Mittleman Global Value Equity Fund – Class P
Quarterly Report – Q4 2021

Commentary¹

The Mittleman Global Value Equity Fund (MGVEF) advanced 3.9% in Q4 2021, vs. an increase of 6.0% in the MSCI ACW Net Total Return Index.

The top three contributors to Q4 2021 performance were Aimia Inc. (AIM CN): US$3.41 to US$3.91 (+14.7%), Revlon Inc. (REV): $10.11 to $11.34 (+12.2%), and International Game Tech. (IGT): $26.32 to $28.91 (+10.6% w/ divd).

The three most impactful detractors from Q4 2021 performance were AMA Group (AMA AU): US$0.32 to US$0.31 (-2.5%), ABS-CBN Holdings Corp. PDR (ABSP PM): US$0.26 to US$0.23 (-11.7%), and Greatview Aseptic Packaging (468 HK): US$0.372 to US$0.366 [-1.9%].

Fund details

<table>
<thead>
<tr>
<th>Index</th>
<th>MSCI All Country World Index (ACWI) Net Total Return in AUD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund inception date</td>
<td>13 June 2017</td>
</tr>
<tr>
<td>Class P inception date</td>
<td>13 October 2017</td>
</tr>
</tbody>
</table>

Performance² – 31 December 2021

<table>
<thead>
<tr>
<th></th>
<th>MGVEF (Class P)</th>
<th>Index (AUD)</th>
<th>Excess return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 month</td>
<td>4.8%</td>
<td>1.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>3 months</td>
<td>3.9%</td>
<td>6.0%</td>
<td>(2.1%)</td>
</tr>
<tr>
<td>1 year</td>
<td>26.9%</td>
<td>25.8%</td>
<td>1.1%</td>
</tr>
<tr>
<td>2 years p.a.</td>
<td>8.9%</td>
<td>15.4%</td>
<td>(6.5%)</td>
</tr>
<tr>
<td>3 years p.a.</td>
<td>4.9%</td>
<td>19.1%</td>
<td>(14.2%)</td>
</tr>
<tr>
<td>Since inception³</td>
<td>4.4%</td>
<td>14.9%</td>
<td>(10.5%)</td>
</tr>
</tbody>
</table>

Sector allocation⁴

Country allocation⁴

1. The securities herein identified and described do not represent all of the securities purchased, sold or recommended for MGVEF. 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 December 2021 and are subject to change and should not be considered as investment recommendations to trade individual securities. Country allocation does not include cash.
Quarterly investment review

The global value-oriented investment discipline to which MIM has adhered since its inception in 2003 seems to be creeping back into favour in fits and starts, and it is nice to feel a bit of a tailwind starting to kick in. Value investing seems to be regaining some fans as interest rates rise along with inflation, factors that have often been associated with value strategies outperforming. MIM expects that the return to outperformance for its style of global value investing, which began in November 2020 with its best month of performance ever (+42.9%, USD), is still in the early innings.

Aimia continues to make progress on its strategy to invest in public and private companies to yield superior returns for its shareholders. In Q4 2021, Aimia’s share price was up 14.3% and for the year it was up 19.9% (all on a CAD basis). Since MIM’s first purchases of Aimia’s shares in late May 2017 much has changed, and those changes have yielded significant benefits to all of Aimia’s shareholders. While MIM are insiders now and cannot comment much anymore on the stock, suffice it to say that it believes significant value remains to be realised at Aimia, from both the market valuation getting closer to fair value as confidence grows in its performance, and from the fair value rising in the businesses in which Aimia has invested as they grow in value over time. In October 2021, Aimia confirmed it was in discussions with Aeromexico regarding a potential PLM transaction which, if successfully consummated, would deliver substantial proceeds to the company. In December 2021, Aimia announced an additional investment of C$31.6 million in TRADE X, a global B2B cross-border automotive trading platform. Trade X is growing at a remarkable rate as they expand their market reach via acquisitions and grow their trading platform to other countries. Aimia remains a very large position for MIM, however the concentration risk is mitigated by the diversity of assets inside of Aimia and its net cash balance sheet. For more about Aimia please see their website: https://www.aimia.com/about-us/

Revolon, while creeping up enough to make it the 2nd best performer last quarter, was still essentially wallowing around the $10 level where it began the quarter, despite a brief run-up to $17.65 in early November on seemingly speculative activity (the meme stock/Reddit mob have taken a liking to Revlon’s illiquid shares and periodically toy with it). The company remains over-leveraged although it has been making progress on improving sales and margins and thus deleveraging.

Revolon started buying Revlon at around $10 in December 2010 and enjoyed a nice run over the first five years, a period during which the business performed well. MIM sold some shares at around $40 in 2015 (only about 20% of MIM’s position, thinking the stock was worth $60+ then), but 2015 marked the last year in which it exhibited what MIM considers normal economics for this business (65% gross margin, 20% EBITDA margin, 3% maintenance cap-ex). So while it has been six years since that interim peak in business performance and stock price, and some hugely disappointing and abnormal results in the interim period, MIM thinks the quality of the business remains largely intact, with Q3 2021 results creeping back towards normal economics (58% gross margin, 17% EBITDA margin). A sale of part or all of the company also remains a good possibility. MIM sees Revlon as worth $27, 2.4x its year-end price of $11.34, at 14x EBITDA of $350M for 2022.

There are a number of examples of high quality consumer brand businesses with multi-decade track records of endurance going through prolonged periods of underperformance before finding a way to rejuvenate themselves. Of course, not all once great consumer brands regain their former glory, such as Schaefer beer, but MIM thinks Revlon (and its other owned brands, Elizabeth Arden, Almay, and American Crew among others) has the proven multi-decade resilience from which a resurgence can spring. And while Revlon is multi-national (50% of sales from outside the U.S.), the core U.S. market for colour cosmetics is rebounding strongly from the unprecedented drop in 2020.

For the third consecutive quarter, International Game Technology was among the top three contributors to portfolio results. The company reinstated a cash dividend and announced its first ever share buyback program in Q4. While both initiatives are modest in

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6. Portfolio statistics are reported in USD and are as at 31 December 2021. The statistics are updated in the report as at the end of each quarter.

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The 2nd biggest detractor from performance in Q4 was ABS-CBN Holdings Corp. PDR. MIM’s original thesis for ABS-CBN was wrong, that is, that a threatened but blatantly political cancellation of the most popular TV broadcaster in the country would prove too unpopular politically to attempt. Unfortunately that is what happened on July 22 2020 when the company’s broadcasting franchise was not renewed, wiping out about half of the company’s business (the rest being broadband and content production). MIM’s alternative view was that the populace would not tolerate being unable to see their favourite shows for very long and would seek to watch them on ABS-CBN’s OTT or other offerings, and also that the broadband and content assets would cover on the downside.

MIM’s current estimate assumes a return to normal operations in 2023, and the stock price should anticipate that well in advance. The next presidential election in the Philippines is on May 9 2022 and Duterte cannot be re-elected. Despite having been wrong about the broadcast franchise renewal, MIM did note that “...even if it were to transpire [the cancellation of the broadcast license], ABS-CBN could run their programming on a competing broadcaster’s channels, for a fee of course that would impair profits immensely, but such an outcome is already more than reflected in the share price.” That is happening, so they are getting their programming out there with block-time deals on TV-5 and another channel. ABS-CBN is a dominant collection of media properties, with decades of track record. In such a fast-growing country, it should not be trading in the open market for less than 4x normalised EBITDA today, when similar companies in slower growing developed markets trade for around 7x to 10x EBITDA and more. Obviously, the great upside here is dependent on a return to normal. Once the political punishment abates, MIM believes the stock should more than triple from the year-end price of USD 0.23 (PHP 11.92). However even if ABS-CBN never gets back to its normal mode of operating, the broadband and content assets alone more than justify the current price, so MIM thinks it is a great risk/reward ratio.

The company owns a 57.4% interest in privately held cable TV firm, Sky Cable, which has a 47% market share of the Philippines pay-TV segment. They have discussed possibly bringing that public at some point, to fund the rapid expansion to its market-leading broadband business, but now it could serve as a liquidity lifeboat if the broadcast shutdown persists too long. They also have a Netflix-like OTT offering, which is garnering subscribers rapidly in a region where Netflix is doing very well but was not the first mover. ABS-CBN and its close competitor GMA7 dominate local content production, while Netflix provides the Hollywood content. ABS-CBN is controlled by the founding Lopez family, which holds a 55% stake via a family-controlled holding company, Lopez Holdings (LPZ:PM). Harvard graduate Oscar Lopez founded the company in 1956.

The 3rd biggest detractor from performance was Greatview Aseptic, one of only two publicly traded pure-plays in the fast growing segment of the packaging industry, aseptic packaging, which is primarily used for milk and non-carbonated soft drinks like juices. The company’s 2021 results were severely pressured by higher costs of raw materials and freight/shipping costs. Price increases in Greatview’s raw material costs (commodities such as liquid paperboard, polyethylene and aluminium) should be largely passed through into customer 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 8.7% dividend yield, and MIM believes the stock represents an outstanding risk/reward at an incredibly cheap valuation of less than 5x estimated 2022 EBITDA. On 20 January 2022 news reports that Greatview’s largest shareholder, Jardine Matheson (JM:SP) with a 28.2% stake, should remain in a normal range long-term even if prices remain high. The company has a debt free balance sheet, an 8.7% dividend yield, and MIM believes the stock represents an outstanding risk/reward at an incredibly cheap valuation of less than 5x estimated 2022 EBITDA. On 20 January 2022 news reports that Greatview’s largest shareholder, Jardine Matheson (JM:SP) with a 28.2% stake, was considering options. So the company might be in play for a takeover. https://fa.news/articles/jardine_looking_to_sell_28_stake_in_greatview-103713/.
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**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 seriously 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.

For more information contact: Natalie Hall on +61 2 9328 6445 or nathaliehall@brookvine.com.au

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Mittleman Global Value Equity Fund

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