

# MERIDIAN HEDGED EQUITY FUND

March 31, 2025 Update

Formerly known as the Meridian Enhanced Equity Fund



## MARKET SUMMARY

U.S. equities experienced their weakest quarterly performance since 2022, as uncertainty surrounding prospective tariff policies weighed on investor sentiment and risk assets. Large-cap equities declined -4.5%, while small-cap stocks fell more sharply, down -9.5%. Within the small-cap space, value stocks outperformed their growth counterparts, posting declines of -7.7% and -11.1%, respectively, according to the Russell family of indices.

The first quarter of 2025 witnessed a marked shift in market volatility dynamics, as measured by the Cboe Volatility Index (VIX). After beginning the year in a relatively subdued state, the VIX experienced a significant escalation, particularly from mid-February through the end of March. Higher volatility was driven by rising policy uncertainty emanating from the new U.S. administration, specifically concerning the prospect and potential scope of aggressive tariff implementations and shifts in trade policy.

Consumer sentiment, as measured by the University of Michigan's Survey of Consumers, declined for a third consecutive month, falling an additional 12% since February. Inflation remained persistent, with the Personal Consumption Expenditures (PCE) index unchanged from the prior month, marking a 2.5% year-over-year increase. Investor sentiment remained cautious heading into quarter-end as the market awaited further clarity on the Trump Administration's pending tariff policy announcement.

## FUND PERFORMANCE

The Meridian Hedged Equity Fund (the "Fund") declined -0.15% (net) during the period ending March 31, 2025, outperforming its benchmark, the S&P 500 Index, which lost -4.27%. The Fund also outperformed its secondary benchmark, the CBOE S&P 500 BuyWrite Index, which declined -3.09%.

Our investment strategy prioritizes managing downside risks over chasing excess returns. Over time, we expect that preserving capital in down markets will be a quiet but powerful driver of long-term compounded returns.

We aim to build and maintain a durable portfolio that minimizes losses during market downturns while participating in market upswings. We focus on high-quality businesses with attractive valuations, strong competitive advantages, solid balance sheets, robust cash flow, and limited volatility.

*The Fund's performance data represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data shown. The investment return and principal value of an investment will fluctuate so that you may have a gain or loss upon sale. You can obtain performance data current to the most recent month-end at [www.arrowmarkpartners.com/meridian](http://www.arrowmarkpartners.com/meridian).*

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## TOP 10 HOLDINGS (% OF PORTFOLIO)

Holding <sup>1</sup> (subject to change)	Weighting
GFL Environmental, Inc.	3.99%
D.R. Horton, Inc.	3.59%
MGM Resorts International	3.50%
Clear Secure, Inc.	3.49%
Visa, Inc.	3.28%
The Geo Group, Inc.	3.20%
Danaher Corp.	2.97%
Intercontinental Exchange, Inc.	2.75%
AirBnB, Inc.	2.69%
Live Nation Entertainment, Inc.	2.44%

We hold long positions in high-quality companies for growth potential. When conditions warrant, we hedge select positions by selling/writing call options to generate income and seek to mitigate downside risks. We underpin this approach with thorough fundamental analysis that seeks to balance risks with the potential for long-term growth.

At the end of the period, approximately 40% of the portfolio was unhedged, with long-term capital growth the primary objective. The remainder of the portfolio was invested in companies with covered call options, a strategy that seeks to balance the capital growth potential of the underlying companies with downside protection provided by the income generated from writing options.

## TOP THREE CONTRIBUTORS

**Intercontinental Exchange, Inc., Visa, Inc., and The GEO Group, Inc.** were the top three contributors to the Fund's relative performance during the quarter.

**Intercontinental Exchange, Inc.** operates a global network of exchanges, clearing houses, and data services spanning major asset classes, including energy, equities, fixed income, and U.S. residential mortgages. We like the company for its diversified business model and leading position in energy markets, which continues to benefit from secular trends such as the global energy transition.

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We also see meaningful growth potential in the company's efforts to digitize mortgage workflows. A growing base of recurring revenue and free cash flow further support the fundamental stability of the business. During the quarter, heightened market volatility and geopolitical uncertainty drove expectations for strong growth in its exchanges segment, particularly within energy and interest-rate futures. While the mortgage technology segment continued to face cyclical headwinds, we believe signs of stabilization have emerged. We continue to hold our position.

**Visa, Inc.** is a global leader in electronic payments, facilitating transactions across an extensive international network. We own Visa for its durable competitive advantages, including a globally recognized brand and vast merchant acceptance network, which together create substantial barriers to entry. We held the position steady during the period.

**The GEO Group, Inc.** designs, finances, and operates correctional and detention facilities, as well as electronic monitoring and community-based programs, in partnership with federal, state, and local agencies. We invested in GEO because we see value in its stable operating model, underpinned by multi-year government contracts and a consistent demand for outsourced correctional and detention services. The company's investments in electronic monitoring provide an additional avenue for growth, particularly through alternatives to large-scale detention programs. Notably, a recent 15-year agreement for a facility in New Jersey illustrates management's ability to secure incremental, long-term revenue streams and enhance cash flow visibility. We believe GEO is positioned to benefit from increased funding for Immigration and Customs Enforcement contracts, supported by expanded detention capacity and wider adoption of electronic monitoring. Furthermore, the company's ongoing deleveraging has improved its capital structure, providing flexibility to pursue new contract wins amid rising demand tied to evolving border security and monitoring priorities.

## BOTTOM THREE DETRACTORS

**MGM Resorts International, ACV Auctions, Inc., and Amazon.com, Inc.** were the three top detractors from the Fund's relative performance during the quarter.

**MGM Resorts International** is a global hospitality and entertainment company primarily operating integrated casino resorts and digital gaming platforms. Its core business spans Las Vegas, U.S. regional markets, and Macau, and it is complemented by its BetMGM joint venture for online gaming and sports betting. We own MGM due to its diversified asset portfolio, strong balance sheet, and active share repurchase program.

We see a pathway to profitability for its BetMGM digital venture as a driver of free cash flow growth. In the most recent quarter, MGM performed in line with expectations, primarily due to strong results in the U.S. and Macau. Las Vegas faced challenging year-over-year comparisons, however, underlying demand remained solid. Management reported a positive start to 2025 and expects segment growth for the year. While fundamentals appear to be on solid footing, the stock fell during the period on consumer health concerns and general market weakness. We continue to hold our position and look for opportunities to incrementally add.

**ACV Auctions, Inc.** operates a digital marketplace that enables automotive dealerships to more efficiently and transparently buy and sell wholesale vehicles. The company connects dealers nationwide through a data-driven platform enhanced by AI-based inspection tools and complementary services such as financing and transport services. This integrated ecosystem supports high customer retention and positions the company to benefit from ongoing digitization trends within the wholesale automotive industry. Despite continued strong fundamentals—including disciplined cost management and ongoing market share gains—the stock was negatively impacted by broader uncertainty around used-vehicle demand and macroeconomic concerns. Nonetheless, we maintain confidence in ACV's management team and business model, and long-term market opportunity.

**Amazon.com, Inc.** is a global leader in e-commerce and cloud computing, uniquely positioned to benefit from the secular growth in digital commerce and enterprise cloud adoption. Our investment in Amazon reflects its ability to compound growth through its dominant retail platform, AWS cloud infrastructure, and emerging high-margin businesses such as advertising and logistics. Amazon reported strong profitability in the quarter, achieving record operating margins and exceeding consensus estimates, driven by retail efficiencies and solid results from AWS. However, the stock declined following guidance that fell below expectations, citing foreign exchange headwinds and difficult year-over-year comparisons. Broader macroeconomic concerns likely also contributed to the stock's volatility. We remain confident in Amazon's dominant market position and long-term potential.

## OUTLOOK

We expect continued market volatility as investors assess the potential economic and geopolitical ramifications of the current U.S. administration's evolving and assertive tariff policies. Nonetheless, we view volatility as an opportunity and are confident in the portfolio's positioning. Our hedging strategy is designed to mitigate some of the potential downside risks, particularly in periods marked by an unusually wide range of potential outcomes.

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March 31, 2025 Update



During periods of heightened market uncertainty, such as the policy uncertainty around tariffs that dominated Q1 2025, investors are willing to pay more for options protection. This can potentially benefit covered call writers who are selling that protection in exchange for premium income.

We remain committed to our approach through all market conditions, carefully seeking to manage risk through in-depth fundamental research to identify high-quality businesses at attractive valuations.

Thank you for your continued partnership with ArrowMark.

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March 31, 2025 Update



## FUND TOTAL PERFORMANCE (As of 3/31/2025)

Share Class	Ticker	Gross Expense Ratio	Net Expense Ratio	Inception Date	3 Month	1 Year	3 Year <sup>4</sup>	5 Year <sup>4</sup>	10 Year <sup>4</sup>	Since Inception <sup>4,5</sup>
Class A Shares – No Load	MRAEX	1.79%	1.53%	11/15/13	-0.16%	6.75%	5.37%	13.30%	11.98%	9.14%
Class A Shares – With Load	MRAEX	1.79%	1.53%	11/15/13	-5.87%	0.62%	3.30%	11.97%	11.32%	8.82%
Class C Shares	MRCEX	2.55%	2.28%	7/1/15	-0.41%	5.92%	4.76%	12.73%	11.47%	8.93%
Investor Class Shares	MRIEX	1.46%	1.28%	11/15/13	0.00%	7.18%	5.71%	13.66%	12.30%	9.42%
Legacy Class Shares	MEIFX	1.47%	1.28%	1/31/05	-0.15%	7.08%	5.70%	13.67%	12.36%	9.78%
S&P 500 Index <sup>2</sup>	–	–	–	–	-4.27%	8.25%	9.06%	18.59%	12.50%	10.16%
CBOE S&P 500 BuyWrite Index <sup>3</sup>	–	–	–	–	-3.09%	9.80%	4.60%	11.69%	6.43%	5.66%

Prior to December 30, 2022, the Meridian Hedged Equity Fund was known as the Meridian Enhanced Equity Fund.

**Past performance is no guarantee of future results. The Fund's performance data represents past performance and does not guarantee future results. Current performance may be lower or higher than the performance data shown. The investment return and principal value of an investment will fluctuate so that you may have a gain or loss upon sale. You can obtain performance data current to the most recent month-end at [www.arrowmarkpartners.com/meridian](http://www.arrowmarkpartners.com/meridian).**

<sup>1</sup>Listed holdings are presented to illustrate examples of the securities the Fund has bought and do not represent all of the Fund's holdings or future investments. Information about the Fund's holdings should not be considered investment advice. There is no guarantee that the Fund will continue to hold any one particular security or stay invested in any one particular sector. Holdings are subject to change at any time and are as of the date shown above.

<sup>2</sup>The Fund's Index, the S&P 500<sup>®</sup> Index, is a commonly recognized market-capitalization-weighted index of 500 widely held equity securities, designed to measure broad U.S. equity performance. One cannot directly invest into an index.

<sup>3</sup>The CBOE S&P 500 BuyWrite Index (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index<sup>®</sup>. The BXM is a passive total return index based on (1) buying an S&P 500 stock index portfolio, and (2) "writing" (or selling) the near-term S&P 500 Index (SPXSM) "covered" call option, generally on the third Friday of each month.

<sup>4</sup>Performance is annualized.

<sup>5</sup>Since inception returns are calculated using the Fund's Legacy class inception date of 1/31/05.

A Class: Prior to 7/1/15, the A Class was named Advisor Class. The historical performance shown for periods prior to inception on 11/15/13 was calculated using historical Legacy class performance as adjusted for estimated class-specific expenses for distribution, shareholder servicing and sub-transfer agency fees without consideration to any expense limitation or waivers. The annual gross expense ratio is 1.79% as of 6/30/24. The annual net expense ratio is 1.53% after a fee waiver of 0.26% as of 6/30/24. If the class had been offered prior to 11/15/13, the actual performance and expenses may have differed from the amounts shown. Performance shown for class A shares with load includes the Fund's maximum sales charge of 5.75%. C Class: The historical performance shown for periods prior to inception on 7/1/15 was calculated using historical Legacy class performance as adjusted for estimated class-specific expenses, for distribution, shareholder servicing and sub-transfer agency fees, without consideration to any expense limitation or waivers. The annual gross expense ratio is 2.55% as of 6/30/24. The annual net expense ratio is 2.28% after a fee waiver of 0.27% as of 6/30/24. If the class had been offered prior to 7/1/15, the actual performance and expenses may have differed from the amounts shown. Investor Class: The historical performance shown for periods prior to inception on 11/15/13 was calculated using historical Legacy class performance as adjusted for estimated class-specific expenses for shareholder servicing and sub-transfer agency fees without consideration to any expense limitation or waivers. The annual gross expense ratio is 1.46% as of 6/30/24. The annual net expense ratio is 1.28% after a fee waiver of 0.18% as of 6/30/24. If the class had been offered prior to 11/15/13, the actual performance and expenses may have differed from the amounts shown. Legacy Class: Legacy class shares of the Fund are no longer available for purchase by new investors, except under certain limited circumstances which are described in the Statement of Additional Information. The annual gross expense ratio is 1.47% as of 6/30/24. The annual net expense ratio is 1.28% after a fee waiver of 0.19% as of 6/30/24.

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*Investors should consider the investment objective and policies, risk considerations, charges and ongoing expenses of an investment carefully before investing. The prospectus contains this and other information relevant to an investment in the fund. Please read the prospectus carefully before you invest or send money. To obtain a prospectus, please contact your investment representative or access the website at [arrowmarkpartners.com/meridian](http://arrowmarkpartners.com/meridian).*

## Principal Investment Risks

There are risks involved with any investment. The principal risks associated with an investment in the Fund, which could adversely affect its net asset value, yield and return, are set forth below. Please see the section “Further Information About Principal Risks” in the Prospectus for a more detailed discussion of these risks and other factors you should carefully consider before deciding to invest in the Fund. *An investment in the Fund may lose money and is not a deposit of a bank or insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency.* **Investment Strategy Risk:** The Investment Adviser uses the Fund’s principal investment strategies and other investment strategies to seek to achieve the Fund’s investment objective of long-term growth of capital. There is no assurance that the Investment Adviser’s investment strategies or securities selection method will achieve that investment objective. **Equity Securities Risk:** Equity securities fluctuate in price and value in response to many factors including historical and prospective earnings of the issuer and its financial condition, the value of its assets, general economic conditions, interest rates, investors’ perceptions and market liquidity. **Market Risk:** The value of the Fund’s investments will fluctuate in response to the activities of individual companies and general stock market and economic conditions. As a result, the value of your investment in the Fund may be more or less than your purchase price. **Growth Securities Risk:** Because growth securities typically trade at a higher multiple of earnings than other types of securities, the market values of growth securities may be more sensitive to changes in current or expected earnings than the market values of other types of securities. In addition, growth securities, at times, may not perform as well as value securities or the stock market in general, and may be out of favor with investors for varying periods of time. **Small Company Risk:** Generally, the smaller the capitalization of a company, the greater the risk associated with an investment in the company. The stock prices of small capitalization and newer companies tend to fluctuate more than those of larger capitalized and/or more established companies and generally have a smaller market for their shares than do large capitalization companies. **Foreign Securities Risk:** Investments in foreign securities may be subject to more risks than those associated with U.S. investments, including currency fluctuations, political and economic instability and differences in accounting, auditing and financial reporting standards. Foreign securities may be less liquid than domestic securities so that the Fund may, at times, be unable to sell foreign securities at desirable times or prices. In addition, emerging market securities involve greater risk and more volatility than those of companies in more developed markets. Significant levels of foreign taxes are also a risk related to foreign investments. **Options Risk:** Options on securities may be subject to greater fluctuation in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail great than ordinary investments. **Glossary: Alpha:** A measure of performance on a risk-adjusted basis. Alpha compares the volatility (price risk) of the Fund to risk-adjusted performance of the benchmark Index. **Free cash flow** is a measure of a company’s financial performance, calculated as operating cash flow minus capital expenditures. **Options** are a financial derivative sold by an option writer to an option buyer. The contract offers the buyer the right, but not the obligation, to buy (call option) or sell (put option) the underlying asset at an agreed-upon price during a certain period of time or on a specific date. **CBOE Volatility Index (VIX):** The VIX Index is a financial benchmark designed to be an up-to-the-minute market estimate of expected volatility of the S&P 500 Index, and is calculated by using the midpoint of real-time S&P 500® Index (SPX) option bid/ask quotes. **Price-to-earnings:** A valuation ratio of current share price compared to its per-share operating earnings over the previous four quarters. **Basis Point:** A common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001, and is used to denote the percentage change in a financial instrument.

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The statements and opinions expressed in this commentary are as of the date of the commentary. All information is historical and not indicative of future results and is subject to change.