person who otherwise could not buy a car. The terms are, in fact, very tough for consumers. By my reading of the lawsuit, the core of New York's argument is that Credit Acceptance misleads consumers with the structure of its loans. In particular, the face amount of most loans it makes to consumers is more than the amount of money Credit Acceptance actually extends to the car dealer.

A simple example: a borrower buys a car for \$10,000, making a \$1,000 down payment and a taking out a \$9,000 loan from Credit Acceptance. In fact, Credit Acceptance may only extend \$7,000 of cash to the dealer at closing. Arguably, the dealer sold the car for \$8,000 and the possibility of \$2,000 more if the loan gets repaid.

The idea is that the dealer and Credit Acceptance both take some risk and have an incentive to try to collect the full amount of the loan. The CFPB and New York allege, however, that because the car dealer was willing to accept \$8,000, the true sale price of the car is less than the consumer understands. The CFPB and the state further allege that Credit Acceptance inflates the loan balance so that it can collect interest payments beyond New York's usury cap of 25%. What may appear to a borrower as 22% interest on \$9,000 might be more accurately described as 28% interest on \$7,000 – an illegal loan.

The courts ultimately will decide what amounts to proper or improper disclosure and fair practice. In my experience, Credit Acceptance is compliance focused. The company consistently ranks among the best places to work in national surveys and touts its role in helping customers with very low credit ratings rebuild their credit. A valid societal question is whether it is better for people who have managed their financial lives poorly, for whatever reason, to be able to buy cars on demanding terms or to be excluded

from the credit market. The stock price plunged after the lawsuit was filed but recovered most of the losses within a few weeks.

For the year, we exited or trimmed securities amounting to 9.2% of the portfolio. We used the proceeds of those sales plus some available cash to initiate four new positions during the year, each of them sized at about 2%, and to add modestly to existing positions. We realized long-term capital gains of about 1.6% of portfolio value. We strive to be tax-efficient long-term owners.

During the year, we exited Amazon, B&M European Value Retail, Liberty Broadband and Intercontinental Exchange, or ICE. The first three stocks declined materially after our sales.

The sale of ICE happened in the fourth quarter. It doesn't look great so far as the stock has risen from our sale price in the low \$90s. But ICE took on a significant level of debt to buy the mortgage servicing business Black Knight in 2022, and the mortgage business is unlikely to be robust in 2023 given higher interest rates. ICE was our most heavily indebted company, and my bias right now is to minimize long-term balance sheet risk.

After the sales of Liberty Broadband and ICE during the year, we are left with only two holdings, SS&C and Coherent, that use significant amounts of debt as part of the capital structure. SS&C amounted to about 4% of the portfolio and Coherent 1.5% at year-end. We'd note that about 95% of SS&C's revenue is related to long-term contracts, giving the business the visibility required to support high debt levels.

Meanwhile, our holdings Alphabet, Arista, Berkshire Hathaway, Constellation Software, Charles Schwab, MasterCard and Meta Platforms, cumulatively about 35% of our portfolio, hold large cash positions net of any debt. I believe our cash-rich group of companies provides us with some insurance against a prolonged downturn. If the US enters a lengthy recession, we think our companies would survive and consolidate weaker rivals.

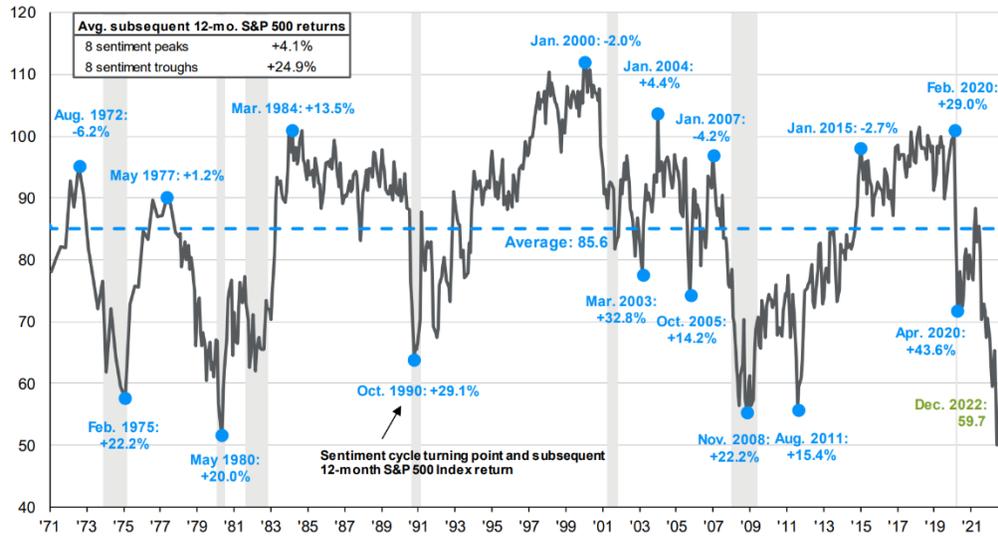
We established four new positions during the year, each of about 2%: Analog Devices, Ashtead Group, Floor & Décor, and Installed Building Products. We discussed these in prior letters and I'm pleased to report that Ashtead and Analog were among our best performing positions for the year

With cash on hand and the proceeds from the sale of ICE in the fourth quarter, we invested more money in existing holdings First Republic Bank, M&T Bank, Carmax, Floor & Décor and SS&C. We ended the year with about 2.5% cash.

If you have read this far in hopes of reading insightful commentary on the myriad macroeconomic and geopolitical challenges we face, well, huh. You may have stumbled upon the wrong letter. I can only say what I always say, which is that our country seems to careen from crisis to crisis and we will never run out of things to worry about. And yet, in fits and starts the world gets wealthier; scientific advances improve health and the quality of life; creative entrepreneurs and managers bring innovations to market that delight us and improve our lives. I believe the best moment to be alive in the history of humanity is right now, although not every day is an easy one.

Knowing all of this, the right answer to most investment questions is to own great companies and tolerate volatility. If that seems simplistic or even absurd to you, here is a chart I saw recently on consumer sentiment over the past 50 years and what it tells us about stock market performance:

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management. Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends. Past performance is not a reliable indicator of current and future results. *Guide to the Markets - U.S.* Data are as of December 31, 2022.

J.P.Morgan
ASSET MANAGEMENT

This survey suggests consumer sentiment currently approaches the 50-year lows reached in the early 1980s. People feel worse than during the lows of the Great Financial Crisis in 2008. That’s amazing to me. But if you look at the box in the upper lefthand corner, it says that when consumer sentiment hits multi-year peaks, the stock market probably doesn’t have much room to run. And when pessimism reigns, it probably is time to get more invested as the market tends to generate attractive returns in the year after sentiment troughs. The hoary cliché advising us to ‘be fearful when others are greedy, and be greedy when others are fearful,’ is correct.

With that, I want to thank my partners at Giverny Capital Inc. for their support and friendship in our third year together. I want to thank my head of operations and invaluable first mate Al Munro for keeping the ship on course throughout the year. And, of course, I thank our steadily growing roster of clients who have entrusted me to invest on their behalf.

With every good wish,

David M. Poppe

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| Giverny Capital Asset Management <i>Top 10 holdings **</i> | |
|--|--------------|
| Progressive Corp. | 7.4% |
| Charles Schwab | 7.0% |
| Alphabet A&C | 6.9% |
| Arista Networks | 6.7% |
| Constellation Software | 6.1% |
| Heico Class A | 5.2% |
| Five Below | 4.9% |
| Carmax | 4.7% |
| Berkshire Hathaway | 4.6% |
| Credit Acceptance | 4.4% |
| Total | 58.0% |

** The holdings are those of the Portfolio as of the date indicated. Client account holdings may differ from those of the Portfolio due to account size, client-specific guidelines or restrictions, tax considerations and other factors. The Portfolio's holdings are subject to change and are not recommendations to buy or sell any security. The percentages are of total assets. Top 10 holdings as of the most recent quarter end can be found at www.givernycam.com/performance. The views expressed herein are those of GCAM as of the date of this letter and are subject to change without notice. GCAM makes no representations or warranties regarding the completeness or accuracy of any information contained herein, and does not guarantee that any forecast, projection or opinion will be realized. This letter is presented for informational purposes only, and the information herein is not intended, and should not be construed, as investment advice or as an offer or recommendation to buy or sell any security. All investments involve risk and may lose value. For a discussion of risks, see Item 8 of GCAM's Form ADV Brochure. Certain statements herein are "forward looking statements." Forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed or implied by such forward looking statements. Readers should carefully consider such factors. Forward-looking statements speak only as of the date on which such statements are made; GCAM undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.