
“Capacity to Suffer”

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Gardner Russo & Quinn LLC

Greetings

- **Investment Philosophy – à la Warren Buffett, 1983 visit to Stanford Business School**
 - “Only one break” for investors – tax deferral
 - Beware of “agency costs”
 - Cannot make a good deal with a bad person
 - Management’s “Capacity to Reinvest” – required to deliver tax-efficient investment returns
 - Indispensable Product or Service – Price Inelastic Demand – “Cannot Do Without”
 - Large, International “Total Addressable Markets”
 - Only 4% of World Population is USA
 - Invest Globally to Increase Opportunities
 - Seek Companies With Powerful International Consumer Brands
 - Brand Loyal Consumers Believe They “Cannot Do Without”
 - Management’s “Capacity to Suffer” – Low Agency Costs and Founding Family Support
 - Family-Controlled Companies Provide Shelter for Long-Term Investing
 - Family-Controlled Companies Represent over 40% of Semper Vic Partners’ AUM
 - Key Attributes Table Analysis (see next slide)

Key attributes by portfolio holding

	Berkshire Hathaway	Nestlé	Heineken	Philip Morris	Richemont	Pernod Ricard	Mastercard	Alphabet	Ashtead	Netflix
Year position established	1984	1990	1990	1990	1997	2004	2010	2018	2021	2022
Avoid agency costs AT ALL COSTS	X	X	X	X	X	X	X	X	X	X
Indispensable Product / Price inelastic demand	X	X	X	X	X	X	X	X	X	X
“Capacity to Reinvest”	X	X	X	X	X	X	X	X	X	X
“Capacity to Suffer”	X	X	X	X	X	X	X	X	X	X
Seek vast, global TAM	X	X	X	X	X	X	X	X		X
Tax efficiency	X	X	X	X	X	X	X	X	X	X
Family-controlled / Founder led	X		X		X	X		X		

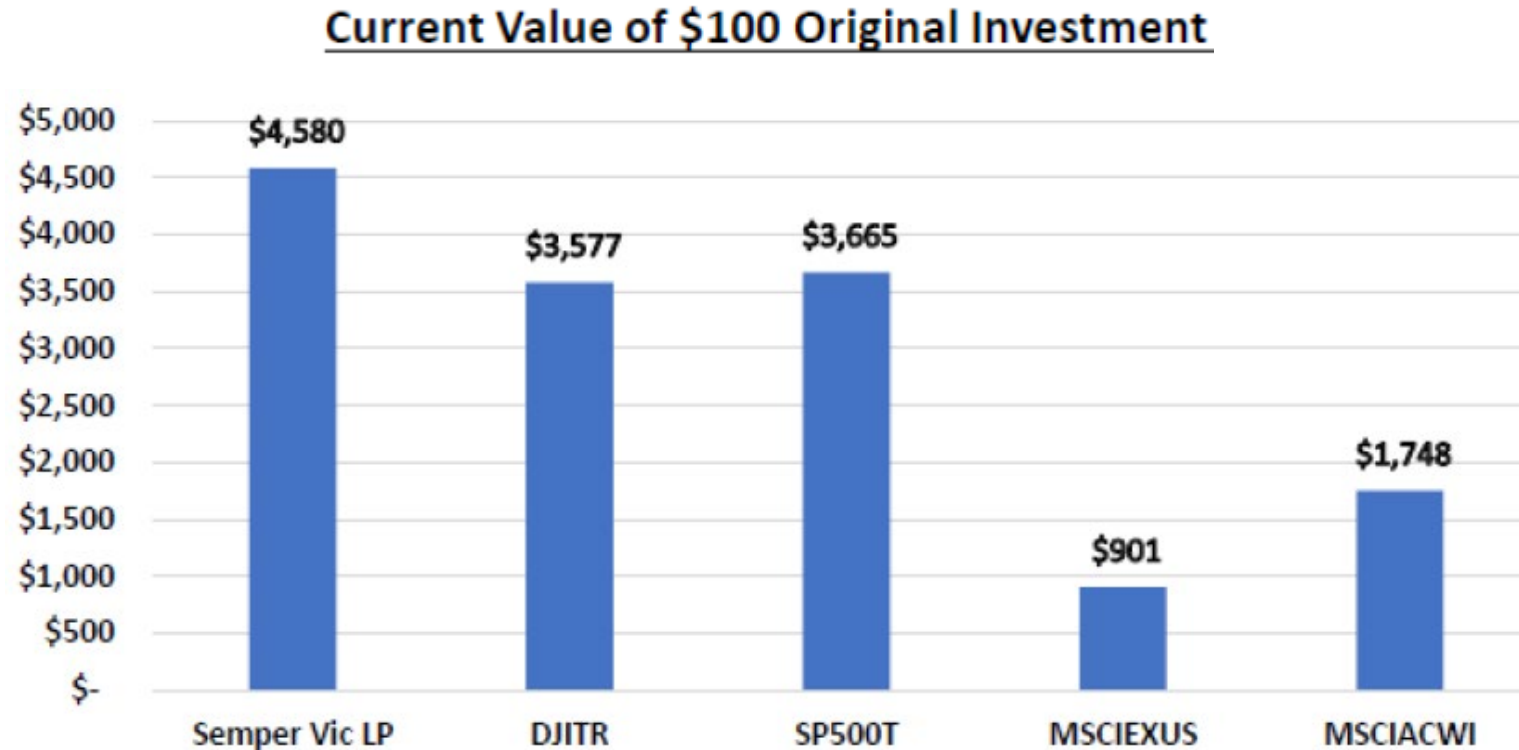
Portfolio Concentration – Top 10 Investments – 85% AUM

Market Weight of 10 Largest Investments	Percentage Portfolio Weight
Berkshire Hathaway Inc Cl A	15.8%
Alphabet Inc Cl C	12.6%
Mastercard Inc Cl A	8.8%
Philip Morris International Inc	8.2%
Heineken Holding NV	7.9%
Netflix Inc	7.2%
Compagnie Financiere Richemont SA	6.9%
Nestle SA Sponsored ADR	6.8%
Sunbelt Rentals Holdings Inc	6.0%
Martin Marietta Materials	4.8%
Total Portfolio Weight	85.0%

Note: for period July 16, 1990 (inception) through March 13, 2026

Long-Term Performance – “11% is more than enough”

- 11% in this case has been sufficient to outperform (see next slide, Annual Summary of LP Net Returns)



Note: for period July 16, 1990 (inception) through March 13, 2026

Annual Summary of LP Net Returns

Year	Semper Vic Partners, L.P.	Dow Jones Industrials	S & P 500	MSCI All Country World Index ex-US	MSCI All Country World Index
2026 (Thru 2/28)	1.9%	2.1%	0.7%	11.3%	4.3%
2025	22.4%	14.9%	17.9%	33.1%	22.9%
2024	10.1%	15.0%	25.0%	6.1%	18.0%
2023	18.8%	16.2%	26.3%	16.2%	22.8%
2022	-12.7%	-6.9%	-18.1%	-15.6%	-18.0%
2021	17.8%	20.9%	28.7%	8.3%	19.0%
2020	4.8%	9.7%	18.4%	11.1%	16.8%
2019	24.4%	25.3%	31.5%	22.1%	27.3%
2018	-12.4%	-3.5%	-4.4%	-13.8%	-8.9%
2017	27.0%	28.1%	21.8%	27.8%	24.6%
2016	2.5%	16.5%	12.0%	5.0%	8.5%
2015	5.0%	0.2%	1.4%	-5.3%	-1.8%
2014	6.1%	10.0%	13.7%	-3.4%	4.7%
2013	21.9%	29.7%	32.4%	15.8%	23.4%
2012	24.2%	10.2%	16.0%	17.4%	16.8%
2011	6.7%	8.4%	2.1%	-13.3%	-6.9%
2010	21.5%	14.0%	15.1%	11.6%	13.2%
2009	25.8%	22.7%	26.5%	42.1%	35.4%
2008	-31.5%	-31.9%	-37.0%	-45.2%	-41.9%
2007	7.7%	8.9%	5.5%	17.1%	12.2%
2006	20.8%	19.1%	15.8%	27.2%	21.5%
2005	3.2%	1.7%	4.9%	17.1%	11.4%
2004	11.9%	5.3%	10.9%	21.4%	15.8%
2003	33.5%	28.3%	28.7%	41.4%	34.6%
2002	-1.0%	-15.1%	-22.1%	-14.7%	-19.0%
2001	0.1%	-5.4%	-11.9%	-19.5%	-15.9%
2000	15.6%	-4.7%	-9.1%	-15.1%	-13.9%
1999	-2.1%	27.2%	21.0%	30.9%	26.8%
1998	23.8%	18.1%	28.6%	14.5%	22.0%
1997	24.7%	24.9%	33.4%	2.0%	15.0%
1996	19.0%	28.8%	23.0%	6.7%	13.2%
1995	23.6%	36.9%	37.5%	9.9%	19.5%
1994	12.4%	5.0%	1.3%	6.6%	5.0%
1993	22.1%	16.7%	10.1%	34.9%	24.9%
1992	13.4%	7.4%	7.6%	-11.0%	-4.2%
1991	27.4%	24.5%	30.5%	14.0%	19.9%
1990	2.7%	-10.7%	-8.9%	12.4%	-10.1%
Cumulative Return	4767%	3663%	3698%	883%	1747%
Compound Annual Return	11.5%	10.7%	10.8%	6.6%	8.5%

Note: as of February 28, 2026. Returns are for Semper Vic Partners, L.P.

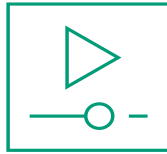
Examples of Dangers of Agency Costs

- **Small Trunk Railroad, Sale-Leaseback**
 - Current management contracts for below-market expenses during their tenure, leaving excessive future bargain for charges which “cannot be avoided” by future executives. Only one set of rails available.
- **Pargesa Corporation**
 - By contrast, management for Pargesa avoided what seemed to be a “too good to be true” investment. Management avoided personal benefit for higher-than-deserved, near-term results when risks emanating from potential liabilities (early victims of asbestos) were avoided by management out of a desire to protect the owners’ long-term wealth at the expense of potentially higher near-term results.

Examples of Companies with Valued “Capacity to Suffer”

- **Berkshire Hathaway**
- **Alphabet/Google**
- **Philip Morris**
- **Heineken**
- **Richemont**
- **Nestlé**
- **E.W. Scripps**

Investment strategy



Indispensable product

Products whose users do not believe they can do without – pricing power.



“Capacity to Reinvest”

Large Total Addressable Markets (TAM) with ability to reinvest untaxed for growth.

Global brands – aspirational, with worldwide consumer base.



Management “Capacity to Suffer” / avoid agency costs

Founder-led and family-controlled companies are well-positioned to invest in the business for the longest term, while avoiding agency costs.

Agency costs involve propensity of management to serve their own interests over owners’ interest.

Berkshire Hathaway

BERKSHIRE HATHAWAY INC.

Summary description

Investment holding company operated by Greg Abel.

Discipline: “Willingness to do anything, ability to do nothing.”

Year position established 1984

% AUM 15%

EM as % of revenues 0%

5Y go-forward IRR 9%



Indispensable product

Insurance, railroads, utilities, iPhone.

Public market and private market investments.

Berkshire’s National Indemnity Insurance serves clients who find their way to BRK when they find themselves with the proverbial “nowhere else to go.” Insureds are comforted with BRK’s balance sheet and commitment to pay.



“Capacity to Reinvest”

\$70B+ in share buybacks over the last 6 years. Important precedent for successors.

Organic reinvestment in operating subsidiaries.

Large reinvestment opportunity in regulated businesses (railroad, utilities) and M&A “elephant hunting.”

Berkshire enjoys trust and Fort Knox balance sheet.



Management “Capacity to Suffer” / avoid agency costs

Buffett taught us to ignore fluctuations in reported profits and instead focus on growth in intrinsic value per share.

E.g., GEICO underwriting business incurs high customer acquisition costs for high LTV insurance policies.

“Mr. Market” is psychotic – fearful when he should be bold and bold when he should be fearful.

Berkshire “Capacity to Suffer”

GEICO insurance underwriting

- GEICO – the faster you grow, the more expenses you report, and the more value you create.
- In the mid-1990s, GEICO’s expected lifetime value of \$2,500 per insured makes the \$150 acquisition costs per insured vs premium quite rewarding. Seeking such lifetime value drove GEICO policies in force from 2.2 million policyholders in 1995 to over 18.4 million policyholders in 2020.
- Intrinsic value of GEICO’s insured exceeds an estimated \$40 billion.



BERKSHIRE HATHAWAY INC.

Insurance Underwriters Were Not Rewarded Based on Market Shares

Portrait of a Disciplined Investor – National Indemnity Company

<u>Year</u>	<u>Written Premium (In \$ millions)</u>	<u>No. of Employees at Year-End</u>	<u>Ratio of Operating Expenses to Written Premium</u>	<u>Underwriting Profit (Loss) as a Per- centage of Premiums (Calculated as of year end 2004)*</u>
1980	\$79.6	372	32.3%	8.2%
1981	59.9	353	36.1%	(8%)
1982	52.5	323	36.7%	(15.3%)
1983	58.2	308	35.6%	(18.7%)
1984	62.2	342	35.5%	(17.0%)
1985	160.7	380	28.0%	1.9%
1986	366.2	403	25.9%	30.7%
1987	232.3	368	29.5%	27.3%
1988	139.9	347	31.7%	24.8%
1989	98.4	320	35.9%	14.8%
1990	87.8	289	37.4%	7.0%
1991	88.3	284	35.7%	13.0%
1992	82.7	277	37.9%	5.2%
1993	86.8	279	36.1%	11.3%
1994	85.9	263	34.6%	4.6%
1995	78.0	258	36.6%	9.2%
1996	74.0	243	36.5%	6.8%
1997	65.3	240	40.4%	6.2%
1998	56.8	231	40.4%	9.4%
1999	54.5	222	41.2%	4.5%
2000	68.1	230	38.4%	2.9%
2001	161.3	254	28.8%	(11.6%)
2002	343.5	313	24.0%	16.8%
2003	594.5	337	22.2%	18.1%
2004	605.6	340	22.5%	5.1%

Berkshire “Capacity to Suffer”

Equity index put options

- From 2004 through 2007, Berkshire Hathaway sold ~\$5 billion in put options on four broad-based equity indices (S&P 500, FTSE 100, EuroStoxx 50, and Nikkei 225).
- Berkshire Hathaway did not put up collateral on most of its options portfolio, even in 2008 when option values rose, triggering more than \$5 billion in paper losses on the contracts sold. Berkshire management supported continuing unchanged, assured that the mark-to-market would reverse.
- Berkshire Hathaway was able to invest the ~\$5 billion “premium” during the insurance holding period and exited the position by 2018.

BERKSHIRE HATHAWAY INC.



Berkshire “Capacity to Suffer”

See’s Candies

- Berkshire Hathaway invested \$25 million in 1972 to own See’s Candies, an American storefront purveyor of chocolates and candy.
- See’s Candies loses money in 8 of 12 months of the year to allow for customer discovery and continuous brand awareness. See’s Candies’ profits funded cumulative \$2 billion dividend to Berkshire.
- The company is profitable on an annual basis, with 90% of profits made in four months of the year (during the main holiday seasons). Rest of the year, BRK reports losses.

BERKSHIRE HATHAWAY INC.





Alphabet

Summary description

Leading global search engine. Additional dominant long-form video and cloud businesses.

Year position established 2018

% AUM 12%

EM as % of revenues 32%

5Y go-forward IRR 12%



Indispensable product

Voting shares / “moonshots” – Google founders insisted on issuing non-voting shares to ensure that control of investment decisions be retained by founding-family supported management.



“Capacity to Reinvest”

Reinvesting across the stack: Search, Gemini, YouTube, and Cloud.

Cloud business is a tangible winner of AI infrastructure spend.

Massive opportunity to reinvest behind Google’s capacity to innovate with outsized returns, 9 products each with over 1 billion users.



Management “Capacity to Suffer” / avoid agency costs

Over \$134B in R&D spend over the last 3 years.

\$160B in capex and \$13B in operating losses across Other Bets over the last 3 years.

“Invest” through the income statement to respond to competitive threat from ChatGPT.



Google Indispensable Product

5T+ Annual Searches

~160,000 Searches / Second

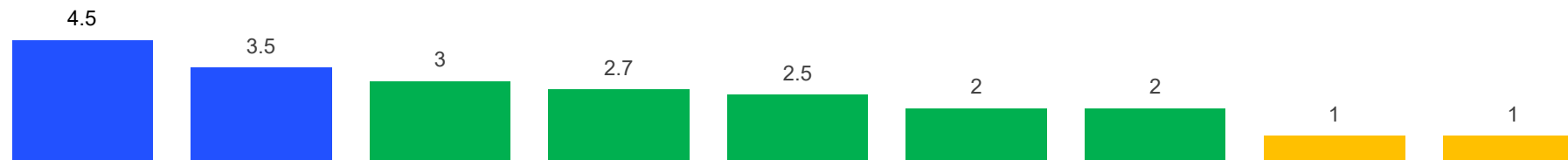
22B+ Total Users

Across 9 Core Products

\$100B in Quarterly Revenue

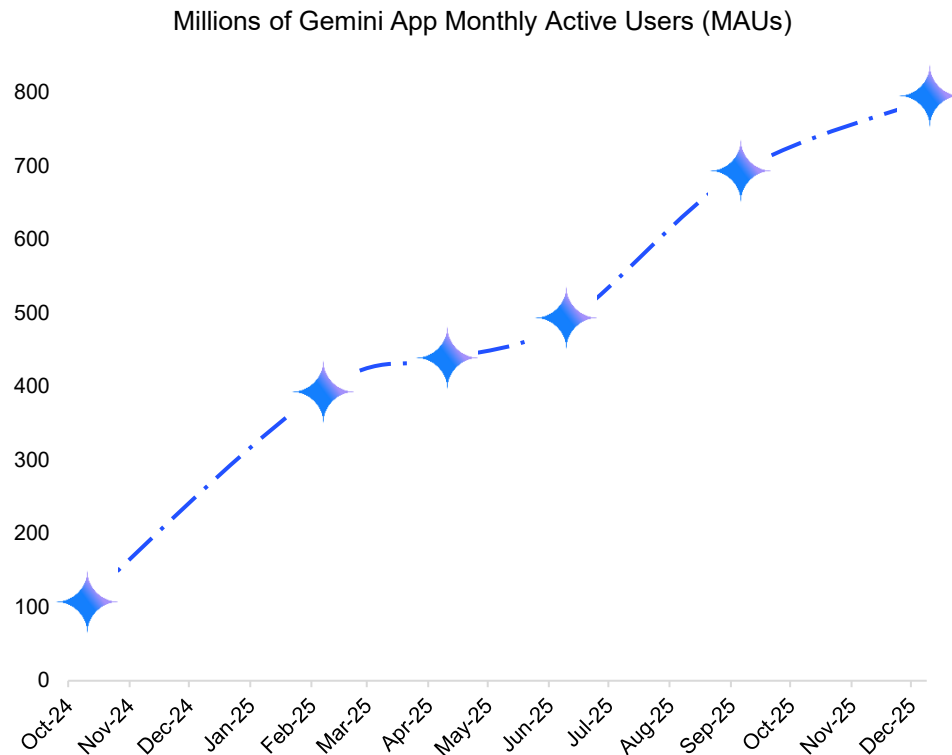
Scale Drives Monetization

Product	Category	Billions of Users	Release Date
Search	Advertising	4.5	1997
Chrome	Browser	3.5	2008
Android	Operating System	3	2008
YouTube	Video	2.7	2005
Play Store	Marketplace	2.5	2012
Gmail	Communication	2	2004
Maps	Navigation	2	2005
Drive	Productivity	1	2012
Photos	Media Storage	1	2015



“Capacity to Reinvest” – Gemini Is the Next Billion User Product

Gemini has 750 million MAUs and will be Google’s 10th product with over 1 billion users.



Source: Google Blog, GRQ estimates, company financials, and quarterly reports.



Gemini now powers Search. AI Overviews serve 2 billion people, the majority of Search users. AI Mode offers a deeper way to search, supporting 75 million daily active users across 40 countries.

Relentless efficiency drives Gemini. In 2025, a 33x reduction in per-prompt power usage more than offset 20x growth in tokens generated.

Gemini processes 10 billion tokens per minute via direct API. The family of models includes Gemini Pro, Gemini Flash, Gemini Code, Veo, Flow, Genie, and Gemma.

Siri by Gemini. In 2026, Gemini will reach Apple’s 2.35 billion active devices and their users.



“Capacity to Suffer” – Investing Across the AI Stack

In the 5 years before the release of ChatGPT, Google invested **\$170 billion** across the AI Stack

Other Bets

\$23B Operating Loss: 2018-2022

- Neural Networks: Invented the transformer model architecture which is the basis for today’s LLM
- Physical AI: Rolled out robotaxis with 2,000 Waymos now operating in 5 major US cities
- Custom Silicon: Developed Tensor Processing Units (TPUs)



Google Cloud Platform (GCP)

\$20B Operating Loss: 2018-2022

- Scarcity Value: GCP is 1 of 3 Western clouds
- Secular Tailwind: Multicloud is trending. The enterprise demands redundancy for mission-critical software. As the smallest hyperscaler, GCP stands to benefit
- Best of Breed: 7th Generation Ironwood TPUs are now available for external use



Capex

\$127B in Investments: 2018-2022

- Power: Added 7 GW of renewable energy through long-term PPAs
- Hyperscale Clusters: Built for Search-scale enablement, AI training workloads, and cloud distribution
- DeepMind Compute: Clustered AI-specific complexes in London and Mountain View
- AI Models: Gemini, LaMDA, PaLM





Philip Morris

Summary description

Largest tobacco company in the world.

Year position established 1990

% AUM 8%

EM as % of revenues 48%

5Y go-forward IRR 14%



Indispensable product

Dominant global brands: Marlboro, IQOS, L&M, Benson & Hedges, Chesterfield.

Pioneering categories launched new brands – e.g., ZYN, VEEV



“Capacity to Reinvest”

Smoke-Free (ex-Wellness & Health) are 45% of revenue and growing market share.

Smoke-free product portfolio development and commercialization.

Global M&A opportunities including but not limited to Swedish Match.



Management “Capacity to Suffer” / avoid agency costs

\$5B in cumulative operating losses to develop IQOS.

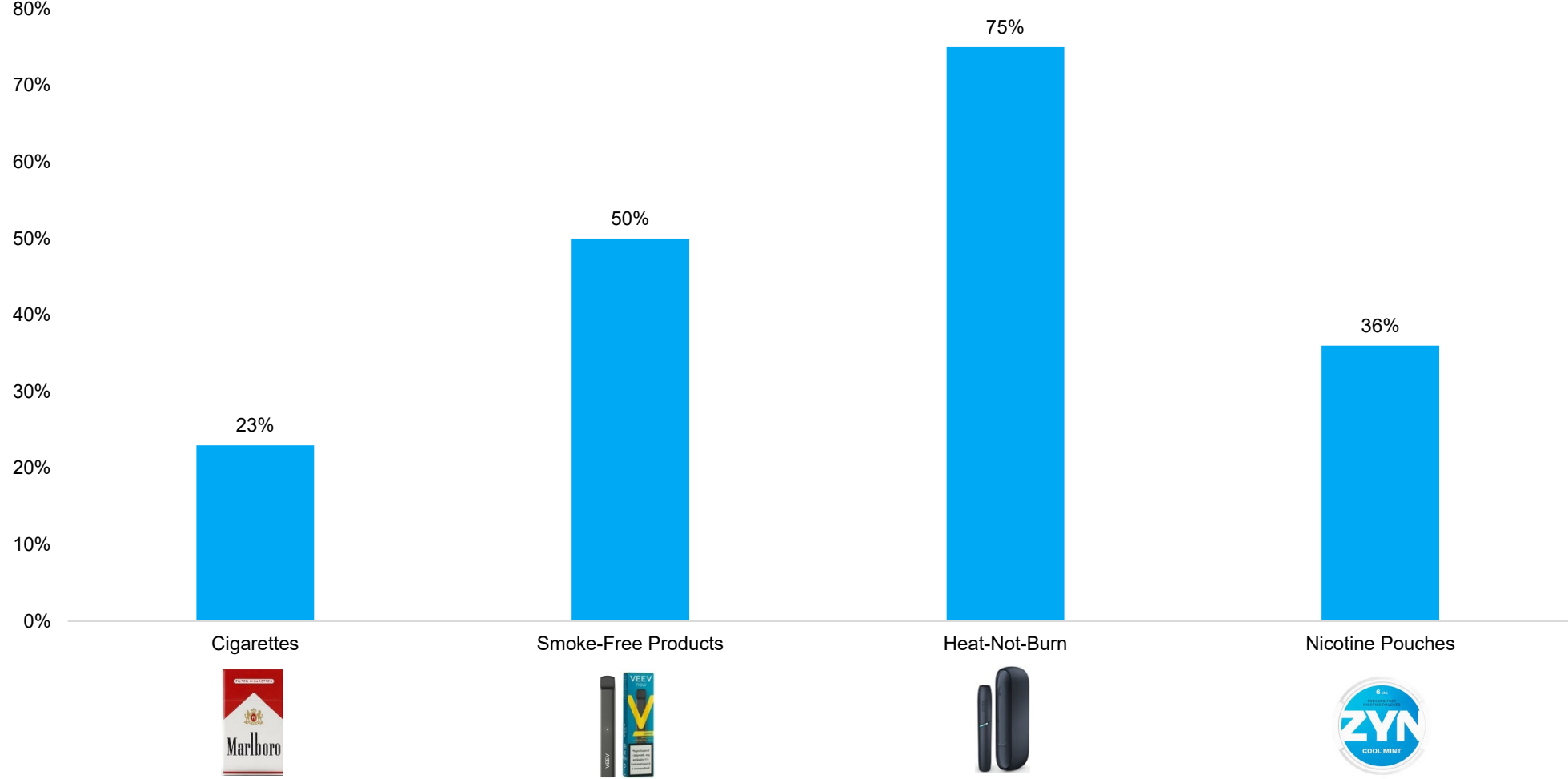
Philip Morris Indispensable Product

Strong leadership in cigarette and smoke-free categories



PHILIP MORRIS
INTERNATIONAL

PMI Category Volume Share (International ex-China)



Source: Philip Morris May 2024 Investor Presentation.

Philip Morris Indispensable Product

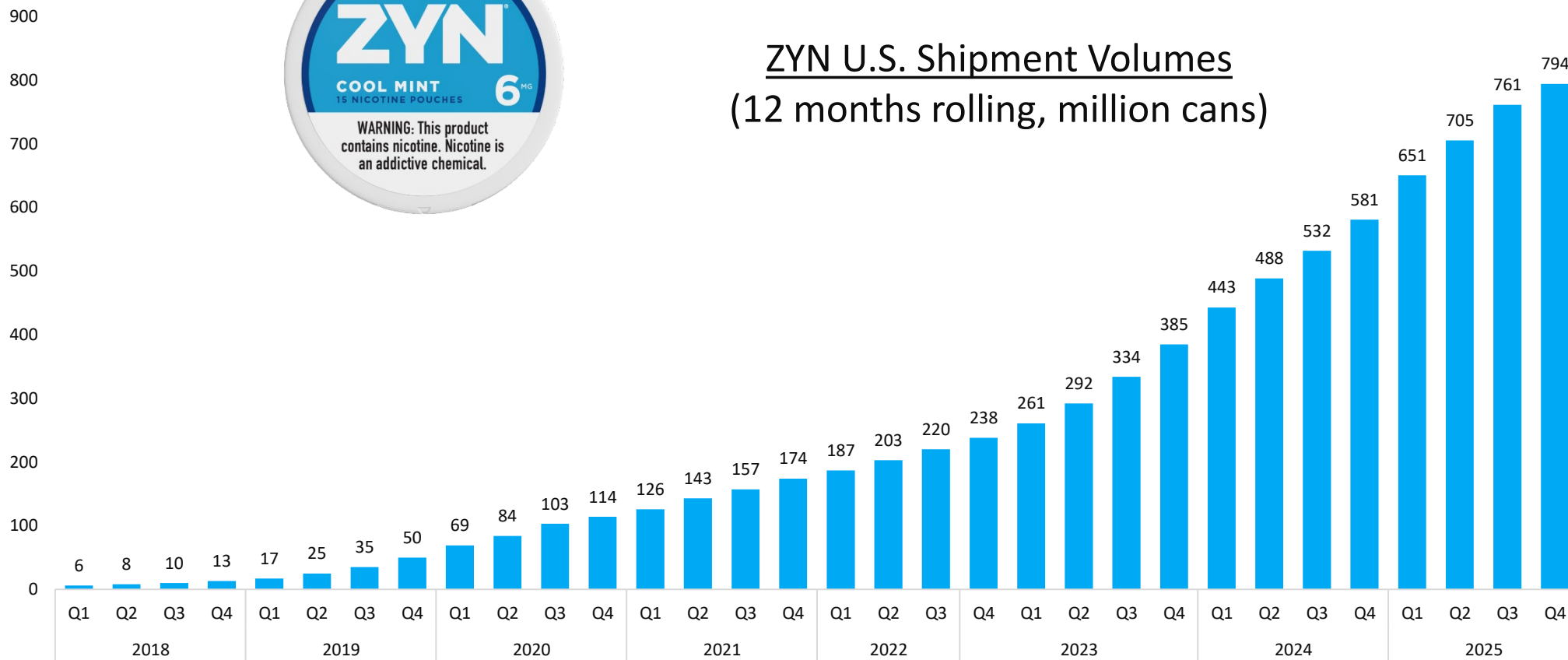
ZYN growth momentum in the US continues with plans to double production capacity



PHILIP MORRIS
INTERNATIONAL



ZYN U.S. Shipment Volumes
(12 months rolling, million cans)



Philip Morris “Capacity to Suffer”

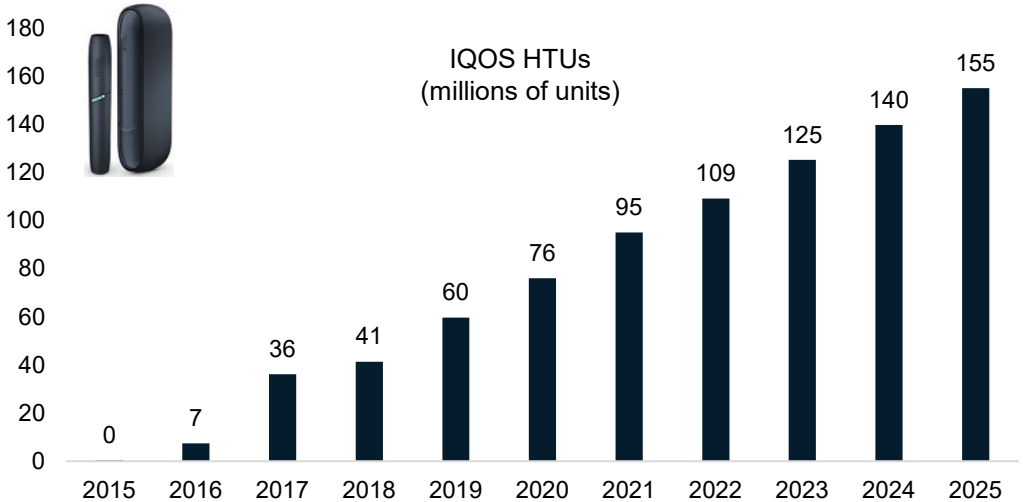
\$30 billion invested to develop, acquire, and commercialize Smoke-Free Products (SFP)



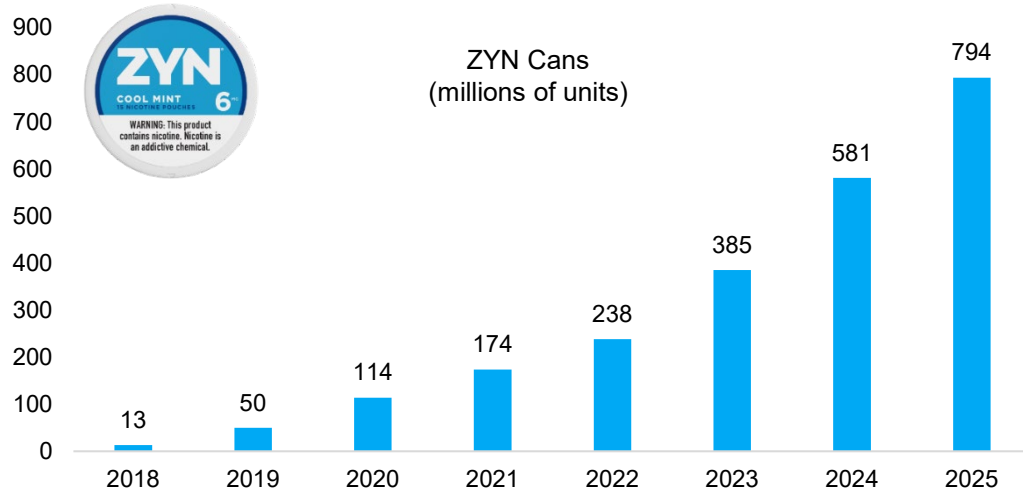
PHILIP MORRIS INTERNATIONAL



- \$14 billion spent to develop, scientifically substantiate, and commercialize SFP since 2008
- \$3 billion of which was IQOS R&D before its Japanese commercial launch in 2014



- \$16 billion invested in the acquisition of Swedish Match, marking PM’s re-entrance to the U.S. market
- \$800 million invested in U.S. manufacturing for ZYN in Kentucky and Colorado



Source: Philip Morris 2025 4th Quarter Results, Philip Morris 2024 4th Quarter Press Release, Denver Post, BusinessWire, company financials.

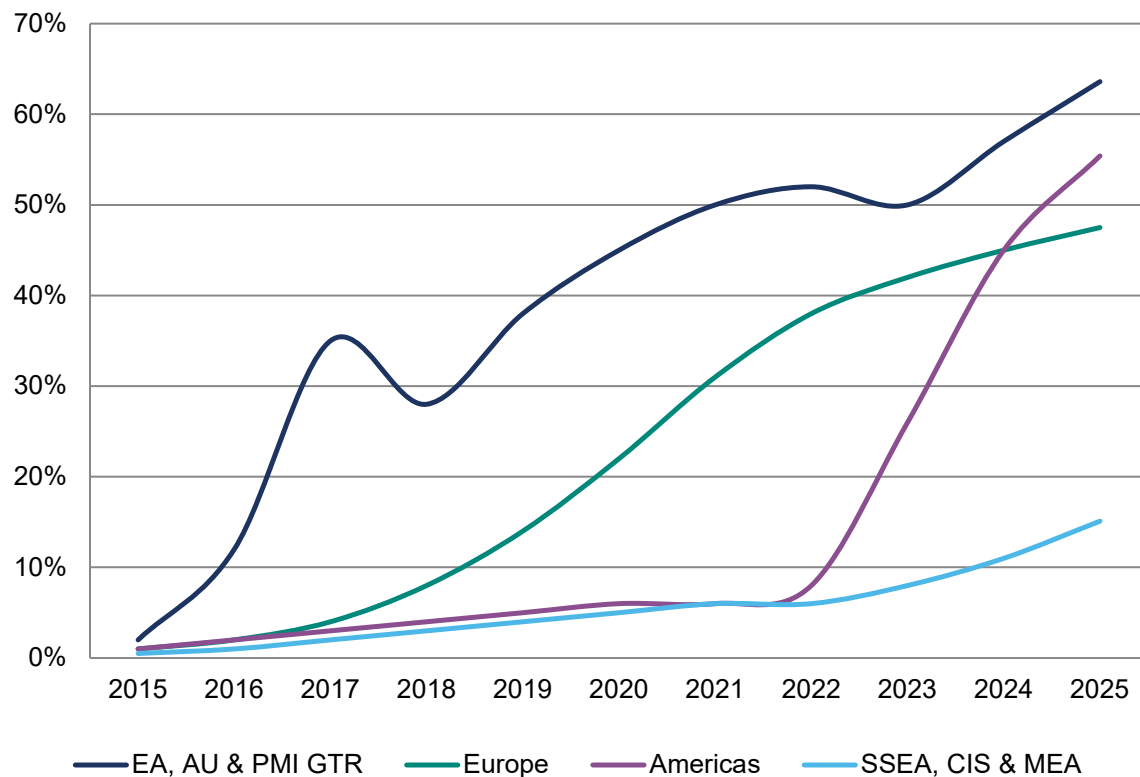
Philip Morris “Capacity to Reinvest”

Smoke-Free Products (SFP) now represent over 40% of group revenue and gross profit

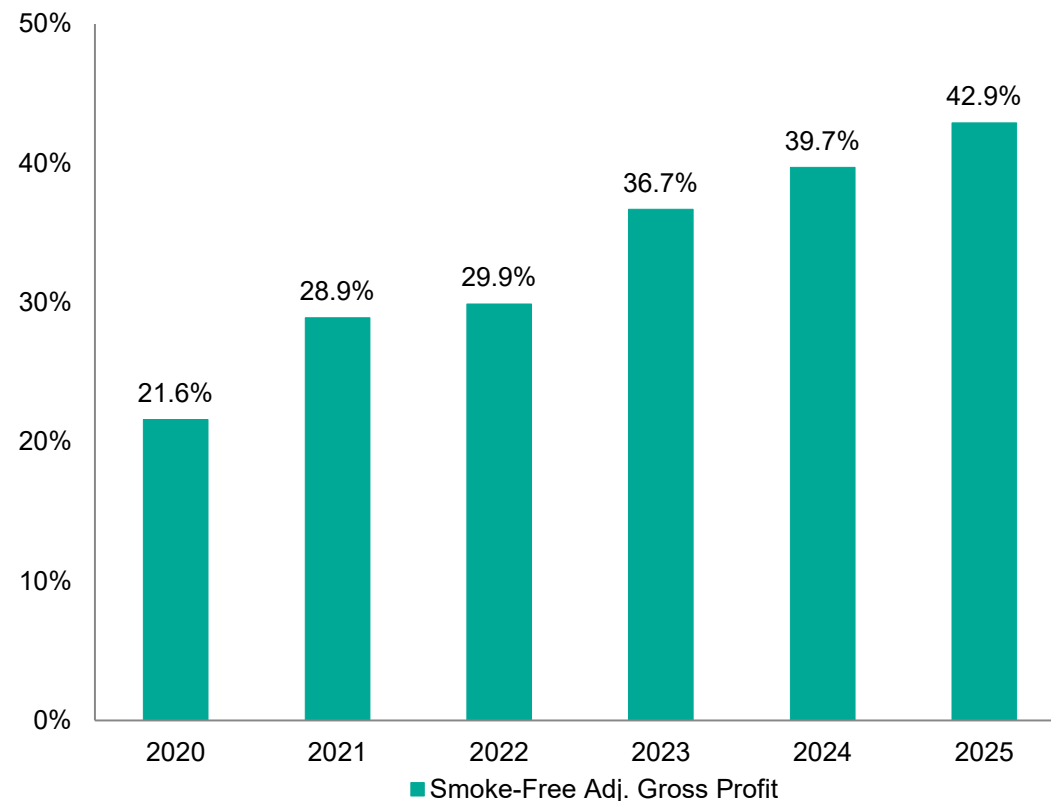


PHILIP MORRIS INTERNATIONAL

SFP as a % of Total Revenues
2015-2025 by Segment



SFP as a % of Adj. Gross Profit
2020-2025 for Group



Philip Morris “Capacity to Reinvest” (Cont.)

ZYN current growth momentum implies 2030 US category size of 3x current

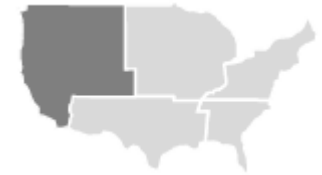


PHILIP MORRIS INTERNATIONAL

Western US

Rest of US

Total US



Nicotine Penetration

(% of legal age nicotine user, 2023)

10%

6%

7%

Average Consumption

(cans per week)

3.3x

3.2x

3.2x



Philip Morris “Capacity to Reinvest” (Cont.)

Smoke-free growth and profitability opportunity



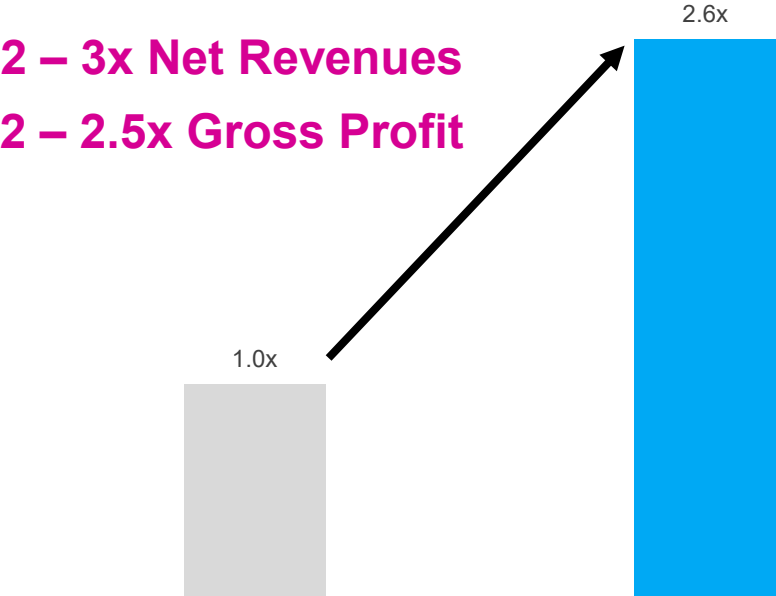
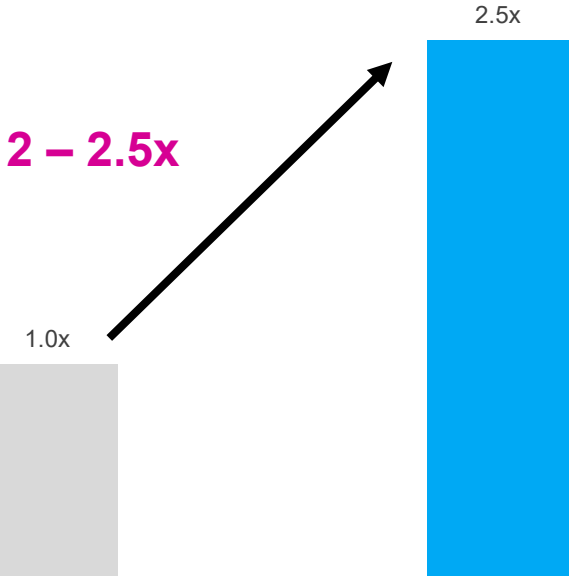
PHILIP MORRIS INTERNATIONAL

~39%

Q2 2024 revenues from smoke-free products

PMI Volume Share (Share of Segment)

Unit Economics (Index = Cigarettes)



Heineken



Summary description

Second largest global brewery by volume. Over 150 breweries in 70 countries.

Year position established 1990

% AUM 9%

EM as % of revenues 53%

5Y go-forward IRR 17%



Indispensable product

#1 global premium beer brand.

Heineken continues to recruit new consumers, evidenced by doubling of Heineken Green Bottle post-Covid in China and Brazil. Sale of high margin returnable bottles fortify high profit margins.



“Capacity to Reinvest”

Rising per capita consumption in EM as disposable income grows. Increased investment in United Breweries India to drive consumption beyond 2 liters per capita vs China (29 liters), Vietnam (45 liters), etc.

Mix shift to higher operating profit premium and category-leading, non-alcoholic beer.

Reinvestment opportunities in China and Brazil premium beer markets.



Management “Capacity to Suffer” / avoid agency costs

Family control drives long-term shareholder – management alignment.

Heineken “Capacity to Reinvest”

Revenue from premium brands expected to grow 2x faster than beer category



	Heineken	Heineken 0.0	Chinese Super Premium beer	Mainstream beer
Rev / hl	€126.71	€147.27	\$197.53	€87.19
Cost / hl	€99.06	€108.97	\$108.53	€75.41
Operating profit margin	22%	26%	45%	14%
Operating profit (beia) / hl	€27.65	€38.30	\$89.00	€11.78
Total operating profit	€1.5B	€201M		€2.2B
Volume (hl)	56M	> 5M		205M

Heineken “Capacity to Reinvest”

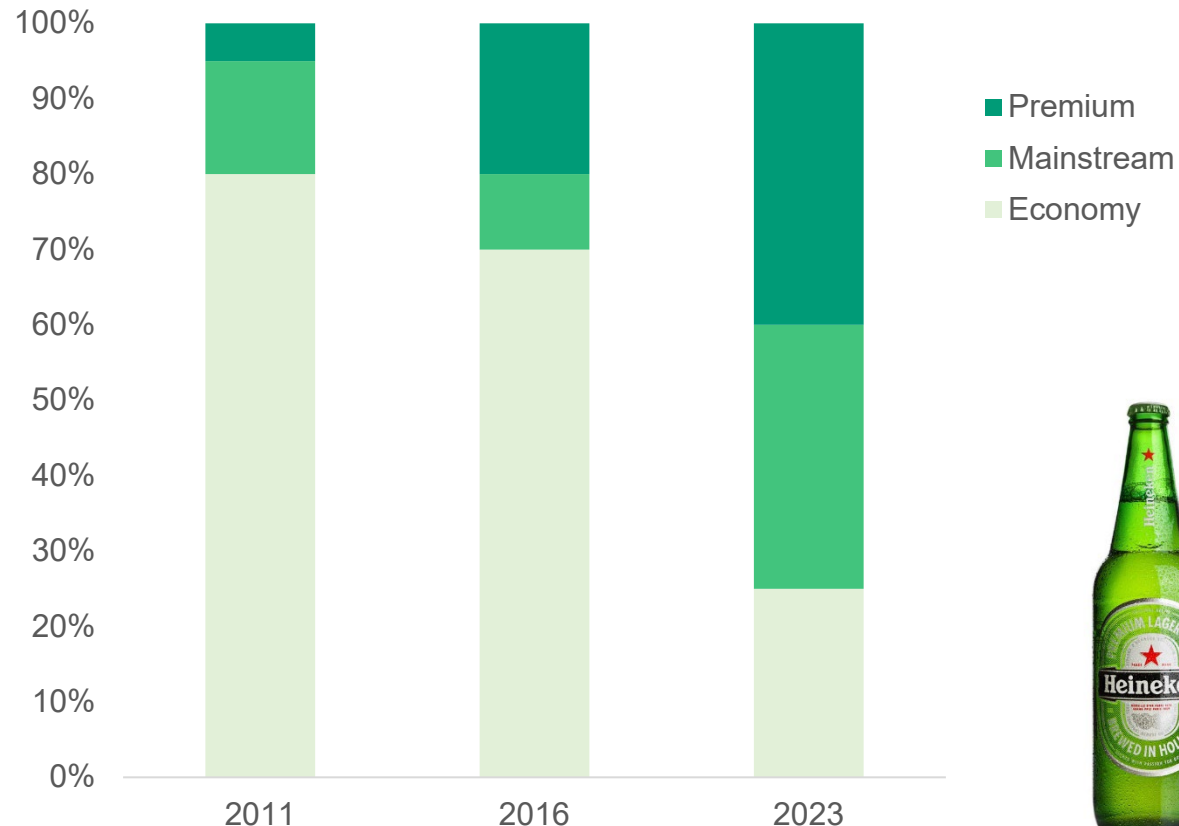
Brazil: a case study in premiumization

Brazil market acquisition – Heineken paid \$725 million from seller who paid \$5 billion



Premiumization in Brazil

From 2011 to 2023



#1 brand

Brazil is Heineken green bottle's largest market

~30%

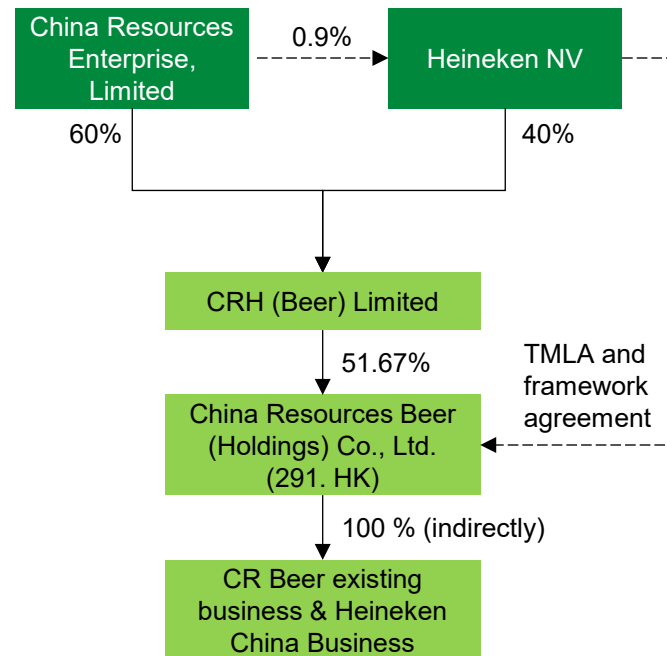
Heineken Original compound annual growth rate from 2015-2023

~70%

Amstel Lager compound annual growth rate from 2015-2023

Heineken China

Strategic collaboration,
which Western investors
unduly fear



70 breweries

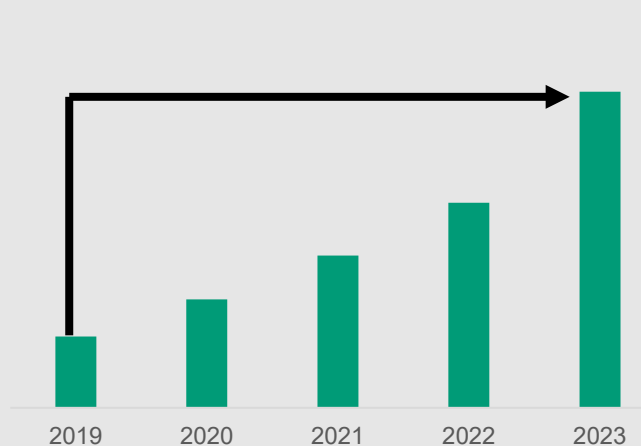
#1 market position, 25% market share

Snow is #1 beer brand by volume in the world.



4.5x

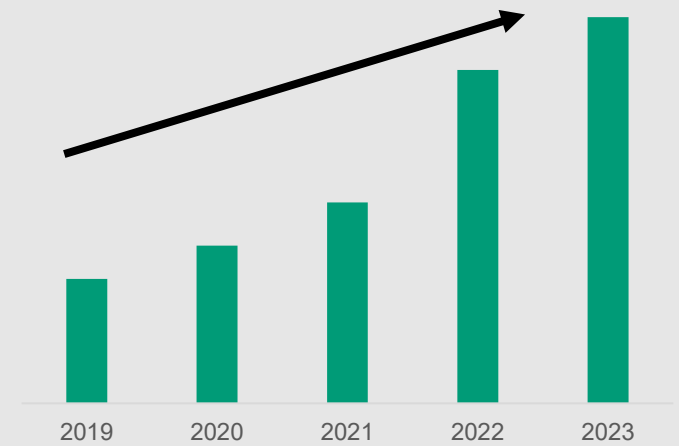
Volume growth momentum



Heineken volume, khl

7%

EPS contribution in H2 2024



Contribution to EPS (beia)

Heineken India

Key facts



21 breweries, 12 contract breweries
#1 market position

Comprehensive portfolio

Segment	Core brands
Super premium	
Premium & premium-plus	
Value	





- 1.4 billion population with per capita consumption in the low single digits (2 liters per capita). 20M new adults will cross the legal drinking age every year.
- Acquisition of control of United Breweries took more than a decade. UBL owns the largest beer brand in India, Kingfisher (54% market share) along with other profitable Asian markets (e.g., Vietnam).
- Future growth drivers include increased share of throat (beer is 10% of alcohol consumption), distribution (90k outlets vs 10M FMCG TAM), and fair price regulation (beer costs 1.5-3x vs spirits).



Richemont

Summary description

Largest luxury watch and jewelry group in the world.

Year position established 1997

% AUM 8%

EM as % of revenues 40%

5Y go-forward IRR 14%

Note: IRR is net of fees as of 12/31/2025.

R I C H E M O N T



Indispensable product

Dominant global brands with best-in-class pricing power: Cartier, Van Cleef & Arpels, Montblanc, and Piaget.



“Capacity to Reinvest”

Branded jewelry is taking share globally: roughly 30% global market share in 2023 vs 12% in 2011.

Premium pricing drives reinvestment into product and margin improvement.



Management “Capacity to Suffer” / avoid agency costs

Family control drives long-term shareholder – management alignment.

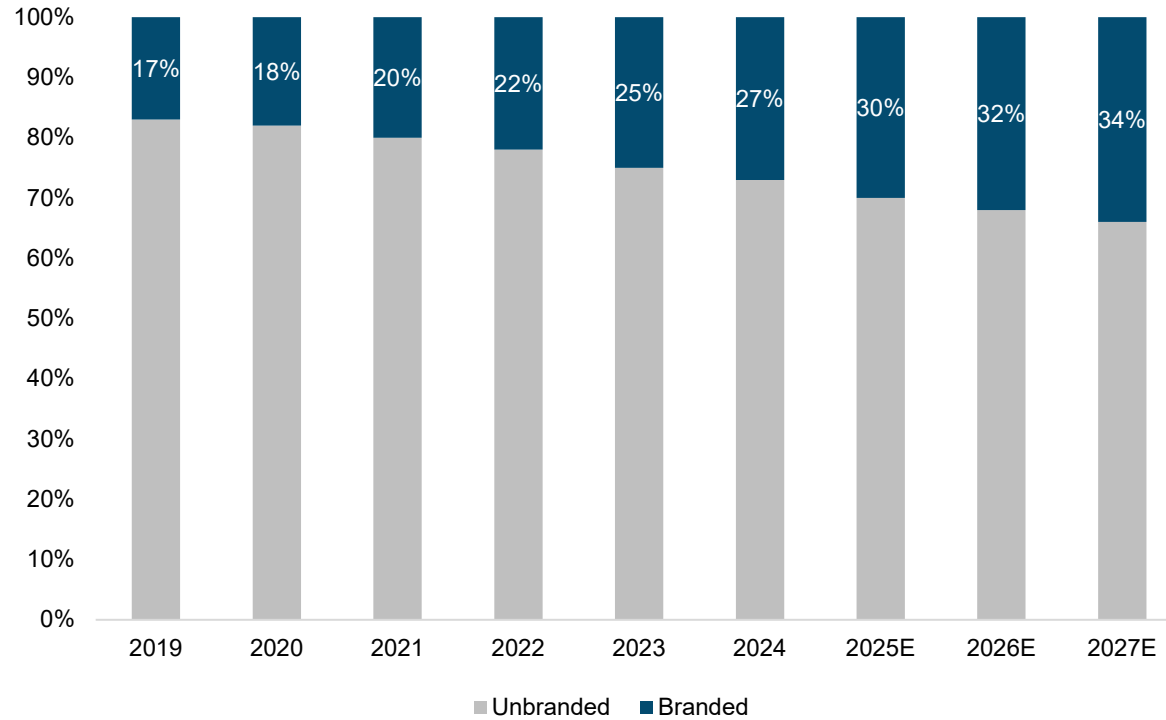
Management chose the identical, but rundown brand maison, which required extensive repair expenses. Long-term positive IRR, but near-term sizeable reported losses to shopping district, Tverskaya.

Source: McKinsey & Co., company filings, GRQ estimates.

Richemont “Capacity to Reinvest”

Embracing branded jewelry

RICHEMONT



Branded jewelry growth CAGR 13%

Unbranded jewelry growth CAGR 1%





Nestlé

Summary description

Global consumer staples brand.

Year position established 1990

% AUM 7%

EM as % of revenues 40%

5Y go-forward IRR 14%



Indispensable product

Globally dominant pet food: Nestlé Purina (100%+ US ecommerce growth during the pandemic).

\$11.3B in total capex and M&A over the last 2 years to invest ahead of global health and wellness trends.



“Capacity to Reinvest”

Large reinvestment opportunity in coffee (\$450B global TAM).

Pet food (\$134B global TAM) and VMS (vitamins, minerals, supplements, \$183B global TAM) also enjoy large reinvestment opportunity.

15B CHF in net share buybacks 2022 – 2024.

Secular growth in international, single-serve, premium coffee.



Management “Capacity to Suffer” / avoid agency costs



Nestlé invested in Nespresso for 11 years before breaking even. Globally dominant premium coffee: Nescafé, Nespresso, Blue Bottle. Nestlé is the #1 player in the global at-home coffee consumption market.

Winning Nestlé culture recently challenged, reinvigorating Nestlé’s global teams.



Nestlé “Capacity to Suffer”

Nestlé has invested in category creation

			Human Milk Oligosaccharides (HMOs)
	11 years to breakeven	7 years to breakeven	> CHF 200M R&D investment
	↓	↓	↓
2021 Sales, CHF	6.4 billion	> 1.5 billion	1.3 billion
Underlying margin	23%	>20%	>20%

Nespresso and Nescafé Dolce Gusto lost money for years before Nestlé broke even.

Today, Nestlé is the #1 player in the global at-home coffee consumption market.

Nestlé continues to invest ahead of global health and wellness trends and is gaining market share in this category today.

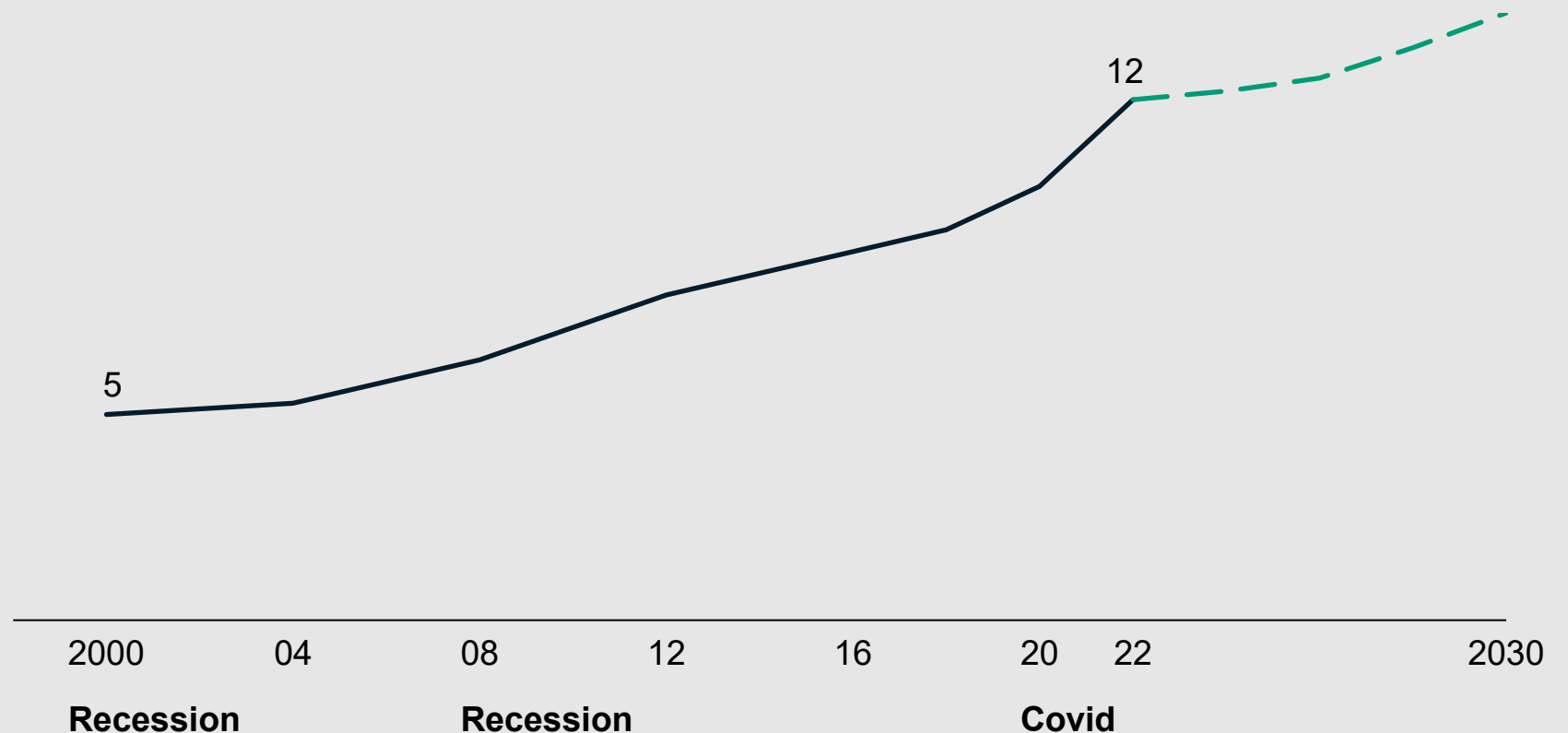
Nestlé

“Capacity to Reinvest”








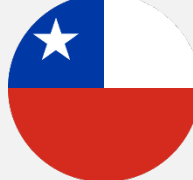
Coffee: a resilient category even in turbulent times

Global consumer expenditure in coffee
CHF per capita





Nestlé “Capacity to Reinvest”: emerging markets

	Greater China	Brazil	Mexico	Philippines	India	Chile
						
Sales 2023, CHF	5.5B	4.1B	3.9B	2.7B	2.0B	1.3B
Organic growth 10Y average	Low single-digit	High single-digit	Mid single-digit	Mid single-digit	High single-digit	High single-digit
Years present	116	103	94	113	112	90

Note: Organic growth CAGR is for 2012 – 2022.

Source: Nestlé DB Consumer Conference presentation 2023, Euromonitor, Statista, GRQ estimates.

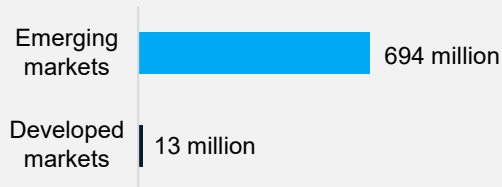


Nestlé “Capacity to Reinvest”: emerging markets

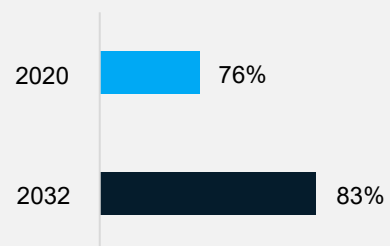
Expected market CAGR, 2023 – 2025: mid single-digit

Increasing population and purchasing power

Population increase by 2032

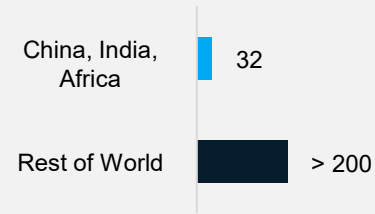


Population with income > USD 4 per day

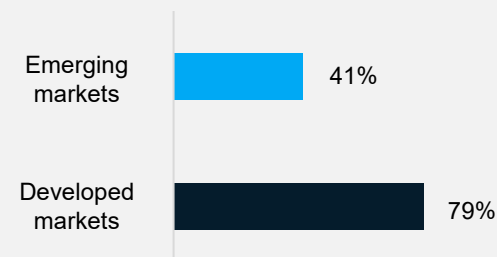


Expanding under-indexed categories

Coffee cups per person per annum

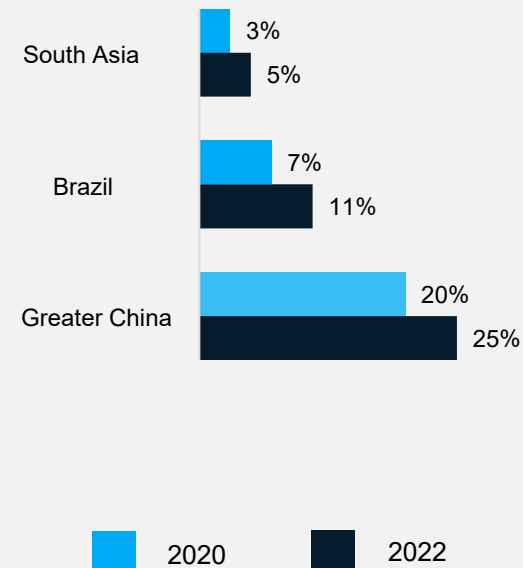


Pet food calorific coverage



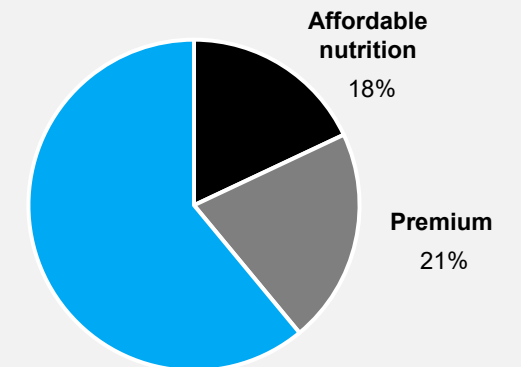
Leveraging digitization

E-commerce as % of sales



Capturing premium and affordable opportunities

% of emerging markets sales





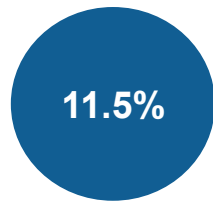
Nestlé “Capacity to Reinvest”: portfolio premiumization

Leaning into premium offerings in Coffee and Petcare

Portfolio Premiumization

Premium products

Attractive growth



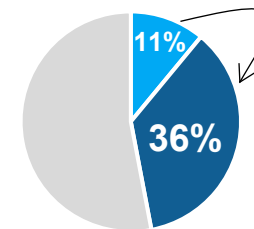
10Y CAGR
(2013 – 2023)

Strong margin

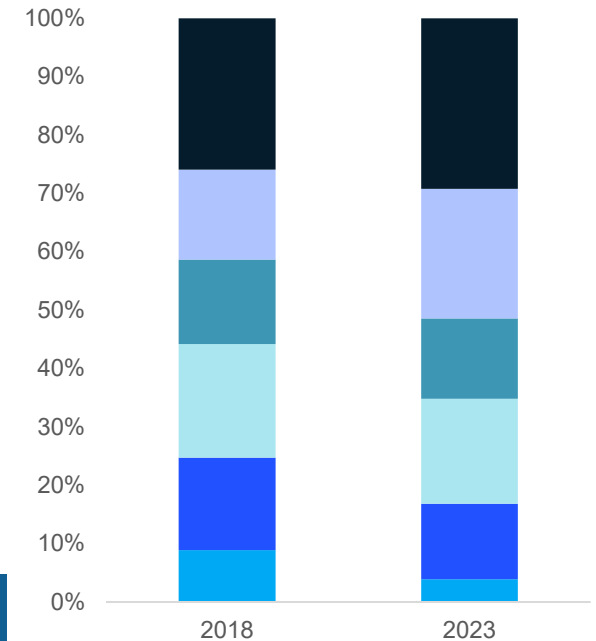


Underlying TOP margin
Premium vs Group

Increasing contribution
to sales (3x vs 2013)



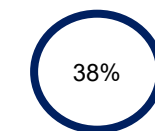
% of premium products
vs total group sales



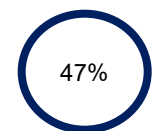
Driving premiumization through innovation across categories



Premium defined as at least 20% price premium over mainstream offerings.



Beverages & PetCare



Beverages & PetCare

E.W. Scripps – Family Control

- **Focus on Long-Term Culture**
 - **E.g., Boston Symphony professional development**
 - **Sold media businesses as traditional print media and radio prospects turned dim**
 - **Careful, small, collaborative start-up team focused on large long-term promise**
 - **Founding three partners launched with a “no @\$\$**le” policy to define their value on human resource**
- **“Capacity to Suffer” – Management provided \$160 million in “start-up investments” to launch HGTV and the nascent cable business, suffering 4 years of annual losses before breaking even. Scripps Network Interactive spun out in 2008 with an Enterprise Value of ~\$7 billion, later selling to Discovery Communications in 2018 for \$14.6 billion.**

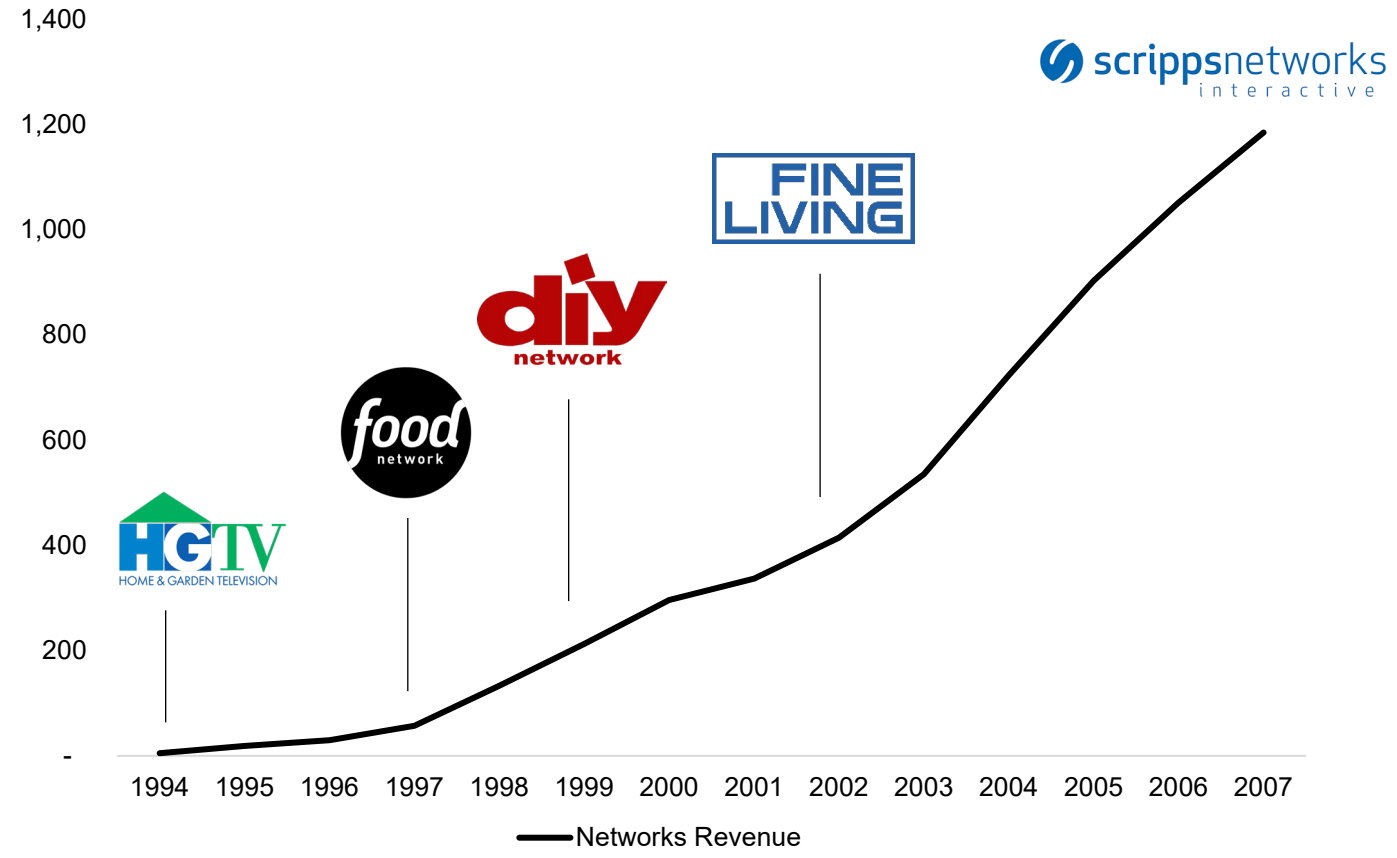
E.W. Scripps “Capacity to Reinvest”

A \$160 million investment in Networks led the way to a \$7 Billion Spin-out



- **\$160 million invested** in HGTV and the cable business in the first 4 years after launch. Development expenditures negatively weighed on reported earnings.
- **52% Revenue CAGR** for the Networks segment over the period from 1994-2007
- Scripps Networks Interactive was spun out in 2007 and listed in 2008 for an **Enterprise Value of \$6.7 Billion**

Networks Revenue
Launch of HGTV (1994) - Spin-out (2007)



Source: E.W. Scripps Annual Reports, company filings, Bloomberg.

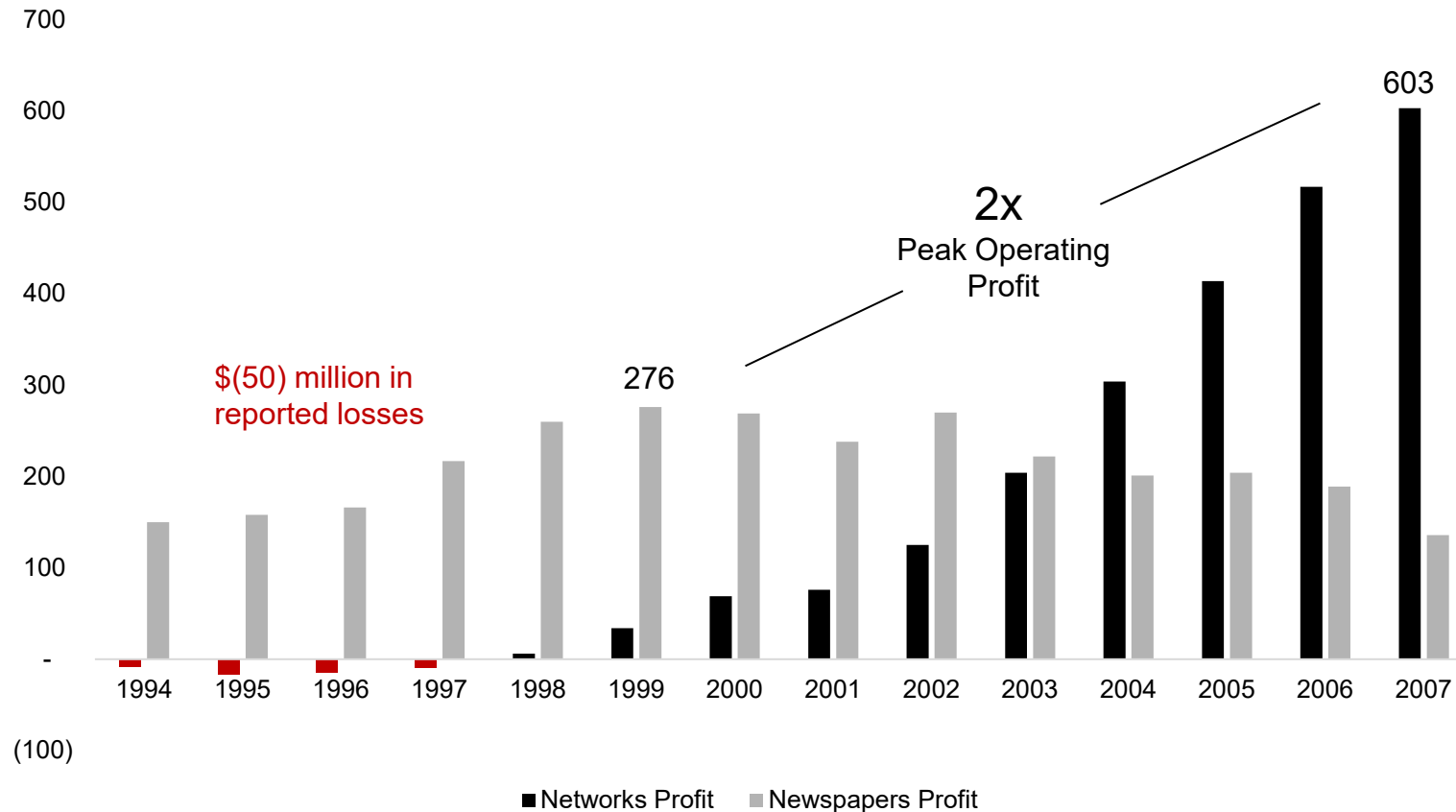
E.W. Scripps “Capacity to Suffer”

Suffering for the future – Networks more than made up for the decline of Newspapers



Operating Profit: Networks vs. Newspapers

Launch of HGTV (1994) - Spin-out (2007)



4 Years

of losses before Networks became profitable

2x

Newspaper's peak – Networks didn't replace the legacy business; they doubled it

51%

Networks' operating margin vs. 21% for Newspapers in 2007

Current Forces Impacting Investor Opportunities

- AI – Indirect Portfolio Impact (Google)
 - Potentially positive or negative or both...
- Global spirits and beer – Revenge Drinking (Pernod Ricard)
 - No alcohol threat, consumer behavior shifts
 - COVID-induced continued financially weakened route-to-market
- Luxury Holdings / Consumer Sentiment (Richemont)
 - Coco Chanel opined “Money is money is money, it’s only the pockets that change.”
- GLP-1 model (Nestlé)
- Regulation (e.g., tobacco and nicotine regulatory authorities)
- Inflation, interest rates, currency, tariffs, etc.
 - Loss of global standing, breakdown of trust
 - Potential loss of reserve currency
 - Withdrawal of global leadership

Appendix:

Investment Wisdom

“Wisdom Shared” – Warren E. Buffett, Berkshire Hathaway

- Tax Efficiency is paramount
- Minimize Agency Cost – avoid bad actors
- “Capacity to Reinvest”
- “Capacity to Suffer”
- “Choose your heroes carefully.” Good reputations take a lifetime to build and only a second to destroy.
- Portfolio Manager able to do everything, willing to do nothing
- “Step over one foot fences”
- Await the fat pitch
- Invest with a “margin of safety” resulting from attractive entry price paid. “Mr. Market” is there to assist.
- “Know your circle of competence, and stay inside your circle”
- Value investing “is as easy as that, and as hard as that...” – Aesop 620 – 564 BCE
- “I am a better investor because I am a businessman and a better businessman because I am an investor.”
- “Send excess capital back to Omaha”
- No credit for degrees of difficulty

“Wisdom Shared” – Charles T. Munger, Berkshire Hathaway

- “Invert, Invert, Invert”...
- Because we “felt like it” – liquidation of Freddie Mac position
- Warren and I just “try to be rational”...
- That which “made Berkshire great will not be the same as what will keep it great”...
- “No Warren, you were right....No Charlie you were right”...
- “Low expectations” – the secret of investment success, as well as a happy marriage
- Never give customers a reason to “look elsewhere”
- “Associate with exemplars”
- Guard reputation. Your reputation, if damaged, is impossible to reclaim.
- Outperform over time / underperform much of the time
- Investors need not “make back money the same way they lost money”
- “Investments do not know you own them”

“Wisdom Shared” – Jack G. McDonald, Stanford Business School

- Invest abroad
 - 95% of world population lives there – largest “Total Addressable Market”
 - Veuve Clicquot – early investment by Jack McDonald, the true global value investing pioneer
 - Japanese insurance companies – capital accounts held undervalued securities at historic cost
 - Avoid currency risk but watch out for overused US dollar
- Invest Like a Pilot
 - All gauges matter – heads up
- Recognize Risk – Avoid Appeal of Convenient Certainty
 - Just because others agree with you, doesn’t make it right.
 - Charles T. Munger
 - Jeffrey P. Bezos
- Handle Risk – Steer Through Skids, No Braking (Robert Kirby, Stanford)
- Have a Folly
 - Zaca Mesa Winery
 - New Golf Clubs – Newest Driver Syndrome

Summary highlights

GRQ remains focused on our search for the following attributes:

- Consumer belief in product or service indispensability;
- Price inelastic demand;
- Long-term goal of reinvestment of operating free cash flow to drive intrinsic value appreciation on a per share basis;
- “Capacity to Reinvest”;
- Managerial “Capacity to Suffer” provides valued board level support from founder-led and family-controlled boards. Such boards act with an eye towards any indication of agency costs, which should be avoided at all costs
- Redeployment of western-market, free-cash flow to reinvest globally to increase international returns.

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Semper Vic Partners (QP), L.P. invests pari passu with Semper Vic Partners, L.P., but is restricted to investors who are "qualified purchasers" under Section 2(a)(51) of the Investment Company Act of 1940. Semper Vic Partners (QP), L.P.'s "global value" equity investment style is value-oriented and long-term-oriented.

Although Semper Vic Partners, L.P. and Semper Vic Partners (QP), L.P. invest pari passu, each fund has in the past, and may in the future, experience material deviations in the rate of portfolio turnover due to various factors, including but not limited to, the time in which either fund receives new subscriptions or requests for withdrawals.

Included for performance reference are the following indices:

DJITR - Dow Jones Industrial Average consists of 30 large US companies.

SP500T - S&P 500 consists of 500 large US companies.

MSCIEXUS - MSCI All Country World ex USA consists of roughly 2,300 non-US companies.

MSCIACWI - MSCI All Country World Index consists of roughly 2,900 companies including US and non-US companies.

The indices show the general trend in markets in the period indicated. The limitations of indices, for comparison purposes with the composite investments, are not analogous either in composition or element of risk. The indices represent the performance of portfolios of securities that offer considerably greater diversification than the GRQ portfolio. These indices cannot be invested in directly and do not reflect the deduction of fees and expenses. Client total returns include dividend income, as do returns for above referenced indices.

Net IRR" and "Net Multiple" take into account fund-level expenses, fees, profit reallocations (or equivalent fees). Net IRR and Net Multiple are calculated on a fund-level basis and not for any individual investor. Investors may have different performance returns than those indicated under Net IRR or Net Multiple due to varying economic terms, the timing of subscriptions and withdrawals and, if applicable, participation in fewer than all investments.

Semper Vic Partners' "global value" equity investment style is value-oriented and long-term-minded. Semper Vic Partners has provided over the years considerable exposure to foreign companies that evidence a strong "capacity to reinvest." Indices against which Partnership performance is compared will not precisely mirror composition or investing style of the Partnership. Compound annual returns for Semper Vic Partners, L.P., as other returns of the major indices, are expressed with dividends reinvested. Semper Vic Partners, L.P. results are for Semper Vic, a limited partnership established July 16, 1990. Annual returns are limited partner returns and are expressed net of all expenses. Reported Partnership net-of-fees performance will be impacted by the presence of non-billed, family accounts. Any results that include Semper Vic Partners, L.P. estimated monthly performance (including year-to-date and compound annual performance) are unaudited. Past performance is not a guarantee of future results and does not diminish possibility of loss.