

Mittleman Global Value Equity Fund – Class P

Monthly Report – August 2021

Commentary¹

The Mittleman Global Value Equity Fund (MGVEF) declined -4.0% in August, vs. an increase of 3.1% in the MSCI ACW Net Total Return Index.

In August, the top three performing stocks, from a contribution standpoint, were International Game Technology (+14.6%), Revlon Inc. (+4.7%), and Newmark Group (+5.8%). The smaller increase in Revlon was more impactful due to its larger weighting in the portfolio. The bottom three performing stocks, from a contribution standpoint, were Greatview Aseptic (-3.1%), AMA Group (-12.6%), and Aimia Inc. (-16.4%).

More detailed portfolio commentary follows given the Fund's pullback since the end of the second quarter. MGVEF was up 32.9% YTD as of 30 June 2021 (vs. a gain of 15.4% in the MSCI ACW Net Total Return Index). As of 31 August 2021, MGVEF's YTD gain had been reduced to +16.6% (vs. +22.4% in the MSCI ACW Net Total Return Index, YTD).

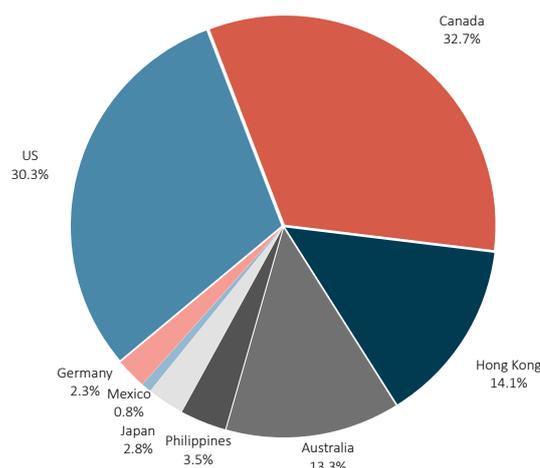
The drawdown of the past few months has not been exclusive to MGVEF, despite how it may appear if one looks solely at the performance of the broad market indices. The pullback in value equities has been jarring enough for GMO to issue an insightful white-paper entitled, Value vs. Growth Reversals – Never a Straight Line (https://www.gmo.com/globalassets/articles/insights/asset-allocation/2021/value-vs.-growth-reversals_7-21.pdf) where they show how over the past 40 years of the Value vs. Growth relationship, four of the ten worst drawdowns happened during Value's best 3-year run against Growth.

While the COVID-19 Delta variant continues to affect value, it appears likely to become an endemic virus that we will learn to live with. MIM does not believe that will lead to indefinite, or long-term isolation and avoidance of all things that bring joy to the human population. As MIM has stated in prior quarterly investment reviews, behaviour of consumers and businesses returned to normal pretty quickly after the 1918 to 1919 devastation of the Spanish Flu, after the holocaust in Europe and two nuclear strikes in Japan, after the 1968 Hong Kong Flu (4 million dead), after 9/11, floods, earthquakes, and countless wars... humans are remarkably resilient and uncowed. No plague or pandemic has wounded society so deeply as to halt for long the march of human progress.

Fund details	
Index	MSCI All Country World Index (ACWI) Net Total Return in AUD
Fund inception date	13 June 2017
Class P inception date	13 October 2017

Performance ² – 31 August 2021			
	MGVEF (Class P)	Index (AUD)	Excess return
1 month	(4.0%)	3.1%	(7.1%)
3 months	(10.5%)	10.8%	(21.2%)
1 year	43.1%	30.2%	12.9%
2 years p.a.	9.3%	17.5%	(8.2%)
3 years p.a.	(1.1%)	13.9%	(15.1%)
Since inception ³	2.5%	15.4%	(13.0%)

Country allocation⁴



1. The securities herein identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable. There is no assurance that any securities discussed herein will remain in the portfolio at the time you receive this report, or that securities sold have not been repurchased. There can be no assurance that investment objectives will be achieved. All dollar amounts within this report are in USD unless otherwise stated.

2. Performance figures are presented in AUD on a net, pre-tax basis and assume the reinvestment of distributions. Past performance is not an indicator of future performance. Figures in the table may not sum correctly due to rounding.

3. Since inception returns are annualised and calculated from 13 October 2017. Past performance does not guarantee future results.

4. Portfolio holdings, country allocation and sector allocation of MGVEF are as of 31 August 2021 and are subject to change and should not be considered as investment recommendations to trade individual securities. Country allocation does not include cash.

Whatever MIM's best guess is on the macro stuff, it's really not necessary to get that right in order to achieve a satisfying investment return. That is by far the most important lesson of all that MIM has seen played out in history. Weighing too heavily the macro concerns of the day has been, historically, a complete waste of mental energy and at worst led to investor behaviour that is highly destructive to long-term returns.

MIM believes that the portfolio can advance by 3x to 5x over the next three to five years and thinks that upside should manifest in the face of a broader market that goes sideways or down. From MIM's 28 February 2009 low, its portfolio (as measured by MIM's Composite) advanced by 14x over the subsequent 5.5 years until reaching its last interim peak in performance on 31 August 2014. It had been pummeled more severely into that 2009 bottom, but the valuations MIM sees in the portfolio today are not so much higher as to make a 3x to 5x return difficult to imagine.

Honing in on the MGVEF's top five holdings:

Aimia

Due to its insider status, MIM is precluded from commenting beyond what has been publicly disclosed, but suffice it to say Aimia continues to be the largest position in MGVEF, it's flush with cash and undervalued securities and has equity interests that MIM believes give it an intrinsic value per share significantly above the current stock price.

Greatview Aseptic

Greatview is one of only two publicly traded pure-plays in a fast growing segment of the packaging industry. Emerging markets have been very weak over the last two months, particularly in Asia with headlines of the Chinese government targeting a number of big businesses and intervening in certain industries. MIM doesn't view Greatview Aseptic as a potential target for such harassment. The Chinese government has long seen Greatview as a national champion of sorts, and protected the company against Tetrapak (global leader in aseptic packaging), going so far as to punish Tetrapak with anti-competitive penalties, which is unlikely to change. Greatview has not been politically vocal and is not attempting to import Western ideals, so it is not a threat in terms of ideology and is not of the size/scale of the recently announced targets. As well, it is not listed on any Western exchanges, so there is no threat of delisting. There has been an increase in Greatview's raw material costs (commodities such as liquid paperboard, polyethylene and aluminum), which MIM expects to be passed through into pricing going forward and margins should remain in a normal range long-term even if prices remain high. The company has a debt free balance sheet, an 8% dividend yield, and MIM believes the stock represents an outstanding risk/reward at an incredibly cheap valuation of less than 5x estimated 2022 EBITDA.

AMA Group

MIM believes that AMA's stock is significantly undervalued and that the business will rebound strongly from COVID-19 as more people drive their own vehicles to take long overdue vacations and to commute to work following the country's rigid lockdowns (while avoiding public transportation). Following the end of the month (on 10 September) AMA announced a \$150 million capital raise through the combination of a \$100 million entitlement issuance and \$50 million in senior unsecured convertible notes. The company also restructured its existing bank debt facilities. MIM will provide more details on its thoughts surrounding the offering and the overall

investment opportunity in AMA in the MGVEF September/Q3 Investment Review.

Cineplex

Cineplex is the largest movie theatre chain in Canada (75% market share), but its business is also well diversified, with non-film entertainment and content businesses (media, amusement and leisure) accounting for nearly a third of Cineplex's sales historically. Ellis Jacob, CEO of the last 21 years, made very wise capital allocation and cost reduction decisions to significantly reduce the company's cash burn through the pandemic. Their theatre circuit finally re-opened in its entirety on 17 July. Canada was well behind the US with COVID vaccination penetration, but they have made significant progress and now have a higher percentage of its population vaccinated. As of 31 August 2021, 73% of the population had at least one dose, and 67% were fully vaccinated. Remarkably, the company announced in early August that they didn't burn any cash in July, despite being open for only half of the month with capacity restrictions and limited content to show on their screens. Cineplex also introduced a monthly subscription plan in August called CineClub, which for \$9.99/month gives customers one movie ticket each month, with the ability to purchase additional tickets for \$9.99 and receive 20% off concessions. As MIM has noted in its prior quarterly investment reviews, Cineplex had agreed to a buyout by Cineworld PLC (CINE LN) for C\$34 per share in cash (10x EBITDA) announced on 16 December 2019, which was then repudiated by the buyer in June 2020. A trial date is scheduled in September and MIM believes the lawsuit should ultimately be settled by Cineworld and that a revised buyout is in the best interest of both parties at around MIM's fair value estimate of C\$23 per share (10x EBITDA). Settling in that manner would gain Cineworld, which already owns Regal in the U.S., what they originally sought (before they lost the ability to pay) which was dominance of the North American theatre business achieved on accretive terms. The alternative to a revised buy-out is likely to be a judgement or sizable settlement for which Cineworld would receive no cash flow in return.

Revlon

MIM believes that Revlon's stock is worth in the mid-\$20s and that it's likely to attain that price level through a sale of the company in part (Elizabeth Arden, Almay, or American Crew divisions, for example) or in whole, fulfilling the Goldman Sachs-led sales process that began nearly two years ago. While that process may sound like it is taking an extraordinary amount of time, the sale of Procter & Gamble's CoverGirl, Max Factor, and other brands to Coty in 2016 (for 2.6x sales) took a year and a half from the engagement of Goldman Sachs to the announcement of the deal, and there was no global pandemic to delay matters then. MIM believes that a productive outcome in Revlon is apparent in the not too distant future.

The retrenchment that MGVEF has endured since early June has been severe enough to qualify as a bear market by the 20% decline definition, but MIM has experienced many such pullbacks even during its most prosperous periods (such as the 14x advance in 5.5 years from its 2009 lows to the last interim peak in 2014), so it is not a trite trope to say that such periods have almost always been great buying opportunities. MIM is confident that will prove to be true yet again this time around. MGVEF remains up significantly year-to-date and expects to reclaim and exceed its early June highs quickly given the near-term catalysts that it perceives, most of which MIM hopes will materialise before year-end.

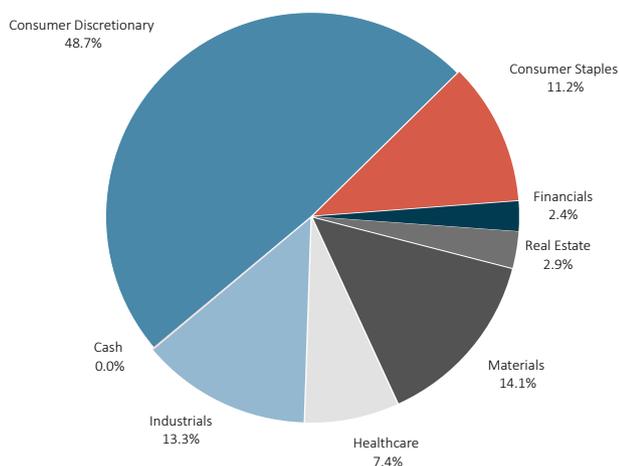
Top 10 holdings⁵

As at 31 August 2021		
Stock	Country	Weight
Aimia	Canada	20.8%
Greatview Aseptic Packaging	Hong Kong	14.1%
AMA Group	Australia	13.3%
Cineplex	Canada	11.9%
International Game Technology	US	11.7%
Revlon	US	11.2%
ABS-CBN Holdings Corp	Philippines	3.5%
Newmark Group	US	2.9%
CMIC Holdings	Japan	2.8%
American Equity Inv Life Holding	US	2.4%

Portfolio statistics⁶

As at 30 June 2021		
	MGVEF	Index
Weighted avg market cap	US\$2,723m	US\$22,350m
Median market cap	US\$687m	US\$6,810m
EV/EBITDA	7.0x	16.2x
Price/FCF	10.6x	17.0x
Free cash flow yield	9.4%	5.9%
Number of securities	13	2,975

Sector allocation⁵



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6. Portfolio statistics are reported in USD and are as at 30 June 2021. The statistics are updated in the report as at the end of each quarter.

Investment strategy

Mittleman Investment Management, LLC (MIM) is an SEC-registered investment advisor based in New York that pursues superior returns through long-term investments in what it deems to be severely undervalued securities, while maintaining its focus on limiting risk. It invests in businesses that it believes are proven franchises with durable economic advantages, evidenced by a well-established track record of substantial free cash flow generation over complete business cycles, and only when the very low valuation at which the investment is made provides a significant margin of safety. MIM's value-oriented strategy is to invest in a concentrated portfolio (usually between 15 to 20 securities) of primarily common stocks, unrestricted as to market capitalisation, and in both developed and emerging markets.

BROOKVINE

MITTELMAN BROTHERS
INVESTMENT MANAGEMENT

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