NEW PROVIDENCE

International Series
January 2021

Frank Brochin

New Providence International Investment Strategy

At New Providence, we use a variety of investment strategies to build comprehensive portfolios for our clients. We believe that strategic asset allocation combined with astute manager selection produces the greatest investment results.

With respect to international markets, we have a number of principles that guide our manager selection and portfolio construction methodology. This paper outlines the key aspects of our international investment strategy.

Our International Investment Strategy

We focus on long-term, fundamental investing. Our international managers share our fundamental, "private equity in the public markets" investment philosophy: they have a long-term investment horizon, select securities based on deep, original and often contrarian research, and manage high-conviction portfolios. Most importantly, they have a deep appreciation for what they own and why they own it. They understand what matters.

There are many kinds of fundamental investors, and it is important to distinguish the ones that we favor within our international portfolio:

- We seek managers who have a deeper understanding of the intrinsic long-term value of a business, not a superior ability to predict its next quarterly earnings release. Thus, we do not focus on managers who trade small, short-term movements in stock prices.

- Our managers should make money because they understand the future value of their companies better than other investors, not because they have a better "feel" for the markets or trade them faster than others. Thus, we do not focus on managers who rely on market timing or frequent changes in exposures to generate performance.

- Before investing, we must understand why a strategy can be profitable and be able to evaluate the actual skill set of a manager. Good performance can be generated by talent or luck, and we will not invest unless we understand not only how but also why our managers generate returns. International macro and quantitative funds are not part of our portfolio, neither are funds that use complex, hard-to-price securities.

We focus on small, independent boutique managers who target a differentiated opportunity set. When investing, size is the enemy of performance: our managers should be nimble enough to access differentiated and attractive investment opportunities that the large funds are either not aware of or too big to consider. For this reason, we prefer to partner with small firms in the investment business rather than large firms in the asset gathering business. We make sure that the chief investment officer is focused on research rather than marketing.

"Small independent firms with excellent people focused on a well-defined market segment provide the highest likelihood of identifying the intelligent contrarian path necessary to achieving excellent investment results."[1]

David Swensen
CIO, Yale Endowment

We favor managers who have a competitive edge because of their local insights and knowledge. For example, we believe that when evaluating an Indian consumer goods business, an Indian manager based in Mumbai has an advantage over a global manager based in New York.

We are investors picking investors. Investing in independent managers based overseas pays off but finding and evaluating them is not easy. We benefit from the large professional network that we have developed over many years in various regions of the world. Our reputation as fundamental investors attracts like-minded professionals and helps us connect with talented managers, sometimes even before they launch their funds.

We do not require a lengthy performance track record to shape our thinking. We first judge the quality of the people, their temperament, motivation, experience and the culture they want to create for their firm. We then evaluate their strategy and investment judgment by discussing their portfolio on a stock-by-stock basis, as investors picking investors. The most important attribute we seek in managers is clarity of thought. Ultimately, we get paid to pass judgement on their investment judgement.

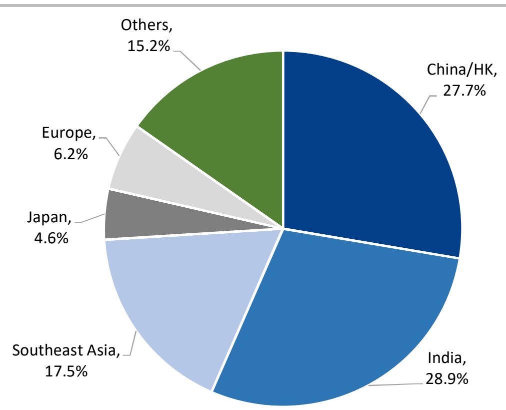
[1] This is not a testimonial. David Swensen is not an investor in any vehicle managed by New Providence and is not involved with New Providence. Quote is from "*Pioneering Portfolio Management*" by David Swensen (p. 260).

We are not macro investors, but we are macro aware. We realize that the social, political and economic changes affecting the countries in which we invest drive the context in which our companies operate and the markets in which our managers seek opportunities. While we do not make macro forecasts, we invest significant time to be knowledgeable about the issues that could affect the business of the companies we own, and the opportunity set for our managers. Our process of sizing allocations is informed by our appreciation of the upside opportunities and potential macro risks or headwinds in each region.

We are benchmark aware, but benchmark agnostic. We believe that wise investors should not feel an obligation to have "exposure" to certain markets, sectors or companies just because MSCI says they have to. Rather, they should concentrate their investments in the most attractive opportunities. Thus, our exposure across countries, sectors and companies is frequently quite different from that of indices.

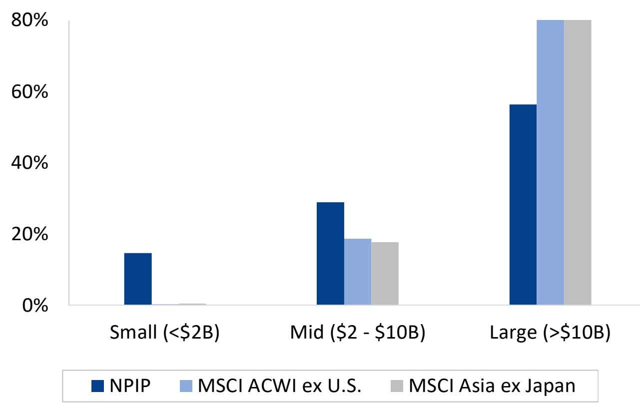
As a case in point, we currently believe that developing Asia represents a once-in-a-generation investment opportunity (see our white paper, "*Why Invest in Developing Asia?*", available on our website). About 75% of the New Providence International Portfolio is invested in China, India and Southeast Asia (including Vietnam, Indonesia, the Philippines, Thailand and Malaysia), versus only 19% for the MSCI All Country World ex-U.S. index.

Chart 1: Indian, Chinese and Southeast Asian stocks represent 75% of our portfolio [2]



Our preference for independent, boutique managers enables us to offer our clients true all-cap portfolios, with significant exposure to small- and mid-cap stocks, unlike what they would be limited to with a benchmarked ETF or a large mutual fund.

Chart 2: We offer an all-cap portfolio [2]



Not surprisingly, our performance will at times be very different from those of benchmarks. We realize that our clients measure our success against indices, but we believe that beating indices over long periods of time requires us to ignore benchmark weightings in our work. A key component of our success is the willingness of our clients to be patient and focus on our long-term performance. We feel fortunate to have clients who share our philosophy.

We seek to understand what we own. We view ourselves (and our clients) as fractional owners of businesses and spend a great deal of time discussing the companies in our portfolio with our managers.

This is time well spent. By focusing a good part of our research process at the company level, we can better assess the investment judgment of our managers and have a more solid basis when deciding whether to add them to our portfolios. We do not second guess our managers; rather, we use company discussions to develop an intimate knowledge of their thought process, the depth of their research, and the rationale for their investment decisions. This puts us in a more informed position to evaluate them and their strategies on an ongoing basis and also enables us to size them appropriately in our portfolio.

We believe in concentration and "best ideas" portfolios. We seek managers with high-conviction, concentrated portfolios. Owning fewer stocks allows them to better understand what they own. Having higher conviction in fewer ideas enables them to buy or hold when others are selling. Our own portfolio is only invested in managers in whom we have the highest conviction. We currently have only eight managers in

[2] As of December 31, 2020.

the portfolio and would not expect to have more than ten. Our two largest positions each represent approximately 20% of our international portfolio assets.

We manage risk, not volatility. The New Providence International Portfolio seeks to maximize long-term returns rather than minimize short-term volatility. We do not invest in "hedged" strategies that seek to reduce short-term volatility through the use of expensive market hedges or at the expense of long-term performance. These can play an important role as part of comprehensive portfolios, but are not used here.

We seek to minimize risk, as opposed to volatility, through comprehensive due diligence, knowledge of the businesses in which our managers hold positions, awareness of the context in which these businesses operate, and careful portfolio construction. We do believe that diversification is a crucial aspect of risk control, but that over-diversification is not a wise substitute for lack of knowledge.

We leave few stones unturned in our search of investment talent. We have a passion for finding exceptional investment talent in all corners of the world. In aggregate, the members of our international team have evaluated more than 1,500 international managers on six continents.

Not only do we always spend a great deal of time in our managers' offices before investing, we have also at times accompanied them in meetings with their portfolio companies. To name a few, we have visited the management teams of a leading clothing retailer in India, a food and beverage company in Vietnam and a chain of convenience stores in the Philippines.

Chart 3: On-Site Investment Research Around the World

The map above says it all: we leave few stones unturned in our search of investment talent.

We care deeply that our clients retain us for the right reasons. We believe that our results will be driven by three primary skill sets that require your assessment:

- Our criteria, judgement, and diligence in finding and using skilled external managers.

- The validity of our thought process in identifying segments of the market (geographic, sector or thematic) that are strategically attractive.

- Our strengths in portfolio construction and effective risk management.

We appreciate your interest.