



September 30, 2023

Dear Investor:

The Sound Shore Fund Investor Class (SSHFX) and Institutional Class (SSHVX) declined 2.01% and 1.94%, respectively, in the third quarter of 2023, ahead of the Russell 1000 Value Index (Russell Value) which declined 3.16%. The three year annualized advances for SSHFX of 11.83% and for SSHVX of 12.05% were also ahead of the Russell Value's 11.05%. As long-term investors, we highlight that Sound Shore's 35 year annualized returns of 9.84% and 10.13%, for SSHFX and SSHVX, respectively, as of September 30, 2023, were ahead of the Russell Value at 9.72%.

We are required by FINRA to say that: Performance data quoted represents past performance and is no guarantee of future results. Current performance may be lower or higher than the performance data quoted. Investment return and principal value will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. For the most recent month-end performance, please visit the Fund's website at www.soundshorefund.com.

In a quarter that saw the Standard & Poor's 500 Index reach a twelve-month high during July, ultimately the Index declined by 3.27%, which was in line with the 3.16% decrease for the Russell Value. Stocks were off broadly with only the energy and communications sectors finishing ahead. Year-to-date, SSHFX's portfolio is up 4.43% and SSHVX is up 4.59%, ahead of the Russell Value's gain of 1.79%. While equity markets are still in positive territory for 2023, it is clear that recent investor caution reflects the Federal Reserve's reiteration that high interest rates will likely persist for the foreseeable future.

With 45 years of investing experience through numerous market cycles, we remain alert in this unpredictable environment. We have said this in recent letters, but it bears repeating: As interest rates continue rebasing from a prolonged period of remarkably low levels, adjustments in the economy will be profound and take a long time. Our company specific, contrarian investment philosophy has always focused on finding attractively valued stocks with internally driven earnings growth that can drive value for years to come. Sound Shore's long-term investment perspective looks forward to assess each company's normal earning power, and also incorporates changes to the cost of capital and possible structural changes in demand. Consequently, these periods of uncertainty often create the best opportunities for our strategy, leading us to invest with managements executing durable strategies within sustainable business models. Our ability to retain a focused, long-term view is increasingly rare, but will likely continue to determine our success.

That said, current macro factors of higher inflation, rising rates, and a slowing economy are affecting stock prices in the short-term. Against this backdrop, many consumer stocks and financing-based business models declined in the third quarter. For example, GE Healthcare (GEHC) was our largest detractor for the period. A recent spinout from GE, the company is the world's largest medical imaging supplier with steady growth and higher margins. We purchased the stock in the first quarter of 2023 when it was trading at 14 times normalized earnings, a significant discount to peers. Our



research concluded that GEHC's profit margins were temporarily depressed due to the spinoff and one-time Research & Development charges, and that management's plan for improvement was credible. The stock got off to a strong start early in the year, but returned the bulk of its gains as higher borrowing rates for their customers created demand uncertainty. As well, 15% of GE Healthcare's business is from China, where demand has slowed along with the economy. We view these headwinds as temporary, and added to our position during the stock's recent pullback.

On the plus side of the ledger, we had strong contributions from independent power producers *Vistra* and *Constellation Energy*. Both stocks surged with higher US electricity prices as strong summer demand exposed reliability issues in many regions of the nation's electric grid. *Vistra*, primarily a Texas electricity generator and marketer, is a name we've discussed in prior letters. The company is a low cost supplier with diversified fuel sources, and it will soon be closing its accretive acquisition of another merchant power generator, *Energy Harbor*. Even after its strong performance, the stock retains a 15% free cash flow yield.

Meanwhile, Midwest focused *Constellation* is the biggest producer of carbon-free electricity in the US with nuclear power plants representing the majority of its capacity. We added the name in January 2023 when the stock was trading at a below normal 15 times earnings. Our research identified an upside to earnings power from maturing hedges and regulatory changes, including the Inflation Reduction Act's nuclear credit. A recent spinout from *Exelon Corp*, we viewed the strength of *Constellation's* clean, reliable baseload power model as an appealing and high potential offering for residential and commercial customers. The company's recent contract to supply *Microsoft* at premium power prices is evidence of the opportunity. *Constellation* is yet another example of an industry undergoing tremendous change that can offer attractive investment opportunities for investors with patience and a research process to uncover specific companies that are well positioned.

Away from power, drug maker *Teva*, a new holding, also performed well during the quarter. *Teva* develops, manufactures and markets generic and specialty drugs focused on neurological and respiratory diseases, as well as oncology. Following a period of poor capital allocation decisions in prior years, we were able to invest at a very attractive valuation. We now believe management has positioned the company for renewed growth, driven by its most promising branded drug pipeline in years. The investment is off to a good start and the stock gained after second quarter results topped consensus.

One year ago, our letter opined that there were a list of macro factors on investors' minds along with central bank moves and the Ukrainian conflict following close behind. These themes ring true again in 2023. It has taken time and there's likely to be more volatility ahead, but the market seems to finally be digesting the higher rate, higher inflation environment we are in. Sound Shore will continue to focus on opportunities in attractively valued, high quality companies with manageable risks that we can research and understand. We are encouraged that stock performance based upon company-specific fundamentals seems to be more characteristic of recent markets. Finally, we note that at September 30, 2023, Sound Shore's portfolio had a forward price-earnings multiple of 10.1



times consensus, a meaningful discount to the S&P 500 Index at 17.8 times and the Russell Value at 13.4 times, despite strong balance sheets and better free cash flow.

Thank you for your investment alongside ours in Sound Shore.

Sincerely,

SOUND SHORE FUND

Harry Burn, III
John P. DeGulis
T. Gibbs Kane, Jr.

Co-Portfolio Managers

Important Information

Performance data quoted represents past performance and is no guarantee of future results. The Fund's Investor Class 1, 5, and 10-year average annual total returns for the period ended September 30, 2023 were 18.19%, 5.30%, and 7.72%, respectively. The Fund's Institutional Class 1, 5, and 10-year average annual total returns for the same period were 18.45%, 5.49%, and 7.91%, respectively. Fund returns assume the reinvestment of all dividend and capital gain distributions. As stated in the current prospectus, the total annual operating expense ratio (gross) is 0.94% for the Investor Class and 0.85% for the Institutional Class. The net expense ratio for the Institutional Class is 0.75% pursuant to an expense limitation agreement between the Adviser and the Fund. This agreement is in effect until at least May 1, 2024. The performance for the Institutional Class prior to its inception on 12/9/13 is based on the performance of the Investor Class, adjusted to reflect the lower expense ratio of the Institutional Class (net of expense reimbursements).

The Standard & Poor's 500 Index is an unmanaged index representing the average performance of 500 widely held, publicly traded, large capitalization stocks. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. It is not possible to invest directly in an Index. Data presented reflects that of the underlying holdings of the Fund, not of the Fund itself. FCF (Free Cash Flow) represents the cash that a company is able to generate after laying out the money required to maintain or expand its asset base. Forward P/E (estimated price-to-earnings) is a measure of the P/E using forecasted earnings for the P/E calculation. The Standard & Poor's 500 Index is an unmanaged index representing the average performance of 500 widely held, publicly traded, large capitalization stocks. The 1, 5, and 10-year average annual total returns for the same period were 21.62%, 9.92%, and 11.91%, respectively. The Russell 1000 Value Index measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The 1, 5, and 10-year average annual total returns for the same period were 14.44%, 6.23%, and 8.45%, respectively.



SOUND SHORE FUND

This letter may contain discussions about certain investments both held and not held in the portfolio. As required by the Financial Industry Regulatory Authority (FINRA), we must remind you that current and future portfolio holdings are subject to risk. Percent of net assets as of 9/30/23: Constellation Energy Corp.: 1.95%; Energy Harbor: 0.00%; Exelon Corp.: 0.00%; GE Healthcare Technologies, Inc.: 3.07%; General Electric Company: 0.00%; Microsoft Corp.: 0.00%; Teva Pharmaceuticals Industries LTD: 2.97%; and Vistra Corp.: 3.52%.

An investment in the Fund is subject to risk, including the possible loss of principal amount invested. Mid Cap Risk: Securities of medium sized companies may be more volatile and more difficult to liquidate during market downturns than securities of large, more widely traded companies. Foreign Securities Risk: The Fund may invest in foreign securities primarily in the form of American Depositary Receipts. Investing in the securities of foreign issuers also involves certain special risks, which are not typically associated with investing in U.S. dollar-denominated securities or quoted securities of U.S. issuers including increased risks of adverse issuer, political, regulatory, market or economic developments, changes in currency rates and in exchange control regulations. The Fund is also subject to other risks, including, but not limited to, risks associated with value investing.

The views in this letter were those of the Fund managers as of 9/30/23 and may not necessarily reflect their views on the date this letter is first published or anytime thereafter.

You should consider the Fund's investment objective, risks, charges and expenses carefully before investing. The summary prospectus and/or the prospectus contain this and other information about the Fund and are available from your financial intermediary or www.soundshorefund.com. The summary prospectus and/or prospectus should be read carefully before investing.

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